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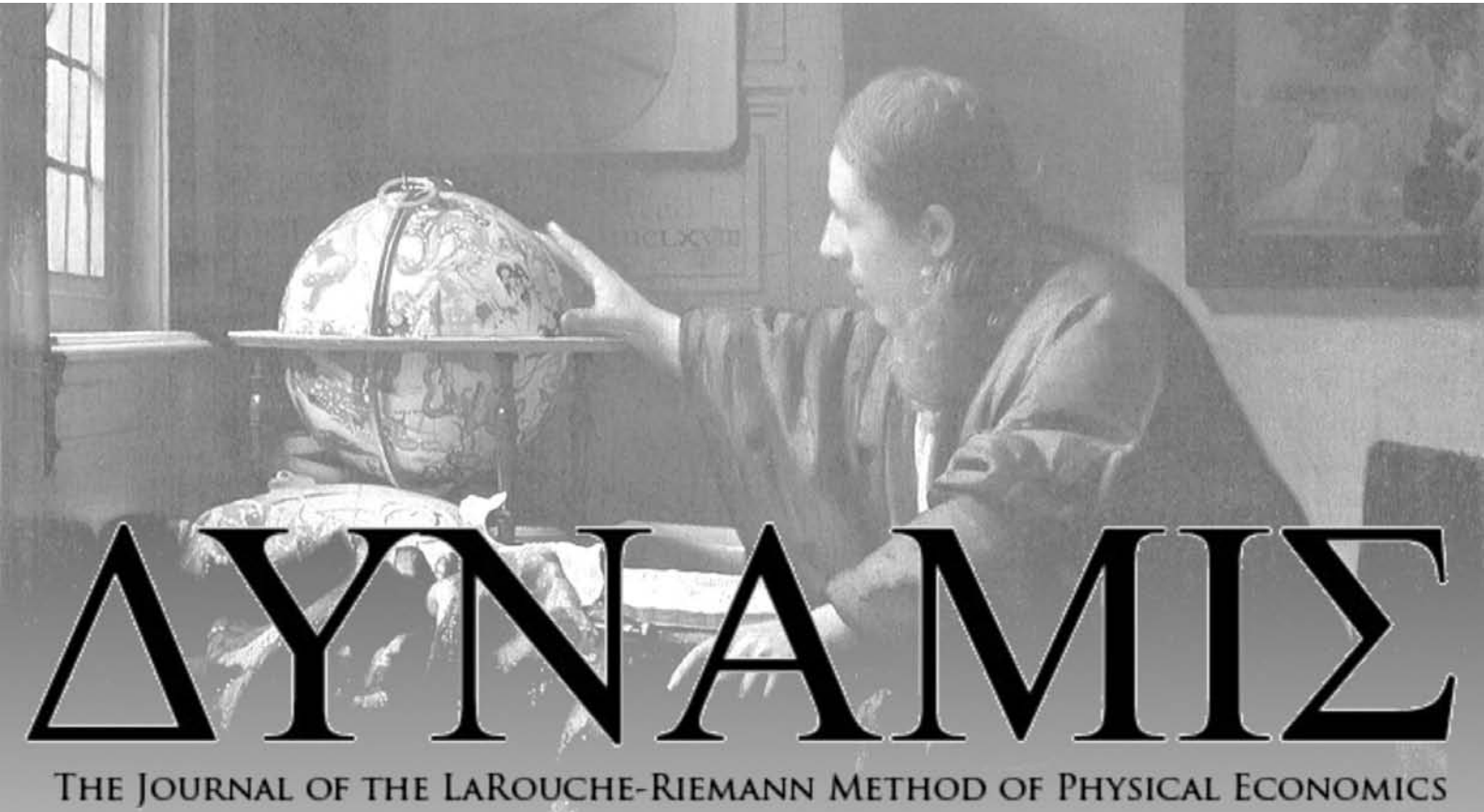
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Foolish Fed's Rate Cut Pumps Hyperinflation  
Rohatyn, Shultz Drive Bloomberg's 'Beer Hall Putsch'  
A New Sykes-Picot Deal, or Real Mideast Peace?

**LaRouche Outlines Strategy  
To Prevent Fascism Today**





# ΔΥΝΑΜΙΣ

THE JOURNAL OF THE LAROUCHE-RIEMANN METHOD OF PHYSICAL ECONOMICS

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## SEPTEMBER 2007 EDITION

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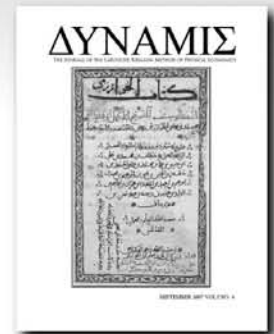
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# EIR

## From the Assistant Managing Editor

In a brief, but urgent address to a Washington, D.C. audience Jan. 30, Lyndon LaRouche made clear what civilization faces in the immediate weeks ahead: “The entire planet’s future is going to be determined by the way we deal with this presently onrushing, accelerating international financial breakdown crisis... If this were to continue, without change, as a policy trend over the coming months, we would have a *global* situation, a chain-reaction process, which would end up much like the 1923 crisis in Germany.”

And then, ominously: “That’s the thing: the same principles, economic principles or mismanagement, which are responsible for what happened in Germany then, with the Hitler outcome” (see *Feature* for the full speech).

At that Washington event, LaRouche played a four-minute video which animates the characteristic features of the hyperinflationary explosion that took place in Weimar Germany in 1922-23. The video, composed by members of the LaRouche Youth Movement, known as the “Basement Team,” which will be expanded into a one-hour program, makes clear that the United States and the world are, today, facing the same kind of hyperinflationary crisis that led to the complete breakdown of the German economy, laying the ground for the rise of fascism.

The idea is further elaborated in our *Economics* lead, “Foolish Fed’s Rate Cut Pumps Hyperinflation,” by John Hoefle, who has been working with the Basement Team; the article analyzes the effects of the Fed’s panicked reaction to the global financial meltdown, with its unheard-of interest rate cut of 1.25% within eight days. This is the stuff of Weimar-style hyperinflation.

Further documentation of the rapid unravelling of the financial system, and its solutions, are provided by Helga Zepp-LaRouche, who examines the crisis from the standpoint of Europe, especially Germany, where, as is common among leading political strata, the mantra is still, “The fundamentals are sound.”

Looking at the U.S. political map, Jeffrey Steinberg writes that the fascist twins Felix Rohatyn and George Shultz are leading a drive for a Michael Bloomberg “Beer Hall Putsch,” by attempting to destroy the leading candidate for the Presidency, Hillary Clinton.

So, before it’s too late, let us join LaRouche in vowing: “Hitler shall not come again!”



## Cover This Week

*A drawing from Weimar Germany. The misery created by reparations and hyperinflation became the breeding-ground for Hitler's rise to power.*



*Simplicissimus*

#### **4 LaRouche on Hyperinflationary Crisis: We Have the Potential To Defeat the Threat of Fascism Today**

Lyndon H. LaRouche, Jr. addressed a private luncheon on Jan. 30. He began by showing a video that dramatized how hyperinflation, like that in Weimar Germany in 1922-23, is beginning to take off now, internationally. If this were to continue without change, he said, we would have a global chain-reaction process, which would end up much like the crisis in Germany that led to Hitler. LaRouche vowed, "Hitler shall not come again!" The only way to avoid a precipitous collapse, which would open the way for fascism, is for the United States, Russia, China, and India to be brought together as national forces, and agree to reorganize the bankrupt financial system.

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In response to an article by Russia's General-Colonel Leonid Ivashov (see below), Lyndon LaRouche writes that the entire planet is in the grip of a general breakdown-crisis, from which no nation can escape. LaRouche describes the origins of the oligarchic forces which got the world into the present untenable situation, and explains how the crisis can be solved, with a new international fixed-exchange-rate monetary system and the creation of credit for specific major, long-term development projects, within and among nations, in a nested set of agreements labelled "the common aims of mankind."

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LAROUCHE ON HYPERINFLATIONARY CRISIS

## We Have the Potential To Defeat the Threat Of Fascism Today

*Here is Lyndon LaRouche's opening statement to a private luncheon on Jan. 30. His remarks were preceded by the LaRouche Youth Movement's animated report "Fed Copies Weimar Hyperinflation," <http://www.larouhepac.com/news/2008/01/28/fed-copies-weimar-hyperinflation.html>.*

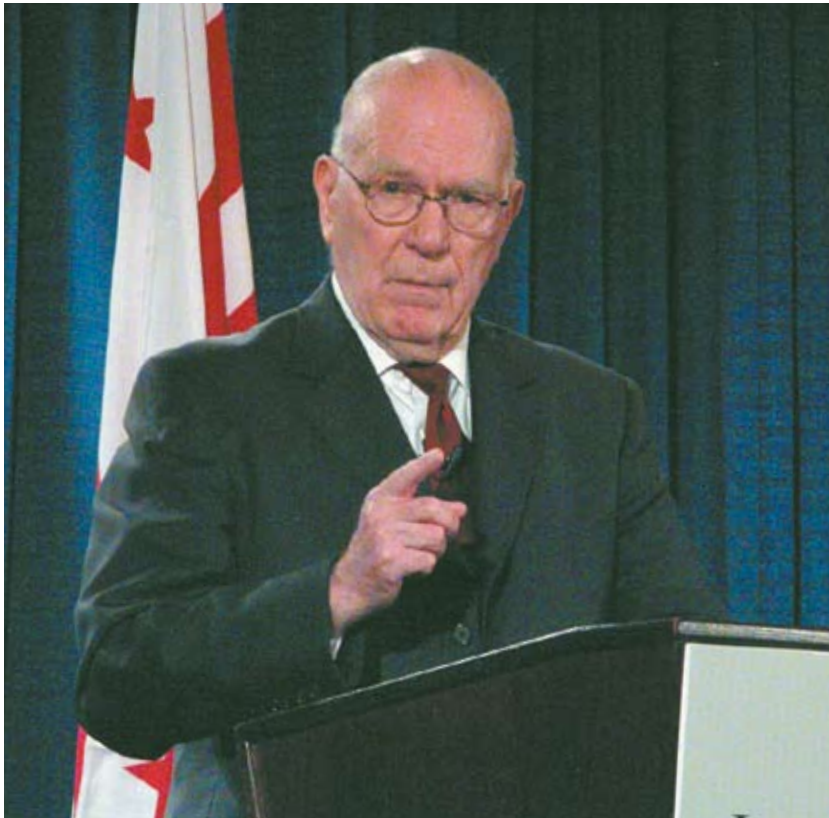
I'll make a few remarks at first, then I'll play this four-minute video which is also on the website, which contributes to an explanation of some of the issues which have to be conceptualized.

This particular video identifies the characteristic features of the 1922-1923 crisis in Germany, the famous hyperinflationary crisis. The significance of this video is to present something that very few economists understand: What was the cause of the hyperinflationary crisis, then? And what is the very similar cause for the hyperinflationary crisis which is breaking out internationally, now? That is, the entire planet's future is going to be determined by the way we deal with this presently onrushing, accelerating international financial breakdown crisis. There are solutions, which I'll speak of today. But the first thing, before understanding the solution, you have to know what the sickness is. So, proceed with the video.

[The video is shown.]

The point of this, is that we are now in a world situation, which is comparable to what happened to Germany, in the period 1919-1921-1923. And most recently, the absolutely stupid mistake, by the U.S. Federal Reserve System, and government, including members of the Congress, led by Congresswoman Nancy Pelosi—that this has triggered the beginning of a steep hyperinflationary situation, not only in the dollar, but in the international financial system. If this were to continue, without change, as a policy trend over the coming months, we would have a *global* situation, a chain-reaction process, which would end up much like the 1923 crisis in Germany.

That's the thing: the same principles, economic principles or mismanagement, which are responsible for what happened in Germany then, with the Hitler



EIRNS/Stuart Lewis

*Lyndon LaRouche: The physical preconditions exist for making a shift from globalized fascism, to cooperation of sovereign nation-states. What is needed is the will to make the change, and a political force strong enough to carry it out.*

outcome. We have, in the United States, also a Hitler-like phenomenon, or Mussolini-like phenomenon. As you may have observed, there's been a process recently with the collaboration of the financier-controlled press of the United States and London—most of them—in trying to destroy the regular candidates of the Republican and Democratic Party. You have seen Giuliani, the former Mayor of New York just destroyed; you see the attempt to destroy Clinton, Hillary Clinton, as a campaign, a press-orchestrated campaign. You will see Obama, who is being pushed, will be destroyed. The chosen candidate for the United States President at this time is Mayor of New York Bloomberg, an accredited fascist controlled by the relevant people, George Shultz and company. And therefore, a Bloomberg government in the United States, if it lived—and it probably would not—would be very much like the Mussolini government established in Italy in the 1920s. It would be that kind of system. That's what's proposed.

So, you're seeing a vast manipulation.

### **Europe Has No Lender of Last Resort**

Now, the other side of this thing, is that while the schemes are obvious—and to those of us who watch it from

the inside, they're extremely obvious—there's nothing secret about any of this. That is, not secret to anybody who knows how to look for things. Europe is totally impotent; all of Central and Western Continental Europe is impotent. It has no government.

For example: No nation of Western and Central Europe has a lender of last resort. European governments have no sovereignty. The euro system, set up by the Maastricht agreements, as extended to other nations in Europe, has destroyed the sovereignty of the principal nations of Western and Central Europe. They have no lender of last resort, and they're being pushed into very destructive processes of shutting down their economies.

They're totally impotent. Without breaking out of the euro, say by France, Italy, and Germany, which might change the situation, there's no Central European government or Western European government, Continental government, which is capable of dealing with the present crisis. For the present time, the principal governments of Continental Europe, of Western and Central Continental Europe, are totally impotent. There is nothing they can do; they have no political role in the situation, except a collateral role.

The key question lies, principally, with four nations—the possibility of a solution: the United States, presuming we make some changes here, and we are working for the changes on the inside here, big changes; Russia, China, and India. And other countries. If some leading nations of the planet agree to go to something which approximates the Franklin Roosevelt form of monetary order, we could stabilize the planet, but with a new kind of fixed-exchange-rate system. On that basis, by reorganizing the planet as you would organize a firm in bankruptcy if you wish to save it, we could save the nation. But we need a partnership among major powers, as a leading flank, in which to organize—quickly!—the world, to make the kind of decisions, from the top down, which are necessary for dealing with this great emergency, this great threat to humanity.

Now, the other side of this thing is, under no conditions, will what the British, who are at the center of this thing, are doing, work. Those who are scheming to grab power, are incapable of using it for their own survival. What you're looking at is something very much like happened in the 14th Century in Europe, where the Lombard bankers, which were controlled by Venetian interests, plunged Europe into what was called a new Dark Age, beginning with the chain-reaction collapse of the so-called Lombard banking houses, beginning



A Bloomberg government in the United States would be very much like Mussolini's Fascist government of Italy in the 1920s.



with the House of Bardi. *We're headed for a global breakdown crisis.* Not a recession! Not a depression! A global breakdown crisis.

### Roosevelt's Intention

The other side is, at this time, the world powers *do* have the muscle, if they ally for this purpose, to reform the system on an emergency basis. Under that condition, we can halt the collapse. We can not bring back instant prosperity, but we can halt the collapse and begin to rebuild, rebuild perhaps on a wiser basis than we have since then.

This process, of course, began at the end of the last war. When Franklin Roosevelt died, certain interests in Europe, the British interests, did not wish Roosevelt to carry forth his intention of liberating the colonies from colonial masters. Roosevelt's intention, as he said repeatedly during the course of the war, at the end of the war, was to take the large war-machine which we had built up for purposing of fighting the war, and reorganize it for production, using the economic power of the United States at that time, as an aid to free nations which had been colonies, and to equip them for economic self-development, creating a world order without colonies or without semi-colonies.

That was Roosevelt's intention originally for the United Nations: a group of nations of sovereign states, which would cooperate with one another to a common purpose, as under the 1648 Treaty of Westphalia, and to free all colonial nations and similar victims, from imperial control. To create a world order of sovereign nation-states consistent with the 1648 Treaty of Westphalia, that was Roosevelt's

intention.

As you saw, at the end of the proceedings of the war, in June of 1944, Britain and the United States had invaded France from the north, and had broken through, which meant that potentially the threatened end of the Hitler system was impending. Britain did not like this too much; Churchill didn't like it. He didn't want the war to be won too soon. He wanted to prolong the war on the continent for more months. And therefore, actions were taken, as by Montgomery in the Market Garden Operation, which prolonged the war in Europe for five to six more months than would have been necessary otherwise, by wasting an opportunity to bring the case to victory before the Winter of 1944, which could have been done. It was stopped by the British.

At the same time, after the successful breakthrough, there was a right-wing turn inside the United States. This right-wing turn brought Harry Truman into the position of Vice President. Truman, on the death of Roosevelt, on the day that Roosevelt had died, made a right turn in the policies of the U.S. government: It went from a Roosevelt *anti*-colonialist policy, to a pro-Churchill, *pro*-colonialist policy. And so, we had either a continuation of colonies, or a continuation in the form of nation-states which had nominal sovereignty, but had no authority to use it. It's like being under British management: You have your sovereign state according to British theory, but the British run your government, and if you displease the British, they'll overthrow your government, or try to do so, as we've seen before.

So this is the kind of situation.

So we've had since the death of Roosevelt, we've had a



European and a world monetary-financial system, the Bretton Woods system, which continued to function in that form, from the end of the war until the assassination of Kennedy. With the assassination of Kennedy, there was a change. The change was expressed first in the launching of the war in Indo-China. This war in Indo-China, which was launched at the end of 1964, continued in effect, in Indo-China, until 1975. This war in Indo-China was used to undermine the United States: in 1970-71, with the Nixon election and its consequences; there were the changes in policy under Nixon's successor, Carter. We underwent a change, so that by 1981, we were *no longer* the United States we had been on the day Roosevelt died. We were engaged, still, in a nuclear conflict with the Soviet Union, which the British had organized. We were destroyed as an economy, our future was destroyed, and the planet was on the road to Hell.

And since that time, despite the fact that some Presidencies and some key institutions *inside* the United States have resisted this, including people in the professional military, in the professional diplomats, in government generally, have been concerned to stop this process, the process has gone on! Even Presidents who tried to change the course of events were not successful.

So now we've come this point: The system, because of a change in economic policy, has broken down. And the British are determined to use this opportunity to destroy the United States. And since they have an idiot as President of the United States—that's not a diplomatic statement; that's a true statement—they've been able to get by with it, as you see! The actual breakdown of this monetary process, the current monetary process, occurred in 2000. And has been accelerated since then. We've had an idiot President, who got us involved in long wars in Southwest Asia, which have been the key to ruining the United States. So we're extremely weakened, by the trillions of dollars *lost* in this kind of adventurism, with a President who's an idiot, with a Congress that doesn't stand up on its hind legs and fight against this sort of thing.

So we've come to the point, the British say, "Ah! We can destroy the United States, now." And the incident you saw, with the so-called "loan assassin" of the Société Générale in France, that was done—yes, inside the Société Générale, which is a very important institution in France, but it was done with the trading in the London market. It was done as a British operation against the United States. Just as the fascist operation in the United States, typified by George Shultz, by Felix Rohatyn, both of whom are famous for their role in putting Pinochet into power in Chile, and have not changed or improved their morals since. We have this thing controlled from London, an attempt to destroy the United States, to create what is called an empire, called "globalization."

It won't work! It will not lead to the establishment of



National Archives

*President Harry Truman with British Prime Minister Winston Churchill in Potsdam, Germany, July 1945. When Truman came to power after President Roosevelt's death, the United States underwent a shift from FDR's anti-colonialist policy, to a pro-Churchill, pro-colonialist policy. The world has still not recovered.*

a world power. It will lead to Hell. It will lead to disintegration.

### **There Are Solutions**

The other side of the matter is, that there are solutions. There are policy changes which can be made, which would stop this process, and we have people in the United States in key institutions, who are ready to do their job. But we're going to have to break this thing. The most important thing now, is to have a commitment by patriots *in* the United States, in particular, who will engage themselves in friendly discussions with relevant friends in Russia, India, and China, all of whom have their own concerns in this matter. China does not want a collapse of the United States' dollar, for obvious reasons. China's development, which is a so-called 100 years development, depends upon this program going forward. They do not want to disrupt it. India is much slower on the ticket, but they also do not want to become destroyed. Russia is going through a process of making decisions, long-range decisions. And the questions that are posed to Russia for its devel-

opment will be of great benefit to all of Asia in particular, in terms of technological great projects; the China great project, the great rail project, the train from Beijing to Hamburg in 15 days, the freight train. There's a change in the geopolitical character of the Eurasian continent. A change in the economic character of the situation.

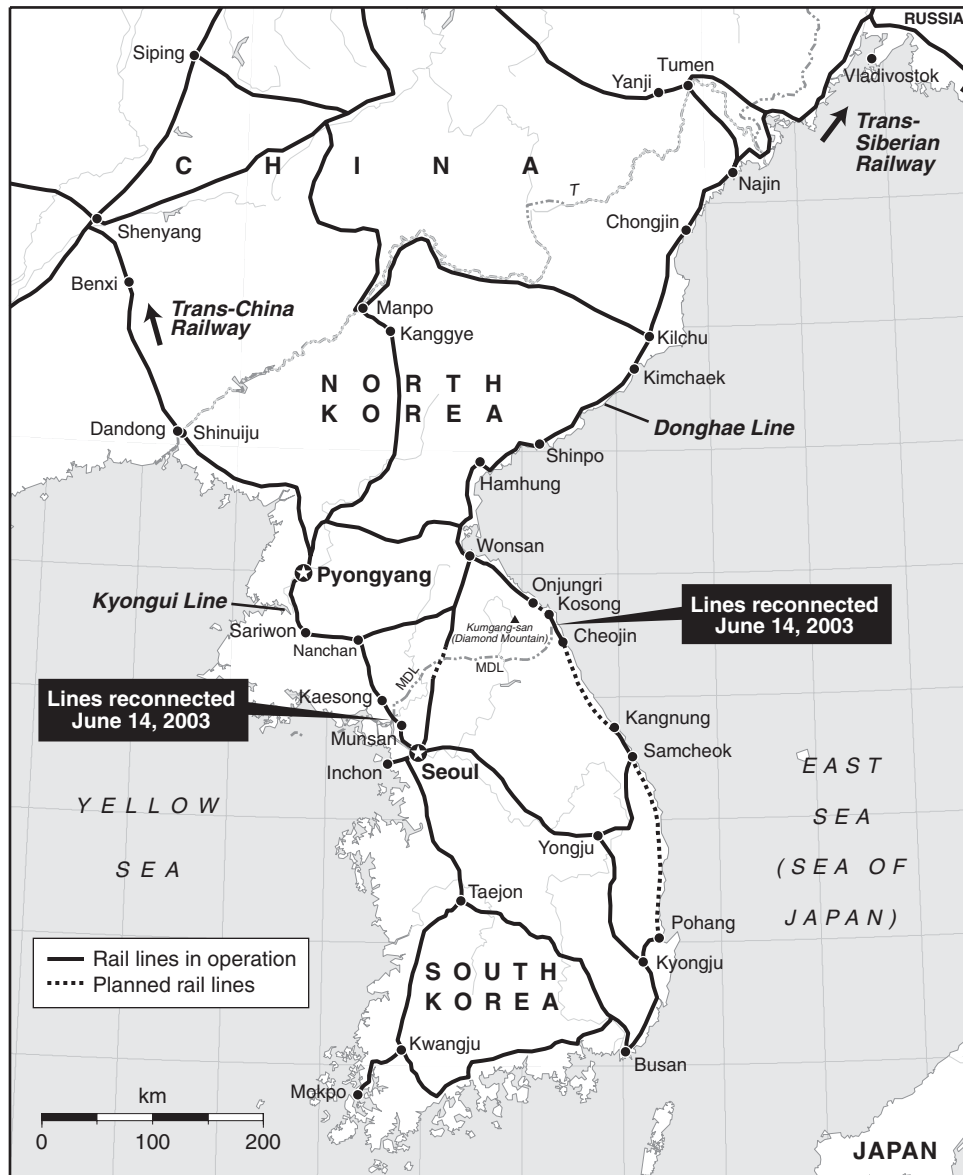
We have a potential in South America, among nations which, on the one hand, are flopping, but on the other hand, are determined to find some kind of cooperation on a continental basis. If we succeed in getting something together in Eurasia, then the attempts to do something in South America can be made successful.

Therefore, we *can*—we have the potential technology, we should have the knowledge, *to escape from this threat to humanity! Hitler shall not come again!* is a way of thinking about it. And we're on the verge: Because if this thing is *not* stopped, we're not talking about a "long wave" of decline; you're talking, we're very close, within a matter of months, to a *precipitous collapse of the world monetary-financial system*. There's nothing that Continental Europe can do to defend itself now. As long as it's under Maastricht, as long as it's under the Maastricht agreements, Western and Central Europe is impotent. It does not *exist* as a nation-state authority. The important nation-state authorities, the major ones, are the United States, Russia, China, and India. And other countries, which would cooperate with them in this project. Those forces can be brought together as national forces, *if they agree*, if they come to an agreement, on a reform, *we can succeed!* And by getting so close to Hell in this situation, we may be more inclined not to repeat the mistake again.

That's our chance. And that's what I'm involved in.

This piece [the animations video] was produced by my

## Major Railways of South and North Korea



John Sigerson / EIRNS 2003

Source: Ministry of Construction and Transportation (MOCT), Seoul, Korea.

*By extending the Korean railway system north into China and Russia, we open up possibilities for development which would otherwise be impossible. Especially if Japan joins in, there could be a boom for the whole regional economy.*

associates who are in a special program we run, a science program. It contains things which will be expanded upon in a continuation—this was put on the website this past week. In a short period of time, weeks or so, it will be presented in a fuller one, about one hour in length—this was four minutes—which goes through the various phases of the elements involved in this analysis of the nature of the crisis of Germany in 1923, and beyond, as the application of those

lessons to the larger world situation, today.

But, what we have before us, is we have the opportunity, in terms of ideas, to keep this planet from going to Hell. If we can get leading nations to agree in spirit, to cooperation in a certain direction, specifically, people in the United States, in Russia, China, and India, and the other states that would rally to join with them.

Let me give you just one example: We had a recent relative success in Korea [**Figure 1**]. Korea has been divided, as we know, for a long period of time. Now the division involved a yoke, that is, a Y-shaped figure of the railway system, which ran from Pusan north into China and into Russia. At the point of division of North from South Korea, there's a cut in the railroad just below the division of the yoke. By putting together the railway system of Korea, to its pre-war organization, from Pusan, etc., north into China and into Russia, you open up the possibility of development, which otherwise, would be impossible. It would mean that a large part of the population of North Korea, for example, would find opportunities for employment in what is being developed in Far East Russia, in terms of the rail developments and other things that are going on there. And the necessity for raw materials development in Siberia, which is needed for all of Eurasia. Because we can not develop a modern economy in Eurasia without developing raw materials sources we are not presently developing.

So therefore, you have Japan: Japan has to make a decision. Japan's rational decision is to cooperate with China, Korea, and Russia, in development in that region. It would be highly successful. It would be a potential boom area for economy.

We have similar things. India, the use of thorium fission cycle for the use of massive thorium for developing sources of fresh water, desalination, and other things for the village areas of India, particular southern India. It would mean a revolution for India. Cooperation in large-scale Eurasian rail transport, and magnetic levitation transport, development of water resources, would mean it would become *possible*, to take the large populations of Asia which are very poor, and through the development of infrastructure, creating the factors which enable us to develop that population on a continuing basis.

## Opportunities for Great Projects

So therefore, the world has a common interest in the use of high, advanced technology, especially in infrastructure. I'll explain the infrastructure role. Take the African case: Africans have a lot of farmers, they have an agricultural area which is one of largest in the world, potentially a great food producer already. The problem is twofold: Many of the farmers have not had a high-technology experience. But they're good farmers, just on a limited basis. The other part is, if they grow food, it's killed by insects, and other things, diseases. Once they harvest it, it's destroyed by insects and similar conditions.

They have no facilities, presently, in large parts of Africa, for controlling these problems. If you control diseases among the existing farmers, if you improve the water supplies, if you improve the mass transportation, if you improve the methods of hauling and preserving foodstuffs produced, Africa has, itself, an increase in its productivity, even without a technological advance by the farmers themselves! Because, what you've done is make the farmers' work more productive, without any changes necessarily in the farmer himself. And let the changes in the development of the farmers' skills come in the next and coming generations.

But simply—as in poorer parts of Asia, as in Africa—if you develop the high-technology general infrastructure, that development of modern infrastructure, itself, is a catalyst which increases the productive powers of labor, without changing the way they work. Typical of the case of the African farmer. We have that in Zambia, for example—exactly that problem, where the British have stopped the development by those means.

So, we're in a period where, if we understand the lessons of European progress, and lessons from more recent modern history, we see around us the opportunities for great projects, of 25- to 50-year, to 100-year duration. And these projects can change the condition of mankind, so that we can say: At last, we are becoming capable of meeting the obligation of humanity, to all of mankind.

This comes, not by globalization, but by cooperation among sovereign nation-states, which cooperate by preserving their own culture as a way of preserving their own technological and cultural potential. Because, if you globalize them, they lose that cultural potential! And they can not develop. If you act to *protect* the culture of a nation, its people, you protect its ability to develop. Then, if you supply large-scale infrastructure, of the type we know we can do now, in terms of new technology—provide that!—we have the formula for giving humanity an uplift in the direction intended, implicitly, by the 1648 Treaty of Westphalia. And that's the change that we have to make.

That change can be made suddenly, because all the physical preconditions for making the change exist. What is needed is the *will* to make the change. The will to make the change, can not come from a small country, because the world is dominated by a system which is imperial in character at this time. You have to have a force, a political force strong enough, *to break that imperial power!* That force is, the United States, Russia, China, India, and the other countries which would readily cooperate with them in this kind of project.

So therefore, we have to change our way of thinking, from the habits of the present which are destroying us, into dealing with this mess, which I will deal with, as I say, more in detail after this. This is a prologue. Because, in it, is contained the essence of what the problem is, and the essence of what the solution is.

REPLY TO GENERAL IVASHOV:

## A World System in Collapse!

by Lyndon H. LaRouche, Jr.

29 January 2008

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*The following is addressed to a broad international audience, but is prompted by a statement by General-Colonel Leonid Ivashov, the President of Russia's Academy of Geopolitical Problems, uttered by him on January 26, 2008.*

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It must be emphasized, that the entire planet is presently gripped by a dynamic mode of general breakdown-crisis, a breakdown-crisis of the entirety of the world's financial-economic system. In brief: there are no national economies which, in the final analysis, are not *equally* threatened by the currently on-rushing, worst such catastrophe in all of that portion of the world's history since the so-called "New Dark Age" of Europe's 14th Century. If any major economy of the planet goes down, all of the world's economies go down in the same plunge. There are available choices of remedies for this situation, provided that they are both recognized and adopted within the immediate, short-term (and very short-tempered) period of opportunity ahead.

The most notable cause of the presently widespread loss of intellectual competence to judge this situation, by most of the world's governments, is the prevalent tendency to misrepresent the current crisis-phenomena from the standpoint of the previously adopted economic, and related social-political-cultural dogmas of nearly all present governments in all continents of the planet. If these currently prevalent, habituated mistakes of judgment are not corrected among at least some leading governments, the entire planet were now foredoomed to what is fairly estimated a new dark age, very, very soon,

throughout every part of the planet.

The most interesting, and most important aspect of the failure of judgment of most of the world's leading governments and important institutions, is the prevalent tendency to analyze all crucial developments on a global scale, from the standpoint of a Cartesian-mechanistic manifold, rather than employing the only competent mode for assessing such developments, the anti-Cartesian, *dynamic* mode of Gottfried Leibniz, as this latter modality was developed more adequately by Bernhard Riemann.<sup>1</sup> The issue is not one of a kinematic interaction among nations; the issue is the need to consider the entire crisis in no other manner than as a subject of *Riemannian dynamics* of the planetary, physical-economic, rather than monetary system, as a whole. Any failure to grasp the importance of this distinction could be soon a fatal error for all nations which fail to master that conceptual correction.

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### 1. The Crisis Defined

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The world's present form of systemic crisis was first set into motion during 1865-1877, as the British imperial reaction, since that time, to the U.S. defeat, under the leadership of U.S. President Abraham Lincoln, of Lord Palmerston's role in

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1. The emphasis is on Riemann's 1854 habilitation dissertation, as this, and Kepler's principal discoveries came to be appreciated by Albert Einstein, and as this is reflected on a still higher level by Russia's Academician V.I. Vernadsky's treatment of the notions of Biosphere and Noösphere.





*Were the effort of the British empire to destroy the U.S. through economic-financial warfare to succeed, the entire world would be plunged into a breakdown-crisis, comparable to, but more severe than the 14th-Century crash of the Lombard banking house of Bardi. Shown, a 19th-Century engraving of the Bardi family palace in Florence.*

the creation and use of the British imperial puppet known as the intentionally treasonous Confederate States of America (CSA).<sup>2</sup> The emergence of the U.S.A., through such developments as an integrated transcontinental railway system, has shaped what has been the dominant, global-strategic, so-called “geopolitical” doctrine from that time to the present moment of world history.

The physical basis for London’s hysterical reaction to Lincoln’s victory, is to be recognized in the fact that the foundations upon which the global power of European cultures came to dominate the planet in modern times, had

2. U.S. President Abraham Lincoln distinguished between the traitors among the British Foreign Office’s agents in the leadership of the Confederacy, and the dupes who were drawn into the conflict out of “loyalty” to their Federal state.

been rooted in the physical-economic and related strategic advantages of maritime cultures over landlocked regions of economy. This has been, until now, the advantage of European cultures which had been premised on the ancient, ocean-going maritime cultures from which the foundations of European advantages had been premised. The development of the U.S. economy as both a transcontinental railway and inland waterways system, like the earlier launching of development of Europe’s inland waterways by Charlemagne, had been the crucial threat which the Lincoln heritage represented to the British imperial system.

A series of great wars, portended implicitly by the London-directed assassination of President Abraham Lincoln,<sup>3</sup> and expressed by a series of great wars beginning with the British monarchy’s deployment of Japan for the set of wars against China of 1895-1945, the Russia-Japan war which was an extension of those wars against China, the Balkan wars used as a lever for leading Europe generally into the great war of 1914-1917,<sup>4</sup> the British putting of the fascist regimes of Mussolini and Hitler into power, the great war of 1939-1945, and Bertrand Russell’s personal design and launching of the state of nuclear-weapons conflict of 1946-1989, are the prime examples of this still presently continued, global strategic conflict.

Inside the U.S.A. itself, the leading political-economic and related forces are divided essentially, as the continuing conflict between the U.S. patriotic faction typified by President Franklin Roosevelt, on the one side, and, on the opposing side, the stratum of Anglo-Dutch Liberal financier interest typified by such implicitly treasonous U.S. Presidents of the Twentieth Century as Theodore

Roosevelt, Woodrow Wilson, Harry Truman, Richard Nixon, et al.

The present U.S. administration, which was created with a key role by the same George Shultz who earlier provided U.S. backing for the wrecking of the world monetary system in 1971-72, under President Nixon,<sup>5</sup> has always been Lon-

3. The assassinations of Presidents McKinley and John F. Kennedy have kindred, global-strategic significance for our consideration in the reading of this present report.

4. Chancellor Bismarck’s secret agreement with Czar Nicholas II, not to permit Germany to be drawn into the silly old Austrian Kaiser’s efforts to draw Germany into support of Austria against Russia in a Balkans war, was a crucial element in the motives for the dumping of Bismarck by the British Prince of Wales’ foolish nephew Wilhelm II.

5. And also the establishment of the fascist Pinochet dictatorship in Chile,

don-controlled, and is personally, and as Shultz's puppets Mrs. Lynne Cheney and Vice-President Cheney were, in effect, puppets of the Fabian circles associated with Prime Minister Tony Blair. Even rehabilitation earlier did not provide current President George W. Bush, Jr., to be more than a pitiable tool of the London-centered circles which control the Bush-Cheney administration and the President Bloomberg administration presently intended by the London-steered Shultz cabal.

The central feature of this conflict is the role of the present Anglo-Dutch-Liberal financier offshoots of that British East India Company faction (as of Lord Shelburne) which gained imperial power for its financial interests with that February 1763 Peace of Paris ensuing from Britain's steering of the leading powers of continental Europe into the mutual warfare of the so-called "Seven Years War." Hence, the principal enemy of humanity at large, from February 1763 to the present instant, has been the same agency which created and unleashed Hitler, the Anglo-Dutch Liberal incarnation of neo-Venetian financier interest. The role of British Prince of Wales Edward Albert, is merely typical of the long continuing, globally extended process, extended from February 1763 to the present moment.

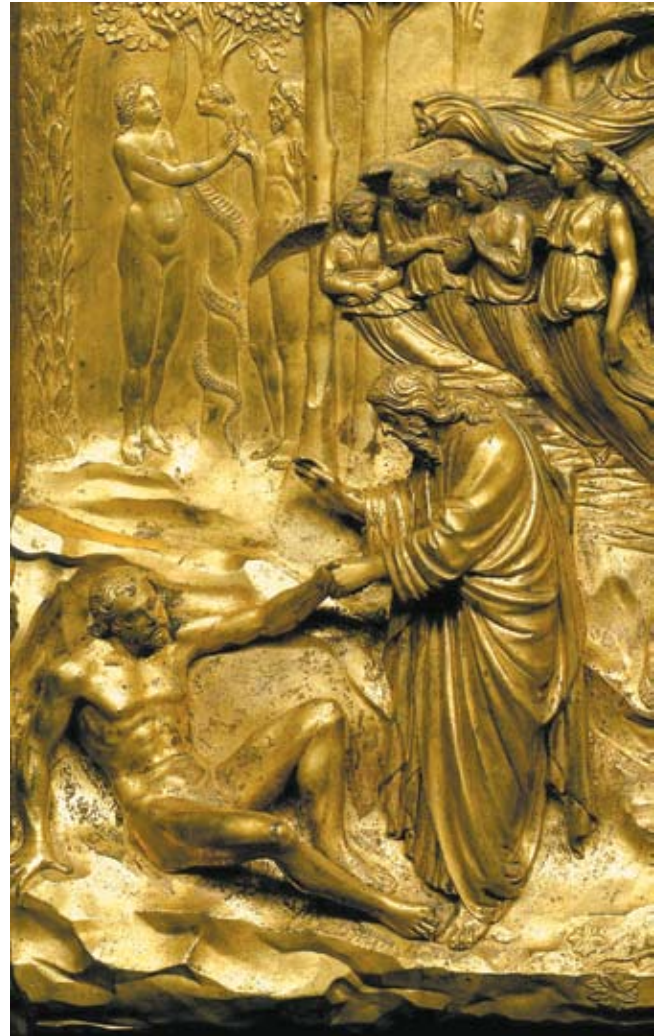
The object of London and its foolish U.S. and continental European sympathizers, in the present attempt to destroy the U.S. through economic-financial warfare, and related means, is the intention to eliminate the role of the U.S.A. as a global factor altogether. Were that effort of the British and their tamed continental fools to succeed, the entire world would be plunged into a general (i.e., global) financial-economic breakdown-crisis, a financial-monetary crisis comparable to, but more severe in its effects than the crash of the Lombard banking house of Bardi.

## The Roots of Empire

To understand this phenomenon, we must cultivate a corrected view of the history of the development of imperialism in Europe. By "Europe," we must adopt the notion of European civilization as rooted in a maritime alliance, against Tyre, by Egypt (e.g., Cyrenaica), the Ionians, and the Etruscans dating, approximately, from the 7th Century B.C. The imperial forces, at one time centered in Tyre, against which this emerging current of European culture was developed, were premised from the start on what came to be known in the time of Demosthenes as the "Persian model" (also, the Babylonian model) or, more simply, generically, "the oligar-

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the Nazi-based Southern Cone massacres of the early 1970s, the long war in Southwest Asia (crafted under guidance of Britain's Fabian Prime Minister Tony Blair), and the British-backed operation which placed the son of an Austrian Nazi, Arnold Schwarzenegger, in the California government, and has been working to turn Mayor Bloomberg of New York into a 2009 installation as a Mussolini-style President of the U.S.A.



*The enemy of European imperialism, since the Peloponnesian War, has been the sovereign nation-state, based on the concept of man and woman created in the image of God, as in Genesis 1. Shown, a detail of the "Adam and Eve" panel, "The Creation of Adam," from the "Gates of Paradise" (1425-52), in Florence, Italy, by Lorenzo Ghiberti.*

chical model." That oligarchical model is identified in essentials by Aeschylus' Prometheus trilogy's *Prometheus Bound*.

The most essential feature of this history, is the expression of the issue of the definition of man reaffirmed, as the principle of *agapē*, by the Christian Apostles John and Paul. On the one side, we have the human individual as the "man and woman" of *Genesis 1*, that defended by the mythic Prometheus; and, on the other side, the man degraded, as the helots of Lycurgan Sparta were degraded in a fashion demanded by the Delphic Apollo-Dionysos cult which was expressed as the Olympian Zeus of Aeschylus' *Prometheus Bound*.

The great enemy of European imperialism, in all of its rel-



evant expressions since the Peloponnesian War, has been the notion of a sovereign nation-state, as this notion was expressed in modern form by Nicholas of Cusa's *Concordancia Catholica*, and expressed incarnate by the France of Louis XI and the England of Henry VII. This is a concept of the citizen which is to be traced for its agreement with the concept of man and woman in *Genesis* 1. This is also the notion of man and woman expressed in principle by the 1648 Peace of Westphalia, and is the specific character of U.S. constitutional law as expressed by the adoption of Gottfried Leibniz's "the pursuit of happiness," against the evil doctrine of John Locke, and as Leibniz's principle is expressed as the underlying principle of all legitimate government in the Preamble of the U.S. Federal Constitution.

### Why U.S. Enemies & Traitors Hate FDR

Those historic antecedents of the concept assumed a rigorously scientific form of appropriate universal law among nations for today, in what had been U.S. President Franklin Roosevelt's expressed intention, that at the close of the war against Hitler's forces, he would have rid the world of the existence of colonies and semi-colonies, which should be brought to an end through aid of the conversion of the great war-machine of the fight against Hitler into the building-up of a planetary system of sovereign nation-states, thus eliminating all imperialism, including, as Roosevelt stated plainly to Churchill, British imperialism.<sup>6</sup> Under Roosevelt's successor, Churchill admirer Harry Truman, the interest of British imperialism was served by his administration, and has been the dominant political influence expressed by leading Anglo-American financier interests, even as expressed by powerful nominally U.S. financier interests working in defiance of the contrary inclination of some U.S. Presidents, such as Eisenhower.

Franklin Roosevelt understood, that to free the U.S.A. itself to adhere to its own Constitutional principle, the world's leading imperial force, the Anglo-Dutch Liberal financier interests which are the actual "British Empire," must be wrecked. To find an outright traitor, or one who is merely a fool among U.S. political figures, find one who regrets the role of President Franklin Roosevelt, or one who prefers the European model of parliamentary system, especially the British parliamentary model, to the American presidential system as it operated under President Franklin Roosevelt.

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6. It must be recalled that with the death of Bertrand Russell's leading accomplice, the avowed fascist H.G. Wells, it was left to Russell to initiate the 1946 plan for launching a "preventive nuclear war" against the Soviet Union, as Russell himself published this claim to his responsibility in the September 1946 edition of the *Bulletin of the Atomic Scientists*. Russell repeatedly acknowledged this policy during the late 1950s, and collaborated with certain dubious Soviet and other figures in orchestrating the so-called "missiles crisis" of 1962. The stated intent of Russell (and also Wells) in this policy was "globalization," which Russell termed "world government" at that time.

The widespread, somewhat idiotic, when not simply foolish opinion, that empires rise as expressions of the existence of nation-states, has been a prominent source of great tragedies in modern, as also medieval European history. The issue of who, or what actually controls what are presumed to be national governments, is very poorly grasped in even more leading circles of government, and academic opinion, in the world today.

Today, there is only one globally significant empire. That is the British empire, a term which may be properly used only on the condition that one recognizes that that "British Empire" is merely a garment worn by a higher-ranking, more powerful agency, a certain kind of virtual "slime mold" otherwise to be known as a global financier-oligarchical system. Today, the name for a single, one-world empire is the proposed new "Tower of Babel" called "globalization," otherwise known as "world government."

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## 2. Globalization: The British Empire

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From the normal standpoint of a competent physical science, the distinguishing characteristic which sets the human species apart from all lower forms of life, is what is usefully identified as the inherent creative-mental potential of the individual human mind. The social interaction among persons sharing the social experience of creative contributions by the individual members of society, defines the culture of the human species (generally) and also each specific stage of development of a practiced language-culture, as something absolutely different than any characteristic of lower species or their subsumed varieties.

From the standpoint of a competent expression of modern physical science, this notion of a specifically human social form of evolving culture expresses a universal physical principle of the universe, akin in that sense to Johannes Kepler's uniquely original discovery of the universal principle of gravitation. However, in the case of the human species, as distinct from fixed modalities of universal lawfulness, the human species' natural potential is creative, in the sense that experimentally validated universal physical principles transform scientific practice, *anti-entropically*, to a higher physical state of being.

The aggregate expression of the effects of such physical-scientific, or like raising of culture to a higher physical, or cultural state, is expressed chiefly in the forms of evolution of the accumulated mass of cultural experience embodied within the legacy of the use of a language-culture.

In other words, it is worse than absurd, and also cruel, to assume that dictionaries of different language-cultures can be simply equated with one another in a mechanistic way of de-



PRNewsFoto/via Newscom

*“Among competent students of the use of language, it is the embedded history of the experience of the development and contexts of the use of language, which defines the way in which the ironical meanings of literate speech are to be uttered. People who ‘google’ excessively, are verging nearer to animal states of mind than human ones.”*

fining meanings of individual terms and common expressions. Thus, although the ideas which are generated by peoples of differing language-cultures may lead toward the same ideas in some ultimate effects, the process of forming ideas for expression within a specific language-culture, is not the same as in another language-culture. Among competent students of the use of language, it is the embedded history of the experience of the development and contexts of the use of language, which defines the way in which the ironical meanings of literate speech are to be uttered. People who “google” excessively, are verging nearer to animal states of mind than human ones.<sup>7</sup>

Hence, the included, essential feature of a civilized language-culture, in particular, is that it serves as a medium of interaction with other cultures. It is through the development of functional relations among the sets of users of differing specific languages, that the human species can be united in its effects to effect common goals. Without protection of the specific language-culture’s sovereign role, this development of relations among cultures were not possible in a healthy form.

The remarks which I have just presented have a very significant scientific-functional significance.

The ability of the social organization in which the individual human mind is situated, to generate the equivalent of what may be designated as discoveries of valid universal principles, such as physical principles, which increase the human species’ (or, a particular society’s) ability to increase its potential relative population-density qualitatively, identifies a set of mental events which are intrinsically anti-entropic. This behavior which is not within the reach of the

7. *Is the Devil in Your Laptop?*, LaRouche Political Action Committee, 2007.

powers of what might pass for “animal intelligence,” is the essential distinction of the human species. It is the generation of ideas whose effect is anti-entropic in that sense, which is the distinguishing characteristic of the human species from all other known species. It is the way in which languages evolve under the impact of this anti-entropic principle, which is the most crucial consideration in defining lawfully desirable relations among the respectively sovereign language-cultures of mankind.

The experience of the emergence of a specifically European culture in the setting of the alliance of Egypt, Ionia, and Etruria, circa the Seventh Century B.C., illustrates the point most conveniently.

### **The Relevant Origin of Europe**

The principal human cultures emerging from about two hundred thousands years of glacial domination of large parts of the northern hemisphere of our planet, were ocean-based maritime cultures, which migrated by aid of a developing form of astro-navigation among oceans lying about 400 feet lower than today. The most important of the surviving or fragmentary calendars from more than, or significantly less than twenty thousand years ago, show the leading role of such maritime cultures. As the ice-caps melted, the cultures of the peoples of the Sea moved into coastal regions, and near the mouths of principal rivers, as the culture of Egypt emerged from the seas in this way.

It was in this specific cultural setting, from the impact of maritime cultures on areas of the post-glacial melt, that the leading elements of what became a scientific culture emerged. It is from astro-navigational and related dependency upon insight into the ways in which the universe above behaved, that the concept of an absolutely universal system was possible. It is this concept, expressed, by aid of Egypt,



in the tradition of Thales, Heraclitus, the Pythagoreans, and Plato, on which all of the notable achievements of known ancient, medieval, and modern civilization have depended. It was the related discovery, by Nicholas of Cusa, of the inherent great, ontological fallacy in not only the Sophistry of Euclid, but also Archimedes' quadrature of the circle, on which all of the successful development of modern physical science, through Leonardo da Vinci, Johannes Kepler, Fermat, Leibniz, Riemann, et al., has depended.<sup>8</sup> Without a concept of *the universal* in this sense, an actual physical science could not have come into existence.

Unfortunately, much of that modern accomplishment has been misplaced, even within relevant institutions of scientific learning today.

The losses from the heritage of the earlier cultural development of the notion of science, are chiefly due today to the frictional effects of the influence of that Anglo-Dutch Liberalism which has been installed as a special kind of imperialist cultural authority through the influence of Venice's Paolo Sarpi, who introduced the obscene practice known variously as Liberalism or Empiricism into the rise of Anglo-Dutch Liberalism and Cartesianism, during the course of the Seventeenth and Eighteenth centuries.

With the attempt to suppress the knowledge of those foundations of modern physical science, as associated with the exemplary work of Cusa, Leonardo, Kepler, Fermat, Leibniz, Gauss, and Riemann, from the beginning of the Seventeenth Century, onward, especially since the Napoleonic wars and the rise of the global power of British imperialism, the ratio of competent scientists among trained graduates and others has been decreased, this largely by the increasingly radical forms of modern Liberal Sophistry, as through the spread of positivism and the more radical mental decadence known as existentialism.

The aspect of what I have just described summarily in that manner, which is of crucial political-strategic force in response to the case as presented by General Ivashov, is that the problem of imperialism today can not be competently addressed without taking into account the absurdity which



*With the Allied breakthrough at Normandy, Churchill and company, including the “silly but brutish Montgomery,” postponed victory for months, leading to “a sharp right-wing, anti-Franklin Roosevelt move from the London-controlled right-wing financier and related gangs inside the U.S.A.” Field Marshal Montgomery (right, pointing at map) with Churchill (center).*

has crept into the work of strategic thinkers through failure to take into account the fact that the very idea of an efficiently existing universal physical principle, is not known as such among most of the relevant policy-shapers of today. Hence, the mythical, and functionally absurd notion of imperialism as a product of a specific national-language group has, in and of itself, created a circumstance among leading policy-shaping circles, in which the discussion of the relevant issues drifts into a deadly form of self-inflicted strategic folly.

### **How the Most Brutish Kill**

As if to reveal the true identity and nature of the true British empire, it is to be emphasized that financier oligarchs do not usually make wars; they organize, and finance them. Usually, as in the Lombard bankers' wars of the Fourteenth Century, the bankers finance both sides, in order to loot the loser, and indebt the victor. So, it was London (chiefly) which put Mussolini and Hitler into power, and it was London which sought to prevent the U.S.A. from winning the war against Hitler “too soon” for Churchill's liking.

Thus, as I have emphasized in locations published earlier, from the moment the Allied breakthrough was accomplished in Normandy, Churchill's instruments, such as Churchill's silly but brutish Montgomery postponed victory for months

8. E.g., Nicholas of Cusa *De Docta Ignorantia*.

with his First Army prank, so there was a sharp right-wing, anti-Franklin Roosevelt move from the London-controlled right-wing financier and related gangs inside the U.S.A., a stunt which brought the scoundrel Truman into the U.S. Presidency.



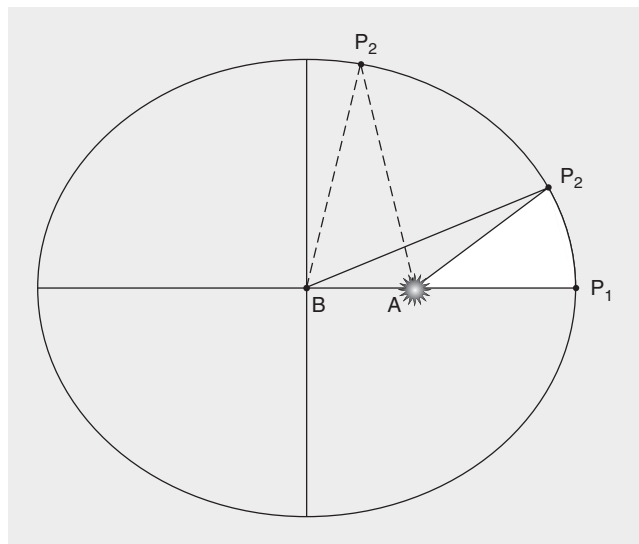
Johannes Kepler  
(1571-1630)

So, the cult of Delphi destroyed Classical Greece with the Sophists' Peloponnesian War, as London prepared the way toward the destruction of the U.S.A. during the 1960s through the assassination of President John F. Kennedy, and the protracted 1964-1975 warfare in Indo-China. So, as I warned publicly at the beginning of 2001, days before the actual inauguration of President George W. Bush, Jr., that Bush would be utterly incompetent in dealing with the already erupting new economic crisis, and that we must expect an early major terrorist incident for a purpose like that of Göring's setting fire to the Reichstag (to make Hitler's appointment to dictatorship, by Carl Schmitt, possible). So, the Reichstag-Fire-like event of September 11, 2001 paved the way for new phases of permanent warfare in Southwest Asia, now reaching into Pakistan, just as the same Britain whose MI-5 staged the Mau-Mau hoax, is back at it in Kenya all over again.

When all such relevant details from recent history have been taken into account, we may, thus, turn our attention to the principle which such events reflect.

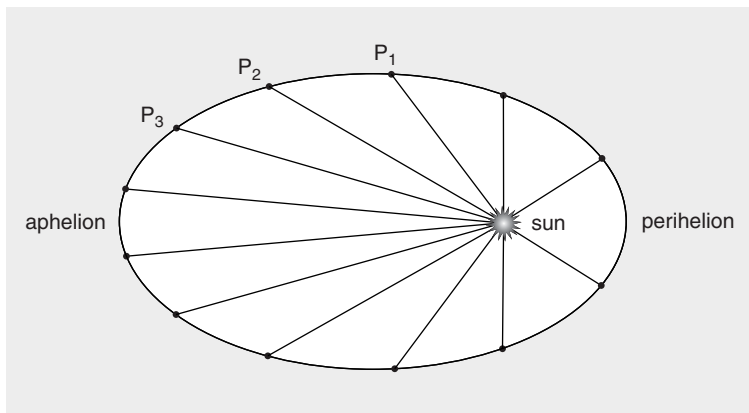
War as such is not the essential means by which the oligarchs reign. It is an auxiliary means. The essential goal of the oligarch is to manage the population's minds and their passions, by aid of inducing heated conflicts among forces which might otherwise unite against the oligarchy. Thus, as in the fraudulent war launched in Iraq through the *always-convert-able* leadership of Britain's Fabian Prime Minister Tony "sexed-up" Blair, managing "public opinion" among the sections of the general population put against one another's throat, and the easier management

FIGURE 1



Kepler's elliptical orbit hypotheses. Here, length  $P_2B$  is not constant, but constantly changing at a changing rate. What lawful process now underlies the generation of swept-out areas?

FIGURE 2



Kepler's constraint for motion on an elliptical orbit.

LaRouche writes: "As the case of Kepler's discovery of the principle of both gravitation as such shows; and, as his discovery of the harmonic organization which underlies the determination of a quantifiable notion of intra-planetary gravitation also shows: the principle of gravitation lies 'outside' the mere measurement of the orbit as such. It lies in a principle which drives the orbital pathway within the smallest interval which might ever be conceived."

and looting of those populations thereby, is that essence of empire which has flowed through all pro-oligarchical-financier currents of European history since the old days of the Delphic financier activities of the Apollo-Dionysus cult.

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### 3. A Dynamic Set of Nation-States

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Those who have been fooled into believing in what are called “deductive” and “inductive” methods, misdefine universal principles as the implicit expression of mere mechanical demonstrations of “repeatability.” As the case of Kepler’s discovery of the principle of both gravitation as such shows; and, as his discovery of the harmonic organization which underlies the determination of a quantifiable notion of intra-planetary gravitation also shows: the principle of gravitation lies “outside” the mere measurement of the orbit as such. It lies in a principle which drives the orbital pathway within the smallest interval which might ever be conceived.

In other words, the principle of gravitation is located as a principle of action, which occupies every smallest interval which might be conceived. The entirety of the original discovery of the calculus was premised, by Leibniz, on *this concept of the ontologically infinitesimal* by Kepler. Similarly, the characteristic of any valid universal physical principle is always of the same quality as a universal, ontologically infinitesimal, contrary to the notorious fraud on this subject by Leonhard Euler, et al. In Einstein’s terms, a true, physically efficient universal principle bounds the universe of experience, such that we must think of the universe as anti-Euclidean, a universe everywhere finite, because it is self-bounded by an array of discoverable universal physical principles.

All approximately valid notions of universal principles (e.g., *universals*, or *types*) are of this same type of quality of efficient existence. Thus, as Einstein emphasizes, our universe is finite, because it is self-bounded by the universal principles which underlie its efficient existence.

The same principle appears in a special form in the concept of Biosphere and Noösphere by Academician V.I. Vernadsky. These are universal principles, as Vernadsky demonstrates this systemically for the chemistry of living processes, and for the Noösphere.

These same considerations from the domain of physical science, pertain also to the domain of *ideas of principle* in a still broader way. It is this quality of ideas which define the true meaning of a culture. It is only as we defend such ideas against being degraded from the analog mode in which they exist naturally, into the degeneracy of digital modes, that the aspect of the human mental processes associated with creativity is defended against brutalization. It is the precious, sensitive quality of the powers which are the specific difference between man and beasts, which must be defended through the promotion of analog functions, as distinct from digital, and as defending the former functions as the location of those processes which express the natural potential for creativity of the human individual’s mind.

It is the preservation of the experience which has given birth, within a society’s practiced culture, to the class of conceptions which inhabits only the analog-like, anti-entropic

features of a language culture’s artefacts, which must be defended.

### A Unity of Apparent Opposites

The dynamic form of a society’s cultural experience of itself is the proper center of emphasis for defining a national culture. It is that which must be defended and its development promoted in integrating the varieties of cultural experience within an established, or becoming form of national culture. Ultimately, the ideas of all national cultures must be reconciled as approaching the quality of a common cognitive experience, but this can occur only through the promotion of the common interest in such an outcome by what are respectively sovereign national-cultural entities.

Without this approach to the relations within and among cultures, there can be no effectively ecumenical community of interest among nations. Without such a community of interest, the creative powers of all parts of humanity are impaired, or, virtually nullified, as under the conditions of a “Tower of Babel” called “globalization.”

Therefore, in practice, we have the following:

The global breakdown-crisis currently in progress demands that we establish a global system of cooperation among an effective majority of nations which are either sovereign nation-states in the strict sense of the term, or are candidates to become sovereign.

The presently onrushing, general, planetary breakdown-crisis, requires an initiating role among four key sovereign nation-states: the U.S.A., Russia, China, and India, and, in addition to these, also others. The immediate purpose is to establish a system of treaty-agreements which, in effect, freeze, or approximately freeze, the ratios among national currencies to approximately their present levels.

This agreement must be buttressed and enhanced by certain other measures:

A new international fixed-exchange-rate system based on intentions congruent with the broad intentions of U.S. President Franklin Roosevelt for the post-war world.

The creation of a mass of international state-credit for specific major developmental projects within and among nations under provisions of nested sets of treaty agreements with life-expectancies of a quarter to half a century, or, in some cases, longer. The title for such a nested set of agreements must be “the common aims of mankind.”

Many of these projects are already implicitly in the process of discussion. We should start there, with emphasis on basic economic infrastructure.

Only an alliance of that sort, based on such common economic goals of progress and security, could enable us to reorganize the presently bankrupt world monetary-financial system in an orderly fashion. This approach is the only workable approach to international security under the conditions existing at this moment.

My fraternal regards,  
Lyndon H. LaRouche, Jr.



# Hooray for the Global Crisis!

by Leonid Ivashov

*This article by Mr. Ivashov, General-Colonel, and President of the Academy of Geopolitical Problems, was published in Russian, on the website of the Strategic Culture Foundation (fondsk.ru), on Jan. 26, 2008. The translation into English for EIR is by Rachel Douglas. Subheads have been added.*

Mankind is watching with alarm, as crisis hits the American and world economies.

The G. Bush Administration is seeking a way out of the crisis through war. The President of the U.S.A. has just visited the Mideast, where he attempted to put together an anti-Iran alliance. According to reports received Jan. 25, the members of the UN Security Council have prepared a new draft resolution on Iran. The new version essentially unties the hands of the U.S. President and the Israel lobby in the American Congress for war against the Islamic Republic of Iran.

But, will a new war save the world economy and the world's reserve currency?

The present model of the world financial and economic system is unipolar, with the ruling pole being the country that controls the world currency. And that nation, in turn, is controlled by the owners of major private monetary fortunes.

That is the U.S.A., which functions merely as the instrument of global power and money. The Bilderberger Society's formula says that power is merely a commodity, although it is the most valuable one. Therefore, the wealthiest people should have power.

The United States, despite the seeming democracy of its Presidential elections, is under the power of finance capital. Mao Zedong's aphorism, "Power grows out of the barrel of a gun," sounds different today: "Power grows out of the dollar." If the dollar collapses, however, the financier international and the U.S.A. will be compelled to give up their dream of world rule. And without that dream, America will hardly even be able to survive as a unified nation, because the Americans have no worldview, other than the utopia of world rule.

Patrick J. Buchanan, former advisor to Presidents Nixon and Reagan, and candidate for the Republican Party Presidential nomination in 1992 and 1996, forecast in his book *The Death of the West* (Russian edition, 2003) that the U.S.A. would split into three independent nations by the year 2025: one African-American, one Hispanic, and one Anglo-Saxon.

Anticipation of a global catastrophe can also be found in the works of F. Fukuyama, E. Wallerstein, S. Huntington, and



Réseau Voltaire

*Leonid Ivashov welcomes the financial crisis as an opportunity for mankind to take the measures necessary to survive.*

other well-known researchers.

Of course, such a course of events will be a catastrophe for current generations of Americans, just as the disintegration of the U.S.S.R. was a catastrophe for the majority of its inhabitants. What about the rest of the world?

The collapse of the U.S.A. and the dollar will cause suffering for all countries that are linked to the world currency and integrated into the global market system. But, aren't those peoples suffering from American effrontery already? Aren't nations losing their sovereignty, while the power elites in most of them serve the interests of global capital, rather than the needs of their own population?

Moreover, the very survival of modern civilization is becoming Problem No. 1 for mankind. Economists, ecologists, demographers, physicists, medical professionals, and anti-globalists warn of this.

Thus, perhaps, we ought not to be sorry about the current crisis of the world economy, but rather welcome its collapse and take the necessary preemptive measures?

## The Meaning of Life

But, first we must understand the essence of today's world order. We must think again about the meaning of life, the place of Earth's civilization in the Universe, and our relationship to God. We must remember Plato's conclusion, that the civilization of Atlantis perished precisely because it stopped communicating with Heaven, and sank into a life of luxury and pleasure.

Russian Academicians G.I. Shipov and A.Ye. Akimov have scientifically proven not only the existence of a physical vacuum and of torsion fields, but also the dependency of natural and cosmic phenomena (including catastrophic ones) on the thoughts and worldview principles of mankind, and the state of consciousness of masses of people. A. Einstein also approached an understanding of how the state of affairs on the planet depends on human consciousness.

The world system that was constructed after the disinte-



gration of the U.S.S.R. is a hierarchy that presumes one financially powerful country at its head, while the philosophy of life it imposes is strictly tied to the cult of money and pleasure. It is the first time in the history of mankind, that the economy has become so immoral.

The philosophy of monetarism is based, as the Russian scholar V.G. Sokolenko put it, on “the idea of a union of money and law, or the so-called capitalist absolute ... against which all the great ideas of the epoch of historical Romanticism, and the social revolutions aimed at improving the organization of society, ran aground. By the 20th Century, rationalistic philosophy and liberalism had brought capital to the point of absolute power over the world.” (V.G. Sokolenko, *Capitalism's Global Rule*, Moscow, 2005.)

Philosophers, poets, musicians, or explorers of distant worlds are not the ones who set the pitch for people's lives today, but rather financiers and businessmen. Material gain, money, luxury, and power have become the fundamental codes for the great mass of people.

The physical-spiritual dualism of the human being is reduced, more and more, to its “body” component alone. Such a human being, however, is neither of use to Nature, nor acceptable to God. Therefore, he is fated to disappear. For man was created in the image and likeness of God, while his physical existence is sustained by his connection with the plant and animal world, and non-living nature.

The contemporary model of being, based on the ideology of monetarism, ought to be replaced by cognitive, spiritual being. Therein lies the salvation of human civilization. This can be done, only by passing through the furnace of a crisis of the world financial and economic system, wherein the crisis is a means to deprive the global oligarchy of its real power.

Lyndon LaRouche, who has warned repeatedly about the coming collapse, has issued this call: “Rather than continuing the foolish attempts to stimulate the corpse, the United States Government must use its sovereign powers to put its own financial system through bankruptcy proceedings, setting a precedent and providing the context in which other nations can act.”

Unfortunately, there are no sovereign governments in the U.S.A., Russia, or Europe. To a limited extent, they exist in China, India, Iran, Japan, and other Eastern countries, and in several Latin American nations. The rest are controlled by the world financial oligarchy.

## Monstrous Inequality

Three hundred and fifty-eight family clans of billionaires have a combined income that exceeds the combined income of 45% of the Earth's population, in dollar terms. The quintessence of this monstrous inequality is the mafia-style oligarchical syndicate, presided over by the wealthiest people on the planet. They determine how processes unfold in the world, while they themselves remain in the shadows, out of the public eye. They also control the bulk of the planet's resources, finance huge illegal armies and NGOs, and have developed

networks of influence within the governments and parliaments of most of the countries in the world.

That is the pinnacle of the unipolar world. This financial oligarchy is incapable, however, of directing world development. It knows how to make money, seize power, and hold that power for the sake of generating additional profit. Nothing short of the collapse of the dollar pyramid will shake that power.

What may be the consequences of a dollar catastrophe?

### Negative scenario:

- Around \$500 billion in cash will be taken out of circulation, while tens of trillions of virtual (electronic) dollars are wiped out. This will be a blow against the economies of all nations and transnational corporations, as well as millions of people. Belarus, Cuba, North Korea, and other “non-dollar” countries will fare better.

- The Americans will implement “forgiveness” of their debts to everybody, to the tune of almost \$27 trillion (including vaporizing the dollar component of the Russian Stabilization Fund and international reserves).

- The parity and exchange rates of remaining convertible currencies will be deformed.

- Chaos will arise in the world economy, as governments and transnational corporations attempt to cobble together new economic models on an emergency basis, creating some kind of defense system for their national economies; some will shift to a closed economy (autarky).

### Positive scenario:

- The role of the institution of the state in the world economy and international relations will be revived.

- In the majority of countries (including Russia), governments in the national interest will be formed, and national revival programs adopted.

- Consolidation processes will be activated among non-Western civilizations (Russian, Chinese, Indian, Islamic, Buddhist, Latin American [sic]), while a dialogue of civilizations develops.

- The role of the UN and other international organizations will increase.

- Western (Euro-American) civilization will weaken and move into decline, though continuing to exist for many decades in the status of a secondary pole of the world.

- A new pole of the world will arise, based on the Shanghai Cooperation Organization.

- Peoples will again turn to God, rejecting the dollar as their idol; culture, science, education, and health care will develop, while moral values and national traditions experience a renaissance.

- Man will return to harmony with the Earth and the Cosmos.

Thus, mankind will gain a chance to survive. Thus, hooray for the global, merciless, purgative economic and financial crisis!

# Foolish Fed's Rate Cut Pumps Hyperinflation

by John Hoefle

Panic can be a dangerous thing, especially when it is the response by a central bank to global economic disintegration, and panic is just what the Federal Reserve did with its two interest-rate cuts in January. The combined 1.25 percentage-point cut was precisely the wrong move, amounting to more of the poison which has already killed the patient. The Fed is trying to save a system which cannot be saved, and in doing so, is leading the nation and the world into a Weimar Germany-style hyperinflationary blowout. We are headed, in the analysis of Lyndon LaRouche, into a "global breakdown crisis," a self-feeding downward spiral in which the financial system, the physical economy, and the political structures all collapse, leading to a chaos not seen since the Dark Age of 14th-Century Europe.

Open warfare has broken out among the power groups who see themselves running the world. This is an end-of-game fight for survival, to see who winds up on top of whatever pile of rubble remains, and this type of fight will destroy virtually everything in its path.

The alternative to this jackal-eat-jackal free-for-all, is for nations to act together in a harmony of interests, to protect their populations by putting the financial system through bankruptcy, and beginning to rebuild their tattered economies.

Have you ever wondered just why it is, that the financial markets are so obsessed with interest rates? Why a relatively trivial quarter of a point change can be treated as if the future of mankind were at stake? Have people lost their minds, or is something else going on, or maybe both?

The answer is, both. The fixation on interest rates is really a veiled reference to the giant gorilla in the room which no one wants to acknowledge: debt. From households to

corporations to governments, debt has assumed a central role, and our economic policy has come to revolve around our ability to service existing debt and incur new debt. The fixation on interest rates is actually a fixation on debt.

After World War I, huge debts were imposed on Germany, at the same time that its economy was stripped of its ability to pay those debts; so the German government resorted to printing money to meet the reparations demands and protect its people. This process accelerated to the point where a non-linear transformation occurred, and the value of the currency imploded in a spectacular hyperinflationary collapse.

The Fed's actions, combined with the Bush/Paulson stimulus package, the injections of money by central banks into markets around the world, and related measures to try to salvage the global financial system, have reached the point where we are now on the verge of a Weimar-style collapse of the dollar, taking what remains of the global financial system with it.

The alternative to this, is to admit that the huge debts that have been incurred cannot be paid, and instead of destroying ourselves in a vain attempt to pay them, write them off. It will, in the long run, be far less painful than descending into a new Dark Age. We write them off, and start again, this time with sane economic policies.

## Open Warfare

An historic battle between the British empire and the American nation-state is now playing out before our eyes, with the efforts of the British to lure the United States into a hyperinflationary suicide, in the guise of protecting the system. While much of this fight is being waged on unseen bat-

tlefields, reflections of it can be seen if one knows where to look. Barclays, the giant British bank, played a role in triggering the collapse of the subprime lenders in March 2007, when it demanded that New Century Financial buy back some \$900 million of mortgage loans; shortly after, New Century, the second-largest subprime-mortgage lender, filed for bankruptcy. Barclays also played a role in the Bear Stearns hedge-fund crisis of last Summer, which fed the collapse of the global securitization system, the engine which converted unpayable debts into an even larger pool of speculative, and ultimately worthless, assets. The Canadian Imperial Bank of Commerce (CIBC), a British wolf in Canadian clothing, launched an attack on Citigroup; at the same time, CIBC was covering up significant problems of its own. The pressure at Citigroup grew when another British bank, HSBC, took its SIVs onto its balance sheet, making it more difficult for Citigroup not to do the same. The issue is not that Citigroup had problems, but that the British were exploiting those problems in open financial warfare against the United States.

Now we see the British press pushing the United States to attempt to “protect” itself through monetary stimulus. They are subtle about it, talking in the typical British way out of both sides of their mouths, some even warning that we have no choice but to continue down the bailout path even though it is the wrong thing to do. When it comes to deception, Perfidious Albion is a well-practiced master.

The British are targetting nationalistic tendencies among the political and financial institutions, trying to wipe out what are sometimes called “national champions.” Citigroup is one such “national champion,” in the sense that it represents an American power base which is an obstacle to a worldwide British Empire. Another of these “national champions” is Société Générale, the French bank which has just been hit with a huge scandal. (We are not defending the actions of these banks here, but describing them as obstacles to imperial goals, and thus coming under attack. It is an important distinction.)

## The Société Générale Affair

The affair at Société Générale, as widely reported, involved the allegedly fraudulent activities of a single trader, one J@aerôme Kerviel, who is blamed for Eu5 billion in losses. The blaming of huge losses on a single trader is a time-dishonored tradition among bankers, who would prefer to throw a single individual to the wolves rather than take responsibility themselves, but the issue of even a big loss such as this one is not particularly interesting when the system itself collapsing. What *is* interesting about the Société Générale affair is the way it appears to be a part of the larger fight for global domination.

*EIR* is still investigating this affair, but our preliminary findings raise some very interesting suspicions. The first is the timing. Société Générale officials say they discovered the

fraud on Jan. 18, and completed their investigation Jan. 20. That is, they discovered it on a Friday, investigated it over the weekend, and on Monday, the 21st, began unwinding Kerviel's trades. That Monday, when the U.S. markets were closed for the Martin Luther King holiday, was the same day that world stock markets plunged in the general range of 5-8%. Knowing that the U.S. markets would drop sharply when they opened on Tuesday, the Fed initiated an emergency cut of three-quarters of a point before the markets opened, and then, presumably did its usual covert injections as the Dow plunged some 460 points; the Dow ended the day down just 128 points. The intervention was touted as a success, but in fact was a disaster, because the real issue is not the stock market but the dollar, and the Fed's action was dangerously hyperinflationary. To LaRouche and *EIR*'s investigators, the whole affair smelled like a trap to panic the Fed into lowering interest rates.

French President Nicholas Sarkozy was reportedly livid that he had not been informed of the matter beforehand, and has stated unequivocally that he has no intention of allowing Société Générale to be taken over by a foreign bank. Even more interesting were reports circulating in France that an American-French alliance against the British had formed around the NYSE Euronext stock market, the company formed by the merger of the New York Stock Exchange and the Paris-based Euronext. This alliance, it was suggested, was aimed at turning Paris into the center of European finance, displacing the City of London.

The role the British may have played in this operation is still under investigation, but it is worth noting that Société Générale, like many banks, conducts its derivatives trading through London, the center of the global derivatives trade.

As a response to the Fed's stupidity, LaRouche proposed that the U.S. immediately adopt a two-tiered system of interest rates, with low interest rates for specific productive projects, and higher rates for all other lending. The upper tier rate would be maintained at a level above that of the European Central Bank, which LaRouche identified as part of the British assault on the dollar. The move would seriously hurt, perhaps even bankrupt, the British interests who have been shorting the dollar to drive it down, and attract capital to the U.S. and the dollar. It would also serve to dry up some of the overall speculation in the markets, in preparation for the necessary implementation of the Homeowners and Bank Protection Act.

The need for such policies was made even more acute with the Fed's decision on Jan. 30 to cut the Fed Funds rate another half a point, to 3%, which LaRouche characterized with his customary bluntness as “clinically insane.”

“Bush and Bernanke are out to sink the dollar,” LaRouche said. “This has to be clearly said, and it has to be stopped. . . . This policy means Weimar Germany, 1923, hyperinflation revisited, and it is absolute lunacy for any government to take, or follow.”



# The Dam Has Broken! Only LaRouche's Measures Can Avert Catastrophe

by Helga Zepp-LaRouche

*The author is the national chairwoman of the Civil Rights Solidarity Movement (BüSo), a German political party. Her article has been translated from German, and subheads have been added.*

The international financial system is hopelessly bankrupt; it has already collapsed, exactly as Lyndon LaRouche presented in his webcast on July 25, 2007. Since that time we are only experiencing the way the consequences of the already accomplished collapse are pounding on the surface, in ever stronger shock waves. And as long as governments don't adopt the measures which LaRouche presented in his latest webcast on Jan. 17, the world financial system, and unfortunately, as a consequence of that, also the real economy and the living standards of the population, are in a collapse spiral without bottom.

What is occurring now is exactly what LaRouche has warned of for a long time—that the attempt of the international financial institutions and central banks to prevent the collapse of the system, with new tricks, would only lead to the unavoidable collapse spreading with ever greater force. Despite the clinical denial of reality by the Berlin government and the lies of the bankers, now it's reached the point that the dam has broken.

The Standard and Poor's rating agency has downgraded \$50 billion in subprime bonds and announced that more financial paper, with a valuation of over \$484 billion (!) will be downgraded. This amounts to about 47% of all of the mortgage-backed U.S. bonds rated by S&P, and 35% of all the CDOs which have invested in the American subprime market. At the same time, they must reckon with a further international wave of foreclosures in the private and commercial sectors, after over 2 million homeowners in the U.S. already lost their houses in 2007.

The banks' losses resulting from the credit crisis—already over \$100 billion—will rise many-fold, if the logical consequences ensue. A lot of these securities were secured by the so-called monolines,<sup>1</sup> such as MBIA or Ambac, which are now themselves faced with downgrades. These monolines have insured bonds with a total volume of \$2,300 billion, in-

cluding so-called structured products with a volume of \$800 billion (!), of which many are supported with mortgages from the totally dubious U.S. subprime mortgage market. As soon as the monolines are downgraded, there will be a new wave of depreciation of the banks' assets, and a number of them will not survive.

The well-known Swiss financial paper *Le Temps* pointed out on Jan. 30 where more victims in the escalating breakdown crisis can come from. Among them are Société Générale (for whose current crisis, by the way, over 50% of Frenchmen consider the "lone assassin" Jérôme Kerviel to be innocent), which is sitting on about Eu10 billion more in dubious securities. With a candor lacking in the German media, *Le Temps* explains that the next shock wave will come from the German banks. Commerzbank still has a portfolio of credit derivatives at a volume of Eu12 billion, and further massive losses can be expected at the state banks LBBW (Baden Wuerttemberg), WestLB, HSH Nordbank, Bayern IB, and NordLB. The postal bank is sitting on Eu6.3 billion in credit derivatives. And the Hypo Real Estate Bank is involved through its daughter institution DEPFA Bank, with Eu44 billion in securitization of American loans.

The West LB, at whose disposal the savings bank association in North Rhine-Westphalia has already been forced to put over Eu2 billion—money which is now not available for the communes and medium-sized business undertakings—should raise, according to the demand of the rating agencies, a further Eu3 billion in risk insurance, which the savings banks could not, and the state is only prepared to place at its disposal, if the savings banks give up further portions of WestLB, which therefore again fell as a burden on the taxpayers....

If more institutions and citizens do not realize very soon that we all have responsibility for what becomes of our beautiful Germany, Germany will be thrown into a deep depression along with the rest of the world. The paradigm shift, which, for example, changed the Ruhr region from a highly concentrated industrial area to a region of service workers, casinos, and museums, will be completed by a further change by which "Nature" wins the upper hand, and then Essen, Dortmund, and Bochum will soon appear like the capital city, Angkor, of the fallen regime of the Kingdom of Khmer—that is, trees growing out of empty factories.

1. Monoline insurers guarantee the repayment of bond principal and interest when an issuer defaults.

The plan of the North Rhine-Westphalia government, in any case, is going in this direction: making the entire Ruhr region into an environmental zone, where only low-emission vehicles are permitted. Instead of overcoming the congestion of the autobahns by environment-polluting trucks, by installing a modern transportation system of the Transrapid and Cargogap, and with it creating the basis for connecting to a Eurasian transportation network, the responsible officials and citizens let the green post-industrial insanity go ahead.

### **An Existential Crisis for Civilization**

But implosions are also continuing on the international level. If the expected writedowns of the bond insurers occur, such as MBIA and Ambac, which have secured questionable financial products, Citigroup, Merrill Lynch, and the Swiss bank UBS—according to bank analyst Meredith Whitney—will also have to write down an additional \$40 to 70 billion. But also these are only the tip of the iceberg, whose melting is fully underway. A further forced collapse is threatened in the U.S. in the area of auto loans, which have an average span of seven years (!), and whose annual total is \$600 billion. In 2007, the rate of personal bankruptcies rose about 30%. This number will explode, if a new giant wave of foreclosures hits.

If the U.S. is to be stopped from being hurled into a long, deep depression and incalculable political chaos, in which the American republic is replaced with a fascist dictatorship, then the various measures which LaRouche has proposed, must be realized, including his bill for saving the homeowners and the banks, the HBPA, which has been endorsed by 61 cities and introduced in 12 states. That means the State, according to the American Constitution, must place the chartered banks under bankruptcy protection, and a two-tiered credit system be established, so that cheap credit with 1-2% interest rates for productive purposes is put into effect, and high interest rates kept for international financial trading, to stop the collapse of the dollar.

The key problem in Europe lies in the fact that the European states, with the Maastricht and Amsterdam treaties, the Stability Pact, the ECB [European Central Bank], and the euro, have given up their ability to handle the crisis. It has been demonstrated that the architecture of supranational institutions cannot hold, under conditions of an escalating global financial crisis. The ECB will not serve as a lender of last resort for the national banking systems, even if the ECB stretches its own rules and, for example, provides dubious guarantees for loans to the Anglo-Dutch bank Rabobank, and the Spanish banks.

The meeting of Chancellor Merkel, Prime Minister Brown, Prime Minister Prodi, and President Sarkozy in London, was totally unsuccessful in the face of the drama of the crisis, and was capped with an absurd communiqué, saying that the fundamentals of the European economy were sound.

Brown and Merkel opposed the demand of the other two for better regulation of the financial system (which Great Britain secretly sets up for its own weak banks).

Sarkozy later, angry over the still-not-cleared-up scandal over Société Générale, threatened that the “lack of transparency” could lead to “a return to protectionist measures.” And according to *Le Canard Enchaîné*, Sarkozy said: “We must get away from a capitalism without transparency, in which the invention of new banking systems has given power to the speculators instead of to the entrepreneurs.”

If Germany and the other nations of Europe are to survive the currently escalating financial crash, that would only be possible if they take the measures I have proposed—that is, the treaties of Maastricht and Amsterdam and the Stability Pact must be frozen, sovereignty over their own currencies must be restored, and the Stability and Growth Law of 1967 must be reactivated, on the basis of Articles 20, 56, and 104 of the Basic Law.

But these tasks will only solve the situation if a growing number of German citizens stop thinking like underlings and begin to act like citizens. Citizens must finally understand that we are in a position to lose the scope of our civil rights, one after the other, and finally, Germany itself, and that the Federal government obviously is doing nothing to protect the population from the actions of criminal elements in the leadership of the international financial institutions.

We know, from thousands of discussions on the street and in the institutions, that a growing number of citizens understand that we really have reached the end of an epoch, and that there is in Germany only one organization which tells the citizens the truth, and has a concept for solving the crisis on an international level: that is the Civil Rights Solidarity Movement. But as long as the voters still, at the last moment, “vote for the lesser evil”—or allow themselves to be buffaloes by lies, which are circulated by the same circles who are responsible for the current crisis, instead of listening to the only party which represents a real solution—Germany will not be saved.

We find ourselves in an existential crisis of human civilization, and only if we revive our best tradition, as it is expressed in our Classical culture and the Judeo-Christian-humanist image of man, can we mobilize the moral strength for a solution. Today, what was written in the third leaflet of the “White Rose”<sup>2</sup> still is valid:

“Every individual human being has a claim to a useful and just state, a state which secures freedom of the individual as well as the good of the whole. For, according to God’s will, man is intended to pursue his natural goal, his early happiness, in self-reliance and self-chosen activity, freely and independently, within the community of life and work of the nation.”

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2. A non-violent resistance group in Nazi Germany.

# U.S. and China Must Work Together, Chinese Official Tells Washington

by William Jones

The late-January visit to Washington by Vice Minister Li Zhongjie, the deputy director of the Chinese Communist Party History Research Office and a leading theoretician from the Chinese Communist Party School, was an important effort by the Chinese government to clarify for U.S. lawmakers and “China-watchers” where China is heading.



Li Zhongjie

There is no subject on which there is so much misunderstanding on Capitol Hill as that of China. Bill Gertz’s rantings in his *Washington Times* column, and the drumbeat about the “China threat” by many retro-fitted Kremlinologists in the Pentagon, in search of a new “enemy image,” are taken all too seriously, even by people who otherwise are not so muddle-headed. All this has created an extremely distorted view about today’s China and its goals.

Professor Li was instrumental in developing the theoretical underpinnings of the present policy of the governing Communist Party. He was one of the authors of the political report delivered by President Hu Jintao at the 17th Party Congress in Beijing in October 2007. The development of Hu’s “scientific outlook on development,” a centerpiece for the shift toward a more Rooseveltian policy in the CCP, and the concept of “a harmonious society,” was, to a great extent, due to Li’s influence (see “China Party Congress: ‘New Deal’ for ‘Nation,’” *EIR*, Nov. 16, 2007).

The new emphasis on “putting people first,” with its extensive programs for mandatory primary education in the countryside, universal medical insurance, the development of a nationwide social security system, and a new emphasis on addressing environmental problems, has become an integral part of China’s economic growth policy.

## Significance of the 17th Congress

In a Jan. 22 speech at the Library of Congress on the significance of the 17th Party Congress, and again in a speech to the Center for Strategic and International Studies (CSIS), Li underlined the importance of “making correct judgments” about China. Present in Beijing at the Congress were 2,200

delegates, elected by 73 million members of the Communist Party, Li explained. The ten-day Congress consisted of two major parts: 1) President Hu’s political report, which was discussed in detail, and debated during the course of the Congress, and appropriately amended; and 2) an action plan drafted to follow up the recommendations given in the report.

The report itself, Li explained, had been the result of a year’s work, in which 36 commissions researched 20 different topics before any drafting was done. “Views were solicited from all over the country and all parts of the population,” Li said. When a preliminary draft was written, it was sent for review to all parts of the country. “We held 1,523 meetings and produced 62 reports.... We also sent a notice to all the ministries to submit their own suggestions,” Li explained.

President Hu then reviewed all these reports at 12 half-day meetings. During the first phase of the Congress, after the initial report had been read by President Hu to the delegates, his presentation was broadcast live on national television. The Congress delegates spent the next days discussing the report. At the end of the Congress, 21 revisions were made to the original report, as a result of the Congress’s deliberations. Li remarked during his CSIS speech, “There was a great deal more effort that went into President Hu’s political report than into your State of the Union.” An understatement, if there ever was one.

The same rigorous process was required for electing the new members of the party leadership, those from the fifth generation of party cadres who will take over when the present leadership leaves office in five years. “All candidates have been screened and vetted,” Li said. Here again, 60 teams were formed, comprising hundreds of ministers and thousands of officials, who scoured the country soliciting opinions from all parts of the population on potential nominees for leadership positions. Even non-party members were canvassed and their views solicited. “This has been one of the most large-scale mobilizations ever to conduct a decision on the leadership,” Li said.

## Harmonious Society, Harmonious World

The party Congress reaffirmed its commitment to the policy of “reform and opening up,” as well as to maintaining rapid economic growth, Li declared. In addition, there were in



the report new measures aimed at deepening reform. “While economic development is still given the priority, it cannot be lopsided,” he said. “It has to be based on a harmonious society,” a term which has become almost commonplace in party writings of late, but for which Li has been credited. As for the legislators’ constitutional responsibility for the “general welfare,” there is a commitment in the party constitution to “people’s livelihood,” an issue that was stressed at the 17th Congress.

The core concept of the Congress was to “put people first,” Li said. “This would also entail that the party pursue comprehensive and sustainable development.” He noted that China has come under criticism for the environmental problems that developed in the wake of the rapid economic development of the last decades, implying that China was not focussed on these issues. Much of the pollution in the larger cities such as Beijing is caused by heavy reliance on coal, much of which is produced in small mines in the north of China, not always with the best safety systems. Accidents at some of these mines have led to many deaths.

There is a clear awareness among the Chinese leaders of these problems. “Since the end of 2005, we have closed 11,000 of the smaller coal mines,” Li said. “This has not been without cost to us, in loss of revenue, unemployment, and loss of taxes from the revenues made by these mines, in addition to a reduction in coal production. And yet we are still criticized by the international community on environmental issues.” China’s ambitious, yet still insufficient, program of nuclear power development is a major attempt to reduce reliance on coal as an energy resource. But the pressure on China to “toe the line” of Al Gore and the “global warming” mafia on environmental issues, has led, as Li also indicated, to the demolition of 14 power stations. China has also taken upon itself a commitment to reduce the energy content of its Gross National Product within the next few years, a commitment that could cause major disruptions in its development strategy.

Li also underlined the importance that was placed on the development of inner-party democracy, as well as the significance of elections, and outreach to non-party members. “There will be elections in primary-level party committees. There are 3.5 million committees,” he said. “If we have direct elections in these committees, we will have come a long way.” A number of high-level government officials have been elected from among members of other parties than the Chinese Communist Party, including the present Minister of Science and Technology.

### **Impact of U.S. Financial Blowout**

Li then directed his comments to the international implications of the party Congress and the need for a “harmonious world.” “The world has undergone far-reaching changes,” Li said. “The relationship between China and the rest of the world has seen historic changes. We have to be aware of the

“butterfly effect,” he said. “If a butterfly shakes its wing on one side of the ocean, it will cause a storm on the other side of the ocean. Although this has been a very romantic notion, we can see its truth in the reality of today. There are two things that interest Chinese people the most today in the United States: the upcoming Presidential elections and the crisis on the subprime real estate market. And that is because these will directly affect what happens in China.”

“The stock market crash was caused by the situation on the sub-prime market. I have been told that there have now been some fluctuations in the Chinese market as a result. This tells us that China’s relationship with the rest of the world is very close,” he said. “We are thrown together in our striving for development. We have to work together on the challenges facing us.”

When briefed after the event on Lyndon LaRouche’s analysis of the crisis and his call for a New Bretton Woods system, Li commented, “I hope that the U.S. government acts quickly to deal with this crisis. And that when they do so, they must concentrate on the causes of the crisis and not merely the symptoms.”

### **A War-Avoidance Policy**

Given the propaganda oozing out of a variety of U.S. think-tanks about the various “China threat” scenarios, Li was anxious to underline China’s wish to avoid military conflict. “China will remain firm on the road of peaceful development. Some people say this is only empty talk. But I must say we are sincere in this effort. It is in the fundamental interest of China and in our tradition. China has suffered several wars in the past century. In World War II, Chinese and American troops worked together. Our total casualties in these wars were 35 million people. Our economic losses were \$600 billion. I know the history of the party and these figures are based on solid research,” Li said.

He also noted that, given the fact that most families are allowed only one child, they would be even more reticent to go to war. “Do you think families want to send their only son to the battlefield?” he asked. “We are not willing to solve our problems by force. And we do not want to be the cause of suffering to other countries.”

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# Fake Chinese Records Used To Back Warming

by Gregory Murphy

Scientific truth struck back against Al Gore's genocidal global warming fraud in January, as record snows and cold weather blanketed much of the northern hemisphere. China, which last year was forced to close 553 coal-fired power stations to placate the carbon dioxide mafia, found itself suffering under blizzard conditions not seen in 50 years. Nearly half a million soliders had to be mobilized to rescue freezing residents and clear transportation corridors in large parts of east, central, and southern China.

As it turns out, a falsified record of Chinese temperature stations also plays a central role in the global warming fraud. As was revealed last year, the Inter-Governmental Panel on Climate Change (IPCC), the coordinating body for the global warming fraud, had employed a falsified record of Chinese temperature readings to help support its claim that global temperatures have been increasing as a result of man-made carbon dioxide emissions. The story is as follows:

In May 2007, Canadian economist Stephen McIntyre and Douglas Keenan of Great Britain exposed as fraudulent the IPCC's claim that urban heat island effect—the increase in historical temperature record, due to monitoring stations being located in urban areas—played only a minor role in the temperature data. The IPCC's claim was based on a landmark 1990 paper, "Assessment of Urbanization Effects in Time Series of Surface Air Temperature Over Land," by Phil Jones, director of the Climate Research Unit at the University of East Anglia, and co-author Wei-Chyung Wang, professor at the State University of New York in Albany.

## They Fought To Keep Station List Secret

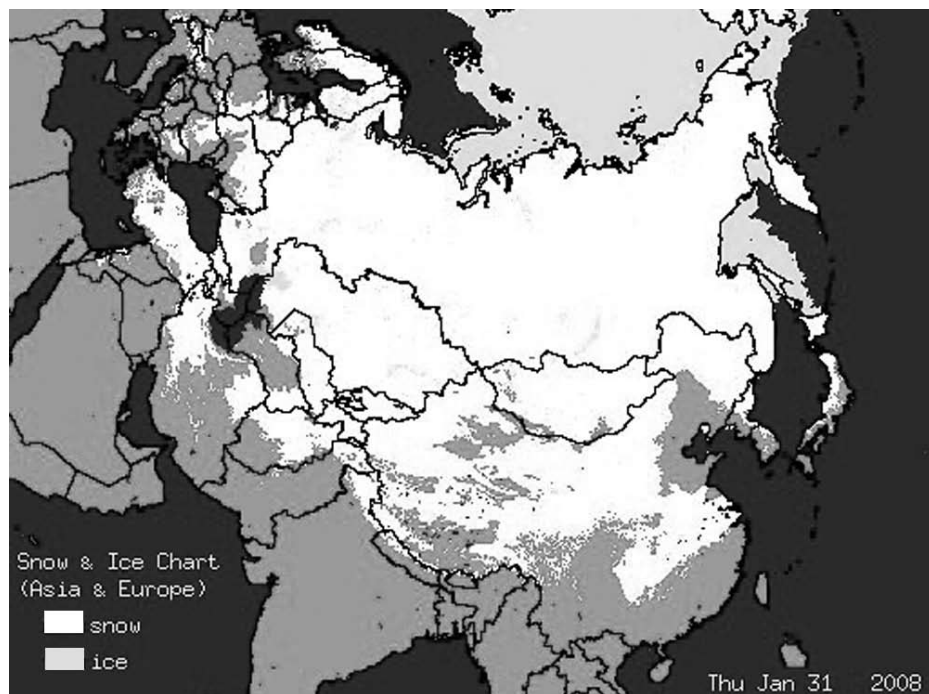
But McIntyre and Keenan showed that Jones and his co-author had knowingly falsified data from the 84 Chinese temperature stations used in their study. Jones and his co-author had claimed to have chosen stations "with few, if any, changes in instrumentation, lo-

cation or observation times." However, after Jones was forced by a protracted Freedom of Information Act fight to release his station list, it was compared to a joint study conducted by the Chinese Academy of Science and the Oak Ridge National Laboratory's Carbon Dioxide Program, which had assessed the state of repair and history of the temperature stations in China.

That study showed that only 60 stations of the 84 used by Jones et al. had even limited station histories. Forty-two of the stations, which Jones listed as rural, had no station history at all. Of the other 42 stations used by Jones, there had been major relocations, in some cases moves of up to 41 kilometers, and most from rural to urban locations.

Interestingly, Jones's time frame for his study was 1945 to 1983, which includes the periods of the "Great Cultural Revolution" and the "Great Leap Forward." The joint study by the Chinese Academy of Sciences and the U.S. Oak Ridge National Laboratory had found that serious doubts arose in the level of accuracy of this temperature data, and that there was a real possibility that station history data had been changed or lost during this time period.

From the time it was first cooked up in 1975, at a conference of population control fanatics, "global warming" was never anything but a hoax to provide justification for denying the fruits of modern industrial society to the poor, and mostly non-white, populations of the world. The case of the falsified data on Chinese temperature stations once again exposes Gore's fraudulent claims about global warming to be as solid as an igloo in Miami.



Studies by Chinese and U.S. scientific bodies found serious doubts about the data used to show warming. This map indicates snow and ice cover in the areas studied.

# If We Change the System Now, We Can Save Civilization

*Lyndon LaRouche was interviewed on Quito, Ecuador radio, 530 AM, for a morning broadcast on Jan. 30, along with Pedro Páez, Ecuador's Minister for Economic Policy Coordination. The host was Patricio Pillajo, and the subject of the hour-long dialogue was the global financial crisis, and what is to be done to solve it. Mr. LaRouche was previously interviewed by Pillajo on June 29, 2007. Simultaneous English-Spanish interpretation was provided by EIR Ibero-American Intelligence Director Dennis Small.*

**Patricio Pillajo:** On this occasion we would like to carry out a direct, double-voice dialogue, with a domestic and an international link. To that end, we have invited, first of all, economist Pedro Páez, the coordinating minister in charge of economic activity of this government, on the internal front. And on the foreign front, from the United States, the former Presidential candidate of the United States, Lyndon LaRouche, who is on the line with us from Washington. Simultaneous translation is provided thanks to the valuable help of Dennis Small. He is director of EIR's Latin American division, and director for Latin American affairs of the political organization led by Mr. LaRouche.

We welcome Pedro Páez. Good morning.

**Pedro Páez:** Good morning. Thanks for inviting me.

**Pillajo:** And we also greet our friend in Washington. Dennis, Mr. LaRouche, good morning.

**Lyndon LaRouche:** Good morning.

**Pillajo:** Good. There is a foreign and domestic situation which is very worrisome. The situation of the United States economy, and the repercussions that this has internationally, unquestionably imply the

definition of policies and concrete actions around the world: Emerging economies such as that of Ecuador, which are anchored to the monetary model of the United States, undoubtedly have to be even more concerned. The situation has reached the point, that yesterday, the President of the United States, George W. Bush, recognized that the U.S. economy had entered a recession. Nonetheless, political sectors who criticize the policies of the U.S. President, such as former U.S. Presidential candidate Lyndon LaRouche, talk about a total financial collapse. What we are facing, Mr. LaRouche has said, demonstrates that there is a process of disintegration under way globally.

So, our first question for Mr. LaRouche, again greeting him from Quito, Ecuador: Doesn't your analysis and diagnosis sound too apocalyptic, in terms of the situation of the United States and of the global economy?

**LaRouche:** Well, anyone who doesn't see the apocalypse



*Lyndon H. LaRouche, Jr.: "If the U.S. dollar collapses, you will have a global, chain-reaction collapse of every economy of the world, beginning within a few months."*



*Ecuadorian Minister for Economic Policy Coordination Pedro Páez: "We are facing a civilizational crisis, which goes way beyond a merely financial issue."*



as actually happening, does not understand the situation in their own country. What's in process is a general breakdown of the world economy, which is only comparable to what happened in Germany between 1921 and 1923. The entire world is in a process of a *general, global financial breakdown crisis*, which is remarkably similar to what happened in Europe in the 14th Century, when the Lombard banking system of that period collapsed, and Europe fell into a long dark age.

See, it's not a U.S. crisis; it's a world crisis, but the U.S. is the most important economy in the world. For example, if the U.S. dollar collapses—as it very well could, under President Bush's present policies—you will have a global, chain-reaction collapse of every economy of the world, beginning within a few months. All you have to defend yourself against it, from that standpoint, is denial of reality.

The present world system is finished: It's gone. It's dead now.

### 'The Exhaustion of an Era'

**Pillajo:** Wow! Those are very strong, very serious remarks which you are making. We would like to ask economist Pedro Páez, the Minister for Economic Policy Coordination in Ecuador, what analysis has the Ecuadorian government made with regard to the current economic situation of the United States and its repercussions within Ecuador?

**Páez:** Well, greeting our colleagues in the United States, Dennis and Mr. LaRouche, I agree on various points which have been mentioned here. Without any doubt, we are looking at the exhaustion of an era. We are facing a civilizational crisis, which goes way beyond a merely financial issue. There's been an accumulation of tensions, which include issues regarding the way of life, not only the way of producing things, and these are at issue today. And therefore, it is *so* important that, in the face of this global crisis which is developing, and whose intensity and rate are still being decided—I don't know if the apocalypse begins tomorrow—but the real problem is that there is a world which is being exhausted, and we don't yet have the concrete answer.

And for that, the formula, "think globally and act locally," is fundamental. The solutions have to apply to the totality of humanity, and in that regard, what the national government of Ecuador is implementing is, in fact, trying to define a course of collective creation. And this is an invitation to all citizens, all economists, all politicians in Ecuador, all businessmen, to join efforts, put their shoulders together to resolve the problems.

# EIR

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Breakthrough in Canada for Eurasian Land-Bridge  
LaRouche Asks: Which Bank of the South Will Prevail?  
Outflanking the British Empire—The Mass Effect

## The Force of Destiny: The Power of Natural Law



Illustration by Alan Yue

LaRouche, Páez, and moderator Pillajo agree: The financial system is disintegrating globally and the crisis is urgent.

The situation of a country that's so small, with such a complex and hierarchical structure as we have in Ecuador, is without a doubt marginal, but not insignificant. For example, our initiative for the construction of a new regional, financial architecture is part of a series of measures which would allow us to somehow isolate, protect us from the effects of this pneumonia of the world economy and the United States, and allow us to generate internal responses.

The other dimension of our answer has to do with a process of transformation of the internal response mechanisms, having to do with a change in economic policy, beginning with innovation of instruments to be able to react. For example, the new financial architecture, or a new relationship between financial and productive capital; a new relationship between the popular economy and the capitalist economy, and the state economy, which has to do with companies and public administration; and a new way of in-

serting ourselves in the world market, precisely to prepare ourselves for this crisis.

**Pillajo:** Now, the diagnosis of Mr. Lyndon LaRouche, and of various sectors inside and outside the United States, is that this worsening is not a matter of years, but rather of months, perhaps the middle of this year, as expressed in his most recent webcast. This new financial architecture, this new relationship between financial capital and productive capital, might this be applied in the Ecuadorian situation immediately?

**Páez:** We share the same sense of urgency. We think that the time frame has to be shortened, in a hurry, with agility, because, in fact, we don't know what the outcome of this crisis is going to be. The crisis can become more and more colossal, in terms of the different factors involved in the world economy, and that's why we are moving very, very rapidly forward in that regard.

The Bank of the South, which was signed at the end of last year, was an excellent signal, and there has been a consensus with other ministers of countries that are of great weight, in Latin American policy terms, talking about the Fund of the South, to create a new dimension regarding the central bank, which will break with the orthodox, neoliberal view of an exclusively monetarist central bank, and which poses the issue of development, of production.

And finally, the need to converge towards a new, common monetary system, which will allow us to have some autonomy and independence with regard to the turbulence on the international markets.

**Pillajo:** Mr. LaRouche, do you have any remarks with regard to the ideas posed by economist Pedro Páez? We would also like to ask you, can the degeneration of the world economy be stopped?

### 'Go Back to a Roosevelt Conception'

**LaRouche:** There are solutions, if governments are willing to take them. Now, I've proposed actions from the United States, and with other countries, which would address these problems. It is a manageable situation, but only if we change the assumptions which are running the world economy today.

All right: The action that has to be taken, will have to be taken on one side by the United States itself to solve this, but this also requires international reforms. Now, to have a reform would require a combination of nations as powerful as the United States, Russia, China, and India. If that is done, if that kind of alliance is created, then the world as a whole could regroup itself to get out of this mess.

What you have to go back to, is a Roosevelt conception of how to organize a national and world economy: First of all, we must eliminate the floating-exchange-rate system. Because if you cannot create stable, long-term credit on the basis

of 1-2% interest rates, you cannot organize enough investment in large-scale basic economic infrastructure to get the world economy to reverse its present direction.

This requires a two-tier system: for domestic public consumption, public investment, 1-2% interest rate; for free trade, a rising interest rate. Which means that ordinary physical trade and improvement, especially infrastructure, will be supported, but free-market stuff will be curbed. Then we can think of recovery in terms of two 25-year periods.

Now I know that China and other countries of relevance are very much concerned with this. They recognize that—

**Pillajo:** What is the role that can be played by countries such as Ecuador, which believe—at least its government believes—in the constitution of a Bank of the South, and a new financial re-engineering? What role can they play? You say that the big countries, the United States, China, India, need to agree. What role can we play?

**LaRouche:** Oh, no problem! You've already taken the first step. I've always emphasized over the recent 30 years: It's necessary to bring forth something based on the old Rio de Janeiro agreement, in order to create a cooperative association of the states of the Americas, in which we can support a fixed-exchange-rate system, which will protect long-term investments within those countries at low interest rates. Now, the Bank of the South is an attempt to move in that direction. We already see some of the problems that get in the way of an effective installation of that program. Obviously, the system will not work, unless the effort in Central and South America is supported politically by governments such as the United States. In other words, the United States must recognize and support a protectionist policy among the nations of South America, that is, for the protection for the unity of the South.

**Pillajo:** Economist Páez, the country, however, doesn't consider this as its priority. There are internal problems: price increases, recent floods. How can we promote a policy in the short and medium term, as you see it, within these new economic relations, internally and externally, when the country's priorities are different? At least, in house, at this time.

**Páez:** I agree completely with what Mr. LaRouche just said. The key thing here is how, from the local perspective, providing concrete answers to people in their specific conditions of life, we can build. That's what I've been saying—we can construct an element of global coherence. That's why I said we have to act locally, while thinking globally.

I think, without a doubt, that the answers which we provide from here, have to be oriented towards a global solution of the problem, but at the same time providing concrete answers to the concrete needs here in the country.

That's why the new financial architecture domestically, which is exactly along the lines that Mr. LaRouche mentioned, is inspired not only on the issues Roosevelt initially proposed, but on later other U.S. financial experiences, such as Fannie Mae and Freddie Mac—all the conditions which allowed a promotion of productive investment in the United States, especially in the immediate post-war period. This will allow Ecuador to have answers based on production, the generation of employment, in the face of a development model which has been based on profiteering and financial speculation. If we can construct, along the way, if

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*LaRouche: "It's necessary to create a cooperative association of the states of the Americas, in which we can support a fixed-exchange-rate system, which will protect long-term investments within those countries at low interest rates."*

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we can strengthen the internal capabilities of productive response, those conditions will allow us to protect ourselves and have a better answer in the face of the international crisis.

But that's not the end of the story. Our definition of the new *regional* financial architecture—which includes the Bank of the South—then we would be completely agreeable to support a scheme such as what Mr. LaRouche is proposing, and which will hopefully find support among the U.S. elite, to define a true framework of international cooperation, to leave behind the schemes of imperialism and the Cold War. I think that that will allow the creation of a new civilizing mechanism for all of humanity, of humanity as a whole, as a universal citizenry to provide real solutions which the market can not spontaneously resolve.

### **The Defects of Dollarization**

**Pillajo:** In the complex scenario facing the world economy, and the U.S. economy, the dollarization of the U.S. monetary system itself is at risk, let alone our own monetary base. Economist Páez, what is to be done about this?

**Páez:** Part of what we are facing are the defects of dollarization, even before the crisis became evident. We've lost competitiveness: Changes in the labor market, changes in our ability to respond to international markets, the aggressive increase of imports and of conspicuous and luxury consumption among the middle and upper classes of the country, are part of a process of weakening of the produc-

tive apparatus, which is going to have extremely serious consequences.

What we're working on now, is to change the mechanisms for acting on economic policy, to be able to relaunch a new model of development, or rather a new regime of accumulation which will really define, in the new international context which is becoming more and more complicated, the real possibility for development.

What we are going to have to face immediately: Number 1, is the issue of remittances. If anything has allowed dollarization to remain in this current honeymoon for the last eight years, it has been the great effort of millions of Ecuadorians, who under extremely painful family circumstances, have broken their previous living conditions and have travelled abroad to send remittances.

The crisis and the recession in the United States, and in the central economies generally, is going to reduce the possibilities of employment for these compatriots of ours, and is going to make it more and more difficult for remittances of these quantities of money to come to their families. The prospects for employment are in doubt for these sectors. So this is a very important problem that the country has to start to face.

The second big problem has to do with the increase of prices that you were mentioning a moment ago. We have a situation internationally of price increases of raw materials, that to some degree have benefitted the country, but have a contradictory effect, because, especially on the food front, this is harming us greatly. The international recession can reduce that and thus have an ambiguous effect, especially because of the price of petroleum, which has also helped support this "honeymoon" that we've had with dollarization.

Third, there's a process which is also going to have ambiguous and a complicated impact on us, which is the weakening of the dollar internationally. Because, on the one hand, what we have is that in those areas where the dollar operates as legal tender, we have a devaluation. And this devaluation has come from outside, and it has allowed us to be able to respond better on the international markets. At the same time, we have a problem of price increases of our domestic production vis-à-vis the United States.

There is a reduction, beyond the policies of a particular government, there is a reduction of the weight of the United States in our international market. There is a very rapid increase of the importance of other markets, especially the European Union, but also other emerging economies, such as Russia, the Pacific Basin, which daily have a greater impact. So we have to locate that we're in a different, new moment of relations with the United States. It's also fundamental for the country to diversify its trade and financial objectives for the medium and long term, towards the Pacific Basin and towards relations with the South.



## Dollar Collapse Made in London

**Pillajo:** Mr. LaRouche, the dollar is not only at risk in the United States or in Ecuador, but in the entire world.

**LaRouche:** That's deceptive, because first of all, the problem of the U.S. dollar is largely from what's happening in London and what's happening in Washington politically. The collapse of the dollar is largely presently orchestrated from London, and a government of the United States, headed by a man who is not very strong in his intellect, and who's very much under the control of the London financial crowd, is not defending the United States.

The good side of this thing, is that the United States is going to have to dump its own current policies in order to save the United States, and to save the world from a chain-reaction collapse. The important thing to recognize, that if the United States dollar goes down, *the entire world goes down, immediately*, that those who are hoping for the collapse of the dollar are insane. It reminds me of the 14th-Century New Dark Age. We have an insane President of the United States, and *because* of that, we have the opportunity—it is growing rapidly—of rejection of this political force *inside* the United States, coming from the mass of the people. And this is the reason for the massive pro-fascist operations against Hillary Clinton, for example. The presently ruling clique in the United States is afraid of the American people. We're in one of those situations where you're either going to get the equivalent of revolution, or you're going to get a collapse of civilization.

And this is quite feasible, it can be orchestrated. It's a longer question, but this is not an unfeasible solution: We can change it.

**Pillajo:** Mr. LaRouche, would you recommend that dollarized countries, like Ecuador, accelerate a process of de-dollarization, which has often been mentioned as a necessity for economies such as ours?

**LaRouche:** Well, right now, it's impractical to take that as a tactic. The United States is going through a crisis in which it will either defend itself, which means it must defend the relative value of the U.S. dollar [or not]. I could do that as President by establishing a two-tier credit system, as I indicated earlier.

The problem is that Ecuador right now is *trapped* in the dollar situation. And every inch of decline of the dollar hits Ecuador in a very serious way! Our interest is to have the U.S. dollar discipline itself, and go back to the Franklin Roosevelt orientation of relations with other states. Under those conditions, we can all work together and do fine.

The problem is, that this means making a virtual revolution, like back to Franklin Roosevelt. That is by no means as impossible as it may seem to many people today. We're in the type of world crisis, where exactly that can happen! I can't guarantee it. Like winning wars, it will not happen automati-

cally. It will happen, because intelligent people realize the *potential* for it to happen, and *cause* it to happen. And the opportunity is now, *in weeks!*

## The Potential for a Truly Human Approach

**Pillajo:** Economist Páez, Ecuador's excessive dependence on oil, and also the remittances of migrants—which you mentioned before—are very sensitive issues in the current circumstances of the world economy. What is the government's "Plan B?" We would like our friends in the United States to know that the Ecuadorean government had a very broad meeting yesterday with businessmen, the productive sector, about how to revitalize the productive economy. What can be done as a "Plan B" in the face of the susceptibility to these two issues, the price of petroleum and remittances which sustain economic dollarization?

**Páez:** First of all, I think the kind of analysis that Mr. LaRouche has made is crucial, in terms of this being a civilizational crisis of extremely grave consequences, and the danger of a dark age which could last decades. This is a very real danger. But at the same time, the tension between what exists and the potential, has never been as important as it is today. That is to say, the possibility which humanity has to act reasonably, and unite progressive forces based on a truly human approach. This has been a tradition and a hope for millennia, to be able to generate a fraternal community, that this is right around the corner.

But at the same time, I think it is extremely important to understand the actual strength that the existing powers have to stop this from occurring. That is to say, there are very strong international as well as national interests that want to avoid such a change.

The meeting which we held yesterday with the business sector showed how easy it is to find points of agreement with the businessmen, beyond ideological fundamentalism and certain political extremism, which has dominated some of the business association's leadership, not recognizing the true needs of the business sector itself, of those who generate production and employment, in fact.

So, as soon as you can break the specific conditions which have existed in Ecuador for the last two or three decades, these cliques in the business sector who are more interested in political issues, and have been implementing a neoliberal policy, which is now an exhausted model: This shows the real potential that exists to join forces, as I mentioned a moment ago.

What are our options here? In fact, create a situation to relaunch productive activity which will benefit all Ecuadorians, and not just for the wallets of a few.

This can be done in the very short term. This depends on what answer comes from workers, from businessmen, from academics. Because we've had two or three decades of a business culture, which has been based on the imposition of this

polarizing speculative economy. We've got to shake this off, to be able to jointly face the new times.

If we don't do that, and if we don't do it fast, with the same urgency with which Mr. LaRouche is warning the world, we are not going to be able to have a healthy answer, and we'll have very painful circumstances in the country.

**Pillajo:** We need internal and regional allies. Do we have them?

**Páez:** We need to construct such alliances internally and

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*Páez: "Our definition of the new regional financial architecture, which includes the Bank of the South, would be completely agreeable to support a scheme such as what Mr. LaRouche is proposing, and which will hopefully find support among the U.S. elite, to define a true framework of international cooperation."*

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abroad. We have to create what people like [Antonio] Gramsci posed about building a new historical bloc, in which relations among the different social classes, the way conflicts are solved, find a new approach.

The old approach, the old neoliberal approach of fostering the polarization of speculation and profiteering—society with this as a model can no longer function.

This is shown internally over the last few years in Ecuador, with the ongoing erosion of the institutions and the deligitimization of societal mechanisms that we've experienced, for example, with the rupture of the Constitutional order on various occasions. And similarly, internationally, with the chaos which has been created over the recent period and the impossibility of providing a solution, of processing these conflicts, in a civilized way.

Mr. LaRouche has mentioned that this revolution which should be carried out, is to change things, to return to the proposals of the New Deal which Roosevelt proposed. This implies to truly construct an international community with international legitimacy, with the possibility to construct peace based on the respect of the rights of others. Imperial imposition, imposition by force, can only take us to destruction.

And this is posed not only in terms of financial issues, which is what is most immediate, but also in terms of the direct annihilation through military means, or by the gravity of the ecological crisis which we're facing internationally.

## 'You Cannot Reform a Bankrupt System'

**Pillajo:** These are variables we have to take into account. Mr. LaRouche, you've talked about urgency, and that time has run out. You talk about a hyperbolic collapse of material production, which cannot be resolved with these monetary aggregate emissions, and that what they are doing is aggravating the crisis in the United States and globally. And you also talk about resorting to bankruptcy reorganization, as you did in your recent webcast, to save the United States. Does this not increase the fear and uncertainty, to talk about bankruptcy on a global scale?

**LaRouche:** No, you have to face it: Everyone is bankrupt. This is precisely the thing: Don't try to find a soft way within existing axioms. For example, look, the price of petroleum is now around \$100. That's a fourfold increase of the price of petroleum in the recent period. In contrast to that, in Saudi Arabia, the Saudis get about \$5 a barrel for the oil they put on tankers!

For example, the price of petroleum from Venezuela is a crucial factor at the moment, in South America. But you have to know, that the price of petroleum is not controlled by the United States, it's controlled by the Anglo-Dutch cartel, which runs it from London! Only a political breaking of the power of the cartel will free the nations to solve their own problems.

You cannot reform a bankrupt system. You have to put it through reorganization under proper authority.

If I were President of the United States now, with countries I know, we could solve many of these problems. The key thing is the willingness to face the truth of the situation and to act appropriately. What we have, is the advantage that the collapse of the system is destroying the credibility and the political authority of the people who are responsible for these policies. For example, within a month's period, the Governor of California, Schwarzenegger, his popularity collapsed by 7%.

The present world crisis is collapsing the political authority of the people responsible for these bad policies. There's an explosive tendency for revolt by the American people of the lower 80% of the family-income brackets. But as you know, in Ecuador and other countries in South America, it is leadership which is able to capture, and give a point, a spear-point, on the desire of the people for reform; that's the mechanism on making reforms.

For example, I have people in the United States in banking circles who believe that I'm right, who believe that the kind of reform that I propose to the United States is necessary. But the strength that I have to push this comes entirely from the lower 80% of family-income brackets.

**Pillajo:** Nonetheless, Mr. LaRouche, you have said that Hillary Clinton has taken a step forward. Are her statements sufficient to carry out this high-risk surgery which you have mentioned? Is Hillary Clinton an option to win this political leadership which you are talking about?



U.S. Immigration and Customs Enforcement

*Ibero-American immigrants in the United States line up to face deportation. Ecuador's dollarized economy depends on the remittances that U.S. immigrants send back to their families, and the collapse of the dollar will have a huge impact on Ecuador's living standards.*

**LaRouche:** It's too simple. She's moving in a good direction, and she's moving as a politician, and you know what that means. She's feeling her way in a certain direction. Her husband is one of the smartest politicians on the planet today. He's made mistakes in the past, but he's also got a good brain.

We have a political potential in motion in the United States, which is why she's being attacked! She's fighting a group, including the Mayor of New York, who is intended by people such as George Shultz—known to Ecuador—there's a present move to bring the crisis under control by establishing a Mussolini type of fascist government in the United States *under Mayor Bloomberg!* That's what the whole election is about. And therefore, the people who are behind this are trying to destroy her. This is like what put Hitler into power in Germany.

**Pillajo:** Economist Páez, is there clarity as to what the North-South relationship, especially, Ecuador-United States, should be, based on these political variables currently happening in the United States? Is there a strategy, both economically and politically, to define what the relationship should be with the current government of the United States, and the future government of the United States, to deal with the issues which have been under discussion?

**Páez:** Yes, we trust that there are elements, that there are lucid cadre in the United States, which will allow us to find

points of agreement, points of convergence, and allow us to carry out a good relationship in general, not only with Ecuador, but also have a better relationship between the United States and Latin America as a whole.

What has been mentioned here, among the efforts we're carrying out to chart the course of reforms of the new international financial architecture, this also requires a new framework for North-South relations.

### **Ecuador To Reopen Dialogue With the U.S.A.**

**Pillajo:** But with the current government of the United States, are these issues raised?

**Páez:** This is a question of state policy, not government policy. I believe there must be many individuals who have a broader view, with a more open mind, in the state apparatus of the United States, which agree, for example, with the view Mr. LaRouche has now. I'm very happy to

find such positions, and I would hope that we would find in the U.S. elites an echo that would allow us to build bridges for a future better relationship. And Ecuador—this is part of the tasks I'm responsible for coordinating—Ecuador is preparing a proposal to reinstate dialogue with the United States.

Remember, it was not Ecuador, for example, which left the negotiating table for the Free Trade Agreement. We think that the imposition of a free-trade agreement on such asymmetric terms, as was being done in the previous negotiations, was totally harmful to the country, because it created a totally impossible situation for hundreds of thousands of working families, totally economically unviable under current market conditions.

We think it's fundamental to have a new type of relationship which locates the civilizational contribution which the United States has made, which generates new cooperation on cultural and technical levels; for example, better relations on the question of migrants, to avoid their abuse. Which allow the United States to once and for all resolve the requests for extradition of the corrupt bankers who are in Miami, for example. And that our people who are in the United States not be treated as illegals, as criminals. That there be much more equitable relations in investment, allowing real development. To allow us to jointly break this financial speculative system, which is based solely on financial issues, and does not create new better conditions for production.





Metropolitan Touring

Ecuador, Páez said, plans to break with neoliberal policy and go back to a policy of development and production. Here, a market in Ecuador.

All of these things are present, are on the table and being negotiated now with the United States. We think that they are going to be well received. There are already first indications of this new type of relationship with the United States, and I think they are going to be strengthened in the future. Along the way, we are going to be able to construct specific solutions to this very complex process of crisis, to resolve the crisis which we're facing.

**Pillajo:** Nonetheless, there's not a lot of enthusiasm when people talk about this new financial architecture, at least we haven't felt it here from the U.S. government. There's not much enthusiasm, it doesn't rally people. Rather, they're unhappy about it, because it sounds like Bolivarianism, 21st-Century socialism, Chavismo, and that's not exactly something the U.S. government agrees with.

Nonetheless, the government promotes this idea, and is promoting this new financial re-engineering, and yet we also want an extension of the Andean preferential trade agreement, which is preferable to subsidizing our producers, our business sector. Isn't this ambivalent? Aren't we trying to play two sides of the equation?

**Páez:** No, on the contrary, we're defining a tactical and strategic situation coherently. We're thinking of both the short and the long term, with the same principled view, the same human view, in terms of a universal citizenry. The treatment among governments, independent of the size of their economies, should be to treat each other as equals, as human beings, to build a different fraternal relationship.

The Ecuadorian position has always been one of openness

with the United States, and not of confrontation. But we will not allow this situation to define conditions of submission, of imposition, which attack the dignity of the people. Benito Juárez used to say: "Among men, as among nations, respect for the rights of others is peace." If that principle guides relations among all peoples internationally, I believe that the possibilities of solving this crisis, not only financially, I repeat, will have a happier outcome.

### No Alternative to a Roosevelt-Type Approach

**Pillajo:** Mr. LaRouche: Are there any complementary measures to avoid this crash, this financial crash, which you say is now inevitable, but to lessen its

impact? What would the complementary measures be?

**LaRouche:** You have to eliminate the present system. You cannot survive under the present system. The question is simply, do we have the political combination internationally, in order to force this change to be made? If we cannot make this change within the weeks and months immediately ahead, the whole planet will go into a dark age. That is a fact: There are no alternatives to those two choices. We're on the brink of a dark age: You cannot compromise with a dark age. There are solutions, but they require a sudden change, back to a Roosevelt-type of approach. Otherwise, there is no solution.

**Pillajo:** So, the dollar has to be defended as the reference point of the world economy? You have talked about stopping foreclosures, and applying these measures more broadly to the U.S. economy. What other measures are required as an alternative, as a strategy?

**LaRouche:** We have to go exactly to Franklin Delano Roosevelt's approach and to pretend that Truman never existed. *Nothing else will work.* I know what's going on in the world markets, and we are headed toward international fascism—but that won't work either! Either we make that reform within the weeks and months ahead, *or we are already dead men walking!* This is the time; there are no longer rooms for compromise on that issue.

The dollar has lost, recently, 20% of its relative value on the world market. This has been orchestrated from London. London is conducting warfare against the United States, *bankers' warfare* against the United States, of the type that South

America is quite familiar with. They're out to destroy the United States.

If the United States decides to defend itself, it will go to Russia, China, and India for cooperation, and rally a group of nations to bring this thing to an end. If you get a number of major powers in the world to agree to change the system, *in order to save civilization itself*, then you can win. I see a willingness for that sort of thing from China and from other places. I have increasing support for this within the United States. It is possible to win. And as in war, there is no alternative to victory.

**Pillajo:** Very good. We are at the end of this double interview, this international contact. As a way of concluding, we would like to hear any ideas that may be pending, which may not have been stated by our guests in this almost 60 minutes of discussion. Let's begin with Mr. Páez, in summary, what can the country do, internally and internationally, in the current economic conjuncture?

**Páez:** Philosophers such as the German, Jürgen Habermas, have said that there is production not only of goods and services, but of goods and services and feelings. The sense of life, the sense of coexistence, is something fundamental which should not be taken as a given. It has to be produced and reproduced.

This erosion of the conditions of coexistence, this delegitimization of authorities, of laws, of conditions, of fraternity which have been built, are a real danger. The possibilities of saving what humanity has accumulated, what society has accumulated in this process of perfecting humanist ideas, the ideas of freedom, of equality, of fraternity, is now endangered. But at the same time, there are concrete conditions that need to be addressed, and objective factors which allow us to be optimistic about the future.

I think if the progressive forces, here and there, can agree around certain more lucid sectors, they can cooperate and carry out policies around these basic views which have been posed here, which go to the very heart of the system, to a radical change of the conditions of inequality and injustice which have prevailed until now. I think the concrete possibilities of solving this crisis are present here, and it is possible to construct a more just world.

### We Need a Peace of Westphalia Concept

**Pillajo:** We would also like to ask Mr. LaRouche for a final word, a final message at this point.

**LaRouche:** We had a solution for a great crisis, which had been over 100 years of warfare, religious warfare and other warfare, during the 16th and 17th centuries. Then in 1648, the Peace of Westphalia was introduced, in which the Christian principle of the benefit of the others was adopted as the basis for peace. We need to have sovereign nation-states, because people cannot be free without the expression of their culture. But we must bind these nations together, by a commitment to

the benefit of the other nations.

Since the death of President Franklin Roosevelt, there's been an attempt to destroy this Peace of Westphalia concept. That concept is the greatest issue of the world today. We must have concern for the other nation, as the primary concern of each nation. Instead of bargaining *against* one another, we must cooperate *with* one another. We must go back to the concept of the Treaty of Westphalia. Then the forces for cooperation can come into full play.

**Pillajo:** Very good. Thank you very much, gentlemen.

**Páez:** Thank you very much; it's been a pleasure to converse with all of you. My greetings there to the United States. Dennis, Mr. LaRouche, an embrace.

**Pillajo:** Many thanks to Mr. Lyndon LaRouche, whom we have interviewed by phone from Washington, the former U.S. Presidential candidate. Thank you very much, and have a good day. To economist Pedro Páez, Minister for Economic Policy Coordination of this government, we also express our appreciation. And, as well, to Dennis Small, Latin American affairs coordinator for Mr. Lyndon LaRouche, who helped us with the simultaneous translation of this Quito-Washington dialogue. Gentlemen, to all of you, our thanks, and good day.

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# Business Briefs

## Banking

### ECB Is a 'Neapolitan Garbage Dump'

"The European Central Bank (ECB) has become a Neapolitan garbage dump," an Italian banking source commented to *EIR*, referring to the ongoing trash pick-up crisis in Naples, the result of a strike. He was commenting on a Jan. 31 *Financial Times* report, that Eu30 billion of securitized junk has been packaged by Rabobank, an Anglo-Dutch megabank, for the contingency of using it as collateral for borrowing from the ECB through its lend and repurchase (repo) operations.

According to the *Times*, Rabobank, the only bank still holding a AAA rating from Standard & Poor's, has packaged mortgage loans in order to keep them on its balance sheet as bonds, ready to have as collateral to offer the ECB, in case of a liquidity crisis.

This is similar to what Spanish banks, in particular, have done since last December, i.e., issuing securities for which there is no market, except at the ECB repo facility. In December alone, Spanish banks borrowed Eu63 billion through this facility.

In doing this, the ECB is de facto bending its statute, which allows it to lend money directly to banks only in extraordinary cases, and only against prime collateral. Acting this way, the ECB has bailed out major sections of the European banking system since December, offering temporary cash life-support to a corpse.

## Infrastructure

### Rail Workers Call for Rebuilding U.K. Rail

The British Railway Workers Union (RMT), which recently called for renationalizing Britain's railway system, has proposed the rebuilding of a national railway industry to produce rolling stock. The union was responding to the government's release Jan. 30 of a plan stipulating that new trains should be designed and built in Britain. Making sure that rolling stock is built in Britain,

would use the wealth of engineering skills that still exist, and give a massive boost to an industry that has suffered many blows in the years of privatization, said RMT General Secretary Bob Crow.

Crow made the point that other countries in Europe manage to protect their own manufacturing industries, and there is no earthly reason why Britain cannot also adopt a procurement policy that safeguards jobs and train-building capacity. "The 1,300 extra carriages confirmed [by the government] today is a first step towards catching up with existing rail demand and the 30% increase expected in the next decade," Crow said.

## Energy

### Former Greenpeace Leader: Go Nuclear!

"All the money that's going into subsidizing solar is a waste of money," Patrick Moore, the co-founder of Greenpeace, said in an interview Jan. 31. "The \$3.2 billion that California is subsidizing in solar would build a 1,000-MW nuclear plant and provide 10 times as much power into the system—and on a reliable basis," Moore told CNet News. Com in an interview titled "From Eco-Warrior to Nuclear Champion."

Moore, the former Greenpeace leader, who is now a nuclear advocate, said that he began to rethink energy policy after he left Greenpeace: "[I] realized that I had been incorrect in my analysis of nuclear as being some kind of evil plot."

"There is no possibility that California can meet its objectives [for emission reduction] without new nuclear ... to supply the electricity," Moore said.

California law, as designed in the 1970s by neo-con Albert Wohlstetter and his greenie colleague Amory Lovins, prohibits a new nuclear plant in the state until there is a national waste repository. But Wohlstetter and Lovins promoted the lie that nuclear waste is the equivalent of a nuclear bomb, attacking the reprocessing of spent fuel (97% of which can be made into new nuclear fuel), and shrouding in fear any efforts to establish a national spent fuel repository.

## Climate

### Second Avalanche Hits Highway in Washington

It didn't look like global warming. A wall of snow, 400 feet long and 30 feet deep, fell from the slopes of the Snoqualmie Pass onto Interstate 90 on Jan. 31, trapping several cars, but, miraculously, not injuring anyone. It was the second avalanche in two days on the stretch of highway through the Cascade Range, about 30 miles east of Seattle, Washington.

The interstate had only been open for about five hours, after being closed the previous morning from an earlier avalanche in the same vicinity. Area residents could not recall even a single such event in the past. The snow resulted from the convergence of two storm systems, one from California and another from the Gulf of Alaska early in the week, and a third which hit the following day, according to meteorologists.

## Agriculture

### Suicide Rates Soar Among Indian Farmers

While Harvard-trained Indian Finance Minister P. Chidmabaram was telling the globalization crowd assembled at the World Economic Forum in Davos, Switzerland, how rapidly India is developing, with an 8.5% annual GDP growth, farmer suicides are rising dramatically. The National Crime Records Bureau (NCRB) in its report "Accidental Deaths and Suicides in India, 2006," reported that farm suicides in the Indian state of Maharashtra rose that year, more than in any other part of the country. Maharashtra saw 4,453 farmers' suicides, more than a quarter of the all-India total of 17,060. NCRB data record 166,304 farmers' suicides nationally, in the decade since 1997.

The Manmohan Singh-led United Progressive Alliance government, of which Chidmabaram is a part, has run down India's agricultural sector to funnel money into foreign-exchange-earning ventures, such as the



# Briefly

IT sector and urban development.

Most of the farmers who committed suicide did not have access to bank loans and depended on extremely high-interest loan-shark money. Crop failure, or overproduction, relative to the ability of the population to afford food, led to acute financial crisis for these farmers, before they decided to take their own lives.

## Biofoolery

### Ethanol May Link to E. Coli in Meat Supply

Feeding the by-product from corn ethanol distilleries to cattle—a practice that has become widespread in the U.S. cornbelt because of the biofuels craze—may be contributing to the spread of E. coli contamination in the food chain.

Researchers at Kansas State University released a study this month, showing that cattle have significantly more E. coli present in their intestines, when fed a ration high in dried distillers grains, or DDG, the name for dried “used corn” from ethanol plants. The presence of E. coli 0157.H7 was twice as high in cattle fed DDG, than those whose diet excluded it. This result held up, in three rounds of feeding and testing, according to a report in the January 2008 issue of the *Journal of Applied and Environmental Microbiology*.

One hypothesis is that the DDG alters the acidity level in the gut, to make it more conducive to bacterial growth. Animal husbandrymen are also worried about the impact of wet distillers grains, used for livestock feed in some locations, and favored by some ethanol plant operators, who don’t want the expense of drying it. Wet DG might provide more opportunity along the feed chain for pathogens to multiply.

Various strains of E. coli are commonly present in the guts of healthy cattle, but a mechanism like this to foster the prevalence of the bacteria is a major public health threat. At present, E. coli sickens over 70,000 people a year in the U.S., with 60 deaths, according to the Centers for Disease Control and Prevention. The U.S. Department of Agriculture is conducting a study of

the E. coli-DG cattle feed connection, at its Meat Animal Research Center in Nebraska.

The Iowa Cattlemen’s Association estimates that cattle producers in the state are currently using about 30 to 40% DDG in their feed rations. For feedlot operators, the comparative cost advantage is that DDG sells for about \$2.85 a bushel, compared to corn, which can now cost more than \$4.00. In turn, ethanol plants want the extra revenue from selling the used corn, to cheapen their distillery costs.

## Déjà Vu

### Herbert Hoover’s Great 1929 Stimulus Package

With the great Bush/Paulson stimulus package of 2008 working its way through Congress, we are reminded of yet another such effort: the great Herbert Hoover stimulus package of 1929. In late 1929, after the stock market crash, but before the Depression had really set in, President Hoover summoned some of the nation’s top industrialists and merchants to Washington to agree on a package of measures to stimulate the economy. Hoover’s plan included \$160 million in Federal tax relief, promises from the Fed of cheaper credit, promises from leading employers not to reduce wages, promises from labor unions not to seek higher wages, promises from industrialists and railway leaders for capital expenditures, and increased government construction spending.

“Such guarantees that the wheels of business would not slow down under the sudden loads of Loss & Fright could be created only by a powerful force,” *Time* magazine reported Dec. 2, 1929.

We all know how that turned out, with the economy plunging into the deepest depression the U.S. had known, only to be reversed with the election of Franklin Roosevelt and his war on the “economic royalists” in defense of the general welfare of the population. Today, we have George Bush in the role of Herbert Hoover and Henry Paulson in the role of Treasury Secretary Andrew Mellon, which means we’d better find someone to fill the role of FDR pretty damn quick.

**AN IAEA TEAM** is in the Philippines to help assess the feasibility of rehabilitating the mothballed Bataan nuclear plant. The 620-megawatt plant was completed in 1984 but never operated, because of pressure from the economic mafia of George Shultz and his Philippine hitman Paul Wolfowitz.

**NUCLEAR VENDORS** Areva of France and Toshiba’s Westinghouse of the United States have submitted bids to South African power utility Eskom, to build large nuclear plants. *World Nuclear News* reported Jan. 31 that the first plants would be in the Western Cape region, far from the nation’s coal supplies. A second round of bids this year will be for a fleet of nuclear plants with a total of 20,000 MW. This is in addition to South Africa’s program for an indigenous fourth-generation pebble bed reactor, a modular high-temperature gas-cooled reactor designed for domestic use and export.

**FRENCH ECONOMIST** Paul Fabra denounced President Bush’s fiscal stimulus package for weakening the dollar. He wrote in the daily economic paper *Les Echos* Feb. 1, “The successive, massive lowering of interest rates by the Fed will benefit banks, and banks alone. The new tax breaks [stimulus policy] and increasing budget spending proposed by the Bush Administration contain the awful threat for the outside world of a supplementary weakening of the dollar. One would like to scream: Please stop resuscitating a rotten system. . . .”

**BAD CAR LOANS** in the United States increased 30% in 2007, reported the French daily *Le Figaro* Jan. 31, under the headline “After the home foreclosures, foreclosures on automobiles.” To make up for losses, automobile companies are now going with seven-year loans covering up to 125% of the car prices. Right now, says *Le Figaro*, the average debt of U.S. car owners is \$4,221 above the value of their cars.



# A New Sykes-Picot Tragedy Or Mideast Peace?

by Dean Andromidas

Israeli Defense Minister Ehud Barak was asked by the *Washington Post's* Lally Weymouth, in an interview published Jan. 26, "Do you think that the Syrian track should be pursued?" He replied, "I think that we have shown . . . a respect for Syria, its interests and its leaders. We expect from them to do the same regarding Israel. If this basic kind of element will be there, I think a Syrian track is . . . potentially positive." Weymouth went on: "I thought the U.S. has opposed Israel negotiating with Syria." Barak replied, "I think they realized in recent years that we understand the Syrian issue better."

Lyndon LaRouche has insisted, since last Autumn, that a negotiated Israeli-Syrian peace is attainable in the near term, and is indispensable to unlock the potential for Israeli-Palestinian peace, and change the dynamic of the region from war to peace. Yet, since the November 2007 Annapolis conference, there has been no progress on the Israeli-Syrian peace front, because the Bush Administration refuses to back such an initiative, a refusal that plays directly into the hands of British gamemasters who are orchestrating global mayhem in the midst of international financial collapse. In the last weeks, the stalemate in the Israeli-Palestinian peace talks has led to an escalation of violence, while in Lebanon, the renewed violence has rekindled fears of civil war, like that which ravaged Lebanon in the 1970s and '80s. Meanwhile, despite desire for peace on both sides, war between Israel and Syria is not being ruled out.

Pointing to a British hand, LaRouche, in a recent comment on the situation, cautioned that most players in the region *still* do not understand the British role in creating and managing the chaos. They do not understand that "the British *do not like to fight wars*," said LaRouche. "The British want

to set up two opponents to fight and destroy each other." That is what is going on in Lebanon, Iran, and elsewhere in Southwest Asia, he said.

## **Blair: Her Majesty's High Commissioner**

LaRouche has underscored that the British run the Middle East, just as they have since the infamous Sykes-Picot agreement of World War I, in which Britain and France divided the defeated Ottoman Empire between them. Today, as then, they have a High Commissioner for the region—this time in the person of former British Prime Minister Tony Blair. From his position as special envoy of the so-called Quartet of Middle East mediators (the United Nations, European Union, the United States, and Russia), Blair is in a hands-on position to influence war and peace in the region.

The crucial role he played in initiating the disastrous Iraq War makes Blair a dubious "peace" negotiator. As envoy to the Quartet, he is under no formal oversight, as he would be as a United Nations envoy. Nonetheless, he has an enormous expense account, paid out of the millions of dollars in economic aid which keeps the Palestinian National Authority and its impoverished population on life support. While Palestinians are suffering the ravages of occupation, including unemployment, malnutrition, and the daily fear of death, the "Quartet Blair Mission," as it is described in the lease, has rented no fewer than ten rooms in the American Colony Hotel, the only five-star hotel in East Jerusalem, at the annual cost of \$1,334,082. This is in addition to Blair's rented townhouse office in a swank section of London.

Questions are being asked: Who *does* Blair work for? The Quartet, which has been dysfunctional since its formation? Or the two major financial institutions which have just hired him



UN/Evan Schneider

Tony Blair (left), given his leading role in starting the Iraq War, is a peculiar choice as "Israel-Palestine peace envoy" for the so-called Quartet. Here, he is meeting with UN Secretary General Ban Ki-moon at the UN on Sept. 23, 2007.

as a consultant, JPMorgan Chase and Zürich Financial Services, the Swiss insurance corporation from which he reportedly receives £500,000 per year?

By his actions, or lack thereof, he is serving the same British gamemasters who provoked the Iraq War. As economic aid czar for the Palestinians, Blair has accomplished nothing, at a time when all sane observers agree that improving the everyday living conditions of Palestinians is a key factor in creating the preconditions for peace.

The only way the process can go forward politically is to secure a rapprochement between Fatah and Hamas, and *dropping the British policy of fostering civil war* between the two Palestinian factions. The civil war scenario has been the policy implemented by U.S. Deputy National Security Advisor Elliott Abrams, since Hamas won the election in January 2006.

According to a Jan. 23 *Times* of London report, Abed Rabbo, chief Palestinian negotiator, gave Blair a "5% chance" of success, because Blair refuses to use what is seen as his enormous prestige to pressure Israel. One Palestinian businessman told the *Times* that Blair has done nothing to press Israel to lift the roadblocks in the Palestinian territories, or to stop Israel denying the Palestinians access to Israel's sea and air ports. Instead, Blair has several pet projects for which he is trying to raise billions, including industrial parks which would do nothing for the Palestinians.

"He is talking about industrial parks, and none of these are

going to work from our own past experiences, because that industrial park is going to be inside Palestinian territory and goods need to move in and out," said businessman Abdull Malik al-Jaber. "It looks good in front of the international media to say that we have raised \$7 billion in Paris. The question is, how many jobs is it going to create each month in Palestine? His mandate is to help the Palestinian economy, and there is no way on earth you can help the Palestinians' economy without removing the obstacles."

### A Modern Warsaw Ghetto

Blair has done nothing to pressure the Israelis to lift the siege they have imposed on the 21st Century's Warsaw Ghetto, also known as the Gaza Strip. Nor has he tried to convince the Israelis to allow cement to enter, for the completion of a desperately needed sewage treatment plant. Failure to complete the plant within the next three months will have disastrous consequences for Gaza's already meager and polluted water supply. In fact, neither Blair nor any of his team have stepped foot in Gaza since Blair took his position.

Blair's failure directly contributed to the breakout of hundreds of thousands of Palestinians, who crashed down the wall separating the Gaza Strip from Egypt, at the end of January. Some 700,000 Palestinians crossed over into Egypt in search of food, fuel, and other supplies that they have been unable to purchase because of the Israeli siege. The siege has almost collapsed the United Nations Works and Relief Agency's food distribution operation, which supplies food to almost half of Gaza's 1.5 million people. The Warsaw Ghetto-type conditions have spread outrage in the Arab population throughout the region, especially in Egypt, where the Muslim Brotherhood has strong ties to Hamas. The latter had conducted a mobilization in support of the suffering Palestinians in Egypt itself, which forced the Egyptian authorities to allow the breaking down of the wall.

Any chance for a peace agreement requires a rapprochement between Fatah and Hamas, but this remains deadlocked. As LaRouche said last November, and reiterated on Jan. 30, the road to such an agreement is best negotiated through Damascus, where the greatest possibility for a settlement exists. Since almost every detail of an Israel-Syria agreement is widely known, and has largely been worked out, LaRouche said that an Israeli-Syrian accord would create the context for progress on the overall peace front. "You need to take a step," said LaRouche, "and this is the best chance."

## Growing Tensions in Lebanon

Almost the same day that Ehud Barak told the *Washington Post* that Israel was ready for peace talks, the worst incident of violence in Lebanon since the end of the civil war left eight civilians dead and 29 wounded on Jan. 26. The massacre took place in south Beirut, a political base for the Hezbollah and Amal opposition parties. Riots began when a member of the Shi'ite Amal movement was shot dead, during a demonstration protesting inflation in energy prices and the cut-off of electricity. Police reports indicated that several of those killed were victims of snipers posted atop surrounding buildings. This violence came only two days after the assassination by car-bomb of a senior Lebanese police intelligence officer.

A well-informed Beirut-based intelligence source said that the killing of the eight demonstrators appeared to have been an attempt to implicate the Lebanese Army in firing on Shi'ite protesters. Given the sectarian nature of the Lebanese political system—divided among the Shi'ite community, mostly represented by Hezbollah and Amal, and the Christian and Sunni Muslim communities—any undermining of the neutrality of the Lebanese Army, which represents all sectors, could be a prelude to civil war. Hezbollah has demanded an investigation to see whether the Army was responsible for the shootings, and if not, who was. The source reported that Hezbollah does not believe the Army was to blame. Its leader, Gen. Michel Sleiman, had been endorsed as a unity Presidential candidate by both government and opposition circles, because of his reputation for fairness.

This provocation comes while there is a stalemate in the government crisis in Lebanon, where both the ruling coalition and the opposition must elect a new President and agree on a new power-sharing arrangement. In early December 2007, the Lebanese factions were very close to agreeing on the election of Sleiman, reported Lebanese sources, but that deal is on the verge of falling apart, threatening to leave a dangerous vacuum. The source mentioned above, reports that the failure to elect Sleiman is directly linked to the visit of White House envoys David Welsh from the State Department, and Cheneyman Elliott Abrams. These two reportedly told the government coalition of Prime Minister Fouad Siniora and the March

14 movement, to stall the vote on forming a government for several months—at which time events would be “more favorable” to them.

On Jan. 15, Sayyed Hassan Nasrallah, secretary general of Hezbollah, delivered a speech in which he referenced the intervention by the U.S. officials, and questioned whether they were referring to an attack on Iran or Syria, or were scheming to get Israel to attack Hezbollah in south Lebanon. He warned that after Israel's failed war against Lebanon in July 2006, its leaders would have to think “a thousand times” before an attack, which this time would surely include an attack on Syria.

## Nightmare Scenarios

Political crises in Lebanon, Palestinian-Israeli violence, and tensions along the Egyptian-Israeli border have served historically as tinder for Mideast conflagrations. The release in Israel, the week of Jan. 21, of the long-awaited report of the Winograd Commission, which investigated the Israeli government and military performance in the Lebanon War, revealed just how disastrous that war was.

“Israel embarked on a prolonged war that it initiated, which ended without a clear Israeli victory from a military standpoint,” retired Justice Eliyahu Winograd, chairman of the commission, told a press conference. “A quasi-military organization withstood the strongest army in the Middle East for weeks. Hezbollah rocket fire on the Israeli homefront continued throughout the war, and the IDF [Israeli Defense Forces] failed to provide an effective defense. Daily life was disrupted, residents left their homes and entered bomb shelters. These results had far-reaching consequences for us and our enemies.” The panel found “severe failures and faults in the decision-making process, both in the political echelon and the military echelon.”

Tom Segev of the Israeli daily *Ha'aertz*, a historian and commentator, commented on the commission report that, “the main question that should have been the focus of discussion was whether this war was essential. Or if it was not essential, then it was superfluous. There are no other types of war.”

As for the military failings, Segev wrote that the commission failed to answer or even consider, “To what extent have 40 years of occupation affected the ability of the Israeli Defense Forces to protect the country? Or, in other words, does the IDF train its soldiers to fight, or does it mainly teach them to oppress the Palestinian population?”

All experts agree that the next Israeli-Lebanese war would see Israel attacking Syria, whose conventional missile arsenal can strike anywhere in Israel.

These nightmare scenarios would all disappear if a Syrian-Israeli peace process were initiated. There is a widespread consensus that a Syrian-Israeli peace, brokered by the good offices of the United States Presidency, could be negotiated within weeks.

### **“Who Is Sparking A Religious War in the Mideast?”**

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# Karzai's Actions Anger Britain

by Ramtanu Maitra

Afghan President Hamid Karzai, speaking to journalists on the sidelines of the World Economic Forum at Davos on Jan. 24, said he should not have listened to British and U.S. officials who said he should remove the local security forces that were already in place in the southern Afghan province of Helmand, the *London Times* reported.

Helmand is the province where more than 50% of Afghanistan's opium is produced, and where Britain has about 7,800 military personnel operating. It is also where the resurgent Taliban has challenged and defeated NATO forces. Referring to the strengthening of the Taliban in Helmand province, due to the British presence, Karzai told the journalists: "There was one part of the country where we suffered after the arrival of the British forces. . . . Before that we were fully in charge of Helmand. When our governor [Sher Muhammad Akhonzada] as Helmand governor in 2006, was there, we were fully in charge."

## British Failure

"They came and said, 'Your governor is no good.' I said 'All right, do we have a replacement for this governor; do you have enough forces?' Both the American and the British forces guaranteed to me they knew what they were doing and I made the mistake of listening to them."

Asked if he was blaming British failure for the return of the Taliban, he added: "I just described the situation of mistakes we made. The mistake was that we removed a local arrangement without having a replacement. We removed the police force. That was not good. The security forces were not in sufficient numbers or information about the province. That is why the Taliban came in. It took us a year and a half to take back Musa Qala. This was not failure but a mistake."

Karzai's statements made obvious that the blame for the failure of the Afghanistan mission must be placed squarely on the shoulders of Britain. The Afghan President had already angered the British when he turned down the joint effort of Washington and London to appoint Lord Paddy Ashdown as the UN's super envoy to Afghanistan. Ashdown, a "liberal" and a "democrat," who wears the vainglorious title bestowed by a feudal aristocracy on his shirtsleeve, was ready to pinch hit for London and Washington, who are looking increasingly like colonial powers trying to occupy Afghanistan, and further undermine authorities of the "duly elected" Afghan President. Having given in earlier to the British demand to remove

the Helmand province governor in 2006, and facing its consequences, President Karzai stuck it out and told off the British. Castled by Karzai's move, Ashdown announced his inability to take over as the super envoy.

According to an article in the *Asia Times*, an online news daily from Hong Kong, Karzai knew for months about the impending appointment of Ashdown as a key step in a new NATO strategy spearheaded by the United States and Britain, aimed at "stabilizing" the Afghan situation. Karzai knew detailed planning had gone into the move involving NATO, the EU, and the UN Security Council; but he waited patiently until the 11th hour before shooting it down publicly in a interview with the BBC at Davos. The move was pre-planned and carried out in a typical Afghan way with maximum effect.

What was evident, and President Karzai also made it plenty clear, was that Ashdown's appointment was the decision of Washington and London, and these two never considered it necessary to get the appointment approved by the Afghan President—President of an occupied country! In addition, Washington and London got UN Secretary General Ban Ki Moon to execute it.

## Viceroy Ashdown

*Asia Times* said that Karzai anticipated that Ashdown, true to his reputation in the Balkans, would function as a colonial viceroy. Karzai knows that the Western agencies and organizations operating in Afghanistan lack coordination. But a "unified command" under Ashdown would create a counterpoint in Kabul to Karzai's own authority, something he couldn't allow to happen.

But, sources claim the appointment of Ashdown was part of a bigger package that London and Washington had bundled. The package included a persistent rumor that the U.S. Ambassador to the United Nations, Zalmay Khalilzad, a Push-tun-American, was slated to be the next President of Afghanistan. Reports indicate that Karzai took the "rumor" seriously, and had asked Khalilzad about it when they met in London last October.

By turning down Ashdown and making a public statement over it, President Karzai took the initiative and laid low the UN plan to impose a "viceroy" on Afghanistan

On the other hand, Karzai's statement about the failure of the British is not out of turn. A week before, U.S. Defense Secretary Robert Gates drew criticism after he suggested in a newspaper interview, that NATO forces in southern Afghanistan do not know how to properly combat a guerrilla insurgency, and that that could be contributing to rising violence in the country.

On Jan. 30, three reports came to light, including one from the Afghanistan Study Group (the other two were from the Atlantic Council of the United States and the U.S. National Defense University's Center for Technology and National Security Policy), titled, "Afghanistan Stands Today at a Crossroads,"



according to a letter in the Afghanistan Study Group report from the co-chairs, U.S. Marine Corps Gen. James Jones (ret.) and former UN Ambassador Thomas Pickering. Panel members include Charles Robb, a former Democratic Senator, who served on the Iraq Study Group, and David Abshire, who helped organize the Iraq study. Abshire is president of the Center for the Study of the Presidency.

The Afghanistan Study Group report says the “progress achieved after six years of international engagement is under serious threat from resurgent violence, weakening international resolve, mounting regional challenges and a growing lack of confidence on the part of the Afghan people about the future direction of their country.” The Jones-Pickering assessment also says that the U.S. should rethink its military and economic strategy in Afghanistan, in large part, because of deteriorating support among voters in NATO countries.

The report says: “The study group believes two possible courses of action would have dire consequences—either withdrawing forces from Afghanistan or adopting a minimal approach. If international forces are pulled from Afghanistan, the fragile Afghan government would likely fall apart, again becoming a failed state while the Taliban and other warlords would gain control of various areas and eventually fight each other.”

Karzai’s plain speaking at Davos was perhaps the result of his long-term continuing differences with London and Washington over the Iranian role in the Afghan imbroglio. He visited Tehran in May 2006, and had thanked Iran for the support in the past difficult years, and especially for accepting Afghan refugees.

### **Karzai: Iran Is Our Close Friend**

“We will never forget Iran’s goodwill in accepting our refugees in the past 20 years and Iran’s cooperation with Afghanistan in the past four years,” Karzai said on that occasion. “Afghanistan hopes to strengthen further trade and economic ties between the two countries.” Iranian exports to Afghanistan have risen from several million dollars in 2002 to \$500 million now.

What perhaps got Washington’s goat was when President Karzai visited the tomb of Ayatollah Ruhollah Khomeini, the founder of the Islamic Republic of Iran and a sworn enemy of the United States. Karzai said that Khomeini was a good friend of the Afghan people during their fight against the Soviet invasion.

At a joint press conference in 2006, following Karzai’s meeting with U.S. Defense Secretary Gates, who was in Afghanistan for nearly 24 hours to meet with U.S. commanders and Afghan officials, Gates said he raised the issue of the Iranian munitions in his meeting with Karzai, but acknowledged that there was no evidence the Iranian government was behind the alleged shipments.

When asked whether he believed that Tehran, which has

been mostly a benign presence in Afghanistan since the fall of the Taliban, had decided to change course and support its former foes, Karzai gave an impassioned backing for the Iranian government. He called it a force for good inside Afghanistan.

“Iran and Afghanistan have never been as friendly as they are today,” Karzai said. “In the past five years, Iran has been contributing to Afghanistan’s reconstruction, and in the past five years, Afghanistan has been Iran’s very close friend.”

In 2007, when President Karzai met with President Bush, he was expected to act as a puppet of the Bush Administration, but made the mistake of speaking his mind. In a CNN interview at the time, the Afghan President said terrorism in Afghanistan is getting worse, that the hunt for al-Qaeda leader Osama bin Laden is at a standstill, and then, he described Iran as a positive player—“a helper and a solution”—in the region.

On the eve of the summit, Karzai told CNN that “the security situation in Afghanistan over the past two years has definitely deteriorated.” He made clear that no one is “closer [to catching bin Laden], we are not further away from it. We are where we were a few years ago.” Additionally, he reiterated his earlier statements saying: “So far, Iran has been a helper” in the fight against terrorism. Each of these statements was reportedly contradicted by Bush upon the Afghan President’s arrival.

On Iran’s positive role in the region, Bush again told Karzai not to believe his own experience, but instead to accept the neoconservative version of events. “I would be very cautious about whether or not the Iranian influence there in Afghanistan is a positive force,” the American President pointedly told the Afghan President.

At Davos, Karzai said Iran’s ties to Afghanistan have increased dramatically in the last six years. He also said that “Iranians have helped us in Afghanistan and I hope this trend will continue.” “We have opened our doors to them. They have been helping us in Afghanistan,” Karzai said.

U.S. officials have been behind most of the allegations regarding Iran’s connections to the Taliban. But, Karzai expressed hope that these baseless allegations will not affect Afghan-Iranian relations.

In addition to his differences with the London-Washington axis on Iran, President Karzai has made known his opposition to increasing foreign troops in Afghanistan. On Jan. 30, Karzai said that training the Afghan police and army was more important than sending more foreign troops to the country, in an interview with *Die Welt*, a German newspaper. “More than anything else, we need help to rebuild our human capital and our institutions, our army, our police force, our administrative structure, our judiciary and so on,” Karzai told *Die Welt*. “Although the situation has finally improved, the unintentional bombing of Afghan civilians by NATO and U.S. troops is particularly painful. I am not sure that sending more troops is the right answer.”

# Molchalin for President?

by Stanislav M. Menshikov

*Professor Menshikov's article appeared in the Russian weekly Slovo of Jan. 18, 2008. Regarding the headline: "Molchalin" is an obsequious secretary in the famous Russian play Gore ot uma (Woe From Wit) by Alexander Griboyedov (1795-1829). The surname invokes the verb that means "remain silent." The article was translated for EIR by Rachel Douglas and is published by permission of the author. Footnotes have been added by EIR.*

The outcome of our Presidential election would seem to be predetermined. Dmitri Medvedev, bolstered by Vladimir Putin as his future prime minister, can hardly miss becoming Russia's next President in the March election. The probability is 90%. The story is boring, in comparison to the American duel of Clinton and Obama. It's like the good old days of the "All People's Bloc of Communists and Non-Party Members." To rephrase a catechism from that distant past, ever so slightly, the task is to prepare the elections well and carry them out in a highly organized fashion.<sup>1</sup>

As always, there are die-hard skeptics. In an interactive poll on Yevgeni Kiselyov's *Vlast* program in December, only 6.5% of the respondents said they would vote for Medvedev. Even the worldly Kiselyov was uneasy. But that was a very particular sort of audience, one that goes out and looks for "opposition" voices to listen to. Those are people you can't drive into the strictures of the catechism.

Personally, I am one of those citizens who would like to know a bit more about the chief candidate and his economic, social, political, and other programs. I have already committed to memory the sparse chronology of his official biography, but there are some questions, even there. Putin, who personally vouches for him just about unconditionally, says that he and Medvedev have worked together for the past 17 years. That is largely true. But there is a nearly four-year slice of time, from 1996 to 1999, when Putin was already working in Moscow, while Medvedev was in private business back in St. Petersburg. Considering what a tumultuous period that was, one would like to know more details about what sort of business this was, who his partners were, and what business ties Medvedev still has from that time. There is nothing to be ashamed of in having been in business, as such. But you must agree that if Russia is going to choose a President with a back-

ground in business for the first time, we have every right to be cautious. Trust, but verify.

Actually, we don't really know very much about the candidate's service in Moscow, either, except for the most recent two years, when, as head of the national projects in the social sector, he began to speak in public, traveled around the country, and became a familiar figure on the TV screen. People may say that this is simply not the tradition in our country, and they will be right. Who knew Putin, before he was named prime minister in August 1999? Still, at some point, we ought finally to start learning democracy, if not with respect to open political competition, then at least as far as openness regarding newly promoted political figures in the upper echelons of power.

It would be useful, during the election campaign, for Dmitri Medvedev minimally to present his programmatic positions on all the main areas of his future activity as President, if not to engage in direct public debates with his opponents.

## What Is the Putin Plan?

It may be objected that to do this would be superfluous, insofar as both Medvedev himself and the leadership of the United Russia party have promised to follow the "Putin Plan" in every area. Seek a definition of what this is, however, and you will receive a whole array of diverse formulations. Some people think that it is the sequence of principles, laid out by the incumbent President in his annual messages to the Federal Assembly. Others believe it means everything that has been done during the past eight years, while still others think it is what Putin has only just outlined to be done in the near future.

This last notion would seem to be the most logical, but even if we accept it, it remains fairly difficult to identify a unified position within our ruling elite. And that is due to Putin's own paradoxical policy, which reflects different, sometimes contradictory and incompatible approaches within his government and his staff.

Putin is a *gosudarstvennik*<sup>2</sup> and a liberal at the same time. He is impressed by free market ideas, but he sees them as limited, and therefore advocates state intervention when it is necessary and in the national interest. We have written about

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1. These slogans and exhortations date from Soviet electoral propaganda.

2. *Gosudarstvennik* means "man of the state."



Presidential Press and Information Office

*President Putin with Dmitri Medvedev in 2006. Medvedev is expected to become the next President—but who is he really? “Voting for a candidate who lacks an elaborated program,” writes Professor Menshikov, “or hides the one he does have, is like buying a pig in a poke.”*

that more than once, but now the question has been posed acutely in a new dimension: is this same duality also characteristic of the future President Medvedev, and how do the two elements interact within him? How the new President will act, and how his relations with the new Prime Minister Putin will develop, depends to no small extent on the answer to that question.

We cannot sneak into Dmitri Anatolyevich Medvedev’s soul, but the virtually unanimous domestic and Western media characterization of him as a liberal and as pro-Western is striking. Medvedev wins praise almost exclusively from the right. Anatoli Chubais<sup>3</sup> called him the best candidate Putin could have chosen. There is no need to remind my readers who Chubais is, to understand what political profile of Medvedev would impress him.

It may be objected that Putin himself vouches for Medvedev as a decent person, one with whom he is prepared to work as a team, under the latter’s formal supervision. How may we reconcile Putin’s centrism with the dubious recommendation from Chubais? I think the answer must be that Medvedev is not a simple person. Within the Putin team he belongs to the liberal wing, but he has never been distinguished by extreme, aggressive liberalism.

A low-key liberal. Neither fish nor fowl? Griboyedov’s Molchalín, a person whom—so the incumbent President hopes—it will be easy to control from the Russian govern-

ment building? Preliminarily, this is it. But might he not cast off the subservient persona, once he arrives in the Kremlin this Summer, and acquires the enormous powers of the Presidency?

A few years ago, when he was head of the Presidential Administration, the current heir published a rare article, for him, in which he called for consolidation of the Russian political elite, saying that this was the main precondition for stability. At the time, Putin’s team was only just beginning to fragment into different groupings. The contradictions among them, including those having to do with control over economic assets and financial flows, had not surfaced as starkly as they have today. Already then, however, Medvedev saw where things were headed. Sincerely or not, he was warning against the dangers of internecine strife at the top. So far, Putin has succeeded in restraining those passions with his personal authority, but the volcano has been threatening to ex-

plode after his departure. It is entirely possible that Putin’s nomination of Medvedev was calculated to preserve peace in his camp, at least for a while.

The reality of political life, however, is rather more complicated. Already now, the forces of aggressive liberalism have openly laid claim to the future Russian President, not hesitating to lay out the plans and hopes they associate with him and his liberalism. When the new President enters the Kremlin, pressure on him from the liberals, and from the West, will become so great that it will be nigh on impossible for anybody to restrain him from making undesirable shifts in policy.

## Liberal Revanchism

What do these forces want from him? In short, a rollback. A return to the early period of Putin’s role, when the President was still bound by his agreement with Yeltsin, who had passed power to him, and Putin’s entourage was dominated by Mikhail Kasyanov and Alexander Voloshin, while economic policy was under the neo-liberals German Gref and Alexei Kudrin in the government. Gref tried to reduce the role of the state in economic policy to a minimum, limiting it to the creation of favorable conditions for private business. First and foremost, this meant tax cuts for big oligarchical capital, and the introduction of a flat income tax, which favored the wealthy layer of the population. Minister of Finance Kudrin insisted on a monetarist policy, forbidding almost any of the country’s foreign-currency revenue from oil and gas exports to be spent on domestic needs.

The result of this policy was a tilt in the economy, where-by manufacturing and agriculture lagged behind, while exces-

3. Currently CEO of the national electric power company UES, Anatoli Chubais, as a “young reformer,” oversaw the privatization of ex-Soviet industry from his Russian government posts during the 1990s.



sive dependency on energy exports developed, as well as dependency on imports for almost all sorts of equipment, consumer goods, and food. Realizing that these were ruinous consequences, Putin made a sharp turn in his economic policy during the past two or three years, proclaiming a transition to a proactive industrial policy. He unfroze the Stabilization Fund<sup>4</sup>, releasing a portion of the money accumulated there for investment in innovative projects and infrastructure, and he launched state-owned corporations in several important sectors of industry. Earlier, the majority of the oligarch Mikhail Khodorkovsky's oil empire was transferred to the state, which also purchased the oil company of another oligarch, Roman Abramovich.

As these steps were taken, the controlling positions of the *siloviki*<sup>5</sup> in the economy became stronger. As First Deputy Prime Minister Sergei Ivanov was given control over the defense industry in its entirety, as well as a good part of civilian industry. He became chairman of the board of the new United Aircraft Corporation. Deputy head of the Presidential Administration, Igor Sechin, chaired Rosneft, which absorbed Khodorkovsky's former empire. Sergei Chemezov, a close associate of the President who had chaired the arms export agency Rosoboronexport, took over at the new state corporation, Rostekhnologiya, which includes several machine-building plants, in addition to the AvtoVAZ automobile company and the titanium company Avisma. Finally, in September 2007, Victor Zubkov was named prime minister; he formerly headed the main financial crimes investigation unit. Soon afterward came the arrest of a deputy minister of finance who is close to Kudrin.

In light of those developments, the promotion of Medvedev would seem to be a unique chance for the liberals to take back what they have lost. They anticipate that he will slow down the movement towards state capitalism, or even bring it to a halt, and will reject the creation of any more state corporations, restrictions on oligarchical groupings, and government regulation of the economy.

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4. Russia's Stabilization Fund was created in 2004 to accumulate revenues from taxes on oil exports above a certain cut-off oil price level. Under monetarist doctrine, these funds were held apart, or "sterilized," so that they would not infect the economy with inflation. The Stabilization Fund, now in the range of \$150 billion, has been held mostly in U.S. Treasuries and other foreign government bonds. As of Jan. 1, 2008, it was divided into two parts: a Reserve Fund, and a smaller (around \$11 billion) National Welfare Fund, which may be spent on raising pensions and state-sector wages. During the past two years, smaller sums were withdrawn to capitalize the State Investment Fund, the new Development Bank, and the state-owned Nanotechnology Corporation.

5. The *siloviki*, or "men of force" are representatives of government law enforcement, intelligence and military agencies.



Anatoli Chubais, known as a liberal free-market reformer, praised Putin's choice of Medvedev as his heir apparent. How is this to be reconciled with Putin's centrism?

Perhaps, our liberal analysts reason, it will be impossible to carry out this rollback immediately; at first, they will have to be content with market reforms in the social services sector. They point out that Medvedev was the one in the outgoing Putin Administration who played a behind-the-scenes, but key role in reforming the social security system (meaning, in particular, the notorious replacement of cash payments by in-kind benefits, and other ingenious innovations by Health Minister Mikhail Zurabov). They figure that the accumulated problems in the national projects will force Medvedev to impose unpopular measures in these areas, as well, although that will mean clashing with the current political elite and appearing to betray Putin's policies. Medvedev is known to have initiated the liberalization of trade in Gazprom shares. Therefore it is anticipated that he will take further steps towards the reprivatization of state property, including Putin's newly created state-owned corporations. To do all of this, of course, would require significant personnel changes, including the promotion of new, Medvedev loyalists.

### From Ljubljana to Munich

Political elites in the West, for their part, have *revanchist* dreams about Russia's foreign policy. Remember that, back when only the first hints about Putin's succeeding Yeltsin as President had appeared, Washington and other Western capitals viewed him with suspicion. They didn't expect anything good from an ex-KGB colonel.

"Who are you, Mr. Putin?" Western journalists kept asking him for a long time, but they received no answer.

Russia's success in the Second Chechen War, beginning in 1999, amplified their dislike for Putin. But then something unexpected happened. Putin, on his own initiative, suddenly

decided to shut down Russia's military bases in Vietnam and Cuba. George Bush understood this as a conciliatory gesture. At Bush's first meeting with Putin, in Ljubljana, Slovenia in the Summer of 2001, the American President uttered the now-famous words: "I looked the man in the eye. I found him to be very straightforward and trustworthy.... I was able to get a sense of his soul; a man deeply committed to his country and the best interests of his country."

On Sept. 11 of that same year, immediately after the terrorist attack on the Twin Towers in New York, Putin phoned Bush on Air Force One to assure him he had nothing to fear from Russia. The trusting personal relationship established between the two Presidents after that point promoted a warming of the overall atmosphere between the West and Russia—the U.S. exit from the ABM Treaty and refusal to prolong the START treaty notwithstanding.

There followed a strange period, which some people called "strategic partnership." It was distinguished, however, by a number of unilateral concessions on our part, while the U.S.A. continued to pursue a NATO *Drang nach Osten* [drive to the East] virtually unhindered, pushing ahead into the Commonwealth of Independent States (CIS) zone, and carrying out aggression in the Near and Middle East. Russia acquiesced to U.S. Air Force use of bases in Uzbekistan and Kyrgyzstan. It made almost no effort to block the Baltic countries from joining NATO. Its opposition to the U.S. invasion of Iraq was weak, practically a formality. Only in Iran did Russia continue to help build their nuclear power plant, despite loud objections from the United States. And there were no concessions in return, not even on trade issues. Instead came endless attacks on Putin's domestic policies, outside support for the "colored" revolutions in CIS countries, and financial and other sorts of aid to the pro-Western opposition inside Russia itself.

Finally, what had to happen did happen: Putin's Munich speech in February 2007, in which he unambiguously stated what he thought about Western policies, especially American. This was followed by some specific diplomatic moves on our part. The Western media started talking about a return to the Cold War. Relations with the West steadily deteriorated.

In this context, the promotion of Medvedev looks like a possible departure from Putin's tough policy, and a shift by Moscow to postures the West would find more acceptable.

### Who Will Edge Out Whom?

In some Western publications, this prospect is laid out quite directly and undiplomatically. Take, for example, what the *Times* of London says:<sup>6</sup>

"Dmitri Medvedev is no stooge, as everyone seems to think. In fact the world will see a new Russian when he becomes President.... On March 2 he will inherit Mr Putin's



Antje Widgrube

*President Putin addresses the Munich Conference on Security Policy, Feb. 10, 2007. He let the West know what he thinks about the expansion of NATO and other issues vital to Russia's national security.*

phenomenal popularity and win the presidency by a landslide. He will also inherit Mr Putin's human ring of steel—his powerful Kremlin placemen drawn from the security forces—and Mr Putin himself as Prime Minister.

"The consensus inside and outside Moscow is that this will make Mr Medvedev a stooge, but it won't. Not necessarily. Mr Putin's legacy, much clearer than Yeltsin's, is to have created from the chaos of the 1990s a Soviet-style power structure in which the Duma is a rubber stamp and the "ruling" party is a massed cheerleading squad. The Cabinet exists to execute policy, not form it.... At the centre of this is the presidency, and Mr Medvedev, not Mr Putin, will be President.

"This matters hugely. It is true that Mr Putin will lead the United Russia party, formed to promote his increasingly paranoid nationalism, but United Russia has nothing on the Soviet Communist Party as a potential locus of power separate from the Kremlin. It's also true that Mr Putin has made clear his intention to "continue our common efforts in the capacity of prime minister" (translation: "cling to as much power as I can").... How much flows to Mr Medvedev remains to be seen, but this, at least, is clear: a real job is his for the taking. Contrary to the view that his anointing can only mean Putinism under new livery, real change in Russia's international role is entirely possible within the next

6. Giles Whittell, "The Man to Push Putin Aside," Jan. 2, 2008.

two years. . . .

“But even if Mr Medvedev is the cipher that Mr Putin once seemed to be himself, the fact of swapping jobs will create tensions on at least three fronts. Mr Putin hopes to keep control of most areas of domestic economic management but, as an ex-chairman of Gazprom, Mr Medvedev will at least feel qualified to interfere. Foreign policy Mr Putin has indicated he will leave largely to Mr Medvedev—but as the architect of maverick positions on Iranian nuclear enrichment and Kosovan independence, Mr Putin is unlikely to stand by should his protégé try to steer back towards the land of reason.

“Thirdly, Mr Medvedev will acquire instant and far-reaching powers of patronage. . . . The dance of the nervous appointees has started. . . .

“Beneath the mask of obedience, which is all any outsider has seen of Mr Medvedev so far, [is something else]. He was never a Chekist—never trained explicitly to lie—and may actually be embarrassed by the phony elections and Soviet nostalgia of the Putin years, the ridiculous jailing of Garry Kasparov and other opposition figures, the mawkish Putin personality cult and the latter-day Khrushchev that has become Putin’s persona abroad. If he isn’t embarrassed, he should be.

“But if he is, you read it here: in Mr Medvedev’s first term Mr Putin and his retro nationalism will be edged out of mainstream politics to the world of sport, where they belong . . . the Sochi Winter Olympics.”

Thus, the *Times* hopes that the successor will use his Presidential prerogative to depart from the main lines of Putin’s policies, as those have taken shape during his second term.

One can read something similar in our oligarchs’ press, and publications that are under their influence. For weeks, these outlets have been publishing political scenarios, guessing at who will be the first to edge the other out—the new President, the prime minister, or vice versa. This is no surprise, since Putin enjoys scant popularity in these publications. What’s striking is something else: that neither Medvedev, as the leading candidate in the upcoming election, nor Medvedev jointly with Putin, as the future ruling duo, nor United Russia, as the main political party, which nominated Medvedev and proclaimed Putin national leader, has come out with a clear electoral program, which would say plainly, in fundamental terms and in detail—in black and white, rather than vague phrases and jingles—exactly what the President and the prime minister are going to be doing during the next four years.

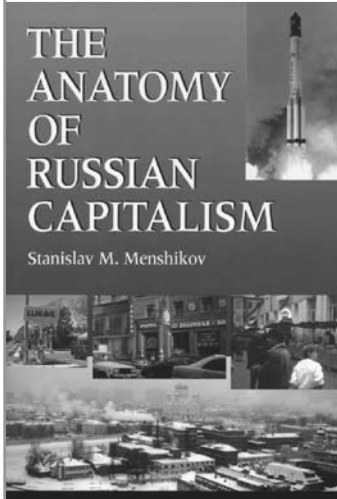
It is necessary for them to do this, not only to put an end to the power struggle scenarios and speculation over whether Medvedev might be a liberal or a *gosudarstvennik*, a pro-Western politician or a patriot. And, more concretely, whether or not he is going to deep-six the industrial policy and give up on plans for economic modernization, accelerated growth of

real incomes and pensions, stronger defense, and the policy of seeking a multi-polar world.

In the most recent period, state television, as if on command, has stopped talking about the industrial policy, plans to develop sluggish sectors of the economy, or investment projects financed out of the Stabilization Fund. What does this mean? Is it a routine attempt to downgrade the publicity profile of Medvedev’s erstwhile rival, Sergei Ivanov, or is it a harbinger of a coming retreat? The silence is ominous.

One gets the impression that Medvedev does not want to reveal his program before the election, because it contains too many unpopular measures, which will drive voters away. It became known, for example, that a pension reform is in preparation in strictest secrecy, and that the notorious Zurabov, now an adviser to the President, is involved. A rise in the pension age is anticipated. That would be a clear departure from Putin’s firm promise not to allow such a change. And it’s all being kept secret from the population. As one liberal expert said, “The population doesn’t need to know everything.”

But the voters should not have to go to vote with their eyes tightly bound, believing empty promises to follow “Putin’s plan.” Voting for a candidate who lacks an elaborated program, or hides the one he does have, is like buying a pig in a poke. It’s not what thinking Russian citizens should be doing.



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# LaRouche Youth Put Economics Up Front

by Rainer Apel

When, on July 7, 2007, the BüSo (Civil Rights Solidarity Movement), the LaRouche party in Germany, nominated its slate for the Jan. 27, 2008 election for state parliament in Hesse, most Germans (including the citizens of that state) certainly were not aware how seriously the BüSo's warnings about an impending financial market collapse had to be taken. Granted, people would say, there were some problems, but all in all, the economy was back on its way to recovery—all the “experts” said so, and so did the government.

But only three weeks after that BüSo nominating convention, the biggest banking crisis in Germany since 1931 erupted, with the near-default of Industriebank (IKB) over 14 billion euro of leveraged mortgage loans on the U.S. subprime market. Then, Sachsen LB, the state bank of Saxony, ran into even bigger problems, with mortgage conduits in the range of more than Eu40 billion. And since late July, the German banks have been haunted by one catastrophe headline after another—and Hesse's largest city, Frankfurt/Main, is the banking center of Germany.

While the BüSo intervened with the German equivalent of the LaRouche Homeowners and Bank Protection Act (HBPA) initiative (along with policy statements by BüSo chairwoman Helga Zepp-LaRouche on “The Defense of the Common Good,” and “The End of the Free Market”), the establishment parties, like Christian Democrats (CDU) and Social Democrats (SPD), avoided any reference to the onrushing financial market crisis and its direct implications for some 75,000 jobs right there in Frankfurt.

The fearful denial of the crash reality has been most visible in the campaign of CDU incumbent Gov. Roland Koch, who has a record of neocon views which make him the German equivalent of California Gov. Arnold Schwarzenegger. Koch and his campaign staff decided keep mum about the banks, and instead to focus on the alleged threat posed by “criminal foreigners.” Incidents of street violence, involving youth of non-German origin, were boosted into a dominant theme by the CDU; Koch called for boot camps to lock up “these young criminals.” That, however, backfired, as most voters were more worried about the financial crisis, job security, the beginning hyperinflation, and its direct effect on food, electricity, and gasoline bills.

## BüSo Offers ‘Firewall’ Legislation

Unfortunately, the SPD and its top candidate, Andrea Ypsilanti, have not been able or willing to address the economic and financial crisis directly, but only rather vaguely, through their focus on the need to introduce a minimum wage as compensation for inflation. On the other hand, BüSo campaign activists, mostly a strong contingent of LaRouche Youth from Germany and several other European countries, found voters open-minded, when telling them about the reality of the banking crash and the programmatic alternative of “firewall legislation” to protect the lower-income stratum which amounts to 80% or more of the population.

Hesse state radio covered the BüSo campaign with a 20-second television spot on Jan. 12, and several other media taped interviews with the BüSo slate leader, Alexander Hartmann, providing him with a platform for presenting his program to a broad audience. At least 25,000 campaign brochures were distributed by the LaRouche Youth in the big urban centers of the state like Frankfurt, Wiesbaden (the state capital), and Darmstadt, as well as university cities like Giessen and Marburg—all of that making sure that economics remained the top issue on the election campaign agenda.

The economic-financial crash came to dominate the agenda, when on Jan. 21-22, “Black Monday and Tuesday,” all the leading stocks on the international and German markets nosedived, eliminating around Eu110 billion in stock value in Frankfurt, alone. The shock that created among voters, contributed to the drastic loss of confidence in Koch, whose election campaign had not shown any reflection of the banking crisis before, during, or even after that Frankfurt crash. Koch's CDU lost 12% of the vote, compared to the last elections in 2003—about 25% of the CDU constituency. Among young voters, Koch lost 20%, compared to 2003. Koch's challenger, Ypsilanti, and her Social Democrats gained 7.5%, running a close second with 36.7%, while the CDU came in first, with 36.8%. Whereas many disgusted CDU voters voted for Ypsilanti, she gained her votes mainly through massive support from the Greens, who were attracted by her insane pro-solar, pro-wind, and anti-nuclear “energy” program. On the banking crisis and the Jan. 21-22 market crash in Frankfurt, Ypsilanti said not a word, before Election Day.

The acute worsening of the systemic crisis urges the formation of a Grand Coalition government in Hesse, because this is the only variant that can provide a more stable government—which has to take office by early April. Ironically, the BüSo, which, because of the hyped-up polarization between CDU and SPD, failed to win seats in the state parliament, is the one party that does have a program for dealing with the crisis, and many voters who cast their ballots for the other parties on Jan. 27 will recall that, now. Those districts of Hesse that yielded an increase of votes for the BüSo—Wiesbaden, Frankfurt, the university cities Darmstadt, Giessen, and Marburg, and also in some rural districts—show the real momentum that will develop in the coming weeks.

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# International Intelligence

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## *50th Anniversary of America in Space Marked*

On the evening of Jan. 31, 1958, a group of space pioneers who had come to the United States after World War II, in the hope of working on a space exploration program, successfully launched the first American satellite into space. Explorer-1 went aloft from Florida on a Redstone rocket—an upgraded version of the war-time German V-2—in the first civilian application of what had been, and was being developed as a military capability.

The team of German rocketeers was working at the Army Ballistic Missile Command in Huntsville, Alabama. NASA would not be established until October 1958, and the rocket team, which was obligated to finish its work for the Army, would not be transferred to the civilian agency, until 1960.

Atop the Redstone was the Explorer-1 satellite, and the instrument designed by Dr. James van Allen, which would discover the radiation belts, later named in his honor, which circle the Earth. The Russians had launched their satellite—Sputnik—on Oct. 4, 1957, becoming the first nation to do so.

The German team went on to send the first American into space—Alan Shepard—atop a Redstone in 1961, and to design and build the Saturn V rocket, that took astronauts to the Moon.

On Jan. 30, 2008, the House Committee on Science and Technology in the U.S. Congress introduced a resolution to remember the “birth of the U.S. space program.”

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## *China Expands Land-Bridge To Central Asia, Europe*

China is planning to begin construction this year on two new key rail links to Central Asia: one a supplement to the “Euro-Asian Continental Bridge,” which goes through the Alatau Pass to Kazakhstan, and the other the long-planned railroad from westernmost Xinjiang, up and over the Tian Shan mountains, to Kyrgyzstan and the famous Fergana

Valley, to Uzbekistan and Europe. This railroad has to traverse passes close to 13,000 feet high.

The rail line should be completed by 2010, and will be a key link in the southern passageway of the new Eurasia continental bridge, *Xinhua* reported on Jan. 27, two days after the first “Eurasia Continental Express” arrived in Hamburg, Germany, in a record 15 days. The regional government of Xinjiang, China, made the announcement about the Central Asia lines.

The first rail link will connect Korgas on the China-Kazakhstan border with China’s inland railways. This should be finished in 2008. This rail line will extend west from Korgas into Kazakhstan, to join the Sary-Ozek railway. It will become the second cross-border rail link between China and Kazakhstan, since the Urumqi-Alatau Pass to Kazakhstan rail link was finished in 1992. The new rail line will ease the burden of Alatau Pass, which is the largest land port in northwest China, handling 5 million tons of rail exports in 2007, up 60% from 2006.

The second rail line is still in a preparatory stage, and will be a monumental undertaking. The line will extend west from Kashi in Xinjiang the city farthest in the world from any ocean, through Kyrgyzstan to Uzbekistan.

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## *Russian Nuclear Deal Held Hostage to Iran Policy*

Although Presidents Bush and Putin initialed an agreement in July 2007, during their Kennebunkport, Maine summit, for U.S.-Russia cooperation in civilian nuclear energy, that agreement has not yet been signed and seems to be under sabotage.

According to a Russian source involved with the negotiations, Washington has decided to hold the “123” cooperation agreement, as it was called, hostage to Russian policy on Iran—thus trying to pressure Russia to support further UN sanctions and other punitive measures for Iran.

For years, former Vice President Al Gore tried, unsuccessfully, to get Russia to

cancel its contract to complete the Bushehr nuclear power plant in Iran. When Bush and Putin initialed their approval of the agreement last July, the Bush Administration said Bushehr would not stand in the way of cooperation. But, apparently, Russian action or inaction against Iran’s uranium enrichment and perhaps other nuclear activities, will now determine whether the civilian nuclear pact is signed.

Congress, meanwhile, which has 90 days from the signing to “dispose” on the agreement, has passed into law the Iran Counter-Proliferation Act, which bars any nuclear cooperation with Russia, as long as Russia has any nuclear agreements with Iran.

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## *India Wants To Export Small Nuclear Reactors*

For the first time ever, the Indian Atomic Energy Commission chairman, Anil Kakodkar, announced that India is prepared to export small civilian nuclear reactors to other developing nations, if it is allowed to do so by the Indian government and the Nuclear Suppliers Group (which serves as the world non-proliferation police).

“India is capable of making viable commercial nuclear reactors of 220-megawatt and 540-megawatt capacity. Small reactors are the best bet to export,” he told reporters at the Koodankulam Nuclear power plant site near Chennai, Jan. 31, in response to a question on the feasibility of exporting nuclear reactors to countries like Egypt. “Some countries are interested in getting nuclear reactors from India,” he said. Kakodkar said the government, in principle, had allowed the construction of six 1,000-MW light water nuclear reactors at Koodankulam and hinted that the number could be raised to eight to make this site a “Nuclear Park,” if the distance between two reactors were narrowed down.

To another query, he said the nuclear power sector could be opened up to private players. However, as per the existing laws, the government should have a 51% stake in any such project, he said.

# Rohatyn and Shultz Drive Bloomberg ‘Beer Hall Putsch’

by Jeffrey Steinberg

Regardless of the outcome of the Feb. 5 “Super-Tuesday” primary vote, a hard core of London-linked fascists, typified by Pinochet patrons Felix Rohatyn and George Shultz, are intent on imposing a Schachtian dictator in the White House in January 2009. At the moment, the leading Shultz-Rohatyn candidate to fill that spot is New York City’s billionaire Mayor Michael Bloomberg. Bloomberg is at the center of a nationwide “independent candidacy” drive, spearheaded by a strange-bedfellow coalition that includes Sen. Edward Kennedy (D-Mass.); California Gov. Arnold Schwarzenegger (R) (whose wife Marie Kennedy Shriver is Ted Kennedy’s niece); Sen. Joe Lieberman (I-Conn.); and New York City political freak Lenora Fulani (see “Bloomberg’s Fascist Plot To Steal the U.S. Election,” *EIR*, Feb. 1, 2008). The Mayor is Shultz and Rohatyn’s designated “Benito Mussolini” corporativist, whose ill-gotten fortune would enable him to put billions of dollars of his own money into a nationwide independent campaign, built around the preposterous notion that Bloomberg is “too rich to be bought by special interest groups” (in fact, Bloomberg has *already* been bought, in a manner reminiscent of *The Devil and Daniel Webster*). While Bloomberg continues to issue coy signals that he is willing to be drafted for President, his political operatives are active in all 50 states, quietly buying up independent ballot lines, and paving the way for a “man on a white horse” candidacy—once the political preconditions have been orchestrated from above.

A Feb. 1 story in the pro-Bloomberg New York City neocon newspaper *The New York Sun* confirmed that Bloomberg is pouring sizeable funds into a new data-mining company, Symposia Group, whose main goal is to assemble nationwide polling data to launch Bloomberg’s Presidential drive. The firm’s founder, James Robinson IV, the son of the one-time American Express CEO and Bristol-Myers Squibb chairman, James Robinson III, told the *Sun* that Bloomberg is his major

client, and that he has six full-time employees, a team of contract employees, and 18 other field operatives, all working on the Bloomberg contract. Furthermore, the *Sun* reported that a former Bill Clinton campaign strategist, Douglas Schoen, who later worked on Bloomberg’s mayoral campaigns, is coming out with a book, touting Bloomberg’s chances of winning the Presidency as an independent candidate.

The *Sun* has been described as the intersection point of the American Enterprise Institute (AEI) and the Democratic Leadership Council (DLC)—i.e., a point of neocon penetration of both political parties. It was founded by four leading neocon moneybags: hedge-fund manager Michael Steinhardt, the founder of the DLC; Conrad Black, the now-jailed Hollinger Corp. boss and funder of AEI and the Hudson Institute; *New Republic* publisher Martin Peretz; and speculator Roger Herzog.

## Over Whose Dead Body?

What drives the likes of Rohatyn and Shultz, and their City of London oligarchical allies, to such desperate stunts, is the onrushing collapse of the global financial system, which they—along with Lyndon LaRouche—understand to be, potentially, the biggest blowout since the 14th-Century collapse of the Lombard banks, which led to a European-wide Dark Age. Under such circumstances, they are desperate to prevent a new “Franklin Roosevelt coalition” from taking over the White House in January 2009—which is the only thing that could foil their plans to destroy the United States, once and for all, as a sovereign republican nation-state. And they will resort to anything and everything to prevent that from happening.

Commenting on this crisis on Feb. 1, LaRouche, the leading American architect of an “FDR solution” to the collapse, warned, “It should be obvious to everyone that the fascist team of George Shultz and Felix Rohatyn and the financier



crowd around them are predetermined to have Bloomberg as the next President. And, Bloomberg couldn't make it if any of the present candidates were still in the running. Therefore, we have not seen the worst of the dirty tricks against the candidates from these fascists, particularly against Sen. Hillary Clinton. In this financial breakdown, Shultz and Rohatyn are determined to put in their boy, Bloomberg, who is owned by this fascist team. It is time to grow up. Sometimes," LaRouche concluded, "politics is for real."

LaRouche noted that many otherwise astute strategic analysts and patriotic activists, are missing the significance of the Bloomberg plot, because they fail to grasp the magnitude of the financial crash process, already underway; and because they have forgotten some basic lessons of history. The most basic lesson lost is that a still-powerful faction of London-centered European oligarchs hate the United States, hate the nation-state system, and are committed to using the current global financial collapse process as their last, best opportunity to create what former British Prime Minister Tony Blair calls a "post-Westphalian new order," in which private financier power would supplant the power of sovereign governments, and the planet would be plunged into a new Malthusian nightmare of permanent wars.

LaRouche added, that his harsh warnings may be considered "shocking" to some, but this "is the nature of the times we are living in." He warned that the situation today is more dangerous than the period of the early 1960s, when one leading government after another was toppled, by City of London-orchestrated murder and destabilization. In 1963 alone, the British government of Harold MacMillan was brought down by the Profumo sex scandal that Summer; the government of West German Chancellor Konrad Adenauer was ousted in the Autumn; and President John F. Kennedy was assassinated in November. French President Charles de Gaulle was the target of numerous Permindex assassination attempts, before ultimately falling from power in the Synarchist insurgency of 1967-68. In a short period of time, the leadership of the planet was violently changed.

### **Hillary Clinton: Number One Target**

LaRouche elaborated on his assessment of Shultz and Rohatyn's "Bloomberg Option," with three basic points. First, in the aftermath of the disaster of the Bush-Cheney Administration, it is virtually impossible for any Republican candidate—including the aged John McCain—to win the Presidency in 2008. Second, Sen. Barack Obama cannot be elected, in part, because of the scandals that have already been put before the public. His candidacy is, in part, being backed by people who are on the inside of the Bloomberg scheme, including Sen. Ted Kennedy. Whether Obama has figured it out yet or not, these people intend to use him to bring down Hillary Clinton, and then dispose of him, the same way they jettisoned former New York City Mayor Rudy Giuliani, through a mountain of crime-infested scandals.

Therefore, LaRouche warned, the Anglo-Dutch gang have their scopes set on destroying the Presidential candidacy of Hillary Clinton—through whatever means are necessary. They will, LaRouche added, stop at nothing to wreck both Bill and Hillary Clinton.

For the past month, ABC News has been systematically assembling the evidence of Senator Obama's ties to a shadowy Chicago wheeler-dealer and slumlord named Antoin "Tony" Rezko. Rezko is currently behind bars, pending a March 2008 trial on a range of financial crimes, including political payoffs to local Chicago politicians, among them, Illinois Gov. Rod Blagojevich—and Barack Obama. While Obama's name has not surfaced in any of the indictments of Rezko, media investigations have turned up hundreds of thousands of dollars in Rezko-linked contributions to his campaigns (Obama has since donated \$125,000 of this to charity), along with Obama's ties to Rezko in a questionable sweetheart home purchase deal in 2005.

The first ABC News broadcast on the Obama-Rezko scandal aired nationally on Jan. 10—a week after Obama's Iowa caucus victory, which suddenly propelled him into a close race with Senator Clinton for the Democratic nomination. That first ABC broadcast, which has been followed by even more damning exposés, posed the question: "Is the Rezko Connection Obama's Achilles Heel?"

The Fabian London *Guardian* has also been all over the Rezko scandal, through its own ongoing probe of London-based Iraqi exile financier Nadhmi Auchi, who was one of Saddam Hussein's banking pals. A London resident since 1979, Auchi is the founder and head of the Anglo-Arab Society, and an intimate of Lord David Steel, the former head of the Liberal Democratic Party. His connections, however, did not prevent the Serious Fraud Office from raiding the offices of one of Auchi's companies in 2002, in connection with what *Guardian* writer Nick Cohen wrote, is "alleged to be the biggest swindle ever of the NHS" (National Health Service).

On Jan. 28, Brian Ross, ABC News' chief investigative reporter, and a man with longstanding close ties to the FBI, broke the story on Obama financial angel Rezko: "In a court hearing in Chicago, prosecutors detailed a \$3.5 million wire transfer from a bank in Beirut, Lebanon that they said was moved through a series of accounts until it reached Rezko or some of his relatives who had posted property for his bond. Under the terms of his agreement, prosecutors said in a filing with the court, Rezko was obligated to disclose any change in his financial status. In court, prosecutors said Rezko had become a 'flight risk' because of his secretive transactions in the Mideast. According to the court filings, the money came from a company, General Mediterranean, owned by a British-based Iraqi billionaire, Nadhmi Auchi, who was convicted in France on fraud charges."

*Anton Chaitkin and Michele Steinberg contributed research to this article.*

# More Than 60 Cities Have Endorsed HBPA

by Nancy Spannaus

In the five months since economist Lyndon LaRouche called for the emergency enactment of a Homeowners and Bank Protection Act (HBPA), a total of 61 cities or towns (as of Feb. 1) have endorsed a version of the call for Congress to erect the necessary firewall of protection for chartered banks, and endangered homeowners. While a large number of these cities are in the Commonwealth of Pennsylvania, where a bipartisan bill (HR 418), introduced by State Rep. Harold James (D-Philadelphia) is pending in the legislature, momentum is now growing in other states as well. The reality of the ongoing financial breakdown crisis is creating the circumstances where local officials are beginning to demand that their Congressional representatives take action.

In addition to Pennsylvania, nine other states now have HBPA resolutions introduced, and awaiting action: Florida, Kentucky, Illinois, Maryland, Michigan, Mississippi, Missouri, New Hampshire, and Rhode Island.

Many of the city councils which are taking action, are in areas of the United States which are most devastated by the deindustrialization of recent years. Having lost high-paying jobs in industries that have now shut down, these cities are now being hit by a new shock wave of home foreclosures, which is leading to blighted and desperate communities.

Notable in this respect is the city of Akron, Ohio, whose city council passed Resolution No. 33 on Jan. 28. Akron is the fifth-largest city in the state, with a population of 214,000. As of the end of the third quarter of 2007, it was the 11th-worst city in the nation in terms of foreclosures, with 1 in every 76 households in foreclosure.

Akron's condition reflects its dramatic decline from being

a major transportation and manufacturing hub for Ohio, and the Midwest more generally. During the 20th Century, it became the tire and rubber manufacturing capital of the world, housing all the major U.S. companies, such as Goodyear, Firestone, etc. Then came the controlled disintegration of the 1980s and '90s, in which Akron lost over half of its rubber industry, and, like its neighbors Youngstown and Cleveland, turned into an industrial rubbleheap.

After unanimously passing Resolution 33, the Akron city council issued a press release, which appeared prominently

on its website, noting that the number of foreclosures in 2007 had risen 79% over the previous year. The number for Ohio overall climbed 88%.

In the release, council president Marco Sommerville is quoted saying: "This resolution says to our citizens that we hear their concerns for their livelihoods and maintaining the American dream, and we expect our federally elected officials to take action to protect that dream."

"This resolution is more than symbolic," Sommerville said. "It marks a historic step that a municipal body has elected to take which seeks real and meaningful action on a federal level to address local concerns that have major national implications."

The Akron resolution, like that of all the cities who have passed the call for the HBPA, has been forwarded to the Congressional representatives of the state.

Another deindustrialized area in which city council leaders are beginning to act against foreclosures with the HBPA, is the region around Chicago. Three former steel cities in northern Indiana—Gary, East Chicago, and Hammond—have recently passed resolutions demanding Congress enact the principles of the HBPA.

Also of note is the action being taken in the southeastern border region of Texas, which is suffering the effects of infrastructure collapse and economic depression. Four towns in this region—Brownsville, Cameron, Port Isabel, and San Benito—have recently passed calls for the HBPA.

It is the *entire* United States, its banking system and its people, of course, which is at stake in the hyperinflationary financial blowout. The Congress is ignoring the HBPA solution at its own political peril. Increasingly, the local officials are determined to let them know.



# Democrats Defeat Arnie's Health Scam

by Harley Schlanger

The rejection, by the California Senate Health Committee Jan. 28, of a highly flawed health-insurance plan sponsored by buffoon Gov. Arnold Schwarzenegger, was hailed by some Democratic Party insiders as an indication that at least some leading Democrats have decided to stand up against him and his fascist policies. The Committee voted 7 to 1 against the plan, which had been passed by the State Assembly, with the full support of Speaker Fabian Núñez (D-Los Angeles).

Democrats in the Assembly, and members of some labor unions, supported the bill, despite serious concerns, as they feared that this was the best plan that could be expected, given the fierce opposition of the insurance industry to a more legitimate alternative. That alternative is Senate Bill 840, a single-payer measure, introduced by State Senator Sheila Kuehl (D-Santa Monica), which is pending in the Assembly. Schwarzenegger's bill would insure 3.7 million of the 5.1 million uninsured Californians, with a complicated formula that includes mandatory employer and employee contributions, a fee on hospitals, an additional \$1.75 tax on a pack of cigarettes, and the hope of using the leverage of these funds to gain an increase in Federal matching funds.

Opponents in the Senate pointed to a report released the week before by the state's Nonpartisan Legislative Analyst's Office, that the plan is based on questionable assumptions: e.g., that cigarette purchases would decline only slightly with a tripling of taxes; or that insurance companies would keep premiums at \$250 per person per month—about half of the current level paid by the largest purchaser of private insurance in the state, the California Public Employees' Retirement System (CALPERS). If the fees charged were to climb even slightly, the additional costs would be unacceptable, given that the state is already facing a nearly \$15 billion budget deficit under Schwarzenegger's stewardship.

And those currently uninsured, who would be mandated to buy insurance under the plan, would be unable to afford the deductible costs required by the insurance companies. Consumer activists have called the bill a boondoggle for the companies.

## 'Post-Partisan' Politics

Schwarzenegger has held up this health insurance bill as an example of the benefits of his form of "post-partisan" politics. Along with his championing of "infrastructure"—his plans are for privatizing state projects, and opening bids on



Governor's homepage

*Schwarzenegger seems to be suffering from "post-partisan" depression, following the solid defeat of his health-insurance plan. The governor is shown here at a press conference on Jan. 29 with Assembly Speaker Fabian Núñez, who supported the measure.*

new projects to "Public-Private Partnerships"—and his embrace of a "green" anti-growth agenda, Schwarzenegger had marginalized Democrats in this highly Democratic state, and had them eating out of his grubby, corporate-lined paws. His close collaborator in promoting these scams is New York City Mayor Michael Bloomberg, with both operating under the direction of the fascists George Shultz and Felix Rohatyn. This whole package, being pushed by the duo as the triumph of "competence over politics," is modeled on the corporatist fascist looting schemes imposed by fascist dictator Benito Mussolini in Italy in the 1920s-30s, under the direction of London-based financial interests.

The defeat of Arnie's health-insurance plan may represent a sign that some Democrats have decided to fight. Among those who voted against the scam in the Senate Committee, most are on record as opposing the draconian cuts that Schwarzenegger had introduced earlier this year, in his 2008-09 budget, cuts which even the Governor obliquely acknowledged will kill people. Obviously, he is missing the irony, pointed out by some Senate opponents, that, at the same time he introduced a budget which slashes Medi-Cal benefits and tightens eligibility requirements, while dismantling programs for the elderly, blind, and disabled, he asked the legislature for a new \$14 billion-a-year plan which would extend health-insurance coverage to working poor families ineligible for Medi-Cal—the kind of plan which only an insurance company, or an HMO, could love!

Polls out at the end of the month, show a 7% decline in Arnie's popularity since he released his budget plan in early January.



# History as Prologue

by Jeffrey Steinberg

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**Partners in Command—George Marshall and Dwight Eisenhower in War and Peace**

by Mark Perry

New York: The Penguin Press, 2007

473 pages, hardcover, \$29.95.

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American historian Mark Perry has written a truly wonderful account of the partnership that was pivotal to the victory over Nazism, Fascism, and Japanese imperialism in World War II. That partnership, between Gen. George Marshall and Gen. Dwight Eisenhower, also formed a critical part of the post-war resistance to the efforts to wipe out the vision and legacy of President Franklin Roosevelt. And while Perry's book does not delve in any detail into the post-war achievements of these two remarkable men, his account of the political battles among the Allied commanders and elected leaders during the war, provides an invaluable insight into their post-military careers.

Marshall and Eisenhower were FDR's two leading collaborators in the conduct of the war, and Perry has provided an extraordinarily personal account of the relationship between the two generals, that is unique among such military biographies.

On a more profound level, Perry's dual biography provides new and vital documentation of one of the most important undercurrents of the wartime Anglo-American alliance: the deep conflicts between the American and British approaches to the war, the fundamentally contradictory post-war aims of the two allies, and the very different views of the third key wartime ally, the Soviet Union.

In one particularly insightful account of a Marshall-Eisenhower meeting towards the end of the war, on Jan. 26, 1945, at Château Valmonte in Marseilles, France, one of the most

tense meetings between the two longtime colleagues and friends, Perry demonstrates his depth of understanding of these underlying wartime conflicts. Marshall began the meeting by rejecting Eisenhower's proposal that a British general be appointed as deputy ground-commander for the final assault into Germany.

"As Eisenhower's notes on Marshall's presentation make clear, this exchange—after so many years of agreement—marked the most difficult moment of their command partnership. Looking directly at his subordinate, Marshall gave him specific instructions. His sentences were short. He left no room for misinterpretation. The Army chief of staff had fought the British for years on precisely this point—command in Europe. He was not going to give an inch now, with victory so close at hand."



National Archives

*British Field Marshal Bernard Montgomery, famous for his incompetence, also typified the British opposition to American military leadership. Eisenhower later called him a "psychopath."*

Perry displays his own understanding of the meaning of Marshall's instructions, an understanding that punctuates nearly every page of this 413-page narrative. Perry writes:

"The question of command in Europe in 1945 was *not* military, it was political. America's commitment to World War II was complete. Three-quarters of all the soldiers fighting in Europe in 1945 were American. The United States produced nearly half the world's armaments and two-thirds of its ships. [Gen. Omar] Bradley alone commanded more men in his Army group than the British and French put together. The stark realities of these sacrifices were clear to Marshall. The Americans were now the dominant force in the world and no matter how much Churchill or Brooke or Montgomery might protest, that needed to be recognized. Those who made the greatest sacrifices would retain the most power. As Franklin Roosevelt's most trusted military advisor, George Marshall had developed a keen sense of American political realities. The American people would not tolerate a British commander of American troops. Then too, Marshall had concluded, the only way to keep Europe from plunging itself into another European war was to keep America engaged in Europe. To make America the keeper of the European peace. To take control, finally, of Europe's destiny."

As Perry's account makes clear, both Marshall and Eisenhower were as profoundly aware as Roosevelt, of the monumental differences between the American and British approach. *Partners in Command* offers perhaps the most in-depth documentation of the hand-to-hand combat that the American military leadership engaged in with their British counterparts—at every turn. And Gen. Bernard Law Montgomery was hardly the worst of the British adversaries. Sir Alan Brooke, Chief of the Imperial General Staff, hated all things American, and used every opportunity to convey his disdain to Marshall and Eisenhower, far too often, with the full backing of Winston Churchill.

The Perry book is also a genuine military history of one of the most important wars in modern times, conveying in stunning prose, the complex and always unpredictable twists and turns in the conflict. The evolution of the American fighting force is presented in a way that is highly educational, showing how a clear sense of mission and high-quality military command can rapidly transform a rag-tag conscript army into a credible fighting force. Perry made clear that the German Army was a far superior military force, and that the outcome of the war was far from certain, at many key junctures. Many



National Archives

*Generals Dwight Eisenhower (left) and George Marshall, shown here returning to the U.S.A. on June 18, 1945, were keenly aware that wartime tensions with the British command were primarily political, not military; the two countries' leaders had quite different war aims.*

of the leading American commanders are presented, in all their complexities—George Patton, Douglas MacArthur, Omar Bradley.

What comes across out of the whole account are the incredible accomplishments of Marshall and Eisenhower—in pursuing the war objectives, holding the always volatile Allied coalition together, and keeping their own generals focussed on those larger objectives, when often, they would have preferred to square off against their British partners.

As Perry emphasizes, modern warfare is coalition warfare, and that requires an extraordinary blend of military and diplomatic competence. As a team, Marshall and Eisenhower displayed those qualities, and formed a near-perfect partnership with the great American President, Franklin Roosevelt.

Perry makes great use of Marshall's and Eisenhower's shared mentorship by Gen. Fox Conner, one of the great generals of World War I, who saw another European war coming, as soon as the Versailles Treaty was signed. Connor emphasized, in a simple aphorism, a vital lesson that informed Marshall's and Eisenhower's command partnership in World War II: "Never fight unless you have to, never fight alone, and never fight for long."

Such forms of coalition warfare create an enormous number of challenges, which go far beyond the lessons taught at West Point. As Mark Perry documents, with wonderful precision, Marshall and Eisenhower, as a team, met those challenges head-on, and along with FDR, secured victory.

# American Patriots Against The British Imperialists

by Dean Andromidas

*A longer version of this article can be found at [www.larouche.pub.com](http://www.larouche.pub.com).*

Mark Perry's *Partners in Command* is, above all, a study of the exercise of cooperative leadership between Generals George C. Marshall and Dwight D. Eisenhower, during World War II and through the Truman Presidency. Perry draws on official documents, and especially the correspondence between the two generals, elucidating their exercise of leadership, and adding a sense of drama not often seen in books of this nature.

Asserting that one principle of war they shared was, "Never fight unless you have to, never fight alone, and never fight for long,"<sup>1</sup> Perry shows how both men served that principle. He also documents the struggle between the American high command and that of the British, especially over the schemes of British Prime Minister Winston Churchill.

For Perry, the root of this conflict lay in two very different conceptions of how to win the war. On the one side, was Marshall's plan to launch a direct assault on Germany through a cross-Channel invasion of France. This would serve as the left-wing pincer of a double envelopment, where the Soviet Army, attacking from the East, would be the right-wing pincer. For Marshall, the assault should have taken place by the end of 1942, a full two years before it finally occurred.

Churchill, however, had an "indirect approach," which involved strategic bombing of German cities and limited attacks on the periphery of Axis-occupied Europe. Churchill's various schemes included the conquest of Italy and an attack through the Balkans, the "soft underbelly of Europe," all at the expense of the cross-Channel invasion. Marshall opposed these schemes, knowing they would prolong the war, while providing little support for the Soviet Union, which had been struggling against the full power of Germany's war machine.

The purpose of this article is to serve as an addendum to Perry's work, covering ground he does not cover. The Anglo-American conflict was not only over how the war should be fought, but one of fundamental principle, between the republican idea at the foundation of the United States, and the imperialist or Anglo-Dutch oligarchical principle of the British Empire. Both Marshall and Eisenhower were aware of this conflict from the very beginning of their Army careers, from their own experience in the First World War and the inter-war period. Scrutiny of this matter can contribute to a deeper appreciation of the struggle Perry documents during the later war.

## Alliance With Our Potential Enemy

At the center of Perry's book is the U.S. alliance with Great Britain. But what was the nature of that alliance? It was not actually an alliance with a nation called Great Britain, but rather with His Majesty's British Empire—a tyrannical empire that, under different circumstances, would have been every bit as much an enemy of the United States as the tyrannical Axis powers became. Britain was our enemy in 1776, and again in 1812; it supported the Confederacy during the Civil War, and as late as 1921, had an explicit war plan on the shelf, for a pre-emptive strike against the United States.

The U.S. military, especially the Navy, which found itself, as a result of the naval treaties of 1922, out-gunned by Japan and Great Britain, took this threat deadly seriously. In the 1920s and 1930s, the U.S. Army and Navy drafted their own series of color-coded war plans. War Plan Red was for potential war against the British Empire; Red-Orange was for war against a coalition of the Japanese and British empires, since the two had an official naval alliance until 1923. These and other war plans were all kept up-to-date, until they were withdrawn in 1939, at the point that it was clear the next war would be with Germany, Japan, and other Axis powers.

## The British vs. American Military Systems

Britain's entire political-military structure and doctrine reflected its imperial nature. Winston Churchill was the quintessential imperialist. FDR was forever denouncing Churchill's "18th-Century methods." As in the 18th Century, British military doctrine in the 20th Century was one of Cabinet warfare, a routine instrument for maintaining and expanding the Empire. "Winning" a war, even one as global and catastrophic as World War II, did not have as its purpose, laying the basis to end such wars. Indeed, World War I was just as catastrophic as World War II, yet the Anglo-French-dominated Versailles Treaty assured that its sequel would follow, a fact that was broadly discussed within the U.S. military in the inter-war period. The danger of Churchill laying the foundations for a Third World War was keenly understood by both Marshall and Eisenhower.

The British Army of the 20th Century was a very curious phenomenon. At the lower echelons, owing to the requirements of modern weaponry, the British Army, on the surface, was not so different from that of the United States. But the General Staff reflected the oligarchical structure, in which





*President Franklin D. Roosevelt and Prime Minister Winston Churchill at Yalta, Feb. 4, 1945. The root of the tensions between U.S. and British military figures, was also the basis of the principled difference between FDR and Churchill: the American republican conception of man vs. the British oligarchical/imperial mind-set.*

warfare was conducted by a committee system.

The chief of the Imperial Staff, much like a prime minister, was only first among equals, and the service chiefs held almost equal powers. In contrast to Marshall's concept of Unity of Command, the British concept of high command was that of a committee, not much different than the British Cabinet. In any given theater of war, the various service chiefs were co-equals, and in place of a commander in chief, the war would be prosecuted by a committee, which in turn was supervised from London. Committees proliferated at every echelon. Eisenhower and Marshall, who had nothing but disdain for this system, wrestled constantly with it throughout the war.

Lyndon LaRouche, in his recent statements on the need for unity of action by the world's four key powers—the United States, Russia, China, and India—has defined such an alliance as the British Empire's worst nightmare. This statement held true during the war as much as it does now, and could be seen in Churchill's dislike of Roosevelt's support for China as one of the great Allied powers. Churchill wanted to assure a weak post-war China, for fear that a strong China, closely allied with the United States, would be a threat to Britain's Asian "possessions"—not as a military threat, but because it would spark the national aspirations of the British and French colonies, especially India. The latter would especially look towards the United States as its natural ally in its struggle for independence.

The constant British sabotage of opening a second front against the Axis powers in Europe (the cross-Channel inva-

sion), thereby weakening the Soviet Union, was key to implementing the above strategy.

In his memoirs, Eisenhower comments that Churchill "was quite personal in his relations with field commanders and never hesitated to suggest, from a location hundreds of miles from the scene of action, detailed plans of action; of course, he did not couch these messages in the form of orders, except when a major decision was required. He would send telegrams into the field, asking questions about the whereabouts and actions of particular regiments with which he was well acquainted. One evening I met him as he was drafting a message to a British Mid-East commander. It dealt with specific items of a tactical plan; when he had finished he handed it to me for comment. After reading it I told him that I was not familiar with the details and even if I were I would not

send such a message to a field commander. Why? He wanted to know. I replied that obviously the man in the field knew more about the detailed situation than anyone sitting in London. American practice was to give the commander a mission, and the means to carry it out, without interferences from superiors. Washington, of course, kept in touch with the situation, and sent such directions as were necessary concerning logistic support or changes in major programs. But so far as operations were concerned, our tendency was either to decorate a man or relieve him, depending upon success or failure. When he pressed me on the matter of his particular communication, I said, 'If as an American commander I received such a message from the President of the United States, he would expect my resignation to be on his desk tomorrow morning—and I would make sure that it would be there.' The incident was an illustration of the great differences between his and the American system of command."<sup>22</sup>

Eisenhower was even less generous to Churchill's chief lackey, Field Marshall Bernard Montgomery, and in 1963 told author Cornelius Ryan, "First of all he's a psychopath. Don't forget that."<sup>23</sup>

Here we see Eisenhower's clear perception of the difference between the method of the British Empire's Cabinet warfare, and the American tradition of "mission tactics"—our own version of the German *Auftragstaktik*. Our military commanders are not expected to be the king's first minister's lackey, but are entrusted with a mission for which they have full responsibility, and the authority for its successful implementation.

This concept of “mission” and “authority” with “responsibility” lies at the core of American military tradition, where the soldier and officer is not simply part of a polity called a “democracy,” but a sovereign citizen of a republic, unique in that it is dedicated to the universal principles of life, liberty, and the pursuit of happiness.

Britain’s Royal Military Academy Sandhurst was merely a two-year officers training school, capable of turning out officers credibly proficient for leading troops in times of war, and the Empire’s mercenaries in time of “peace.” But the U.S.A.’s West Point was modeled on France’s École Polytechnique, and became one of the foremost engineering schools in the world. In times of peace, its graduates provided the engineers who built the canals, roads, and railroads that would create the most economically powerful nation in the world, which, under the leadership of Commander in Chief Roosevelt, won World War II.

### What Conner Told Marshall and Eisenhower

Identifying the crucial role of Gen. Fox Conner as a mentor to Marshall and Eisenhower, in the preparation for the war Conner knew would occur, is one of the strongest points in Perry’s book. It is Conner to whom Perry attributes the principle, “Never fight unless you have to, never fight alone, and never fight for long.”

The role of Conner as mentor is a story told many times by many authors. Eisenhower himself, in a lecture at the National War College, said, “There was a very wise soldier under whom I served for a number of years—in my opinion the greatest military philosopher and thinker I have known—Fox Conner. . . .”<sup>4</sup> A gentleman officer from Mississippi, highly respected, Conner was considered an awesome intellectual. His library of 4,000 volumes covered military history, philosophy, and great literary works. Through the help of another of his protégés, George Patton, Conner identified Eisenhower’s potential for high command, shortly after the First World War. Conner secured Eisenhower a position as his executive officer, when he took command of the Panama Canal Zone in 1922. Eisenhower later wrote that his tour of duty with General Conner was “one of the most interesting and constructive of my life.” Conner “was a natural leader and something of a philosopher,” who quoted Shakespeare, and had Eisenhower read Plato and Cicero as well as Clausewitz. Under his direction, Eisenhower conducted an intense study of the Civil War, making a presentation on each battle to Conner, who would then ask searching questions, forcing his student to present his ideas in a forceful, effective manner.

Conner was not simply “mentoring” a young officer; he was, through Eisenhower, preparing the United States for a war that appeared inevitable. On those long evenings, Conner discussed how the foundations of a new war were being laid by the brutal conditions imposed on Germany by the Versailles Treaty, especially the impossible burden of reparations, and how revolution in Russia would doom Europe to yet another



*Maj. Gen. Fox Conner: a patriot, scholar, and mentor to both Eisenhower and Marshall. They carried his emphasis on “unity of command” into their leading roles in World War II.*

war. Moreover, there was the real threat that the British, French, and expanding Japanese empires posed to the United States.

As Gen. John Pershing’s Assistant Chief of Staff for Operations in the American Expeditionary Force during the First World War, Conner was among a handful of American senior officers who was at the center of all the war councils, both national and allied. In 1934, one year after Hitler took power, he gave a lecture to the Army War College, entitled “The Allied High Command and Allied Unity of Direction,” which, although on the First World War, is representative of what he no doubt told Eisenhower and Marshall on the struggle they would face to establish “unity of command” with allies who could, under other circumstances, be their enemies.

For Conner, it was not “national pride” that prevented allied cooperation, but “ulterior motives”—a not-too-veiled reference to the imperial and other interests of Great Britain and France. Conner said, “National pride plays some, though a small, part in preventing or postponing Unity of Direction and command. . . . The ulterior motives of the several members of a coalition form the principal obstacle to securing either Unity of Direction or Unity of Command. . . . With the exception of America . . . all nations or rather the politicians of all Nations, in the World War were filled with ulterior motives, and with grandiose ideas of the ‘compensations’ they would obtain at the peace table. It is likely to be so again. . . . ‘Open covenants, openly arrived at’ is beyond the realities of European statesmanship or politics.”

As for establishing a unity of command among allies, “only an actual or a threatened catastrophe is likely to bring about anything approaching either Unity of Direction or Unity of Command. . . . In spite of the assertion just made, America should, if she ever indulges in the doubtful luxury of entering another coalition, advocate, coincident with entering a war with allies, the establishment of a Supreme War Council. Such an institution is primarily necessary to provide decent

interment for 'fool schemes.' Unity of Command should be sought . . . in matters of strategy only. It is quite hopeless to expect a worthwhile nation, unless it reaches the state of Austria in 1916 and 1917, to surrender the tactical command of its troops."<sup>5</sup>

The dictum of fighting wars with allies, was no simple doctrine that Conner instilled in the younger officers, but a *mission*. That mission was to succeed where the U.S. had failed in World War I, not only in terms of military capabilities, but most emphatically in winning the peace.

### Lessons of the First World War

FDR's own vision, or grand design, for the post-war world grew out of a reaction to the failure of the United States to win the peace after the First World War. It sought to suppress "ulterior motives" by transforming the coalition of allies that fought the war into the core of a coalition of sovereign nations, to be carved out of the 19th-Century colonial empires of Britain, France, the Netherlands, and others. The massive industrial and scientific power marshalled by Roosevelt to win the war, would be deployed to develop the world.

In the hands of Roosevelt, an enduring post-war alliance with the Soviet Union could serve as a counterweight to Great Britain, in achieving Roosevelt's vision of dismantling the European empires. Marshall and Eisenhower, in their own way, shared in that vision.

Roosevelt's vision appealed to a whole generation of Americans who had experienced the disillusionment of the First World War and its aftermath, and were committed to learning from its bitter lessons. This was especially true in the U.S. military, where a whole generation of young officers who had served in First World War, became the senior commanders in the Second, and developed a strong commitment not to repeat those mistakes. They built an army to win that war, so that a statesman like Roosevelt could win the peace.

There are important parallels between the U.S. military policy in the First and Second World Wars that are worth briefly reviewing.

On entering World War I, Pershing and the General Staff laid down three principles upon which the war would be prosecuted. The first was that the U.S. commanders emphatically rejected the British and French demand that the United States only provide soldiers that could be integrated into existing French and British units, thereby becoming more fresh meat for the British and French meat-grinders of static trench warfare. The second was for the United States to have its own unified command, responsible for its own front, while pushing for a unity of effort among the allies, so as to abandon the trenches and prosecute a war of movement and maneuver.



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*The American junior officers in World War I, who rose to be the commanding generals in World War II, were determined not to repeat the blunders of the first war, when the United States was dragged into the meat-grinder of Franco-British trench warfare, among other horrific mistakes.*

With a commitment to eventually have a 5-million-man army on the continent, the United States would not only play a decisive role in defeating Germany, but would have the prestige and moral high ground at the peace table. The third principle was that the main, if not the only front, would be the Western Front to defeat Germany, whose aggression was the alleged reason for the war, as quickly and decisively as possible

These decisions were made explicitly to suppress British "fool schemes" aimed at expanding the war. As in World War II, these schemes were hatched most often by Churchill himself, who was a junior minister in the Lloyd George government. It was Churchill who conceived of the disastrous Gallipoli operation to capture the Bosphorus—its real purpose was to aid the secret Anglo-French plan to carve up the Ottoman Empire between them. Churchill even had a "soft underbelly" strategy, whereby 500,000 Allied troops were deployed to Solonika, Greece for an attack on Romania and Bulgaria. (It never happened.)

The U.S. entry into the war coincided with the March 17, 1917 revolution in Russia that overthrew the Czar, installing a Provisional Government (the Bolsheviks would take power in November). Churchill saw the opportunity to dismember the Russian Empire once and for all. On the claim that the Eastern Front had to be reopened, Churchill laid the basis for the Allied intervention, which was dubbed "Churchill's War,"<sup>6</sup> and would last into 1920.

The prioritizing of the Western Front determined the U.S. military command's policy towards revolutionary Russia. With an official policy of non-intervention, the U.S. military refused to be sucked into these schemes. Gen. Tasker Bliss, mentioned above, who served on the high allied military com-



mission, opposed U.S. participation in the intervention, writing at the time, "It seems to me our Allies want the United States to commit ourselves to various places where, after the war, they alone will have special interests." He then lamented, "I have often thought that this war, instead of being the last one, may be only the breeder of still more."<sup>7</sup>

The Army was ordered by President Wilson to send two regiments into Russia, one to Siberia and a smaller one to Archangel—a move which U.S. Army Chief of Staff Payton C. March would later call a "military crime." The regiment deployed to Archangel, which was put under British command, got sucked into "Churchill's War," while the much larger regiment, deployed to Siberia under the command of Gen. William S. Graves, maintained a strict policy of non-intervention, as stipulated in his original orders.

## Geopolitics Leads to World War II

The following years saw the British playing the same geopolitical games that had led to the First World War; with full British backing, fascist governments were brought to power in Italy, Germany, and Spain, while Japan was given a free hand in its conquest of China.

In 1935, Japan completed its conquest of Manchuria, and on June 18, 1936, British Foreign Secretary Sir Samuel Hoare and Adolf Hitler's special envoy, Joachim von Ribbentrop, signed the Anglo-German Naval Agreement, in what Hitler reportedly said was the happiest day of his life.<sup>8</sup> While British historians have painted this agreement as either an arms limitations agreement or appeasement of Hitler, it was in reality an alliance, modeled on the Anglo-Japanese naval alliance of 1902, and just as that alliance had put the world on the road to the First World War, so it would start the march to the Second.

The agreement, initiated by the British without informing either France or Italy, repudiated the arms limitation clauses of the Versailles Treaty, and gave Germany the full right of rearming itself. The agreement provided for a ratio of 35/100 between the German and British fleets; thus, for every 100,000 tons of Britain's naval vessels, Germany was allowed 35,000 tons. This would give Germany a fleet as large as that of France, and, as observers at the time wrote, parity with the British Atlantic Fleet. The anti-Soviet implications of the alliance were obvious, in that it ceded control of the Baltic Sea to a very powerful German Navy. The British withdrew completely from the Baltic, which, within a few years, would allow Germany to act freely in its invasion of Poland, and later Denmark and Norway.<sup>9</sup>

Claims that the purpose of the pact was arms limitation are absurd, since no sooner was the treaty signed, than Britain, despite the fact that it was still virtually bankrupt, embarked on a £1.5 trillion<sup>10</sup> naval rearmament program, thereby initiating a naval arms race among all the major naval powers.

Further, the Anglo-German naval pact was widely seen, especially in Berlin, as giving Germany a free hand to act on



*Adm. Harold Stark (left) and Gen. Dwight Eisenhower. Stark warned in 1940 that if the United States didn't enter the war on Britain's side, it would soon have to fight against the entire world. His recommendation of a direct Allied assault on Germany would eventually take shape as Operation Overlord—a strategy which Churchill vehemently opposed.*

the continent. In 1938, at the infamous Munich conference, documents were signed reaffirming the agreement.

Although war broke out in Europe in 1939, it was not until the end of 1940 that the United States considered it essential to forge an alliance with Britain. One of the crucial military documents where this was discussed was "Plan Dog," a memorandum written in November 1940 by Chief of Naval Operations Adm. Harold Betty Stark, for the Secretary of the Navy and President Roosevelt. While usually considered an unequivocal call for the United States to save the British Empire, if the U.S. wanted to win the war that in a year would be forced upon it, a close reading of the document shows that it is actually a careful assessment of the world strategic situation, in which the United States faced the very real possibility of fighting a war against the entire world, including Great Britain.

In the Fall of 1940, Hitler had overrun Western Europe, and Britain was being pounded by the German Luftwaffe and under imminent threat of invasion. It was under attack in North Africa, facing the prospect of the fall of Egypt and the loss of the Suez Canal. With non-aggression pacts with both Germany and Japan, the Soviet Union had yet to enter the war.

Stark argued that the British were overly optimistic about their ability to resist Germany. He wrote that a war with Japan would more than likely bring on a war with the Axis powers in Europe. If this were to happen and "the British Isles then should fall, we would find ourselves acting alone, and at war against the world. To repeat, we would be thrown back on our haunches." He also warned: "It is a fundamental requirement of our military position that our homeland remain secure against successful attack. A very strong pillar of the defense structure of the Americans has, for many years, been the bal-

ance of power existing in Europe. The collapse of Great Britain or the destruction or surrender of the British Fleet will destroy this balance and will free European power for possible encroachment on this hemisphere.”

Stark’s preferred option was a direct assault on Germany, as would become the cornerstone of Marshall’s policy. Naval assistance to Britain would not suffice: “Victory would probably depend upon her ability ultimately to make a land offensive against the Axis powers. For making a successful land offensive, British manpower was insufficient. Offensive troops from other nations will be required. I believed that the United States . . . would also need to send large air and land forces to Europe . . . to participate strongly in this land offensive.”

Stark warned that waging war with Britain as an ally would only be possible “if we insist upon full equality in the political and military direction of the war.”<sup>11</sup>

From his position as commander of U.S. naval forces in Europe, between 1942 and 1945, he was a close collaborator of both Marshall and Eisenhower, in fighting for U.S. interests at the war councils.

### Making an Enemy Your Ally: Sir John Dill

Perry has documented how Marshall and Eisenhower interacted in their struggle to exert American policy over the machinations of Churchill and his commanders. Central to that policy was Marshall’s conception of “Unity of Command,” where one Allied commander would be named as commander of an entire theater, as Eisenhower would later become Supreme Allied Commander in the European theater. This conception was almost unheard of in Britain and the United States. Marshall himself best defined it at the Arcadia conference in Quebec, 1941-42:

“With differences between groups and between services, the situation is impossible unless we operate on a frank and direct basis. I am convinced that there must be one man in command of the entire theatre—air, ground, and ships. We cannot manage by cooperation. Human frailties are such that there would be emphatic unwillingness to place portions of troops under another service. If we make a plan for unified command now, it will solve nine-tenths of our troubles. . . .

“If we could decide on a unified command now, it would be a great advance over what was accomplished during the [First] World War.”

While Eisenhower fully embraced Marshall’s conception of Unity of Command, Churchill and his commanders did not; the implications of this are presented by Perry.

But how did Marshall deal with an alliance with the British Empire, an historic and potential enemy? Marshall sought out, and found, a British counterpart with whom he could deal on a “frank and direct basis,” in other words, with a truthfulness and respect for the justifiable interest of both nations that would expedite the prosecution of the war for not only an early defeat of Germany, but also for a peace that would not lead to a World War III, as World War I had led to World War II. He



FDR Library

*U.S. Chief of Staff George Marshall insisted on the idea of Unity of Command, which went against what the British wanted. Here, Marshall (center) is with Gen. George Patton (left) and Gen. Henry “Hap” Arnold (right), in 1943.*

found this man in the person of Sir John Dill, who, upon their first acquaintance, at the Atlantic Conference of 1941, was the Chief of the Imperial General Staff (CIGS). Like Marshall, he was a veteran of the First World War, and they struck up what would become a warm and trusting friendship unparalleled in Anglo-American military relations. Dill no doubt heartily agreed with Marshall’s conception of Unity of Command. He earned the hatred of Churchill, who, in November 1941, had Dill “retired” as CIGS.

Churchill wanted Dill removed to India to become governor of Bombay, as far from Marshall as he could get him. But Marshall invited Dill to travel through the United States en route to his new assignment, and as a result, through the direct intervention of FDR himself, and his emissary Harry Hopkins, Churchill’s arm was given a hard twist, and Dill was named the head of the British Joint Staff Mission, which represented the Imperial General Staff in Washington, in dealings with the American General Staff.<sup>12</sup>

Dill proved to be an asset for presenting, and in many cases fully supporting, the U.S. position to the British Chiefs. Marshall continually sought the “frank and direct” approach, looking for British allies to counter Churchill’s constant scheming.

Marshall noted the crucial role Dill played at the major conferences, especially Casablanca and Cairo; at the latter, he figured prominently in the final decision to go for Operation Overlord, the long-delayed cross-Channel invasion. Dill’s positive role enraged Churchill, who by February 1944 began working for the general’s recall to London. Marshall wrote later: “There was a period commencing explosively at Cairo and more or less continuing up to the time of Dill’s death,

when the Prime Minister was antagonistic towards Dill. At Cairo in particular he was very emphatic in his expressions of disagreement and displeasure at Dill's forthright statements which bore on the Prime Minister's personal actions very directly. I am not familiar with the personal interchanges after that date but know that the Prime Minister was resentful of Dill's frank differences with him at a time when he, the Prime Minister, was heavily pressing his Chiefs of Staff."

Dill was never recalled, but by November 1944, he was dead. A grief-stricken Marshall arranged for his funeral and interment in Arlington Cemetery, "as a reminder of a perfect example by a British official of absolutely unselfish and objective dealings with British-American affairs."

In a personal message to Churchill thanking the latter for a letter of condolence upon Dill's death, Marshall was both "frank and personal," and betrayed an eye to the troubled future: "Few will ever realize the debt our countries owe him for his unique and profound influence toward the cooperation of our forces. To be very frank and personal, I doubt if you or your Cabinet associates fully realize the loss you have suffered, and the United States also has suffered for that matter, in purely post-war adjustments, by his death. I am hopeful that his interment in the American Valhalla of Arlington, where his services may be memorialized, will result in a continuation of his great and beneficent influence in the troubled years to come."<sup>13</sup>

### Truman, Churchill's Lackey

Perry's treatment of the post-war Truman years, while continuing the careful documentation that characterizes this entire work, suffers by carrying forward the myth that Truman, as President, was anything other than an unmitigated disaster. After the death of Roosevelt, Truman fully reversed the grand design of his predecessor and became an ardent follower of the anti-Soviet and preventive war policies of both Churchill and Bertrand Russell. The struggle that Marshall and Eisenhower waged against Churchill continued into the post-war years, right up to and through the Eisenhower Presidency.

Throughout the Truman years, the Eisenhower-Marshall



*Sir John Dill, who had been Chief of the Imperial General Staff, was "kidnapped" by his friend General Marshall, who brought him to Washington as a liaison to the United States. Churchill hated Dill, whom he considered too close to the Americans, and had tried to stick him out of the way, in Bombay. Upon Dill's death, Marshall arranged for him to be buried in Arlington National Cemetery, where this equestrian statue was erected in his honor.*

circle clearly saw themselves serving a deeply flawed President in the thrall of the British. Their actions may very well have prevented the outbreak of another world war. On April 12, 1945, the very day that Roosevelt died, Churchill commissioned the Imperial General Staff to draft a war plan envisioning an Anglo-American attack on the Soviet Union. Entitled "Operation Unthinkable," it was completed and delivered to Churchill on May 22, 1945, two weeks after Germany surrendered, on May 7. This document envisioned an attack on Soviet forces through Poland, to commence on July 1, 1945. It laid out a scenario that reads like something from an H.G. Wells novel. Even Churchill's most enthusiastic lackeys expressed deep doubts about its success, and even deeper doubts that the United States would even think of participating in it. Churchill nonetheless presented this document for official review by the Anglo-American Joint Staff in the United States. To Churchill's disappointment, the plan was never implemented.<sup>14</sup>

Truman's decision to play the tough guy with Stalin at the Potsdam conference, and to drop two atomic bombs on Japan, played directly into Churchill's hands. Although Marshall is mute on the question, Eisenhower and many of the senior commanders at the time bitterly opposed the decision to drop the bombs on Japan, as not only a inhuman act but as a clear provocation directed at the Soviet Union.

Within a few short months of the bombing of Hiroshima and Nagasaki, Churchill, on the invitation of Truman, delivered his infamous "Iron Curtain" speech, with its threat of war, in Fulton, Missouri. He was echoed by Bertrand Russell's call for preventive war against the Soviet Union, "The Atomic Bomb and the Prevention of War," in the *Bulletin of the Atomic Scientists*, Oct. 1, 1946.

There was opposition to Truman's decision to drop the bomb throughout the military establishment, including from Adm. William Leahy, chairman of the Joint Chiefs and principal military advisor to Roosevelt and then Truman; Gen. Douglas MacArthur, Adm. William Halsey, and even the Assistant Secretary of War, John J. McCloy. Eisenhower's memoirs, *Mandate for Change*, describe his reaction when



told of Truman's intentions by Secretary of War Henry Stimson:

"During his recitation of the relevant facts, I had been conscious of a feeling of depression and so I voiced to him my grave misgivings, first on the basis of my belief that Japan was already defeated and that dropping the bomb was completely unnecessary, and secondly because I thought that our country should avoid shocking world opinion by the use of a weapon whose employment was, I thought, no longer mandatory as a measure to save lives. It was my belief that Japan was at that very moment, seeking some way to surrender with a minimum loss of 'face'. The Secretary was deeply perturbed by my attitude, almost angrily refuting the reasons I gave for my quick conclusions..."<sup>15</sup>

Just prior to the bombing of Japan, Eisenhower was invited by Soviet Marshal Grigori Zhukov, with whom he had a warm relationship, to visit Moscow, where he also met Stalin. During that trip he told a reporter, "I see nothing in the future that would prevent Russia and the United States from being the closest possible friends."

A few weeks later, in August 1945, and after the bombs were dropped, Eisenhower told a reporter who asked if he still felt the same way, "Before the atom bomb I would have said yes. I was sure we could keep the peace with Russia. Now I don't know. I had hoped the bomb wouldn't figure in this war. . . . People are frightened and disturbed all over, everyone feels insecure again."

As for Marshall and others of this circle, including Gen. Walter Bedell Smith, who served as Truman's ambassador to Russia and director of the CIA, they worked within the administration to prevent Truman from bringing the United States into yet a new war. Preemptive war plans and doctrines were being drafted in the basement of the Pentagon as soon as World War II ended, by circles that Eisenhower would later famously refer to as the "military-industrial complex": people such as Dillon Reed banker Paul Nitze. The drafting and implementation of National Security Council Directive NSC 68 by Nitze, which called for a massive offensive military buildup that could only be interpreted as an intention of conducting preemptive war, clearly contributed to the outbreak of the Korean War.

Parallel to this penetration of the institutions of the Presidency by the military-industrial complex, the wartime leaders, still loyal to FDR's foreign policy vision, were also striving to build up the institutions of the Presidency. Walter Bedell Smith, as CIA director, was exemplary of this process. But it was a hopeless struggle as long as Truman, or someone like him, held the Presidency. Therefore Eisenhower's decision to run for President was far more than a personal decision to seek the nation's highest office, but, like that of FDR, was intended to save the country from the road to disaster upon which Truman had put it.



Credit: National Archives

*President Truman and Winston Churchill. Truman became an ardent follower of Churchill, reversing Roosevelt's legacy. Marshall and Eisenhower struggled to keep Truman's bellicose policies within bounds.*

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# Three Steps To Save the Nation

The approach which Lyndon LaRouche has outlined, for saving the United States, and the world, from the ongoing financial breakdown crisis, has three crucial steps. First, the banks, as well as the homeowners, have to be protected with the firewall put forward in LaRouche's Homeowners and Bank Protection Act—otherwise there is no protection for anyone, including state and local governments.

Second, the two-tier credit system which LaRouche proposed on interest rates, has to be put into effect, on the way toward putting the Federal Reserve through bankruptcy reorganization.

Third, the United States must move to implement a new international financial policy, around the concept of a four-power agreement among Russia, China, India, and the United States, on fixed exchange rates and long-term economic cooperation.

As things stand now, there has been considerable progress on the first step. The huge increase in foreclosures on the horizon will surely spur that grassroots activity. But lawmakers, locally and nationally, continue to struggle with LaRouche's insistence that the solution to the "housing" crisis must include protection for the banks. To that end, we quote from LaRouche's explanation during his Jan. 17 webcast:

"What we have now, is a growing mass support in the base of the population, on the state level, for that act. That the people in the Senate and the Congress are increasingly aware of the pressure coming from the states, in our mobilization for support of this act—to be implemented *precisely* as I have prescribed, without changes.

"Why? Let me explain this act: The bankruptcy of homeowners, or nominal homeowners, can not be allowed. And we can not solve the problem by selective bailouts of some people. It won't work. You have to have a *national freeze* on foreclosures. Now, that has been picked up by some political figures, such as Bill Clinton and his wife. And so far, that's good. But that's not enough, as I think they know. You also have to protect the bankers *simultaneously, and in the same act.*

Why? Because mortgages, if they're legitimate, and orderly mortgages, not some kind of fly-by-night thing, are related to banks: to *chartered banks, to chartered Federal banks, to chartered state banks*. These banks are now in danger of collapse and liquidation.

"Therefore, you can not simply suspend these mortgages by themselves: *You've got to put the banks under protection, in exactly the same act!* If you don't put the bank under protection, your attempt to defend the mortgages will do no good. And if you allow the thing to continue, where the banks are being chewed up, now—by disreputable things that should be written off entirely—they're being looted. As in the recent round of trying to buy out some of these hedge-fund operations which should not have been saved. They should be collapsed! Write them off the books! They're not worth anything.

"We've got to save the homeowners. We've got to keep them in their houses. We've got to keep the communities stable. We've got to protect the local banks. Because, if the local, regular banks, the honest banks, are not able to conduct business, the whole economy of any part of the country will proceed to disintegrate! If you are not prepared to defend the homeowners, and the banks, the legitimate banks, *in the same Federal act of bankruptcy, using bankruptcy law as the means of doing it*, you aren't worth anything! And you should stop talking. Stop babbling. That's the *only* way you can save this system.

"That is not all that's required. If we stabilize the United States politically, by the Homeowners and Bank Protection Act, *then* we open the door for the next required steps, which is to change national policy; probably in this time I would change it through leading pre-Presidential candidates. What you need, is an organizing voice, or more organizing voices, to get something moving behind this. If leading candidates defend the Homeowners and Bank Protection Act, as prescribed, we can save this nation. But that's only the *first step* towards saving this nation."

Take that step *now*, and we are on our way.

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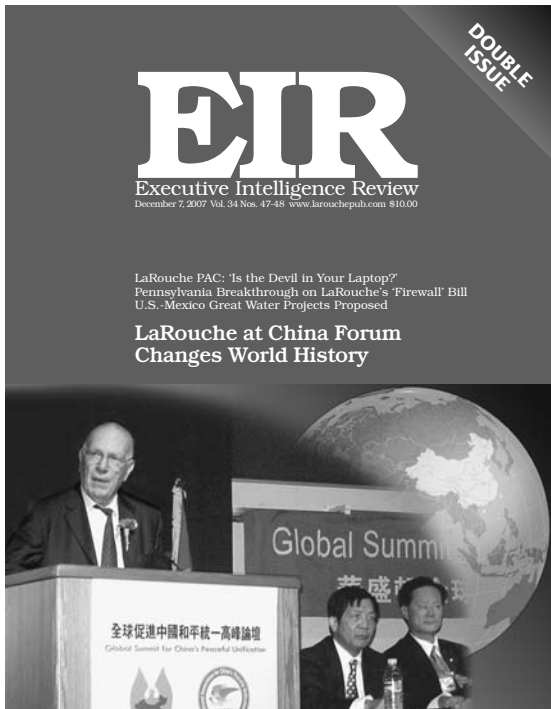
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