

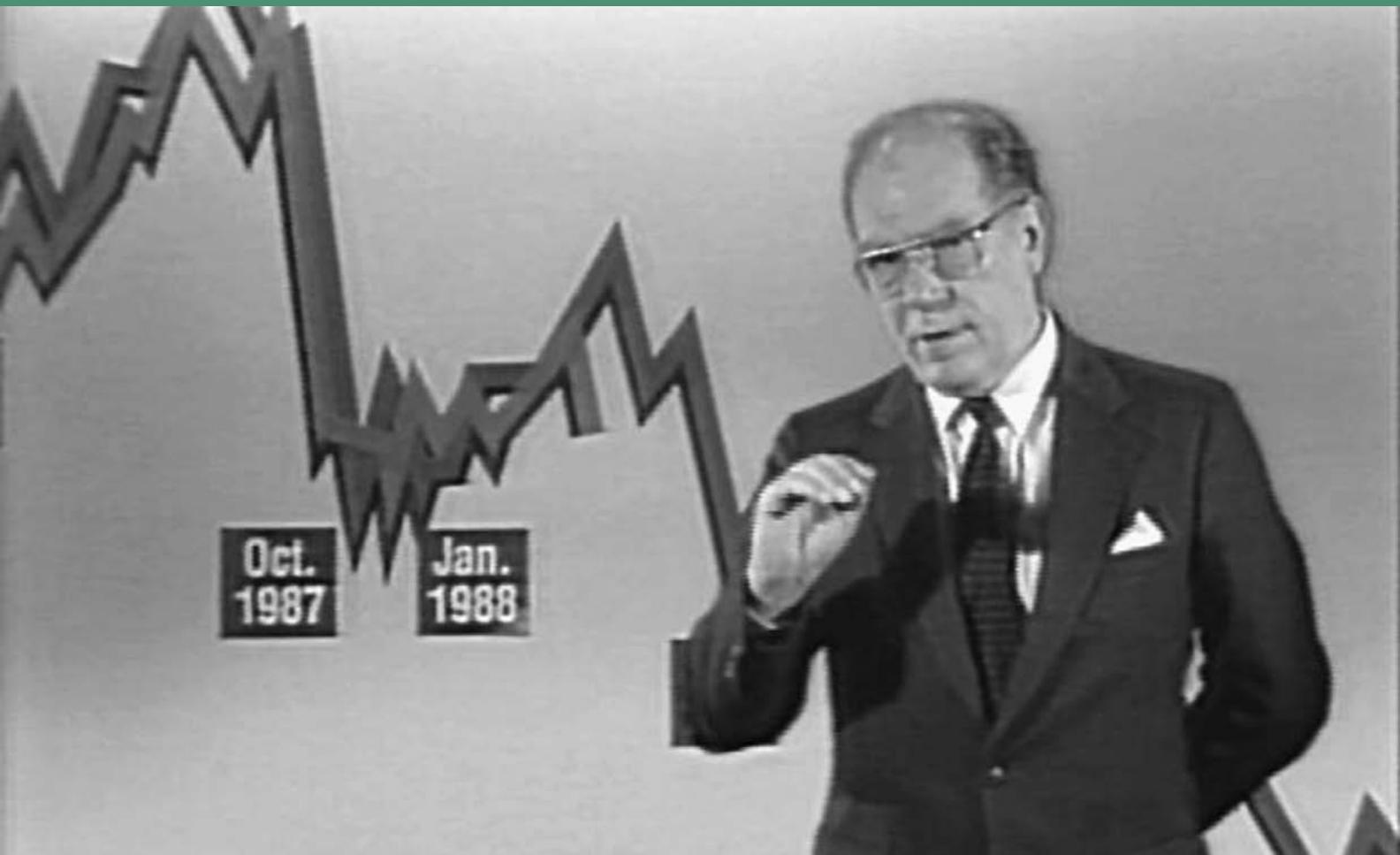
EIR

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The End of the Line for the Anglo-Dutch System
New Bretton Woods Debate Spreads Beyond Italy
British Launch 'Great Eurasian War' Drive

What Must Be Done To Reverse The Greatest Collapse in History



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The Banking System Has Already Collapsed!



“There is no possibility of a non-collapse of the present financial system—none! It's finished, *now!*”

—Lyndon H. LaRouche, Jr., webcast, July 25, 2007

Unless the Homeowners and Bank Protection Act “is enacted as a first order of business of the 110th Congress in September [2007], many millions of Americans will be evicted from their homes.... The foreclosure tsunami is occurring, not as a result of a mere housing or mortgage crisis, but a disintegration of the entire global financial system.”

—EIR Editorial, Aug. 31, 2007

“My view of the economy is that the fundamentals are strong.”

—President George W. Bush, Dec. 20, 2007

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EIR

From the Assistant Managing Editor

What is the unstated question in the current U.S. election campaign? Certainly, it has not yet been uttered by any of the three major candidates. It has, however, been posed by the man who best represents the mission of this nation, Lyndon LaRouche: What will the United States do for the future of humanity? Or, to put it another way: How does the future determine the present?

This special issue of *EIR* addresses that future, by presenting a view of the last nearly four decades, from 1971 to the present, from the standpoint of LaRouche's record as an economic forecaster, notably of LaRouche's forecast after the events of Aug. 15, 1971, when Nixon "pulled the plug" on the post-war Bretton Woods monetary system. That event is best viewed from the vantage point of today, a view which LaRouche had clearly in mind when he made his forecast. LaRouche's *dynamic* view of history allowed him, uniquely, to state, at each point along the 37-year descent into what is today the onset of a New Dark Age not only what would take place if trends proceeded along the same pathway, but what could have been done at each point along that trajectory, to reverse course.

Together with LaRouche's latest formulation of the urgent tasks to be accomplished, our feature coverage represents a crucial organizing kit for those who would deal with the current financial breakdown crisis. For this reason, we've produced an overrun.

What is also not yet understood by those who seek the highest office of the land, is the singular character of the nation they seek to lead. The United States was founded to create a Renaissance of those cultural, scientific, and artistic principles which underpinned European civilization, but which had been eroded by the oligarchical system which seized control during the Middle Ages, and sent Europe into the 14th-Century Dark Age, from which it never fully recovered. The fight to restore those principles, worldwide, will be won or lost in the United States. Through the pages of this publication, we intend to provide the necessary intellectual weapons to make that happen.

Watch upcoming issues for an expansion of coverage of the scientific and artistic breakthroughs now being made by a small team of young geniuses, in what has affectionately come to be called "The Basement." In collaboration with the 85-year-old LaRouche, these young men and women are fulfilling the dream of a Renaissance on these shores, hoped for long ago, at the founding of the Americas.



Cover This Week

Lyndon H. LaRouche, Jr., in an April 1988 national TV broadcast, forecast the aftermath of the October 1987 stock market crash.



4 The End of the Line for the Anglo-Dutch System

Thirty-seven years ago, Lyndon LaRouche saw the present collapse of the financial system as inevitable, after George Shultz, on Aug. 15, 1971, set into motion the creation of the largest financial bubble in history, by persuading President Nixon to end the Bretton Woods system. The Anglo-Dutch system is now collapsing as a result of its own cannibalistic policies.

5 LaRouche: Bailout Illegal; Bankers Should Be Jailed

6 LaRouche's 1971 Forecast

9 Doom Has Struck! Three Steps to Survival

On March 17, 2008, LaRouche issued this call for action, listing three essential measures which must be taken more or less immediately, before the situation in the U.S.A. and western Europe becomes hopeless.

10 LaRouche's Ninth Forecast: The Coming Disintegration of Financial Markets

In this article, which first appeared in *EIR*, June 24, 1994, LaRouche reviewed his first eight economic/financial forecasts, and delivered a ninth. This is the record which all serious legislators must master in dealing with the current crisis.

26 The System Disintegrates: From 1994 to Today

The global breakdown crisis entered a new phase, less than a year after LaRouche issued his Ninth Forecast.

27 LaRouche's Proposals

Three documents elaborate LaRouche's "Three Steps for Survival."

Economics

30 Bretton Woods Debate Spreads Beyond Italy

The debate in Italy about the need for a New Bretton Woods to solve the financial collapse, is beginning to be picked up elsewhere in Europe. In numerous articles and interviews, former Italian finance minister Giulio Tremonti is saying that "the time has come to substitute the present disorder with a new global order," referring to the original Bretton Woods system. "There is no local solution," he states. "This is a global question and there is only a global solution: a new Bretton Woods."

32 Tremonti: Globalization Led to First World War

Excerpts from an interview with *La Repubblica*.

33 'I Like LaRouche's HBPA': It Puts Citizens First

An interview with Alfonso Gianni, Undersecretary for Economic Development in the outgoing Prodi government in Italy.

34 Gianni: Replace Maastricht with a New Bretton Woods

Excerpts from his article in *Liberazione*.

35 Senator Lidia Menapace: World Faces Worst Crisis Since Weimar

35 Senator Oskar Peterlini: A Global Financial Conference Is Urgent

International

36 British Launch ‘Great Eurasian War’ Drive

Do not look for local causes, or event-driven explanations for the outbreaks of chaos and violence throughout Eurasia and elsewhere. We are witnessing a top-down, London-orchestrated confrontation, aimed at igniting such chaos around the globe, to maintain oligarchical control as the world financial system blows out.

39 Taiwan Votes for China Against the British

Interviews

34 Alfonso Gianni

Alfonso Gianni is Undersecretary for Economic Development in the outgoing Prodi government in Italy, and was among the signers of the New Bretton Woods resolution in the Italian Chamber of Deputies in 2005.

Editorial

40 LaRouche Was Right!

The End of the Line for The Anglo-Dutch System

by John Hoefle

When President Richard Nixon took the dollar off the gold reserve standard on Aug. 15, 1971, he effectively ended the Bretton Woods system of fixed currency-exchange rates. Nixon's action, taken at the urging of bankers' boy George Shultz (then director of the Office of Management and Budget), set into motion the creation of the largest financial bubble in history, a bubble the collapse of which is now laying waste to the global banking system and securities markets.

The mantra rising from financial circles after such disasters is that "no one" could have foreseen the "unexpected events" which developed from policies and decisions that "everybody" agreed to at the time. You hear it frequently today, from people ranging from former Federal Reserve chairman Sir Alan Greenspan, to bankers whose allegedly "fundamentally sound" banks vaporize seemingly overnight. Who knew this could happen?

One man did know, and said so at the time, loudly and forcefully. That man is Lyndon LaRouche, who understood the implications of the demise of the Bretton Woods system, and has been campaigning ever since for a return to Bretton Woods-style fixed exchange rates.

LaRouche understood the matter not as a technical one about currencies, but as a fundamental fight between sovereign governments and the imperial oligarchs centered around the British empire and its parasitic Anglo-Dutch Liberal financial system. Any nation which cannot control its own currency is not sovereign, and any nation which is not sovereign is vulner-



LYM/Will Mederski

Treasury Secretary Henry Paulson finds it hard to conceal his panic, at a press conference on March 18, 2008.

able to assault and subversion by this oligarchy. Will society be organized for the benefit of all mankind, or will it be organized for the benefit of a small elite who feed off the rest?

LaRouche understood this in 1971, and that understanding formed the basis for the creation of an international political movement to organize mankind to educate and defend themselves. LaRouche scored a stunning victory against prominent economist Abba Lerner at a debate at Queens College in New York, in December 1971, in which he laid bare

LaRouche: Bailout Illegal; Bankers Should Be Jailed

Lyndon LaRouche insisted on March 20 that Congress should conduct an investigation into the *criminality* of the Federal Reserve and Treasury's bailout of the vaporized speculative "investment" bank Bear Stearns on March 16.

The Emergency Banking Act, passed by Congress on March 9, 1933, provides for government assistance to protect vital banking functions. That assistance is restricted to commercial banks.

Chartered commercial banks make up a vital part of our overall economy, but brokerage houses and investment banks such as Bear Stearns are strictly part of the speculative apparatus that has looted the economy and the population blind. That the Fed stepped in to provide tens of bil-

ions of dollars, or more, to save Bear Stearns, is *prima facie* criminal.

LaRouche charged on March 18 that the bailout represented a case of money laundering that should be prosecuted.

"It smells like another filthy Goldman Sachs scheme," LaRouche said. "I think it is time to increase the social status of our Federal prison population—by sending all those responsible for this abomination to jail... These guys are cheating."

LaRouche added that the bailout scam "is an obstruction of our plan—the Homeowners and Bank Protection act and the three steps needed to survive," that he had identified in his March 12 webcast.

So far, the House Oversight and Government Reform Committee and the Senate Finance Committee are planning to investigate the actions of the Federal Reserve in providing the bailout of Bear Stearns, MarketWatch and the *Wall Street Journal* reported on March 19.

the fascist roots of Lerner's outlook, and forced Lerner to admit his self-damning belief that had Germany capitulated to the demands of banker Hjalmar Schacht, "Hitler would not have been necessary."

The response from the parasites was immediate and predictable: Never again, they informed LaRouche, would he be allowed to challenge them publicly. Keep your mouth shut and follow the rules, or we will destroy you.

It was a big mistake. Rather than cowering in fear as so many had done, LaRouche decided to fight back, drawing upon his studies of the great ideas of history and his commitment to truth above all else.

Since then, LaRouche and his movement have been attacked by virtually every means in the Venetian tool-kit, from physical assaults to press slanders to prosecutorial frame-ups and even jail; hard blows were landed, but LaRouche persisted, knowing that despite its demonstrated power, the Anglo-Dutch Liberal system was crumbling from within, that it would inevitably collapse as a result of its own cannibalistic policies.

That day has arrived. The events of the past year, from the turmoil in the mortgage-related financial markets to the blow-out of the banking system, have proven LaRouche's analysis of the Anglo-Dutch Liberal system to be correct. What LaRouche saw as the inevitable result of Nixon's action in 1971, has now exploded upon the world.

Bretton Woods

During July 1944, a United Nations Monetary and Financial Conference was held at the Mount Washington Hotel in

Bretton Woods, New Hampshire. The 44-nation conference established what became known as the Bretton Woods monetary system, a key component of which was the establishment of a fixed system of currency exchange rates among nations. Under Bretton Woods, a gold reserve standard was established, with the U.S. dollar pegged to gold at \$35 an ounce. This arrangement was the economic bedrock upon which the post-World War II world was rebuilt, led by the industrial might of the United States.

Bretton Woods was a victory for President Franklin Roosevelt, and his view that the post-war world should be free of empires and their colonies. FDR intended to use the power of the United States and other nations to elevate the status of the common man worldwide, and end the domination of the economic royalists. It was a grand vision, and had he lived to implement it, the world would be in far better shape than it is today.

The British were apoplectic at the prospect of a Rooseveltian/American System world, and pulled out all the stops to defeat it. With the death of Roosevelt in 1945, and the ascension of Harry Truman, the empire struck back. The fear of a Soviet attack and the spread of communism was used to create a Cold War environment, under which the British empire became the top strategic ally of the United States, and FDR's grand vision was swept away. In the name of fighting communism, Truman and his Anglophile controllers sold FDR and America down the river. (The parallels to today's "war on terror" should not be missed.)

The British set out to systematically dismantle the American economy, as a way of restoring their own dominance in

LaRouche's 1971 Forecast

Following President Nixon's "pulling the plug" on the Bretton Woods system on Aug. 15, 1971, Lyndon LaRouche (then known by his nom de plume, Lyn Marcus), and his associates in the National Caucus of Labor Committees, warned of the danger of fascism arising from economic collapse.

From the pamphlet "Socialism or Fascism," Oct. 10, 1971:

Unsigned preface

At this moment of writing, the entire capitalist world is barely inches from that general collapse of world trade and production which will represent a Second Great Depression. . . .

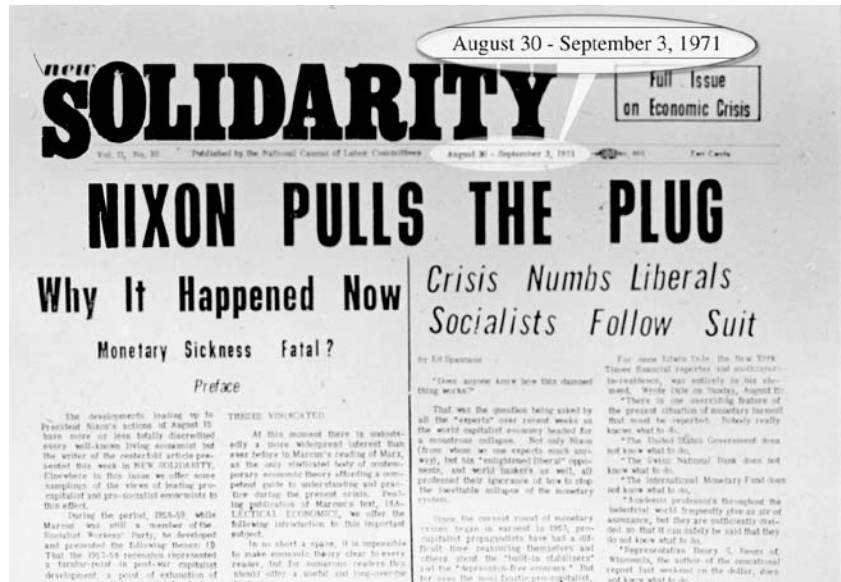
The most essential thing to be said about the impending new Great Depression is that it must be potentially far, far worse than that of the 1930s. For a comparison of the kind of general economic breakdown crisis it will potentially represent, we have to go back three centuries and more, to the general collapse and widespread depopulation of Europe during the hundred years following the Spanish and Portuguese bankruptcies of the late 16th century.

From LaRouche's remarks in a debate with Keynesian economics professor Abba Lerner, at Queens College in New York City, Dec. 2, 1971:

Economic policy is that which determines the lives, and daily lives and conditions of people; the form of economic policy determines the kind of government which is necessary to carry it out. And, the only kind of government which can carry out the kind of policy which Professor Lerner recommends—in all well meaning, all good intention—would have to be a Bonapartist or fascist government.

He may be opposed to fascism with every fiber of his being; this was also true in Germany, where many economists, liberal economists, proposed austerity, who also opposed the Nazi regime. But, nonetheless, there are men who will take up these policies and carry them out, and they will be Bonapartists or fascists. . . .

The expansion of the monetary system, and the growth of debt . . . is due to the debt-service and profits on purely fictitious instruments, which is assigned as a burden to production. Thus, the major reason for rising prices, for infla-



New Solidarity, the newspaper of the LaRouche movement, announced the end of the Bretton Woods system, in its issue of Aug. 30-Sept. 3, 1971. LaRouche had forecast this starting in 1959-60.

tion, has nothing to do with wages as such, but has to do with debt-service, directly and indirectly put on production. . . .

A further factor is that the structural features of the economy are changed, to cause a structural inflation. That is, productive employment stagnates, as has been the case in the United States since 1953; whereas the growth of administrative services tied to this apparatus of paper capital expansion, generates expansion in both administrative employment and in services. . . .

Potentially, in terms of real economy, we could have a shift to a production—productive employment, and very easily solve this problem, if we could only take the *paper* which stands for fictitious values—the rising debt, which is essentially based on fictitious values; stock values, which are based on fictitious values; rents, based on fictitious values—you just take this out and burn it, and reconstitute the economy, there's no reason we couldn't have full employment and full productivity. . . .

However, if production is declining, relative to the rate of expansion of promissory notes, then obviously what you get into is a simple process of refinancing promissory notes. . . . And that, of course, leads to bankruptcy, which is precisely the problem we face: that when you get bankrupt, you hock somebody—maybe your grandmother, if you're a certain kind of businessman. . . . And therefore, the *only* way that the kind of policies that Professor Lerner is talking about can be carried out, is by a Brüning and von Papen regime, succeeded by a Hitler regime, or its equivalent in the U.S.

the world. They had to move slowly, because the memory of FDR and what he had done for the nation was fresh in people's minds, as were the abuses of the economic royalists he had fought, and because the American people would fight back if they understood what was planned.

One of the biggest obstacles to their plan was the Bretton Woods system, and the stability it provided to the U.S. and the global economy. For the British plan to succeed, Bretton Woods would have to be eliminated.

Pandora's Box

Nixon's 1971 decision effectively ended the Bretton Woods system, and introduced the era of speculation which has engulfed the world in the ensuing three decades. Pandora's Box was opened, and the evils of oligarchism were unleashed afresh upon the world.

Neither the United States nor the world has been the same since. Nixon's action, in conjunction with the launching of the rock-drug-sex counterculture and the cartel-building "world company" assaults of 1968, were aimed at destroying the basis for American industrial supremacy and the co-opting of America back into the imperial system. The Baby Boomer generation, growing up under the hyped-up fear of thermonuclear annihilation, turned its back on science and sought escape in entertainment, opening the door for the oligarchs to destroy the nation.

Absent Bretton Woods, the oligarchy began to use its immense financial power to manipulate global currencies, and thus nations. The orchestrated oil hoax of 1973-74, with its introduction of financial speculation in the oil market via the spot market, created a huge pool of "petrodollars," with which the City of London could wage war against nations. These petrodollars, combined with the proceeds of the British empire's "Dope, Inc." drug trade, were instrumental in restructuring Wall Street in the 1970s, paving the way for the junk bonds of the 1980s and the derivatives of the 1990s.

The protections put into place under FDR were systematically dismantled, as the American economy was transformed from an industrial power into an economy based upon services and speculation. We became a nation of consumers rather than producers, our manufacturing "outsourced" to nations where labor was cheaper, falling for the lie that this would make us more competitive, when it was actually destroying us. Under the guise of "free markets" and globalization, we turned our own economy into a haven for speculation and the formation of giant corporate cartels, whose allegiance lay not with the nation, but with the financiers. We had become, in essence, that against which we fought the American Revolution.

The End of the Line

As the speculative bubble came to dominate the U.S. and world economies, feeding it became paramount. Among other things, this led to a sharp run-up in real estate values, to pro-

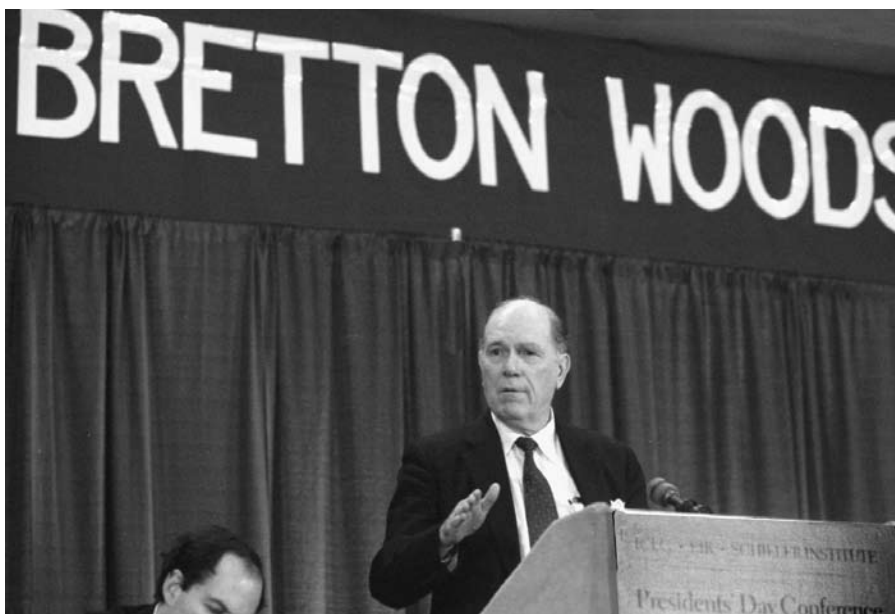
vide "wealth" which could be turned into mortgage debt, and then into a wild assortment of securities to be used, with lots of leverage, to play in the derivatives markets. To keep the mortgage-debt flowing, as prices rose into the stratosphere, the bankers repeatedly loosened the requirements for home loans. This process, which was driven by the banks and the derivatives market, ultimately exploded. This was falsely portrayed as a "subprime" crisis, but in reality it was the death throes of the financial system itself.

In mid-2007, the failure of two Bear Stearns hedge funds signalled the collapse of the global securities market, as speculators realized the game was over and began to try to cash out. The market for speculative paper quickly dried up, sending the nominal valuations plunging. The market which had grown phenomenally through leverage, began to collapse in a reverse-leverage implosion. Speculators had borrowed trillions of dollars to place bets, gambling that they would win enough to pay back their loans and still turn a nice profit. This game worked for quite a while, but it quickly turned nasty when the market seized up. Suddenly, the speculators found themselves losing on their bets, leaving no profits to pay off their loans, and thus losing on both ends. Assets began vaporizing by the trillions, and worried lenders began demanding more collateral on margin calls, causing sales of assets which further depressed prices, in a vicious, reverse-leverage spiral.

The "solution" to this blowout adopted by the central banks, was to begin to flood the financial markets with liquidity, through a series of interest rate cuts and cash injections. Though they had sworn to impose discipline on the markets, the central banks quickly capitulated under the pressure of enormous losses, in a hyperinflationary panic. The injections quickly escalated from the billions, to the tens of billions, to the hundreds of billions, as they raced to plug the holes caused by the savage deflation of the valuations in the system. But no matter how much money they injected, the system kept collapsing.

The crisis came to a head in mid-March, when the collapse simply overwhelmed the central banks, leading to the open bankruptcy of Bear Stearns, and with it, the death of the system. The astonishing speed with which the system collapsed can be seen in a series of extraordinary actions by the Federal Reserve over an 11-day period:

- On Friday, March 7, the Fed announced that it would increase to \$100 billion the amount of money it would loan to depository institutions through its Term Auction Facility (TAF), the special bailout mechanism it created in December to get the banks through the end of the year. To date, the TAF has held seven auctions, two in December which lent \$20 billion each, two \$20 billion auctions in January, two \$30 billion auctions in February, and one \$50 billion auction in March, with another scheduled for the week of March 24. Also on March 7, the Fed announced plans for a March 27 auction of \$100 billion in repurchase agreements with primary dealers, a



EIRNS/Stuart Lewis

Lyndon LaRouche addresses a conference calling for a New Bretton Woods, convened by the Schiller Institute and International Caucus of Labor Committees on Feb. 15-16, 1997, in Reston, Va. His year 2000 Presidential primary campaign was called "LaRouche's Committee for a New Bretton Woods."

group of 20 securities firms with which it deals directly. All of these loans are for 28 days, and the Fed is accepting a wide range of securities as collateral.

- Two business days later, on Tuesday, March 11, the Fed announced the creation of a new Term Securities Lending Facility (TSLF), to lend up to \$200 billion in Treasury securities to the primary dealers, again in 28-day loans against a wide range of collateral. The Fed also expanded swap lines it had previously established with the European Central Bank and the Swiss National Bank, raising the amounts to \$30 billion with the ECB and \$6 billion with the SNB. These measures were coordinated with the G-10 central banks.

- On Friday, March 14, the Fed and the Treasury helped arrange an emergency loan, of an unspecified amount, to Bear Stearns through J.P. Morgan Chase.

- On Sunday, March 16, the Fed announced yet another new lending facility, this one to loan an unlimited amount to the primary dealers, beginning March 17. The Fed lowered the primary credit rate (discount rate) by a quarter-point, to 3.25%, and lengthened the maximum time for such loans to 90 days from 30 days. The Fed also agreed to guarantee \$30 billion of virtually worthless securities held by Bear Stearns, as part of its "shotgun marriage" takeover by J.P. Morgan Chase.

- Finally, on Tuesday, March 18, the Fed cut the primary credit rate another three-quarters point to 2.5%, and cut the Fed funds target rate by a similar amount, to 2.25%. The Fed has cut the Fed funds rate five times since September, when it stood at 4.75%.

Hyperinflationary Bailout

At the same time that the Fed is pouring money into the system with unprecedented speed, the government is moving ahead with a series of bailout measures designed to transfer the losses of the banking system to the public. In addition to the hundreds of billions of dollars of loans given to the banks through the Federal Home Loan Banks, the government is using the Federal Housing Administration to re-finance and insure mortgages, and expanding the role of Fannie Mae and Freddie Mac in buying larger mortgages, effectively putting the taxpayers on the hook for the huge real estate losses working their way through the system. On top of that, we have the Bush stimulus plan and the apparent intervention by the Fed to keep the stock market from collapsing.

The futility of this approach was demonstrated by the fact that, despite all the interventions, the Fed was un-

able to prevent the collapse of Bear Stearns, the fifth-largest investment bank in the nation. We have now entered what is, in effect, an open-ended bailout of the U.S. banking system, in which the hundreds of billions spent so far will soon turn into trillions.

The fatal flaw in this approach, as LaRouche has warned, is that it is inherently hyperinflationary. That hyperinflation has already begun, and the money pumped into the bailout—money which serves no economically useful purpose—will only accelerate the process. This means that the faster the government pumps in the money, the faster the value of the dollar will collapse, and the faster the global economy will collapse. (For a pedagogical lesson on hyperinflation, we recommend the reader log on to the LaRouche Political Action Committee website, www.larouhepac.com, and view the 80-minute video "Firewall: In Defense of the Nation-State.")

Time for LaRouche

It has taken 37 years for the process set into motion by Richard Nixon in 1971 to destroy the global economy. During that entire period, LaRouche and his international political movement have been a consistent voice for reason, organizing in the streets and in the halls of government for a return to the sound economic policy of the American System, and an end to Anglo-Dutch Liberalism.

We have now reached the point where all of us must decide: Do we go back to what works, or do we descend into fascism and chaos, and a new Dark Age? That is the question we ask you to keep in mind, as you read the following reports.

Three Steps To Survival

by Lyndon H. LaRouche, Jr.

March 17, 2008

As most clearly stated by the voice of Germany's financial market, the Frankfurter Allgemeine Zeitung (FAZ), the Bear Stearns bankruptcy marks the point at which the present world monetary-financial system has entered the terminal, hyperinflationary-collapse phase of that breakdown-crisis which began at the close of the previous July. Now, there are three essential measures which must be taken more or less immediately, before the situation in the U.S.A. and western Europe becomes hopeless. These are the three types of measures which I have presented earlier; those who continue to resist the adoption of these measures now fall promptly into the category of incompetence known as mental cases.

1. My Homeowners and Bank Protection Act of 2007 must be adopted and set into motion immediately. If not, the situation of the U.S. becomes quickly hopeless.
2. A two-tier credit system, in which a.) U.S. government credit for physical-economic recovery programs is provided at between 1-2%, and b.) other utterances of credit-injections float more or less freely.
3. The U.S.A. government must now immediately approach the governments of Russia, China, India, and others for the prompt establishment of an international, emergency fixed-exchange-rate system, ending the presently hopelessly bankrupt floating exchange-rate system.

Under that latter, proposed agreement, long-term treaty-agreements shall be focussed on intergovernmental development of capital-intensive types of essential basic economic infrastructure, as in: a.) new construction in power generation (with emphasis on nuclear); b.) fresh-water sources creation (relying largely on high-temperature nuclear reactors); c.) increasing reliance on synthetic fuels, such as high-temperature, nuclear-generated power, in place of petrochemical materials used as fuels; d.) high-density systems of globally integrated rail, maglev network developments must replace presently excessive reliance on highway transport; e.) de-

emphasis on giant conglomerates and monopolistic practices, in favor of smaller, more closely held productive enterprises dispersed as essential elements of the economy of moderate-sized regions of combined private entrepreneurial industry and agriculture; f.) heavy, and increasing emphasis on development of high-energy-flux-density modes in technological progress of manufactures and other applications.

Comment:

The present Trans-Atlantic monetary-financial system is now hopelessly bankrupt; the wild-eyed measures associated with actions by the U.S. Treasury and Federal Reserve System represent an eruption of lunatic recklessness beyond belief! Those relevant public or private officials who disagree with that assessment, or who continue to oppose the HBPA as I have defined it, now clearly require professional psychiatric care.

Since efficient, modern production and supporting infrastructure, require emphasis on capital intensive forms of physical capital investments in the order of between a quarter- and a half-century estimated useful life over the course of physical and/or technological attrition, long-term treaty-agreements among trading-partner nations in those orders of magnitude, at interest rates charged to and among governments in the order of 1-2% per annum, will be the required practice if proper human goals for populations, as in Asia and Africa, are to be reached.

To facilitate this, the pseudo-scientific, neo-Malthusian humbug of so-called global warming, must be brought to a halt; otherwise, a plunge of the planet into a mass-murderous new dark age, one worse than that experienced by mid-Fourteenth-Century Europe, were inevitable for the planet as a whole.

There are no known, sane alternatives existing at this juncture.

The success of President Franklin Roosevelt's reforms of the 1932-1944 interval, is the model of policy-shaping which provides a proven precedent for the policies which must be adopted among sane nations now.

Note:

It should be noted, that the current proposal for privatizing systems of basic economic infrastructure, and the Tower of Babel model which the British Empire has drafted for adoption by a proposed, neo-feudalist form of empire such as the Lisbon Treaty draft, are not only a mimicking of the Biblical Tower of Babel, but, as proposed by New York Mayor Bloomberg et al., are a proposed return to the league of cities monstrosity associated with the Lombard League's plunge of Europe into a medieval New Dark Age, whose effects included an obliteration of an estimated fifty percent of the parishes of Europe, an estimated collapse of the European population by one-third, and the pollution of Europe by screaming, predatory hordes of those maddened creatures typified by the Flagellants of that time.

The Coming Disintegration Of Financial Markets

by Lyndon H. LaRouche, Jr.

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

It is a matter of some urgency that responsible governments subject all incumbent and prospective economics and central banking officials to the sanity test which Eddie George would have flunked gloriously. Among the probable benefits of this, the least would be creating suddenly many encouraging vacancies for the sane unemployed. The test consists of but one crucial question: *Prove conclusively that the near-term disintegration of the presently bloating global financial and monetary bubble is unstoppable by any means alternative to governments acting to place the relevant institutions into bankruptcy reorganization.*

Those officials about to be examined so, could look up the answer in the back of the book, so to speak. We supply it here and now. Would that be cheating on their part? Not at all; it would be becoming sane.

LaRouche as a Forecaster

About my qualifications: I have introduced relatively few forecasts of critical events during my 40-odd years as an economist (not counting my repetitions of some of those warnings). To date, every forecast which I have made on the basis of my LaRouche-Riemann method has been confirmed by timely developments. I now present a summary listing of those forecasts, for the purpose of identifying my authority for designing the indicated test of economic sanity.

1) During late autumn 1956, in connection with a marketing study, I forecast the imminence of a major U.S. economic recession, triggered by the over-stretching of a post-1954 credit-bubble centered in financing of automobiles, housing, and analogous consumer goods. This recession broke out in

February 1957 statistics, and was generally, if reluctantly acknowledged to have occurred several months later. The recession-spiral lasted into mid-1958, and was followed by a prolonged stagnation until an upturn appeared under the Kennedy administration.

2) During 1959-60, I made my first long-range forecast: that near or shortly after the middle of the 1960s, we would see the first of a series of major monetary disturbances, leading toward a collapse of the existing Bretton Woods agreements. I forecast that this collapse would see increased looting of what were then termed developing sector nations, and that the breakup of the Bretton Woods agreements would lead rapidly to austerity measures modelled upon those of fascist regimes, in international economic relations and in the U.S. domestic economy.

All of my economics forecasting and related activities of the 1960s, through spring 1971, were premised upon that same judgment. The first of the series of major monetary disturbances of the period occurred with the collapse of the British pound during November 1967, followed by the dollar crisis of January-March 1968. The break-up of the Bretton Woods agreements occurred beginning Aug. 15, 1971, and was consolidated by the Azores monetary conference of 1972. In immediate response to the August 1971 development, the U.S. government instituted the radical austerity measures known as Phase I and Phase II.

3) In November 1979, during my campaign for the Democratic Party's presidential nomination, I warned that the measures which the Carter administration and Federal Reserve had just taken, at the urging of newly appointed Federal Reserve Chairman Paul A. Volcker, would lead to the outbreak of a devastating recession, beginning early 1980. Every detailing of that forecast by *EIR* magazine's quarterly projections through 1983 was the most accurate forecast issued publicly by any agency; in fact, most, including Chase, Wharton, Evans, and Data Resources, were absurd in their sensing of the direction of the trends.

4) In February 1983, in the course of an exploratory back-channel discussion I was conducting with Moscow in coordination with the Reagan administration, I informed the Soviet



Eddie George makes a withdrawal from his own bank.

This is a record of nearly 40 years, a record which can not be even approached on the public record by any currently living economist, even by France's (and *Le Figaro's*) eminently sane Nobel Prize-winning Maurice Allais.

Out of that same unequalled competence, I say to you now, as I informed various relevant scientific institutions of Russia during the last week of this April past: *The presently existing global financial and monetary system will disintegrate during the near term. The collapse might occur this spring, or summer, or next autumn; it could come next year; it will almost certainly occur during President William Clinton's first term in office; it will occur soon. That collapse into disintegration is inevitable, because it could not be stopped now by anything but the politically improbable decision by leading governments to put the relevant financial and monetary institutions into bankruptcy reorganization.* That is LaRouche forecast No. 9—the addition to the list of eight, above.

government, that if it were to reject what later became known as the Strategic Defense Initiative of March 23, 1983, the strains on the Comecon economy would lead to a collapse of that economic system in about five years. This forecast was repeated in an *EIR* Special Report, *Global Showdown*, issued July 1985. The collapse occurred during the second half of 1989.

5) In spring 1984, in my renewed campaign for the Democratic Party's presidential nomination, I warned, in a nationwide half-hour TV address, and elsewhere, of the outbreak of a collapse in a large section of the U.S. banking system: the savings and loan and related sectors.

6) In May 1987, I forecast, as published in *EIR* magazine and elsewhere, the outbreak of a major collapse in the stock market beginning approximately Oct. 10, 1987. This was my first and only stock-market forecast.

7) During my renewed Democratic candidacy of 1988, in a nationwide half-hour TV address, I described the "bouncing ball" phenomenon as the key to following the continuing collapse of the U.S. economy through the course of apparent, short-term fluctuations relatively up or down. That has continued to the present day.

8) During my renewed Democratic candidacy of 1992, I warned that we were already gripped by a global financial mudslide, "down, down, down."

The Rational Standard of Belief

What has been summarily reported on the first eight forecasts shows that something is missing in the intelligence or morals of anyone who refuses to take the ninth forecast very seriously. Yet, that being said, although the public record shows that I am probably the world's best forecaster living during the past 40 years, does that unmatched record in forecasting guarantee that my ninth forecast is right? Any responsible government says, "He may be the world's best economist, but, even in his case, I still need the proof that his ninth forecast is right."

Think of an economist advising a government as morally in a position like the physician advising a patient. Would it be consistent with medical ethics to prescribe a medicine on the basis of "I happen to find the labels on the pharmaceutical company's products attractive"? How should the physician judge? He is morally responsible for using scientific method, and for working in concert with those other members of the profession whom he knows to be governed in their utterances by obedience to scientific method (rather than some official of an insurance company controlled by investment trusts, for example). What is the comparable ethical requirement in connection with economic prescriptions?

Contrary to what most scientific illiterates among U.S.

college graduates believe today, *science is not statistics. Science is the method by which a series of successful fundamental, and other crucial discoveries have been generated. Science is not mathematics; it is the delimiting conditions which the successively successful method of physical science, over nearly 2,500 years since Plato's Academy at Athens, imposes upon mathematics today.*

Any responsible government today is asking the following three questions about the ninth forecast in that series: 1) Is the method which I employed to develop the first eight of these forecasts consistent with the method upon which the ninth depends? 2) Is the method which opponents of this forecast employ identical to the failed method which their circles used in failing to meet the standard of each and all of the first eight forecasts in my series? 3) If the answer to the preceding questions is "Yes," then show the additional, crucial proof that my method conforms to the actual principles by which physical growth in economic processes is sustained.

That is what any responsible government will demand of me, once it recognizes that it would be terribly, morally reckless to continue its disastrous former blind faith in my failed "Brand X" competitors of the post-World War II period, such as John von Neumann, Abba Lerner, Milton Friedman, Friedrich von Hayek, Karl Popper, Arthur Burns, Paul Samuelson, George Shultz, Paul Volcker, Margaret Thatcher, Wharton, Evans, Chase, Data Resources, and, at the bottom of the barrel, that notoriously poisonous academic imp from Harvard, Jeffrey Sachs.

The future will judge the governments and the electorates of the present by the way in which they respond, or fail to respond to their obligation to pose those policy questions respecting that ninth forecast. The future will demand: 1) If you had asked those questions, you might have foreseen the mass-murderous disaster which was about to hit your nation and the rest of the world besides. Did you ask those questions? 2) If you did ask those questions, did you receive an answer? 3) What would have been the result had you accepted that answer? *This moral accountability applies to government; it may determine whether or not certain economists deserve to sit in Hell; it is also a measure of the morality of the voting-age population in general.*

The reader will find all the crucial features of the method employed in all nine of the list of past and present forecasts identified adequately in many published locations, including two most recent editions of the quarterly journal *Fidelio*. "On LaRouche's Discovery," (Spring 1994) is an account of the original work, over the years 1948-52, which produced my original fundamental discovery in the science of physical economy. This, including footnotes (pp.37-55), is a concise report of the discovery. The second, longer treatment of the significance of economic policy in history, is found in "The Truth About Temporal Eternity," in the Summer 1994 issue. [Both are available at www.schillerinstitute.org—ed.]

If the reader has advanced competence in mathematical

physics, including the issues associated with such matters as Bertrand Russell's fraudulent attacks upon Bernhard Riemann and Georg Cantor, or the related matter of Kurt Gödel's shattering proof of a crucial blunder by John von Neumann, those two articles report enough to constitute rigorous scientific proof. If the reader lacks that advanced training, the contents of the two articles will be nonetheless highly informative and relevant.

It is my intent, that any literate person, whether one with adequate scientific training or merely good moral sense in such matters, will be suitably informed by the following description of the proof for my ninth forecast.

What Is a Financial Bubble?

As the first step in understanding the derivatives bubble about to pop, ask yourself the question which I posed to members of my class in economics back in 1966, a class which included Virginia's present-day Democratic celebrity Nancy Spannaus and a number of other university graduate students. Why do slumlords find investment in New York City slum-housing so profitable? Nancy Spannaus, together with others among those graduate students, set up a field investigation, a project which involved many long hours at the New York Hall of Records, tracing the history of New York slum properties and their sites back as far as several generations. Nancy and other members of the task force found and proved the answer to my question.

Take any income-producing investment, whether a factory, a farm, a retail sales outlet, or a slum rental-housing property-title. From the total revenue which the owner of that investment obtains annually, a certain portion is taken out of the total. By "taken out" is signified "not poured back into reproducing or improving the physical operations of the investment itself." Four elements of this withdrawn portion of the total sales revenue are of primary concern to us at this moment: Withdrawn *rent, interest, profit*, and a certain portion of the *taxes* paid.

Focus for a moment upon the withdrawn-rental portion—the portion of the rent not put back into either paying taxes on the real estate or maintaining and improving the structure. Let us suppose that the current holder of the title to that slum rental property decides to sell this property as a rental property; how do we determine the expected valuation used for determining the selling price? *That valuation will not be based on the cost of constructing a replacement building, or the depreciated original cost of the building; it will be based upon a multiple of the withdrawn portion of the rental income, or some analogous consideration.*

Thus, for this classroom example, we have two values for that slum property. One is the depreciated value of the original construction, including depreciated value of improvements added. The other value is a multiple of the portion of the rental income withdrawn from the physical cycle of maintenance and replacement by the holder of the title. Let us give a name



EIRNS/Philip Ulanowsky

An investor checks the financial markets on Oct. 19, 1987, after the stock-market crash. LaRouche forecast the crash in May 1987—his only stock-market forecast.

to the difference between the depreciated value of the original construction and the market value assigned to the rental income from that building. In 1967-69 New York City, the latter valuation was vastly greater than the first. The increase of the latter valuation over the former is termed *fictitious capital*.

The task force of which Nancy Spannaus was a member found that the slumlord system was extracting greater actual rates of return on slum properties used by very poor families, than more legitimate landlords were taking in from decent housing renting to middle and higher income households. By squeezing the rental income to the maximum, through non-maintenance and use of related tricks, a slum property realized a higher yield than a non-slum property. One could have seen in those facts a warning of the coming age of utter economic degeneracy, the age of junk bonds, hostile takeovers, and derivatives: one might say, the age of the keenest admirers of George Bush and Maggie Thatcher. The landlord with the scummiest morality, and the least degree of redeemable value to society, was being rewarded more richly than a landlord with decent morals.

That economic category, *fictitious capital*, is key for understanding why the present-day derivatives bubble is precisely analogous to a cancer of the world financial and monetary system in its terminal phase. Let us describe the present global bubble in these terms of reference, before turning to analysis of some of the crucial points of our proof.

Instead of a 1960s slum rental property, take today's near-approximation of that: Milton Friedman, Margaret Thatcher, George Bush, and Wendy and Sen. Phil Gramm's (R-Tex.) U.S. economy. That is the "post-industrial" United States

which has replaced its steel industry-centered economy with a free-to-steal marketplace economy, the present-day *Wall Street Journal*, *American Spectator*, and *Washington Times*'s economy of Michael Milken and kindred neo-conservative bandits.

It is visible that the net physical investment in maintenance and improvements of productive capacities of basic economic infrastructure, farms, and factories has long since dropped way below the level of zilch. The collapsing of farms (for the greater glory of George Bush's cronies in the grain cartel), and the collapsing of numbers of industrial and other skilled operative's work-places shows conclusively that the U.S. economy is being contracted rapidly by a process of asset-stripping. This

is a global process. It took off first in the developing sector, especially after the installation of the post-August 1971 "floating exchange-rate monetary system," in place of the former gold-reserve standard set earlier by the Bretton Woods agreements. After the introduction of the New York Council on Foreign Relations' 1975-76 "controlled disintegration of the economy" doctrine as Federal Reserve Chairman Volcker's October 1979 "Volcker measures," this disease of looting spread throughout the U.S. economy, into all sectors.

By the beginning of the 1980s, through the asset-stripping already in place during the "post-industrial" binge of the 1970s, the United States economy had lost the technological capabilities on which the successful 1960s manned landing on the Moon had depended. Under the guidance of Senate president and later President George Bush—as the late Robert Benchley wrote back in 1943—matters went "from bed to worse." From the end of 1982, the asset-stripping process ran amok under the influence of the Gramm-Bush push for radical deregulation of finance. The measures of deregulation pushed by Bush and Gramm could be fairly termed the "Kravis and Milken Junk-Bond Feeding Legislation." The "planned trainwreck" called the Gramm-Rudman bill, putatively intended to balance the budget, balanced nothing, but rather unbalanced much of what was left of the economy, and also the minds of its credulous supporters.

Look at this degeneration of our economy through the eyes of a 1960s New York City slumlord—his admiration would be orgasmic.

Look at the real income-stream taken away from the "re-productive cycle" of the process of production and distribu-

tion of goods and of such specifically indispensable services as education, health care, and science. Trace the profit, interest, rent, and taxes from these sources. Now carry that extraction away from reinvestment in the physical improvement of those cyclic processes of production and distribution of product, and sell those extracted sums of income-flow on the financial market. Sell them as slumlords sell property titles to slum-rental holdings—not the physical property, but rather the legal title to the rental income.

Generate thus large masses of fictitious capital. Now, in addition to the real-income stream from primary sources of rent, profit, interest, and taxation, a second kind of income-stream has been generated, *fictitious capital gains*.

In any market economy, even in the rural barter of live-stock, the occurrence of *fictitious capital* and of *fictitious capital gains* is endemic. Under certain kinds of conditions, the pyramiding of fictitious capital gains as an income-stream upon which a second order of fictitious capital is generated, sets into motion a process made famous in modern economic history by such disastrous lunatic binges as the Seventeenth-Century tulip bubble in the Netherlands, the early Eighteenth-Century South Sea Island and Mississippi bubbles, and today's Bush-league practices behind the junk bond and derivatives bubble.

As long as money and assets discountable for money treat such property-titles and contracts as negotiable assets, money treats real-income streams and fictitious capital gains more or less equally. In this circumstance, a legion of worse-than-useless Wall Street, City of London, and kindred parasites around the world become immensely rich, while families of farmers, industrial operatives, ordinary honest businessmen, and the nation at large become increasingly poor, even as destitute as Russia under the policy-influences of Margaret Thatcher, George Bush, and Jeffrey Sachs.

As long as the prospective purchaser is prone to act upon the belief that a nominal capital gain in a contracted fictitious capital represents an expected and discountable income-stream, this imagined new income-stream can be assigned a fictitious capitalization in the same way a slum-property title is assigned a fictitious valuation based upon the purchaser's willingness to pay a market-price for acquiring title to the stream of rental income. Once this next phase in the spiral of financial speculation becomes the basis for a new market in such instruments, a process of "geometric" growth of nominal fictitious capital is unleashed. A ballooning of fictitious aggregates occurs. That is the distinction of a true speculative bubble, as contrasted with endemic forms of speculative activity within markets.

What Is a 'Cancerous Bubble'?

The present global financial and monetary bubble goes one fatal step beyond a mere ballooning of fictitious capital gains. It has a dimension which marks it as fatally cancerous for the financial and monetary systems which it infests.

Asset-stripping is the key to this point.

Let us use the term "leverage" to identify the implied multiplier which converts an imputable annual rate of income-stream into a corresponding magnitude of nominal fictitious capital. In the case of the slumlord, looting the tenants to increase the income-stream from rental income is a way of increasing the imputable income-stream, and thus the fictitious capitalization of the property-title. The valuation of the secondary and tertiary fictitious capitalizations spun off from the imputable marginal gains in fictitious capitals are themselves so based upon leverage against the primary, real income-stream.

The valuation of the interconnected whole market in fictitious capital gains depends thus upon both the relative and corresponding absolute magnitudes of the primary income-streams taken as a whole. This fact is illustrated dramatically by the case of the asset-stripping needed to sustain the massive creation of fictitious capital in the RJR Nabisco operations. Without massive asset-stripping against the economy as a whole, the speculative bubble as a whole would have collapsed approximately a decade ago.

This is complicated by the fact that without an increase in the flow of fictitious capital gains at the top of the bubble, the bubble as a whole would collapse. For, without a continuing growth of the magnitude of fictitious capital gains, the bubble as a whole would collapse under pressures of reversed leverage.

"Collapse" would be a most misleading sort of euphemism in that case. "Reversed leverage" in such a bubble is best approximated mathematically by the same Kolmogorov equations used to describe a chemical, fission, or thermonuclear explosion, or a firestorm like that which the British wartime Royal Air Force created at Hamburg and Dresden: in mathematical-physical terms, a "shock front," and a very hard one at that. In effect, one evening the financial markets appear normal, stable; by the end of the next day, or something approximating that, everything is rubble; the financial and monetary system built up since August 1971 has disintegrated as it were in a single day's trading.

As in the case of a heroin or methadone addict, the habit of looting the real-economic basis must be fed to prevent a collapse. Feeding the habit prevents the immediate collapse by hastening the date of total collapse. The addicted state is destroying the basis upon which it feeds to sustain itself. As is illustrated by the tragic fate of the enterprises gobbled up in the RJR Nabisco caper, this is the fate of the world's economy under the rule of the cancerous financial bubble marked by derivatives speculation.

So, to sustain the bubble, the bubble must grow. To cause the bubble to grow, the real basis must be looted more savagely: asset-stripping. We see the result in the collapse of the constant-dollar value of the market-basket of per-capita and per-square-kilometer real consumption by households, farms, and manufacturing. We see the collapse of the similarly ad-



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New York's South Bronx in the 1970s. Slumlords could extract more loot from the properties of very poor families, than legitimate landlords were taking in from decent housing for middle and higher income households.

justed value of tax-revenue base per capita and per square kilometer.

Go back to 1913, to Paul Warburg's notorious Federal Reserve System scheme. See Confederate agent Alan Bulloch's nephew, Teddy Roosevelt, running a Bull Moose campaign to bring about the election of Ku Klux Klan booster Woodrow Wilson. Both are supporters of Warburg's Federal Reserve and Federal income-tax proposals. Roosevelt's actions, and the later Wilson White House backing for the re-founding of the Ku Klux Klan, ensure three things: that the two acts will be declared legally enacted, and that the United States will be pre-committed to go to the side of Britain's planned war against Germany (otherwise Britain would not have gone to war, and then there would have been no World War I, or its sequel World War II). Look at the present situation from the standpoint of the state of Paul Warburg's original Fed and tax system proposals back about 1913, and look briefly at the relevant preceding development, the U.S. Specie Resumption Act of 1875-79. Look at the relationship between Federal Reserve-engineered U.S. debt-service charges and the U.S. income-tax revenue today, and then the significance of the derivatives bubble is clearly symptomized: Doom is on the way.

Through its relevant U.S. agent, the House of Morgan, London bankrupted the United States government during the last quarter of the Nineteenth Century by a congressional law called the U.S. Specie Resumption Act. This act, enabled through massive corruption of members of the Congress, unlawfully repealed relevant sections of Article I of the U.S. Federal Constitution, by requiring the U.S. government not

only to cease engaging in its sovereign constitutional right to issue currency, but to call in existing, Lincoln-series U.S. currency-notes to a degree conforming to the demands of the London gold-exchange market. This collapsed the United States into a protracted social crisis, manipulated from London, under which conditions London was able to buy up the choicest morsels of the still-growing U.S. economy. By the turn of the present century, London, which had been constantly the principal mortal adversary of the United States since 1763, was suddenly promoted in Jim-Crow Anglophile America into our closest ally! The natural follow-on to the protracted crisis caused by the Specie Resumption Act was the plainly unconstitutional Federal Reserve System.

The Federal Reserve System is key to the derivatives bubble of today. Without corrupt, virtually treasonous complicit officials at the Fed, the speculative mania which has ruined our nation and much of the world besides would not have been possible. The Fed is a privately owned central bank, chartered by the Federal government, which has gained increasing, unlawful, extortionist power over our government itself. It is principally an agent of those major commercial banks and private banking and other financial houses based in New York City. During the recent 15 years, the principal functions of the Fed have been to manipulate the U.S. government in Washington, and to use the monetary authority usurped by the Fed to subsidize bankrupt and other banks and other wild speculators in New York City and associated localities.

The Fed operates in collusion with complicit Treasury officials to increase the private indebtedness of the U.S. government to the clients of the New York City-based market in U.S.



EIRNS/Claudio Celani

Alan Greenspan came in to head the Federal Reserve in 1987, promising he could find new ways to suck the blood out of the economy, to prop up the banks. His "miracle solution" was the derivatives bubble.

bills and other securities. This debt-creating mechanism is used principally to feed the Fed's process of generating its own unconstitutional, private U.S. Federal Reserve currency-notes; this generation of currency-notes is managed to generate a subsidy for the Fed's true private owners, and, during the recent dozen years, to feed the Bush-leaguers' wildly speculative financial bubble-building.

When the Fed was originally conceived, the adoption of a national income-tax was designated as the lawful source of budgeted funds to meet the debt-service obligations upon the Federal Reserve-created U.S. government debt! Now, we see that the U.S. revenue from the income-tax is being gobbled up more and more by the debt-service requirements on the Federal debt! As the sign carried by the fellow wearing the white robe and beard says, "The end is nigh!"

The constant-dollar value of the per-capita tax-revenue base is contracting, largely as a result of the asset-stripping impact of Bush-league speculation practices. To increase the tax rates on anything but the speculative financial markets themselves would be to increase the income-stream out of the real economy, accelerating the economic contraction, hastening the collapse. To cut entitlements, another persisting proposal made on behalf of the Wall Street speculative pirates, would have similar effects.

That relationship between Federal debt-service and in-

come-tax base is but one of numerous signs to the same critical effect. As the driver explained, bringing the bus to a halt before the washed-out bridge, "Brother, it looks like we are about to run out of road."

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

The Issues of Method

The problem has been described. We are thus situated to consider the likely varieties of significant objections to that description.

Known objections to the foregoing description fall into three broad classes, of which two can be summarily discarded as cases of a speaker who offers no rational argument for his no less vehement objections. The three are:

- 1) What we may describe fairly as the Eddie-George-the-pantry-bandit syndrome: "Mommy, you are exaggerating again; there are no cookies in this jar."
- 2) The opinionated-common-gossip syndrome: "People whose opinion I respect say that you are wrong."
- 3) The academic standpoint: any one or a combination of several fads commonly taught in contemporary classrooms, textbooks, and economics and financial trade periodicals.

Only the last has any further interest for us here.

Within that third class of objections, the principal academic premises are, variously or in combination: a) the marginal intellects, the utilitarians who deeply resent personally any attempt to distinguish between productive and non-productive occupations; b) the idiot-savant mathematicians of the "Chaos Theory" cults; c) the ever-faithful gnostics chanting, with an obligatory uprolling of the eyeballs, "the magic of the marketplace." Conveniently, all three, and related other varieties of professionalist objections, including the lately fashionable "Chaos Theory," share the fundamental flaw of the late John von Neumann's efforts to derive a mathematical dogma of radical marginal utilitarianism from a set of linear inequalities.

It greatly simplifies the discussion to begin with a thumbnail historical account of the controversy over the appropriate method for study of economic processes.

Let us situate the internal modern history of political-economy in a nutshell. Modern political-economy began to be developed in Cosimo de' Medici's mid-Fifteenth-Century Florence, Italy through the initiatives of the Byzantine scholar George Gemisthos, also known as "Plethon." It began to assume modern form during the Sixteenth Century, in such expressions as the writings of France's Jean Bodin and the establishment of political-economy within a body of statecraft known formally as *cameralism*. The first work establishing a scientific basis for the study of political economy was Gottfried Wilhelm Leibniz's development of a branch of physical science known as *physical economy* over the interval 1672-1716.

At the end of the Seventeenth Century, Venice's far-flung intelligence services launched a vigorous campaign throughout Europe, mobilizing for the destruction of France and the discrediting of Leibniz. The key figure leading this Eighteenth-Century operation in the field—in France, Britain, and Germany—was a most senior Venetian nobleman, Abbot Antonio Conti (1677-1749), whose network included such notorious Venetian operatives against France as Giovanni Casanova (1725-98), Count Alessandro Cagliostro (1743-95), and the founder of late-Eighteenth and Nineteenth centuries' British radical empiricism, Giammaria Ortes (1713-90).

The point to be stressed here is that all of the doctrines for which Adam Smith, Jeremy Bentham, and Thomas Malthus are best known today were copied from the writings of Giammaria Ortes. It was through the work of Ortes that Smith obtained his dogma of "the invisible hand," and Jeremy Bentham his "hedonistic calculus." Malthus's 1798 *On Population* is a direct plagiarism, in more popularized language, of Ortes's 1790 *Reflessioni sulla Popolazione delle Nazioni*.

To situate the discussion, consider the widespread lie which asserts that the United States was founded upon Adam Smith's doctrine of "free trade." The fact is, the economic and social issue of the U.S. War of Independence against Britain was the American colonists' rejection of Britain's Eighteenth-Century version of "International Monetary Fund conditionalities," in favor of what was called later a "protectionist" economic policy.

"Free trade" was first brought to the United States in 1783, as a peace condition dictated to France and the United States by Britain's Lord Shelburne, in the 1783 Treaty of Paris. As a consequence of this concession to British "free trade," the economies of the United States and France were bankrupted by 1789. The United States used its head, wrote a Federal Constitution which arranged the outlawing of "free trade," and recovered to prosperous growth under President George Washington and Secretary of the Treasury Alexander Hamilton. The king of France acted differently; failing to use his head, he lost it.

The strongly Leibniz-influenced economic policies of the U.S. Federal Constitution and the first George Washington administration were known officially from that time onward as

the anti-British "American System of political-economy."

"Free trade" was revived in the United States several times during the Nineteenth Century. Under the influence of British agent Albert Gallatin from within the second Jefferson administration and the Madison administration. Under the influence of British asset and New York banker Martin van Buren over the second Jackson administration, causing the Panic of 1837. "Free trade" was the doctrine of the New England opium-traders and the southern pro-slavery faction during the early Nineteenth Century. Under the treasonous Pierce and Buchanan administrations, the effects were ruinous. Every period of economic recovery into 1875 was the direct result of rejecting "free trade" in favor of reviving the "American System" policies of Franklin, Hamilton, Henry Clay, Mathew and Henry Carey, and Friedrich List.

Despite Cobden and Bright and their "Corn Laws" reform, throughout the late Eighteenth and the Nineteenth centuries, Britain never made a general application of a "free trade" dogma to itself, but only to those competitors and colonies which it looted for the enrichment of the London financial houses. To defend what Britain saw as her special economic or related interest, she was a jealous protectionist, to the point of war. Her policy on that point could be fairly described: "Free trade was meant for the suckers." The "invisible hand" turns out to be her hand in your purse.

All of the grounds for putatively professionalist objections to my description of the speculative process, including the work of the utilitarians, of Walras, of John Maynard Keynes, of von Neumann, of the modern "Chaos" theorists, and so on, are merely different disguises for the same underlying set of mid-Eighteenth-Century axiomatic assumptions introduced to Britain through the work of Giammaria Ortes. All of the issues posed by the third of the three named classes of critics can be addressed comprehensively, and most efficiently, by examining the crucial differences in axiomatic assumptions separating the method of Leibniz's influential science of physical economy from the derivatives of Ortes's hedonistic calculus.

The essential difference between Leibniz's physical economy, on the one side, and the liberal, Marxist, and neo-conservative dogmas, on the opposing side, is between those, like Leibniz, who base the measure of economic performance on the starting-point of *human demography*, and those, like British economist Karl Marx, who are obsessed from the start with someone's primeval hoard of "my money." First, look at political-economy from the standpoint of Leibniz's and my own science of physical economy, and then contrast that with the teachings of a mathematical pseudo-science such as John von Neumann's and Oskar Morgenstern's famous *Theory of Games and Economic Behavior*.

Demographic Science

The science of physical economy is premised upon the conclusive proof that the human species is unique in the

known universe, set absolutely apart from and superior to all other known forms of existence. The crucial evidence for this conclusion is found in studies of *the changes of the human species' potential relative population-density*: Only mankind is manifestly capable of willfully increasing this potential population-density by decimal orders of magnitude.

The study of this phenomenon begins with scrutiny of two more readily measurable sets of phenomena: *changes in demography*, and *changes in the per-capita productive powers of labor*. First, we examine changes in relative population-density, and then their correlatives in, second, demographic characteristics, and, third, productive powers of labor.

As a matter of elementary scientific rigor, implicitly this study encompasses many different cultural series over thousands of years, and even longer, preceding our time. Of course, it also includes the past 600-odd years since the Fourteenth-Century European Black Death pandemic. *The scope of the investigation indicates that the question of money is introduced only as a tertiary feature of the studies. We are concerned primarily with the physical relationship between society and nature as a whole; the principles involved must be adduced without introducing any consideration of money. Money matters are studied later, against the background of the monetary system's interaction with the physical-economic processes upon which money-systems are superimposed.*

In demography, we begin with the obvious considerations of fertility of households, and life-expectancy and conditions of health of households' members by age-interval stratifications. We consider not only the typical individual household, and also the immediate society with which the household is associated, but also the reciprocal functional interaction of the individual person and the society with one and another, and of both with the entirety of the human species. We examine the productive powers of labor in terms of a demographic model of social reproduction of the household, the society and mankind as a whole. We measure these productive powers in terms of the market-baskets of both households' goods and of means of production required to maintain improvements in demographics per capita, per household, and per square kilometer above a conjecturable "0," or so-called "equilibrium level."

We examine the effect of the development of basic economic "hard" infrastructure (e.g., water, general land-transport, power, sanitation, and communications) upon demographic and productive factors. We include three qualities of services—education, health care, and scientific and equivalent development—as "soft" infrastructure, and also include as "hard" infrastructure the logistical means required for maintaining these three essential categories of services to households and productive facilities.

To shorten the account, sum up a number of steps in the following terms:

We define consumption in terms of a roster of goods included in market-baskets of consumption, whether by households, or by production of goods. *Excepting the three indi-*

cated special classes of services (education, health-care, and scientific progress), the designation of goods is limited to physical goods. These goods are listed as elements of *market-baskets*, each associated with corresponding categories of the general social division of labor in employment. We have as broad categories of market-baskets: *households' goods, hard-infrastructure goods, soft-infrastructure goods, agricultural producers' goods, industrial producers' goods*, plus a general social-overhead allowance for consumption by other categories of employment as a whole.

We also define economic activity by categories of land-use. We have waste land, reserve land, land used for urbanized and rural residence, respectively; land used for urban administrative and general social functions; and land assigned to the categories of each of the principal elements of the social division of labor.

In practice, in a well-designed university curriculum, economic science starts with the study of the changes in these categories and their ratios during the recent 550 years in western Europe and the Americas. Once the student is familiar with the conceptions which are prompted by studying five centuries of changes in those locations, the student is prepared to contrast the modern European case with the qualitatively different cases during the preceding 2,000 years of European civilization, and with the older civilizations of Asia and Mediterranean Africa to about 6000 B.C. Those studies prepare the student to study pre-Columbian America, Oceania, and sub-Saharan Africa. This gives the student a global overview within the bounds of the intraglacial warming period in which we presently dwell. And, so on.

The ascertained cause for the somewhat correlated changes in potential population-density, demographic profiles, division of labor, land-use, content of market-baskets, and so on, is changes in human behavior of a quality typified by valid fundamental scientific progress. Such scientific progress merely typifies the quality of thinking common to the spectrum of changes in statecraft and in Classical forms of fine arts which, together with scientific-technological progress, cause the improvement in demographic performance. In other words, *what is reflected here is an increase in mankind's per-capita power over the universe, as measured in respect to per-capita power per square kilometer of the Earth's habitable surface.*

The subjective cause for the increase of this power admits of no description other than "creative powers of the individual mind." The case for a valid fundamental discovery within the scope we assign to the name "mathematical physics" typifies this argument. For our purposes here it will be sufficient merely to summarize the argument supplied in the indicated relevant sources.

Technology as Creativity

In any branch of science, there is no way to avoid certain deep-going conceptual problems without foundering forever



NASA

Creative, revolutionary progress in scientific and analogous knowledge is the essence of human existence, writes LaRouche. Here, an artist's depiction of the International Space Station.

in the incurable incompetencies of one's own foolish babbling. In economics, the key such conception is that of *creativity*.

The investigation of this conception begins, pedagogically, with the subject of those forms of creative discovery which are most easily represented, the mathematical form of what are justly called "revolutionary," or "axiomatic-revolutionary" qualities of fundamental scientific discoveries. The yardstick we apply to the study of such discoveries and their impact is the standard of *technological progress*, by which we signify increase in the qualitative powers of physical productivity of labor per capita, per household, and per square kilometer of usable land-area.

Once the idea of "creativity" is removed from the domain of emotionally colored, vague imageries, and is rendered an intelligible scientific conception of willful practice, the entirety of economic science begins to open up for the student. Until that step is made, professors of economics will never move much beyond the pre-Stone Age level of competence, bungling and babbling over all of the crucial conceptions upon which this branch of science is absolutely dependent. Once creativity is rendered an intelligible, practically applicable conception, all of economic science begins to open up rapidly for the student. From that standpoint, the incompetence of all critics of the foregoing description becomes transparent.

To the degree any mathematical physics can be represent-

ed in a mathematically consistent way, it may be represented, if only for purposes of description, by what is termed a "theorem-lattice." That signifies, that any formal mathematics can be regarded as a network of theorems which are each mutually consistent with all other theorems of that some collection. This mutual consistency is representable by a set of interconnected theorems and postulates, such as the theorems and postulates of a formal Euclidean geometry.

Therefore, we may think in terms of some collection of interconnected theorems, each and all of which are not inconsistent with any among that set of interconnected axioms and postulates. In looking at this business in that way, we are able to conceptualize both the presently known and yet-to-be-discovered theorems which would satisfy those restrictions. We may describe this as all the theorems of that formal mathematical-physical *type*.

Against this background, consider the case, that one is able to define experimentally a theorem which is true in nature but which is not consistent with any previously known mathematical-physical *type*. Close analysis shows that this new theorem requires a specific kind of change in one or more of the axioms of the presently accepted form of mathematical physics. Enter Socrates: The fun begins.

The question is thus posed implicitly. Suppose we adopt a new set of interconnected axioms and postulates, one which

conforms fully to the new experimental theorem, which introduces only the absolutely necessary modifications in the previously established collection of axioms and postulates. Can we secure an experimentally valid, revised version of the theorems of the old system which fit the new set of axioms and postulates?

In effect, that is what a revolutionary discovery in science forces us to do. In that case, a crucial experimental theorem of those troublesome specifications has introduced an axiomatic-revolutionary change into formal mathematical physics. That kind of successive axiomatic-revolutionary change has been the characteristic of both formal mathematics itself and of modern physical science since Nicholas of Cusa's *De Docta Ignorantia* of A.D. 1440. The discovery of Dmitri Mendeleev's Periodic Law, Georg Cantor's transfinite, Max Planck's quantum of action, radioactivity, and nuclear fission typify the revolutionary changes which erupted at the close of the last century and the first three decades-odd of this. Each of those required an axiomatic-revolutionary change in our notions of physics as a whole.

Over the millennia preceding A.D. 1400, the revolutions came more slowly, and there were even long periods of sterility, or even falling backwards in too many cultural strains. Yet, the same principle is reflected in the shards of very old prehistoric cultures. This type of willful increase in mankind's power over nature per capita and per square kilometer, is what most clearly sets the human species absolutely apart from, and above all other known forms of existence within physical space-time.

That brings the inquiry to a crucial point: "Why must one equate 'axiomatic revolutionary' with 'creative'?" The mastery of the science of physical economy depends upon the student's comprehending this connection. Once this point is grasped, the essential incompetence of today's politically correct university economists and their textbooks is shown readily. The immediate relevance of this is that it involves proof of the fraudulent character of the assertions of Norbert Wiener and John von Neumann, and their followers the idiot-savant chaos-theorists, on the subject of the human intelligence and mathematics generally.

Logic Versus Creativity

Given two theorem-lattices, separated from one another by only a single change in axiom. There is no consistency between any theorem in one of these lattices with any theorem in the other. The difference between the two is therefore, mathematically, a formal discontinuity. In real life, this signifies, that in the case of every valid axiomatic-revolutionary discovery in mathematics, or mathematical physics, once we have discovered the axiomatic change which defines the successor theorem-lattice, we shall always be able, on principle, to treat every theorem of the preceding lattice as a special case of the latter; however, no theorem of the second lattice can be reached by consistency with the axioms of the first.

This principle was well known to Plato and his associates. Plato's *Parmenides* dialogue is a demonstration of the way in which a creative discovery must appear from the standpoint of the mere formalist Eleatic (or the Aristotelian Immanuel Kant's *Critiques*). To the formalist, such a discovery appears as an inexplicable leap of the intellect.

The classical modern illustration of Plato's point is the solution to the paradox in Archimedes' quadrature of the circle by Nicholas of Cusa.

Until Cusa, mathematicians were fooled by the fact that a series derived from Archimedes' construction may estimate the value of the ratio of the circular radius, π , to any required decimal position. Cusa showed (A.D. 1440, 1453) that this apparent arithmetic convergence had an embedded falsehood insofar as one assumed falsely from the apparent convergence in numeric values that a circular perimeter was constructable in this way. The values were, in fact, nearly equal, but never congruent. Cusa defined circular action as of a different, higher mathematical species than the Greeks had assumed all incommensurables to have been. Later (1697), the physical significance of Cusa's discovery was proven for radiation of light by Jean Bernouilli and Gottfried Leibniz, and established as the basis for what they termed "non-algebraic" or "transcendental" functions.

Since 1697, this discovery, known under the rubric of the *continuum paradox*,¹ has continued to be the center of the principal methodological controversy, and a source of the most significant classroom and textbook frauds within mathematical physics.² A crucial treatment of this from the standpoint of

1. See Bernhard Riemann's celebrated 1854 *Habilitationschrift*, *Über die Hypothesen, welche der Geometrie zu Grunde liegen*, in *Collected Works of Bernhard Riemann*, Heinrich Weber, ed. (New York: Dover, 1953), pp. 272-287. For a passable translation, see Bernhard Riemann, "On The Hypotheses Which Lie At The Foundations of Geometry," Henry S. White, trans., in *A Source Book in Mathematics*, David Eugene Smith, ed. (1929), Dover Reprint, 1959, pp. 404-425, *passim*.

2. The cult-fad of "Chaos Theory" in political-economy, for example, is a delusion of those Bourbaki and kindred idiot-savants who confuse reality with arithmetic estimates assigned to computer algorithms such as Mandelbrot figures. The influence of the late John von Neumann is largely responsible for the spread of this and kindred lunacies within political-economy and other areas. Norbert Wiener, the author of *Cybernetics* and co-author of "information theory," was justly expelled from a Göttingen University seminar by the great David Hilbert, for reason of the same methodological incompetence which Wiener later exhibited in his outrageous notions of "negentropy," and his own and John von Neumann's sick notions of the human mind.

These and kindred pathologies explain some of the reasons for the high rate of insanity among many highly trained mathematical formalists. If one attempts to define a "general field" theory of mathematical formalism on the basis of the false assumption of Bertrand Russell, John von Neumann, et al., that externally bounding limits can be accessed as a theorem of the externally bounded theorem-lattice, the person so deluded must either give up that assumption, as Kurt Gödel did (for example), quit mathematics, or become an obsession-crazed fanatic, a lunatic dwelling in some wildly mystical paranoid's fantasy world. Thus, in the ancient Greek cult of Delphi, it was recognized that peering out from between the cracks of the mind of

Karl Weierstrass's work was given by Georg Cantor's presentation of the series of *Aleph* transfinite (1897); the exposure of the axiomatic fallacies of the entire life's mathematical work of Bertrand Russell, and also the related work of John von Neumann, was given by Kurt Gödel in 1931.³ Despite the conclusive proof, from these and other sources, the denial of the existence of what Riemann describes as the "continuum paradox" persists stubbornly as a leading, fraudulent feature of the standard mathematical physics curriculum today. As in the exemplary cases of Norbert Wiener's popular *Cybernetics* and the work on economy and the human mind by John von Neumann, this popularized classroom fraud plays a dominant role in the mistakenly generally accepted versions of professionally taught and practiced economics doctrine today.

Back during the 1940s, this writer sometimes amused himself by asking some of the pompous varieties of academics whether human life were statistically possible. The central premise upon which this writer's 1948-52 discoveries refuting Wiener and von Neumann were based, was the position that a theory which can not be shown to be consistent with the existence of the theoretician is bad physics. In later years, a few notable thinkers have expressed either the same or a very similar position.

Plato's Academy at Athens demonstrated their proof, that there existed geometric magnitudes which are not congruent with rational numbers, geometric magnitudes called "incommensurables." Later, Nicholas of Cusa was the first to show us that we must divide those incommensurables into two distinct species, species which Leibniz later identified as the "algebraic" (the lower species) and the "non-algebraic" (the higher species), the latter commonly referenced today under the rubric of "transcendental functions." The continuum paradox, the central topic of Leibniz's *Monadology*, and the center of the work of Riemann later, must be recognized as showing us that there exists yet a higher species of mathematics. This is a higher domain in which the principle of cardinality is preserved, but not ordinality as we know it from the three lower species of mathematical domains. It is this last, the fourth and highest domain (from Cantor's *Aleph 1* and up) which enables us to represent scientific creativity and its effects, a representation which is impossible from the standpoint of lower orders of mathematical physics.

So, although we can not represent scientific creativity by any of the mathematical methods taught in engineering schools, a proper comprehension of the work of Cantor from the standpoint of Leibniz's *Monadology* and the Riemann Surface shows us how to deal with this formal problem once we have

identified the physics of representing a demographic process of development under the impetus of technological progress.

Economic Measurements

This problem was forced upon me during the 1948-51 interval of my efforts to define a rigorous refutation of the obvious frauds by Wiener respecting a Boltzmann H-theorem-based definition of "negative entropy," and Wiener and von Neumann's mechanistic misconceptions of human thinking processes. My approach to that problem may be summed up as part of what ought to become standard pedagogy in any respectable university classroom in economics today.

The lesson of the internal history of mathematics, especially during the recent 550 years of the rise of European science, is that we must always seek to measure, but must not trust blindly the tape-measures which were issued to us as students in the classrooms or textbooks. Sometimes, we need to invent a new yardstick, just as we have today four distinct species of mathematics. Until the end of 1951, I knew of but three species of mathematics; I was about to learn a fourth, beginning January 1952.

Apply what was then, circa 1950-51, standard industrial engineering knowledge of the structure of a successfully developing agro-industrial economy. Define as the relevant input and output of a function an array of households' and producers' market-baskets containing nothing *functionally significant* excepting a combination of physical products plus three categories of services: education, health care, and scientific progress. Draw a cut through the continuing cycle of production-consumption at any point. Measuring all inputs and outputs in terms of per capita, per household, and per square kilometer, compare the input (consumption by either households or producers) and output (products of infrastructure, agriculture, mining, and industry, plus services of classical forms of education, health care, and scientific progress).

Since any economic process trapped in a zero-technological-growth mode must collapse "entropically," our first concern is to maintain growth of productive powers of labor. Therefore, subtract input from output, and divide the remainder by input: The result must be larger than "0." The margin by which the ratio must be greater than "0" will be an amount greater than the rate of technological attrition.

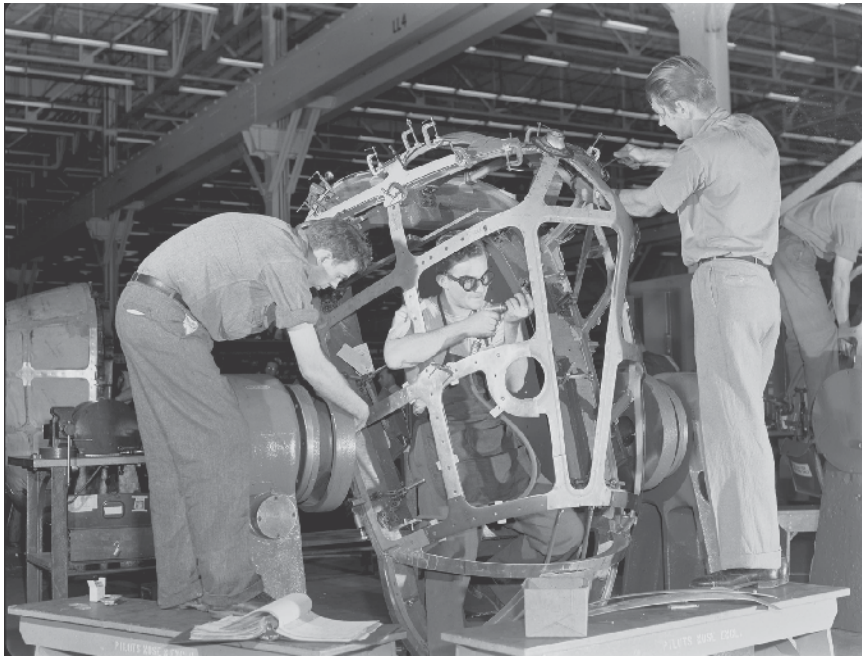
Thus far, not problematic. Term the input "the energy of the system," and the remainder the "free energy" margin. See the ratio as a "free-energy ratio."

Then comes the problem: Not only must there be a rate of technological progress, to offset required growth plus effects of attrition of natural and man-improved resources; to sustain the needed, relatively rising free-energy ratio, the value of the energy of the system must increase per capita, per household, and per square kilometer. No matter how we adjust the list of items in the bill of materials and process sheets, that difficulty remains. That locates the crucial issue.

The next step, is to refine the picture by writing down and

Apollo there is a leering Friedrich Nietzsche, a Bakunin, a Richard Wagner, a Martin Heidegger, a raving Dionysos-Python, or, as Herodotus underlines, a Satan, an Osiris, a Siva.

3. Kurt Gödel, "On formally undecidable propositions of *Principia Mathematica* and related systems I," in *Kurt Gödel Collected Works*, Vol. I, S. Feferman et al., eds. (Oxford: Oxford University Press), pp. 144-195.



National Archives/Ann Rosener

In wartime “crash mobilizations,” scientific and related conceptions are quickly turned into improved military or other applications. It is not, however, necessary to have a war in order to have such a science-driver program for the economy! Here, assembly of a bomber at Ford’s Willow Run plant in Michigan, during World War II.

verifying a series of linear inequalities corresponding to the direction of changes in the social division of labor, and demography, which accompany the indicated, twofold transformation in the apparent functional form of rising free-energy ratio. The principal such inequalities describing successful economic growth of economies during the recent 500 years are described in my 1984 textbook *So, You Wish to Learn All About Economics?* It is easily shown that, during the same centuries, all economies which violated those constraints suffered decline, that violation of these constraints is the characteristic of declining economies.

There should be nothing surprising about the fact of my lines of inquiry into these matters during 1948-52.

During the late 1940s, after the 1930s depression, and following the war, experiencing the recession of 1947-48, and the 1949 economic recovery sparked by the Cold War revival of the Korea conflict, all we veterans who were reasonably sentient were aware of the anomalous fact that, during the Twentieth Century to date, the only prosperous periods had been those associated with relatively larger expenditures for the costs of war. During those days, the U.S. and other governments were frequently charged with seeking warfare as a way of organizing an economic recovery! Thinking about the story behind that apparent economic anomaly did not make warfare less wasteful of life and material; tracing out a few economic facts made clear the reasons for the anomalous appearances.

The characteristic of modern regular warfare is exceptionally high rates of technological attrition. Technologies are de-

veloped during a few years of forced-draft, which would have required decades otherwise. As some of the Manhattan Project’s veterans described this to me in some detail, the intensity of scientific collaboration in that undertaking packed decades into about five years of research and development. If the history of “crash program” technological development is traced from its origin in the 1793-1814 technological leadership of France by Lazare Carnot and Gaspard Monge, through the military and aerospace crash-programs of the subsequent 150 years, what stands foremost for one’s attention is what may be fairly described as a four-step process for injecting high rates of prosperous growth into any modern economy.

The top of the mountain is fundamental (axiomatic-revolutionary) progress in science. Slightly down the slope, there is the elaboration of these most crucial discoveries at the summit of the mountain into subsidiary discoveries. At both levels, the new discovery prompts the design of demonstration-of-principle

experiments. As these experiments are refined, the lessons of the successful experimental designs are taken to a place a short distance down the slope from the two levels of scientific work: Here we encounter the transformation of the successful experimental designs into machine-tool or equivalent principles. Downstream from the advanced machine-tool-design sector, we have the new machine tools revolutionizing product designs and productive powers of labor at the base of the mountain, where production occurs.

In “crash program” mobilizations, not only scientific and related progress at its most intense, but every new conception is quickly turned into improved military or other applications. The machine-tool sector is expanded rapidly to accommodate to this. The rate of flow of tools proven in the highly mobilized military or aerospace applications, for example, spills at exceptional rates into the economy in general.

The way in which to think about such experiences is stop all the wimping and whining about budget-balancing and kindred mind-crippling, dog-like obsessions, and concentrate upon the crucial lesson to be learned from examining such an anomalous appearance. Concentrate upon the end-result, the effect of delivery of large masses of technologies, at accelerated rates, into both the improvement of product-designs and increase of the productive powers of labor. The lesson is, that if we would use our heads, unlike the King Louis XVI who failed, during 1783-89, to use his, we should always have the “moral equivalent of war-mobilization.” To wit: We should insist that a large part of the total labor force be engaged in developing, investment in,

and production by high rates of massive injection of newly discovered science and newly developed technologies into the promotion of improved product designs and high rates of increase of the productive powers of labor overall.

That object-lesson should reinforce our appreciation of a point which ought to have been clear beforehand. The sum-total of the lessons for statecraft from history and pre-history, is that creative, revolutionary progress in scientific and analogous knowledge is not an occurrence on the periphery of man's vision: It is the essence of human existence, it is what distinguishes us as the Mosaic heritage specifies, as in the image of God the Creator by virtue of our developable individual potential for creative reason.

The anomalous aspect of the mathematical picture of a growing economy is that the essence of the economy is not the production and consumption of objects, but rather the upward transformation of the cycle of consumption for production of the means of improved human existence. The creative powers of reason are the source, the cause for that growth upon which the avoidance of social collapse depends absolutely. The anomalous aspect of the economic process is that the characteristic feature of a viable economic policy of performance is human creative reason, that principle of reason which the economic doctrine of the late John von Neumann and the contemporary "Chaos" theorists implicitly deny to exist.

Adam Smith Has No Morals

No nation as a whole has ever profitted from the dogma of "free trade" except by employing the doctrine as a ruse for looting another nation. The technical flaw in Adam Smith's dogma is not derived from a defect within his nonexistent science, but originates purely and simply in his lack of all human decency. One has but to read the moral basis for his dogma of the "invisible hand," in his earlier, 1759, *Theory of the Moral Sentiments*. Ortes is the key.

From the beginning of Venice's deployment of the Fourth Crusade to loot and ruin the competitor power of its former master, the Byzantine Empire, in A.D. 1204, until the collapse of the Lombard debt-bubble during the middle of the Fourteenth Century, Venice ruled the Mediterranean and European usury as an imperial maritime power. This power was threatened by the A.D. 1440 Council of Florence, leading to the alliance of nations—the League of Cambrai—which came close to conquering and destroying Venetian power during the first decade of the Sixteenth Century. In the aftermath of that, Venice survived by placing each and all of its enemies against one another's throat, the Papacy, France, Spain, the German Empire, the Ottoman Empire, and England, chiefly. By playing upon the sexual susceptibilities of a possibly insane King Henry VIII of England, Venice split England from its close relations with Spain and with the Tudor House's ally in France. Thus, by the close of the Sixteenth Century, the leading circles in England had been captured as Venetian dupes: Walsingham

and his circles around Queen Elizabeth, and the evil Francis Bacon, and so forth, around the unfortunate King James I. Even during the Civil War in England, Venice controlled both sides, including the Pallavicini-linked Oliver Cromwell, and the Restoration Stuarts after Cromwell's son and heir had been overthrown.

Those points are key to understanding the great control Venice exerted upon not only Adam Smith, Jeremy Bentham, and Thomas Malthus, but the entirety of what came to be identified as British political, social, and economic thinking from the middle of the Eighteenth Century to former President George Bush riding like a sick cat on the tail of Prime Minister Margaret Thatcher's broom. During the late Seventeenth and early Eighteenth centuries, in Britain, the Liberal Party of the Duke of Marlborough, Walpole, King George I, and the notorious Hell-Fire Clubs were already known as the "Venetian Party," as Disraeli referred to the imperial party of mid-Nineteenth-Century Britain.

Venice saw London as becoming the "Venice of the North," a worldwide maritime power, building a global empire, and moving on to establish a system of world-government consistent with Venetian financial and social principles. London's Liberal Party, in turn, was content to be guided by its Venetian mentors. Still, during the Eighteenth Century, until the city was weakened somewhat in its quarrel with the Genoese asset Napoleon Bonaparte, the Venetian intelligence service was very widespread, deeply embedded, ferally capable, and still very powerful.

The portrait of Venice's decadence during the Seventeenth and Eighteenth centuries would probably turn the stomachs of even the citizens of old Sodom and Gomorrah. Vile creatures such as Conti, Grandi, Ortes, Casanova, Cagliostro, and, later, Capodistria, were the appropriate instruments to devise the ultimate extreme in systematic immorality copied from Ortes's writings by Adam Smith, et al.

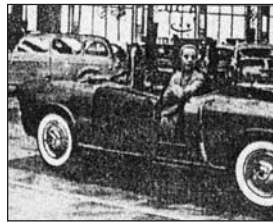
Nothing could be further from the truth than the British empiricists with their dogma respecting "human nature"; no one was more inclined to the unnatural than these Venetian bachelors who taught them. Man is not a creature of mere appetites and sensual passions; were man as Bacon, Hobbes, Locke, Hume, Smith, and Bentham portray the individuals of our species, our species would never have ascended above the level of baboon-like Yahoos subsisting precariously upon a few berries mixed with decayed flotsam cast upon the beaches of Africa's coast.

Human nature is that essential characteristic which sets our species as a whole absolutely apart from, and above the beasts. That quality is the potential for development of creative reason in every person, the quality which the tradition of Mosaic monotheism recognizes as man in the image of God the Creator. *Human nature* is a child whose mind and morals have not yet been destroyed by a modern Frankfurt-school-style day-care center, a loving child asking parents, relatives, neighbors, and virtually everyone else besides: "Why?"

LaRouche's Nine Economic Forecasts

1. Autumn 1956

Forecast: A major U.S. economic recession, triggered by the over-stretching of a post-1954 credit-bubble centered in financing of automobiles, housing, and analogous consumer goods.



What happened: Recession spiral begins in February 1957, lasting until mid-1958. Hundreds of thousands of industrial workers lose their jobs, as unemployment climbs to highest levels since the Depression.

2. 1959-60

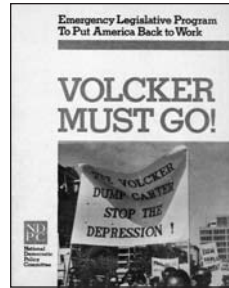
Forecast: A series of major monetary disturbances, leading toward a collapse of the Bretton Woods agreements, resulting in increased looting of developing-sector nations, and austerity measures modelled upon those of fascist regimes.



What happened: On Aug. 15, 1971, President Nixon decouples the dollar from gold, collapsing the post-World War II Bretton Woods monetary system internationally. Nixon then initiates Phase I, II, and III austerity measures at home.

3. October 1979

Forecast: A devastating recession, beginning early 1980, as a result of Federal Reserve chairman Paul Volcker's credit-strangulation policies. "Volcker will cause a 15% recession in the U.S. economy, probably putting the United States into a recession twice as severe as that of 1974," LaRouche wrote on Oct. 16.



What happened: Collapse of U.S. housing industry, agricultural and industrial production occurs, and is charted accurately by LaRouche's LaRouche-Riemann economic model.

4. February 1983

Forecast: LaRouche informs the Soviet government, that if it were to reject a Western offer of joint ABM development (which became known as the U.S. Strategic Defense Initiative, when it was adopted by President Reagan on March 23, 1983), the strains on the Comecon economy would lead to a collapse of that economic system in about five years.



What happened: Soviet boss Yuri Andropov rejects the SDI offer in Spring 1983. The Berlin Wall falls in November 1989. The Gorbachov regime falls in 1991.

5. Spring 1984

Forecast: A collapse in a large section of the U.S. banking system: the savings and loan and related sectors. "The banking system as a whole is at the brink of collapse," LaRouche told a June 1 television audience.



What happened: Texas S&Ls begin to collapse in late 1987. Through the end of the decade, the savings and loan system coast to coast is in crisis, with many banks going under, or being purchased by larger institutions. The crisis requires a billion-dollar bailout with Federal tax dollars.

6. May 1987

Forecast: The outbreak of a major collapse in the stock market beginning approximately Oct. 10, 1987. This was LaRouche's first and only stock-market forecast.



What happened: Black Monday, Oct. 19, 1987: the Dow Jones Industrial Average drops 508 points, or 22.6%, the largest loss in its history, twice the collapse of 1929.

7. Spring 1988

Forecast: During an April 12 nationwide half-hour TV address, LaRouche described the “bouncing ball” phenomenon as the key to following the continuing collapse of the U.S. economy through the course of apparent short-term fluctuations relatively up or down.



What happened: Federal government “indicators,” and the Dow Jones Average, adjusted to include non-productive service industries and jobs, and profits from activities such as derivatives trading, show modest recovery, while the productive base of the economy continues to collapse.

8. November 1991

Forecast: An ongoing “mudslide” of economic collapse, rather than a dramatic blowout. “Many people have been looking for a definitive one-day, two-day, three-day financial crash, perhaps on the markets, with the Dow Jones, sometimes called Baby Jones, Index crashing 500 or 1,000 points or more. What they are seeing is . . . is the great mudslide of 1991,” LaRouche wrote on Nov. 23.



What happened: 1993-94 bankruptcies of major financial institutions in Venezuela, Germany, Spain, and elsewhere signal a systemic crisis; the bond market collapses; major players, such as the Canada-based Olympia & York, the world's large real estate company, go under.

9. June 1994

Forecast: “The presently existing global financial and monetary system will disintegrate during the near term. The collapse might occur this Spring, or Summer, or next Autumn; it could come next year; it will almost certainly occur during President William Clinton's first term in office; it will occur soon. That collapse into disintegration is inevitable, because it could not be stopped now by anything but the politically improbable decision by leading governments to put the relevant financial and monetary institutions into bankruptcy reorganization.”



What happened: After a series of derivative blowouts in 1994-95, and the near-collapse of the entire monetary system with the Mexican crisis of that same period, a hyperinflationary spiral, including rapid derivatives expansion, delayed the disintegration into President Clinton's second term. Starting in the Summer of 1997, the rapid phase of worldwide systemic collapse began in Asia and proceeded to the point of state bankruptcies in Russia, and the danger of a global derivatives blowout at any moment.

From 1994 to Today: The System Disintegrates

by Nancy Spannaus

It was no more than a year after LaRouche's Ninth Forecast, that the proverbial "all Hell" began to break loose on the financial markets, reflecting the arrival of the bankruptcy-breakdown crisis that LaRouche had forecast.

1995: The Spring of this year brought the outbreak of a string of "derivatives" crises, of which the most notable were those that resulted in the bankruptcy, and takeover, of two centuries-old British financial institutions: Barings Bank, then taken over by the Netherlands' ING; and Lloyds of London.

At the end of the year, the international insolvency crisis expressed itself in the Mexican debt emergency, which led to unprecedented emergency action by U.S. Treasury Secretary Robert Rubin, to avoid global catastrophic effects.

It was at the end of 1995 that LaRouche released his now-famous Triple Curve, heuristically depicting the typical collapse function, which described what was occurring in the world economy from 1971 forward (**Figure 1**).

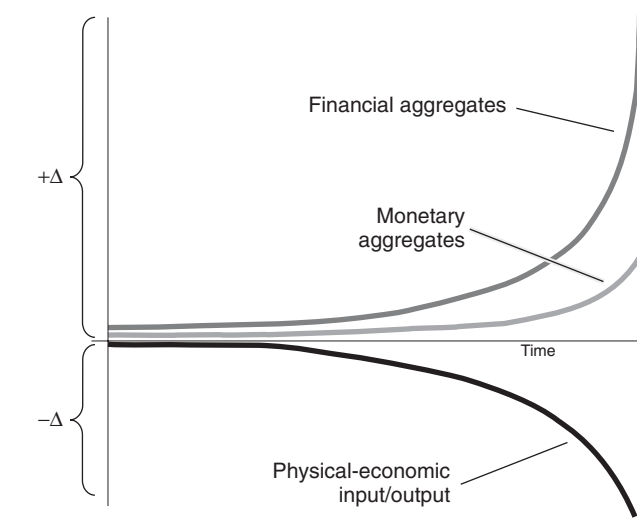
1997-98: On Feb. 15, 1997, LaRouche and his wife, Helga Zepp-LaRouche, issued a formal call for the convening of a New Bretton Woods Conference. Soon after, the so-called Asia crisis of 1997, which devastated the nations of Thailand, Indonesia, and Korea during the second half of 1997, erupted, and rapidly turned into the near-liquidation of the world financial system in August of 1998.

The August crisis began with the collapse of the Russian GKO, or state bond market, and expanded through a worldwide cascade of hedge fund bankruptcies. The signature bankruptcy was that of Long-Term Capital Management (LTCM), a Connecticut-based hedge fund, whose threatened insolvency led to the Federal Reserve arranging an emergency-rescue, with private banking funds, in September.

The LTCM crisis shocked the political and financial world, and led to broad discussion—including by the Clinton Administration—of a "new financial architecture."

It was not until the Summer of 1999 that IMF head Michel Camdessus publicly admitted that the world financial system had come within a hair's breadth of completely freezing up during the August-September period. This was precisely the vaporization of the system which LaRouche had projected in his "Ninth Forecast," to occur, likely before the end of President Clinton's second term.

FIGURE 1
A Typical Collapse Function



1999: In the Fall of 1998, and through March 2000, the international central bankers launched a "wall of money" policy, to attempt to print money fast enough to prevent the surfacing of the underlying financial debacle. Thrown into the mix, was the bubble created by a massive infusion of funds into the "Y2K" scare, the alleged danger that the world's computers would fail to function when the clocks turned from the 20th into the 21st Century.

In this period, LaRouche updated his Triple Curve to depict the process under a hyperinflationary collapse, with a curve showing the rate of emission of monetary aggregates overcoming that of financial aggregates. He called this: "The collapse reaches a critical point of instability" (**Figure 2**).

2000: In March of 2000, the bubble created by the "Y2K" scare, and the spurt of IT growth, collapsed. However, the Fed continued to pump cheap money into the banking system. From the pumping of these funds came the so-called housing bubble, created by the demand from speculators and financiers to find a new source of securitizations—i.e., looting.

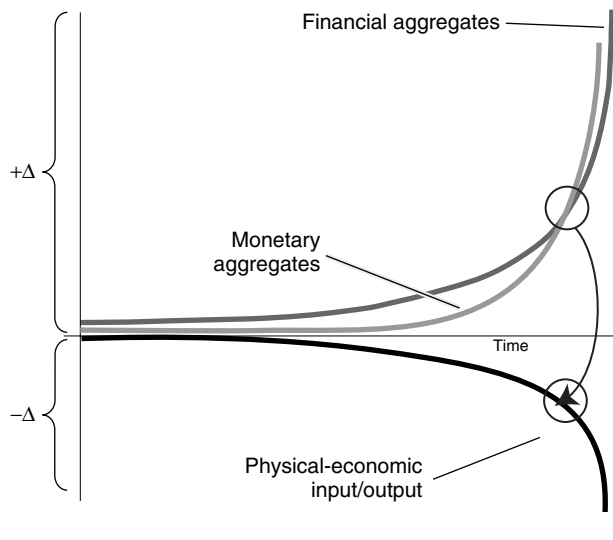
2001: The money-pumping expanded even further in the wake of the Sept. 11 terror attacks.

2002-06: The extraordinary growth of the housing bubble, fed by Greenspan's low-interest rate policy, took the bubble to new heights of insanity, although the fragility of the scheme began to show, with bankruptcies triggered by the collapse of prominent hedge funds such as Amaranth, in the Fall of 2006.

2005: In the Fall, LaRouche put out a sharp warning on the

FIGURE 2

The Collapse Reaches a Critical Point Of Instability



threat of hyperinflation, like that in Germany 1923, as exemplified by the major increases in commodity price inflation, especially oil and minerals.

2007-08: The housing bubble began to collapse in 2007, as a reflection of the blowout of the banking system as a whole. By July 2007, the process led LaRouche to conclude that the system was finished:

“First of all, this [a war deployment—ed.] occurs at a time when the world monetary financial system is actually now currently in the process of disintegrating. There’s nothing mysterious about this; I’ve talked about it for some time, it’s been in progress, it’s not abating. What’s listed as stock values and market values in the financial markets internationally is bunk! These are purely fictitious beliefs. There’s no truth to it; the fakery is enormous. There *is* no possibility of a non-collapse of the present financial system—none! It’s finished, *now!* The present financial system can not continue to exist *under any circumstances, under any Presidency, under any leadership, or any leadership of nations.* Only a fundamental and *sudden change* in the world monetary financial system will prevent a general, immediate chain-reaction type of collapse. At what speed we don’t know, but it will go on, and it will be *unstoppable!* And the longer it goes on before coming to an end, the worse things will get.”

It took a while for the panic to become visible, but today, that’s exactly what you see. The system has disintegrated, and the fraud that it still functions is now disappearing, in the biggest crash known to history.

LaRouche’s Proposals

These three documents elaborate the “three steps to survival” which Lyndon LaRouche outlines above.

Homeowners and Bank Protection Act

This is the original model proposal made by LaRouche in late August 2007, of which a variety of versions have been passed by more than 75 cities, and 3 state legislative bodies, around the United States.

Here are the essential features of the Homeowners and Bank Protection Act of 2007:

1. Congress must establish a Federal agency to place the Federal and state chartered banks under protection, freezing all existing home mortgages for a period of however many months or years are required to adjust the values to fair prices; restructure existing mortgages at appropriate interest rates; and write off all of the cancerous speculative debt obligations of mortgage-backed securities, derivatives, and other forms of Ponzi schemes that have brought the banking system to the present point of bankruptcy.
2. During this transitional period, all foreclosures shall be frozen, allowing American families to retain their homes. Monthly payments, the effective equivalent of rental payments, shall be made to designated banks, which can then use the funds as collateral for normal lending practices, thus recapitalizing the banking system. Ultimately, these affordable monthly payments will be factored into new mortgages, reflecting the deflation of the housing bubble, and the establishment of appropriate property valuations, and reduced fixed mortgage interest rates. It is to be expected that this process of shakeout of the housing market will take several years to achieve. In this interim period, no homeowner shall be evicted from his or her property, and the Federal and state chartered banks shall be protected, so they can resume their traditional functions, serving local communities, and facilitating credit for investment in productive industries, agriculture, infrastructure, etc.
3. State governors shall assume the administrative responsibilities for implementing the program, including the “rental” assessments to designated banks, under the authority of the Federal government, which will provide the necessary credits and guarantees to assure the successful transition.

A Two-Tiered Credit System

This statement by LaRouche was released Jan. 25, 2008, under the title "How to Defend Your Dollar."

British special interests backed by the [European Central Bank's] arrogant Trichet, have declared war upon the U.S. economy through tricking the foolish President of the U.S.A., his foolish Speaker of the House, and the foolish Federal Reserve Chairman Ben Bernanke, into cheapening the U.S. dollar, while Trichet et al. brag about tricking the U.S. dollar into ruining itself. Were the U.S.A. to adopt my recommended policy for defense of the value of the U.S. dollar, speculators betting on Trichet's slyness, could be dumped into a taste of their own bankruptcy, an experience which would tend to promote better behavior from them in future weeks.

The U.S. must dump the recent, foolish, pro-hyper-inflationary policies of Federal Reserve Chairman Ben "Helicopter money" Bernanke, for a two-tier U.S. Treasury policy of uttering currency on capital account. The general price or monetary emission by the U.S. Treasury (i.e., by the Treasury, or Federal Reserve System) must be a two-tier policy: a.) One price for the open market, at a significant number of points higher than the ECB, and b.) a special, protected price for long-term to medium-term credit uttered for the benefit of protected prime categories such as household mortgages enjoying Federal bankruptcy protection, and regular (Federally or state-chartered) banks. The latter category should be priced as loans at between 1% and 2% per annum.

The purpose is not to injure our European neighbors' governments and financial authorities, especially multi-national agencies, but to encourage them to return to recognizing the benefits of civilized modes of cooperative behavior consistent with that 1648 Peace of Westphalia, which governs all among the actually civilized nations of Europe.

This correction of the ignorant behavior of the present U.S. President and Chairman of the Federal Reserve, is an indispensable, included feature of any competent defense of the U.S. and its people from the currently onrushing, hyper-inflationary breakdown-crisis now gripping the trans-Atlantic community as a whole. Without the specific measures which I have stipulated here, the U.S.A. would soon be bankrupted, and our people ruined, by the foolish policies recently adopted by both Mr. Bernanke and by the U.S. President and the foolish Speaker of the House.

European speculators beware, the U.S. tiger is wounded, but still has claws and teeth. Continue the stunt which some in Europe are attempting against the U.S.A., and many much-too-greedy European speculators will wake up soon, much poorer, but a little wiser, in the morning. Were I President, I

would guarantee such effects by morning; Americans who do not support my policy will suffer suddenly and badly enough that they will be "quicker on the draw" on the next weekend this problem might come up again.

A Four-Power Agreement for A New Monetary System

This discussion of the necessary measures to establish a new monetary system, replacing the current bankrupt one, comes from LaRouche's "Prologomena for a Democratic Party Platform," titled "The State of Our Union: The End of Our Delusion!" which was published by the LaRouche Political Action Committee in September 2007.

3.10 The Economic Action To Be Taken

So, an elementary remedy exists, potentially, provided the right combination of powerful nations of the world now proceeds, quickly, to make it happen. Those sponsoring nations must cooperate to the effect of playing a leading role in establishing a new world system, based on a network of treaty-agreements, which, in effect, replaces the cancerously rotted-out International Monetary System (IMF) of today, by a profoundly reorganized IMF, thus crafting one which echoes the original intentions of U.S. President Franklin D. Roosevelt for a global, fixed-exchange-rate system.

3.11 This means a new world credit system, rather than a monetarist system, a new system in which nests of long-range treaty-agreements among sovereign states prevail, which are freed of the kinds of pro-monetarist central banking complexes which have dominated the recent decades in world affairs.

I propose that a powerful initiating group of nations, the U.S.A., Russia, China, and India, should join to assemble as a core around which to quickly rally other sovereign states, to put the world's present monetary-financial system into reorganization-in-bankruptcy, and also put a set of virtually bankrupt national central banking systems, such as the U.S. Federal Reserve System, into a state of receivership, by the relevant sovereigns, for reorganization-in-bankruptcy by relevant governments.

3.12 Under such an initiative, the physical, social, and economic stability of each and all of the cooperating sovereign states, will depend on conducting the reorganization in a manner which **ensures the continuation, and also accelerating growth of all employment in physical production of goods and in traditionally pre-1971 forms of essential professional and related services.**



EIRNS

LYM organizers bring LaRouche's solutions to the crisis to San Francisco's financial district.

3.13 *Financial debt attributable to financial and related forms of speculation, which have the underlying character of gambling debts, must be either summarily nullified, or reorganized in a way which is suited to bring about that beneficial result.*

3.14 *The creation of a new international system will eradicate present, hopelessly ruined monetarist systems, and replace them, as the intention of the formation of the Bretton Woods System shows the pathway, with an American System-style new monetary order in the world, under which the government monopoly in sovereign utterance of credit, as a monopoly of the respective sovereign nations, replaces all so-called central banking systems. This is complemented by the establishment of so-called protectionist systems, with what were formerly employed under the name of "fair trade," rather than as "free trade" systems.*

3.15 *Although the generation of credit, through the sovereign nation-state's monopoly on the utterance of its lawful currency, will be applicable to many good purposes, the primary use of the expansion of the actual or implied money-supply shall be medium- to long-term formation of physical capital, of which it must be expected that no less than about half of that investment will enter circulation as investment in the development of essential basic economic infrastructure.*

3.16 *This ratio of infrastructure to the remainder of the economy can be achieved and sustained, provided there is a proper*

emphasis on science-driven scientific and technological progress. The recovery will be slower during the first decade of such a program, and a bit better in the second. Therefore, a long-term scheduling of repayments of capital is needed, as each case will indicate.

3.17 *At the outset, the world will be gripped by a situation in which only meager supplies of private investment credit will be available.* Most private financial capital is presently either vanishing from the market, or will have vanished early in the onset of the crisis-conditions produced, and reorganizations in bankruptcy required by the presently accelerating, chain-reaction failure of the world's principal existing monetary-financial systems.

Therefore, state credit, at interest rates below two percent simple interest per annum, for long-term invest-

ments in public infrastructure, will be the principal source of, and driver for long-term capital formation, that chiefly in basic economic infrastructure. The investment in infrastructure will also serve as the driver for the recovery and growth of the private sector, and through construction and related investments in the public sector which will create the growing market for the products of the private sector.

3.18 *This requires a strictly managed set of sovereign nation-state economies bound together by a fixed-exchange-rate system.* Such a system will be managed, chiefly, through treaty agreements among partners in the credit and in tariffs of the system.

For example, as I proposed legislation to this effect during 2005 and beyond, I intended then, that the Federal government should "capture" the relevant idled potential of the U.S. automobile-manufacturing sector, using the machine-tool capabilities which have been inherently embedded in the capacity of the automotive sector since war production of the 1939-1945 interval, for supplying the needs of physical capital improvements and expansion in the public sector of the Federal, State, and local governments. The market for such products was implicitly vast and long-term in nature, and remains so today. Now, we must recapture that potential which was lost through a failure of the U.S. Congress during 2006; however, much of the lost capability could still be regrouped, and could thus re-energize localities in the U.S. which have been ruined as a result of the Congress's failure to act as required.

Bretton Woods Debate Spreads Beyond Italy

by Claudio Celani

The debate on the collapse of globalization and the need for a New Bretton Woods, which is dominating Italian politics, has now assumed European dimensions. Coming in the midst of the inescapable blowout of the world monetary system, this debate has the potential to redefine, even at the 11th hour, the global political agenda, toward the financial reorganization proposals that Lyndon LaRouche has advocated for two decades.

On March 19, the French daily *Le Monde* devoted significant attention to the debate spurred by former Italian finance minister Giulio Tremonti. Tremonti, who would resume that post if the moderate bloc wins the April 13-14 elections, is leading a real campaign within the election campaign, giving several television and newspaper interviews everyday, and trying each time to place up-front the real issue: the world financial and economic collapse, and the New Bretton Woods as “a global solution to a global problem.” Tremonti, who has publicly discussed the New Bretton Woods concept with LaRouche in Rome, has not yet said openly that his idea comes from LaRouche, as have others, such as Senators Lidia Menapace and Oskar Peterlini, and Hon. Alfonso Gianni, an under-secretary of State for Economic Development (see below).

In Italy, Tremonti’s insistence on raising the New Bretton Woods issue has polarized all the political parties, including his own Popolo della Libertà (PdL/People of Freedom), and, as *Le*



EIRNS/Flavio Tabanelli

Italy’s former, and likely soon to be again, Finance Minister Giulio Tremonti, has kicked up a political storm, by waging a very public fight for a New Bretton Woods financial system, an idea which is well known in Italy to have been originated by Lyndon LaRouche.

almost everything public and collective, putting the sovereign market in a position to dominate all the rest.”

Most importantly, the article quotes Tremonti’s interview with the Italian daily *La Repubblica* (see box): “This crisis is global, structural, and not limited to finance, but extends to the world economy. . . . The instruments used so far show that their usefulness is limited. In every way, they mark the return to public intervention, opposite to the canons of the marketplace. The solution of the crisis is not technical, but political. We need a break, both concrete and symbolic: a new Bretton

Monde writes, has taken everybody by surprise. His new book *La Paura e la Speranza (Fear and Hope)* is on top of the bestsellers list and has already been issued in a second edition.

Fortunately, the debate is now spreading to the rest of Europe. *Le Monde* reports extensively on Italian coverage of Tremonti’s argument against a system that favors the superfluous and penalizes the necessary. “The excesses of globalization” are behind the situation where it costs Eu20 to travel to Rome or London, but Eu40 to buy necessities at the supermarket, Tremonti writes. The fault, he says, lies with the “dictatorship of the marketplace,” which is “the degenerate version of liberalism.” *Le Monde* quotes Tremonti’s attacks, in which he calls “the market, the totalitarian ideology invented to govern the 21st Century, has demonized the State, and



www.movisol.org

A seminar in Rome June 7, 2007, featured (left to right): Giulio Tremonti and Alfonso Gianni of the Italian government, EIR's Andrew Spannaus, Lyndon LaRouche, and EIR's Claudio Celani.

Woods. In 1944, we founded a new world economic order; the time has come to substitute the present disorder with a new global order."

Nation vs. Empire

A typical objection, familiar to all of us who have the experience of organizing people on international issues, is: "That is all good and fine, but what do we do here and now, to change the situation." Especially in an election campaign, such issues are avoided by politicians who think that the voters do not understand them, and will therefore not vote for them. Such conventional "wisdom" is now swept aside by Tremonti's campaign. When confronted with such objections by stupid journalists or TV anchormen, Tremonti answers: "There is no local solution. This is a global question and there is only a global solution: new Bretton Woods." When a journalist of the national TV channel La7 stubbornly disagreed, Tremonti did not back down: "If you do not want to understand it, our viewers will. There is no local solution."

On March 18, in an interview with the satellite Tv channel Rainews24, Tremonti insisted again: "It may sound a bit abstract, but it is not. As a government, we will commit to bring all major world governments around a table to negotiate a global agreement . . . a nation cannot solve the crisis alone but it is a national duty to move in an international forum."

Another piece of conventional wisdom that has been swept away is that truth has to be banned from election campaigns, because the most important thing is to defeat your adversary. This rule has now, at least partially, been demolished.

The traditional "left-right" division has collapsed, and lines have been drawn between those who defend national in-

terests, and those who defend the interests of financial globalizers—i.e., the Empire.

Thus, the leading candidate of the Left-Rainbow coalition, the chairman of the Chamber of Deputies, Fausto Bertinotti, came out in support of the New Bretton Woods, in an interview with the Democratic Party newspaper *Il Riformista*, on March 18. Bertinotti said that the New Bretton Woods is "a reasonable proposal that we should not leave to right-wing representatives." And the leader of the most militant trade union, the metalworkers union FIOM, said he prefers Tremonti to the putative "progressive" finance minister in the Prodi cabinet, Tommaso Padoa Schioppa. In an interview with the same daily March 19, FIOM secretary general Giorgio Cremaschi, said that "Tremonti's criticism of the WTO and the necessity of a New Bretton Woods are ideas that can be shared." "The problem is not only to correct globalization; the problem, as Tremonti says, is this globalization. . . . Tremonti is more to the left than Padoa Schioppa." Cremaschi

also shares Tremonti's criticism of the EU as "a concentration of free-market ideologies and bureaucratic practices," and mentions the European Court sentence against the Swedish trade unions as an example of the EU anti-labor policies. "I do not want to be alarmist, but facing this crisis, either we act immediately, or I see a scenario of destruction."

The two largest parties, Tremonti's own PdL and the Democratic Party (PD), are split down the middle on Tremonti's attack on globalization and support for the New Bretton Woods. Sociologist Luciano Gallino and economist Roberto Gualtieri, who are close to Foreign Minister Massimo D'Alema, have published favorable judgments on Tremonti's proposals, and even the author of the economic program of the PD, Enrico Morando, has admitted that he shares many of the ideas in Tremonti's book, but he feels distant from the PdL economic program. At the same time, economist Renato Brunetta, an advisor to Tremonti's party leader Silvio Berlusconi, attacked Tremonti. "Tremonti is philosophizing," Brunetta wrote in *Il Tempo* (Rome). Brunetta hysterically insisted that there is no alternative to the free market, and that financial derivatives are "legitimate instruments to invest in the markets."

Such a factionalization is very relevant, as it is possible that those two parties will form a Grand Coalition after the vote. Ironically, the Grand Coalition is pushed both by Tremonti and by his enemies in London, but with two different programs and different personnel. London has pushed through its mouthpieces, such as the *Financial Times*, for a Grand Coalition in order to carry out destructive budget cuts, dismantling of the health and pension system, and takedown of the industrial capabilities. Their candidate for Prime Min-

ister is the central banker Mario Draghi, a former Goldman Sachs executive, who has been called “Mr. Britannia,” after *EIR* exposed his role in the famous June 2, 1992 meeting on board of the Queen’s yacht to plan the privatization of the Italian economy.

The opposing option is a Grand Coalition, in which Tremonti would be the economic czar, and politicians, not technocrats, would lead the ship of state in the midst of the greatest economic collapse in history. Who will be prime minister, and whether policy will be dictated by the Tremontis or the Brunettas, depends not only on the power relationships inside the coalition and inside the two parties, the PD and the PdL, but mostly on the power relationships outside of both parties, and outside of Italy. Ultimately, on the outcome of the U.S. Presidential campaign. The two main candidates, Silvio Berlusconi (PdL) and Walter Veltroni (PD) will adapt to whatever the outcome will be. Currently, Berlusconi is a supporter of U.S. Republican Presidential candidate John McCain, and Veltroni a clone of Democratic contender Sen. Barack Obama, running with the same slogan “*Si può fare*” (“Yes, we can”). But they are ready to scrap their slogans and jump in the Hillary camp as soon as a Clinton Presidency were probable.

The “British Party” has reacted to Tremonti’s campaign by trying to outflank it, either in a state of denial, or in a “delphic” way, à la Felix Rohatyn. Take the case of Giuliano Amato, the author of the dictatorial, supranational Lisbon Reform Treaty, which is being imposed on European nations right now. Amato, who now serves as interior minister, was interviewed by the Democratic Party’s *Il Riformista*, as part of its daily debate on Tremonti’s proposals, where he tried slyly placed Fed chairman Ben Bernanke’s systemic bailout and Tremonti’s New Bretton Woods proposal on the same shelf, both as examples of “*Statalismo*,” i.e., state interventionism, to be rejected in favor of a “third way”: one world government.

Amato’s interview is entitled “Oh, my God, the last thing we need is the *Statalisti*.” The nationalization of Northern Rock and the bailout of Bear Stearns are “follies, evidence of frightening derailing,” Amato says, only to add, in an act of black propaganda: “I consider as products of cultural cowardice, those who, out of such necessary but insane interventions, draw the conclusion that the anti-crisis recipe is state intervention.” French President Nicolas Sarkozy wants to reduce the autonomy of central banks? “Wrong solution.”

Tremonti: Globalization Led to First World War

La Repubblica, Italy’s second-largest national newspaper, published March 17 an interview with Giulio Tremonti under the headline: “Globalization creates poverty, let us defend our production. Tremonti: another Bretton Woods for the world order.” The article has a small box explaining that, “The Bretton Woods agreements were signed in July 1944 by 44 anti-fascist nations. They included fixed exchange rates, convertibility of the U.S. dollar into gold, and the birth of the World Bank and the IMF. In 1947, the treaty on trade followed.”

In the interview, Tremonti says among other things: “This crisis is a crisis with a capital ‘C’, unfortunately similar, in many aspects, to 1929. Until now, there has not been a panic, only because public intervention took place, not after financial crashes, but one moment before them. We can get out of it only through a new Bretton Woods, by re-writing the rules of the world order.

“Citing Goethe: ‘This is not the end of the world but of a world.’ The end of the marketist world, the bankruptcy of economists who have either legitimized or misunderstood what was being created: [they are] furious Templars, who are now shouting under the ruins of their mental temple.”

How long will the crisis last? “This is a global, structural crisis. It is not limited to finance, but includes the economy; not limited to the U.S.A., but includes the rest of the world. The liquidity crisis is becoming an insolvency crisis. The technical instruments so far used have a limited usefulness.... We need a concrete and symbolic discontinuity: a new Bretton Woods. In 1944, a new world economic order was founded, and the time has come to replace global disorder with a new global order. The sooner we organize a Bretton Woods, the earlier the crisis will be over.”

Rebuking former European Union commissioner Mario Monti, who wrote that globalization had already begun in 1914, but was “interrupted by the war,” Tremonti says: “What we call now globalization, in 1914, was made by ‘high finance’ but above all, by colonialism, by mass emigrations, and by the violent conflict among mercantile powers. In 1914, it was not the war to terminate globalization, but, combining with other causes, it was that ‘globalization’ that unleashed the war, devouring itself.... Maybe we live in a time that needs more humanists and historians and fewer economists.”

Tremonti defends himself from those who accuse him, with verbal tricks, of “protectionism.” He says that he is not “protectionist” as such, but a “liberal” who believes in “rules that create, correct, and defend the market.” In his book *Fear and Hope*, Tremonti says, he wrote that “Europe must imitate America: protect its industrial production against unfair competition.”

Amato then says that he has for years attended meetings of the Policy Network, the European Blairite grouping, which has already criticized globalization without governance, i.e., they are calling for a one-world government.

Another leading member of the British Party, economist Francesco Giavazzi, who regularly argues the line of the “markets” in the daily *Corriere della Sera*, went the other way: praising “Helicopter Ben” Bernanke’s “wall of money” policy. “Last Sunday, the Fed has ensured the whole mortgage stock in Bear Stearns. This is responsible capitalism, not the end of capitalism as somebody wants to interpret it”; Giavazzi wrote March 21.

Giavazzi is a leading representatives of those whom Tremonti has called “*folli illuminati*” (mad Illuminati) playing with the double meaning of the word: both enlightened but also the name of the famous 19th-Century freemasonic lodge. He has also called them “furious Templars.”

The Privatization Test

The debate over the New Bretton Woods is already having an effect on some of the most important choices which the current government is supposed to take, like the privatization of the national airline company, Alitalia. Alitalia is on the verge of bankruptcy because of the wrong strategic choices made in the past, for instance, to move out of intercontinental routes and compete on short routes with low-cost companies like Ryanair; or, building a second national hub in the new Malpensa airport, on the outskirts of Milan, while continuing to maintain operations at the old Linate airport in the city. Without going too much into the reasons for such wrong choices, suffice it to say, that the Prodi government had decided that Alitalia can be saved from bankruptcy only through privatization, and has mandated the Alitalia board to open negotiations for a takeover by Air France.

However, when Air France presented its bid, on March 11, it was clear that this was a total sellout, aimed at the elimination of Alitalia as a competitor. Air France offered 10 cents per share, and, an exchange of one Air France share for 160 Alitalia shares. Moreover, they presented a plan to shutdown the cargo section, which is operated out of Malpensa, cut all routes to China and India, and reduce Alitalia to a regional airliner based in Rome.

Faced with the outrageous character of the bid, in the context of the electoral debate dominated by the issues raised by Tremonti, the government decided that, had it accepted the bid, it would be mean a devastating electoral defeat. At the same time, the would-be privatizers could not call off the deal with the French airline, or they would probably have faced penalties; thus, they decided that the last word should come from the trade unions, who had already announced that Air France’s offer is unacceptable, especially because of the planned layoffs.

Most probably, no decision will be taken until the elec-

tions, and until a new government is formed. This might take until the end of April; at that point, Alitalia will be the test whether there is a policy shift.

The Time Is Ripe

The outbreak of the debate in Italy over LaRouche’s New Bretton Woods proposal represents the fruition of a process dating back to 2001, when the LaRouche movement there organized a number of political leaders to raise the issue of a new international monetary system in the parliament. Italian members of parliament, were, in part, reacting to the Argentine debt crisis of 2001, and the bankruptcy, in 2003, of the multinational company Parmalat, based in Italy, which brought the disastrous effects of speculative financial policies very close to home. By 2005, the Chamber of Deputies approved a motion for “a new and more just international financial system,” with the objective of “preventing financial crashes and supporting the real economy.” Although, at that time, the government refused to act on the parliamentary initiative, and the discussion of the New Bretton Woods was shelved, the explosion of the global crisis, since July 2007, has placed it, once again, at the top of the agenda.

Interview: Alfonso Gianni

‘I Like LaRouche’s HBPA’: It Puts Citizens First

Alfonso Gianni is Undersecretary for Economic Development in the outgoing Prodi government in Italy. Gianni, who represents the “Rainbow Left” is among the signers of the New Bretton Woods resolution, introduced in the Italian Chamber of Deputies in 2005. He gave this interview to Liliana Gorini of the Italian Movimento Solidarietà on March 20.



gruppi.camera.it

EIR: In your article appearing today in the daily *Libera-zione*, you comment on Giulio Tremonti’s statements in favor of a New Bretton Woods. How do you view the debate on this issue in Italy?

Gianni: It is a discussion which is becoming very interesting. The fundamental reason is that there is a growing ac-

knowledge of the fact that the world order created by capitalist globalization has entered a deep crisis, causing an economic and political problem, and that if we continue down this road, we will have a crisis of unprecedented proportions, with a danger of war and aggression among states. I believe we live in a transitional period. The center of the world capitalist and productive system is moving from the United States to East Asian countries, and this is the cause of a great deal of turmoil. Now, if we want to ensure that this situation does not provoke a new war, both in strict military terms and in economic terms, meaning a bitter trade war with disastrous effects for everyone, we have to identify new instruments of “governance.”

This is the basis of the strength of LaRouche’s proposal for a new global conference on currencies, and the reason we have always considered the proposal valuable and supported it, including the idea of an international currency, such as in the vision of the great [John Maynard] Keynes. Such a system would be able to root out the possibility of savage speculation of a purely monetary nature. This wouldn’t be the only problem, of course, but a New Bretton Woods would be of great assistance in solving the problems in today’s world.

EIR: LaRouche’s Homeowners and Bank Protection Act (HBPA), which provides for a moratorium on foreclosures in the context of such a New Bretton Woods, is presently being discussed and approved in many city councils and state legislatures, such as in Pennsylvania, and some aspects of LaRouche’s proposal [for a moratorium on foreclosures] have been picked up by Hillary Clinton. What do you think about the proposed legislation, and do you think such a proposal would also be possible in Italy?

Gianni: Despite the fact that I support Obama and not

Clinton, which is something I wanted to say, I like LaRouche’s HBPA proposal a lot (as I told him when he came to Rome), because it contains a principle which goes in the opposite direction of the current tendency: the principle is that the State should not worry about bailing out banks when they enter a liquidity crisis, but rather should support citizens who have problems of insolvency, and that turns the perspective around, putting the citizen back at the center, and of course, I like this a lot.

Furthermore, as I had the chance to tell LaRouche at a conference in Italy, it is not possible to adopt legislation in Italy which is identical, but we have to make the effort, and we shall have the opportunity with the new Parliament, in a non-partisan way I hope, to work on a legislative proposal which takes into account the specific features of the Italian situation (mainly the almost totally private banking system), but adopts the same principle: that citizens come first, and that the insolvency of citizens is a social problem and not an individual problem. This means enacting a moratorium on foreclosures, reducing mortgage payments, freezing them for a certain period of time, or doing whatever is needed to ensure that a citizen who took out a mortgage and then saw it increase through no fault of his own, but maybe because of a decision by the European Central Bank he is unable to influence, is not reduced to poverty or loses his flat.

In Italy, this should clearly be accompanied by a program of increased construction of public housing, and lower rents, because buying a house imposes an enormous limitation on the mobility of those who may find work elsewhere; they are often unable to afford a house in the new location, thus give up their jobs and stay where they are, rather than paying very high rents, which is absurd and damages the Italian economic system.

Gianni: Replace Maastricht With a New Bretton Woods

*In an article published March 20 by the Italian daily *Liberazione*, under the headline “An Epochal Crisis,” Alfonso Gianni writes:*

Now, it is clearer than ever ... that it is necessary to contrast the international monetary disorder, by re-proposing a system of agreements to be at the level of what the Bretton Woods was for the world coming out of the [Second World] War. And I would really advise that we not wait for a new world war, to start that. ... This crisis questions the process of world capital financialization from both the economic standpoint and from the standpoint of the free-market and mone-

tarist theories that accompanied it at the political level.

Some ... call it “the derivatives revolution.” It was the introduction, on the financial markets, starting 1979, of these new financial products, derivatives.... The result was a volatility of the system, constantly exposed to risks, which central banks are often unable to face in time and with success.... Nothing more than derivatives represents the level reached by world finance presently. And when this process of abstraction [from the real economy—ed.] reaches its extreme limit, and assets are lacking any value, the castle collapses. This is what we have been watching since August [2007]....

The ridiculous boundaries on the budget imposed by Maastricht do not change.... Now, while we are discussing ratifying the Lisbon Treaty, it has never been more necessary to re-discuss the monetarist basis on which Europe is founded.

World Faces Worst Crisis Since Weimar

In the following statement, released March 15, Italian Sen. Lidia Menapace called for a New Bretton Woods agreement, and for a referendum on the European Union's Treaty of Lisbon, as the only alternatives to a collapse of civilization amidst the unfolding world economic collapse. Menapace, a former Resistance fighter, is an historic figure of Italy's movement for civil and women's rights, and is running for reelection to the Chamber of Deputies, as a candidate for the Rainbow Left coalition (Sinistra Arcobaleno), in the April 13-14 general election.



Italy, like the rest of the world, is facing the most serious economic and social crisis since that of Weimar Germany. Now as then, there are two possible solutions: to defend and guarantee the social state and the victories earned by workers, by creating a new financial and credit system which revives the real economy, and penalizes financial speculation—that is, the New Bretton Woods promoted in the United States by the economist and Democratic leader LaRouche, modeled on that of Franklin Roosevelt. Or else, to give in to austerity measures and wars imposed by new forms of dictatorship.

The Lisbon Treaty which Italy is being asked to ratify, promises to resemble a dictatorship which will cancel not only our national sovereignty on economic policy, but also our Constitution. It further risks transforming the European Union into an aggressive military pact. This is why there are people's initiatives underway in various European countries, such as in Austria, for a referendum on this treaty. According to the German constitutional scholar Prof. Schachtschneider, Lisbon abrogates the neutrality clauses of many countries' constitutions. Thus, Switzerland, Sweden, Austria, Finland, and Malta would be forced to modify the nature of their systems, or remain outside of Europe. It would be better to keep open the possibility of attempting to construct a Europe which is neutral (which doesn't mean unarmed, but, for example, where it is impossible to possess atomic weapons or any nuclear armaments).

Among the "footnotes" which haven't been read by our Members of Parliament, the Treaty re-introduces the death penalty (which we have already struck from the Italian military code). Furthermore, it puts an end to national sovereignty over economic policy, which would signify the end of the social state. I join those who believe that a debate on these drastic measures is indispensable before the treaty is ratified.

Senator Oskar Peterlini

A Global Financial Conference Is Urgent

Italian Sen. Oskar Peterlini, Democratic Party candidate for the general elections April 13-14, issued the following statement from Rome, on March 18:



I am very worried by the situation on the financial markets and the worldwide economic crisis. Throughout the world, families and small investors are damaged by the crisis, because the various types of investments they make are destroyed by the games played by international speculation.

For years, together with Lyndon LaRouche and the Solidarity Movement, I have been calling on Italian institutions to work for a reorganization of international markets. The fact that every city or town has to establish rules for stores and vendors, while international financial markets are left untouched by political authorities, is unacceptable. There is too much speculation, and too many people who make money on the backs of others.

Therefore, it is urgent that governments act to propose and hold a global conference—especially among the most industrialized nations—modelled on Bretton Woods, to coordinate and regulate international markets, and thus return stability and trust to the economy.

We are currently in a transitional phase in Italy, but I hope that after the elections, all of the political groupings, and not only those who win, commit themselves to achieving this fundamental change necessary to deal with the grave international financial crisis.

British Launch 'Great Eurasian War' Drive

by Jeffrey Steinberg

The British oligarchy, working through British intelligence and its longstanding assets and dupes, has launched a series of provocations, aimed at triggering what Lyndon LaRouche has described as a new "Great Eurasian War," pitting the trans-Atlantic powers against China, Russia, India, and other leading Eurasian states. The drive for war is coming from the highest levels of the British oligarchy, and is aimed at preventing, at all costs, the kind of collaboration among the United States, Russia, India, and China advocated by LaRouche, to deal with the onrushing collapse of the post-Bretton Woods global financial system.

As in the 1920s and 1930s, the British oligarchy, today, is pressing for the imposition of fascism in Europe and the Americas, and for malthusian wars across Eurasia, aimed at wiping out the nation-state system, and a vast majority of the population of the planet, to establish a London-run world empire. British Royal Consort Prince Philip would unleash the Four Horsemen of the Apocalypse: He has stated publicly that he would like to be "reincarnated as a particularly deadly virus," in order to drastically reduce the world's population. London is now aggressively moving into the implementation phase of that genocidal scheme, just as it moved in an earlier period to engineer two world wars in Eurasia during the 20th Century, to defeat the spread of American System republicanism across the Atlantic and the Pacific.

Former British Prime Minister Tony

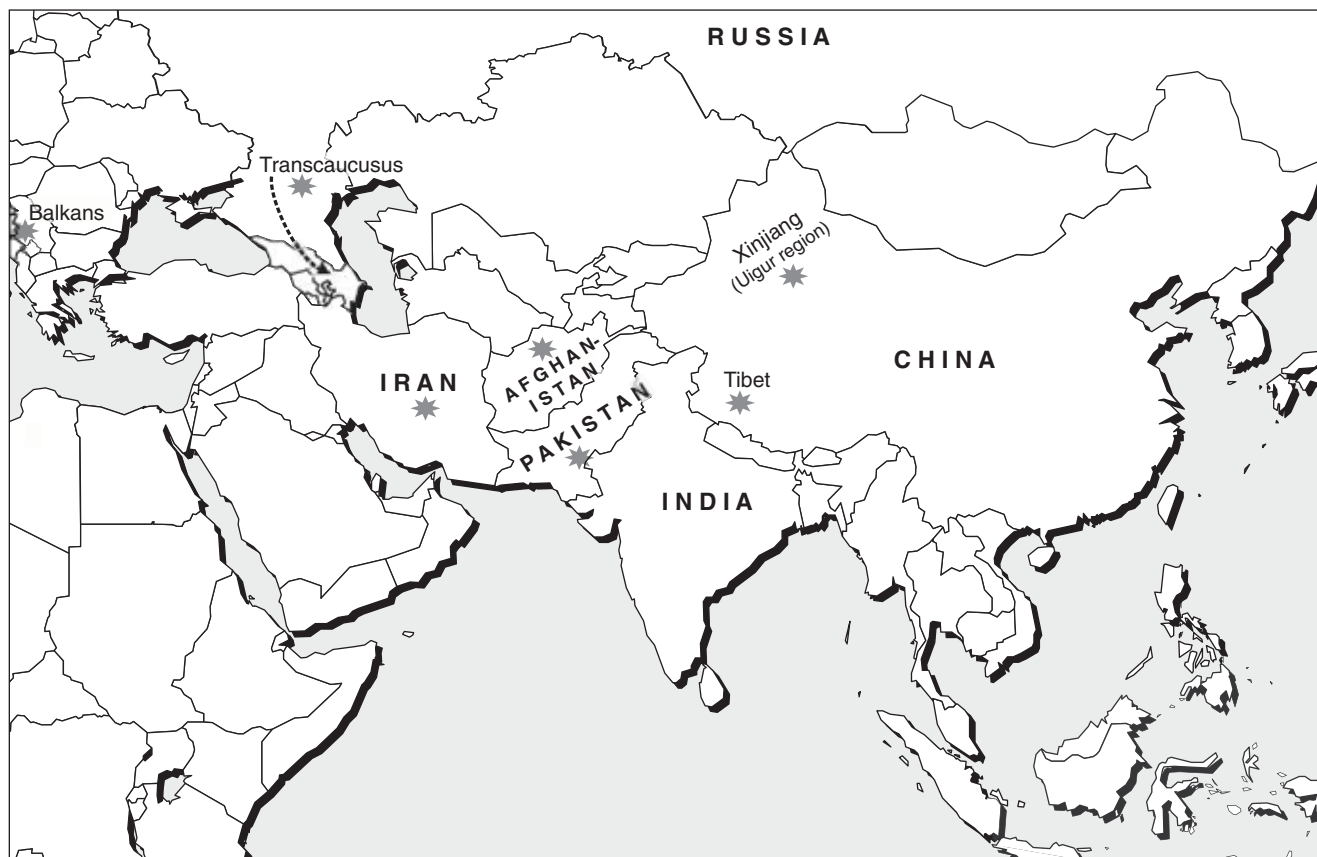
Blair promotes this one-world nightmare as a "post-Westphalian world," a reference to the Treaty of Westphalia of 1648, which ended the Thirty Years War, by establishing the principle of "the benefit of the other," and an acceptance of the idea of a system of sovereign nation-states. Blair, and others, wish to see the era of the nation-state come to a bloody end, starting with the total destruction of the United States from within. Indeed, Blair is peddling these ideas as part of his campaign to be the first president of the European fascist super-state, which would come into being early in 2009, if the European Union's



NATO troops in Afghanistan. Under the European Union's proposed Lisbon Treaty, all EU member nations could be forced to participate in EU/NATO military deployments, in the name of "solidarity"—even if their national constitutions forbid it.

ISAF

FIGURE 1
British ‘Crescent of Crisis’ Targets Russia, India, China



Lisbon Treaty is passed by all the European parliaments.

It is from this standpoint, alone, that the assassinations and other destabilizations of the recent months, in Tibet, in Pakistan/Afghanistan, in the Caucasus, and in the Persian Gulf and Eastern Mediterranean, can be understood. As La-Rouche recently warned: Do not look for local causes, or event-driven explanations for the near-simultaneous outbreak of chaos throughout Eurasia, Africa, and Ibero-America. We are witnessing a top-down, London-orchestrated global confrontation, aimed at spreading permanent chaos across much of the globe, as the British financier oligarchs seek to impose fascism in Europe, and also in the United States, through their corporatist schemes, and their Michael Bloomberg Presidential maneuverings. London vows that under no circumstances will it permit another “Franklin Roosevelt reflex” in the United States, in response to the near-total collapse of the once-dominant American agro-industrial economy, and the onrushing evaporation of the global financial system. London would sooner kill, than see a revival of FDR anti-fascist policy from Washington.

And, while both the Lisbon Treaty and the Felix Rohatyn- and George Shultz-led Bloomberg scheme are meeting with

significant, mounting resistance, the war plans targeting Asia are moving forward with breathtaking speed, despite significant resistance from among the leading Asian nations, themselves.

Venetian ‘Index Cards’

There is a dangerous, widespread belief today, even among leading policy-making circles in the Americas and Europe, that the British Empire is a thing of the past. This dangerous delusion reflects a sorry lack of understanding of the Venetian method of financier oligarchical rule, and could, if not rectified, bring on a New Dark Age of horrible suffering.

Today’s generation of British oligarchs and their vast intelligence establishment operate on the same “Venetian” principles as their predecessors, from the 18th- and 19th-Century epoch of undisputed British global imperial domination, during the heyday of the British East India Company. They always play divide-and-conquer, manipulating religious, ethnic, racial, and cultural fault-lines, to rule by promoting perpetual chaos.

Talk to any well-informed senior intelligence official from a nation targeted for British destabilization. They will all tell



White House/Eric Draper

The British Foreign Office has been playing the “Tibet card” against China for more than a century. British intelligence operative Hugh Richardson, who lived in Tibet during the 1930s and ’40s, was the “handler” of the young 14th Dalai Lama. Here, the Dalai Lama visits President Bush in 2001.

the same story, about British junior officers, sometimes presenting themselves as “cultural anthropologists,” or even journalists, walking from one village to another, in the most remote, God-forsaken areas of their country, updating the card-files on the local tribal sheikhs, religious leaders, and warriors; updating genealogical charts; and following clan disputes from generation to generation. It is this method, and this repository of in-depth profiles of targeted populations, that is key to the Anglo-Dutch “Venetian method.” Very often, the most senior British intelligence operatives deploy from major British universities, such as Oxford and Cambridge; from so-called news organizations, such as *The Economist* and Reuters and BBC; and from the House of Lords.

The Case of Tibet, Now Considered

It is from this vantage point, alone, that the case of the onrushing destabilization of the Chinese province of Tibet—ostensibly launched with anti-Chinese Tibetan independence riots in the capital city of Lhasa on March 10—can be assessed. The target of this destabilization, as well as the soon-to-be unleashed destabilization of China’s Xinjiang Province, by Muslim Uighur separatists, is China. London intends to provoke a confrontation between China and the West, to be the opening phase of a larger Eur-

asian war, soon to target Russia and India as well.

Tibet has been a playground for British intelligence operations against China for more than a century, based on the initial British colonial-era interest in establishing a buffer state between its India colonies and China, and using that buffer state, on key occasions, to provoke actual war.

It was during the early 1930s, as Russia and China were being militarily challenged by Britain’s ally Japan, that Britain trained and armed a separatist army, under the 13th Dalai Lama, to split Tibet out of China. At the same time, Britain trained and armed a Uighur Muslim uprising in southern Xinjiang Province in western China, which promoted then, and still does, to this day, an independent, mythical “East Turkestan.”

In May 1933, the Soviet news agency TASS reported on the Uighur uprising and its links to the British-led actions in Tibet, in terms that could easily describe the British plans being activated today: The Xinjiang uprising, TASS wrote, “must be considered as definitely connected with the operations of Tibetan troops. . . . There is no doubt that interested imperialist countries are endeavoring to utilize the present moment to set up in Xinjiang, a Mohammedan state hostile to China, which would

be dependent upon them and would serve as a buffer between the U.S.S.R. and China in the northwest, just as ‘Manchukuo’ [the Japanese puppet state] does in the northeast.”

One of the architects of those 1930s Tibetan and Xinjiang operations for British intelligence was Hugh Richardson



savetibet.org

Protesters in Tibet during the recent upsurge of unrest. Such separatist movements cannot be understood without looking at the global strategic perspective.

(1905-2000), a third-generation veteran of the British Foreign Office's India Office, who spent nine years in Tibet during the 1930s and 1940s, and became the British "handler" of the young 14th Dalai Lama, as well as the protector, after World War II, of the leading Nazi agents in Tibet, including Heinrich Harrer and Bruno Beger. A recipient of the Order of the British Empire, Richardson was the architect of the "independent" Tibet hoax, and recruited a next generation of British intelligence Tibet-handlers, including Michael Aris (the husband of Aung San Suu Kyi, the British intelligence-run Myanmar "opposition" leader). Upon his "retirement" in 1951, Richardson established the Tibet Society of the U.K., at the time the only non-governmental organization in the world that disputed Chinese sovereignty over Tibet; and later founded the Richardson Foundation, to recruit young Tibetans to British service.

Richardson, himself, had been recruited and trained by Basil Gould and Sir Charles Bell, two earlier Tibet handlers for the British secret services, who had worked on the original British invasion of Tibet in 1903, with Francis Younghusband, the military commander of that operation, which, in effect, sealed off Tibet from China. Richardson was the author of se-

cret British intelligence profiles on Tibet, and a series of published works, profiling the culture and history of the Himalayan region.

U.S. Institutional Loss of Memory

During the 1920s and 1930s, the General Staff of the United States military maintained war plans, which included plans for a U.S. war against the Anglo-Japanese axis. The British targeting of China, described above, was well known among American intelligence specialists, and "War Plan Red-Orange," the specific American plan to fight against Great Britain and Japan, was regularly updated, and considered a very real proposition. Today, the mere historical existence of U.S. war plans to fight Britain is almost unknown, except among a rare breed of military historians of the period.

The unravelling British campaign to break up China, as an opening shot in a Eurasian war, pitting Europe and the United States against China, India, and Russia, poses a grave danger—particularly as the Bush Administration, leading Congressional Democrats like Speaker of the House Nancy Pelosi (D-Calif.), and most European governments, fall in, lock-step, behind the British schemes, out of ignorance or worse.

Taiwan Votes for China Against the British

The pro-China Kuomintang (KMT) party's candidate for President, Ma Ying-jeou, won a landslide victory in the Presidential elections on Taiwan March 22, defeating Democratic Progressive Party (DPP) candidate Frank Hsieh by 58.45% to 41.55%. Ma's victory comes after eight years of the DPP's pro-independence President, Chen Shui-bian, who is an ally of the British and Dick Cheney.

Lyndon LaRouche characterized the election result as part of a broader continental alliance against British war machinations in Eurasia, starting with China. LaRouche noted that the British are having a hard time selling their lies this time around; they are not being bought, by and large, except for by a few dumb legislators, like U.S. Speaker of the House Nancy Pelosi, "who has a screwed up personality."

Helga Zepp-LaRouche, the chairwoman of the German Civil Rights Solidarity Movement (BüSo) party, also welcomed the election results. She quoted Friedrich Schiller: "Even the most sinister plans of the tyrant can be defeated, if people are working together resolutely on a plan for the Good."

The strong KMT victory is all the more important, be-

cause Frank Hsieh has been playing up the unrest in Tibet, and the Chinese government's reaction, as a potential threat for Taiwan. The international media played a role, by claiming that the polls were swinging rapidly against the KMT because of anger over Chinese "oppression." Hsieh's cross-strait policy was for "strengthening ties with China, but we should not put all our hope and focus on that country."

As Ma Ying-jeou voted today, he said: "If I win, I will soon start discussions with the Chinese authorities on matters of normalizing economic relations, peace, and international space for Taiwan." This victory will badly weaken the potential for the British to play Taipei against Beijing.

The results show a real mandate for President Ma and the KMT as a whole, since 75.7% of eligible voters went to the polls.

On top of this, the referenda placed on the ballot, calling for Taiwan to join the United Nations as either "Taiwan" or the "Republic of China" (a provocation against the historic One China policy) were boycotted by the voters, as recommended by the KMT, thus defeating them by not having a majority of the electorate participating, as required by law. Only 36% of the electorate cast ballots on the referenda.

The KMT and its allies are now in a very strong position. In the January elections for the national Legislative Yuan, the KMT and its two allied parties won some 75% of the seats, and they also hold the mayoralties in 15 of the 25 biggest cities in Taiwan.—*Mary Burdman*

LaRouche Was Right!

During late 1971, beginning with President Nixon's sinking of the U.S. dollar, the LaRouche movement defined its membership in terms of a commitment to the perspective which Lyndon LaRouche outlined during the weeks immediately following his Aug. 31 statement on the implications of Nixon's actions. A debate at Queens College, later that same year, defined his association's international outlook and commitments with respect to the then-current and subsequent course of history.

Since then, there has never been a moment of continuing history in which the course of developments has not corresponded to those characteristics which were identified by LaRouche as the continued unfolding of the perspective which he had set forth since Aug. 31, 1971, as qualified by the warning he presented as the core of his debate with Prof. Abba Lerner at Queens College.

Back in the September-December period of 1971, the response to LaRouche's perspective was immediate, and politically explosive. LaRouche was one of the few economists who had forecast the breakdown of the monetary system—and the *only* economist who presented a sound political alternative to the impending disaster of global fascism, should immediate anti-monetarist reforms not be taken. As the fundamental questions of the economic survival of the human race took center stage, youth, in particular, flocked to join the LaRouche movement, and to fight for a human future for all mankind.

Today, with the blowout of the international financial system, as presented in our lead article, we have reached what could be called the "other side" of 1971. The process of destruction of sovereign governments' control over their currencies, and of their ability and willingness to defend the general welfare, which began with taking the dollar off gold, has reached the point where the political question is called: Will citizens take back their governments, so they can defend themselves from destruction, or will a new global British Empire take control of the planet, with an ensuing wave of war and depopulation, only comparable to that of the 14th-Century Black Death?

Contrary to the drivel you might read in the paper, or hear from the Presidential candidates, knowledge of the depth of this crisis is widespread. Leading policy-makers around the world have instinctively responded to the news of Bear Stearns' bailout, and the central bankers' panic, with the statement "LaRouche was right." That's not surprising: Dramatic events have occurred that prove LaRouche was right, even to a schnook. Only an idiot, or a liar, would deny the truth of that statement today.

But what is required today, is not just an honest acknowledgement of that truth. Now is the time that political leadership is defined by action, specifically action to implement the emergency measures that can reverse the global breakdown crisis, and put the world economy on the road to recovery.

Immediately, the necessary impetus for action will come, not from Congress, but from local political leaders, those individuals who work with and are responsive to their constituencies among the lower 80% of income brackets. Already, over the last two weeks, there has been a sharp uptick in response from this population layer, relevant to the passage of LaRouche's Homeowners and Bank Protection Act. We are on the edge of a stampede, as people realize what LaRouche has said all along: This is a *banking* crisis, not a housing crisis, and we need a firewall now! And when that stampede gets going, Congress is going to get the message, real fast.

The other urgent measures that must be taken after the HBPA is passed, are laid out in LaRouche's "Three Steps to Survival," reprinted elsewhere in this issue.

As in 1971, we have reached a historical turning point. No political leader during the '70s, or the '80s, or the '90s, had the courage to break out of politics as usual, and tell the truth about the direction in which the world financial system was headed. No leader but LaRouche himself, had the courage to prescribe the solutions.

We've suffered the consequences of that failure, but now we have no choice. Heed the words of LaRouche: Either we force implementation of his Three Steps to Survival, or kiss civilization goodbye.

See LaRouche on Cable TV

INTERNET

- LAROCHEPUB.COM Click *LaRouche's Writings*. (Avail. 24/7)
- RAVITELEVISION.COM Click *Live Stream*. Mon & Thu 11 am; Wed & Fri 10:30 pm
- SCAN-TV.ORG Click *Scan on the Web*. Sat 2 pm Pac
- WUWF.ORG Click *Watch WUWF-TV*. Last Mon 4:30-5 pm (Eastern)

ALABAMA

- BIRMINGHAM BH Ch.4: Wed 11 pm
- UNIONTOWN GY Ch.2: Mon-Fri every 4 hours; Sun Afternoons

ALASKA

- ANCHORAGE GCI Ch.9: Thu 10 pm

CALIFORNIA

- BEVERLY HILLS TW Ch.43: Wed 4 pm
- CLAYTON/CONCORD CO Ch.26: 2nd Tue 7 pm; AS Ch.31: Tue 7:30 pm
- CONTRA COSTA CC Ch.26: 2nd Tue 7 pm
- COSTA MESA TW Ch.35: Thu 5:30 pm
- HOLLYWOOD TW Ch.24: Tue 4:30-5 pm
- LANCASTER/PALMDALE TW Ch.36: Sun 1 pm
- LONG BEACH CH Analog Ch.65/69 & Digital Ch.95: 4th Tue 1-1:30 pm
- LOS ANGELES TW Ch.98: Wed 3-3:30 pm
- LOS ANGELES (East) TW Ch.98: Mon 2 pm
- MARINA DEL REY TW Ch.98: Wed 3 pm; Thu/Fri 4 pm
- MIDWILSHIRE TW Ch.24: Tue 4:30-5 pm
- ORANGE COUNTY (N) TW Ch.95/97/98: Fri 4 pm
- SAN FDO. VALLEY (East) TW Ch.25: Sun 5:30 pm
- SAN FDO. VALLEY (NE) CC Ch.20: Wed 4 pm
- SAN FDO. VALLEY (West) TW Ch.34: Wed 5:30 pm
- SANTA MONICA TW Ch.77: Wed 3-3:30 pm
- WALNUT CREEK CO Ch.6: 2nd Tue 7 pm; AS Ch.31: Tue 7:30 pm
- VAN NUYS TW Ch.25: Sun 5:30 pm

COLORADO

- DENVER CC Ch.56 Sun 10 am

CONNECTICUT

- GROTON CC Ch.12: Mon 5 pm
- NEW HAVEN CC Ch. 23: Sat 6 pm

DISTRICT OF COLUMBIA

- WASHINGTON CC Ch.95 & RCN Ch.10: Irregular Days/Times

FLORIDA

- ESCAMBIA COUNTY CX Ch.4: Last Sat 4:30 pm

ILLINOIS

- CHICAGO CC./RCN/WOW Ch.21: Irregular
- PEORIA COUNTY IN Ch.22: Sun 7:30 pm

- QUAD CITIES MC Ch.19: Thu 11 pm
- ROCKFORD CC Ch.17 Wed 9 pm

IOWA

- QUAD CITIES MC Ch.19: Thu 11 pm

KENTUCKY

- BOONE/KENTON COUNTIES IN Ch.21: Sun 1 am; Fri Midnight
- JEFFERSON COUNTY IN Ch.98: Fri 2-2:30 pm

LOUISIANA

- ORLEANS PARISH CX Ch.78: Tue 4 am & 4 pm

MAINE

- PORTLAND TW Ch.2: Mon 1 & 11 am; 5 pm

MARYLAND

- ANN ARUNDEL Annapolis Ch.76 & Milleneum Ch.99: Sat/Sun 12:30 am; Tue 6:30 pm
- P.G. COUNTY CC Ch.76 & FIOS Ch.38: Tue/Thu 11:30 am
- MONTGOMERY COUNTY CC Ch.21: Tue 2 pm & Fri 11 pm

MASSACHUSETTS

- BRAINTREE CC Ch.31 & BD Ch.16: Tue 8 pm
- CAMBRIDGE CC Ch.10: Tue 2:30 pm; Fri 10:30 am
- FRANKLIN COUNTY (NE) CC Ch.17: Sun 8 pm; Wed 9 pm; Sat 4 pm
- WALPOLE CC Ch.8: Tue 1 pm

MICHIGAN

- BYRON CENTER CC Ch.25: Mon 2 & 7 pm
- DETROIT CC Ch.68: Irregular
- GRAND RAPIDS CC Ch.25: Irreg.
- KALAMAZOO CH Ch.20: Tue 11 pm; Sat 10 am
- KENT COUNTY (North) CH Ch.22: Wed 3:30 & 11 pm
- KENT COUNTY (South) CC Ch.25: Wed 9:30 am
- LAKE ORION CC Ch.10: Mon/Tue 2 & 9 pm
- LANSING CC Ch.16: Fri Noon.
- LIVONIA BH Ch.12: Thu 3 pm
- MT. PLEASANT CH Ch.3: Tue 5:30 pm; Wed 7 am
- PORTAGE CH Ch.20 Tue/Wed 8:30 am; Thu 1:30 pm
- SHELBY TOWNSHIP CC Ch.20 & WOW Ch.18: Mon/Wed 6:30 pm
- WAYNE COUNTY CC Ch.16/18: Mon 6-8 pm

MINNESOTA

- CAMBRIDGE US Ch.10: Wed 6 pm
- COLD SPRING US Ch. 10: Wed 6 pm
- COLUMBIA HEIGHTS CC Ch.15: Wed 8 pm
- DULUTH CH Ch.20: Mon 9 pm; Wed 12 pm, Fri 1 pm
- MINNEAPOLIS TW Ch.16: Tue 11 pm
- MINNEAPOLIS (N. Burbs) CC Ch.15: Thu 3 & 9 pm
- NEW ULM TW Ch. 14: Fri 5 pm
- PROCTOR MC Ch. 12: Tue 5 pm to 1 am

- ST. CLOUD AREA CH Ch.12: Mon 9:30 pm
- ST. CROIX VALLEY CC Ch.14: Thu 1 & 7 pm; Fri 9 am
- ST. LOUIS PARK CC Ch.15: Sat/Sun/M/T Midnite, 8 am, 4 pm
- ST. PAUL CC Ch.15: Mon 10 pm
- ST. PAUL (S&W Burbs) CC Ch.15: Wed 10:30 am; Fri 7:30 pm
- SAULK CENTRE SCTV Ch.19: Sat 5 pm
- WASHINGTON COUNTY (South) CC Ch.14: Thu 8 pm

MISSOURI

- ST. LOUIS CH Ch.22: Wed 5 pm; Thu 12 Noon

NEVADA

- WASHOE COUNTY CH Ch.16: Thu 2 pm

NEW HAMPSHIRE

- MANCHESTER CC Ch.23: Thu 4:30 pm

NEW JERSEY

- BERGEN CTY TW Ch.572: Mon & Thu 11 am; Wed & Fri 10:30 pm
- HADDON TWP CC Ch.9: Sun 10 am
- MERCER COUNTY CC Trenton Ch.26: 3rd & 4th Fri 6 pm
- WINDSOR Ch.27: Mon 5:30 pm
- MONTVALE/MAHWAH CV Ch.76: Mon 5 pm
- PISCATAWAY CV Ch.22: Thu 11:30 pm
- UNION CC Ch.26: Irregular

NEW MEXICO

- ALBUQUERQUE CC Ch.27: Thu 4 pm
- LOS ALAMOS CC Ch.8: Wed 10 pm
- SANTA FE CC Ch.8: Thu 9 pm; Sat 6:30 pm
- SILVER CITY CC Ch.17: Daily 8-10 pm

NEW YORK

- ALBANY TW Ch.18: Wed 5 pm. TW Ch.572: Mon & Thu 11 am; Wed & Fri 10:30 pm
- BETHLEHEM TW Ch.18: Thu 9:30 pm
- BRONX CV Ch.70: Wed 7:30 am
- BROOKLYN CV Ch.68: Mon 10 am TW Ch.35: Mon 10 am TW Ch.572: Mon & Thu 11 am; Wed & Fri 10:30 pm
- CHEMUNG TW Ch.1/99: Tue 7:30 pm
- ERIE COUNTY TW Ch.20: Thu 10:35 pm
- IRONDEQUOIT TW Ch.15: Mon/Thu 7 pm
- JEFFERSON/LEWIS COUNTIES TW Ch.99: Irregular
- ONEIDA COUNTY TW Ch.99: Thu 8 or 9 pm
- PENFIELD TW Ch.15: Irregular
- QUEENS TW Ch.35: Tue 10:30 am; TW Ch.572: Mon & Thu 11 am; Wed & Fri 10:30 pm
- QUEENSBURY TW Ch.71: Mon 7 pm
- ROCHESTER TW Ch.15: Sun 9 pm; Thu 8 pm
- ROCKLAND CV Ch.76: Mon 5 pm

- SCHENECTADY TW Ch.16: Fri 1 pm; Sat 1:30 am
- STATEN ISLAND TW Ch.35: Thu Midnite. Ch.34: Sat 8 am. Ch 572: Mon & Thu 11 am; Wed & Fri 10:30 pm
- TOMPKINS COUNTY TW Ch.13: Sun 12:30 pm; Sat 6 pm
- TRI-LAKES TW Ch.2: Sun 7 am, 1 pm, 8 pm
- WEBSTER TW Ch.12: Wed 9 pm

NORTH CAROLINA

- HICKORY CH Ch.3: Tue 10 pm
- MECKLENBURG COUNTY TW Ch.22: Sat/Sun 11 pm

OHIO

- AMHERST TW Ch.95: Daily 12 Noon & 10 pm
- CUYAHOGA COUNTY TW Ch.21: Wed 3:30 pm
- OBERLIN Cable Co-Op Ch.9: Thu 8 pm

OKLAHOMA

- NORMAN CX Ch.20: Wed 9 pm

OREGON

- LINN/BENTON COUNTIES CC Ch.29: Tue 1 pm; Thu 9 pm
- PORTLAND CC Ch.22: Tue 6 pm. Ch.23: Thu 3 pm

RHODE ISLAND

- E. PROVIDENCE CX Ch.18: Tue 6:30 pm
- STATEWIDE RI I CX Ch.13 Tue 10 pm

TEXAS

- HOUSTON CC Ch.17 & TV Max Ch.95: Wed 5:30 pm; Sat 9 am
- KINGWOOD CB Ch.98: Wed 5:30 pm; Sat 9 am

VERMONT

- GREATER FALLS CC Ch.10: Mon/Wed/Fri 1 pm
- MONTPELIER CC Ch.15: Tue 9 pm; Wed 3 pm

VIRGINIA

- ALBEMARLE COUNTY CC Ch.13: Sun 4 am; Fri 3 pm
- ARLINGTON CC Ch.33 & FIOS Ch.38: Mon 1 pm; Tue 9 am
- CHESTERFIELD COUNTY CC Ch.6: Tue 5 pm
- FAIRFAX CX Ch.10 & FIOS Ch.10: 1st & 2nd Wed 1 pm; Sun 4 am. FIOS Ch.41: Wed 6 pm
- LOUDOUN COUNTY CC Ch.98 & FIOS Ch.41: Wed 6 pm
- ROANOKE COUNTY CX Ch.78: Tue 7 pm; Thu 2 pm

WASHINGTON

- KING COUNTY CC Ch.29/77: Tue 10 am
- TRI CITIES CH Ch. 13/99: Mon 7 pm; Thu 9 pm
- WENATCHEE CH Ch.98: Thu 1 pm

WISCONSIN

- MARATHON CH Ch.10: Thu 9:30 pm; Fri 12 Noon
- MUSKEGO TW Ch.14: Sat 4 pm; Sun 7 am

WYOMING

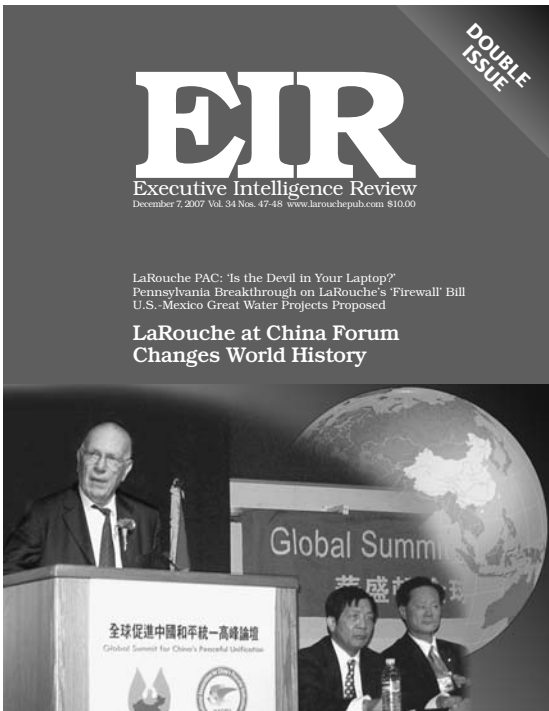
- GILLETTE BR Ch.31: Tue 7

MSO Codes: AS=Astound; BD=Beld; BR=Bresnan; BH=BrightHouse; CV=Cablevision; CB=Cebridge; CH=Charter; CC=Comcast; CX=Cox; GY=Galaxy; IN=Insight; MC=MediaCom; TW=TimeWarner; US=US Cable. FIOS=Verizon FIOS-TV.

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