

# EIR

Executive Intelligence Review

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LaRouche Tells France: There Is a Basis for Optimism  
Who Will Prevent 'Apocalypse' in Bankrupt Europe?  
Isotopes & Life: Considerations for Space Colonization

**To Restore Glass-Steagall:  
Dump Barney Frank Now!**



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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 Managing Editor

Why does a photo of Rep. Barney Frank deserve to grace the cover of our magazine? What is so important about the non-kosher Frank, the Blarney from Boston, that dumping him would enable us to institute a global Glass-Steagall system and to fix the bankrupt economy?

Jeffrey Steinberg's cover story nails this sophist and liar. While Blarney claims that he voted against the Gramm-Leach-Bliley bill that repealed the Glass-Steagall Law in 1999, the fact is that he *fully supported* all of its pro-Wall Street provisions, but only wanted the new law to include some handouts for the poor. "We give the financial institutions everything they have asked for," he crowed. Now, think about why Frank played a key role, with House Speaker Nancy Pelosi, in blocking Lyndon LaRouche's Homeowners and Bank Protection Act of 2007. LaRouche's bill would have hung the Wall Street speculators out to dry, along with their multi-trillion-dollar derivatives, while freezing home foreclosures and protecting the productive investments of commercial banks.

Steinberg puts together other pieces of the historical puzzle, including the Anglophile investment bank JP Morgan, which circulated a memo in 1984, "Rethinking Glass-Steagall." Morgan director Alan Greenspan, who became Federal Reserve chief in 1987, proceeded on that track, and derivatives trading began.

In *Economics*, John Hoefle develops the history of the derivatives fight from his personal knowledge. LaRouche had warned again and again of the danger derivatives represented. Hoefle testified on Sept. 8, 1993, at the invitation of Rep. Henry Gonzalez, before the House Banking; he relayed LaRouche's warnings and provided detailed intelligence to Congress on why the burgeoning derivatives market would bring the economy down.

Fast-forward to the present: Helga Zepp-LaRouche reports on the corruption of European governments which is blocking them from supporting a global Glass-Steagall plan—even as some in Europe are beginning to see the light. In the United States, LaRouche PAC is organizing up a storm for Glass-Steagall, with the Congressional campaigns of Rachel Brown, Kesha Rogers, and Summer Shields taking the lead.

LaRouche's webcast on June 26 ([www.larouchepac.com](http://www.larouchepac.com)) will give an updated battle report, with marching orders for citizens ready to fight to prevent the coming financial explosions.



## Cover This Week

*Bailout Barney  
can't hide from  
LaRouche  
Democrat  
Rachel Brown:  
His days in  
Congress are  
numbered.*



World Economic Forum/swiss-imatge.ch/Michael Würtenberg

### **4 To Restore Glass-Steagall: Dump Barney Frank Now!**

House Financial Services Committee chairman Barney Frank's lying and sophistry are being exposed by his opponent, LaRouche Democrat Rachel Brown, who has nailed Frank on his key role in the take-down of Glass-Steagall, on behalf of the Boston Brahmin bankers of the "Vault," and his sabotage of Lyndon LaRouche's Homeowners and Bank Protection Act. Brown faces Frank in the Massachusetts Democratic primary on Sept. 14.

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Lyndon LaRouche addressed the General Assembly in Paris of Solidarité et Progrès, the French political party led by longtime LaRouche associate Jacques Cheminade, on June 13, via electronic hookup. The great mistake, LaRouche said, in most political thinking about economy, is that people tend to think that history is driven by events. But significant events are generated by history, not history by events.



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Jacques Cheminade, leader of Solidarité et Progrès party in France, has announced his candidacy for the Presidential elections of 2012, to rally resistance to the new financial fascism which threatens worldwide. Cheminade is the only candidate to embody the spirit of resistance, exemplified by de Gaulle's June 1940 "Appeal to the French People," to resist the Nazi takeover of France.

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By Helga Zepp-LaRouche. If the European governments continue to submit to the dictates of the EU, and if they keep increasing their sovereign debts with inflationary methods, just to save the gambling banks, and, at the same time, brutally cut the living standards of the poor and near-poor portions of the population, then an "Apocalypse" will threaten us very soon, even as early as July 1.

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Derivatives have never served any purpose other than as a mechanism by which a bankrupt financial system could pretend to be solvent. Derivatives are, in truth, the biggest pyramid scheme the world has ever seen—and one that has now collapsed.

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# To Restore Glass-Steagall: Dump Barney Frank Now!

by Jeffrey Steinberg

June 21—In response to a direct challenge from LaRouche Democrat Rachel Brown, who is running against him for the party's Congressional nomination in the Sept. 14 Massachusetts primary election, Rep. Barney Frank (D-Mass.) lied through his teeth. Brown has focussed her campaign on the reinstatement of the Glass-Steagall Act, the FDR-era law that created a wall of separation between the commercial banks, and investment banks and insurance companies. Brown has also called for the impeachment of President Barack Obama, and for an expansion of the NASA manned space program, which President Obama has shut down, with Frank's support.

Appearing together before the Brookline Democratic Club June 13, Brown accused Frank of being one of the engineers of the destruction of Glass-Steagall, and one of Wall Street's and London's key defenders on Capitol Hill.

In response to Brown, Barney blustered, like the slimy sophist he is, that he had voted against the repeal of Glass-Steagall, and that the "financial reform" bill now working its way through the House-Senate conference would be the strongest banking reform bill since the New Deal.

About the only true thing that Barney said was that he did, strictly speaking, vote against the Gramm-Leach-Bliley bill, the 1999 Financial Services Modernization Act that repealed Glass-Steagall—but he fully

supported the core section of the bill which destroyed the FDR firewall.

## 'Everything the Banks Asked for'

In fact, the record shows that Frank explicitly supported the provisions of the 1999 bill which repealed Glass-Steagall, praising the portions of the Gramm-Leach-Bliley Act which allowed the merger of investment and commercial banking. Speaking on the floor of the House on July 1, 1999, during the debate on H.R. 10 (then known in the House as the "Leach bill"), Frank explained that he was only voting against the bill because of its failure to strengthen the Community Reinvestment Act—the anti-redlining law which required banks to invest in low-income communities.

But "on the subjects that it deals with, it does a good job," Frank said. "It is a good piece of legislation for setting forth the conditions for the financial services industry, central to capitalism. It is a good situation in which the intermediation function of the financial services industry can go forward"—using the codewords for the tools of the speculators such as hedge funds and derivatives.

"We go forward and we provide the conditions and improve the conditions for wealth to be generated, and I am for that," Frank continued, adding that, "*I would vote for this bill if we were talking simply about these conditions and no other were relevant,*" but explaining



CNN videograb

*LaRouche Democrat Rachel Brown (shown here at a Boston town meeting in January) has cornered Bailout Barney, more than once, about his toadying for the Wall Street and London banks. Here, Frank tries to fend off angry questions from constituents last August.*

LPAC-TV videograb

that he cannot vote for this bill “while at the same time we refuse to address the serious problem of poverty in the inner cities” (emphasis added).

Referring to the “tragedy of this bill,” Frank declared: “It is a good bill in what it does, but it is a bad bill in what it does not do.” He congratulated those who had worked up “the banking provisions that deal specifically with financial services.”

When the House voted on Nov. 4, 1999 on the final bill (S. 900) as embodied in the Conference Report, Barney repeated his support for the provisions repealing Glass-Steagall. Calling it “half a bill” for what it did not do, Barney lavishly praised what the bill *did* do. “It does a very good job of creating the conditions in which the capitalist institutions can flourish, and that is a good thing,” Frank gushed. “We want capital to move freely. *We give the financial institutions everything they have asked for*” (emphasis added).

### **For the Banks, Not the People**

And since the Nov. 4, 1999 repeal of Glass-Steagall, Barney Frank has been a powerful and consistent advocate of Wall Street interests—against the interests of the vast majority of Americans.

- In 2007, Frank, as chairman of the House Financial Services Committee, boasted that he had played a central role in blocking any consideration of the Homeowners and Bank Protection Act (HBPA), the emer-

gency law proposed by Lyndon LaRouche, and endorsed by hundreds of city councils, state legislatures, and leading politicians and labor leaders throughout the United States, that would have put an indefinite freeze on home foreclosures, and placed the banking system under bankruptcy protection, under revived Glass-Steagall standards.

- In the ongoing deliberations on a banking reform bill, Frank blocked any House consideration of Glass-Steagall, by preventing two House bills, introduced by Reps. Maurice Hinchey (D-N.Y.) and John Dingell (D-Mich.), from coming up for debate and vote. Both bills were referred to Frank’s Financial Services Committee, and Frank tossed them in the trash can. He also blocked the Hinchey bill from being added to the House version of financial reform as an amendment.

- Now, Frank continues to bat for Wall Street, in the effort to remove an amendment, incorporated into the Senate bill, under the sponsorship of Sen. Blanche Lincoln (D-Ark.), that would force banks to divest their derivatives trading desks. The Lincoln amendment, now Title 7 of the Dodd bill, is under massive attack from Wall Street’s super-banks, and Barney has made clear which side of the barricades he is on.

On May 21, following a meeting at the White House, Frank publicly trashed the Lincoln amendment, declaring that it went “too far,” and immediately, stock prices for Goldman Sachs and other mega-

banks that would be hard hit by the derivatives ban, shot up.

When a group of New York Congressmen, led by Rep. Gary Ackerman (D), sent a letter on June 14, to Speaker of the House Nancy Pelosi, House Majority Leader Steny Hoyer, Rep. Colin Peterson, and Frank, demanding that the Lincoln amendment be killed, Frank boasted that he had encouraged the New Yorkers to keep pressing for its removal. In a June 15 interview with the *Huffington Post*, he stated: “It’s a legitimate concern of theirs, and I told them they should keep arguing.”

Ackerman had flagrantly threatened to defeat the bill if the Lincoln provisions remained intact, boasting that the entire 26-member New York delegation would defend Wall Street at all costs. “Wall Street is one of our umbilical cords, it’s the oxygen,” he told the *Huffington Post*.

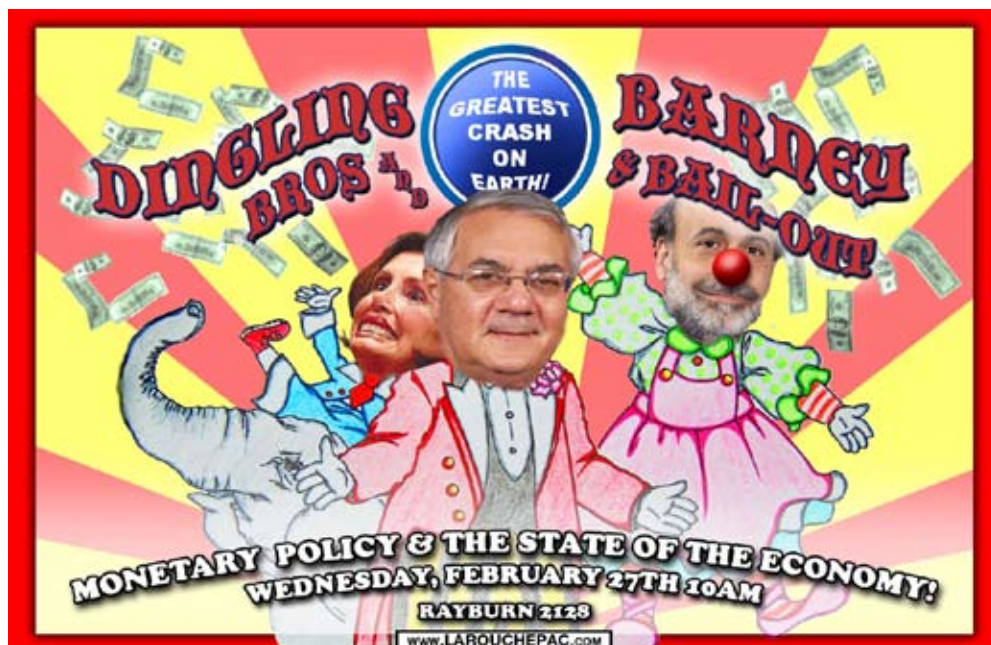
But, the dark secret that Barney Frank desperately wishes to keep hidden, especially as the election campaign heats up, is that he has been, for the entire time he has served in the House of Representatives (beginning January 1981), Alan Greenspan’s boy-toy.

A review of the 15-year Wall Street and City of London drive to kill Glass-Steagall tells the story.

### JP Morgan Declares War

In December 1984, JP Morgan, the Wall Street investment houses with the longest British pedigree, circulated an internal pamphlet, prepared by a team of in-house economists led by William C. Dudley. The pamphlet, “Rethinking Glass Steagall,” was a call for an offensive to break the Glass-Steagall Act, and return to the pre-FDR era of unbridled financier cartelization. At the time, Greenspan was a JP Morgan director, and he would go on to be the single most important player in the takedown of Glass-Steagall.

“Rethinking Glass Steagall” was subtitled, “The



*Barney and the Bailout Clowns, Nancy Pelosi and Ben Bernanke.*

LPAC

case for allowing bank holding company subsidiaries to underwrite and deal in corporate securities.” The report summary was explicit: “Fundamental changes in our economy, important shifts in the demand for financial services, and the resulting competition among different classes of financial institutions in recent years have produced what is aptly termed a revolution in the financial services market. In this environment, competitive inequalities inherent in the rigid segmentation of the financial services industry provide another compelling reason to rethink Glass-Steagall.

“This study analyzes the major issues raised by proposals to allow bank holding company subsidiaries to underwrite and deal in corporate debt and equity securities. It first examines the arguments most commonly made to justify preservation of artificial barriers to competition imposed by Glass-Steagall and finds these arguments have little merit.”

The conclusions that Morgan reached come as no surprise: “The study concludes, and Morgan believes, that there is no valid reason to preserve the securities industry’s protected position in capital markets.” In other words, Glass-Steagall had to go.

### Morgan’s Greenspan Takes Charge of the Fed

Three years after JP Morgan concluded that Glass-Steagall had to be crushed, Alan Greenspan took over the Federal Reserve. In short order, Greenspan began



to implement the takedown of Glass-Steagall, precisely as it was spelled out in the Morgan blueprint.

One of the tools that Greenspan employed, in illegally destroying Glass-Steagall years before the formal 1999 repeal, was the discretionary authority vested in the Fed chairman, based on a provision written into the Bank Holding Company Act of 1956. The bill was intended to strengthen regulation of bank holding companies, and restrict interstate banking. However, the added powers vested in the Federal Reserve Board were abused by Greenspan, to allow banks to engage in securities trading.

Prior to Greenspan's arrival at the Fed, banks were only allowed to generate 5% of their earnings from non-commercial banking activities. Through the early 1990s, according to economic historian Charles Geisst, among others, Greenspan steadily boosted the percentage, to the point that, by 1996, banks were allowed to generate up to 25% of their earnings by investment banking.

However, under Glass-Steagall, which was still in force, commercial banks were barred from owning brokerage houses or insurance companies, despite the fact that they were allowed now to engage in significant amounts of securities marketing.

Those barriers were smashed by Greenspan, in 1988, when he granted a waiver to Travelers Insurance Company, then headed by Sanford Weill, to buy Citibank. Travelers owned Salomon Smith Barney, a large investment bank. The Travelers-Citibank merger, for the first time since the passage of Glass-Steagall in 1933, allowed a single bank holding company to own a commercial bank, an insurance company, and an investment bank.

It was a clear violation of the law, but Greenspan, in his zeal to kill Glass-Steagall, granted Travelers and Citibank a two-year waiver. In that two-year period, Weill and company would either be forced to break up the mega-bank that had just been created—or repeal Glass-Steagall, once and for all.

In the run-up to the Travelers-Citibank merger, Weill had conferred directly with Greenspan and others at the Fed, and had been assured that his efforts were in line with their own commitment to smash Glass-Steagall.



EIRNS/Claudio Celani

*Alan "Dracula" Greenspan, beginning as a director at JP Morgan, through his chairmanship at the Fed, was the single-most important player in the takedown of Glass-Steagall.*

Weill launched a massive lobbying campaign, to get Congress to repeal Glass-Steagall before time ran out on the waiver. Citibank alone spent \$100 million in lobbying the Congress, and other major Wall Street banks, led by JP Morgan, joined the effort.

In early 1999, both the House and the Senate introduced versions of financial reform legislation that would kill Glass-Steagall. All of the arguments, presented from the floor of the Congress, and in the backroom sessions with Wall Street lobbyists, came directly from the 1984 JP Morgan pamphlet. Greenspan had been an avid participant in the preparation of that document, and, as a Morgan director, had given it his personal imprimatur. As Geisst told a PBS-TV Frontline interviewer several years ago, without Alan Greenspan and his role at the Fed, the repeal of Glass-Steagall would never have taken place in 1999.

The 1999 Gramm-Leach-Bliley Act was bought and paid for by Sandy Weill, JP Morgan, and the other big Wall Street looters. On the Hill, as the bill pushed through conference for a final vote on Nov. 4, 1999, it was commonly referred to as "the Citi-Travelers bill," or, even, more personally, as "Sandy's bill."

## The Impeachment Factor

Without Greenspan's maneuverings at the Fed, Glass-Steagall could still be the law of the land today. Without the impeachment drive against President Bill Clinton, the Gramm-Leach-Bliley bill might have gone down with the stroke of a Presidential veto pen.

It cannot be over-emphasized how much the impeachment of President Clinton was tied to the defeat of Glass-Steagall. The targeting of Clinton was strategic: It came directly from London and London's Wall Street allies, and it had everything to do with the drive to repeal Glass-Steagall.

Beginning with the so-called Asia financial crisis of 1997, and extending through the August 1998 Russian default on the GKO government bonds, triggering the near collapse of the Long-Term Capital Management (LTCM) hedge fund, President Clinton, along with Treasury Secretary Robert Rubin, came to realize that the unregulated flows of short-term capital, brought on by the wave of deregulation that began in the mid-1970s, shortly after the Bretton Woods fixed-exchange-rate system was abolished, were reckless and destructive, and could bring about a systemic collapse. Rubin also warned sharply against the "moral hazard" of bailing out financial institutions that were "too big to fail." His famous diktat, "not one nickel to bail out the banks," resounded on Wall Street at the time.

In January 1997, Lyndon LaRouche launched an international campaign for the convening of a New Bretton Woods conference, to reconstitute a global fixed-exchange-rate system, and to eliminate the very speculative capital flows that were about to gut the economies of such nation-states as Malaysia, Indonesia, South Korea, Russia, and Brazil, over the course of the next two years.

While it would be an exaggeration to say that Clinton and Rubin fully embraced LaRouche's plan for a return to FDR's Bretton Woods, there is no question that the impact of LaRouche's forecasts, and his proposal for a revival of Roosevelt's anti-colonial policies of global economic development, were felt strongly within the Clinton inner circle.

Beginning in early 1998, Clinton and Rubin were determined to formulate a "new global financial architecture." A combination of G-7 advanced sector and G-15 emerging-economy nations formed the G-22, to study alternatives to the unregulated global system. Representatives of the 22 nations met in Washington, D.C. in the Spring of 1998, and established a series of

working groups, to come up with plans for a new, more regulated international financial system.

These moves by Clinton and Rubin stood in stark opposition to the Greenspan-JP Morgan-Weill drive to bust up the last vestiges of restrictive bank regulation in the U.S.A.

When, in September 1998, President Clinton traveled to New York City to deliver a speech before the Council on Foreign Relations, pressing for a "new global financial architecture," with greater regulation and restriction of short-term capital flows, all hell broke loose. Clinton was targeted for impeachment. Wall Street Democrats, led by Vice President Al Gore and Sen. Joe Lieberman (D-Conn.), joined with Britain's *Daily Telegraph* propaganda mill, to press for Clinton's resignation. The House of Representatives voted a bill of impeachment.

The issue was never the Monica Lewinsky affair. The issue was Clinton's publicly announced commitment to overhaul the global financial system, to the detriment of the speculators.

And the punishment was swift. From the time that Clinton delivered his statement of intent to overhaul the global financial architecture at the CFR in late September, to the time that the House of Representatives voted for his impeachment, took less than 90 days. London's demand for Clinton's scalp—because of his threat to re-regulate the global financial system, in cooperation with developing-sector countries that had been viciously looted by speculators—was fulfilled.

There was never a serious question about the outcome of the impeachment trial of President Clinton in the U.S. Senate. The Democratic majority was not about to vote up the articles of impeachment, despite the Gore-Lieberman efforts to seize the Oval Office. On Feb. 12, 1999, the Senate acquitted Clinton.

But the die had already been cast, and the drive for the repeal of Glass-Steagall benefitted enormously from the Clinton impeachment distraction, which killed off any efforts for a new global financial architecture. On May 12, 1999, Rubin resigned as Treasury Secretary, effective July 1 of that year. His replacement, Larry Summers, was fanatically committed to "Sandy's bill," repealing Glass-Steagall. On Nov. 4, 1999, both the House and the Senate passed the Glass-Steagall repeal. A broken and distracted President Clinton signed it into law days later.

*Edward Spannaus contributed to this article.*

# LaRouche Democrats Mobilize: Glass-Steagall, or Die!

by Nancy Spannaus

June 22—At its regular monthly meeting on June 9, the Borough Council of Lansford, Pa. unanimously adopted the LaRouche PAC resolution, entitled, “To Save Our Nation, Congress Must Pass Glass-Steagall and Shut Down Derivatives Now!” Lansford thus became the first locality to go on record for reviving the FDR-era law separating commercial and investment banking—a measure Lyndon LaRouche has defined as the essential first step to preventing a total disintegration of the U.S. and world economies.

The Council is sending official copies to the local Congressman and to the two U.S. Senators, as well as to Senators Maria Cantwell (D-Wash.), John McCain (R-Ariz.), and Blanche Lincoln (D-Ark.), and is also putting out a press release in the area.

LaRouche Democrats, spearheaded by the three LaRouche Congressional candidates Rachel Brown (Massachusetts, 4th C.D.), Kesha Rogers (Texas, 22nd C.D.), and Summer Shields (California, 8th C.D.), have presented the same emergency resolution to more than two dozen other city councils, so far, most of which are in the midst of agonizing discussions about how to survive the economic breakdown crisis with their citizens, and infrastructure, intact. The resolution is also being endorsed by local political leaders, and candidates for office.

In a statement issued June 14, Kesha Rogers expressed the spirit of the LPAC mobilization.

“Since the 1776 American Revolution, there has never been a stronger mass movement of growing opposition, and hatred, in the population against our Brit-



LPAC videograb

*Kesha Rogers, who won the Democratic nomination for Congress in the Texas 22nd C.D., is one of three LaRouche Democrats running for Congress this year, who are leading a nationwide fight to restore the Glass-Steagall banking principle.*

ish Imperial foe as we are witnessing today among American patriots. The mass strike building up in the population against the atrocious policies of the London- and Wall Street-backed puppet, President Obama, and so-called leading political figures alike, is a clear sign that Wall Street and the British Empire should beware. The American people are in a fighting mood. . . .

“The reality is that the entire global financial system is on the verge of a hyperinflationary collapse. Just look at the breakdown in physical production, look at the situation in Europe. The entire Eurozone is finished. There is no possibility of reversing this deepening crisis, except for the reinstatement of the 1933 Glass-

Steagall banking reform, that created a firewall of protection for commercial and savings banks, against investment banks, implemented during the Presidency of Franklin D. Roosevelt. This reform was repealed in 1999, under current Obama economic advisor Larry Summers, and Sen. Phil Gramm [R-Tex.], while my opponent, Pete Olson, the current congressman of the 22nd district, was an aide to Senator Gramm!...

“This growing sentiment is spreading across the entire political spectrum. We have to act now at once, again, to return our nation to the productive power which it once represented. We must have an optimistic vision and mission for the next several generations. This will only be accomplished in a post-Obama world, and with the cancellation of dirty derivatives contracts and Wall Street-run operations. I am endorsing the currently drafted Glass-Steagall resolution by the LaRouche Political Action Committee, being circulated to city councils and state governments across the country for support. I call on each and every one of you to back this fight. Call your city council members, labor leaders, and state reps and demand that they support the reinstatement of Glass-Steagall, now.”

### **A Battle Royal**

Although Wall Street and its lackeys in the Congress and the Obama Administration have succeeded in preventing the popular Glass-Steagall amendment from even being discussed, much less put into the so-called “financial reform” bill now being worked out in Congress, there is no question but that the Glass-Steagall issue is at the center of a furious behind-the-scenes debate. It is well known, especially in banking circles, that reviving Glass-Steagall is the unique way to get rid of the hundreds of trillions of dollars of derivatives now strangling the economy and the banking system—and to get onto the road to a real recovery. And it is clear that the Dodd reform bill, even if Sen. Blanche Lincoln’s section regulating derivatives survives, will only protect the derivatives-holding predators.

The Federal Reserve Board of Governors, meeting this week in Washington, is, itself, publicly split on the issue of derivatives and Glass-Steagall, as shown by a letter issued June 10 by Kansas City Fed head Thomas Hoenig and Dallas Fed chief Richard Fisher. Some political insiders have reported that other Fed chiefs are

likely to join these two in calling for a derivatives ban, and the “reinstatement of Glass-Steagall-type laws to separate higher-risk, often more leveraged, activities of investment banks from the commercial banking system.”

Yet, Federal Reserve chairman Ben Bernanke used the occasion of a question raised at a conference sponsored by the Squam Lake Group of academic economists and former policy-makers in New York City on June 16, to reject his colleagues’ view. Bernanke stated that reinstating Glass-Steagall would “not be constructive” and is “not on the agenda.” Bernanke lied that the 1999 repeal of Glass-Steagall had no clear relationship to the current financial crisis, concluding, “It’s not clear it would be particularly constructive to revive Glass-Steagall.”

In addition, the Wall Street crowd is pulling out all the stops, lobbying for the removal of the Lincoln section of the bill, which, although weakened in its enforcement provisions by Dodd, would demand the separation of derivatives operations, the primary source of revenue for the top Wall Street firms, from commercial banking operations. As the Lincoln provision was not in the House bill, and Rep. Barney Frank is playing his usual protection role for the bankers, they think they have a good chance.

The only alternative is for the population, which continues to be *for* Glass-Steagall by an 80 to 20 margin, to weigh in forcefully, and overturn the applecart, demanding that Glass-Steagall be enacted once again.

### **Restoring Sanity to the Economy**

In 2007-08, LPAC mobilized hundreds of thousands of citizens, and more than 100 local jurisdictions, to demand Congress enact LaRouche’s Homeowners and Bank Protection Act (HBPA), only to be betrayed by their Congressmen. If the HBPA had been put into effect, the horrors of mass foreclosures and many of our banking problems would not be with us today.

Now, with a new phase of financial breakdown crisis looming, the U.S. population must act even more decisively, to force through Glass-Steagall immediately. The situation in Pennsylvania, where the first small town has passed the LPAC resolution, shows how very ripe the conditions are for that action.

Lansford, a town of about 4,000 in Carbon County,



is in the heart of the old anthracite coal country of north-eastern Pennsylvania, and is the hometown of the current speaker of the State House.

The resolution was adopted on the initiative of the Council president, a Republican, who has been closely following LaRouche since he was contacted around the HBPA in 2007. The Council passed an HBPA resolution at that time by a vote of 6-1. He reported that when he read the resolution at the meeting, council members and the audience, who had been visibly bored up to that point, suddenly came to life, and began vociferously agreeing as he read it, and the turned out to be 7-0 in favor.

The Council president told LPAC before the vote on the Glass-Steagall resolution: "I just recently figured out derivatives, and they have no place in our economy." He was responding to the scandal over derivatives that has erupted in Pennsylvania, after the state Auditor General released a report last November showing that 107 out of 500 school districts, plus 86 local governments and other agencies, such as the Turnpike Commission, have been bamboozled out of tens of mil-

lions of dollars by Wall Street firms which convinced them to engage in interest rate swaps. The scandal exploded after the Bethlehem-area school district admitted to \$10 million in losses, and was forced to raise property taxes. This is also a factor in the bankruptcy crisis facing the city government of the state capital, Harrisburg.

Nor is Pennsylvania unique in being victimized by these derivative looting instruments. The cities of Oakland, Calif. and Montgomery, Ala. have both undergone huge crises, as a result of being conned into taking out derivatives contracts that went bad, and cost them tens of millions—and vital services.

It's long past time that these "innovative financial instruments" were banned from U.S. banking—and solid commercial lending into the physical economy took its place. But, with the Congress largely bought off by the big-money class, it's going to take a citizens' revolution to get back to sanity. But, by all indications, the American population is ready for such a revolution—and if it listens to LPAC's leadership, it can prevail.

## Emergency LPAC Resolution: Shut Down Derivatives Now!

*Here is the text of the Resolution, titled, "To Save Our Nation Congress Must Pass Glass-Steagall and Shut Down Derivatives Now!"*

WHEREAS, the leadership of the U.S. Senate has sabotaged the inclusion of the Cantwell-McCain Glass-Steagall amendment into the so-called financial reform bill, thus leaving our banking system vulnerable to the ongoing blowout of the world financial system, as such is anticipated by the current freeze-up of bank lending, and the 1,000 point "flash" drop in the U.S. stock market; and

WHEREAS, that same leadership, under pressure from the Obama Administration and Wall Street, has similarly removed any significant enforcement mechanism from that "reform" bill in respect to the trading of derivatives, and has given every indication, as of May 24, that they intend to *remove* the

Lincoln amendment which imposes restrictions on banks' trading in derivatives, from the bill entirely, during Conference discussions with the House of Representatives; and

WHEREAS, the re-imposition of the Constitutional Glass-Steagall principle that separates commercial from speculative banking, and the shutdown of the hundreds of trillions dollar derivatives casino—both measures which have been strongly promoted and supported by leading economist Lyndon LaRouche—are the indispensable, and inseparable, first steps for saving the U.S. economy, and creating the basis for the launching of a real economic recovery program based on massive infrastructure projects;

THEREFORE, be it resolved that

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demands that Congress immediately act to pass the Cantwell-McCain Glass-Steagall amendment (or law), and to adopt measures which will lead to the shutdown of the derivatives market, starting with the Cantwell-Lincoln amendment to the Dodd bill.

LAROUCHE TO PARIS CONFERENCE

## A Global Glass-Steagall As the Basis for Optimism

*Here is Lyndon LaRouche's June 13 address, via electronic hookup, to the General Assembly in Paris, of Solidarité et Progrès, the French political party led by longtime LaRouche associate Jacques Cheminade.*

One of the most vulnerable areas for a general collapse of the financial systems, is Europe, in particular. But no part of the world is invulnerable. The greatest risk is on the trans-Atlantic side. The greatest risk on the trans-Atlantic side right now is in Western and Central Europe; but, if Western and Central Europe go down, then, pretty soon, the entirety of the Asian side will also go down. And in that process somewhere, the whole world will go down.

And this is not something in the distant future: This is the currently potential situation.

Now, as I have said on a number of occasions, the great mistake in most political thinking about economy, about similar kinds of things, in the general environment, is that people tend to believe that history is driven by events. And history is *never* driven by events. History is driven by processes, which are in-process processes; and certain events may or may not happen in those processes, but the processes will continue. Events, major events, significant events are generated by history, not history by events!

And that, of course, is contrary to what most people believe. But what most people believe is wrong. And because they believe that sort of thing, is the reason that the entire world system has come to a point where it's in a process of a general breakdown crisis.

Now, I've been told that you would like to hear some optimistic messages. Well, that's very optimistic, because first of all, I've told you what will work, as opposed to what most people think will work, which will not work. I've also told you, why, implicitly, the world is on the verge of a general breakdown, while people outside will tell you the opposite: They'll tell you that the event is going to cause the breakdown, if it occurs. And I tell you, it is not the event that's going to cause the breakdown; it's the process; it's the existing policy of practice of nations.

Now, the key thing which describes this condition, is that the entire world is going through a process [similar to what happened] in Germany in 1923. The difference is that, in Germany in 1923, Germany itself was an isolated part of the world; not totally isolated, of course, but isolated in terms of being an occupied country, occupied by the Versailles Treaty organization. And so, these things were artificially imposed upon Germany, and there was nothing outside of Germany which could absorb the shock of what was happening in Germany, at



EIRNS/Julien Lemaître

*The only thing that will keep the world from going into a general breakdown crisis, like that of the 14th-Century Dark Age, is the adoption of a Glass-Steagall credit system, Lyndon LaRouche stated. Shown (right): LaRouche addresses a seminar in Frankfurt, June 10; (above) the speakers panel at the Solidarité et Progrès conference June 13 (left to right): Bertrand Buisson, Benoit Chalifoux, Jean Robieux, Jacques Cheminade, Sébastien Drochon, Sébastien Périmony.*



videograb/BüSo/Stefan Tolksdorf

least not directly.

The difference today is, the entire world is now in the process of a general breakdown process, and we've reached the point where Europe, in particular, is the most important hot-point of a potential general breakdown which will spread to other parts of the world. Most probably, it would spread to the Americas, across the Atlantic, for various reasons, but it could also go in a different direction. But right now, we are in a condition where a general breakdown crisis of the entire planet, in a very rapid succession, is now presently inevitable, unless we make some changes in processes; not events, but processes, which prevent it.

### **The Turn to a Glass-Steagall Credit System**

The only thing that will keep the world from going into a general breakdown crisis, which means, really, a New Dark Age, like the 14th-Century Dark Age, but longer, and with longer effect—the only thing that can prevent it, is to take what we're trying to do in the United States, which is to turn to a Glass-Steagall credit system.

Now, there are some people in Europe who will say, and tell you, and the word is going around, that Europe does not need a Glass-Steagall system, because Europe

is not like the United States. That is idiocy! Because Europe, for example, does depend upon the United States, whether it knows it or not. But in this case, in the United States, a Glass-Steagall reform would eliminate masses of worthless debt of the class that goes into speculative debt. In other words, financial derivatives and similar kinds of things.

And if we do that in the United States, if we put through a Glass-Steagall reform, this will wipe out trillions of dollars of worthless paper. But wiping out trillions of dollars of worthless paper and discontinuing the authority of certain kinds of banks, the speculative banks, would mean that we will be able to save the U.S. economy, at least within the United States.

Europe has the same disease as the United States. So therefore, if Europe does not adopt a Glass-Steagall type reform, Europe is doomed. Especially Western Europe, because the euro system is now the focal point of the collapse of civilization. Now, in Europe the reac-



U.S. Army Corps of Engineers

*We have to save the real economy, LaRouche urged; we have to create productive jobs for people, who are now unemployed. Shown: a construction crew at Grand Traverse Bay, Mich. prepares to install a dredge pipe.*

tion is, of course, that, “Well, we don’t need a U.S. reform.” Without the Glass-Steagall standard, there’s no way that Europe can get out of this financial crash, which is going to bankrupt Europe. You have to cancel the accounts, which are speculative accounts, which do not qualify as Glass-Steagall accounts. Because if you don’t cancel these accounts, Europe is doomed.

Now, Europeans are still resisting the idea. Financial speculators would be hurt, naturally, because their wealth is based on worthless paper. But if you insist on preserving a large part of the worthless paper, then the doom of your nation is inevitable, and it’s an early doom. Only by eliminating worthless paper, that is, these financial derivatives, these kinds of things, only by eliminating them from the system—they can go off by themselves in some corner and try to play games, like the game of Monopoly; you know, the board game of Monopoly, but in the banking system, where the banking system functions, where the economy functions, the real economy, you must eliminate *all non-Glass-Steagall qualified accounts*.

If you do that, you’re not going to hurt the economy, because the people who don’t want this to happen, are people who are heavily invested in these financial speculation accounts, like financial derivatives. Therefore,

*they don’t want to sacrifice, but they’re the ones who’ve been on the side of the bloodsuckers. We have to stop the bloodsucking. We have to save the real economy. We have to save the infrastructure, the agriculture, the industrial production. We have to create productive jobs for people, who are now unemployed at a greater rate. We have to protect people in their insurance rights, that is, the protection for their retirement and so forth.*

### **Get Out of the Euro System, Fast!**

So therefore, we have to purge all of these nonsense accounts. We can not say, “Well, we have to share the poverty, we can not wipe out the derivatives all at once.” But if you don’t, if you’re not willing to wipe out the derivatives, you’re going to lose your country. If Europe doesn’t want to get rid of the derivatives, it’s going to

lose itself. And we are at a point right now, where Europe will go into a chain-reaction collapse, very easily, because the euro is an incompetent system. It’s the kind of boat which has more leaks than it has hull.

So you’ve got to get out of the euro system *fast*, because under the present euro system, which is a British-designed system, there’s no chance that Europe will continue to exist in a safe form, with sovereign nation-states within it, over either this month or next month. We’re at that point, where this month, or next month, Western and Central Europe could go down in a chain-reaction collapse!

Now, what I’m saying to you is quite optimistic, because there is an alternative. If we take the correct alternative, we can come out of this alive. Unfortunately, for you, in Europe, unless the United States takes the leadership in doing just this, it won’t work: The bailout will not work.

What has to happen, is the United States, first of all, has to put this current President, Obama, out of office, because he is a British agent. He’s not a loyal American; he’s a British agent; he’s an outsider. And he will do nothing to protect the United States. If the United States goes down, the world goes down. So therefore, what we have to do, is simply act in the United States to



get rid of Obama, right away—put him out to pasture, put him into retirement; protect him, don't let anything happen to him. We don't want a scandal, we don't want any crisis of that type.

Then, we will have to go immediately to a Glass-Steagall act. Eighty percent of the adult population of the United States' citizens *want a Glass-Steagall reform now!* The members of Congress who are opposed to a Glass-Steagall—and there are not as many as you would think—but they are nonetheless voting against Glass-Steagall, because they are afraid, and because they have a tendency toward, you know, this kind of prostitution that's called parliamentarianism! And therefore, they will vote for things they know are wrong, because they want to be successful as parliamentarians in the club of parliamentarians. But that can be fixed. The majority of the people *don't want any more derivatives*. They don't want the present system. Eighty percent want Glass-Steagall.

Now, if Glass-Steagall is installed, it will happen in the following way: We're now in a year of new Federal elections in the United States. At this point already, in this month and next month, every member of Congress, who is running for office, will have to start their campaigns. In the Senate, one-third of the members are going to go out of office, automatically. They may be voted back in again, but they have to be re-elected, if they're going to be there.

On the other side, in the House of Representatives—a sort of National Assembly kind of thing—on that side, 100% of the Members of the Congress must run for re-election, or be replaced. Right now, the majority of the candidates who are incumbent candidates, who are already in the Congress, the House of Representatives, are going down, generally, especially Democrats. They are going down, rapidly, in each of the preliminary elections for running for office in the November elections.

So, 100% of the members of the House of Representatives are going to be replaced, over the course of the period between roughly now and November. At the same time, we have, as I said, 80% of the citizens out there, the ordinary citizens, want a Glass-Steagall reform, and anyone who goes against a Glass-Steagall reform, these people, in general—the voters are going



White House/Pete Souza

*The United States has to fire President Obama; he is a British agent. Obama, shown here (left, front seat), being taken for a ride by BP, in Theodore, Ala., June 14.*

to throw them out of office, right now.

So, you're in a situation, where we're on the edge, where the political situation means, we are about to have a Glass-Steagall bill thrust through the Congress. But it has to be done in time. Because, as I said, we're on the edge, in the month of June and July, where the threat of a general chain-reaction collapse of the entire trans-Atlantic economies spreading into Asia afterward, will occur. So we must have relief now. And that's what I'm working on.

If we do that, if we make this reform, we're going back to, in Europe, for example, sovereign nation-states: *No more euro*. The euro is unsustainable anyway. There's no way the euro system can remain. It's in a process of breakdown. It's going to disintegrate. Look at what the cases are: Greece—Greece has to get out of the euro system; it can not even be bailed out with the current debt. Spain, Portugal, Ireland, and so forth and so on, are all in the process of going down. So there is no euro organization, there is no European system that's going to survive, now!

But there are in Europe, nation-states, on continental Europe, nation-states, and they can be saved. And it's likely, of course, as some of you know, that some nations are going to pull out of the euro. Now, how they will pull out is not determined. One way—you'll decide you're going to do it, and you go by steps through about a 12-month period, before you complete the cycle to disengage entirely from the euro system. But that pro-



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*We're going back to sovereign nation-states: No more euro. Greece, Spain, Portugal, Ireland, are all in the process of going down. Shown: Spanish truckers block a road near Seville, to protest rising fuel costs, June 10.*

cess is going to happen, either by choice, by nations, by governments, or it's going to occur by default because of the collapse of governments. That's the situation.

### **The U.S.A.-Russia-China-India Alliance**

Now, what do we do? In the United States, we have, potentially, provided we dump this President, who is a British agent, and therefore, he's not going to do anything for the United States, as the case of the Gulf oil crisis shows. But put him out of office; let the Vice President step in and become the President, and with the political pressure of the process, we can go for a Glass-Steagall reform.

Now, what do we do next? There's another angle. If the United States goes to a Glass-Steagall reform, it will tend to strengthen its relationship to China. Presently, the political relationship between China and the United States is good, is an option. Russia's relationship to the United States is not so good, financially, because it's tied to the British system, the Inter-Alpha banking system, and that's the worst part of the situation. India is its own country: If the United States and China agree on this equivalent of a Glass-Steagall type of reform, then India will certainly come in. And, under these conditions, with Russia facing the fact that the euro system—and also, the Inter-Alpha banking system—is going under, Russia has no choice but to join the United States, China, and India, with other nations, in initiating a general reform.

Now, the general reform has to occur in the following way: We have to cleanse the accounts of all nations in the reform. That is, you have to go for a Glass-Steagall-type of action, where you restore commercial banking on a stable basis, and you wipe out of the system, all these derivatives accounts, and similar kinds of accounts, and you just put them outside the system. Most of them will then collapse of their own weight. Under those conditions, then we have to have a treaty organization among nations, which is like a Glass-Steagall treaty organization. They may do it in a different way than Glass-Steagall as such, but it means the same thing in effect. That will bring the nations together.

Then, we have to create a new system of credit, and in creating a new system of credit, we have to go to a fixed-exchange-

rate system among the nations which participate in the reform. By going to a fixed-exchange-rate system, we can maintain basic borrowing costs in regular loans, of 1.5% or something like that at a base rate.

We can then, and must, adopt a perspective of about two generations, about 50 years, of rebuilding the world economy. The emphasis in the beginning, because we've destroyed so many industries and so much agriculture—the tendency will be to go to infrastructure programs. Like mass transportation, for example rail, maglev systems; improvements of water systems, as well as mass transportation; to a much expanded emphasis on nuclear power as a source of power; to improvements in municipal systems and so forth. The improvement in the area of basic economic infrastructure, will create a demand for production from industry.

But in this case, then, with the credit available, we can rebuild, or start new industries whose initial market will be to provide production of products and services in support of the large-scale infrastructure projects.

### **Charlemagne's Revolution**

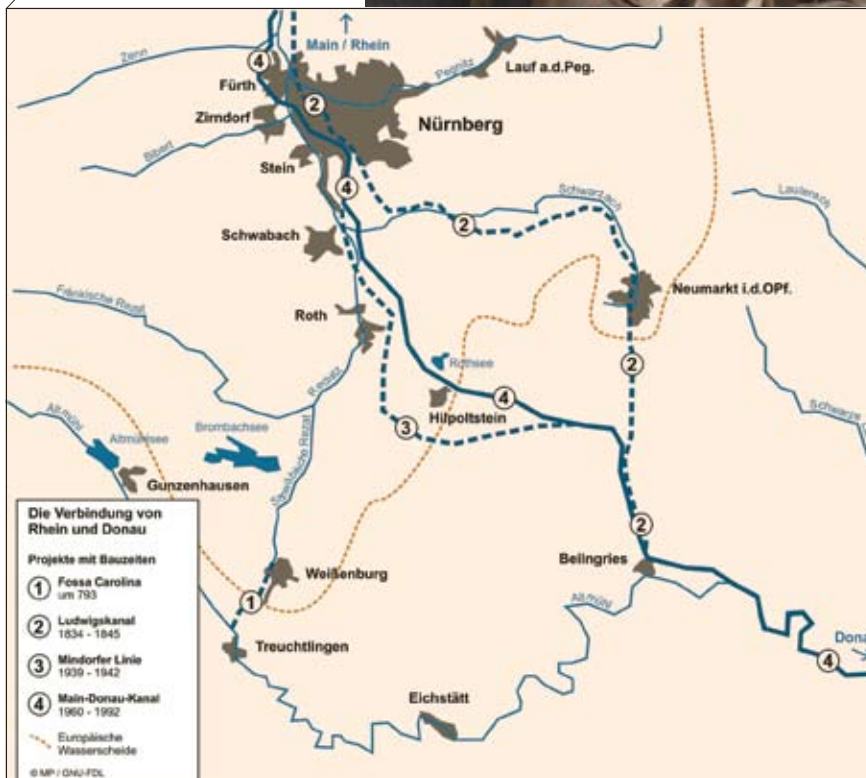
I'll give you an example of that, which I've given elsewhere. The history of Europe, since the Peloponnesian War, it started as a maritime system; that is, you had various ports and little countries on the coasts of the Mediterranean. And these countries, these little coastal countries would have trading relations; and what devel-

FIGURE 1

## Charlemagne's Legacy: Linking Up the Rhine, Main, and Danube Rivers



wikimedia commons



Charlemagne's reforms served as the precedent for the development of great internal systems of rivers and canals. The map shows one (apparently completed) section of what he envisioned: the Fossa Carolina canal (ca. 793 A.D.), between Treuchtlingen and Weissenburg, in what is now Germany (#1). The Ludwig-Danube-Main Canal (#2) was commissioned by Bavarian King Ludwig I and completed in 1846. Today, the Rhine, Main, and Danube (Donau) are all connected, permitting inland navigation from the North Sea to the Black Sea. (The light dashed line shows the European Watershed.) Equestrian statue of Charlemagne by Agostino Cornacchini (1725), in the Vatican.

oped was a system of finance among currencies, whose prices were controlled by monopolistic practices by a concert of banking institutions, which controlled the trade among the various maritime cities of the Mediterranean.

This was the basis, for example, for the development of the Roman Empire, which was such a system.

The Roman Empire expanded a bit to the North Sea, not fully at that point, but expanded in that direction.

Rome collapsed; Byzantium was a mess. In this process, Charlemagne created a reform in France and a large part of what is Germany and so forth today—Charlemagne's reform was a comprehensive reform; it was an anticipation of the modern nation-state. What he



did, in particular, the most significant thing, apart from setting up a national census, a national census of prices and production and so forth, was the development of an inland water system, based on the rivers and the new canals built in Europe.

So now, for the first time, Europe developed an internal, inland system of real economic development, based largely upon water as a means of transportation, inland transportation; and under a census and promotion by Charlemagne of various projects, which was the first burst of economy.

Now, Charlemagne's death was a catastrophe, because the Byzantine forces were able to break, had operations to break up, what Charlemagne had achieved. But that was the second thing.

So, you went first from a maritime system, based on the Mediterranean, with some extension into the Atlantic; and then, we went to Charlemagne's revolution, which was the development of this inland waterways system, which continued until—actually it was the dominant system in all successful cases in Europe, up until about the beginning of the 19th Century.

### **The Transcontinental Railroad System**

During the 19th Century, we in the United States, and on a limited basis in Europe, began to supplement inland waterway systems by rail systems. During the course of the 19th Century, especially under the impetus of John Quincy Adams, we began to move toward the intention of a transcontinental railway system, which meant that we were, in the United States, a nation, from between the border of Canada and Mexico, and between the Atlantic and Pacific Ocean. Our orientation then, was to continue westward, into a trading economic relationship with China and countries in the Pacific and Indian Ocean region. That was our tendency.

When this happened, particularly after 1876, with the Philadelphia Centennial Convention, the British went ape! Because the development of transcontinental railway systems, supplementing inland waterway systems in the United States *and* in Europe, and the going to continental-scale rail systems, meant that no longer could British maritime sea power control the trade of the world. That now, you'd have the inland development of Eurasia, like the inland development of North America, which meant that economy was going to a superior form of infrastructure, from canal systems, inland water systems, to transcontinental rail systems.

One of the leaders of this—it happened in France, of

course, as you know—Bismarck did this in Europe—Germany did it; it was really Bismarck, until they got rid of him in 1890. And Russia did it in terms of the Trans-Siberian Railway. So, you had Russia, Germany, in its own respect, France, were all going toward transcontinental railway systems, which meant a new basis for trade and economy. And this kind of system, the transcontinental railway systems, is much more efficient, in terms of cost and performance, than the maritime system! The British, therefore, realized that what was going to happen, if this succeeded, if it was not disrupted, then the British Empire was finished. It was going to lose its power.

So therefore, what did the British do? The first thing they did, because they controlled the German ruling family, they got rid of Bismarck. Then, the British met with the Japanese, and organized a plan for an alliance with Japan, for a war against China, Korea, and Russia, in the Pacific region. This was later extended, in the 1920s, to a Japan-Britain alliance for attack on Pearl Harbor in the Pacific, and U.S. Naval power in the Atlantic at the same time.

That became the basis for what became World War II.

The change was, suddenly when Roosevelt was elected, you no longer had a stooge government in the United States. Because the assassination of McKinley had brought in a guy who was really a traitor, Theodore Roosevelt, and then a member of the Ku Klux Klan, Woodrow Wilson—and not good presidents during the 1920s.

So the arrival of President Franklin Roosevelt in the Presidency, meant that the British plan was already implicitly defeated. Roosevelt's success meant that as long as he was President, as long as his influence continued in the Presidency, the United States was going to destroy the British Empire.

So, the great conflicts, which have dominated the world, since those times, have always been the attempt of the British Empire to defend itself against the chain-reaction effects of the establishment of a transcontinental railway system inside the United States, with the great industrial-agricultural development which occurred right after the Civil War in the United States.

And that's where we are today. And where the British system is continuing the process which it went into, in reaction to the 1876 Philadelphia Convention. Where this railway-industrial production was made, the British were determined: *They had to destroy the United*





Library of Congress

Following the 1876 Philadelphia Convention, the British were determined: They had to destroy the United States, to save their imperial system. Shown: the American Centennial Exposition at Philadelphia, 1876.

States, to save their imperial system. And all of the wars, and major troubles we've had on the planet, since 1876, have been the result of that situation.

### Get Rid of the British Empire!

Now, today, we face a situation, in which the British are determined to shut down the economies. Because the fact is, if you reduce the population in numbers, and if you make people more stupid, so they're not qualified for scientific progress and high-technology education and production, then the world population will be forced down, from a level approaching 7 billion people, down to 2 billion people, or less, in a very short period of time. We're talking about the darkest dark age imaginable if this happens.

Therefore, the question today, and I speak as an American scholar, shall we say: The perspective today, is to get rid of this British scheme, and to go to an alliance of the United States, with, immediately, Russia, China, and India, and also, hopefully, to bring in nations which are departing from the euro system in Western and Central Europe. In that case, we can do a general reform, of a Glass-Steagall type, include a fixed-exchange-monetary system in agreements, adopt a 50-year perspective for the reconstruction of the world, and *we can succeed*.

We will succeed on the basis of a hyperactive space program, of the type on which I'm working with some friends, in what we call our "Basement." We are ready to make, over the course of this century, the greatest revolution in technology, that mankind has ever conceived.

So, as Jacques and others have said there: They want some optimism. That's my optimism for you. If we do this, if we get rid of this danger right now, get rid of the British Empire, go back to a system of sovereign nation-states who cooperate based on a fixed-exchange-rate system of credit; if we do that, and if we go back to a high-technology science-driver program, we will do wonders on this planet, and it will be the two generations who are younger now, who are maybe 20, 25-35, that age-range, *who are*

*going to lead in doing this job*, if we adopt the policy of doing it.

So that's what I'm concerned about: I believe that if we in the United States do our job, and if we sort of sit out the process that Europe's going to have to go through, to clean up its internal mess under the euro system, and Europe gets into cooperation with us, and with the nations of Russia, China, and India, and other countries of the Pacific, *we can do this job*. That's the good news.

But if you're going to sit, and go along with the present system, and hope it's going to work out, then you're going to get chaos, and we're right on the edge now. No one can say, exactly, no one can "predict" in the sense of predictions, whether the crash of the world system, starting in Europe, starting in Western and Central Europe, will occur this month or next. No one can say that this can not occur this month or next; no one can say that such a collapse of the present world financial system is not likely to hit Western and Central Europe during the month of June and July. It might not happen exactly on that time-schedule, but *that is the reality which we must prevent*.

And therefore, you want optimism? I'm optimistic, we're going to change the world. We're going to change the baby, because the stink is getting overpowering.

## LaRouche Associate Cheminade Declares for French Presidency

Paris, June 18—*On June 18, 1940, Charles de Gaulle launched his historic “Appeal to the French people” from London, calling upon all patriots to resist the occupation of France by the Nazis, as well as the fully complicit Vichy regime of Marshal Pétain. Against all odds, de Gaulle, at first alone and isolated, went on to organize and lead the Free French forces, admittedly small, but ultimately successful.*

*Today, 70 years later, Jacques Cheminade, president of Solidarité et Progrès in France, chose the same day in June to announce his candidacy for the Presidential elections of 2012, to rally resistance to the new financial fascism which threatens worldwide. Although politicians of all stripes have attempted to coopt the 70th anniversary of de Gaulle’s famous call, Cheminade is the only one to incarnate the true spirit of resistance.*

*Cheminade has been organizing in France in favor of Lyndon LaRouche’s economic and political perspective for more than 30 years, and has become a prominent institutional figure on the political scene there. His Presidential candidacy in 1995, during which he overcame daunting political hurdles to get on the ballot, shook the political rafters, and established him as a rallying point for those French patriots who sought to restore the commitment to economic and scientific progress, and to national sovereignty, which General de Gaulle represented. Although subjected to intensive political smears and assault, Cheminade has now re-*

*emerged stronger than ever, and recruited the core of a youth movement which is rapidly on the ascent.*

*EIR conducted the following interview with Cheminade, in writing, over the last week.*

### **Revive the Spirit of the Free French**

**EIR:** We understand you declared your candidacy for the Presidency of France at your party congress on June 13. Please tell us why you did this now, and what effect you intend to cause?

**Cheminade:** I have declared my candidacy in an unofficial way at our party’s Congress on June 13, and now I declare it officially on this June 18, 2010, the 70th anniversary of de Gaulle’s message to France. In a country which is now plagued by the Pétainist disease, a hypocritical submission to anti-patriotic forces, and submerged by unprecedented scandals, my intent is to revive the spirit of the Free French. It means that a few men and women, in the middle of a tempest, surge to provide leadership and hope. When misfortune is on the prowl, in the most decisive moments of history, the salvation of the nation-state becomes the matter of a few.

In this tragic moment, not only President Sarkozy is promoting a horrendous austerity policy, but together with Angela Merkel, the German Chancellor, he has agreed to submit the European budgets to a preliminary control by the European institutions, organized by the non-elected members of the European Commission, to



EIRNS/Julien Lemaître

*Jacques Cheminade, who leads the LaRouche co-thinker party in France, Solidarité et Progrès, has declared for the French Presidency, in the tradition of Gen. Charles de Gaulle's battle, in the 1940s, to liberate France from the Vichy treason.*

impose the stability pact on all. This is an absolute violation of all the rules of national sovereignty, against the French Parliament, and the European Parliament, all the more because the states which do not carry out the austerity conditions, can be sentenced to lose their voting rights in the functioning of the European Union.

Although the specific arrangements have not yet been decided, the intention is clear: how to make the people pay for the bailout of the banks and insurance companies. This is nothing but the policies of French Prime Minister Laval and German Chancellor Brüning during the early '30s of the 20th Century, policies that then led to the rise to power of Adolf Hitler, promoted by the banks and insurance companies that feared at the time a popular revolt against them, as their successors fear today's mass strike ferment.

It is clear that the policies of Sarkozy and his like, which mean submission to the rules of the game of the British Empire, cannot succeed, but only lead to chaos, a new "Twilight of the Gods."

Under such circumstances, despite my lack of material means, I represent the strength of ideas. We are

the only ones in France who call, at the same time, for a Glass-Steagall initiative, implying the organized bankruptcy of all the gambling money; fixed exchange rates among nations to avoid speculation against the currencies; long-term, low-interest rates; great infrastructure projects, from the Atlantic to the Sea of China; and, to achieve such a goal, the abolition of the euro, and the replacement of the monetarist European Central Bank system by a public credit system.

I have just asked publicly, at a National High Studies Institute of National Defense, before an audience of about 3,000 people, if today's political figures who do not promote such policies have the right to call themselves "Gaullists" or heirs of General de Gaulle. Régis Debray, the well-known French intellectual who is now posturing as a repentant Gaullist, had to answer: "Of course not. But this is not a political forum, and I

can't go ahead with such a discussion." He nonetheless stressed the famous 1943 de Gaulle Cambridge speech, where "his philosophy comes close to what you have just stressed."

What Debray acknowledged is what, at this point, most French people think: Sarkozy has betrayed and sold his soul (if he had one) to the European oligarchy and, unfortunately, his Socialist opponents are no alternative. For example, the French Socialists speak about a Glass-Steagall bill, but their connection to the United States is—"Bailout" Barney Frank, through the Secretariat of the European Socialist party!

### **Sarkozy, Like Obama, Hit by Scandal**

At this precise moment, equivalent to what is happening with Barack Obama in the United States, the Sarkozy government is plagued by scandals. The Labor Minister Éric Woerth, formerly Budget Minister and Treasurer of Sarkozy's UMP party, is involved in a major embezzlement scandal through his wife, Florence, coming from the Rothschild circles and a manager of Liliane Bettencourt's fortune. Woerth is at the same time, imposing an unprecedented level of auster-



ity on the French population, preparing a law against the pensioners, and organizing favors to the big money. He was elected in the Oise department with the votes of Le Pen's National Front, and has participated, on behalf of Sarkozy, in the arrangement of Le Pen's tax problems, while at the same time pretending to be "Mr. Clean."

As for Sarkozy, he is directly caught in another scandal, the financing of the Édouard Balladur Presidential campaign of 1995, when he was his Budget Minister and spokesman. An amount of 10 million francs dirty money, in cash, landed then in the campaign accounts of Balladur, which is prohibited by the French electoral laws. Nonetheless, the Constitutional Council under Roland Dumas approved Balladur's accounts, because if it had rejected them, it would have had to do the same with Jacques Chirac, the then-elected President, who had cheated on his own campaign account!

At the same Constitutional Council session, my own accounts were rejected, to try to shut me up, with, as a consequence, the obligation to personally reimburse the state for the official funding advance, and—given my refusal—the raising by the state of a mortgage against my small apartment!

The Balladur scandal is now blowing up, 15 years later, because the money is supposed to have come from a kickback given to his campaign by the Pakistani intelligence services as a favor for a much larger commission provided to them by the Balladur gang for the sale of three French Agosta submarines. Now, when Chirac was elected, he stopped the remaining flow of so-called commissions to the Pakistani services; and it is now highly suspected that, as revenge, they killed 11 Frenchmen from the Navy services in Pakistan, in a so-called blind terrorist bombing!

So the fights within the French political establishment have probably been the source of a disgusting bloody affair; and, despite all efforts, damage control appears impossible for them. All the more, because the lawyer for the French victims in Pakistan, Olivier Morice, is also the lawyer of the Boulin case, where the ghost of a French Gaullist minister who supposedly committed suicide in 1979, is reappearing on the French political scene as the obvious victim of a crime.

And I am personally in the middle of this, because I was the scapegoat! You understand now, in the core of

the international tempest, how, for all kind of reasons, my candidacy becomes relevant.

Under such circumstances, and because the most important of all is that I am the only one in France to have the right American connections with LaRouche's patriotic forces, Helga Zepp-LaRouche and I have decided to share her next Berlin European webcast on June 30, to show to the international and national forces involved in the fight against the British Empire that they have a rising echo in Europe. The mass strike ferment is not yet as developed in Europe, as it is in the United States, but the hollow voices here are more and more raising their pitch.

### **Campaign Platform**

**EIR:** Please tell us the key points of your campaign platform.

**Cheminade:** The key points are the above-mentioned ones: Glass-Steagall; organized bankruptcy of all gambling debts; long-term, low-interest rates; great infrastructure investments to equip both man and nature; a New Bretton Woods based on fixed-exchange parities; a return to the Europe of the projects and the Fatherlands against the monetarist Europe of the Maastricht process; abolition of all anti-social measures of the preceding governments; the change of the education system from the present one based on a social castes, to one based on the discovery of the creative powers of the human mind.

A revolutionary measure in France should be to teach Classical choral music to young children at the same time that they learn how to read and write.

The purpose of my campaign, in all areas, is to regain our country against the destructive mixture of court manners, mathematical formulas, and video gambling.

A major reason why our party, Solidarité et Progrès, is calling for the resignation of President Sarkozy is that, in the middle of this financial disintegration, he has personally compelled the Parliament to vote for a law allowing gambling on the Internet, which was until now forbidden in France. How could such a President, who is corrupting our population with such games, to the benefit of his financial friends, ever be qualified to decide what is immediately needed—the bankrupting of all gambling debts nationally and internationally? He has not only no authority to do it, but he is opposed to the very idea of displeasing his corrupt friends. Be-

cause of this fact, he is doomed and should leave right now, carried away with the tide along with Barack Obama!

My fight is that of truthfulness against gangsterism.

**EIR:** Should you be elected, what change would this create in France's role internationally?

**Cheminade:** Everything would change, not by the victory of some abstract will, but by the change of intention and inspiration in the whole country. France has to be, in Europe, one of the major countries responding to the change in the United States, not as a mere imitation, but as a brotherly endeavor. In a new environment close, to that of the French Revolution, we need to be the leadership that this time succeeds, because we know what to do against flaws and weaknesses; and above all, we despise the oligarchical principle.

### The U.S. Mass Strike

**EIR:** As you know, we in the United States are in the midst of huge social upheaval, which Lyndon LaRouche has characterized as a mass strike, and we expect this process to grow, as the financial-economic breakdown process accelerates. Do you have the same phenomenon in France? Are the institutions of government, and other social areas, as discredited there, as they are here?

**Cheminade:** We distributed a million copies of a leaflet titled: "To the Coming Anger" in all France, with about 500 members or friends involved in the operation. The institutions of the government and other types of normally respected associations are absolutely discredited. I have been positively shocked to see, in my tours from the north to the south, and from the east to the west of the country, how the mayors and elected officials are furious against their own parties, and how more and more people are willing to take responsibility, thinking that to be "against" is not enough.

The anger is indeed taking a more and more active form, and many mayors have written letters asking me to become the spearhead. What was done to me by the official institutions in the past is no more considered by many as a problem, but as an asset. "If corrupt people did that to you, it is for me a good reason to trust you." This is more and more what we are getting from our contacts, new or old. At our General Assembly of the

past weekend, the spirit was very different from that of the past years. The emotional understanding was there, breaking through the rules of the pyramidal, oligarchical game.

So the mass strike is coming faster and faster onto the stage, and it will take a very strong form between now and this Fall, both because of the coming hit of the June-July world crisis and the looting of pensions by the government "reform." The fact that the dubious Éric Woerth is in charge of this so-called reform fosters the anger.

In the polls, Sarkozy has an approval rate of less than 35%; and the fear of the consequences of the crisis is now outdoing the fear of the prevailing gangs in French politics, even in the case of some journalists who are trying to more or less politely cover their respective asses.

### Impeach Sarkozy?

**EIR:** I understand that the national elections are scheduled for 2012, but that some recent developments have pointed to the possibility that they might be forced up to an earlier time, perhaps even because the current President, Sarkozy, might come under the threat of impeachment. Is this the case?

**Cheminade:** Well, it is more difficult to impeach a French President than an American one, but Sarkozy has done so much and with such incompetence that the idea is making its way in the minds of people. They would tend to say: "But it is impossible..." Then think for a moment and add, "But what a good idea. Let's see how we can proceed."

There is an Article 68 in the French Constitution that says that a French President can be impeached "if he betrays his duties in a way obviously incompatible with the tasks pertaining to the pursuit of his mandate." This requires a two-thirds majority in the National Assembly, with only the votes favorable to the impeachment being taken into account. Taking this into account, we are calling for an elegant resignation, because Sarkozy has proven to be an obstacle to a policy re-establishing the principle of the nation-state and the common goals of humanity.

Unlike me, he has all the wrong connections in the City of London and the United States, which is at this very moment proven by the way he is celebrating de Gaulle's June 18, 1940 in London, as an ungifted amateur in historical gangsterism.

# Official Declaration Of Candidacy

*Jacques Cheminade, the chairman of the French Solidarité et Progrès party, and longtime associate of Lyndon and Helga LaRouche, has announced his candidacy for President in the 2012 elections. Here is his statement.*

PARIS, June 18—The “European Cathedral” that Charles de Gaulle, his predecessors, and his allies dreamed of building, has become, through the unconscionable compromises of his successors, a disreputable house where banks are bailed out and the people’s throats are slit.

I find no one among my country’s official circles who has risen to the challenge. No one who has offered a vision corresponding to our founding principles and documents, drawn up in the aftermath of the victory of free peoples over regimes that were intent on enslaving and degrading human beings: the Preamble of our Constitution and the program of the National Council of Resistance. No one who is leading a ruthless battle against the new feudalism; no one who unstintingly serves the imperative of social justice set out in the Declaration of Philadelphia of May 10, 1944, and the Universal Declaration of Human Rights of Dec. 10, 1948. That is because no one dares to stand up to the predatory order of the City of London and Wall Street, by calling by its name, this British Empire that intends to destroy the resistance of nation-states.

The two major candidates for the Presidency currently promoted by a clique of media cartels, the former surrounded by a “firm,” the latter by a “gang,”<sup>1</sup> both serve, each in his own way, the self-same interests of a financial oligarchy that is driving the world to disaster, and promoting global austerity which, if not stopped, will lead to a war of all against all. Their policy is that of Chancellor Brüning and President Laval during the

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1. The “firm” and the “gang” are the self-proclaimed names of the political teams supporting the candidacies of, respectively, incumbent President Nicolas Sarkozy, and Dominique Strauss-Kahn, managing director of the International Monetary Fund.

1930s, and we know where that led.

Faced with this tragic failure, faced with the illusion of returning to the past and to the self-destructive blindness of extremisms, I have decided to run for President in 2012 so as to contribute, now, to the needed political wake-up call.

Today, as it was 70 years ago, France is not alone. A movement is growing in the United States, within the population, and among certain policy-makers—despite the sickening cowardice of the Congress and of President Obama—to demand a public productive credit system, to abolish the law of short-term financial gain, and to restore the priority of productive labor and human creativity. This movement is emerging as a coalition in favor of separating chartered commercial banks from investment banks, i.e., the Glass-Steagall principle adopted under President Franklin Delano Roosevelt in 1933, to stop destructive forms of financial speculation. This issue is absolutely crucial, and my dear friends across the Atlantic are the spearhead of the motion.

In response to the breakdown of the financial system of Wall Street and the City of London, a mobilization is now building internationally to fend off political and social decomposition.

In this situation, my role, as I see it, is that of a trail-blazer, striving to give a new sense to the history of our nation by contributing to this great promise emerging worldwide, and to do so in cooperation with all who are guided by the same intention.

The current policy of France is treasonous, and a crime with respect to our own history. It can only lead to chaos.

I therefore call upon all patriots, above party lines and allegiances, to join me in this effort to awaken the great issues of burning inspiration in our country, and to unite them with those of others.

For there is a life after the euro and the IMF, provided we rebuild Europe, with such foundations as great projects for development from the Atlantic to the coasts of China, with such pillars as the financial capacities of a New Bretton Woods, and with the rooftop being the political and economic cooperation indispensable for achieving such great infrastructure programs.

This is the Europe that the world needs, whereas, the Europe peddled under that name today, is just as dead as the monetary system that begat it.

In order to survive, our society must rediscover political virtue and courage. The opportunity is here and now, amidst the tempest.



# It's Time To End The Gaza Blockade

by Carl Osgood

June 17—If there is anything that demonstrates the absurdity and immorality of the Israeli policy towards the Palestinians, it is the May 31 pre-dawn assault on the Gaza Freedom Flotilla, during which Israeli commandos killed eight Turkish nationals and one American citizen of Turkish descent. The 1.5 million Palestinians who live in Gaza are not permitted normal lives, in any sense. They are not permitted normal intercourse with the rest of the world, nor are they permitted to govern themselves. And, the Israeli government of Benjamin Netanyahu proved, during those early morning hours of May 31, that they have no intention of ever allowing the Palestinians to govern themselves in any meaningful way.

An American contingent of five individuals was present on one of the boats in the Flotilla, including retired Ambassador Edward L. Peck. As Peck has recounted in various locations since he returned on June 1, he had been asked to participate by the Free Palestine Movement, based in San Francisco. Peck has impeccable credentials for taking part in such a mission. A career foreign service officer, he was chief of mission in Baghdad during the Carter Administration. He also served in the U.S. embassies in Morocco, Algeria, Tunisia, and Egypt, and as Ambassador to Mauritania.

At the State Department, Peck served as deputy director of Covert Intelligence Programs, director of the Office of Egyptian Affairs, and as special assistant to the Undersecretary for Political Affairs. During the Reagan Administration, he served as deputy director of the White House Task Force on Terrorism. Today, at the age of 81, he remains active as an advocate for a sensible U.S. foreign policy towards the Middle East, and has expressed his deep disturbance about the treatment of the people of Gaza.

Peck was not aboard the *Mavi Marmara*, the Turkish-flagged vessel that was assaulted by the Israeli commandos, so he was not witness to those events. Nonetheless, the experience that Peck reported about the

events that took place on the ship that he was on, is indicative of Israeli methods.

According to Peck's account, the vessel was boarded by Israeli commandos, armed with machine guns, tasers, and stun grenades, at 4:00 a.m., and the encounter was over in an instant. What violence there was on board stemmed from the passive resistance of others among the 50 or so passengers aboard the vessel, who attempted to prevent the commandos from taking over the wheel house. A number of those people suffered injuries, including broken bones.

The Israelis took everyone onboard to the port of Ashdod where they were processed for deportation, but not before being required to sign a statement, in Hebrew, which few, if any of them, could read. They were told, after signing, that they had admitted to having violated an Israeli law; that they entered the country illegally. In fact, the flotilla was not headed for Israel, and no one aboard any of the ships wanted to go there! Those who refused to sign, including Paul Larudee, one of the leaders of the Free Palestine Movement, were kept in custody for an extra day, and severely beaten.

## The Flotilla: An Effort To Break the Blockade

The Israeli attack on the flotilla points up the immorality of the blockade of Gaza, itself. The ostensible purpose of the blockade, says Peck, is to cause the Palestinians in Gaza to rise up against the Hamas government. But Hamas took power as the result of an election in 2006, an election that, by all accounts, was free and fair, exactly what the United States and other interested parties had been demanding. The U.S. and Israeli response to the outcome of the election was to impose on the 1.5 million people of Gaza a punishing blockade.

The purpose of the flotilla, therefore, was to break the blockade, and failing that, to call the attention of the world to its immorality. The flotilla was carrying 10,000 tons of humanitarian supplies, including 150 pre-fabricated houses, 126 electric wheel chairs, two water-purification plants in containers, medical supplies, and construction materials. The Israeli excuse for blocking the construction material is the claim that Hamas will use it to build military bunkers.

If the Israeli leaders were sensible, they'd realize that the only way they will ever live in peace and security, is to see to it that the Palestinians, and all of Israel's neighbors for that matter, are also able to live in peace and security. But, on the contrary, according to Peck, the Israelis believe that they must *over*-react to any per-



EIRNS/Carl Osgood

UNRWA

*The humanitarian aid flotilla that was attacked by the Israelis May 31 was carrying 10,000 tons of supplies, including two water-purification plants in containers, medical supplies, etc. Shown: Palestinian children on the way to the water-filling station in Gaza. Inset: Ambassador Edward L. Peck.*

ceived offense against them, with massive force. So, when militants in Gaza lob a few rockets over the separation wall, most of which land in open desert, Israel responds with heavy artillery, bombings from from F-16s, and, as in December of 2008, a massive invasion that killed 1,400 Palestinians, in the mistaken belief, among some Israelis, that somehow, this will bring them peace and security.

But there is, in fact, no desire underlying Israeli actions, to live with the Palestinians in peace and security. Peck argues that the aim is to drive out the Palestinians altogether, by making life so miserable for them that they will leave. This is the Zionist thesis going back to Theodor Herzl, Peck says, and it is expounded today, in Israel, by those such as Foreign Minister Avigdor Lieberman, who insists that it is necessary to get rid of all of the Palestinians. The checkpoints and roadblocks in the West Bank are an example of this, because they don't actually provide any security for Israel, but are an effective form of harassment of Palestinians trying to get on with their daily lives.

All of this comes at tremendous cost to the United States, because of the aid that the U.S. provides Israel, and the support it gives Israel in the UN Security Council. Peck notes that the cluster bombs, the phosphorous bombs, that the Israelis rain down on Gaza, and the

weapons and boats used in the raid on the flotilla, were all provided by the U.S.A. Israel is perfectly entitled to do whatever it deems necessary, says Peck, but it should face the consequences. Instead, what happens is that the U.S. shields Israel from the consequences of its actions, and Americans pay the price.

Gen. David Petraeus, the commander of U.S. Central Command, caused a stir earlier this year when he said that the U.S. relationship with Israel costs the lives of American servicemen and women serving in that region of the world. In Peck's view, it certainly has cost the U.S. prestige, respect, credibility, honor, and dignity. In large part, this is because the U.S. makes exceptions

for Israel from principles, such as international law, that it demands every other nation in the world adhere to.

### New Flotillas

There is talk of organizing new flotillas to challenge the blockade. The Europe-based Free Gaza Movement, which was one of the organizers of the flotilla Peck participated in, is talking about a new flotilla of 60 vessels and thousands of people. The Free Palestine Movement, on its website, talks of challenging the blockade by air.

But, what will it take to actually get the blockade lifted? Lyndon LaRouche observed, on June 1, that the Israelis have been playing these kinds of provocative games for decades, and they are no longer working. Israeli Prime Minister Netan-yahoo cannot accept that Israel's bargaining position is greatly diminished, and so, he is trying to create absolute Hell in the Middle East. He may succeed. What's more, the range of options available to the United States is greatly limited by Barack Obama's remaining President of the United States as a puppet of a foreign imperial power, the British Empire. Remove Obama from office and a world of further options opens up, options that can outflank and defeat the Yahoo-like behavior of the present Israeli leadership.

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# International Intelligence

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## ***German Experts Doubt Afghanistan Mission***

June 18—The English-language edition of Germany's weekly *Der Spiegel* magazine online wrote today: "The belief that things will end well in Afghanistan is dwindling in Germany. An increasing number of security experts recommend an orderly withdrawal, and even those who were involved in sending the Bundeswehr [Germany army] on the mission are now voicing doubts about ultimate success." Peter Struck, who was Defense Minister when the decision was made to send German troops to Afghanistan, is quoted in *Spiegel*: "One year, then we'd be back out, that's what we thought back then. We thoroughly deceived ourselves."

"Walther Stütze," the magazine reports, "has worked at London's renowned International Institute for Strategic Studies and the Stockholm International Peace Research Institute (SIPRI), and now works for the German Institute for International and Security Affairs, in Berlin. All rank among the finest and best organizations focusing on national and international security policy. For four years of his eventful career, Stütze served as state secretary in Germany's Defense Ministry, and the airplane attacks on the World Trade Center and the Pentagon occurred during his term there.

"Unnoticed by the general public, Stütze gave a talk at the East-West Forum Gut Gödelitz this January that contained a minor sensation. 'Afghanistan—The Failed Intervention' was the title of his paper, and the text began with the words, 'The military intervention in Afghanistan was and remains a grave error.' . . .

"The security expert is unimpressed by U.S. General McChrystal's new strategy. 'It follows the principle that if aspirin doesn't work, we'll use extra-strength aspirin,' Stütze says. 'Policy can't be made dependent on the strategy of a single general. . . . God willing, the number of casu-

alties will not increase any more, but the increase is part of the logic of McChrystal's new strategy.'"

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## ***'Humanitarian Aid' Can't Resolve the Gaza Crisis***

June 21—The dire situation in Gaza cannot be resolved simply by providing humanitarian aid, according to a report issued on June 14 by the International Committee of the Red Cross. The ICRC notes that Israel's blockade of Gaza, about to enter its fourth year, is choking off any possibility of economic development. Gazans suffer from severe unemployment and poverty, and the quality of Gaza's health-care system has reached an all-time low.

"The whole of Gaza's civilian population is being punished for acts for which they bear no responsibility," says the report. "The closure therefore constitutes a collective punishment imposed in clear violation of Israel's obligations under international humanitarian law."

Among crisis situations cited by the ICRC are:

- Almost one-third of Gaza's farmland has been incorporated by Israel into a "buffer zone."

- Israeli restrictions on fishing have left 90% of Gaza's fisherman "poor" or "very poor," and many have no choice but to sail into no-go zones, risking being shot by the Israel Navy.

- Electrical power is interrupted an average of seven hours a day. This has devastating consequences for hospitals and the primary-care system.

- Fuel shortages have forced hospitals to cancel all elective surgery and accept emergency cases only, three times this year. Pediatric hospitals can no longer function. Fluctuations in electricity have damaged sensitive medical equipment. Stocks of medical supplies are at an all-time low, forcing hospitals to re-use such items as ventilator tubes and colostomy bags.

- Gaza's aquifer is being damaged,

with raw sewage being discharged into waterways. Drinking water is unfit for consumption, and the risk of infectious diseases is high. "The current situation is critical and may lead to an irreversible trend in the degradation of underground fresh water," said Javier Cordoba, who oversees the ICRC's water and sanitation activities in Gaza. "Large-scale projects, such as the construction of a desalination plant, must be undertaken to meet water-supply needs without further exposing the aquifer. The closure must be lifted so that the \$4.5 billion pledged by donor countries over a year ago can be put to use."

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## ***Turkish Prime Minister: PKK Works for Foreigners***

June 21—Turkey has been targeted for terrorist attacks by the Anglo-Israeli-controlled Kurdish Workers Party (PKK), which has killed 59 Turkish soldiers in the last six months. Turkish Prime Minister Recep Tayyip Erdogan blamed the group's "foreign collaborators," adding, "The Turkish nation knows very well on whose behalf the terrorist organization works as a subcontractor." According to *Today's Zaman*, this is a reference to Israel.

The most recent escalation of PKK attacks occurred at precisely the point that Turkey and Brazil signed an agreement with Iran for it to transfer its enriched uranium to Turkey. Israel also attacked the flotilla bringing aid to the Gaza Strip last month, killing nine Turkish citizens.

The attacks come at a time when the Turkish government is pushing several initiatives in favor of the Kurdish population and has established good relations with the Kurdish authorities in Iraq. Masoud Barzani, the head of the Kurdish regional government in Iraq, recently visited Turkey, and there has been good intelligence-sharing among Turkish, Northern Iraqi, and U.S. authorities. Barzani has voiced full support for the Turkish government's policies.



# Who Will Prevent ‘Apocalypse’ In Bankrupt Europe?

by Helga Zepp-LaRouche

June 18—According to EU Commission President José Manuel Barroso—who is known for spending his holidays aboard the yacht of the wealthiest man in Greece, Spiro Latsis, and who organized a bailout package for the latter’s bankrupt bank—the European nations are threatened with an Apocalypse, civil wars, and military coups in several states, if the funds available for further bailout packages are not increased, and if citizens keep on demanding the social benefits they are used to. Barroso issued this outrageous provocation at a meeting with trade union leaders in Brussels a week ago.

The truth is exactly the opposite: If the European governments continue to submit to the dictates of the EU, and keep increasing their sovereign debts with inflationary methods, just to save gambling banks, and, at the same time, brutally cut the living standards of the poor and near-poor portions of the population, then an “Apocalypse” will threaten us very soon, even as early as July 1, when the European banks, among others, will have to refinance EU442 billion, or Greece will demand a new bailout and Spain its first one.

It is obvious that Europe’s governments have learned nothing whatsoever from history, which they demonstrated once again at the EU summit meeting in Brussels June 17-18. In the tradition of Chancellor Brüning’s austerity policy of the 1930s, which led to fascism and military dictatorship, they decided on virtually nothing

except “more austerity,” which was perceived as “Germanization”—since nobody keeps as close watch over its budget as does the German government. In other words: Brüning for everybody!

## **Impotent Summitry**

Far from going after the problem at the root, and either deciding in favor of strict re-regulation of the banks, as existed in Germany before 1992, or in favor of a two-tier banking system (like the Glass-Steagall system that formerly existed in the United States), the completely unworkable demands for a banking fee and a financial transaction tax collapsed, as expected, because of resistance from Great Britain, the Czech Republic, and Sweden. The final document said that a financial transaction tax should be “investigated and developed.” Chancellor Merkel’s answer to the question of who should look into the adoption of such a tax: “The G20 or the IMF, of course; I don’t know.”

It doesn’t take much boldness to venture the prediction that nothing will come of the G20 Summit in Toronto at the end of June either. As long as Obama, a loyal servant of Wall Street, remains in office, and as long as the governments of continental Europe stick to their blindness with respect to the role of Great Britain, an early collapse is certain. It seems inconceivable, but Canada intends to spend \$1.1 billion on the summit, including for an artificial lake, \$4 million for a security



*Training exercises of the European Police Forces in Lehnin, Germany, on June 14. They are preparing for possible social upheaval in EU countries. Shown are French and Portuguese police in front of a burning barricade.*

EU

fence, and \$993 million overall for security measures at this “gold-plated summit,” according to the *Toronto Star*.

The monthly report of the European Central Bank (ECB), released on June 17, underscores once again the absolute irresponsibility of the failure to act—whether out of cowardice, incompetence, or corruption, or a combination of all three. At the beginning of May, there was a threat of a total breakdown crisis that would have overshadowed the bankruptcy of the U.S. investment bank Lehman Brothers on Sept. 15, 2008. The reaction to this threatened tsunami was the EU750 billion bailout, which took the German government by surprise, and the subsequent ECB buy-up of toxic state debts.

### **Sitting on a Volcano**

The EU Commissioner for Competition, Joaquín Almunia, now warns, in an interview with the *Frankfurter Allgemeine Zeitung*, that governments are going to be confronted with new banking turbulence, led by the cases of Greece and Spain, and that the ECB will have to buy up a couple of hundred billion euros more in the sovereign debts of the southern states. The European banks will have to refinance about EU2 trillion by 2012, he says. As enormous as these admissions are, the truth is even more dramatic: We are sitting on top of a volcano just before it erupts.

Some brave individuals—too few—are speaking out against the disastrous trend, such as the former chair of the Council of the Evangelical Church, Margot Kässman, who called on the churches to resist cuts in benefits to parents who are recipients of the Hartz 4 welfare funds for their children. Social Democratic political figure Gesine Schwan was very much in tune with the popular mood, when, at a memorial in honor of the June 17, 1953 uprising in East Germany (which was crushed by the Soviet Union), she drew a parallel to the situation today, indicating that the population is gripped by feelings of impotence and injustice. The criticism of Schwan’s speech by Arnold Vaatz, deputy chair of the Christian Democratic parliamentary caucus—in which he brandished the club of political correctness, saying that such a comparison is absolutely unacceptable—is unfortunately typical of the callousness in Germany today. Our country is going to Hell, and all those who are politically correct are complicit.

Is this comparison really so far-fetched, when Barroso is talking about Apocalypse and civil war? When the third European Police Forces Training exercises took place in Lehnin, in which 320 policemen from 16 EU countries trained in “counterinsurgency” at one level below open warfare? And when there is an attempt to sneak in a hybrid form between military and police

forces, violating Germany's constitutionally mandated separation of the military and police, by the creation of a German Gendarmerie? Furthermore, the EU has long had maps identifying the regions and city neighborhoods throughout Europe where social problems are expected.

Merkel complained recently that the job of an honest advisor on the financial system was still available. That should be taken care of.

### War with the British Empire

The main problem is a relentless war which the modern form of the British Empire, now represented by the financial interests of the City of London and its subdivision, Wall Street, are waging against sovereign nation-states, as the only entities that can defend the common good, especially in times of crisis.

In 1984, the investment bank JP Morgan, which is definitely part of this empire, and whose director at that time was Alan Greenspan, prepared a pamphlet attacking the Glass-Steagall law (see article, p. 4); at about the same time, the Briton Baron Cockfield was getting ready to bring the European continent under subjugation by the supranational and ultimately British-controlled European Monetary Union. In his "White Paper" entitled "1992," Cockfield outlined the plan for the process that led to the EU treaties from Maastricht to Lisbon, as well as the repeal, after 1992, of 80 laws and regulations that had governed German banking, which then allowed the unregulated operations of the financial locusts and mega-speculators.

The euro was not invented by someone from continental Europe, but by that same Baron Cockfield, who from 1979-82 was Minister of State at the Treasury in the Thatcher government, and later vice president of the European Commission under Jacques Delors. Cockfield is actually considered the "father of Maastricht."

"Kohl's girl" [Angela Merkel] should someday ask Helmut Kohl whether he still remembers Thatcher's "Fourth Reich" campaign against him and German reunification, and the threats by François Mitterrand against Germany at that time. Kohl has often said that he knew that the European Monetary Union could not function without political union; Germany was simply blackmailed and overwhelmed, forced to give up the deutschemark and accept the hated euro. The promise that the euro would be as stable as the D-mark was a joke. And the fact that Germany would become the pay-

master for all of Europe, was not in the instruction manual for this sham.

Margaret Thatcher is also the origin of today's cliché that there is "no alternative" to such-and-such a policy, as Merkel says, and the four advisors, including Oxford professor Clemens Fuest, chief of the Scientific Advisory Board at the Finance Ministry, and Professor Unsinn<sup>1</sup> from the IFO Institute, with their "Ten Rules for the Rescue of the Euro," a hodge-podge from the monetarist chamber of horrors.

There is a very simple alternative: We must stop using taxpayers' money to refinance the banks' completely worthless toxic waste. Since it is not realistic to reintroduce the 80 laws and regulations that have been abolished since 1992, given the dramatic shortage of time, we need the immediate establishment of a two-tier banking system. The state must provide the commercial banks with credit lines, so that loans can be extended to industry, agriculture, trade, and other areas that serve the common good. If the investment banks want to gamble, it is they themselves that should pay for the damage, not the taxpayers.

If we want to prevent this crisis from quickly developing into the worst crisis in the history of mankind, we now need a radical change. We have to stop allowing British law firms and consulting companies to make our laws for us. We must return to the principles that formed the foundation for Germany as an industrial nation and social community. We need a policy of growth, investment in infrastructure, and scientific and technological progress at the highest level.

Therefore, it is time to vote out the parties whose political leaders are in a revolving-door with the financial sector, serving in high office and then being transferred back again.

And we don't want Frau Schwan to be right with her comparison to 1953, because that date stands for a tragedy in German history.

Let's bring to life a different date: 1989! We are the people!

The financial institutions are the Honeckers<sup>2</sup> of that time.

We are the people!

1. Hans-Werner Sinn is the head of the Institute for Economic Research at Munich University; the pun on his name could be translated as "Professor Poppycock."

2. Erich Honecker was the ruler of communist East Germany, famous for his claim—shortly before his ouster in 1989—that the Berlin Wall would last for a thousand years.



# European Outcry For Glass-Steagall

June 19—In addition to the campaign for implementation of a Glass-Steagall-like separation of commercial and investment banking being waged by the LaRouche movement in Europe, there is an increasingly audible outcry for that reform of the bankrupt banking system from other sources on the continent as well. These calls for a Glass-Steagall reform make clear that Western Europe will be ready to fall into line with the United States, once the U.S. government is forced to restore the FDR-era banking regulation here.

On June 17, Sen. Oskar Peterlini introduced a resolution in the Italian Senate, calling on the government to adopt a Glass-Steagall type of separation of commercial banking and investment banking, and, in particular, to work to establish international agreements based on this principle.

The resolution stresses that speculative financial activity has dried up all of the capital for the productive economy, and that in the past two years, governments have simply bailed out those who have caused the problem. The resolution concludes by calling on the Italian government:

“to revise Italy’s banking laws, in particular as regards the separation between commercial banks and investment banks, for the purpose of guaranteeing that the issue and trading of financial securities, and especially all of those speculative instruments under the name of derivatives (futures, options, swaps, etc.) be completely separate from the ordinary activities (deposits and loans) of commercial banks, de facto restoring the firewall that, until the 1990s, protected ordinary financial activities from speculative operations;

“to act in all international venues to promote multi-lateral agreements which establish a return to such a separation of commercial banks and investment banks, thus favoring a climate for long-term investment in the real economy.”

Peterlini, who has previously campaigned for LaRouche’s New Bretton Woods system to be ad-

opted by the Italian government, joins two other prominent Italians in advocating the Glass-Steagall reform. The first was European Member of Parliament Cristina Muscardini, who has introduced a resolution in favor of Glass-Steagall into that body. The resolution is still awaiting debate. The second, was the head of the Lega Nord faction in the European Parliament, Mario Borghezio.

Borghezio called for a return to the principles of the Glass-Steagall legislation, in a speech in the European Parliament June 16. According to a release issued by his office, Borghezio asked whether “the decisions which the European institutions are taking to overcome the crisis are coming from the recent secret meeting of the Bilderberg Club, a meeting crowded with high-level European bureaucrats and political leaders. Instead,” Borghezio continued, “Europe should immediately go back to the principles of the Glass-Steagall Act, which is currently being hotly debated in the U.S.A., in order to separate, once and for all, commercial banks from speculative activity.”

## Even the Bank of England...

Meanwhile, the debate in favor of the Glass-Steagall principle was raised in a full-page article published by the leading Swiss daily *Neue Zürcher Zeitung (NZZ)*, June 17. Karl Socher, professor emeritus of economics at the University of Innsbruck and a former official at the Austrian Ministry of Finance, endorses a re-institution of the Glass-Steagall system. Giving the example of the Swiss bank UBS, he writes that, had it been regulated under a separated bank system, UBS would never have become involved in purchasing U.S. subprime mortgages, which it did, and which caused it serious trouble. The *NZZ* article is an updated version of another article Socher had published in the Austrian news daily *Die Presse* on April 14.

One can also find an often-distorted discussion of Glass-Steagall in the current monetarist financial institutions in Europe—the European Central Bank, and even the Bank of England itself—a phenomenon reflecting the fear of some insiders that survival might require this measure. The dominant view, however, remains that which was reportedly communicated by the British Foreign Office to the U.S. State Department recently: that Glass-Steagall’s restoration would be seen as an act of aggression against the British imperial financial system. It is with that in mind, that others have heartily endorsed it.

# Ban, Don't 'Regulate,' Derivatives

by John Hoefle

June 19—Every time someone proposes taking action against the derivatives markets, the bankers come scurrying like roaches, to proclaim that taking any action against derivatives will end civilization as we know it. You'd think, listening to them squawk, that derivatives fill some vital societal need. What a crock. Not only do we not need derivatives, we should ban them entirely. Outlaw them. Period.

Derivatives have never served any purpose other than as a mechanism by which a bankrupt financial system could pretend to be solvent. Derivatives are, in truth, the biggest pyramid scheme the world has ever seen—and one that has now collapsed.

Here we are, three years into the greatest financial crisis in modern history, one which is widely understood to have been caused by derivatives, and nothing substantive has been done to fix the problem. Even relatively mild suggestions, like moving all derivatives trading to exchanges, or moving derivatives trading out of the banks which hold the public's deposits, have been met with rabid counterattacks by the derivatives lobby and its smarmy mouthpieces, such as House Financial Services Committee chairman Barney Frank.

We understand their objections. Wall Street makes its money by theft, and the derivatives racket is one of its prime thieving tools. It is really a variation on the old mafia protection game, where you throw a brick through a shopkeeper's window at night, and then sell him "insurance" against vandalism the next day. With derivatives, the name of the game is manipulating the financial markets, and then selling "insurance" against the market fluctuations. The techniques differ, but the predatory nature of the racket remains.

## Doomed from the Start

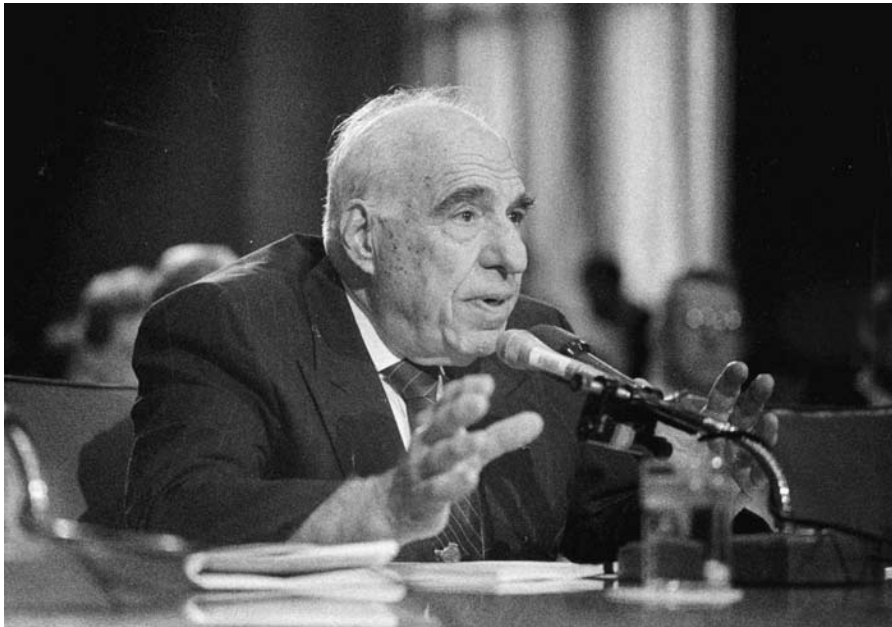
The derivatives market was created in the late 1980s, as a foolish response to the financial crisis typified by the stock market crash of 1987, the demise of the S&L industry, and the bankruptcy of the U.S. banking system. Rather than face up to that bankruptcy, the bankers did what they always do whenever they can get away with it: They lied, they covered up, and went double-or-noth-

ing. Leading the charge was then-Federal Reserve chairman Alan Greenspan and the usual Wall Street crowd.

The easiest way to grasp the nature of the derivatives markets is to think of a dog with a bad case of the fleas. The fleas, whose existence depends upon eating the dog, set up little empires buying and selling the dog's blood. They are so successful, in fact, that the dog begins to die. This presents the fleas with a real dilemma, but being clever little critters, they come up with a solution. Instead of trading the dog's blood, they switch to trading blood futures. Suddenly, their trading is no longer limited to the amount of blood they can suck out of the dog—they are now trading virtual blood, which by its nature is unlimited. Their trading empires expand as never before, making them rich beyond their wildest dreams—and who cares if the dog has died in the meantime?

Derivatives are a form of gambling, a way of speculating not on the economic values of investments, but upon the direction of their price movements. You can bet, say, on whether the price of a particular corporate stock will go up or down, without even having to own the stock. You can bet that a company will default on its bonds, or that a nation's currency will rise and fall, without owning the bonds or the currency. Some three-quarters of the quadrillion-dollar-plus global derivatives market is interest rate swaps, which are, essentially, bets on the movements of individual interest rates, and the relative movements among sets of interest rates. They are not investments, in any productive sense of the word. They do not create wealth, but extract it, skimming off the wealth created elsewhere. Derivatives are thus parasitic in nature, a hidden tax on humanity.

They are also virtual, in the sense that the volume of derivatives is far, far greater than the volume of the financial assets which—only theoretically—underlie them. And the value of those underlying financial assets is itself overstated. The whole market is a house of cards, hopelessly bankrupt and already crumbling. This state of affairs is what the banks are so desperately trying to hide, and why they so vehemently attack any



EIRNS/Stuart Lewis

*The late Texas Democrat Henry B. Gonzalez (shown here, in 1992), a patriot of courage and honor who became House Banking Committee chair in 1989, was a rare exception to the traditional sleaze that have held that position.*

serious reform efforts. The whole system is smoke and mirrors.

The bankers made a double-or-nothing bet at the end of the 1980s, went with the derivatives casino in an insane effort to hide their bankruptcy, and now we have the predictable result. The worst financial crisis since the 14th Century is upon us—is killing us—and yet the banks are once again refusing to admit reality.

### **LaRouche Was Right**

By the early 1990s, the effects of the financial cancer that Greenspan and his cabal had wrought was becoming glaringly evident. In a 1993 statement calling for a tax on derivatives transactions to dry up the market, Lyndon LaRouche warned that the very existence of a derivatives market reflected “a planet on which scientific and technological progress in production is collapsing.”

“The time has come,” LaRouche said, “to consider what this insanity is: not merely the insanity of derivatives, but what kind of insanity has seized governments, financial markets and so forth, that they would foster these kinds of conditions.”

That was nearly 20 years ago, when the biggest derivatives banks had just over a trillion dollars in derivatives, or seven to nine times their assets. Had we stopped

derivatives then, the current disaster could have been avoided. Instead, we’ve seen a hyperbolic increase in derivatives, with JP Morgan Chase alone reporting over \$90 trillion in derivatives before the market busted. Morgan Chase is not a bank, it’s a casino—and a hopelessly bankrupt one. The same Anglophile JP Morgan, we should add, led the fight to repeal Glass-Steagall, and spread the derivatives cancer even deeper into the tissues of the nation.

The result, as LaRouche predicted, has been a relentless collapse in the productive sector of the U.S. economy, and the visible blowout of the entire global financial system. Then, in a criminally insane attempt to save the casino, the governments of the world threw even more money down the

bailout rathole, so that now the banks, the governments, and the people are all bankrupt, with no prospect of recovery—unless we finally reverse this stupidity and return to sound economic policy.

### **No More Derivatives!**

If we are to survive, we must do now what we failed to do in the 1980s: We must outlaw derivatives. Declare all existing derivatives contracts null and void, and prohibit the creation of any new derivatives. That is the only kind of regulation that will make a difference. One does not “regulate” malignant tumors, one eradicates them.

While we support the impulses of some in Washington to regulate derivatives by moving them out of the commercial banks, and forcing the trading onto exchanges, such lesser measures will fail to solve the problem. We are way too far down the path of destruction to compromise on this matter.

To Wall Street, we say “howl away.” We understand that if we shut down the derivatives market your mafia-style protection racket will end, and that is precisely why we intend to shut you down! Let the bankers who still know how to earn an honest living rise to the fore, and return the sector to the form of banking which supports, rather than loots, the economy. As for the rest of

the bankers, consider yourselves lucky if you avoid being punished for your crimes.

We must put an end to the policy of industries dictating to the government what regulations they will and will not accept, and reinforcing that with armies of lobbyists passing out favors and campaign contributions that are often little other than bribes. This corruption has given us a financial disaster, a Gulf full of oil, and a nation ruled by corporatist cartels that routinely do violence to the public trust.

The derivatives “industry” is a case in point. When then-House Banking Committee chairman Henry B. Gonzalez (D-Tex.) tried to bring derivatives under control in 1993, his efforts were overwhelmed by Wall Street and the whores among his fellow members of Congress. A few years later, after a series of derivatives disasters and crimes, the Commodity Futures Trading Commission (CFTC) under Brooksley Born once again raised the issue of regulating derivatives, only to be slapped down by Alan Greenspan and the Plunge Protection Team.

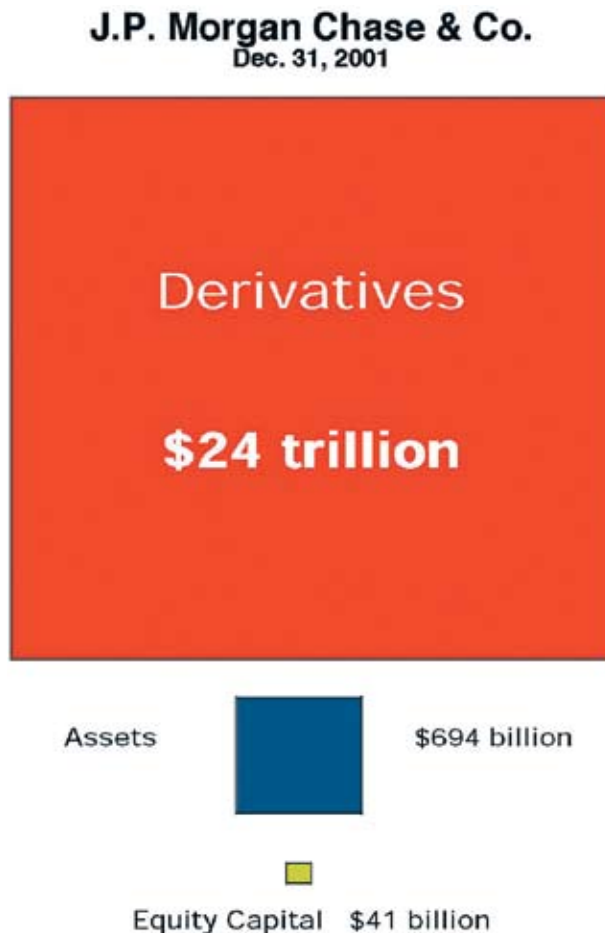
In hearings on the issue, the bankers, led by representatives of JP Morgan, threatened to take their derivatives trading to London if their activities were restricted in the United States. Rather than telling them not to let the door hit them in the behind on their way out of the country, Congress punked out, and attacked the CFTC instead.

The Congress behaved in similar fashion when it came to the repeal of Glass-Steagall. Everyone with a functioning mind knew it was a mistake, but the banking sector poured in the money—and the threats—and once again, the people of the nation were sold down the river by their elected so-called leaders. Often, the sleaziest members of Congress are the ones chosen to head the banking and finance committees, for the obvious reasons. Henry B. Gonzalez was a rare exception, a patriot of courage and honor. The present chairman of the House banking committee, Bailout Barney Frank, is a reversion to the sleazy norm of putting the interests of Wall Street ahead of the interests of the nation.

This craven sellout of the national interest must be stopped. Which means we have to dump our Queen-loving President Obama and his pack of White House goons, and purge Congress of all those who lack the character to put the welfare of the nation above the greed of the parasites.

Derivatives must be banned. Glass-Steagall must be reinstated. The huge debts run up in the casino must be

FIGURE 1



*At the end of 2001, J.P. Morgan Chase had nearly 35,000 times more in derivatives holdings than in assets, and derivatives holdings about 595,000 times that of its equity capital.*

written off, and we must turn our attention to rebuilding and expanding our infrastructure, to restore the productivity of our people. We must break the control of the British Empire over our economy, so that we may lead the world out of the Hell into which it is descending. This is what the American System was created to do, and it remains our mission today. The louder that Wall Street howls, the more shrill the bleating from London, the better for us all. We are here not to negotiate with them and their criminal system, but to whip the bastards back into line and assert the right of the people of the United States to run their government for the benefit of all. To the economic royalists, we say: Sit down and shut up—while we clean up your mess. We will deal with you shortly.

*johnhoeffe@larouchepub.com*



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# Economics in Brief

## ***Sovereign Debt***

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### **London Wants ECB To Buy Billions of Euro Bonds**

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June 18—The City of London is pushing for the European Central Bank to buy hundreds of billions of euros worth of European sovereign debt as the only way to save their bankrupt system. City of London mouthpiece Ambrose Evans Pritchard, writing in today's *Daily Telegraph*, quotes Brian Coulton of the Fitch rating agency, who complains that the ECB, under German pressure, is not buying enough sovereign debt.

"There has been an unwillingness to follow through and the markets are going to want to see the ECB's money. It will require hundreds of billions in my opinion," Coulton told a Conference on Global Banking.

The ECB has already bought EU47 billion worth of Greek, Portuguese, and Irish government bonds. At least EU25 billion of that are in Greek bonds.

Fitch's prediction might come true soon, given the situation with Spain, whose economy is four times larger than that of Greece. Spain managed to sell EU3 billion euros of 10-year bonds and EU379 million of 30-year bonds—but at a punitive interest rate of 4.86% and 4.97%, very close to the 5% mark, which, once crossed, puts it on the way to become another Greece.

## ***Austerity***

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### **British Imperial Policy Behind EC Budget Cuts**

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June 18—The unelected would-be dictatorship of the European Commission made demands for even deeper and more destructive austerity programs from European governments on June 16—essentially acknowledging that each round of cuts the EC demanded, would make the next round worse. On June 17, British Prime Minister David Cameron made clear that London is behind this EC takeover of European nations' budgets—

though of course, London itself will not join in the arrangement.

EC Economics Commissioner Olli Rehn issued a new report to European finance ministers at the EU summit in Brussels, where members—except the U.K., which is not in the Eurozone, of course—agreed to submit their proposed government budgets to the EC first, in order, then, to be permitted to submit them to their national parliaments. This imperial fascism has been given the new-speak name of "the new governance."

Cameron held a press conference at the same EU summit in Brussels on June 17, and gave the British imperial line bluntly: "Let me make this very clear; Britain does not intend or agree that any further powers shall pass from Westminster to Brussels; we are not members of the euro. We will always submit our budget first to Parliament. But if the nations which are members of the euro now find, because of this critical situation, that they have to make new governance arrangements, they will have to proceed and do that."

## ***Exchange Rates***

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### **China Warns: No Pressure On RMB Revaluation**

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June 17—Chinese Foreign Ministry spokesman Qin Gang warned today that the United States should not try to pressure China on revaluing the RMB. Responding to a question regarding Treasury Secretary Tim Geithner's comments this week on the need for RMB revaluation, Qin said: "Numerous facts have proven that the RMB exchange rate is not the major cause of the trade imbalance between China and the U.S. Since the reform of China's exchange rate formation mechanism in July 2005, the RMB has appreciated by 21% against the U.S. dollar in cumulative terms. However, there has been no apparent improvement in the U.S. trade deficit with China during the same period."

The U.S.-China trade imbalance is largely attributable to an international division of labor, as well as U.S. export controls on high-tech products. RMB appreciation will neither resolve the trade

imbalance between China and the U.S., nor address other domestic issues in the U.S. such as low savings, credit spending and unemployment, Qin said. "When and how the reform will take place," he underlined, "depends on our overall consideration based on the changes in world economic situation and the performance of China's economy."

## ***Banking***

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### **Santander Is Rock-Solid, The Suckers Are Told**

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June 18—The Inter-Alpha Group's Banco Santander came out as the No. 1 European bank in "stress tests" conducted of some two dozen banks by the EU's Committee of European Banking Supervisors, according to a Spanish government source cited in that country's *El Mundo* of June 17.

The announcement was met with guffaws among informed observers, because the reality is that Santander is, at best, a heartbeat away from bankruptcy. The London-controlled predatory bank's profits are built on "rock-solid" quicksand: a) the Brazilian carry trade looting mechanism; b) Spanish real estate speculation, where there are record rates of non-performing loans; c) U.K. real estate speculation, which is almost as blown out as Spain's; and d) bottom-feeding and distress takeovers of other financial institutions around the world—its latest target being M&T Bank in the U.S.

Santander passing a banking stress test with flying colors, is about as credible as the safety assurances given by British Petroleum about its Gulf of Mexico oil rig.

The results of the stress tests will be announced by the second half of July, ECB president Jean-Claude Trichet announced yesterday. This is "to show investors that the financial system can withstand shocks," Bloomberg reported with a straight face.

Spanish Prime Minister Zapatero held a bilateral meeting with British Prime Minister Cameron on the sidelines of yesterday's EU summit in Brussels, after which the two giggled publicly about how Santander has taken over a whole street in the City of London.

ISOTOPES AND LIFE:

## Considerations for Space Colonization

by Meghan K. Rouillard

*The science-driver policy of colonizing space, which physical economist Lyndon LaRouche has declared to be the indispensable mission for advancing mankind, will require many fundamental scientific breakthroughs—indeed, a decisive break from the empiricist so-called science of today. The work of figuring out how to support man’s creative activity away from the surface of the Earth—the creation of “synthetic environments”—actually requires a rethinking of the concept of basic economic infrastructure, as LaRouche has indicated. In this paper, part of a series being produced by LaRouche’s “Basement Team,” we address the question of the nature of isotopes from the standpoint of the issues raised in creating an environment on another planet. While the isotope question may appear complex to the lay reader, it is just this kind of knowledge which will determine the future of mankind.*

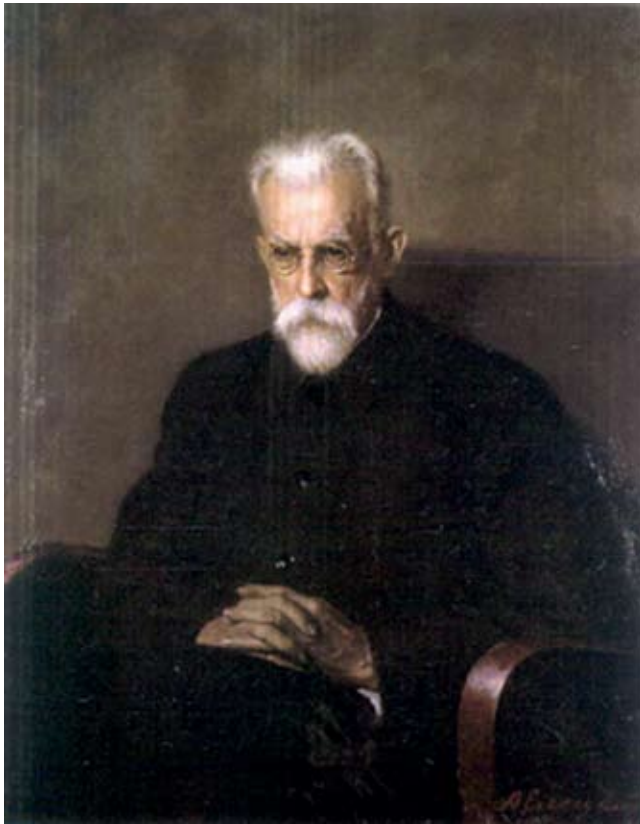
“Since the beginning of the Twentieth Century, the proper modern understanding of the physical principles which underlie a competent science of physical economy, has been most clearly expressed in terms of that development of a specifically human practice of physical chemistry, as by such as, most notably, both Chicago’s William Draper Harkins, and, in a more elaborated

form, as premised on Academician V.I. Vernadsky’s scientifically crucial elaboration of the notion of mankind’s efficient role as a species in an anti-entropically developing universe. The latter development, that of Vernadsky, expresses the essential characteristic of a universe which subsumes the three sub-spatial domains of the lithosphere, biosphere, and noösphere.”

—Lyndon LaRouche, “The Secret Economy,”  
*EIR*, May 28, 2010

Vladimir Vernadsky’s concept of the three distinct phase-spaces of abiotic, biotic, and noëtic, was qualified by him on the basis of experimental phenomena, such as the different nature of the chemistry inside and outside of a living organism. Vernadsky pointed to the work of Louis Pasteur as crucial in this respect, regarding the significance of the symmetry of molecules with respect to certain biological functions.<sup>1</sup> Vernadsky made bold statements in 1938, and at other times, that there was a similar difference in the way in which iso-

1. LPACTV, “Louis Pasteur: The Space of Life,” and Louis Pasteur, “On the Asymmetry of Naturally Occurring Organic Compounds,” in *The Foundations of Stereochemistry*, (Woodstock, Ga.: American Book Co., 1901).



*The Ukrainian-Russian biogeochemist Vladimir Vernadsky conceived of the universe as composed of three distinct but interacting domains, which he called the abiotic, the biotic, and the noëtic.*

topes are used inside and outside of a living process. He wrote:

“Evidently, a shift (within certain ranges) in the isotopic composition (atomic weights) inside living organisms is a characteristic property of living matter. This has been proven for hydrogen, carbon, and potassium, and is probable for oxygen and nitrogen. This phenomenon calls for precise investigation. It is becoming more than probable, that a chemical element, upon entering a living organism, changes its isotopic composition.

“The chemical composition of both types of natural bodies comes down to the same chemical elements—although it is possible that the atomic weights of some or all of the elements are shifted in living matter.”<sup>2</sup>

Vernadsky was to be proven right in his hypothesis of a unique “fractionation” (the shifting of isotopic ratios from a given standard) of the latter two elements

2. Vladimir Vernadsky, “Problems of Biogeochemistry II,” *21st Century Science & Technology*, Winter 2000-2001, p. 20.

(oxygen and nitrogen) in living matter, which is documented in various studies. Interestingly, at the time Vernadsky first uttered such hypotheses, more than ten years prior to the above-quoted statement, the heavier isotopes of several of these elements had not even been discovered. Vernadsky considered himself a rigorous experimentalist, but his hypothesis about the fundamental distinction between living and non-living matter drove much of that experimental work, and he encouraged others to pursue such tracks of investigation.

What are isotopes, such that life could use them “differently”? Or, inversely, what is life, such that it requires a unique isotopic composition? These questions are analogous to the question provoked by Pasteur’s work: What were the (at that time) hidden characteristics of what were thought to be similar molecules which caused life to distinguish between them? His work led to the science of stereochemistry, the study and significance of the orientation in space of molecules themselves.

What are the analogous hidden characteristics of isotopes which cause life to distinguish among them in a unique way, with respect to the environment in which the organism exists, or with respect to non-living matter?

What is life, such that it requires this? A pursuit of this question leads us in the direction of recognizing Vernadsky’s point as being true: Life is a fundamentally unique state of physical space-time as compared to non-living phenomena. The particular ways in which isotopes interact with life are but one facet of this fundamental distinction.

We have reason to believe that fractionation would be caused by something other than the masses of the isotopes. This may sound surprising, based on the simple definition of what an isotope is, i.e., an atom of the same element which has a slightly different mass. Many simply “physical” processes could show “preference” for an isotope based on its mass. Size is one consideration in determining passive diffusion through a membrane, for example. This question can be answered based on simple physical laws, depending on the membrane.

But, based on Vernadsky’s view of Pasteur’s work, we have every reason to think that the space-time inside of a living organism is more unique, and perceptive, if you will, than what is implied by a simple apparatus to describe the laws of interaction between bodies and membranes. Part of what we intend to do here is to show that isotopes are, in fact, much more complex little

creatures, which are not simply different because they are a little more or less hefty. And we would expect this to be the case, since a living organism is much more perceptive than a scale.

If life requires a unique isotopic composition, which is determined by a unique type of selection of isotopes within the organism, as hypothesized by Vernadsky, it would be a significant concern to be taken into account, in making plans to create artificial environments on our Moon or Mars, where isotopic composition is by no means certain to be the same as found on Earth, even where similar elements are to be found. Let us explore a bit of what we've come to know about that multi-faceted little creature, the isotope, and how life may be interacting uniquely with it. Though we may not arrive at any concrete answers, these questions are the ones we should be confronting and directing experimentation towards, in intending to leave the surface of our planet, to re-create human society on Mars.

It should also be said, that a true unified field theory should aim to define phenomena such as electromagnetism, gravitation, chemistry, and more, based on how these phenomena act in relation to each of Vernadsky's three phase spaces.<sup>3</sup> The real prospect of space colonization makes this more than a simple academic pursuit, as we attempt to re-create an environment suitable for life on other planetary bodies. Knowing what isotopes "are" will require an experimental, but non-axiomatic study of how they interact with living matter. Those who have become acquainted with the mind of Vernadsky should concur that he would, most likely, be in agreement on this point. Let us begin by looking a bit at some of the initial paradoxes posed by isotopes, since their discovery.

### The Shadows of the Isotope

In 1913, J.J. Thomson, in experimenting with beams of ions of the element neon (canal rays), deflected by electric and magnetic fields, noted that some of these



*The work of the French chemist Louis Pasteur (shown here, in his laboratory) was often referenced by Vernadsky.*

ions were deflected differently, having different parabolas of deflection, as seen by their projections on a photographic plate. This led him to think that these various neon ions, previously assumed to be all the same, could possibly have different masses.

In 1917, the Chicago University-based physical chemist William Draper Harkins began to investigate what were pointed to as being very slight differences in the spectra emitted from different isotopes of lead, and a few other elements. The differences were so slight, that, at the time, he was not even confident whether or not there was actually a difference. Without commenting on that investigation per se, we can gain some insight from his hypothesis, that there could be another characteristic to the isotope, besides a simple increase in mass, which would account for the different spectral emissions—something related to the different "space arrangement" itself.<sup>4</sup>

"The fact that isotopes, with a constant value of P [protons], but with a variable value of b [neutrons], have almost exactly the same spectra, indicates that the non-nuclear electrons vibrate as might be expected, as if the positive and negative electrons [neutrons] were

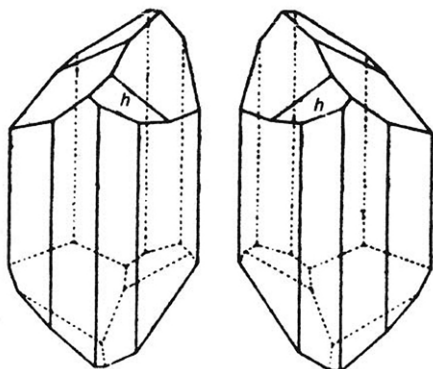
3. Sky Shields, "The Significance of Biological Research in Space for the Development of a Unified Field Theory," Submission to the National Research Council's Decadal Survey for Biological and Physical Sciences in Space, October 2009.

4. Keep in mind, so as to make his statement more clear, that Harkins did not yet know of the neutron per se, but conceived of an atomic model which essentially did consist of neutrons, except that his neutrons were extra protons inside of the nucleus, orbited by electrons which cancelled out the charge of the protons.



FIGURE 1

### Pasteur's Handed Crystals



Pasteur's sketches of two handed crystals of tartaric acid crystals, found in the bottom of wine barrels. When dissolved in solution, where the crystal structure would have been destroyed, the rotation of polarized light by the solution occurs to the right or left, depending on which crystalline structure was dissolved, indicating to Pasteur that there must be handed symmetry not only at the crystalline level, but at the molecular level. A living organism is selective about which of these handed molecules it uses, unlike non-living processes. Pasteur found that only the left-handed form is produced in biological processes, such as fermentation, while in laboratory synthesis of the compound, equal quantities of left- and right-handed forms occur.

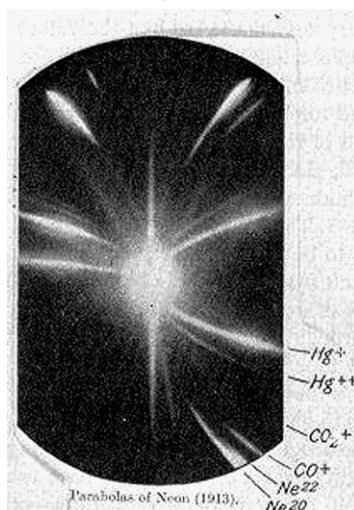
not present in the nucleus, that is as if it consisted of P positive electrons [protons] alone. . . . It might be expected, even if there is no effect due to the mass, that if the positive and negative electrons in the nucleus are not coincident, their space arrangement should cause a slight, though possibly unmeasurable effect upon the spectrum."<sup>5</sup>

So, Harkins figured that the simple mass increase contributed by uncharged neutrons would not change the spectral emission, but, a change in the orientation of the contents of the nucleus could. The usefulness of this statement is mainly that it introduces the idea that isotopes are not simply heavier or lighter, but that the change in structure itself could contribute to other kinds of differences, of the kind which would produce different emission spectra from different isotopes, for example.

5. William Draper Harkins, "The Spectra of Atoms and the Vibration of Electrons in the Atom," *Proceedings of the National Academy of Sciences of the USA (PNAS)*, Vol. 3, No. 12, Dec. 1917, pp. 710-715.

FIGURE 2

### Neon Isotopes



J.J. Thomson's photographic plate, showing two different positions for ions of Neon, now known as Neon-20 and Neon-22.

This is not completely foreign to Pasteur's own hypothesis that different molecules of tartaric acid could actually interact differently with a living organism because of their spatial arrangement, or their symmetry, not simply based on the "stuff" they are made of. Outside of the living organism, such differences do not matter. Vernadsky thought this implied a unique state of space of the living organism itself:

"A chemical distinction between right- and left-handed forms of the same chemical compound, characterizes the state of

the physical space, occupied by the body of a living organism, and its manifestation in the surrounding medium, in the biosphere."<sup>6</sup>

Perhaps we can not go so far as to claim to know what is being perceived by the organism, but symmetry seems to matter. This is an indication that life is different from non-life, even at the chemical level, which flies in the face of assertions that life could simply be built up out of the same "non-living chemicals." There is, in fact, a difference when we discuss chemistry in the living organism. But what about at the even more relatively microscopic level—at the level of the atoms which compose these symmetric molecules—isotopes? Vernadsky thought that this, too, was a phenomenon of a similar nature:

"Don't we have in this biogenic change of the atomic weight, one of the numerous manifestations of a sharp material and energetic distinction of the living matter and the inert, which are observed in all biogeochemical processes?"<sup>7</sup>

The fractionation hypothesized by Vernadsky, even before much of it was experimentally demonstrated,

6. Vernadsky, Op. cit. (Note 2). Also see, Vernadsky, "On the States of Physical Space," *21st Century Science & Technology*, Winter 2007-2008.

7. Vladimir Vernadsky, "On Some Fundamental Problems of Biogeochemistry," *21st Century Science & Technology*, Winter 2005-2006.

does exist, and we will look at a few examples, which do not nearly encompass all the work which has been done in that vein. The other side of this question to begin to poke at, is how, or why, this occurs.

Isotopes, as noted above, are typically distinguished by mass, but processes inside living organisms seem to indicate to us that we are only perceiving one shadow of what the actual isotope is, in looking at mass per se. We already know that the organism can perceive qualities such as symmetry. In 1935, Vernadsky said that we should not “overlook the other physiological side of the problem, when it is possible to advance it, that is, the question of the mechanism of the action of the organism upon the isotopic mixtures of elements,” being careful however not to put forward hypotheses about how this would occur.

By no later than 1940, work on potassium fractionation in rats by A.K. Brewer,<sup>8</sup> known to Vernadsky, already explained fractionation, based on a kinetic mechanism, which is a model that would not have been completely new, since it implies nothing fundamentally different than considerations of how much energy is required to break a bond. Even early writings of Vernadsky, as in 1926, currently being translated,<sup>9</sup> show him hypothesizing that, even were the isotopic compositions of living and non-living matter the same, reasons of symmetry could account for some difference. This is also referenced briefly in Vernadsky’s book *The Biosphere*:<sup>10</sup>

“It is very likely that isotopes and the symmetry of atoms play roles in the living organism which have not yet been elucidated,” he wrote.

Although this thought is left unfinished, the point is,



*University of Chicago-based physical chemist William Draper Harkins did important experimental work on the structure of the atom, and also in elaborating Mendeleev’s Periodic Table.*

that Vernadsky was completely confident that there would be a distinction. So, in accord with his general outlook, let us open our minds to some of these questions, and some new and provoking experimental work which shows that the considerations involved are by no means so simple as they are commonly discussed as being.

### **‘Mass-Independent’ Isotope Effects**

The term “mass-independent isotope effect” has a very specific technical meaning, which we will look into here, to some extent. It is said that a true study of mass independent fractionation, or a shifting of isotopic ratios from a standard ratio that is not based on mass, can only be measured when looking at elements which have more than two stable isotopes;

that when dealing with the fractionation of only two isotopes, or the deviation from some standard isotopic ratio, it can simply be stated that more of the heavier or the lighter isotope is being chosen; this is called mass-dependent fractionation.

Let’s look at a couple of examples of what we mean by living processes using isotopes in a “different way,” without having to show some variation among three isotopes which scales differently than with mass. It should become clear that the quality of the isotope being perceived by the organism is not simply its weight. Some experts in this field would agree that the organism is not using a scale to judge the isotopes upon entrance, but that bond strengths, for example, are affected by mass. We will not discuss this particular hypothesis much, since more provocative questions loom, even when dealing with so-called “mass dependent” isotope effects.

For example, specific tissues require unique isotopic compositions themselves. If it were simply a question of chemical bond yields acted on by enzymes which proceed more quickly with the substitution of a lighter for a heavier isotope, for example, then why would heavier isotopes be used at all? And on the flip

8. A. Lasnitski, A.K. Brewer, “A Study in the Isotopic Constitution of Potassium in Various Rat Tissues,” *Biochemical Journal*, January 1941; Vol. 35(1-2): pp. 144-51.

9. Vladimir Vernadsky, in “Work on the Biogeochemistry and Geochemistry of the Soils,” Russian Academy of Sciences, 1992 (in Russian).

10. Vladimir Vernadsky, *The Biosphere* (New York: Springer, 1997).

side, heavier isotopes strengthen bonds based on their masses. But the point here is to question how the particular ratios are determined for the organism as a whole, without assuming that it occurs as a huge

summing-up of individual kinetic and equilibrium effects, if only because isotopes have other, more interesting, ways of potentially interacting with living matter.

In photosynthesis, plants get rid of the heavier of the two main isotopes during respiration. What determines this is not simply which of them, by mass, passes more easily through the same membrane or pore. The prevalence of Carbon-12 could possibly be explained this way, in what the plant takes up (more of the lighter isotope—called equilibrium fractionation), but the fact that the heavier isotope is preferentially removed during respiration, showing a reversal of which isotope “passes through,” indicates that this is not so simple a matter.

As researchers on the subject noted in 2004, “Recent experiments on intact bean leaves have shown a significant enrichment in Carbon-13 by about 6% in the CO<sub>2</sub> respired in the dark compared to leaf sucrose,



Viking Orbiter Raw Image Archive



NASA

*The need to potentially isotopically engineer the soil on Mars falls under the category of constructing basic economic infrastructure there. Shown (top): the atmosphere of Mars, taken from low orbit; an artist's rendering of possible activities during future space exploration missions: Crew members set up equipment during a Mars polar expedition.*



indicating a substantial fractionation associated with respiration.”<sup>11</sup>

Why is it that an overall enrichment in Carbon-12 is required in plants with respect to their environment? The matter is not even this simple; looking at the relatively more specialized levels, further differences in enrichment are revealed. Different parts of plants show different concentrations of Carbon-13 relative to Carbon-12. Lipids, and leaves in general, appear to be depleted even more in the heavier carbon isotope, while seeds are more enriched in it.

It is even more generally the case that a given “isotopic diet” does not describe fractionation between different tissues and parts of animal bodies. Depletion in blood of the heavier iron isotope with respect to diet; calcium depletion in heavy isotopes in bones versus other tissues; potassium depletion in lighter isotopes in the bones of rats with respect to other tissues; enrichment of the heavier isotope of nitrogen with progression up the food chain and of the lighter isotope of iron—all these are examples of this phenomenon, and a good amount has been written on such particular studies. Mercury in different species of peat moss, from Argentina and Spain, shows, in one case, enrichment, and in the other, depletion, of two odd-numbered isotopes of mercury.<sup>12</sup> (This is technically considered a mass-independent isotope effect.)

Depletion of uranium isotopes in one kind of uranium ore deposit has shown significant depletion of one of the uranium isotopes, and the possible role of uranium-reducing bacteria is not to be ignored.<sup>13</sup>

Here’s another case of isotopes interacting in an interesting way with life: Experiments have been done on bacteria, in shifting them from water which is “normal” H<sub>2</sub><sup>16</sup>O to water, in which the hydrogen and the Oxygen-16 are switched for deuterium and Oxygen-18. Some of these *E. coli* bacteria showed a complete halting of growth for as much as 30 hours, when switched from normal, to isotopically heavy water;

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11. E. Brugnoli and G.D. Farquhar, “Photosynthetic Fractionation of Carbon Isotopes,” in *Photosynthesis: Physiology and Metabolism* (Aarhus, Denmark: Kluwer Academic Publishers, 2004)

12. Sanghamitra Ghosh et al., “Mass-independent fractionation of mercury isotopes in the environment,” *Geochemistry, Geophysics, Geosystems*, Vol. 9, No. 3, March 2008.

13. “Uranium isotopes are not invariant, researchers show,” <http://news.illinois.edu/view/6367/206502>

others showed significant morphological changes.<sup>14</sup>

Was it the weight of the water that caused this effect? As posed at the beginning of this section, some scientists today would explain these effects based on a secondary property of weight, the way in which the weight of the isotope affects certain bond strengths, reducing all but some actually “mass-independent” isotope effects to a simple kinematic model (this is called the kinetic isotope effect). But the question we are intrigued by, is how the overall desired ratio is determined, and that without simply assuming that it occurs as a summing-up of millions of individual bonds, which are more or less able to be broken by enzymes, for example.

When not in a pure heavy-water environment, water molecules bound to plant cells show a relative depletion of deuterium with respect to a given source of water, seemingly using the deuterium in a precise fashion, if it’s not preferentially being released (the model of equilibrium fractionation would not explain that occurrence). Where is the rest of the deuterium going? Why is it more useful somewhere else in the plant?<sup>15</sup>

Returning briefly to the subject of the work of Pasteur, and to the subject of whether the isotopes are simply “more or less” of the same, consider the fact that the lighter or heavier isotopes may serve totally different functions. Amino acids are generally considered to be entirely left-handed molecules, and sugars, right-handed. However, significant cases of right-handed amino acids, though relatively much less abundant, as is the case with heavy isotopes, do exist, and they play a unique role.

One example is an anomalous right-handed version of aspartic acid found in the brains of rats, chickens, and humans, which is present in large amounts during developmental stages, and then rapidly decreases to only trace amounts during adult life. Perhaps the analogy is not exact, but it raises the right question: whether the more trace isotopes are playing a completely unique role, outside of contributing more or less mass to a

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14. E. Borek and D. Rittenburg, “Anomalous growth of microorganisms produced by changes in isotopes in their environment,” *Proceedings of the National Academy of Sciences of the USA*, Vol. 46, No. 6 (June 15, 1960), pp. 777-82.

15. D. Yakir, M. Deniro, et al., “Isotopic Inhomogeneity of leaf water,” *Geochim et Cosmochim Acta*, Vol. 53, pp. 2769-73, 1989.



chemical bond.<sup>16</sup>

We can already see that paradoxes arise in explaining the transmission of only two different isotopes across a membrane (that a simple preference for heavier or lighter is not always shown). There was also the role of a given “water environment” in inducing morphological changes in an organism through a switching of isotopes. What is the precise use of a heavy isotope, such as deuterium, in plant water?

These examples, though only dealing with two isotopes, would tend to lead us to believe that the matter is not so simple as heavier or lighter being “preferred” or “better for you.” The heavier isotopes are generally much less abundant than the lighter ones, so any enrichment in heavy isotopes occurs on a very small scale—another example of a weak force at play, perhaps similar to the crucial role played by low-intensity radiation. It’s likely the case that some instances of “mass-dependent fractionation” are simply processes which we do not yet understand, but will tend to explain based on a preference for lighter or heavier through a sieve-like mechanism. Such an explanation coheres with the simplest definition of what an isotope is, though, as an explanation, it leaves much unexplained.

Before moving on to another aspect of this problem, consider already what some of these considerations mean for colonizing a planet like Mars. In 2004, the NASA Genesis mission was deployed to investigate the isotopic composition of the Sun as compared to other planetary bodies. Interestingly, Mars, Earth, the Moon, and the asteroids seem to be similarly enriched in the heavier oxygen isotopes, as compared with what data were found for the solar wind, and the Allende meteorite, which is thought to contain some



NASA Earth Observatory

*The Earth’s atmosphere is largely produced by life, and interacts with cosmic radiation, which also changes its composition. Shown: the top layers of the Earth’s atmosphere.*

of the oldest material in the Solar System.

Nitrogen, another element crucial for life, is enriched 4.5 times more in the heavier isotope on Jupiter’s moon Titan than on Earth. How would life be able to adapt to such conditions, in an environment depleted of heavy oxygen isotopes, or significantly enriched in heavier nitrogen isotopes?

In June 2008, the Phoenix Lander on Mars found the soil to have substantial amounts of magnesium, sodium, potassium, and chloride, all elements important for plant growth on Earth. But what is the isotopic composition of these elements on the Martian surface? How would plants grown on Mars be affected if the isotopic composition of the soil were significantly different from that on Earth, and how would we compensate for that difference, if needed? An initial glance at the role of isotopes in life has shown us that such factors are not to be overlooked.

### **Fractionation of Planetary Atmospheres**

Other interesting examples of mass-independent fractionation do occur in cases where there is a clear variation among three isotopes, from proportions of them increasing or decreasing with mass. A much studied case, is that of ozone, where between Oxygen-16, Oxygen-17, and Oxygen-18, there is a spike in the

16. Uwe Meierhenric, “Minority Report: Life’s Chiral Molecules of Opposite Handedness,” *Amino Acids and the Asymmetry of Life* (Berlin: Springer, 2008).

amount of Oxygen-17 present in ozone molecules relative to what the expected enrichments would be if they depended on a scaling with mass. There is an almost equal enrichment of Oxygen-17 and Oxygen-18, and a relative abundance of the totally asymmetric ozone molecule  $^{16}\text{O}^{17}\text{O}^{18}\text{O}$ . Reasons related to the elusive quantity of “electron spin,” and a resulting asymmetry of the molecules, are hypothesized by most current scientists as being causal factors.

Also, the role of photolysis, or ultraviolet radiation, in producing a kind of mass-independent fractionation of sulfur in rocks from the Archean Earth atmosphere has been posited, through a type of resonance which the radiation has with certain molecules, which can be different based on isotopic make-up. Each of these cases deals with three or more stable isotopes, so a depletion or enrichment of only one, or of two evens or odds, is what is called a mass-independent fractionation.<sup>17</sup>

In general, there does not seem to be consensus on the matter of how atmospheric fractionation occurs, as is stated in one recent article:

“Currently, in spite of fifteen years of intensive experimental and theoretical investigation after the first observation of a chemically produced mass-independent process, the mechanism that is responsible remains unidentified.”<sup>18</sup>

You might protest that these are not living processes, so the hypothesis about the significance of mass-independent isotope fractionation in life does not fit. Admittedly, Vernadsky realized that even processes which are non-living can have a unique kind of fractionation with respect to the surrounding space, mostly gaseous phenomena under high temperatures and pressures.

So, the answer to our question is not simply showing that inside of the living organism, fractionation does not depend on mass, as though that alone made it unique. Then again, the question can be asked whether atmospheric fractionation on Earth, for example, can really be referred to as the result of completely non-living processes: Vernadsky himself noted that the biosphere extends up to the stratosphere. Also, the oxygen, carbon, and nitrogen cycles involve a biogenic migration of

atoms which, according to one estimate, has a cycling of oxygen atoms in the atmosphere through living matter and back into the atmosphere once every couple of thousand years.<sup>19</sup> The unique isotopic effects produced in the atmosphere are ultimately intimately connected with the creation of the atmosphere by life.

But aside from that question in particular, this line of thought has already brought us to an important consideration regarding our future colonizing of other planets. Think of the question regarding the nature of the Martian atmosphere. Researchers looking at similarities between the Archean Earth atmosphere and the Martian atmosphere have pointed out that the photolysis which created fractionation of sulfur dioxide on Earth years ago in a low oxygen atmosphere, a result of UV radiation, is active on Mars all the way down to the surface, and produced a similar fractionation of sulfur isotopes there, that is still active:

“There are major differences between the Martian and terrestrial atmospheres. The most obvious difference is that water photolysis is important all the way to ground level on Mars; this is due to the relative transparency of the Martian atmosphere.”<sup>20</sup>

How will this kind of fractionation affect our efforts to create an artificial environment on Mars, with compounds such as water vapor (preferentially over heavy-water vapor) being split all the way down to the surface? How will this type of fractionation affect the atmosphere which we create in its initial phase, as well as chemical compounds more generally?

### ‘Spin’: A Purely ‘Physical’ Quantity?

The special role played by Magnesium-25 in photosynthesis is a much-touted case. This isotope’s unique “spin,” as mentioned, a quantity made hard to understand because of the obscure nature of quantum mechanical language, is hypothesized by many current scientists as being causal. The presence of this isotope has been shown to speed up the rates of formation of ATP (adenosine triphosphate) in photosynthesis when it is present in a specific enzyme.<sup>21</sup> Rather than getting

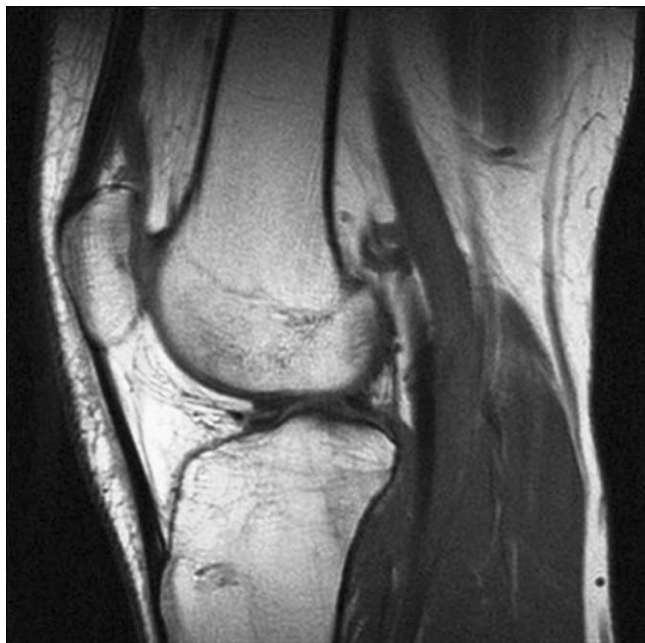
17. A.A. Pavlov, and J.F. Kasting, “Mass Independent Fractionation of Sulfur Isotopes in Archaean Sediments: Strong Evidence for an Anoxic Archaean Atmosphere,” *Astrobiology*, Vol. 2, No. 1, 2002.

18. Mark H. Thieme, “Mass-Independent Isotope Effects in Planetary Atmospheres and the Early Solar System,” *Science*, Vol. 283, 1999.

19. Eugene Rabinowitch and Govindjee, “Photosynthesis,” <http://www.life.illinois.edu/govindjee/photosynBook.html>

20. C. Miller and Y. Yung, “Photo-induced isotopic fractionation,” *Journal of Geophysical Research*, Vol. 105, No. D23, 2000

21. J.R. Black, “An experimental study of magnesium isotope fractionation in chlorophyll-a photosynthesis,” 2006, <http://www.escholarship.org/uc/item/8x5346hj>



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*MRI technology is used to align usually hydrogen atoms in water in the body, based on their magnetization, and creates an image based on their weak magnetic fields. Shown: a magnetic resonance image of the knee.*

into the technicalities of how this is supposed to work, let us look instead at some recent experimental work, not directly related to magnesium isotopes of photosynthesis, but work which is very interesting, keeping in mind Vernadsky's initial provocation that chemical processes within a living organism will be different from chemical and physical phenomena which we observe outside of that context.

Electron spin, and its ability to be affected by different isotopes of the same element, is usually discussed as possessing a type of resonance with magnetic fields. For example, MRI/NMR imaging technology exploits the weak magnetic characteristics of some isotopes. But does spin itself simply refer to the state of an atom which is determined by, and determines, purely "physical" reactions? Recent experimentation has demonstrated the interesting phenomenon of "spin-polarized electrons" (some kind of coordination of spins) being "asymmetrically scattered" after interacting with films of chiral (left/right-handed) molecules.

As one researcher noted: "A successful observation of electron optical dichroism [not rotation per se, as occurs with Pasteur's experiments with polarized light, but 'spin-dependent attenuation,' a kind of loss

of intensity or scattering—MKR] was eventually achieved by enhancing electron scattering through the addition of a ytterbium atom to camphor-based organic molecules to form (x compound) and analogous compounds. . . . I express my admiration for this elegant experiment. Other experiments have since been done to observe the asymmetric scattering of polarized electrons by organic films of thin chiral molecules. As of this writing, I am not aware of experiments that have observed the electron analogue of optical rotation. The preferential interaction of spin-polarized electrons with chiral molecules has attracted attention. . . ."<sup>22</sup>

While the details of how these experiments are carried out are important,<sup>23</sup> and have not been discussed in depth here, for our purposes, the significance of this, admittedly hard to conceive of, experiment, is that of the interaction of the quantity of spin with that of molecular chirality (handedness), which Vernadsky and Pasteur pointed at as being a unique characteristic of biological chemistry, its preference for and creation of these molecules. Many mass-independent isotope effects are explained based on spin numbers and "magnetic moments" of isotopes, including inside of the organism. But here is already an indication of a potentially unique "resonance" of electron spin, and chiral molecules, which we know to be characteristic of life.

### Isotopes and Molecular Chirality

So, after all this, the question remains: what is being "perceived"? Mass? Spin? The spectra of the isotopes? How about the symmetry of the molecules? Which of these characteristics is the analogue to Pasteur's isomers (compounds with the same molecules, but different structural formulae) for isotopes? Perhaps we can not answer this question until more experimentation is done, but it is clear that isotopes, and living things, interact in a way which still remains hidden to us, but which does lead the mind in the direction of recognizing the interaction as very unique. However, one of those particular quantities may have caught your eye: the symmetry of the molecule itself.

22. "Chiral Asymmetry: The Quantum Physics of Handedness," in Mark P. Silverman, *Quantum Superposition: Counterintuitive Consequences Coherence, Entanglement, and Interference* (Berlin: Springer, 2008).

23. <http://www.uni-muenster.de/Physik.PI/Hanne/research-topics.html>

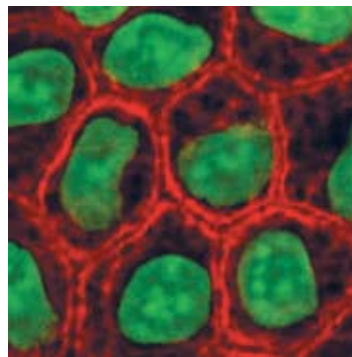
We know this was Pasteur's focus, but what could this have to do with isotopes? The anomalous abundance of the completely asymmetric Oxygen-16-Oxygen-17-Oxygen-18 ozone molecule was referenced briefly, but it is sort of a step removed from life (though we will not assert that the atmosphere as a whole is non-living, as it is largely produced by life). In fact, more direct work has been done recently with respect to this asymmetry of molecules as a result of an isotopic substitution, creating a different notion of chirality.

In a work whose translation is pending, Vernadsky indicates that there should be something beyond molecular symmetry as a unique indicator of life's physical space-time, at the atomic level. He seems to imply that, even were there similar isotopic compositions between living and non-living matter, we should still assume there would be a difference, related to symmetry. What could this mean? This author would be inclined to think Vernadsky is discussing the possible significance of asymmetric molecules which contain both isotopes, or "isotopomers."

And in fact, some recent experiments have been done by substituting, for example, a Carbon-12 for Carbon-13 isotope in a compound which, when it typically reacts with another specific compound, produces a totally racemic mixture of molecules, or, in other words, handed molecules where there is generally a 50/50 abundance of each isomer (the normal symmetrical molecules discovered by Pasteur).<sup>24</sup> This experiment was done by reacting pyrimidine-5-carbaldehyde, and diispropolzinc, which created an enantiomorphous excess in the resulting zinc alkoxide; similar results were also shown for other reactions.

So, it has been shown that this ratio can be shifted through the "doping" of the catalytic compound. Here is another possibly unique role of isotopes in the living organism. It is not clear if any study has been done to determine the abundance of these new isotopically "chiral molecules" in life, but it is very intriguing to consider based on the uniqueness of handed molecules in life, as we have continued to emphasize, and a potentially unique and even catalytic role in forming these compounds by isotopically asymmetric molecules themselves, which life could potentially create. Does

24. Tsuneomi Kawasaki, et al., "Asymmetric Autocatalysis Triggered by Carbon Isotope Chirality," *Science*, Vol. 324, p. 492, April 2009.



creative commons

*Experiments done in the 1990s showed that removing radioactive potassium from cells did not change their appearance, but severely limited their ability to function normally. Shown: epithelial cells visualized by scanning laser confocal microscopy.*

the overall fractionation in a living thing require a certain number of these new chiral structures?

### Radioactive Potassium on Mars?

In an adult male, there are about 140 grams of potassium, of which a small, but powerful portion is the radioactive isotope of potassium, which produces, in total, about 80 decays per minute.<sup>25</sup> This isotope is small in abundance, but potentially has played a very important role in evolution, with seven times more of it being present 3.5 billion years ago, its action largely occurring within cells.<sup>26</sup> What is its role, in general, in human, animal, and plant physiology? Vernadsky knew of the work of the Dutch researcher Zwaardemaker, who did experiments where he pumped salt solutions through eel and frog hearts, claiming to have "revived them" due to the presence of radioactive potassium, and salts of other radioactive isotopes. While we cannot speak to the validity of this claim, or the precise role of radioactive potassium in the body, there is every reason to classify this, as well as the general phenomenon of isotope fractionation in the body, as a powerful, but weak force.<sup>27</sup>

But, again, we are confronted with another consideration which has implications for our colonization of Mars. Recent studies have been done indicating that there is possibly a direct impact upon nuclear decay rates based on the changing Earth-Sun distance through-

25. "Exposure of the population in the United States and Canada from natural background radiation," National Council on Radiation Protection and Measurement; NCRP 96 (Bethesda: 1987).

26. F. Moore and K. Sastry, "Intracellular Potassium: 40K as a primordial gene irradiator," *PNAS*, Vol. 79, No. 11, June 1982, pp. 3556-59.

27. James Muckerheide, "Time To Tell the Truth about the Health Benefits of Low-Dose Radiation," *21st Century Science and Technology*, Summer 2001.



out the year, in experiments done on radioactive isotopes of silicon, radium, and chlorine. An annual modulation in decay rates taken over 15 years, in some cases showed this correlation,<sup>28</sup> and similar experimental results were found in putting other decaying samples into rotating centrifuges—potentially related, since this could mimic gravitational effects.

In asking ourselves how we will support healthy humans on Mars, these considerations are crucial; even if only hypothetical, they indicate the kinds of problems we will need to consider. What if the decay of Potassium-40 in the body is less on Mars, let alone if there is less of it overall? What is its role in the human body, and how would a change in its decay rate affect that? Would Martian soil need to be enriched in Potassium-40 to compensate? This is the kind of thinking which shows how intrinsically linked the science of physical economy and physical chemistry are, in fact.<sup>29</sup>

### **Calls for Further Experimentation!**

We see paradoxes in isotope fractionation which indicate to us that there are clearly characteristics of the real thing we refer to as “the isotope” other than mass. What facet of the isotope does the living organism perceive, or require? Is it some kind of required symmetry, as seems to be the case with Pasteur’s isomers? While we may not have an answer, at least we can say that some of these questions have led us in the right direction, elevating our conception of what the interaction could be.

So-called “mass-dependent” isotope fractionation would seem to indicate, that inside of the living organism, processes are occurring according to simple kinematic or equilibrium laws, such as diffusion across a permeable membrane. However, Pasteur has led us to believe that there is a something other than a simple physical or chemical space inside of a living thing, which is why mass-independent isotope fractionation, particularly if it is symmetry-driven, is cause for excitement, and definitely calls for new modes of exper-

imentation. It seems to be a field of experimentation avoided by biologists, who perhaps feel the shadow of Alexander Oparin towering over them, urging them to believe, despite Pasteur and Vernadsky, that life is not a unique and higher phase space, than the non-living domain. (The only explicit references in a scholarly article to “mass-independent-fractionation” in life found by this author, are the the examples of Magnesium-25, and the varying compositions of mercury isotopes in peat.) It were also a very good idea to do as Vernadsky wished: to examine isotope fractionation for all elements in living organisms, not just the most abundant ones.<sup>30</sup>

Although it seems that there are more questions than answers available to us, we have every reason to believe that Vernadsky’s insistence on the distinction of the three universal phase-spaces will be vindicated in the domain of isotope fractionation and usage within the living thing. More focussed experimentation, with an eye towards Vernadsky’s hypothesis, is long overdue!

This initial investigation of isotopes and their relationship to life is an important aspect of considerations we must take into account in planning to colonize space, if we wish to do it successfully. In such an endeavor, ideological approaches to questions about life as such will be of no help at all, as we attempt to try to keep humans alive on the Moon and Mars, for starters. The living organism does not exist independently of a whole array of relatively weak forces, including cosmic and electromagnetic radiation,<sup>31</sup> universal gravitation, and the unique isotopic composition of its environment, from which relatively small enrichments of already sparse isotopes are produced. Attention to such relatively weak forces is what will put us in the best possible position for supporting the seemingly weakest, yet truly most powerful force, human creativity, on Mars.

*The author is a member of the LaRouche PAC Basement Research Team. She can be contacted at meghan.roo@gmail.com.*

28. Jere H. Jenkins, Ephraim Fischbach, et al., “Evidence for Correlations Between Nuclear Decay Rates and Earth-Sun Distance,” August 2008; [http://arxiv.org/PS\\_cache/arxiv/pdf/0808/0808.3283v1.pdf](http://arxiv.org/PS_cache/arxiv/pdf/0808/0808.3283v1.pdf); and He Yujian et al., “Changes of decay rates induced by mechanic motion,” *Science in China, Series B: Chemistry* (Berlin: Springer, 2008).

29. At this point, it is appropriate to reconsider the quotation from Lyndon LaRouche, “The Secret Economy” cited at the outset of this report.

30. “We are faced with a general problem. Is the change of a chemical element with a different atomic weight by the life process restricted to some new chemical elements, such as hydrogen and potassium, or is this a phenomenon common to all organisms and all the chemical elements?” Vernadsky, *Op. cit.* (Notes 2 and 7).

31. Oyang Teng, “Onward to Mars: The Triumph of the Weak Forces,” *EIR*, May 14, 2010.

# *Serious Consideration of Nuclear Option Must Be Highest-Level Priority*

Serious consideration for the design and tailoring of a peaceful nuclear explosive (PNE) to seal the British Petroleum (BP) well spewing poison into the Gulf of Mexico, must now be a highest-level priority. On the basis of information available in the public domain, such preparation is mandatory.

According to the latest information, there is no end in sight to the spewing of oil from British Petroleum's damaged Deepwater Horizon well. Estimates of the daily flow have risen to the level of 40,000 to 100,000 barrels per day, and engineers are talking about the likelihood that the substrate under the well is breaking up—which could lead to the blowout reaching 150,000 to 200,000 barrels per day. Under such conditions, it's beginning to look as though only a seal of the well-bed, which PNEs could uniquely accomplish, could stop the spewing.

Nuclear physicist Dr. Milo D. Nordyke is the leading U.S. expert on peaceful nuclear explosions. He is a scientist emeritus of Lawrence Livermore National Laboratory, and a veteran of the U.S. Operation Plowshare program for peaceful use of nuclear explosions. He authored a 100-page study of the Soviet program for peaceful explosions, which included use of nuclear devices to seal four runaway gas wells and reduce pressure in a fifth.

On June 14, Alli Perebikovsky of LaRouche PAC-TV interviewed Dr. Nordyke in Livermore, Calif. In his interview, excerpts of which are available on the LPAC and *EIR* websites, Dr. Nordyke described the procedures used by the Soviet Union to stem some spewing gas wells. The use of the explosives in those cases, where the escaping gas was on the surface of the Earth,

shut off the flow, and resulted in *no* detectable radioactivity in the aftermath. To set up such an explosion deep underwater, probably through the relief well channel, would be a straightforward proposition.

With this testimony from the leading U.S. expert on peaceful nuclear explosions, a pathway is publicly clear. Evaluations of the probable compromised condition of the well bore and seafloor come from reliable professional sources, which can be checked. BP's presentation of the situation must neither be believed nor tolerated.

The political problem is that we have a President who is not in the real world. The very existence of the United States is endangered by the President's determination not to offend the British Empire, Wall Street, or both. But we can't let that stop us from saving the United States from a horrible fate. We can't wait two elections to save the United States from an incompetent President.

The prospect of massive flow of oil into the Atlantic within as early as 18 days, according to a projection by the National Center for Atmospheric Research, will soon make this a global disaster. There might be debatable features of such estimates, but lying by BP and its apologists is so severe that we cannot base policy on such vast and portentous cover-ups. At the point this massive oil leak enters the Atlantic, it is a point of no return for North and possibly South America, and will rapidly move on to become a European and a global crisis.

This has become an urgent national security question, the only one more dangerous being the President himself.

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- MARSHALL Knology Ch.67: & CH Ch.35/8: Sat. 8:30 am
- MINNEAPOLIS CC Ch.16: Tue 11 pm
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- ST. PAUL (S&W Burbs) CC Ch.15: Mon, Wed, Fri 9 am
- SAULK CENTRE SCTV Ch.19: Sat 5 pm
- WASHINGTON COUNTY (South) CC Ch.14: Thu 8 pm

## NEVADA

- BOULDER CITY CH Ch.2: 2x/day: am & pm
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- CHESTERFIELD CC Ch.8: Wed 8 pm
- MANCHESTER CC Ch.23: Thu 4:30 pm

## NEW JERSEY

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- MERCER COUNTY CC Trenton Ch.26: Irregular
- WINDSOR Ch.27: Irregular
- MONTVALE/MAHWAH CV Ch.76: Mon 5 pm
- PISCATAWAY FIOS TV Ch.40, CV Ch.15: Thu 11:30 pm
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- QUEENSBURY TW Ch.18: Mon 7 pm
- ROCHESTER TW Ch.15: Irregular
- ROCKLAND CV Ch.76: Mon 6 pm

- SCHENECTADY TW Ch.16: Fri 1 pm; Sat 1:30 am
- STATEN ISLAND TW Ch.35: Tue 8:30 am & Midnight
- TRI-LAKES TW Ch.2: Sun 7 am, 1 pm, 8 pm
- WEBSTER TW Ch.12: Wed 9 pm
- WEST SENECA TW Ch.20: Thu 10:30 pm

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- MECKLENBURG COUNTY TW Ch.22: Fri 12:30 am

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- ROANOKE COUNTY CX Ch.78: Tue 7 pm; Thu 2 pm

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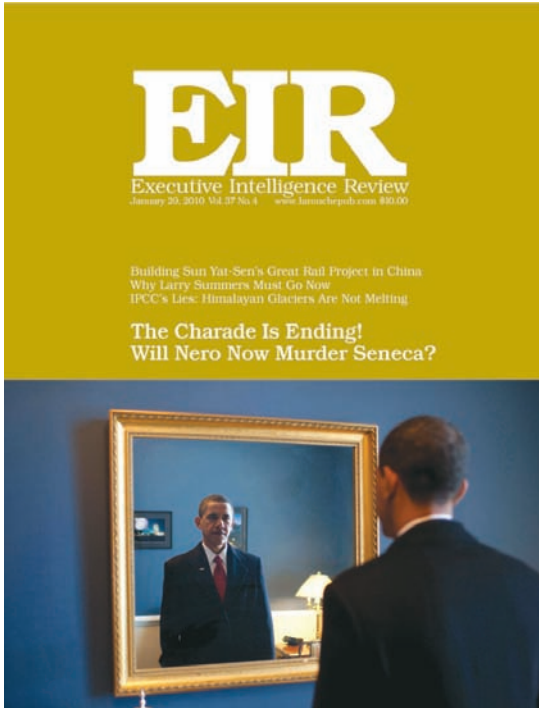
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