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From the Associate Editor

This week's *Feature* on "The Great Leesburg Bust of 2006" sets the stage for the April 27 webcast by Lyndon H. LaRouche, Jr., on how to deal with the impending rupture of the Greenspan Bubble. The webcast will begin at 1 pm. Eastern Daylight Time, and will be accessible live on www.larouchepub.com and www.larouchepac.com.

Leesburg, Virginia is the county seat of the Washington suburb of Loudoun County, the nation's fastest-growing county, as well as the location of the LaRouche movement's international headquarters. LaRouche's warnings of the insane direction in which this county has been moving, go back two decades. Writing for *EIR*'s weekly *News for Loudoun County* on Oct. 19, 1987, shortly after the October "Black Friday" 1987 stock market crash, LaRouche declared: "The arrival of the big international financial crash of 1987 signals an early end to the real estate boom in Loudoun County. . . . This past Spring, my forecast was that the financial markets would slide downward beginning August, and that this would bring the world to the edge of the biggest crash in history by about October. The only question in my mind, was whether the October shake-out would be just the first major letdown or the actual beginning of the major crash due to hit at some time before the November 1988 elections."

LaRouche's forecast of that October crash was on-point. As all the world knows, what happened next was that Alan Greenspan became Federal Reserve chairman, with his "wall of money" policy—turning on the spigots for even more superheated speculation. At the same time, outsourcing and globalization went rampant, looting the rest of the world to prop up the financier oligarchy for a few more years. Now, as LaRouche writes in this week's issue, the jig is up.

We provide documentary backup for his piece: the collapse of real-estate values in the Midwest; the takedown of industry, agriculture, education, and health care in the Upper Midwest; and the frantic sprint into commodities speculation by "hot money" managers trying to avert bankruptcy.

This is the backdrop for the tumultuous breaking developments in Washington. With retired and active duty generals speaking out against Donald Rumsfeld and Dick Cheney, we are now at a "show-down" moment, as Jeffrey Steinberg and Edward Spannaus report.

Susan Welsh

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THE GREAT LEESBURG BUST OF 2006

Bankers Association Warns of Bust

by Lyndon H. LaRouche, Jr.

April 8, 2006

The world as a whole is currently teetering on the edge of the greatest financial collapse in modern history. In keeping with the nature of the freedom of the human's power of choices, there is no fixed date for this already onrushing event. However, since even the freest of human wills is bound within the limits defined by the reality of current processes, the crash will be soon, perhaps very soon. Nonetheless, most people will deny this reality until after the crash has hit with hurricane force; after the crash has come, even then, many of them will continue to deny what has occurred, that for a lapse of time of months, or, in some cases, as after 1929, for several or more years.

So today, when the basic economic infrastructure and industry of the U.S.A. have been eroding visibly since 1977: at a time, even now, when entire states and regions are already in a deep physical-economic depression, there are many poor souls who continue to support an intellectually crippled President George W. Bush, Jr.'s insistence that our actually collapsing U.S. economy is growing. When the crash hits with full force, as it will soon, many of these protesters will fly into a rage, tearing themselves to pieces, as did the fabled Rumpelstiltskin, denouncing every statement and every thing which points out that the great crash has actually occurred.

I have observed, especially since January 1996, that, there was then, and, is still now, a strong tendency toward a virtually schizophrenic form of quality of disassociation in reaction to any hard "bad news" about the economy. This wishful neurotic tendency was widespread, and has spilled over even among those associated with me here in the U.S.A., and also abroad. I can report from such close experience, that the form this denial takes, has often occurred in the form of an emotional disconnection between the discussion of a forecast financial crisis, and the sense of the real world of personal daily life. Such is often the state of mind, among that generation of modern sophists born between the end of World War II



Estates at “ground zero,” just outside Leesburg, Virginia, the Loudoun County seat. These multimillion-dollar homes were built without benefit of access to the town sewage system, so they use septic tank drainfields—in thick, clay soil. The result is raw sewage bubbling up onto the manicured lawns of the mansions: “Eau de Loudoun County.”

EIRNS/Stuart Lewis

and the deep economic U.S. recession of 1957-1958.

Even forecasts presented by persons with the greatest relative authority in this field, as my record in this field is now an outstanding example of such success, are treated by today’s popular sophists as “merely academic” matters, even when the forecast might involve a threatened extinction of entire communities. Such is the case in the, virtually doomed micro-societies represented by the mushrooming “Hollywood set”-style hamlets of Loudoun County, Virginia. Many, even in financial “ground zero,” otherwise called Loudoun County, will protest that their mortgage is solid, even at the point assessable market value of the mortgaged property has fallen way below the marketable value of that item.

It is notable here, that I have made less than a dozen professional’s forecasts in the course of my career as an economist. The first was my 1956 near-term forecast of a February 1957 recession. Each of these significantly less than a dozen forecasts, beginning Autumn 1956, have each and all either come true, or are now currently in the process of coming true in an appropriately timely fashion. There is no other person on the public record who has a more consistently successful record than I do on this account, not even a record which could approach my own nearly perfect performance in this matter.

The world is now threatened, during the immediate months ahead, with the most severe breakdown in global economy since the so-called “New Dark Age” crisis set off by the mid-Fourteenth-Century crash of the ultramontane Venice’s tool, the “hedge funds” of that time, then known as

the Venice-controlled Lombard League’s banking system. What is rumbling now from under the burgeoning, saturated drain-fields of Loudoun County, Virginia, is a twitch of panic to come. Week by week, there is, an accelerating rate of a margin of unsold, empty houses, an ironical warning of a great crash of Alan Greenspan-created mortgage-based-securities bubble: a crash about to hit with panic force.

Some silly people will say that I am “threatening to talk the economy into a recession.” Denying the existence of a crocodile already moving about in the children’s bedroom will not make the hungry crocodile go away. Matters have reached the point, that some very responsible Federal and related banking circles are now issuing carefully crafted warnings to the witting, of the great U.S. real-estate crash about to strike, probably as early as this Summer, or even, perhaps, earlier.

Especially now: no relevant kinds of responsible agencies, here or in Europe, have any sane reason to doubt that my forecasts are to be treated as representing exceptional authority in such matters.

For example, my first long-term forecast was made during mid-1958: *that if the trends established over the course of the 1950s were continued during the sweep of 1960s, we must expect a series of monetary crises in the world system by the second half of the 1960s, followed by the arrival of a threatened breakdown of the Bretton Woods monetary system itself.* I reaffirmed that forecast, with some slight refinements during 1959-1961 and 1965. The 1967 Sterling and 1968 Dol-

lar crises were typical of the developments leading into the 1971-72 dissolution of the Bretton Woods system.

My second long-term forecast, was first published in August 1971, in the immediate aftermath of the Nixon Administration's wrecking of the Bretton Woods system. I stated, at that time, and later, up to the present moment: *that the policies adopted by the Nixon Administration confronted us with the long-term prospect of a threatened fascist transformation of the world financial-political system.*

That transformation, as I described in that forecast of 1971, has shaped the long-term economic-policy trend in the Americas and Europe to date. For this nightmare, the role, in pushing deregulation, by Zbigniew Brzezinski as Trilateral Commission leader and Carter Administration National Security Advisor, has been more crucial in long-term effects than even the ruinous actions of the Nixon Administration. The role of Dick Cheney as Secretary of Defense under President George H.W. Bush, and as Vice-President under the nominal President George W. Bush, Jr., when compared with the ultramontane policies for Nazi-like privatization of the military, associated with former Pinochet-backer Felix Rohatyn, are the most notorious expression of the lunge toward an attempted global fascist tyranny under "globalization" today.

Now, the crash itself can be prevented no longer. In earlier times, there had been options for preemptive action by the U.S. government which might have changed the system itself in appropriate ways, before the full-scale panic-phase had actually occurred. President Clinton was thinking in such directions during September 1998, but the relevant political circles attempted to remove him by a Bush-circled impeachment campaign, and no effective action has been attempted by the U.S. government since September 1998.

As we should have recognized by the sudden, February 2006 backdown to Bush, Cheney, and Rohatyn, the Democratic forces of the U.S. Senate, the political system is no longer prepared, at this time, to take any of those effective forms of timely action which were under consideration in 2005. There is no significant current effort in either party, to take the needed action to deal with the onrushing general breakdown-crisis—until after the crash has actually occurred. Amelioratives of mass suffering of the suddenly unemployed auto-industry workers is like providing pain-killers instead of the surgery which is required.

You might have supposed that experts in the field, especially persons associated with me, would have recognized my forecasts as warnings of the conditions under which they, personally, might expect to live in the forecasted near-future time to come. Some did, but, until now, most of the relatively older generation in power have not acted, and do not consider themselves situated in a position of advantage in which they would attempt to launch competently preventive action.

In most circles, such as among the members of the U.S. Senate, for example, the post-January 2006 disassociation by the dupes of former Pinochet-backer Felix Rohatyn and his like, is more consistent and clearly manifest still today.

It is now, as typified by the statements of John M. Reich and others, that official and related U.S. banking institutions have issued a very sharp warning of a threatened crash of much of the U.S. mortgage market. The *Business* section of the *Washington Post* carried an accurate summary of this official warning. Yet, even the editors and readers of the *Washington Post* react, as if emotionally and intellectually disassociated, acting as if to say, "So what; it could never affect me"! Granted, the *Post* is noted for its adherence to sophistry; but, there should be a point at which even modern sophists in the tradition of Pericles' and Thrasymachus' self-doomed Athens bow to the unavoidable importance of the simple truth of their own situation.

Indeed, the *Post*, whose controlling interests are deeply involved in what might be deemed legalized real-estate scams in the region, is among the institutions which might be swept away in the outgoing monetary-financial tide.

I explain as follows:

John M. Reich's Warning

With delicious taste of irony on my tongue, I can report that page one of the *Washington Post Business* section of Friday, April 7, 2006, featured a warning to the such locations as the vicinity of Leesburg, Virginia, of a threatened major real-estate bubble collapse in certain parts of the U.S.A., especially the area of the real-estate bubble built up around the nation's capital. The *Post* account features the warning presented to the New York Bankers Association by John M. Reich, the director of the Office of Thrift Supervision.

The *Post*'s account includes the following three paragraphs, which point accurately to that threat of the "Great Leesburg Bubble" against which I have warned publicly, repeatedly since the beginning of 1996:

"About two-thirds of all people who bought homes in the Washington [D.C.] area in 2005 used interest-only or option mortgages, many of which have adjustable interest rates, up from 2.5 percent in 2000, according to statistics compiled by Loan Performance, a real-estate information firm. These loans generally have lower monthly payment requirements than traditional fixed-rate loans, at least at the start, but carry the risk that payments could jump steeply.

"Local mortgage brokers say borrowers are taking out these loans because it is the only way they can afford to buy a home today. These loans allow borrowers to pay just the interest on the debt, not to pay down the principal, which reduces the monthly expense at the beginning of the loan term."

According to the *Post* account's third paragraph of these three, Christopher Cruise, a Silver Spring-based mortgage



A sampling of recent press coverage of the end of the housing bubble, nationwide.

trainer who runs classes for lenders and regulators around the country, stated, “Without these products, homes couldn’t be purchased.” That paragraph concludes by citing Cruise: “If they are taken off the market, it could precipitate a disaster of epic proportions.”

There is nothing new to me or other leading U.S. economists of whose views I know, in the warning delivered by that edition of the *Post*. As I have warned repeatedly since the January 1996 beginning of the Democratic Presidential Primary campaign, the real-estate bubble described by Reich and others is simply a warning to the witting that the great financial bubble-collapse of 2006 has reached the point it is ready to burst almost any time soon, and that the Washington, D.C.-centered region is one of the most important areas to be struck by a financial-collapse disaster beyond the imagination of most among the many wishful citizens in the region still today.

Every leading economist of importance, and relevant financial specialists, have shared the expert knowledge for some time: *that the state of Alan Greenspan’s cancerously layered U.S. financial bubble in mortgage-based securities, represents a monster which could suddenly bring down the U.S. economy, and, could, as well, set into motion a worldwide, hyperinflationary collapse of the present monetary-financial system outside the U.S.A.*

When the bankruptcy of leading banks behind the present global hedge-fund bubble is taken into account, the world monetary-financial system is presently in such a state, that nothing less than putting the IMF system itself into bankruptcy reorganization, would be indispensable for preventing the collapse of the world economy. This would be a collapse into a planetary new dark age comparable to that of Europe’s Fourteenth-Century collapse of the Venetian system represented by the Lombard League’s “hedge-fund” peddlers, such as the Bardi’s infamous “Biche” and “Mouche.”

The most significant thing about the *Post*’s Business-section report, is that leading circles around the Federal Re-

serve System, have signaled, that now is the time to rush a warning to those insiders of the financial community who need to take action to minimize the damage this oncoming crash will deliver to their particular interests. Among such circles, the feasible economic goal of investors and managers in the wake of super-inflationary Alan Greenspan’s departure, is no longer merely loss-minimization; it is now bare survival.

Therefore, I say again, that the center of the coming mortgage-crisis storm in the area of the nation’s capital, is Loudoun County, Virginia, where the most extremely dangerous over-stretching of mortgage obligations has occurred. Not a whisper of a sense of appropriate reaction to that reality was overheard from the streets of Loudoun County as the *Post* report was being circulated in this area Friday and Saturday.

One thinks of a story about a woman who has cooked the meal and set the table for the husband who had deserted her a decade or more ago. “But, he deserted you more than ten years ago, Mom!” her daughter pled.

“I know that,” her mother replied, but continued to set that same place at the evening table, at a measured, much rehearsed pace, as she had done so for thousands of desperate evenings before.

That is the way an all-too-typical Loudoun County resident, for example, responds to the reality of the onrushing crash of the super-inflated, John-Law-style, mortgage-based securities bubble.

It is not only the ordinary citizen in the middle to lower income-brackets, who reacts with indifference to plain evidence that the great housing bubble is about to pop. Look at the higher political ranks of society, where they ought to be better informed. Look at the rate of denial among these circles, despite the fact that the most important economists and financial circles know of my forecasting successes. For that reason, to understand the presently desperate situation, you must look at the state of hysterical, official and other denial of what has become, among serious professionals inside the U.S.A. and in many leading circles abroad, my widely known economic

forecasting over more than four decades so far.

It is therefore important to reference, once again here, some of my now proven earlier published forecasts of this trend in this direction. My warnings of the Ponzi-scheme-like characteristics of recently retired Federal Reserve Chairman Alan Greenspan's role in a giant, cancer-like U.S. real-estate bubble, include the following warnings delivered by me in published statements focussed on a first-hand overview of the situation in the Leesburg-centered Loudoun County.

I Warned You!

I had already warned publicly, repeatedly of the threat to Loudoun County in a recent Washington, D.C. webcast.

Consider several typical and prominent instances of this. (See box.)

1. The 'Triple Curve': What It Means

My first, and often repeated warning of the coming general financial breakdown-crisis of the world's current monetary-financial system, was the featured element of the address which I delivered at the 1996 public conference at which I launched my campaign for the Democratic Party's 2000

LaRouche's Forecasts on The Housing Bubble

Time and again, Democratic statesman and economist Lyndon LaRouche warned that swindler Alan Greenspan's housing bubble would come down, leaving foolish Americans who followed his "yellow brick road"-deals as the victims of the bankers' looting schemes. The excerpts below show LaRouche's incontrovertible record.

Oct. 22, 2003: Webcast, "Preparing for the Post-Cheney Era."

We have entered the acute phase of a general breakdown crisis, of the world's present monetary-financial system. . . . If you look at the current accounts deficit; if you look at our total foreign debt; if you look at our trade situation; if you look at our internal indebtedness, particularly in the area of credit-card debt; the housing bubble, about to break, in which suddenly we turn so-called nominal homeowners, into squatters, because the banks don't want them to leave. . . .

We've got all kinds of housing crises. You've got these funny shacks . . . , they're out there, priced at anywhere from, what is it, \$400,000 to a million dollar mortgage apiece out there, all over the landscape around here. Part of the so-called mortgage bubble, or otherwise known as the mortgage-based securities bubble, and so forth. This thing is about to pop. . . . [You] see when you get the pressure of a collapse in the mortgage based securities market, you get a downward pressure, inflationary pressure, on the Fannie Mae, Freddie Mac system. This then goes back to the banks. This goes back, now, to a collapse

in the market, the real estate market for housing. This results in a negative flow. People are cashing out on their, in a sense, on their appreciation of the nominal value of their property, taking the fact that the property had increased in nominal value according to real estate dealers, the banks will then issue credit to the mortgagees who would come in and get a cash out loan to buy groceries with, with this money. And now, what happens when that's reversed? Now, suddenly they are obliged to maintain, to cover the mortgage, they're required now to take extraordinary steps and they will be forced out. So we have a housing crisis in these areas, such as California, and such as Silicon Valley, a big crisis out there. We'll have a big crisis around Washington D.C. in these housing areas, where you see these shacks. You take a piece of material, you shrink wrap it, and you put some plastic coating on the outside, a couple of faucets on the inside, and call it a house, and sell it for \$400,000, one next to the other. And this thing is coming down.

Nov. 20, 2003: Webcast, "A People That Is Determined Not to be Slaves, Will Not be Slaves."

Now, what happened? The people who moved away [from Detroit], in large degree—not all of them—would move in, as younger people, into jobs in areas in California, in Washington, D.C., other areas, where you have a *housing boom*. Now, this housing boom is rather disgusting: Because, they take a cow pasture; they put a bulldozer through it once or twice; they put a foundation on it, this area. They take a piece of tarpaper shack, virtually; they shrink-wrap it, with insulation; they paste some plastic on the exterior, to make it look like brick, or something else. They put a couple of faucets in it. They call it a house. . . .

Now, what happens is, these people are now losing money, because there is terrible inflation. Maybe some

Presidential nomination. I explained the nature of the oncoming general financial crisis of the world system by a rather simple chart, which I named “The Triple Curve” (Figure 1).

That chart, as shown here, has four explicit elements. First, there is an hypothetical straight line, which corresponds to the assumption that the U.S. economy had continued to operate in constant relative, per-capita value of financial, monetary, and physical values, comparable to the ratios of the early 1970s, until as late as 1977. The latter point, 1977, is the point at which the average *physical* income of the lower eighty percentile of the U.S. population’s households had definitely proceeded to collapse over the 1977-1996 interval.

The three curves featured in the chart were; first, the declining of the real (physical) income of the households of

the lower eighty percentile of the population, as measured in combined public and private components of net real income; second, the soaring rate of accelerating financial inflation; and, third, the soaring rate of the monetary inflation now being driven, most visibly, by the combination of real-estate bubbles and the so-called “hedge funds.” This portrays a type of economic function which has current characteristics akin to those of the post-World War I Germany under Versailles Treaty terms over the 1921-1923 period, leading into the sudden explosion of hyperinflation during the second half of 1923 (Figure 2).

The particular feature of the 1996 Triple Curve presentation, was that by 1995-1996, the Anglo-American beneficiaries of the 1989-1991 collapse of the Soviet system had neared

of you know something about this terrible inflation. You may have experienced it someplace. So therefore, people have trouble getting by, even families where you have two people with fairly skilled jobs, working two jobs in a household: They’re not bringing enough home to pay the rent or the mortgage. . . .

How do they get by? A swindle was pulled, by a swindler called Alan Greenspan. He’s the head of the Federal Reserve System. What he did is, he pumped money, through Fannie Mae and Freddie Mac. He did it in concert with real-estate swindlers, who sell real estate. The real-estate swindlers in this area, say the area around Northern Virginia, would meet. And they would tell the bankers that the value of real estate in this area, has gone up! Therefore, these houses all are now worth more. Now the banks are willing to give a 90% credit, on the value of the mortgage, to the nominal house owner. So, they go down to the bank, and they get cash, by refinancing the mortgage based on the increase, the purely synthetic increase, in the value of the house. What do they do with the cash? They spend it for groceries! And “foolish” things like that, to get by.

What happens then, if a 1% or 2% increase in interest rates occurs? Boom! The real-estate bubble goes. Housing shacks go down to half the value.

July 30, 2004: Webcast, “*The Victory Margin We Will Add in November’s Election.*”

You see . . . a nation which has been physically destroyed, in which those who consider themselves wealthy are in the upper 20% of family-income brackets, and more and more concentrated in a few areas.

And the wealth these people represent is largely not real wealth; it’s debt. People have a house: “Ah, they have a house!” Look at the mortgage, buddy! Look at the appreciation; look at the bubble, the housing bubble. We’re at the point where the collapse in the housing bubble is

going to transform millions of American so-called homeowners into either squatters, or homeless people. And it will happen very rapidly. We’re on the edge of that happening.

June 16, 2005: Webcast, “*The Urgent Changes Needed in Monetary and Economic Policy.*”

You have real estate bubbles, where you have shacks in the Washington, D.C. area, around it, where people have moved in from all over the world, to live in the D.C. area: And they pile into these places, and combine their incomes, and they put up money for a shack—put together, not with nails but tacks!—and this shack goes at a \$600,000 mortgage up to \$1 million. And these are just poor-class shacks, around the entire area. You have people tumbling into these places and out of them, living no regular family life, going to bad schools, with poor health care which is worsening all the time: These are the conditions of life!

And this thing is about to come down. . . .

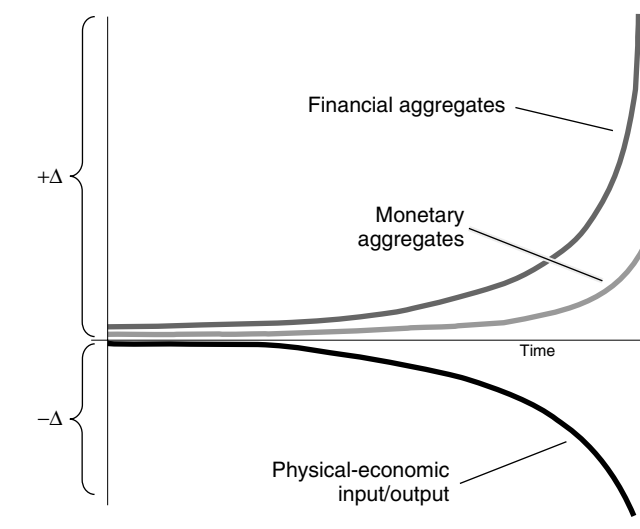
Well, it’s obvious to me, it’s going to happen. I can see it in Northern Virginia. It’s clear. We have Loudoun County, which is going to be a center of this catastrophe, because, it’s been one of the areas that has been the most heavily built, with the least infrastructure, has been built up around this operation; as other parts of the whole area. . . .

This catastrophe *is going to happen*. It’s not, “if” it’s going to happen; it’s just a question of “when”—and, “when” is soon.

Sept. 3, 2005: Webcast, “*Pulling This Nation Together Now!*”

This whole thing is going to go down! You can get, very quickly, a 60% collapse, or more, in mortgage values in this area, and this particular county, Loudoun County, is “ground zero” for the biggest mortgage bubble collapse in the United States! Right here! It’s going to hit us.

FIGURE 1

LaRouche's Typical Collapse Function

the limits of the possibility of continued looting of the former system. In Western Europe, for example, the Maastricht conditions which Britain's Margaret Thatcher and France's President Mitterrand imposed on post-1989 Germany, induced a forced shrinking of the economy of Germany, while imposing a virtual paying of tribute, by Germany, tribute issued by Germany as tribute paid to imperial overlords, paid to support the declining economies of the United Kingdom, France, and others. Although the states of Eastern Europe have enjoyed political freedom from Soviet hegemony, the economic conditions in those regions of Europe today are usually far worse, physically and otherwise, than under Soviet hegemony!

The global monetary-financial crises of 1997 and 1998, the so-called "Asia Bubble" crisis and the "hedge-fund" blowout of August-September 1998 are typical of the kinds of trends against which I have warned in the January 1996 presentation of my Triple Curve.

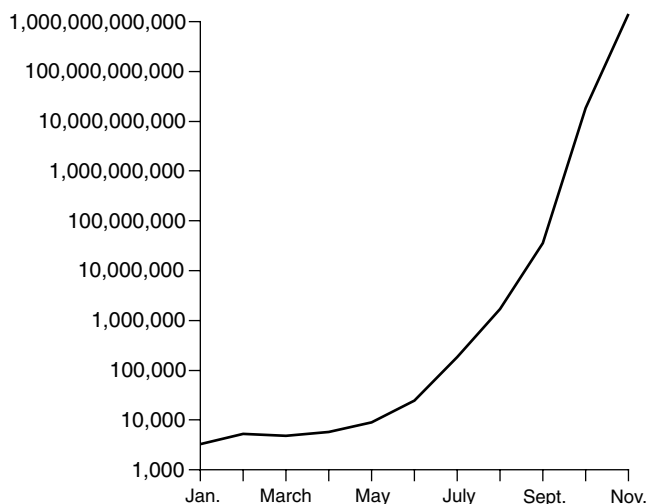
In the aftermath of the August-September 1998 hedge-fund blowout, it was a relatively short run to the 2000 end of the Y2K sophistry, and with that, the beginning of a qualitatively new phase in the great financial bubble, the global financial-derivatives bubble, which Paul Volcker's successor Alan Greenspan had launched, in 1987, as his proposed solution for what I had precisely forecast, during the previous Spring, as the U.S. stock-market crash of that October.

What Greenspan launched was a descendant of the John Law "bubbles" of early Eighteenth-Century England and France. His immediate objective in this action was to bail out leading banks which had been drained by the process leading into the 1929-style stock-market crash of October 1929. The included result was the birth (and death) of the Enron which was to play a leading part in funding Texas Governor George

FIGURE 2

**Weimar Hyperinflation in 1923:
Wholesale Prices (1913 = 1)**

(logarithmic scale)



W. Bush, Jr.'s campaign for the Republican Party's U.S. Presidential nomination and subsequent election. In effect, Greenspan legalized what had been considered the form of crime for which Enron was brought down. In effect, Greenspan's actions flooded the banking system, in particular, with a purely fictitious form of financial asset, an asset which he, in effect, legalized. This was used, among other purposes, to flood the emptied coffers of the leading banks of October 1987 with purely fictitious financial capital.

One of the pivotal features of Greenspan's operation was to transform Fannie Mae and Freddie Mac into engines of a mortgage-based-securities system of speculation, and to use that mechanism as a way of creating an intrinsically hyperinflationary form of apparent real-estate-mortgage boom: thus creating a new version of an Eighteenth-Century John Law-style bubble. That bubble has now reached the point at which it has been overstretched to the popping-point.

What has brought the Loudoun County real-estate winging to the verge of catastrophe, is the global effect of Greenspan's blowing of bubbles. What has just happened in poor Iceland illustrates the point.

The possibility of preventing Greenspan's bubbles from popping during the 1990s, was chiefly the combination of post-1989 looting of the physical assets of the former Soviet Union and Comecon (and also Germany), and, above all, the willingness of the governments and banking systems to launch and sustain what is often identified as Japan's over-night zero-interest-rate lending policy.

Credit borrowed from Japan is used to buy blocks of cur-

rency which are then loaned, at significantly greater lending charges, to private firms and governments in other parts of the world. This practice of layering one stratum of fictitious assets on top of another, has become known as “the carry-trade.” This “carry-trade” has become the principal engine of today’s worldwide hyperinflationary impulses, as in the price of petroleum, and precious and other metals. All of this depends upon the use of a U.S. and British system of mortgage-backed securities, and risk-insurance hedges.

As long as the system depending upon the continued expansion of the carry-trade functioned, it was possible to maintain the mortgage-bubble in such locations as Loudoun County, Virginia. However, it is now recognized that Alan Greenspan’s hyperinflationary games must be ended. The soaring prices of primary materials, shows us that the world has already entered the phase of growing, second-order, hyperinflation, a state of global affairs which must be fairly compared to what happened in Weimar, Germany, during the second half of 1923. The greatest single threat to the world’s monetary-financial system today, is the onset of a Weimar, Germany-like, global, hyperinflationary spiral, a spiral which has now reached the point of over-ripeness at which it could blow out the entire world system during a short period of time, even within the remaining months of 2006, probably by the time of the U.S. mid-term elections, probably as early as Summer, if it were not triggered by a virtual accident, at almost any time between now and then.

Greenspan’s actions to that effect must be compared with the way in which Weimar Germany led itself into the great hyperinflationary explosion of late 1923. There are differences between Germany then, and the world of the 1987-2006 interval; but, the principle is the same. There are some leading circles in the U.S.A. and elsewhere who are not so ignorant, or stupid, as not to recognize the fact of the current situation. If some of them do not maintain public silence on what they know, that is because they fear that no government, or leading political party of the U.S.A., the British Commonwealth, or western and central continental Europe would be willing, voluntarily, to take appropriate measures for bringing the crisis under control. Some among those leading circles consider the case a hopeless one. Even brave soldiers are not wont to fight when their governments, such as the Bush Administration today, have already surrendered the nation to the financier rogues of the hedge-fund system.

So, the effort to check the rate of increase of global hyperinflation impels well-informed central bankers and comparable others, to say, “Put the lid on hyperinflation, if you can!” This means, shutting down the mechanisms of hyperinflation on which Greenspan’s mortgage-based securities inflation was based. This means a crushing of the hottest areas of investment in real-estate speculation. The wild-eyed gambles in the Washington, D.C. area, are the warning to shut off the spigot. Waves of bankruptcy are soon to be expected. Loudoun County beware!

2. How We Ruined Ourselves

The paradox is, that, whereas nothing could presently save a civilization which believed in the currently popular, taught beliefs about the meaning of money, there is no justification for the assumption that we must continue to submit to the influence of such misleading beliefs. In fact, while admitting the great suffering already built into the current state of economic affairs, *the crash of the present world monetary-financial system would be, in and of itself, a great boon to the future of all mankind, but only provided that we were prepared to replace the present, failed system by a global system based on the most recent precedent of President Franklin Roosevelt’s great reforms.*

Despite the foolishness of reigning opinion on the subject of money, that among the most numerous of today’s leading circles, the U.S. Constitution, from the beginning of its existence, had contained the implied solution for the present threat of a general physical collapse of a bankrupt present world economic system. *The essential reason for this distinction of the U.S. system, in contrast to the present systems of Europe generally, is that, under our Constitution, even despite recent practices of the Federal Reserve System, our system is a credit system, rather than a monetary system like those of a Europe, the latter in which private banking interests embodied in so-called “independent central banking systems,” reign over what are, in the end, only nominally sovereign governments.* The role of the U.S. dollar in rescuing a ruined war-time world economy, under President Franklin Roosevelt’s policies, is, still today, an example of this qualitative superiority of the U.S. constitutional system over the systems of Europe.

Therefore, the deadly crisis which grips the U.S. at this time, is not simply something which has happened. This crisis is the outcome of a current in European philosophy directly counter to these principles on which our U.S. constitutional system was premised. This defective current is rooted in thousands of years of European history; it represents the philosophical current against which the process leading to the founding of our republic has been pitted.

Therefore, for this reason, under present conditions of accelerating world crisis, simple, so-called “common sense” views of the issues posed by the presently onrushing collapse of the U.S. and other economies, are worse than absurd. Those erring Americans, like those others who have tended to consider the trends of policy-shaping during the recent four decades as more or less “inevitable,” are being worse than childish in their tendency to tolerate monetarist forms of accountants’ dogmas. The present plunge toward doom was never inevitable, if we had been willing to change back to the kind of sane alternative which President Franklin Roosevelt’s policies had represented.

The policies which have ruined us, especially over the recent thirty-five years, were designed and unleashed by cir-

cles which were passionately determined to uproot and destroy those principles of practice on which President Franklin Roosevelt depended, to bring the U.S. out of the great depression into which his immediate predecessors had misled our nation. To this end, the haters of Roosevelt focussed on the generation born during the decade immediately following the close of World War II, with the long-ranging intent to destroy what the U.S. had represented during its leading role in securing victory over Adolf Hitler's regime.

Therefore, citizens who actually care about our nation's future, and who are also fully sane, will be willing to face up to some serious, and sometimes profound questions respecting the deeper causes and cure for the great world financial breakdown which threatens to destroy our nation, and others, during the few years immediately ahead. This is no time for opportunists who are wont to rely on childish sophistries of popular "common sense."

Therefore, the citizen who cares will be willing to "get serious" about the relevant ideas at issue in this presently threatened, onrushing general breakdown-crisis of civilization as a whole.

Recovering From the Disease

Although we must say, unequivocally, that the present U.S. monetary system is now doomed to early extinction, it is only the present world monetary-financial system, and its financiers, which are inevitably doomed; the U.S. itself could, and should survive.

There are efficient intellectual solutions for the crisis coming down upon us all today, but only if we are willing to return to the tradition of President Franklin Roosevelt's recovery. Any contrary view of the matter, such as the alien world-outlook of such haters of our Constitution as Felix Rohatyn and his like among vaulting arrogance in Boston, is both false and worse than absurd.

From that vantage-point, the principal cause for all of the suffering which our people are now about to endure, is that kind of popular belief, which most right-wing conservatives of today, and also many others, share respecting the assumed nature of money. For example, this is essentially the same delusion which Karl Marx adopted from his masters of the British imperial East India Company's Haileybury School. In short, *the dupes of both of those British and Marxist dogmas believe in a delusory, monetary theory of value.* It is the toleration of that insane, but stubborn belief in that notion of monetary "value," which could now ruin us all.

The key to freeing the minds of our citizens from the mental disorder which has led so many among them into the presently onrushing collapse of the U.S. and other economies, is to make clear to them, that the cause of this crisis is that almost all of our presently living adult citizens, at all levels of rank, have been duped into accepting the notion that a value of money defined in terms of so-called "free trade," is the necessary standard of practice of citizens and their govern-

ment alike. Therefore, to define the needed remedies for such phenomena as the presently onrushing great real-estate collapse, we must show the silliness of the ideology of "free trade," and the beneficial nature of those contrary physical-scientific principles which had guided the U.S.A. toward prosperity in all earlier periods of rise of relative increase in general prosperity of the population and territory, as under President Franklin Roosevelt's leadership.

The popular delusion responsible for the present real-estate crash, that relevant delusion respecting money, shared among philosophical liberalism's conservative, Marxist, and other common varieties of economists of today, is that same belief shared among the respective followers of Bernard Mandeville, François Quesnay, Turgot, Adam Smith, Jeremy Bentham, and Karl Marx—then, and still today.

That delusion is expressed, typically, by the belief that there exists some magical, statistical agency through which "free trade" must bring prices, as if asymptotically, to a correspondence between price and a statistical approximation of some natural determination of true relative value among exchanges within a system of circulation of commodities. The most frankly evil of these arguments, that of the Mont Pelerin Society of Friedrich von Hayek and Milton Friedman, is that of Mandeville's 1734 *The Fable of the Bees, or Private Vices, Public Benefits*. This lunacy on Mandeville's part is the essence of the beliefs shared among the duped followers of the Mont Pelerin Society, the American Enterprise Institute, and existentially unfortunate, mean-spirited mental cripples such as President George W. Bush, Jr.

This popular delusion is merely typified by Marx's own fascination with the idea of capital as the outgrowth of a primeval sort of original hoard of money, which dupes of that view might have assumed to have been the great apple which led to the expulsion of Adam and Eve from Eden. That common legacy of the British East India Company's and Marxist tradition's notions of money, that monetarist doctrine of "free trade," is the great intellectual threat which we must defeat, if we are to become capable of a successful mastery of the onrushing catastrophe which grips our nation now, as similar Marxist views ensured what became the systemic economic collapse of the Soviet system.

The root of the current, modern form of this common belief of both the so-called extreme right and wild-eyed left, is the evolution of continental European ideology since the Paris events of July 14, 1789 and its Jacobin and Napoleonic consequences. The French Revolution and its Napoleonic outgrowths, are the root of a doctrine which came to be known as *synarchism* (i.e., anarcho-syndicalism), which is the common matrix from which both the contemporary radical right and radical left have taken their origins since that time.

Typical of this anarcho-syndicalist doctrine, is the celebrated doctrine of the Synarchist Alexander Helphand, a.k.a. "Parvus," the famous, actually London-steered revolutionary and war-monger, and Coudenhove-Kalergi-linked fascist,

best known for his indoctrination of duped L.D. Trotsky in what has become the Cheney-Rumsfeld doctrine of “permanent war/permanent revolution.” Since the French Revolution and the Napoleonic tyranny, this doctrine has always been the medium of intellectual influence employed by a certain Venetian type of private banking collation, as in the organizing of either fascist or socialist revolutions. This wild-eyed dogma has been the preferred source of the perverted attempt to define all political currents as respectively “right” or “left.”

This is not to deny that some such revolutions were addressed to legitimate issues, even extremely significant ones. It is only to emphasize that those revolutions’ notion of resistance to tyranny, has often proven a disgusting failure, or a new kind of tyranny of its own likeness. Regime change as an exported foreign policy of the U.S.A., is a form of practice of imperial tyranny which would always be inherently a crime against humanity.

However, the crucial strategic fact which most commentators on these points of history overlook, is that the revolutionaries are willing to drive an existing society into a state of chaos, as a means for creating the preconditions on which their intended revolutions depend. No fascist (e.g., synarchist) is ever actually a patriot; his game is to fool the people of his own, or other targetted nations, by relying, as Felix Rohatyn does, on the cow-like stupidity which he, like any mafia-boss, hopes will prevail among those of his intended victims he slyly identifies as his “collaborators.”

Synarchism’s Historical Root

This paired, right-left misconception of modern political history, is based, in either case, on the rejection of a form of constitutional government regulated by universal physical and matching moral principles. That existentialist quality of aversion to actual principles, is the root of its ultimate, self-inflicted doom.

These radical doctrines, of the type of “permanent warfare/permanent revolution” are of the same class represented by the Peloponnesian War-figure of Thrasymachus, both the historical Thrasymachus, and the same Thrasymachus as a crucial figure of reference in Plato’s *Republic*. Thrasymachus is of the type we meet otherwise in the figure of the emperor in the history of European law: the arbitrary law-maker, whose expressed opinion is that of the only giver of law in those forms of society known as empires of the Babylonian, Roman, Byzantine, and ultramontane types. This type includes modern dictators such as France’s “Sun King” regime of Louis XIV, or Napoleon Bonaparte’s imperialism. It is represented by the type of ruler prescribed by the impassioned admirer of Napoleonic imperialism, that G.W.F. Hegel, who, together with his close associate Savigny, was the co-founder of that German school of Romantic law from which Carl Schmitt derived his legalization of the Adolf Hitler dictatorship, and, from which the doctrine of the Chicago-linked Federalist Society was derived.



“Napoleon Crossing the Alps,” painting by Jacques-Louis David. Since the 1789-1815 developments in France, LaRouche writes, “notably the Jacobin Terror and Napoleonic tyranny, Europe has been unable, so far, to free itself from the awful cultural faults which modern Europe inherited from the imperial systems of the Roman empires, the medieval ultramontane system, and the religious warfare of 1492-1648.”

For any American patriot, facing this crisis now, the efficient remedy to the crisis is found in the example of the way in which President Franklin Roosevelt conquered the global, 1928-1933 collapse which he inherited from the foolishness of Calvin Coolidge, Andrew Mellon, and Herbert Hoover. The solution lies implicitly in principles which underlie our Federal Constitution.

Unfortunately, even for relative sophisticates such as most of the members of the U.S. Congress (to say nothing of the current clutch of White House yeggs), that solution lies beyond the comprehension of such neo-conservative Federalist Society circles as those of Supreme Court Justices Scalia, Thomas, Roberts, and Alito. If we are to mobilize effective political action to deal with the nightmare of the onrushing real-estate collapse, the public must be educated into two issues on which nearly all citizens, including members of the Congress, are usually ignorant today. It is that widespread ignorance among our contemporary leaders which has permitted the ruinous trend in U.S. and other nations’ economic policies during the recent forty years. It is those presently still popular beliefs among such circles which must be radically changed if civilization is to survive the presently onrushing

global monetary-financial crisis.

Today, we, and our government have no choice left to us but to make this change back to the U.S. constitutional tradition traced most immediately to the memory of President Franklin Roosevelt.

That is the issue which underlies the way in which the present housing and related crises were generated by the trend of follies of the recent forty years.

The first problem to be clarified is the general ignorance of the nature of economic processes, among elected officials and other highly relevant circles, on both sides of the Atlantic. Once that problem, and its historical root, is clarified, the nature of the now urgently needed remedy can be, and must be explained.

Why the U.S. System Is Superior

The superiority of the U.S. constitutional form of government as an economic system, over all others in the world, still today, lies in the principle of the political form of government defined by our Federal Constitution, the which today's nominal, Chicago School "Federalist Society" rejects fanatically. A similar failure is met in the forms of government which have continued to prevail through all but a few, rare decades of exceptions, in all of Europe from July 14, 1789 to the present day.

History has now reached the point, that if we do not change our current policies in the way U.S. history directs us, our republic, and your family, will probably not outlive the presently onrushing world crisis.

Many Europeans, especially among the literate population in Germany today, would recognize the ideology of that Federalist Society as the tyrannical misconception of executive powers by the architect of the legal system of the Nazi regime, the Carl Schmitt identifiable as the Crown Jurist of the Nazi system, the Schmitt who sponsored the original career of Chicago University's Leo Strauss, and whose teachings form the basis of the ideology of the Federalist Society.

The fact that both Carl Schmitt and Leo Strauss brought their particular varieties of fascist ideology of law into the U.S.A., reflects a certain still prevalent flaw in the European cultures which, like the production of Felix Rohatyn by Lazard Frères U.S. branch, produced these two personalities. This is a European cultural flaw from which the initial founders of the North American republic fled, in bringing the best of European culture to found a republic on American shores.

On this account: since the 1789-1815 developments in France, notably the Jacobin Terror and Napoleonic tyranny, Europe has been unable, so far, to free itself from the awful cultural faults which modern Europe inherited from the imperial systems of the Roman empires, the medieval ultramontane system, and the religious warfare of 1492-1648. Despite the great legacy of the 1648 Treaty of Westphalia, most leading Europeans, still today, do not yet understand the crucial



"Today, we, and our government have no choice left to us but to make this change back to the U.S. constitutional tradition traced most immediately to the memory of President Franklin Roosevelt."

difference between our American system of government and their own mixed systems of democracy and oligarchical traditions, especially the financier-oligarchical systems inherent in a system of "independent central banking systems" set as higher authorities than governments.

That is why the U.S.A., and only the U.S.A. presently, could be capable, in a timely fashion, of leading the rest of the world out of the presently onrushing breakdown-crisis of the world system as a whole. That is the key to the way in which President Franklin Roosevelt's U.S.A. played the crucial role in preventing the triumph of Adolf Hitler's system; that European pro-oligarchical cultural tradition from which Roosevelt's leadership had rescued Europe, is the reason, that post-Franklin Roosevelt, European and like-minded influences, have sought to destroy the Roosevelt legacy, in defense of their residual pro-oligarchical cultural legacies.

To understand the deep difference in principle between the ways in which typical Europeans think about money, and the view of money implicit in our Constitution, we must, at the least, summarize the relevant highlights of the trans-Atlantic history of European culture, since ancient, Classical Greece.

The former potential superiority of European culture over the usual traditional systems of Asia, for example, was rooted in the special influence of Egyptian culture in prompting the pre-Aristotelean Classical culture associated with such leading intellectual figures of Greece as Thales, Solon of Athens,

the Pythagoreans, Aeschylus, Socrates, and Plato. Despite the self-destruction of Classical Greek culture caused by that influence of Sophistry which lured the Greece of the age of Pericles into its culturally suicidal Peloponnesian War, the legacy of pre-Aristotelean Classical culture, as continued within the body of Apostolic Christianity, with the help of the Baghdad Caliphate's Arab Renaissance, preserved the knowledge of Classical culture, despite such nightmares of decadence as those represented by the rotted-out reigns of Rome, Byzantium, and the Venetian-Norman Crusades.

The rebirth of civilization in the Italy-centered, 1439, great ecumenical Council of Florence, is typified by the influence of Cardinal Nicholas of Cusa's *Concordantia Catholica* and *De Docta Ignorantia*. These are the two most crucial, founding works upon which the best distinctions of modern European civilization were premised. The Fifteenth-Century, Italy-centered Renaissance, was the birth of modern European history from the ashes of the bankrupt *ultramontane system* represented by the medieval Lombard League. It was the developments centered around the great ecumenical Council of Florence, which were, the founding of the modern sovereign nation-state republic, and the birth of modern science and its progress. It was this impact of the Fifteenth-Century Golden Renaissance which spilled over into the most significant factors of the development of the branches of European culture established in the Americas, in the U.S.A. most emphatically.

The late-Fifteenth-Century and Sixteenth-Century attempts of the Venice-led feudal system, to retain its power in Europe, through the religious warfare of 1492-1648, and related means, prompted the boldest defenders of civilization to take Nicholas of Cusa's advice, as Christopher Columbus did, to look across the Atlantic, to found there a model of modern European cultural society which could be used to prompt similar reforms within Europe itself. The founding of the proto-republics in Seventeenth-Century North America, such as the Massachusetts Commonwealth, led, thus, into the American Revolution of 1776-1789, and the founding of the first modern republic, the U.S.A., based on a commitment to supersede the pro-oligarchical corruption, which still prevailed in England, the Netherlands, and generally throughout the continent of Europe itself.

How Europe's Hopes Waned

To state the case as simply as possible, the nightmare of the French Revolution, was orchestrated chiefly within France by the same apparatus of Lord Shelburne's British East India Company, against which we had fought our revolution. These British-steered continental assets of the Lord Shelburne's circles, included the Martinist freemasonry of Cagliostro, Casanova, Joseph de Maistre, et al. The combined effect of the imperial power of the British East India Company and the ruinous French Revolution and Napoleonic wars, spoiled the chances of Europe, from the July 1789 siege of the Bas-

tille, through the Jacobin Terror, and, beyond that, the Napoleonic tyranny which ravaged the continent of Europe generally.

With some relatively brief exceptions, such as, most recently, President Charles de Gaulle's collaboration with Germany's Konrad Adenauer, Europe has never achieved the establishment of a true republic.

The most relevant of the resulting distinctions between the design of our republic, and designs similar to our own in some of the nations of Central and South America, such as Mexico and Argentina, are two. First, the legacy of the feudal and feudalistic oligarchical tradition embedded in the culture of European nations to the present day. Second, that, unlike the U.S. Constitution, the present constitutions of Europe have degraded government itself to a lackey of a quasi-feudalist, overreaching financier-oligarchical system of axiomatically usurious so-called "independent central-banking systems."

The typical expression of the European style of reign of financier-oligarchy, through central banking, still today, is the common form of monetarism typical of both the British system and its Marxist offshoots. The corrupting influence of that European monetarist tradition, is the key to the present, systemic mismanagement of our U.S. economy.

It is the presently continued existence of that submission of nominally sovereign European governments to the overreaching, private financier power of so-called "independent central banking systems," which is the principal source of vulnerability to self-destruction among the cultures of the European nations, once again, today.

For that reason, whereas the legacy of U.S. President Franklin Roosevelt represents the workable model of the U.S. constitutional form of economy still today, the prevalence of quasi-feudalist cultural influences and of the type of monetarism associated with so-called "independent central banking," assigns a uniquely contrary role, by default, to the U.S. leadership of any possible economic recovery of the planet today. Our constitutional system, the so-called Hamiltonian, or "dirigist" model, is presently the indispensable model for policies which are desperately needed, now, to prevent the planet as a whole from plunging, very soon, into a prolonged new dark age.

The greatest enemy of the U.S. today, is, therefore, its chief internal enemy, the form of sophistry typified by the "leftists" of the Congress for Cultural Freedom (CCF), a CCF which was used to indoctrinate the generation born, approximately, between 1945 and the outbreak of the U.S. 1957 deep recession. This contemporary form of sophistry, which runs rampant in its victims from among that 1945-1957 generation today, is the enemy within, which became the potential traitor who would lead our government into capitulating to unredeemed wretches such as the same Felix Rohatyn, the nominal Democrat, who, together with accomplices such as George P. Shultz and Henry A. Kissinger, performed a leading role in

bringing the neo-Nazi Augusto Pinochet and the death-squads to power, in Chile and other parts of the Southern Cone in the 1970s.

The significance of 1957, lies largely in the effects of the tax and financial reforms which were introduced, during the 1954-1957 portion of the Eisenhower Administration, introduced by the virtual creator of the notorious Milton Friedman, Arthur Burns. Burns' reforms were used by the Wall Street operations against the U.S. automotive and other industries, to create a giant bubble of reckless credit expansion. This bubble popped in early 1957.

Thus, although the primary source of the corruption of those born between approximately 1945-1954, was the effect of the cultural warfare directed, as by the CCF, against the parents of those children, this initial conditioning of that latter, new generation was compounded by the spirit of John Law's bubble, as expressed by the cultural effects of the consumer-credit nightmare of 1954-1957. This initial conditioning of the suburban households of the 1950s in the spirit of credit-bubbles as a substitute for earned income, was embedded in the emerging young generation. This was the origin of the habituated, inflationary credit manias expressed in a more violent form by the credit-card and related lunacies of the post-1971 decades.

Thus, as a consequence of these and related conditions of the 1945-1957 interval, the present moral crisis underlying the economic-financial crisis of the U.S. and Europe today, is, in principle, as I have said earlier here, a modern descendant of that same sophistry which led the Greece of Athens' Pericles into the ruin of that entire ancient Greek civilization through the Peloponnesian War. The Federalist Society's pollution of the U.S. Supreme Court, is the expression of a modern form of the sophistry which ruined the ancient Greece of Pericles and his followers. This is, essentially, a modern sophistry echoing the doctrine of law of the Nazi Crown Jurist Carl Schmitt who is the forerunner of the Federalist Society of Justice Antonin Scalia et al.; but, the significance of that at this point in our account, is that it is also the expression of a form of *ultra-radical logical positivism* in the tradition of the Thrasymachus who is the leading forerunner of Nazism from out of the bowels of ancient Greek history.

The characteristic feature of the moral corruption which Europe's monetarist tradition has spread in the expressed form of credit-card and related monetarist manias, such as the "new suburbia" real-estate bubbles, inside the U.S. today, is a result of that form of induced belief in the magical powers of money, as distinct from, and opposed to the physical realities of production of physical improvements through scientific progress in basic economic infrastructure and production of goods. This is the key to that lunatic cult of "post-industrial society" which has been the crucial factor in bringing on the ruin expressed in such present forms as the crashing of former Federal Reserve Chairman Alan Greenspan's great real-estate bubble.

Thus, if we permit our nation to continue to be controlled by such forms of sophistry, then we are a self-doomed nation, whose moral and intellectual failure to act appropriately now, would assure the plunge of the planet as a whole into a more or less prolonged new dark age. So far, especially since the middle to late 1960s, the trends in policies of government and of popular opinion, have steered us toward the ruin which grips the fate of the world's nations today. The question to be asked today, is, "How many prospective Presidential candidates for 2008 are running, blindly, to become the President of what will have become, under present trends, an economic-political corpse?"

3. The Reign of Real Economic Value

Let us say, once again, that the unique achievements represented by the original design of our U.S. Federal Republic, are an expression of a principle affirmed in the founding of modern European civilization by the mid-Fifteenth-Century great ecumenical Council of Florence.

The ideas which were rallied there and then to this purpose, were not original to that time. They were the principled ideas traced from the Pythagoreans and Plato, ideas which were brought into the reshaping of modern European political systems through the channels of such Christian Apostles as John and Paul. Although these notions of universal principle were always present since those ancient times, it was only in Fifteenth-Century modern Europe that these principles were resuscitated for practice as the constitutional distinction of the modern sovereign commonwealth form of sovereign nation-state, such as the pioneering forms under France's Louis XI and England's Henry VII.

The fall of Constantinople was a crucial setback to the realization of the conceptions of the sovereign nation-state and scientific progress set into motion by the Renaissance circles associated with that extraordinary genius, Cardinal Nicholas of Cusa. Cusa responded by proposing transoceanic exploration to find a broader range of allies for the cause of the Renaissance. The promotion of transoceanic exploration and colonization was accelerated by the efforts to out-flank the domination of 1492-1648 Europe by religious wars. The development of commonwealth forms of society in the English colonies of North America were thus a distillation of the best conceptions for building a system of modern sovereign nation-states based on the core of the principles of the Fifteenth-Century Renaissance.

It is those universal principles, which are actually ground-principles of the universe itself, but no longer recognized in most university education today. Nonetheless, they remain in fact the competent notion on which a durably successful modern economy depends absolutely. The relevant distinc-

tion is most simply recognized from the standpoint presented by Einstein in that Einstein-Born correspondence which has been referenced by me and my associates in the Dec. 23, 2005 edition of *EIR* ("The Principle of 'Power,' " pp. 64-67). The distinction emphasized, in this case, by Einstein, is the key to understanding how we could be able to reverse the destruction of the U.S. economy which has occurred during the recent thirty-five years.

The single, essential proposition on which a modern science of physical economy must be premised is: *Were mankind a variety of higher ape, the human population of the planet would never have exceeded several millions living individuals of a terrible poor quality.* Today, over six billions live on this planet; until recently, most lived at a higher quality of existence, and lived longer, than at any time in preceding human existence. As scientist V.I. Vernadsky's rigorous definitions of Biosphere and Noösphere illustrate this, only life produces life, and only the individual human intellect can generate an experimentally valid discovery of a universal physical principle. It is this latter distinction of the individual human from all other living creatures, which has enabled mankind, as a species, to effect, and to employ those discoveries of universal physical principle by means of which society is enabled to increase the life-expectancy, fecundity, and the productivity of society per capita and per square kilometer of the Earth's surface. It is that set of distinctions emphasized with greater clarity by Vernadsky which account for the human progress which prevailed in most of the planet until recent decades.

To understand the potential of mankind, we must consider the three principled degrees of freedom to be considered in a science of physical economy. First, the simple apparent margin of relative free energy, expressed in form of gains in net physical productivity. This is expressed as consistent margins of output in excess of the incurred costs of producing that total output. Second, the gains in apparent free energy through the explicit effects of introducing the application of a new physical principle to the productive processes and basic infrastructure of society. Third, the rate of increase of the margin of attributable "free energy" of total production through the continuing development and application of discovery of successively higher orders of universal physical or comparable qualities of universal principles.

Were man a mere animal, such as a species of higher ape, our population of this planet, during any part of the recent two millions years of much-studied glacial cycles, would not have exceeded several millions individuals of very poor life-expectancy. Today, there are more than six billions of us. That distinction is specific to qualities of the individual human lacking in all inferior species, including the great apes. Thus, our relationship, as a species, to the universe we inhabit, is not a simply physical relationship of the type experienced by the lower species. The qualitative distinction lies in the sovereign power of the human individual to discover univer-



EIRNS/Stuart Lewis

Homes in Leesburg are staying on the market longer and longer, as owners desperately hold out for a sale. Many will still protest "that their mortgage is solid, even at the point assessable market value of the mortgaged property has fallen way below the marketable value of that item."

sal physical principles, as illustrated both by Johannes Kepler's uniquely original discovery of universal gravitation, and by Pierre de Fermat's rejection of the notion of simply linear time, by the universal physical principle of quickest time.

The distinction of the human individual from the beast, is not a simple relationship of matter-object to matter-object, but, rather, a relationship expressed in terms of discovery of universal physical principles and their application. It is the action expressed by such qualities of universal physical principles, in qualitatively transforming the physical state of a process *dynamically*, which points to the proper, higher meaning of "physical" in the application of a science of physical economy.

It is not the possession and use of physical objects of sense-perception which define economic wealth; it is the discovery and use of those universal, discovered principles of the physical universe which define the only competent meaning of "physical" within the domain of economic science. It is not the acquisition of objects which defines wealth; it is physical changes in the universe effected through discovery and use of universal physical principles which improve the quality, of mankind's relationship to the universe as a whole, and which increase man's power in and over the universe, per capita, and per square kilometer of the surface of the Earth.

It is the action of transformation of the physical state of a process, through the adoption for practice of discovered universal physical principles, on which the human species' power to exist at progressively higher levels, within the universe, depends. Thus, I have defined modern economic science as a physical science whose practice is measured in terms of relative population-density, of an increasingly long-lived,

typical individual, per square kilometer. These general increases in relative potential population-density are not the product of simple physical activity, but of the increase in productive potential gained through means of the type of discovery of universal physical principles.

The act of discovery of such a principle is my definition of *cognition*, a quality absent in all lower species, including the apes. It is also a quality which is systemically excluded from all reductionist forms of what are claimed to be the mathematics of physical-scientific progress, such as the empiricism of René Descartes and the neo-Cartesians of the putative Newtonian persuasion, such as J. D'Alembert, A. de Moivre, Leonard Euler, J.L. Lagrange, P.S. Laplace, and Augustin Cauchy.

The issues so posed by the science of physical economy, are of the form and quality which I addressed in the Dec. 23, 2005 feature referenced above. The following argument is to be made.

This cognitive function of the individual human mind has two forms of expression. In one application, it is expressed by the individual mind's discovery of a principle governing physical objects. In another application, as in Classical artistic composition, cognition is expressed by taking social processes among human beings as the object of cognitive conception. The form of the cognitive act, is identical in both types of cases; in this respect, there is no division between Classical art and science. Gibberish in art, and in physical science, are equally gibberish, with matching consequences. If your music imitates the customs of chimpanzees, like much of such popular entertainment during recent decades, you are in that degree behaving as a representative of a lower species, as a humanoid simulation of a chimpanzee.

Human social progress, and also the development of human culture to higher levels of potential population-density and quality of individual life, is the expression of a combination of both Classical types of cognitive action, Classical science, as typified in ancient times by the work of the Pythagoreans and Plato, and Classical artistic science, as competent statecraft is typified by the Socratic dialogues of Plato.

Thus, the issues which separate the principles of the American System of political-economy from the leftover habits of feudalism in Europe, are located in the Eighteenth-Century conflict between the empiricists, such as Voltaire, D'Alembert, Euler, and Lagrange, on the one hand, and Leibniz, Carnot, Gauss, and Riemann on the opposite side. In



EIRNS/Stuart Lewis

What truly makes man human? The cognitive function of the human mind has two forms of expression: the discovery of universal physical principles, and Classical artistic composition. "The form of the cognitive act," LaRouche writes, "is identical in both types of cases; in this respect, there is no division between Classical art and science." Here, the Boston LaRouche Youth Movement chorus performs a Bach motet, "Jesu, meine Freude."

the former, the heirs of reductionists such as Descartes, man adopts discovered physical principles, but treats them ignorantly, as if they were instinctive habits of higher apes, as the doctrine of Frederick Engels prescribes. In the alternative, the legacy of Plato, Cusa, Kepler, Fermat, Leibniz, Gauss, Riemann, et al., it is the act of discovery of a universal principle which is crucial. This applies to universal principles of physical science, such as Kepler's uniquely original discovery of universal gravitation, Fermat's discovery of the principle of quickest action, and Leibniz's uniquely original discovery of the infinitesimal calculus, the catenary-cued principle of universal physical least action.

So, any competent form of physical economic science, is implicitly Leibnizian, in the specific sense that Leibniz was the founder of the branch of physical science known as physical economy: a notion of economy as based, in principle, on the human individual's power to discover and apply discoverable universal physical principles which increase the power of the human species to exist in the universe. Whereas, all contrary forms of economic doctrine are systemically incompetent by definition. All attempted application of conventional accounting practice, which pretends to represent accounting as part of a science of economy, is intrinsically incompetent. *All competent economic science is a science of science-driver economic practice.*

These crucial distinctions signify that competent statecraft emphasizes a dynamic, as 1.) opposed to a Cartesian-Newtonian form of interdependency among development of basic economic infrastructure, 2.) the progress as measurable in increase of the intensity of applied discoveries of universal physical principle, and 3.) development of social systems in ways cohering with a Classical artistic comprehension of functional interactions among the developing individual minds of an economically progressive mode of society.

Therefore, What Is the Problem?

During the period since the change in the world monetary-system, away from the Franklin Roosevelt Bretton Woods system, to the floating-exchange-rate, “free trade”-based system of 1972-2006, we have destroyed the physical productive power of the Americas and Europe. This has resulted in a catastrophic decline of the physical standard of life, and mental and emotional health of the population, especially the physical conditions of life of the lower eighty percentile of the population. Productive labor has been replaced by low-paid, often useless services employment; the entirety of large regions of the U.S.A. has degenerated physically, especially over the recent quarter-century.

The present stage of the real estate crisis in the area around Washington, D.C., as notably in the case of Loudoun County, Virginia, is typical of the trend in many parts of the nation. The collapse of the former industrial powerhouse of the nation (western New York and Pennsylvania, Ohio, Michigan, and Indiana), is another example of a once powerful nation reduced to destitution.

Over the period since 1971-1972, this downward change in the direction of the U.S. economy as a whole has virtually eliminated the greatest portion of the sections of the national labor-force on which U.S. economic might had formerly depended. Most of an entire generation of scientific and skilled productive labor has been lost to attrition, and not replaced.

As a nation, we have been transformed, over the recent thirty-five years, into a piece of decadent economic and cultural wreckage.

This self-degradation of our nation did not occur through natural causes. It occurred as the outcome of an intentional commitment to destroying the kind of U.S.A. which had played the leading role in making possible the defeat of the Nazi aggression. This was done to our own, and to other nations, by powerful financier and related circles which hated the idea of a U.S. model of vigorously progressive nation-state, and sought, from the beginning of President Truman’s government, to join Britain in preventing the world from securing the kind of partnership among sovereign nation-states which President Franklin Roosevelt had intended. It was not the physical power of production itself which these powerful ideological haters of the U.S.A. feared; it was the sturdy quality of citizenship of a U.S.

based on high rates of gain in the standard of productivity and standard of living which a high rate of technological progress afforded.

The “post-industrial” cultural policy which erupted into a conspicuous role with the so-called “68ers,” was the political mechanism which exploited a large portion of the emerging new adult generation as a force to turn back society from the course of science-driven technological and cultural progress. The goal of those who cultivated and exploited the relevant portion of the university population of “68ers,” was to condition them to a perspective of destroying modern agriculture and industry, and transforming the planet into a minestrone of despair, a post-industrial, “globalized” minestrone.

So, the economies of the Americas and Europe were destroyed over the course of the period since 1971-1972. Another quarter-century of this current trend, and the planet as a whole will have been returned to the barbarism we are experiencing in the emergence of private armies, to replace regular military forces, as in the endless nightmare of 2003-2006 Iraq, and in proliferating targets beyond.

To manage this process of cultural and economic degradation inside the U.S.A. itself, we have been given the monstrous catastrophe exemplified by the current situation in the presently doomed post-industrial nightmare of Loudoun County: where the popular name for Hell has become “development.” The idea of perceived appearance of riches, where this is not supported by an institution of physical production of durable wealth, has been the deluded image of the “good life,” which is turning out to be an anteroom to economic Hell.

Yet, it was not the people who lived in Loudoun County who did this; it was foisted upon them through the ideology which was already radiated by the “68ers” ’ lust for an economy without agriculture and industry, for a “post-industrial, service-economy paradise.”

Within another pair of decades, a U.S. which continued in a direction steered by the utopian fantasy of “globalization” would have crafted a wretched society in the likeness of the typical worst conditions of life in the poor regions of Asia and Africa. The ability to rebuild a healthy economy would have virtually disappeared. Civilization throughout the planet would have returned to conditions like those in the middle and latter part of Europe’s Fourteenth-Century “New Dark Age.” The world’s total population would be converging toward, at most, less than one billion living persons. The biological conditions for continuation of any mode of human life, would become perilous, if not doubtful. At the very least, we would have virtually destroyed civilization.

Ape or Man?

Such reflections on the present perils of humanity should return our discussion to the topic with which this chapter of the report began: the essential distinction of man from ape.

The recent, presently accelerating soaring of prices be-

yond all rational determination of incurred physical cost of production per capita, expresses the inherent worthlessness of money as a standard of economic value. It was by regulating money, most notably as this was done in the post-1932 U.S. until the radical changes of the 1971-1982 interval, that a pattern of “fair trade” was induced to the effect of keeping the relative prices within ranges which did not depart violently from the ratios consistent with physical, as distinct from monetary values. It was deregulation, as launched during the 1971-1982 interval, which wrecked the U.S. economy in ways for which we are sorely paying today.

This contrast between physical and monetary values implicitly poses the question: What are the values which should govern the outlook of the individual and of the institutions of society? Money—price—can not meet that requirement. Therefore, what does?

The answer to that question is, essentially: What is the difference in value between an ape and a human individual?

1. Unlike the beasts, the apes included, the human individual’s cognitive powers enable that individual to discover and to know universal physical principles, such as Kepler’s discovery of gravitation, or the ancient Pythagoreans’ knowledge of *Sphaerics*. These discoverable principles are universal in the sense that the universe is a finite universe, as Riemann and Einstein insisted, in which these discoverable universal principles, since they are universal, are thus extended implicitly to the limits of the universe, and bound the universe as a self-bounded universe.
2. These principles are not sense-objects, but they bound the universe in which sensed objects exist. It is through the application of the mastery of these principles, that mankind increases our species’ power to exist, and raises the quality of human individual existence.
3. These principles are of two classes. Most simply, they are universal physical principles, as the ancient Pythagoreans and Plato understood this. They are also the universal principles associated with Classical artistic composition. In the first instance, as universal physical principles, the individual knowing mind addresses the domain of non-living and living processes as such. In the second instance, as universal Classical artistic principles, the subject of the individual person’s creative powers is social processes as such. Otherwise, they are the same quality of principles of human cognitive activity.
4. The existence of these principles in human knowledge, defines the human personality as implicitly immortal, as an immortal being temporarily occupying an animal-like body. It is this sense of intimation of immortality which defines the normal standard for a moral human individual.

The moral individual does not act under blind compulsion of service to the mortal needs; but, rather, is motivated by a sense of bonds of trust between the living individual and both prior and subsequent generations. Hence, the passion which we rightly identify as patriotism, which is essentially a devotion to the interest of prior and future generations, as that interest is most immediately located in the sovereign society of which one is a part.

Therefore, it should be apparent, that the great problem of our society presently, is that it, like most of its fundamentalist cults, has lost a sense of obligation to the immortality of the human individual. It has thus lost a sense of connection to those immortal values, as typified by universal and fundamental principles of physical science and Classical artistic composition, on which the moral character of the individual member of society depends.

The characteristic of U.S. and European society, in particular, since the death of President Franklin Roosevelt, but, especially since the later 1960s, has been a radical shift in prevalent social values from a moral society, to a society, like the Athens of Pericles, which had doomed itself by that cult of popular opinion, which is otherwise named sophistry. The individual who can stand for truth, even in defiance of prevalent lies or merely follies of his contemporaries, is not a truly moral person, but a man or woman who has hocked his or her soul in today’s great and grubby pawn-shop where popular opinions are bought and sold.

With the currencies of the world already rendered more or less worthless by the great waves of hyperinflation now in progress, to what shall the citizen cling as economic values? “Where can I put my money!?” the citizen cries. In what does one invest when money is about to become virtually worthless as a surrogate for value. The answer is, that society shall and can live on, when monetary systems die. A good sovereign government can always create a new currency, on a new basis, and can also manage the transfer of imputed value from what should be salvaged of the old to find its more durable, new incarnation in the new monetary system.

Mass evictions in Loudoun County, are an intolerable alternative. We must save the habitation, and thus the social structure of our functioning communities, despite the nominal bankruptcy of mortgages which have been wildly inflated to the point that the prices of the real estate are virtually worse than meaningless. We can do this without wrecking any of the essential, pre-existing institutions of our society; to see our way clear, morally, to make that necessary adjustment, we must arouse in our fellow-citizens a proper sense of the immortality of the human individual soul, the sense of the human individual as a creative soul in the likeness of the Creator and with the mission the Creator has assigned to men and women.

With that view, we can look the terrible in the eye, and conquer it.

Financiers Are Finally Warning of a Crash

Belated Establishment wailings about a financial blowout are getting louder than the booings of Viceroy Cheney at a Washington ballgame. A selected recent few:

- The mouthpiece of the City of London financiers, the *Financial Times*, lamented April 4 that were “the low interest environment” were to disappear, “the resulting sell-off [on the bond market] would make the recent price falls look like a picnic.” Interest rates are on the rise.

- Three days earlier, the director of a large Danish public pension fund, Jeppe Christiansen, wrote a piece in *Berlingske Tidende* headlined “The global balance problems are so great, that the risk of a global financial collapse is much greater than usual.”

- When New York Federal Reserve President Timothy Geithner addressed the New York Bankers Association on April 5, he said, in Greenspan-speak, “The more critical role played by hedge funds and other non-bank financial institutions in credit and other markets, has the potential to magnify the impact of distress in those institutions on market dynamics and liquidity if counterparty risks are not managed appropriately.” Reuters didn’t think it necessary to translate. This is the third time this year that Geithner has made such warnings.

- Vice Chairman of the Institute for International Finance Bill Rhodes was quoted in the *Financial Times* that same day, talking about the prospect of an Ibero-American market crash: “We are in a situation similar to that which existed in the spring of 1997, when threats existed to market stability and a lot of people didn’t want to see it.”

- A writer for the *Prague Post* noted that “oil price increases have preceded nine of the world’s ten recessions since World War II.” Oil, now hovering around \$70 a barrel, will likely hit \$100 by the end of the year, according to several petroleum analysts he cited.

- International Monetary Fund Director Rodrigo de Rato, speaking at Harvard on April 4, warned of growing “global imbalances.” Some policymakers, he said, believe global imbalances can either persist indefinitely or dissipate over time. “I find these views optimistic to the point of willful blindness,” said. The most visible problem, he said, is the large U.S. current account deficit. Should financial markets force an adjustment, the dollar could be sent sliding, and push up U.S. interest rates. He specifically mentioned a bust in the U.S. housing market as a trigger. To get his full remarks, go to imf.org.

- A report prepared by the Economic and Financial Com-

mittee, of the European Union finance ministries and central banks, warns of a systemic disruption of the world’s monetary system. The report, which the April 7 *Bloomberg News* reported was “confidential,” said that hedge funds can be “a source of systemic risks,” and that regulators should “continue to monitor possible threats.”

- In a working paper dated April 2006, the Federal Reserve Bank of Atlanta concludes “there is reason to be seriously concerned about potential future social costs associated with the systemic risk emanating from Fannie Mae and Freddie Mac and that this risk largely arises from the institutions’ highly-leveraged investment portfolios” of mortgage-related debt. It describes the dimensions of the systemic risks posed by Fannie/Freddie’s holdings, “the two largest portfolios of U.S. residential mortgage debt.” “These portfolios are highly leveraged, subject to little market discipline, and concentrate the responsibility to manage a large amount of mortgage-related interest-rate risk in only two institutions.” What’s meant by highly leveraged? In this case, equity less than 4% of assets.

- The April 10 *San Diego Daily Transcript* reported on a Federal Deposit Insurance Corporation (FDIC) forum last month that focussed on “scenarios for the next U.S. recession.” It cited three key risks: energy price spikes, a housing slowdown, and mounting housing debt.

- The recent warning of a dollar collapse by the Asian Development Bank continues to get coverage, most recently in an April 10 Internet posting by Réseau Voltaire. The ADB told East Asian nations to somehow prepare for a crash as the U.S. trade deficit grows, and interest rates climb.

- Citibank Vice President Michael Andrews on April 11 backed up former Treasury Secretary Robert Rubin’s earlier warning that the United States must correct its economic policies. Speaking at a Washington conference on Thailand, Andrews was asked by *EIR* to comment on the recent speech by Rubin, warning that failed U.S. economic policies were driving the dollar towards a collapse. While the audience tittered, Andrews responded most seriously, saying that, while his friend of 22 years was not speaking for the Bank, Rubin was “sending out a warning shot, that U.S. economic policies must be reformed, to contain the debt, and deal with the imbalances.”

- All this was gelled into a literary reference by Gerd Haeusler, head of IMF’s International Capital Markets Department. The “dark side” of the housing sector bubble, he said at a Bank of England press conference on April 11, is the risk sharing, visible only when asset prices start to fall, and Mephisto asks for his side of the bargain. “We are talking about a mine field of potential conflicts of interest or worse,” it “could discredit a capitalist and market based financial system,” and “backfire in an unprecedented way.”

“A low level of financial literacy, combined with extensive risk taking, is politically an explosive brew,” the IMF official concluded.

Million Midwest Homes at Risk in '06: The Down, Downside of the Bubble

by Paul Gallagher

As the U.S. real estate bubble breaks, the “hottest” real estate markets of the past eight years, such as the Washington, D.C. area, northern and southern California, Florida, etc., are now cooling off the fastest. But the greatest devastation of households, by foreclosure, the loss of their homes, consequent personal bankruptcies, is occurring—so far—in the globalization-devastated upper Midwest states. It is the result of lost auto and other union jobs, family over-indebtedness, and highly speculative mortgage banking. Outside of the destruction of mortgaged homes in Louisiana and Mississippi by 2005’s hurricanes, the nation’s worst foreclosure rates are in Indiana, Ohio, and Michigan—and they are growing fast. The foreclosure rate in Michigan, for example, in January-February 2006 was running at more than double the 2.5% rate of all of 2005. This region is where the real estate bubble has already stopped growing, as in Ohio, where the statewide median price of a home has already fallen \$6,000 (about 6%) below that of one year ago.

This is where the so-called “stable” markets, and the recently “hot” markets, are headed, soon. As of April 7, the target interest rate for a one-year adjustable-rate mortgage (ARM)—the original and most widespread way to cheat your own credit rating and buy an overpriced home, though many more “exotic” home-loan products have followed it—had jumped to just about 6%, and was conservatively forecast by the FDIC to be going to about 7% in 2006. Millions of homeowners bought homes in the past few years with ARMs starting at 3% or even lower, and as they are readjusted toward 7% and higher, the difference in payments due can easily be \$300-500 a month, even for a moderately priced home.

Alan Greenspan strongly promoted ARMs throughout the second decade of his chairmanship of the Federal Reserve. Since 2000, still more overextended home loans—which don’t require any principal payments for five years (“interest-only”), or initially don’t require any payments at all, letting the unpaid interest increase the principal owed on the house—have ballooned to 24% of all new mortgage contracts nationwide. Under certain circumstances, steadily rising Treasury-bond and mortgage interest rates—clearly in evidence now—cause explosive increases in the mortgage payments required on these hyper-extended loans. Homeowners by the thousands are evicted in sheriff’s sales, or give up trying to pay,

and walk away; and the repo companies suddenly have more work than they can handle. This is the situation *now* in many parts of the former industrial heartland of the country.

In many “hot markets,” homeowners who have been living on the wave of real-estate bubble appreciation, believe they still have means to handle the sudden increases in interest rates and mortgage payments now coming at them. If the market price of their house or houses is still rising, or if they have other saved wealth they can throw into the deal, they believe, their bank lender will always arrange for them to switch back into a reasonable fixed-rate mortgage (Californians by the tens of thousands are doing this now), or otherwise keep the interest rate on their home loans under control. *But*, if the giddy home-price appreciation has stopped, or gone into reverse, as in Ohio; if homes have suddenly become difficult to sell without further dropping the price; if many of the households involved have lost their good-paying jobs, are facing rising local taxes and costs due to industrial collapse, are using up their savings or have none; *then* there is no way out of this speculative, overextended bank debt except foreclosure, bankruptcy, or both.

Where the Sheriff’s Sales Are

Several tracking firms have recently been reporting that mortgage foreclosures nationwide, which totalled about 880,000 in 2005, have been running at over 110,000 a month so far in 2006, with increases year-over-year variously estimated from 68-98%. These leaps in misery are concentrated in the Midwest manufacturing-loss belts.

Already in 2005, the owners of one out of 25 mortgaged homes in Indiana, one in 30 in Ohio, and one in 40 in Michigan were put into foreclosure proceedings, which generally begin when the mortgage payments are 90 days in arrears (the process does not always result in final loss of the home). The entire East North Central region of the United States, the upper Midwest states as a whole, had one out of 49 mortgaged homes in foreclosure in 2005. Ohio foreclosures statewide were 34,000 in 2000, but 64,000 in 2005.

But near the end of the first quarter of 2006, the foreclosure rates in Ohio counties were jumping about 20% a month, and the Michigan statewide foreclosure rate doubled from January to February. Indiana’s 5,909 foreclosures in February

were three times the number which occurred in February 2005.

The reason is that speculative lending (the driver of the national real estate bubble) has hit rapidly falling real wages and incomes. "We've lost high-paying manufacturing jobs, and replaced them with lower-paying service jobs. People were put into the wrong loans," admitted an Indianapolis mortgage banker to the *Indianapolis Star*. "The taxes kick in and the rates are rising, and now . . . they can't get enough equity out of their house to pay the bills."

The Reinvestment Fund, which has studied homeowner groups and locales at risk for mass foreclosures, reports that about 2 million homeownership households nationally are at high risk for foreclosure in 2006—about 2.5% of the national total. By comparison, 1.6% of homeowner households of *all* kinds were foreclosed in 2005. Well over a million of these at-risk-in-'06 households are in the upper Midwest. They are concentrated among the holders of ARMs, says the Reinvestment Fund, and particularly the borrowers of "sub-prime" loans: those whose credit and income did not justify the size of the mortgage, but were sold "exotic products" by real estate and mortgage bankers. "Subprime" mortgage loan payments go up faster when interest rates are rising. And as the Reinvestment Fund found in a 2004 study of low- and moderate-income new homeowners in Pennsylvania, these mortgage *principal amounts* are often more than the house is worth, because these home buyers often have to combine two or more mortgage loans to get the house.

According to the Mortgage Bankers Association on April 11: In Michigan, Missouri, Tennessee, and West Virginia, one-fifth of all homeowners with sub-prime ARMs were in mortgage arrears by at least three months—i.e., in foreclosure—in March 2006. In Michigan, the Association reported, these sub-prime ARM loans were 14.7% of all mortgages. Thus, this hyper-extended loan type alone, now has nearly 3% of Michigan's mortgaged homeowners in foreclosure proceedings—more than the total 2.5% foreclosure rate for all mortgages in the state last year.

In March, Wayne County, Mich. (including Detroit) alone had 3,300 homes in foreclosure proceedings, two and a half times the number in March 2004. Wayne County had lost a net 76,000 jobs from 2001-05, and was forecast to lose 12,000 more in 2006. Oakland and Macomb, the neighboring (also industry-based) counties, both have double the number of foreclosures they saw two years ago.

Or, take St. Joseph County, Ind. (including South Bend) as an example. There were 1,000 sheriff's sales in the county in 2002; some 1,600 in 2005; and 550 in the first quarter of 2006. Sheriff's Lt. Arthur Pletcher commented to the St. Joseph local newspaper on April 2, "You'll see a \$30-40,000 house with a \$60,000 mortgage. Somebody is lending somebody too much money." A union leader in Lafayette, Ind. reported, "There are sheriff's sales going on now all over this [Tippecanoe] county." Indiana had lost 100,000 manufactur-

ing jobs from December 1999 to December 2005.

In Linn County (including Cedar Rapids), Iowa, there were 58 sheriff's sales in January 2006, and 48 in February, compared to a total of 212 in all of 2005. Capt. John Steulke of the county sheriff's department told the *Sioux City Journal*, "The adjustable-rate mortgages are starting to kick in. Somebody takes out an adjustable-rate mortgage three or four years ago at 4%, and now all of a sudden, they're up at 7%; and that's a big difference."

Fearful Forecasts

The big Federal mortgage company Freddie Mac forecast, in a report issued April 11, that all home sales in the United States will drop by 8% in 2006, from 2005's level. The National Association of Realtors current forecast is that new home construction will drop by 10.9%. This makes a strange picture with the following figures: Even as new home sales fell 5% in January, the unsold new homes inventory reached an eight-year high, and mortgage applications fell, housing starts and new building permits were *up* 4% from a year ago. In other words, by the sheer momentum of speculative investments into the now-ending bubble, builders were still building homes that they are not going to be able to sell. In Midwest states like Ohio, they were already heavily discounting those homes to try to sell them, accentuating the downward pressure on home prices. Even in Central Ohio around the state capital area of Columbus, big builders such as Centex Homes now have \$50,000 discounts on the average new home. The median home price in Central Ohio dropped from \$170,000 in February 2006 to \$161,000 in March 2006, and there were 30% more unsold homes on the market. Ohio lost another 9,200 jobs, net, in January and February.

In Washtenaw County (including Ann Arbor), Mich., the median home price dropped from \$218,000 in February 2005 to 205,000 in February 2006. Unsold homes were a third more numerous than a year ago. "It's a buyer's market, if you can find a buyer," one city councilman told the *Ann Arbor News*.

In other regions of the country, whose real estate markets are not—yet—in such distress, the prevalence of ARMs, sub-prime ARMs, and other forms of household debt hyperextension is just as great, or greater than in the Midwest. So far, nationally, only 3% of these "most vulnerable" mortgage loans were 90 days or more in arrears (in foreclosure) in February, compared to the 20% cited above for Michigan, Missouri, West Virginia, and Tennessee in March. Once housing prices start to fall in the "stable" and "hot" markets, and interest rates keep rising, the zooming foreclosure rates now seen in parts of the Midwest, especially, will spread around the country.

For an example, take a look at one recently "hot market." In Boston (where home prices are now faltering after meteoric rises), 27.1% of all homeownership households with a mortgage, spent *half or more of their 2005 gross income* on housing costs, according to the Census Bureau.

ECONOMIC GEOGRAPHY

Retool Auto To Save U.S. Industrial Heartland

by EIR/LaRouche Youth Movement Economics Team

In April, one year ago, Lyndon LaRouche called for emergency Senate action for Federal intervention in the U.S. auto sector crisis. Geographically, this refers to the industrial concentration of the Upper Midwest region—from western New York and Pennsylvania through to Missouri, where over 25% of the U.S. population lives today, and where, historically, the world's most powerful manufacturing complex has been centered. He spelled out the necessity to act to preserve and expand the machine-tool and industrial capacity still embodied in the auto manufacturing workforce here—its plants, equipment, communities, and skills, extending across the cities and counties of the Great Lakes/Ohio Valley region.

LaRouche warned that the same financial networks which in recent years forced through deregulation and globalization, and acted to deliberately dismantle U.S. steel, coal, and other basic industrial sectors—the political interests associated with George Shultz, Felix Rohatyn, Wilbur Ross, Steve Miller, Kirk Kerkorian, et al., are on the move to impose destruction throughout the auto sector. Their motivation? They are attempting to control vital output capacity and commodity supplies, here and internationally, as the financial system itself approaches the moment of disintegration.

Now, we are at the crisis point. Congress has stalled over the past 12 months, despite repeated appeals from state, city, United Auto Workers (UAW), and other leaders. Nevertheless, Federal emergency action taken now can still halt disaster, and pave the way for restoring U.S. national economic security. Details of LaRouche's proposals are available on www.larouchepac.com. (See Lyndon LaRouche, "Auto and World Economic Revival," *EIR*, Dec. 9, 2005.)

In brief, what's required is retooling for an "infrastructure

Marshall Plan." First, none of the mass plant shutdowns, dislocation, and degrading of workers and families, announced by Delphi/GM, or Ford/Visteon and associated supplier companies must be allowed to proceed. Second, a national entity must be established to extend credit, and coordinate retooling and revving up output for urgently needed infrastructure projects—water, power, transport. This is in line with the February 2006 UAW call for an "Auto Marshall Plan," but taken much more broadly and boldly, to mean what is required for the nation at large: retooling to rebuild the entire economy, not merely to upgrade auto output. Third, in the short term and thereafter, steps must be in place to prevent any more dislocation: Stop home foreclosures, municipal bankruptcies, and cut-offs of vital government services.

Animations: How an Economy Works

Critical to forcing the needed Federal emergency interventions, is for citizens and lawmakers to *conceptualize how an economy works*. In December 2005, LaRouche commissioned *EIR* and the LaRouche Youth Movement to produce a

The figures here are taken directly from a new set of animations of features of the economy of the Upper Midwest states, posted in April on the *EIR* website, www.larouchepub.com. The originals are in color; certain of the black and white versions here, therefore, do not convey the full information, but are included as illustrations of principle.

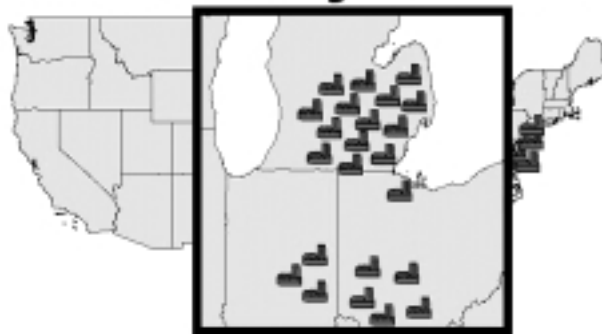
FIGURE 1a and 1b

Auto Plants Slated for Closure, 2006-09

Auto Plant Closings Threatened



Auto Plant Closings Threatened



Source: Company announcements; industry reports.

Shown are shutdowns of assembly and parts-supply plants, either announced or threatened, by the Big Three: General Motors and Delphi; Ford and Visteon; and DaimlerChrysler.

FIGURE 2a and 2b

Auto Plants Closed 1975-1985



Auto Plants Closed 1975-1985



Source: Company, industry and media reports.

Assembly and parts supply plants shut down by the Big Three: General Motors, Ford, and Chrysler.

series of economic animations on the Upper Midwest, to bring home the point about how this entire region has functioned as an integrated complex—during past periods of its build-up, and in the recent decades of takedown.

What is presented here are 35 illustrations adapted from this set of animations. The LaRouche Political Action Committee has incorporated them in a new DVD mass-circulation hour-long documentary on the need for retooling the auto sector for national recovery—with historical footage of how it's been done before, along with commentary from UAW leaders on how it can be done today.

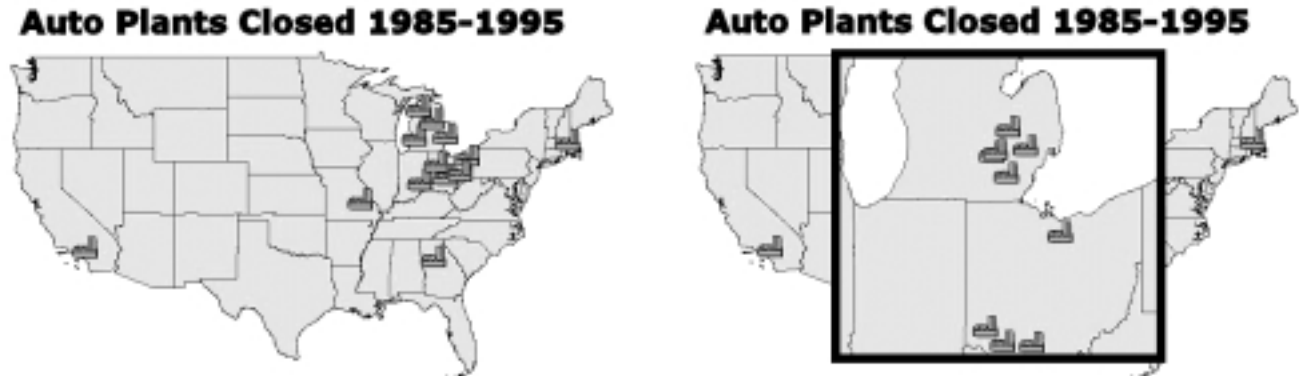
During the 1930s Depression, under Franklin Delano Roosevelt, vast new infrastructure projects were built both on

large-scale, and also thousands of smaller, local projects—all of which added up to mass job-creation, as seen in the Works Projects Administration, CCC Camps, and related programs. Over only a nine-week period in the Winter of 1933-1934, over 4 million new jobs were created in the Civil Works Administration, by FDR's right-hand man, Harry Hopkins.

During World War II, when the auto assembly plants were barred from producing motor cars as of February 1942, there ensued a massive output of planes, tanks, and tonnage of materiel. After the war, retooling again occurred, for peacetime. In the 1960s space program period, auto plants were key—producing rockets and other components.

Therefore today, we must preserve and expand, not only

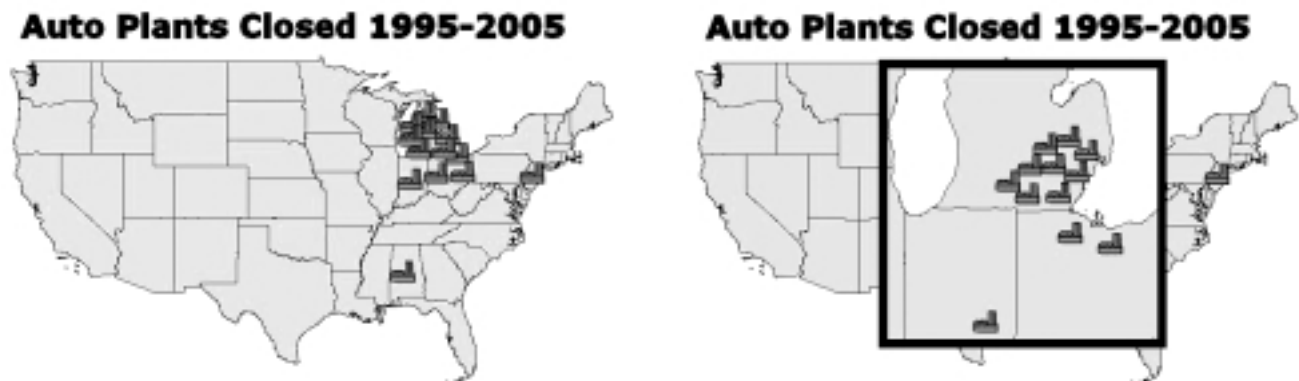
FIGURE 3a and 3b



Source: Company, industry and media reports.

Assembly and parts supply plants shut down by the Big Three: General Motors, Ford, and Chrysler.

FIGURE 4a and 4b



Source: Company, industry and media reports.

Assembly and parts supply plants shut down by the Big Three: General Motors, Ford, and DaimlerChrysler.

the inventory of auto plants themselves, but all that “goes with it”—the skills, communities, families, and characteristic interactions which constitute the potential for future production. We are now at a make-or-break period of whether the industrial heart of the United States will survive.

Not Just Auto Plants

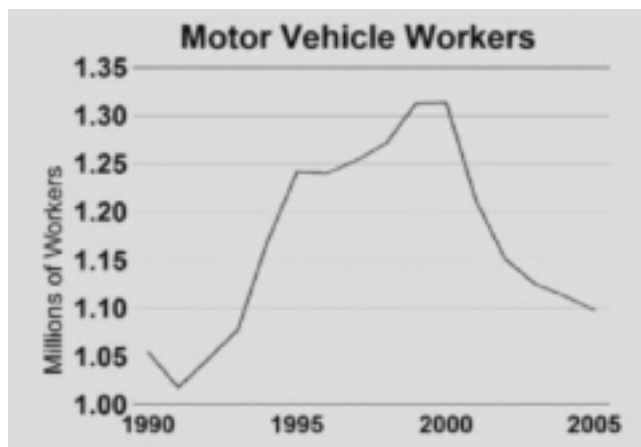
Begin with auto plants, then proceed to consider the entire set of interrelationships in the regional and national economy. On March 31, Delphi Corp. (the 1999 spin-off from the restructuring of General Motors) announced their request to bankruptcy court to void contracts with their 33,000 workers, slash wages and benefits, and proceed on a plan to close some 22 out of its 25 plants in the United States. This is the latest

in waves of industrial contractions taking place during the last 40 years of shift to a so-called “post-industrial” policy, of outsourcing jobs and debasing communities.

Figure 1 shows the location of auto assembly and selected supply plants of the Big Three (GM/Delphi, Ford/Visteon, and DaimlerChrysler) slated for shutdown between 2006 and 2009. The proposals for this kind of mass shutdown come on top of ongoing closures since 1975, concentrated in Michigan, Ohio, and nearby localities. For example, for General Motors alone, the number of workers fell from 520,000 in 1978, down to under 107,000 this year.

Figures 2, 3, and 4 show the location of plants shut down during 1975-1985; 1985-1995; and 1995-2005. (Detailed maps, with plant names and towns, are in *EIR*, Dec. 16, 2005.)

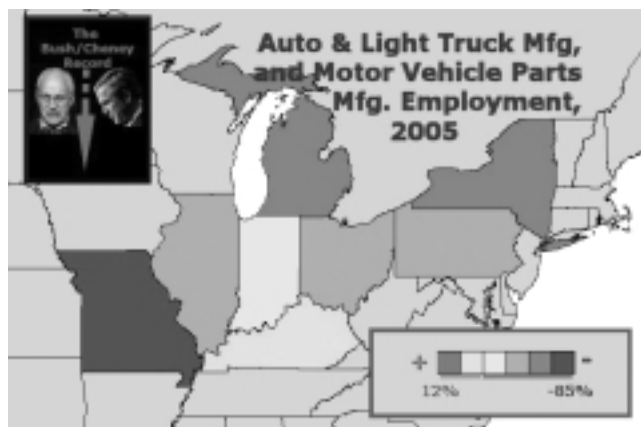
FIGURE 5



Source: Bureau of Labor Statistics.

FIGURE 7

Decline in Auto Sector Jobs, 2005 Employment As a Percentage of 2000



Source: Bureau of Labor Statistics.

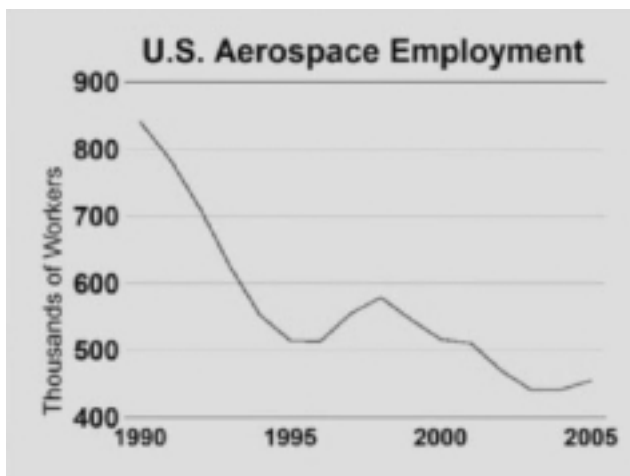
During the Bush/Cheney years, all eight states saw losses of auto sector jobs. The darkest tone, Missouri, shows a loss of over 85%.

Just from 1990-2005, the total number of motor vehicle workers in the United States dropped from 1.32 million, down to 1.1 million, as shown in **Figure 5**. A transient peak employment period occurred in 1999-2000, during the overlap period when foreign-based auto companies operated plants, while the Big Three automakers continued at facilities later to be shut down; but the downward trend is clear. **Figure 6** shows the dramatic decline in aerospace workers from 1990-2005.

Along with these losses of jobs in motor vehicle production and aerospace, jobs were lost in related supply industries of all kinds—glass, upholstery, plastic components—and

FIGURE 6

Decline in Number of U.S. Aerospace Workers, 1990 to 2005



Source: Bureau of Labor Statistics.

FIGURE 8

Decline in Metal Working Jobs, 2005 Employment As a Percentage of 2000



Source: Bureau of Labor Statistics.

During the Bush/Cheney years, all eight states saw losses.

most vitally, in machine-tooling itself. The rate of these losses has been spectacular in just the past five years. A geographic snapshot of this picture is shown state by state for the Upper Midwest in **Figures 7 and 8**.

In **Figure 7**, for 2005, you see the loss of jobs as compared with 2000 for workers in motor vehicles, light truck, and parts-supplier categories of manufacturing, given as a percentage of jobs in 2005, as compared with 2000. Missouri lost over 85% in this span of time.

FIGURE 9

Decline in Aerospace Jobs: 2005 Employment As a Percentage of 2000



Source: Bureau of Labor Statistics.

Figure 8 shows, for the same region and time period, the decline in metal-working employment—with dramatic losses in Michigan and Pennsylvania.

Figure 9 shows the loss in aerospace employment.

What this map series so far illustrates, is how the general process of de-industrialization nationally hit this particular industrial belt of the Upper Midwest. While the focus here is on the last-ditch crisis of the auto sector, the same process of shutdown has already proceeded for the steel-belt—from western Pennsylvania through Ohio and Detroit—and other regional specialties of heavy industry, from glass to turbines. (Even the same players have been involved in the devastation, such as Wilbur Ross and Steve Miller in steel, who are now moving to destroy auto capacity.)

Figure 10 shows the decline in percent of manufacturing workers overall, as a percent of the workforce, by county, from 1975-2000, in the nine states of the Great Lakes/Ohio Valley region.

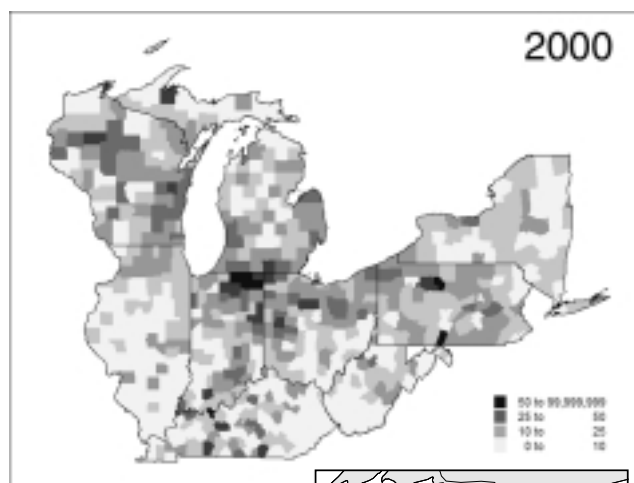
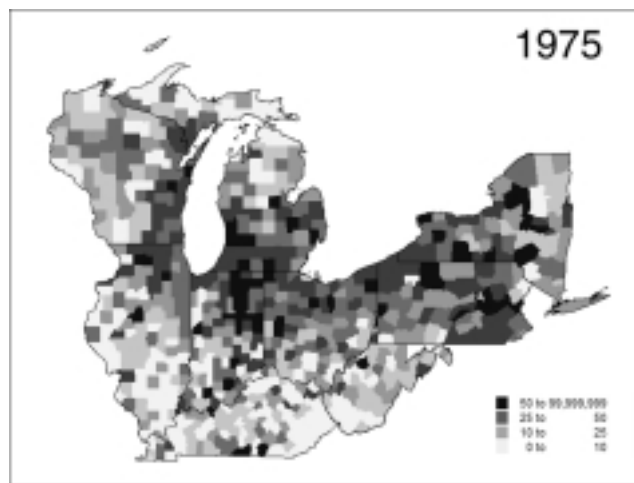
Nationwide, as of 2005, manufacturing employment, in absolute numbers, is back where it was in the 1940s (**Figure 11**). During this decline, well-paid manufacturing work has been replaced by service employment at lower wages, where households are forced into dependence on several such jobs to try to survive. **Figure 12** shows both the declining numbers of manufacturing workers, and the rising number of “leisure” sector workers, from 1939-1999. Another way to look at this degrading of the economy, is in **Figure 13**, showing the number of service workers per manufacturing worker, during this 60-year period.

Agriculture Too

Going right along with this, is the contraction in agriculture, both nationwide under decades of “global sourcing” for food and fiber; and in the industrial auto belt of the

FIGURE 10

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



Source: Bureau of Labor Statistics.

Upper Midwest.

As of the 1960s, the farm counties of this region were highly developed, producing for both regional food consumption needs, and the national food chain. For example, in 1965, Michigan, New York, and Pennsylvania were among the top six apple-producing states in the country. Illinois is a leading corn and soybean state. New York and Pennsylvania were among the top five dairy states. Michigan was among the top five states in fresh field tomatoes. In fact, next to California, Michigan ranked second in the nation—and does so still today, in the *diversity* of farm commodities produced (from orchard fruits, to produce of all kinds). The research and extension services at Cornell University, Penn State, Ohio State, Michigan State,

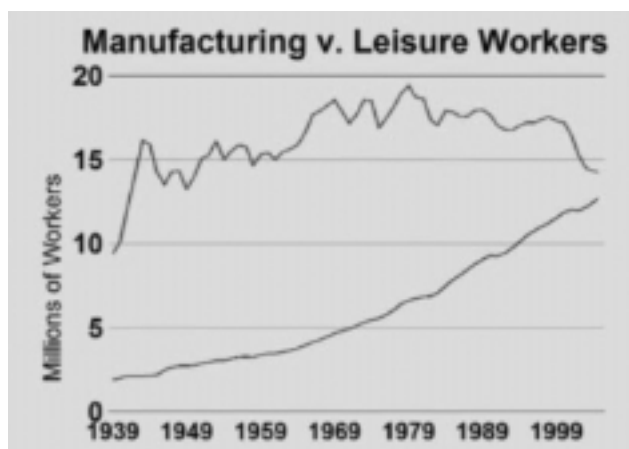
FIGURE 11

Workers in Manufacturing Jobs, 1800 to 2005

Source: Bureau of Labor Statistics.

Since 1980, the total number of workers in manufacturing has fallen. By 2005, manufacturing jobs had descended to 15 million, the same level as in the 1940s.

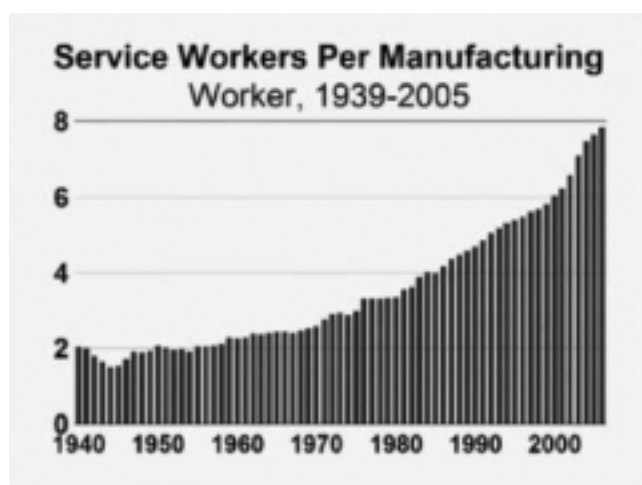
FIGURE 12

Decline in Manufacturing Workforce (Top Line); Rise in Leisure Sector Jobs, 1939 to 2005

Source: Bureau of Labor Statistics.

Leisure jobs refer to the various retail and services functions, in the non-manufacturing and non-infrastructure categories of work.

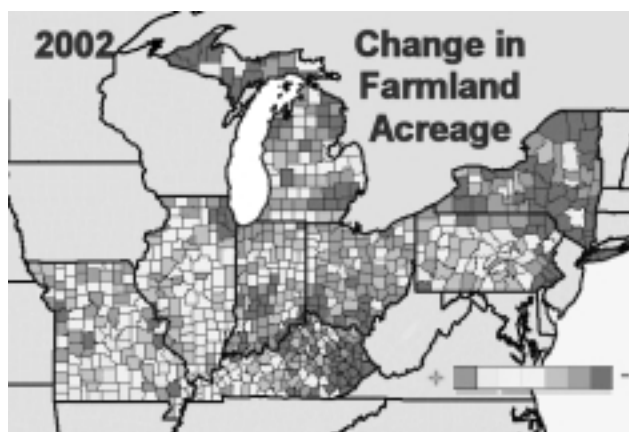
FIGURE 13



Source: Bureau of Labor Statistics.

Until the 1970s policy shift into “post-industrialism,” the ratio of service workers to manufacturing workers remained in the range of three or under. The number then rose to nearly eight over the past three decades of manufacturing outsourcing, neglect of infrastructure maintenance and construction, etc.

FIGURE 14

Decline of Upper Midwest Land in Farms, by County: 2002 Acreage in Farms, As a Percentage of 1969

Source: U.S. Department of Agriculture; Census of Agriculture.

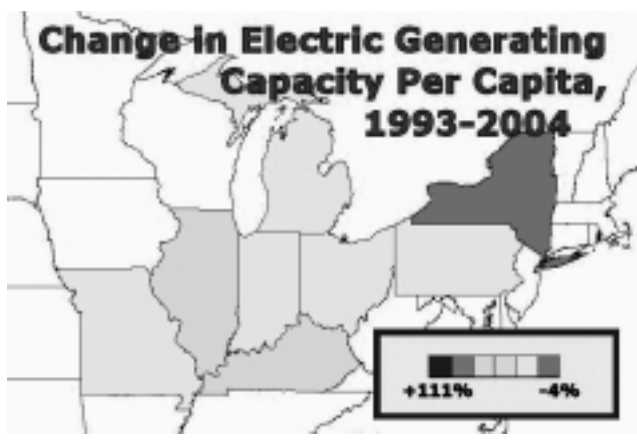
The darkest tone shows a loss of 25% or more of farm land acreage, with most extensive areas of loss in New York State and northern Pennsylvania, eastern Kentucky, and upper Michigan.

and Purdue, were world centers of agriculture science.

Since the 1960s, all this has been undermined. One simple marker for the process, is the shrinking area of what is called “land in farms.” That term is used by the U.S. Department of Agriculture, for its five-year Census of Agriculture, and refers

to the acreage—whether in cultivation, wood lots, pasture, livestock pens, etc.—that belongs to actual farms, and historically, has been under the watch of family farmers to decide on its care and use. It is to the benefit of the nation, for high-tech farmers to oversee land practices that maintain fertility

FIGURE 15

Declining Electricity Production

Source: Energy Information Agency

The darkest tone—New York State, has seen a decline of more than 4%. In previous decades, electricity generating capacity per capita increased, especially during the late 1960s, when nuclear power plants came on line. For example, per-capita capacity increased over 100% when several nuclear generators went operational in Pennsylvania and Illinois (hence the 111% increase on the legend, to span these earlier periods of growth, shown on the color animation).

and agriculture potential for now and the future.

However, in recent years, family farms have been displaced, and large amounts of land in farms has been lost to everything from shopping malls and suburban sprawl, to second homes, golf courses, super-highways, and Wal-Marts.



USDA photo/Lynn Betts

A Natural Resource Conservation Service worker checks cherries at an orchard in Van Buren County, Michigan. Michigan is the top producer of sour cherries (for pastry, beverages, etc.) in the United States. The area of orchards, as well as all land in farms, has been declining throughout the farm counties of the Upper Midwest.

FIGURE 16

Upper Midwest: Rail Lines in 1970, Abandoned by 2000

John Sigerson / EIRNS 2002

Source: U.S. Geological Survey.

The dark lines show parts of the rail grid present in 1970s, which by 2000, have been shut down. See, for example, the rail ferries which once crossed Lake Michigan.

Whereas in 1974, there were 1,017 million acres (412 million hectares) of land in farms, by the end of the 1990s, this area had fallen by over 8% to 931.8 million acres (377 million hectares).

At the same time, household food consumption has become more and more dependent on food imports, regionally and nationally. Many famous name food-processing firms, originally based in this region, have moved operations abroad to cheap-labor, low-infrastructure sites. For example, H.J. Heinz, based in Pittsburgh, moved its ketchup operations to Tijuana, Mexico. Wrigley Co. stopped making its chewing gum in Chicago—home base since 1911—and in 2005, moved operations to China and Mexico. Brach's candy manufacturing, started in Chicago in 1904 by the son of German immigrants, closed its Chicago factory in 2004, and moved it to Mexico.

The change-over to long-distance supply lines for food staples, has been directly associated with increasing rates of disease. For example, in Butler, west of Pittsburgh, an outbreak of hepatitis in 2002 sickened over 700 people, killing three young adults, traceable to tainted imported green onions from Mexico, from a low-infrastructure, export-farm operation.

Figure 14 shows the loss of land in farms, county by county, as of 2002, compared with a baseline of the acreage in farms in 1969, for the Upper Midwest. Extensive areas have been removed from agricultural activity. In Michigan, for example, Macomb County, near Wayne County, in the Detroit region, lost 17% of its land in the 1990s. As the *Detroit News* reported in April 2003, “Sprawl Swallows Farmland.”

Infrastructure Deficit

At the same time as the downgrading of industry and agriculture, vital infrastructure in the Upper Midwest has atrophied to the point of breakdown. This applies across the board, from transportation—lake ports, Ohio River locks and dams, railroads, airports—to all other essentials, including power and water supply systems, hospitals, and educational facilities.

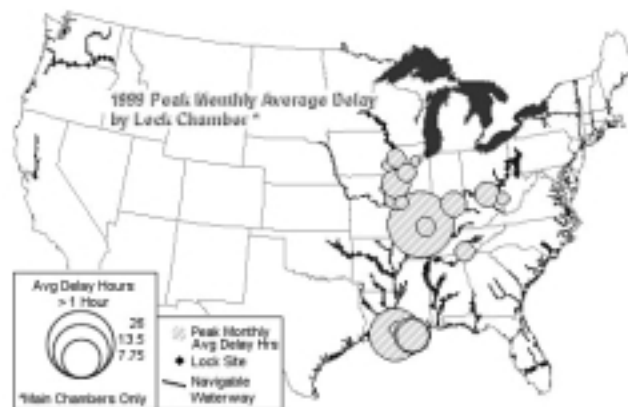
Power Supply: **Figure 15** shows the decline in per-capita electric-generating capacity, by state, from 1993-2004 (from an animation giving previous decades). Many of the once-high-tech coal plants are now aging, are sited near depleted mines, and need to be superseded. While this area was home to the first commercial nuclear power plant in the nation, at Shippingsport in western Pennsylvania (opened in 1957, and since decommissioned), no new nuclear generator has been built in 30 years.

In the eight-state region shown, there are four sites, on pre-existing nuclear power campuses, where more generating units were intended, but never constructed. These include: Fulton, Missouri; Clinton, Illinois; Oak Harbor, and Cleveland, Ohio.

Under the infamous Enronomics policy of deregulating electricity—passed in 1996 in Pennsylvania in the dead of

FIGURE 17

Peak Monthly Average Delay on Major Locks of the U.S. Waterway System



Source: U.S. Army Corps of Engineers.

Barge tows can wait over 24 hours to go through several major locks, during peak months of the year, because of the lack of repair and upgrade of the waterway installations. The 1999 map shows the most congested point to be at the confluence of the Ohio and Mississippi Rivers. The next worst location was at New Orleans, which as of 2005, with Hurricane Katrina hitting on top of inadequate waterworks, is now far worse.

night, one month after California did so—the entire region’s electricity-generating and distribution systems were undercut. In August 2003, beginning in Ohio, the largest blackout in U.S. history occurred.

Rail Grid: **Figure 16** illustrates how extensive the loss of rail grid has been in the Upper Midwest, historically once

FIGURE 18a and 18b

Michigan Water Withdrawals Decline Per Capita, by County, 1985 to 2000

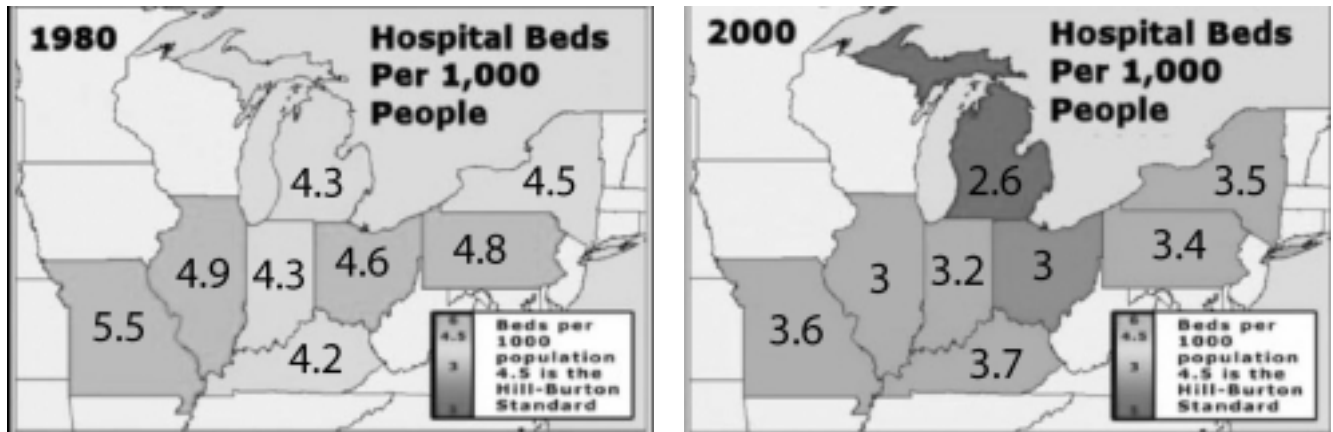


Source: U.S. Geological Survey

The darkest tones correspond to the heaviest volume of water withdrawn for use, by county, shown in per capita terms. Withdrawals refer to water for all uses—residential, manufacturing, commercial, agriculture, cooling of electric generating plants, etc. The patterns evident—as counties “go lighter”—during the 15-year period, is that less water is being withdrawn for use, as manufacturing is outsourced, food supplies are globally sourced, etc.

FIGURE 19a and 19b

Decline in Ratio of Hospital Beds per 1,000 Residents, from 1980 to 2000



Source: U.S. Statistical Abstract; American Hospital Association

During this 20-year period, the intensifying dark tones indicate that there are progressively fewer public hospital beds per thousand residents. In 1980, most of the counties in these states were at or near the 4.5 beds per thousand benchmark ratio, mandated in the 1946 Hospital Survey and Construction Act (“Hill-Burton” law). But as the “post-industrial” era continued, so many hospitals were downsized or shut, that the statewide ratio has fallen to the range of 2, and many counties have lost their sole hospital.



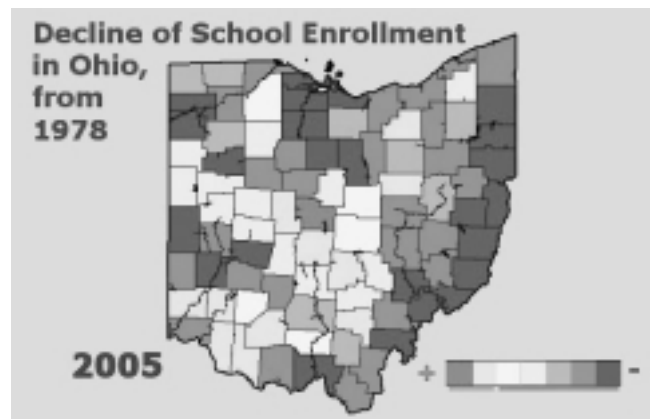
EIRNS/Sharon Stevens

This modern facility, Greater Detroit Hospital, was closed in 2000, under the financial squeeze of reduced payments from Medicaid, Wayne County, and generally.

the most dense in the nation, thanks to the early east-west routes of the Baltimore & Ohio and Pennsylvania railroads, transiting what used to be called the “Northwest Corridor” between the Great Lakes and the Kentucky Appalachian uplands, across Ohio and Indiana, to connect the Eastern Seaboard with America’s Mississippi Valley, Great Plains, and Pacific coast. Now, barely one passenger train a day connects the once hub cities of Cleveland, Pittsburgh, Chicago, and the rest of the country.

FIGURE 20

Ohio School Enrollment: Students in 2005 Shown As a Percentage of 1978



Source: Ohio Department of Education

Darkest tone shows loss of 25% or more in 2005, compared with 1978 enrollment. Most of the gray tones—though their original color animation shades are not distinguishable here in black-and-white—refer to loss of enrollment, not gain, as Ohio’s total population has remained static over the past five years.

Waterways: The waterway transportation systems serving this region are likewise in urgent need of upgrading, from the lake ports, to the locks and dams of the Ohio River, and the Illinois River/Upper Mississippi.

Figure 17, done by the Army Corps of Engineers, shows the river, canal, and intracoastal routes of the national waterway system, indicating by proportional circles, the hours of time-delay experienced by barge tows, on average, for the peak month of the year, at major locks in 1999. It is far worse today.

Water supply: Water systems—purification, sewage treatment and distribution—which serve millions of people, are long overdue for overhaul. The states of Pennsylvania, Ohio, and New York ranked as the worst in the nation, for what hydrological engineers call “CSOs,” Combined Sewer Overflow incidents, in the late 1990s, and the very worst area nationally is the ten-county district centered on Pittsburgh. This reflects the fact that water-management rehabilitation and new installation projects have not been carried out.

Furthermore, volume of water supplies for residential and commercial use would by now—without their treatment and piping systems having been upgraded—be appearing as scarce, throughout parts of these eight states, were it not for the fact that outsourcing of industrial and agricultural activity off-shore, has “freed up” supplies of water for domestic use!

Figure 18 shows an aspect of this fact. A contrast of the county maps for 1985 and 2000, shows that the volume of water “withdrawn” for all uses, per capita, is decreasing. The darker tones indicate larger volumes of water withdrawn per capita. More counties are clearly turning lighter in 2000. This reflects the fact that *all kinds of water-using activity have been declining*: from heavy manufacturing, to food processing, light industry, farming, use in hospitals, and for other public services.

Hospitals: **Figure 19** shows the downgrading of hospitals—the cornerstone of adequate public health care. In 1980, the eight states of this region were characterized by having achieved the desired four-plus ratio of licensed hospital beds per thousand residents. This reflects the impact of the Federal 1946 law, “Hospital Survey and Construction Act,” known as the Hill-Burton Act, for its bi-partisan sponsors, Senators Lister Hill (D-Ala.) and Harold Burton (R-Ohio), whose goal was that all 3,069 U.S. counties should have adequate ratios of health-care facilities for the density of their population.

However, as shown in the 2000 map, the loss of hospitals over the past 20 years of HMO policy, resulted in a drop in supply of hospital beds per thousand residents, down below the mandated Hill-Burton standard of 4-5 beds per thousand, to below four, or even three. In the last five years, some counties have lost their only hospital, reverting back to 1920s status.

Education: All other vital social services have been hit in the same way as health care—for example, education. Cities and school districts have been hit by shifting and falling enrollment, as shown for Ohio in **Figure 20**, while school funding crises are common, because of diminishing govern-

ment revenues caused by loss of manufacturing, farming, and infrastructure building.

The darkest counties in **Figure 20**, are where the school enrollment has dropped in 2005, as a percent of that of 1978, by 25% or more. In sum, over the 27 years from 1978-2005, 58% of Ohio’s 88 counties lost school-age children, as the state’s economy was taken down. The breakdown of the 88 counties, by size of decreasing enrollment is:

- 37 counties (or 42%) lost 20-50%.
- 14 counties (or 16%) lost 15-19%.
- 25 counties (or 28%) lost 1-14%.

The population of Ohio itself has been static over the past four years, with so many young adults moving out of state.

This demographic downgrade characterizes the entire region. In Detroit, a gesture was made to counter the outflow of youth, by starting a “Cool Detroit” propaganda campaign. This only spotlights the fact that the real, underlying cause of the crisis, is the de-structuring of the entire regional economy—from loss of manufacturing, farming, and cultural institutions, to lack of decent housing, transportation, education, and health care. No appeals and slogans can compensate, as youth move away to seek jobs and a future.

For each five-year period since 1975, there are nearly 500,000 fewer young people, between the ages of 15 and 29, residing in the former industrial-powerhouse Upper Midwest states. Over the past five years, this has worsened—a drop of more than 800,000 youth. Even allowing for the demographic “bulge” of 20-something-year-old Boomers in the 1970s, the subsequent decrease in young persons is dramatic.

Cities, Counties De-Structured

A summary of the crisis situation is provided in **Figure 21**, for three representative cities—Cleveland, Buffalo, and Detroit. Over the 34-year period shown, the cities lost over a third of their population; the size of their workforce in manufacturing jobs declined; and the percent of their residents in poverty increased.

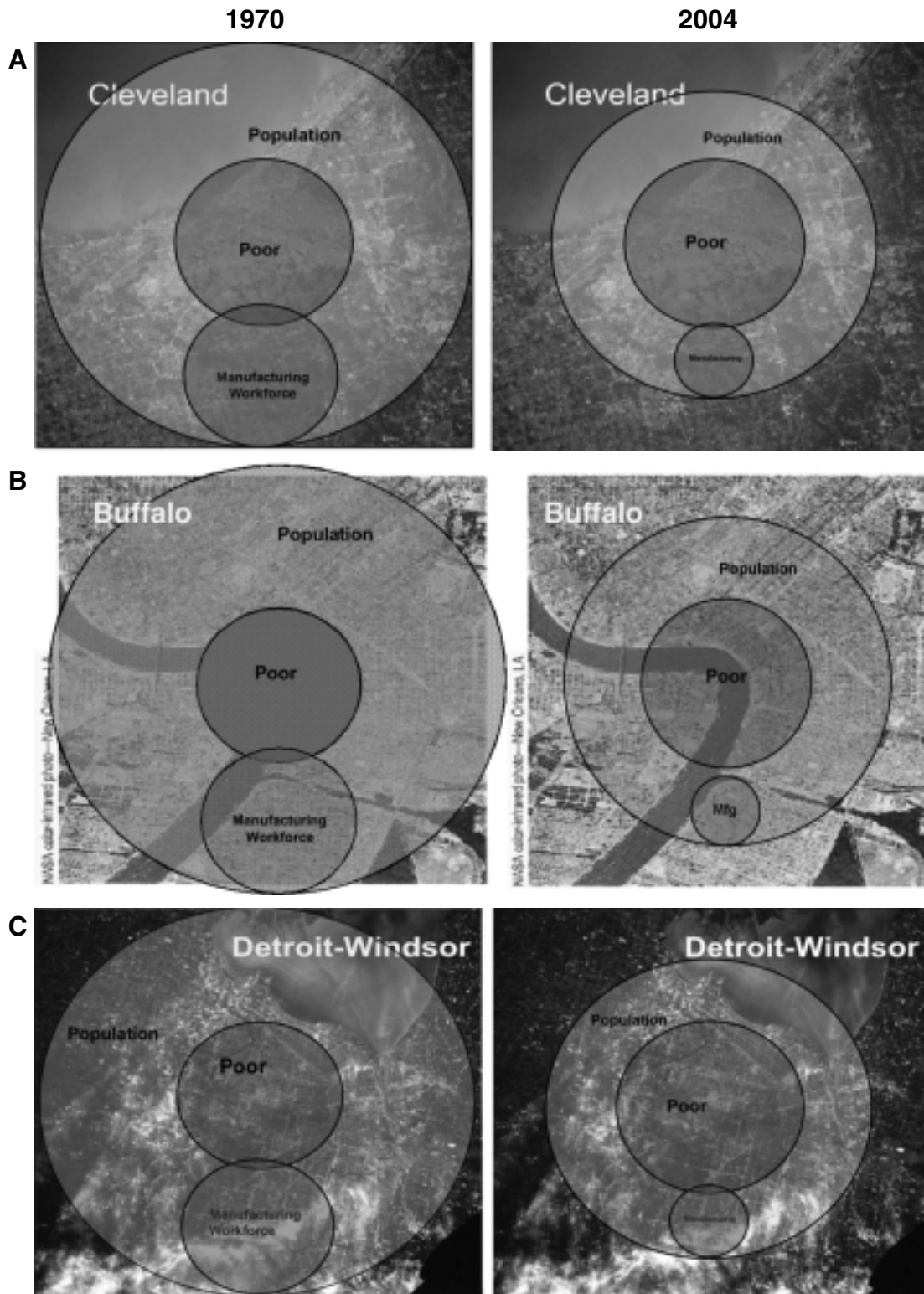
The condition of these urban centers is emblematic of the devolution throughout the entire region, affecting over 80 million people, across 719 counties. The totality of the picture illustrated by all the graphics together, is that the *very means of existence have been undercut, in terms of the fall on a per-capita, and per-unit-area basis, of energy, water, social services, quality of land use, mobility, and so on.*

The nails in the coffin are shown in **Figures 22 and 23**, the “invasion” of the once-world class industrial belt, by Wal-Mart, and by legalized gambling.

In 1972 there were two Wal-Marts in Missouri. Today, there are over 350 Wal-Marts in the eight-state region, with waves of new ones under construction in western Pennsylvania, shutting down the last vestiges of townscapes and local economic activity. As of 2004, Wal-Mart became the largest

FIGURE 21

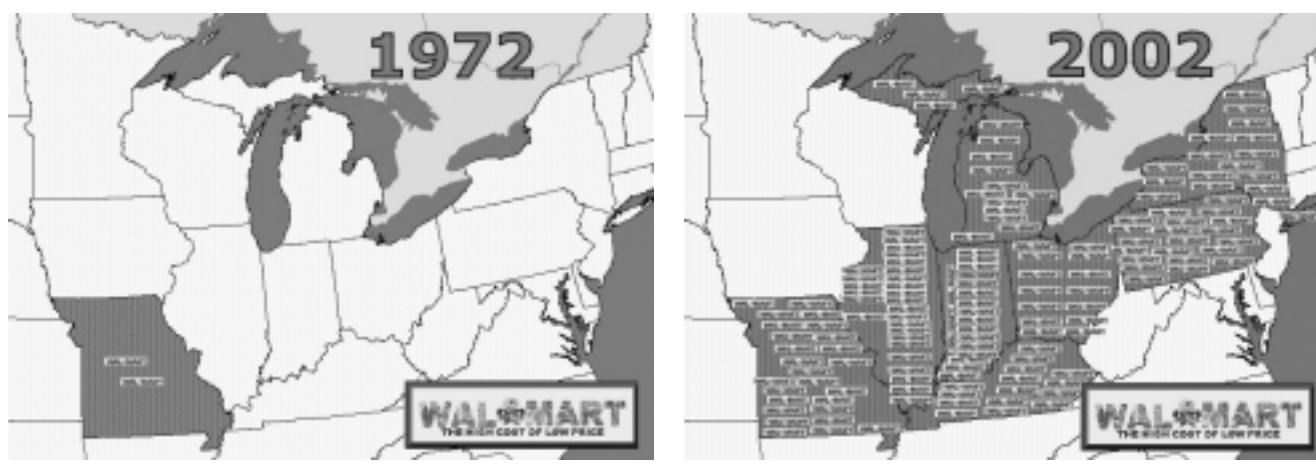
Deindustrialization Destroys Cities—Population, Manufacturing Workforce Shrink; Percentage in Poverty Grows, 1970-2004



Source: U.S. Statistical Abstract.

FIGURE 22a and 22b

Wal-Mart Invades the Upper Midwest: Number of Store Locations, 1972-2002.

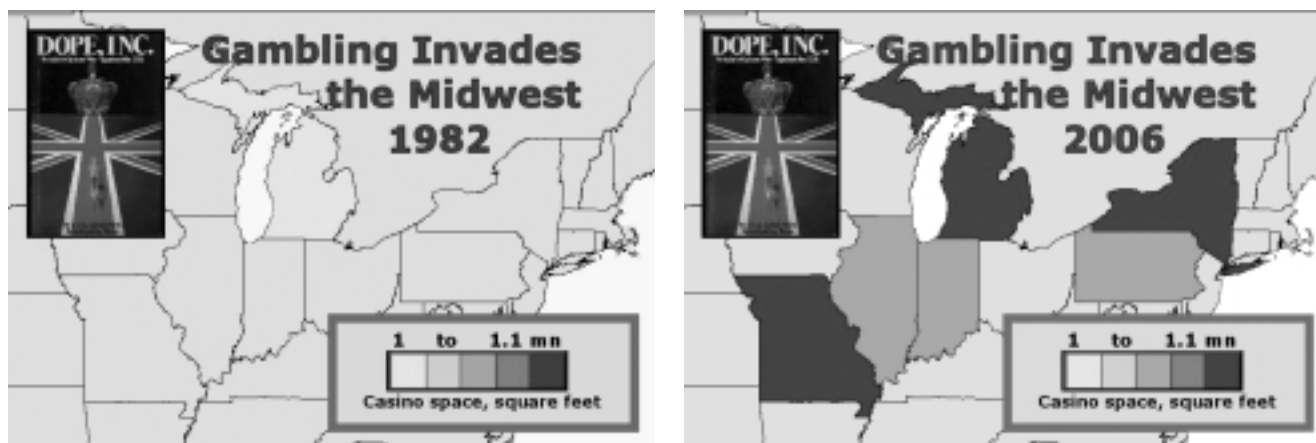


Source: Wal-Mart annual reports.

FIGURE 23a and 23b

Legalized Gambling Invades the Upper Midwest: Casino Floor Space, 1982-2006

(Millions of Square Feet)



Source: Industry reports.

In 1982, only Michigan had casinos out of the eight states. Now, all but Ohio have some form of licensed gaming, including millions of square feet in Michigan, Missouri and New York. In Pennsylvania, a new battle is raging in Gettysburg, for and against putting in a casino next to an existing Wal-Mart, to accommodate 3,000 slot machines.

employer in Pennsylvania.

Nationally, in 1982, there were 491 Wal-Marts; by 2005, the number totalled 3,617 in the United States, with many more under construction.

Organized gambling shows the same pattern (see **Figure 23**). In the early 1980s, only Michigan had succumbed to casinos. Since then, only Ohio has held out: Casino ballot initiatives failed in 1990 and 1996. However now, a new fight is brewing to allow slot machine and video-lottery casinos at

Ohio's seven race tracks, and two other sites.

In Pennsylvania, where slot machines were recently approved, a battle is raging in Gettysburg, where a consortium funded by the Morgan Stanley investment bank, intends to open a 3,000-slot-machine "Gettysburg Gaming Resort and Spa." In deference to Abraham Lincoln, the lives lost at the Civil War Battlefield, and local opposition, the backers have offered to drop the name, Gettysburg, and call it "Crossroads" Gaming Resort.

Weimar Hyperinflation Takes Off in 2006

by Richard Freeman

The surge in world commodities prices signals the near-term onset of Weimar-style hyperinflation. During 2006, on a daily basis on the commodity markets, copper, zinc, gold, nickel, and some other commodities have hit a 10-year, 20-year, or all-time record high. During the past three months, the process has shifted into a new phase: an *increase in the rate of increase* of the inflation of commodities, which defines a hyperinflationary blowout. Lyndon LaRouche's forecast, "Hyperinflationary Patterns: Inflation Runs Wild" (*EIR*, Sept. 30, 2005), with its Riemannian shock-front model (**Figure 1**), is unfolding in the commodities field.

The hedge funds are a leading force driving the shock front, by funnelling funds into the commodities markets. These funds manage investments of the wealthy families who seek to accumulate hard commodities to control a post-crash world, but also those of the misguided pension funds and the "mickey" investors who eagerly—and stupidly—want to "get in on the hot new investments." None of these parties understand the alarming new processes that have been created, which will not only shatter the commodities bubble, but the hedge funds themselves, and the overstretched U.S. housing bubble.

Daily, fools pour money into commodities at each twitch of the market. "There is a wall of investment money moving into commodities markets," said UBS analyst John Reade on April 12. "We estimate around \$100 billion was invested via the Goldman Sachs index, the Dow Jones/AIG index, and products tracking those [commodities] indices at the end of 2005." The cited investment funds are called "passive funds," because they invest their funds in a way that mimics the performance of a basket of commodities contained in the Goldman Sachs or other commodity-based index. From a level of \$15 billion three years ago, these passive commodity investment funds now have \$100 billion under management. The name passive is misleading: It refers to the type of fund—but they pack a real, active effect on the market.

In addition, there are "active funds" and other investor hedge funds, which have hundreds of billions of dollars more under management, which, if they take long positions, aggressively push up commodity prices. The size of all investment in commodities combined could be one-quarter trillion dollars or more; moreover, this is coupled with sizeable leverage, which could ratchet up the total investment three- to four-fold.

Like 1923 Weimar Germany

The speculative commodities' spike intersected the other large speculative bubbles that Alan Greenspan's fostering of the "carry-trade" since 1987 had generated. The emerging process is not a linear inflation, but, like that of 1923 Weimar Germany, non-linear hyperbolic growth. During each new period, there is an increase in the rate of the rate of increase—that is, hyperinflation.

The evidence is multiplying. For example, between March 31, 2003 and Dec. 30, 2005 (the last day of trading), the price of palladium rose from \$170 to \$257 per ounce. For that whole 33-month period, its rate of price increase was 51.1%; its average rate of increase came out to a hefty 18.6% *per year* during that span. However, since the start of 2006, palladium's price had jumped from \$257 to \$348 per ounce by April 12, which, were it to continue, would come out to a 132% increase for 2006.

Between March 31, 2003 and Dec. 30, 2005, a metric ton of aluminum increased in price at 13% per year; for 2006, its annual rate of increase is 72%. For a metric ton of zinc, between March 31, 2003 and Dec. 30, 2005, its price increased at an already inflationary 55% per year; for 2006, its annual rate of increase is 220%.

It's Weimar-style hyperinflation, exactly as LaRouche forecast last September.

Copper Spike

The hedge funds' role in shoving up commodities prices is dramatized in the case of copper.

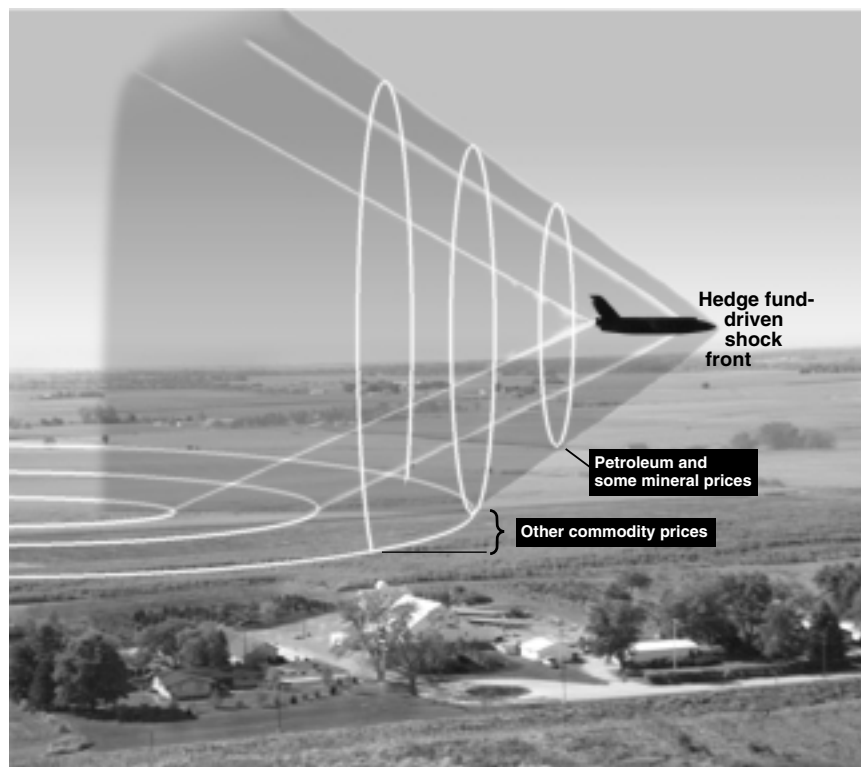
Copper for three-month future delivery, shot up to \$6,077 per metric ton at the April 12 closing on the London Metals Exchange, the world's leading metals market. Copper's price has doubled since early 2005, and quadrupled since November 2001.

On April 10, the *Financial Times*, in an article titled "Fears Grow Among Copper Watchers," put aside its earlier snake-oil-salesman claims that "market forces" are pushing up prices, and reported on a survey of which companies are shoving up copper prices in a "super spike." They are all hedge funds: the U.S.-based Touradji Capital, which is "believed to hold a sizeable copper bet"; Armajaro Holdings (British); "Geologic, a smaller U.S. hedge fund with a copper bet, climbed 12.3% in March alone"; Ospraie Management (U.S.); Moore Capital (U.S.); Vega Asset Management (U.S.); Winton Capital (British); and Red Kite Management (British). These hedge funds are principally the operating arms of the City of London-Wall Street banks.

On April 12, the Dow Jones news service reported that John Bergthell of JP Morgan had declared that "most analysts [are] predicting a 200,000-300,000 ton copper surplus for 2006 and 2007." A Mexican copper mine strike would not have fundamentally altered that. Bergthell added that "the copper price surge" is related to a market bubble.

Still, the hedge funds compelled a doubling of the copper

FIGURE 1



Today's hyperinflation, driven by the hedge-fund crisis, is comparable to a sonic boom moving across the landscape. At the tip of the cone, where the shock front forms, is the speculative bubble in hedge funds and related derivatives, orders of magnitude larger in monetary value than the physical economy. The commodity price inflation, led by petroleum and certain minerals, is dragged along in the opening conical tail, while prices of other commodities and consumer goods are diffused as they spread out in the conical opening.

price in just 15 months, to an unsustainable price of \$6,000 per metric ton.

The commodities spike's activities have spread into food products. On April 10, orange juice shot up to \$1.50 per pound, the highest level in 14 years; sugar grew to \$17.12 per pound, tripling its price since the start of 2004.

Pension Funds

Those snapping up investment instruments in commodities, are two types of investor.

First, are wealthy financier families, who comprehend that the collapse of the world financial system, intermixed with some \$750 trillion in derivatives and other speculative paper, is impending. They seek to accumulate industrial base metals, and energy and food supplies, increasing their control over the goods upon which life depends, which would enable them to dictate policy, when the dust clears in a post-crash world. They are buying commodities in such a way, that they either purchase the physical goods, or ownership shares of

the companies that produce these goods.

The second type of investor is people who are attracted because commodities are the sexy investment that supposedly pays a high rate of return. Instead, they are poised to misinvest their pension funds, which would obliterate the funds. The April 10 *Financial Times* reported, "Unprecedented amounts of U.K. pension funds are flowing into commodities as pension fund managers seek ways of increasing returns and diversifying risk." Last month, J. Sainsbury, the big British supermarket chain, announced that it would invest 5% of its £5.5 billion pension fund into commodities, while at the end of last year, Hermes, manager of the U.K.'s largest pension fund, launched a commodities fund into which it invested £1 billion of its clients' money.

The U.S. pension funds are not far behind. The Pennsylvania State Employees' Retirement System (PSERS), with \$27 billion in assets, typifies the activity. Peter Gilbert, the fund's manager, has invested 23% of PSERS funds into hedge funds, the highest percentage so invested by any state pension system. Greenwich Partners reported that 14% of all U.S. public pension plans are invested in hedge funds; 49% expect to increase their hedge-fund holdings during the next three years.

Since the hedge funds are investing an increasing share of their funds into commodities, U.S. pension funds are actually chasing the commodities bubble.

Hard Landing

The commodities-bubble-driven hyperinflation is set to bring down the world financial system, in a manner similar to the way that Weimar hyperinflation pulverized Germany. However, the bankers have built such a speculation-laced financial system, that whatever they do to try to save one bubble, will rupture another. The central banks could attempt to break the commodities price spiral by "traditional central banker methods"—i.e., raising interest rates. However, the U.S. housing bubble is beginning to contract, affected by the rise in mortgage interest rates during the past nine months. An increase of interest rates by 1 to 2 percentage points would puncture the U.S. housing mortgage bubble, which, counting the derivatives of Fannie Mae and Freddie Mac, totals \$15 trillion. That explosion would interact with, and doom, the commodities bubble.

Behind the Generals' Revolt

by Jeffrey Steinberg

On April 15, Lyndon LaRouche hailed the actions by a group of retired flag officers, demanding the immediate firing of Defense Secretary Donald Rumsfeld, as both “unprecedented” and “appropriate, given that the nation is being betrayed.”

In the week preceding LaRouche's comment, some of America's outstanding retired military commanders, including Gen. Anthony Zinni (USMC-ret.), Maj. Gen. Paul Eaton (USA-ret.), Lt. Gen. Gregory Newbold (USMC-ret.), Lt. Gen. Paul Van Riper (USMC-ret.), Maj. Gen. Charles Swannack, Jr. (USA-ret.), Maj. Gen. John Riggs (USA-ret.), and Maj. Gen. John Batiste (USA-ret.), all surfaced with public calls for Rumsfeld's immediate ouster, on the grounds that he had ignored the advice and warnings of his military commanders and had, as the result, drawn the United States into a disastrous fiasco in Iraq, which is now on the verge of erupting into a full-scale, uncontrollable civil war.

While the criticisms of Rumsfeld by the ex-officers ostensibly focussed on Iraq, sources close to the Pentagon have confirmed that the outpouring of calls for Rumsfeld's immediate ouster have more to do with Bush Administration plans for a preemptive military strike against Iran, possibly as early as late April through the middle of May.

Ex-military and intelligence sources report that a group of active duty generals and admirals have written to Gen. Peter Pace (USMC), Chairman of the Joint Chiefs of Staff, threatening to resign, if the White House orders military strikes against Iran. The generals and admirals, according to the sources, are particularly outraged that the White House has refused, ostentatiously, to rule out the use of tactical nuclear weapons against hardened targets inside Iran.

Furthermore, while the generals' ire has been directed at Rumsfeld, they are collectively aware of the fact that the true architect of the Bush Administration's perpetual war policy,

including the plan to launch preemptive nuclear strikes against Iran, is Vice President Dick Cheney. Unlike Rumsfeld, who can be fired by President George W. Bush at any moment, the Vice President was elected to office, and his ouster is politically more complicated. The constitutional complications are vastly compounded by President Bush's severe psychological dependency on the Vice President, and Mr. Bush's deteriorating state of mind, as he tries to avoid the unavoidable reality that his Presidency is in a free fall, and that he has been personally written off by a vast majority of Americans, including a majority of Republicans, all the way up to the U.S. Congress.

The Looming Monetary Blowout

The picture, however, is incomplete without identifying the principal factor driving the immediate crisis: the imminent collapse of the entire world floating-exchange-rate monetary system.

This crisis is compelling those financiers of the Synarchist (Fascist) International, who control Vice President Cheney, to distract attention from the monetary blowout, by going for a preemptive war against Iran. Under such circumstances, they will go, once again, for dictatorship, as they attempted, with only limited success, following the attacks of 9/11.

Inside the United States, this apparatus is most publicly identified with Felix Rohatyn and George Shultz, and is associated with a Boston- and Geneva-centered apparatus of banks, brokerage houses, and hedge funds, known in New England as “The Vault.” Through institutions like Credit Suisse/First Boston, this crowd of openly Synarchist bankers maintains ties to those in London and in continental Europe, who are the descendants of the financial backers of Hitler, Mussolini, Franco, and the Vichyites in France. Their policy today is an echo of the perpetual war impulses that led the

Synarchist bankers of the 1930s Young Plan era to install Hitler and the Nazis in power, to provoke a war across Eurasia.

These bankers know perfectly well that the disastrous 19-year reign of Alan Greenspan at the Federal Reserve has produced a derivatives and real estate financial bubble that is unlikely to survive through the Spring. The coordinated efforts of leading central banks in North America, Western Europe, and Japan to orchestrate a “controlled” deflation of the bubble, through interest-rate hikes, and the drying up of the yen carry-trade, is doomed to fail. In fact, as LaRouche has warned, the efforts to reverse the Greenspan “wall of money” hyperinflationary policy, will only accelerate the bursting of the real estate bubble.

Add to this the growing alarm on the part of the Synarchists, that they have not succeeded in crushing the Franklin Delano Roosevelt American System policy impulse within the Democratic Party. Two sets of recent developments underscore this latter factor.

First, under the personal initiative of Felix Rohatyn, a series of coordinated slanders has been published in recent days, targetting Lyndon LaRouche and the LaRouche Youth Movement, which is the fastest growing institution among young Democrats in the United States, and which has parallel, expanding youth organizations throughout Western Europe. The major slanders appeared in the *Boston Globe*, the *Neue Zürcher Zeitung* in Switzerland, and on the French broadcasting network, France Inter.

Responding directly to these attacks, LaRouche issued a brief statement: “Felix Rohatyn’s Jewish ancestry did not deter him from organizing the financial backing for the Nazi gang associated with Augusto Pinochet’s Chile dictatorship and the related fascist death-squad operations in South America’s Southern Cone. Perhaps the European antifa (‘anti-fascist’) crowd is just a front for the neo-Nazis who have been ‘earmarked’ to call themselves the left.”

Rohatyn, who, along with George Shultz, has been an architect of the “privatization of war” policy of Cheney, Rumsfeld, and Halliburton, makes no bones about the fact that he asserts the primacy of private financial interests over sovereign governments—including in the area of infrastructure investment.

Rohatyn’s Synarchist ideas were echoed in the second development. On April 14, the *Wall Street Journal* reported, in a front-page story, that Treasury Secretary John Snow, in a speech at the University of Mississippi on April 12, had launched into an attack against former Treasury Secretary Robert Rubin and the Hamilton Project, a Brookings Institution-housed effort by a group of former Clinton Administration economists, to shift the nation’s economic policy from its current catastrophic course. At a Brookings briefing launching the project, Rubin had invoked Alexander Hamilton, the first Treasury Secretary of the United States, whose

policies of national banking and directed Federal government credits for infrastructure and education, had built the U.S. economy. Snow, babbling like a true spokesman for the Bush Administration, lied that Hamilton was a free-trade proponent and advocate of the “private sector,” and that, in pushing “for a larger government role” the Hamilton Project had “misappropriated” Hamilton’s name.

Cheney at the Epicenter

While the accelerating timetable of the financial collapse is the leading factor, driving the Bush Administration to a possible preemptive strike on Iran, another issue is also driving the Synarchist crowd to desperate near-term measures.

Vice President Cheney, the point-man for Shultz and Rohatyn, has once again emerged as the central figure in the Valerie Plame leak probe by Special Counsel Patrick Fitzgerald. Valerie Plame, the wife of former Ambassador Joseph Wilson IV, was outed as a CIA officer in a July 14, 2003 syndicated column by Robert Novak. Ambassador Wilson had conducted a fact-finding trip to Niger in February 2002 on behalf of the CIA, to probe unsubstantiated intelligence reports that Iraq was seeking large quantities of uranium from that African state. The CIA had been tasked to pursue the Iraq-Niger story by Vice President Cheney.

Wilson reported back to the CIA that the allegations were false, and when he began making noises that the Bush-Cheney claims of an Iraqi nuclear weapons program—a key justification for the Iraq invasion—were known to be false by top Administration policymakers, Cheney ordered a campaign of leaks to discredit the ex-Ambassador.

As the result of a series of recent court filings by Fitzgerald and by attorneys for Lewis “Scooter” Libby, Cheney’s former chief of staff, now under indictment for obstruction of justice and lying to a grand jury, new evidence has surfaced, identifying Cheney as the architect of the Plame leak. Fitzgerald’s April 12, 2006 thirty-nine-page filing, nailed the fact that a plot existed at the White House, centered in the Office of the Vice President, “to repudiate Mr. Wilson before and after July 14, 2003.”

While Special Counsel Fitzgerald had reportedly intended to take up Cheney’s role in the Plame leak after the November 2006 midterm elections, the timetable has been radically altered, and Cheney’s head is now on the political chopping block, as the discovery battle in the Libby case reaches a showdown moment over the next weeks.

A senior intelligence community source acknowledged that the moment that Cheney’s role as the author of the Plame leak is proven, and an indictment appears likely, Cheney will be forced out.

A timely departure of the Vice President and the Secretary of Defense is the kind of shock that is now desperately needed, to assure that the Bush Administration does not push the button on Iran, triggering events that no one is prepared to handle.

What Everyone Knows —Except Halliburton

by Edward Spannaus

“Everyone knows that drinking, or washing with poop, is bad for you,” said Dr. Jeffrey Griffiths, Director of Global Health at Tufts University, and one of the world’s leading water quality experts, at an April 6 Senate hearing called by the Democratic Policy Committee (DPC).

“The reasons are so obvious, we consider them common sense,” Dr. Griffiths continued. “When water is contaminated with pathogens, we become infected with bacteria, viruses, or parasites.” Griffiths pointed out that, 100 years ago, intestinal diseases were common in the United States, largely as a result of contaminated water—and today, our long lifespans are primarily a result of the fact that “feces do not contaminate our water supplies [and] our food and water do not have feces in them.”

Everyone seems to know this—except Dick Cheney’s Halliburton. Rumsfeld’s Pentagon has paid Halliburton’s KBR subsidiary more than \$11 billion to provide logistical and construction support for the U.S. Army in Iraq. These are the types of activities which used to be done by the Army itself, and the U.S. Army Corps of Engineers, but which are now “outsourced” to private contractors whose only concern is obtaining the most profit for the least effort.

The April 6 hearing was a follow-up to one held on Jan. 23, in which two former Halliburton employees testified that the contractor had supplied unsafe water to troops in Iraq. This was not drinking water, but, almost as bad, it was the water that troops used to shower, wash their hands and faces, brush their teeth, wash their clothes, and even to make coffee.

DPC chairman Sen. Byron Dorgan (D-N.D.) reported that, although Halliburton had denied the allegations, the DPC subsequently obtained an internal Halliburton report, written by the company’s top water quality manager, Wil Granger, which said that shower water had not been disinfected at camp Ar Ramadi, which exposed the population there “to potentially harmful water.” Granger emphasized: “This event should be considered a ‘NEAR MISS’ as the consequences of this action could have been VERY SEVERE resulting in mass sickness or death.” The Granger report also said that this was not an event exclusive to this camp, but that the same deficiencies were present at all camps “countrywide” in Iraq.

On the eve of the April 6 hearing, Halliburton informed

the DPC that it was disavowing the report, claiming that it contained only Granger’s “personal conclusions,” and that it “is not an official company report”—even though the cover sheet of the report designates it as an official KBR document.

Dr. Griffiths told the committee that cholera and dysentery were common in Iraq even before the first Gulf War, and that the situation had so deteriorated after 1991, that the Euphrates River today “is essentially an open sewer.” Yet, KBR was drawing water from the river, within two miles of sewage outlets and it was not filtered to remove parasites, nor chlorinated to kill bacteria and viruses, before it was supplied to troops and other camp personnel for showering and washing purposes. In these activities, infectious agents can easily enter the body in a variety of ways—through cuts or abrasions in the skin, through the eyes, or through aspiration or inadvertent swallowing.

Senator Dorgan read from an e-mail which the committee had received from a U.S. Army surgeon currently serving in Iraq, Capt. Michelle Callahan, who said that the situation at her base was “almost identical” to that at the Ar Ramadi base, and that “even after KBR had gone through the investigation at Ar Ramadi they still provided doubly contaminated water to soldiers” at her base, Forward Operating Base Q-West.

“In January,” Captain Callahan wrote, “I noticed the water in our showering facility was cloudy and had a foul odor. At the same time (over a two-week period) I had a sudden increase in soldiers with bacterial infections presenting to me for treatment. All of these soldiers live in the same living area (PAD 103) and use the same water to shower. I had 4 cases of skin abscesses, 1 case of cellulitis, and one case of bacterial conjunctivitis.”

Callahan described how she had asked her “preventive medicine environmental officer,” a lieutenant, to test the water for that PAD, and that the tests showed no chlorine residue, and were positive for coliform bacteria. When the officer investigated, he found that “concentrate reject” from the water purification unit was being used to fill the water tanks used for showering, and other purposes. This water tested positive for coliform and *E. coli* bacteria.

When KBR was confronted with the fact that the water was unsafe and in violation of Army regulations, the KBR technician claimed that the water was safe because it was filtered through carbon prior to going into the purification unit. “This argument is wrong,” Callahan stated. “All the bacteria and chemicals that make it through the charcoal are concentrated to twice the level as in the raw water. This is the water with which the soldiers at Q-West have been showering, shaving, and brushing their teeth.”

In the Fall of 2003, Halliburton/KBR was caught serving contaminated food to American soldiers, according to Pentagon auditors who reported finding “blood all over the floor,” “dirty pans,” “dirty salad bars,” “rotting meats . . . and vegetables” in mess halls in Iraq. It seems that “Halliburton’s War” is also aimed at U.S. troops.

Rumsfeld's 'SS' Contractors Are Sued for Torture

by Edward Spannaus

The private military contractors CACI and Titan Corp.—identified in last week's *EIR* as a central part of the torture and abuse of prisoners at Abu Ghraib—are being sued by Iraqi citizens who were victimized by this private SS at that prison and other sites in Iraq. One of the suits, *Al Rawi v. Titan*, which includes Federal racketeering charges, was first filed in San Diego in June 2004, and is still pending today in Federal court in Washington, D.C. A second is *Ibrahim v. Titan*, also pending in the District of Columbia.

Besides the contractors, Defense Secretary Donald Rumsfeld, Undersecretaries of Defense Steven Cambone and Doug Feith, former Guantanamo commander Gen. Geoffrey Miller, and others in the military chain of command are named as "Torture Conspirators" in the *Al Rawi* case—part of a criminal conspiracy under The Federal RICO (Racketeering Influenced and Corrupt Organizations) Act.

"The government officials adopted and/or implemented policies and practices that led to detainees being kidnapped, tortured, threatened with death and bodily harm, physically and mentally permanently disabled, and, in cases, murdered," says a legal document in the case.

The actions cited in these lawsuits are far more brutal and extensive than those that have come to light so far in government reports. These included prolonged and vicious beatings, causing death in some instances; rape and sodomy and sexual humiliation, exposure to extreme heat and cold, using dogs to threaten or attack prisoners, and threatening family members with rape and murder.

The original complaint in the *Al Rawi* case charges that CACI and its employees Stephan Stefanowicz and John Israel, and Titan and its employee Adel Nakhla, "conspired with certain United States officials to engage in a series of wrongful and illegal acts, including . . . summary execution, torture or other cruel, inhuman or degrading treatment, arbitrary arrest and detention, assault and battery, false imprisonment and intentional interference with religious practices."

The most recently filed complaint charges that both CACI and Titan lacked the trained personnel to even bid for the interrogation contracts, but that they instead scrambled to hire people who were not adequately screened or trained for intelligence work. Both companies have become heavily dependent on providing intelligence and interrogation services

to the military, and have conspired with the government to block any reporting of abuses, and to obstruct any investigations into their wrongdoing.

Titan told its employees, according to the lawsuit, "that the fact that the United States had issued a declaration immunizing government contractors from the reach of Iraqi law meant that they did not need to fear any legal consequences flowing from their unlawful actions"—thus acknowledging that they constitute a lawless "SS" force.

According to pleadings in the *Al Rawi* case, CACI and Titan were first retained by the government for interrogations at Guantanamo. The original complaint states that "The Torture Conspirators working in Guantanamo developed an approach to interrogation ('tiger teams') based on study and review of what practices would be most humiliating to those who practice the Muslim faith. . . . [T]he Torture Conspirators . . . adopted this same interrogation method in Iraq." And around October 2003, five interrogation teams from Guantanamo were sent to Iraq to set up a "Gitmo-style" prison at Abu Ghraib. This was shortly after General Miller had been sent to Iraq by Rumsfeld, Cambone, et al., to "Gitmo-ize" prison operations there. *EIR* has been told that Miller was in frequent contact with Rumsfeld while he was in Iraq.

Outside the Law

Both CACI and Titan claim that the suits should be dismissed, because their interrogators were acting in the same capacity as military personnel, and that "combatant activities" are exempt from civil claims.

But, of course, private contractors are not subject to military law and military discipline, as soldiers are. These contractors are truly in a "no man's land" legally—which is one reason that Cheney, Rumsfeld, Felix Rohatyn, et al. prefer using this private "SS" army of contractors who are legally accountable to no one.

The *Al Rawi* suit, brought by former Iraqi prisoners or their survivors, was first filed in San Diego, California. The contractors had the case transferred to the Eastern District of Virginia, regarded as an extremely pro-government district. But late last year, the plaintiffs succeeded in having the case further transferred to the Federal court in the District of Columbia, where it is now being heard by District Judge James Robertson, along with the *Ibrahim* case. Robertson has resigned from the super-secret Foreign Intelligence Surveillance Court, reportedly in protest against the Administration's warrantless domestic spying program.

There has yet to be any thorough investigation of prisoner torture and abuse at Guantanamo, or in Afghanistan and Iraq. Congress has abstained, the Pentagon investigations for the most part of been cover-ups, and the Justice Department—which has jurisdiction over private contractors—has refused to move on it. For the moment, these civil suits may be the best forum for digging out the truth as to what really happened.

Mass Strike Ferment Hits U.S. In Pro-Immigration Rallies

by Nancy Spannaus

There is something reminiscent of the East German peaceful revolution in the Fall of 1989, about the ongoing series of mass rallies being carried out by mostly Hispanic immigrants across the United States. All of a sudden, people who not only had never taken to the streets before, but who had been deathly afraid that the authorities might haul them to jail, or carry out other reprisals, began to pour into the streets, in opposition to proposed Republican Congressional legislation (H.R. 4437) that threatened to deport millions, and build a 700-mile-long wall along the U.S.-Mexican border.

"This is bigger than the civil rights movement. . . . This is huge!" commented New Mexico Governor Bill Richardson, himself an Hispanic American, on CBS-TV on the day after the April 10 National Day of Action for Immigrant Justice. In fact, Richardson was right, since the huge demonstrations called by the Rev. Martin Luther King, Jr. in 1963 had pulled out "only" 250,000 to the nation's capital.

But April 10, which saw rallies bringing out millions of people in an estimated 142 cities across the United States, was only one step in a process which has seen a growing ferment throughout the country. The first major demonstration, called by an ad hoc coalition called together in mid-February in Los Angeles, brought out 100,000 people in Chicago, Illinois. Two weeks later, on March 25, between 300,000 and 500,000 people, mostly high school youth, took over the City of Los Angeles, in a massive demonstration and high-school boycott in favor of treating immigrants like human beings, not criminals.

In the wake of that major event, the National Capital Immigration Coalition (NCIC), a group including business, faith, labor, and community organizations, called for the nationwide demonstration on April 10, for which they targetted 65 cities. As the preceding week came to an end, expectations were that the demonstrations would be celebrating a compromise which had been reached in the U.S. Senate, which would have taken much of the sting out of the House Republicans' draconian law. When that compromise was destroyed, by divisions in the Republican Party, the mobilization shifted course, to opposition to H.R. 4437.

The Scope

Not surprisingly, the U.S. mass media have carried out a broad coverage of the turnout on April 9-10, as well as the

way in which this outpouring was organized. Indeed, in many instances, the numbers shocked the organizers.

The shock began on Sunday, April 9, when an estimated *half a million* people turned out in Dallas, Texas to call for justice for immigrants. This could have been as much as a *third* of the population of the city. Similar record-breaking crowds were seen around the country on April 10, including over 300,000 people in Phoenix, Arizona; 20,000 in Indianapolis, Indiana; 25,000 in Seattle, Washington; 75,000 in Fort Myers, Florida; 100,000 in San Diego, California; and 10,000 in Omaha, Nebraska. Demonstrations occurred in many cities which had not been targetted by organizers, as the number of cities hosting demonstrations was over *twice* the number officially participating.

The NCIC reports that surprises were everywhere. For example, in tiny Schuyler, Nebraska, 3,000 people out of a total population of 5,300 were mobilized.

Both New York City and Washington, D.C., not surprisingly, attracted in the range of 500,000 people, including many families, as well as labor unions and more traditional protesters. Participating in, and building for, the events very prominently was the Roman Catholic Church, which mobilized in its parishes, and provided leading officials, including Archbishop of Washington Cardinal Theodore McCarrick, and Archbishop Cardinal Roger Mahoney of Los Angeles. Parish priests in Florida and Texas had been told to give homilies in favor of attendance at the rallies, and to urge Catholics "to pray for and support increased wages for migrant workers."

Labor's Role

There was also a very prominent role played in organizing the rallies by the labor movement. In Los Angeles, the Service Employees International Union (SEIU) was particularly prominent, aided by organizers from the Food Workers, the Needle Trades, AFSCME, and health-care workers.

Clearly, there is a large complement of Hispanic immigrants in these low-wage service industries, and many are ripe to join unions. The Los Angeles County AFL-CIO has grown rapidly in the last five years.

While the United Farmworkers Union (UFW) did not play a major role in the rallies, they did garner some immediate benefit from the mobilization. On April 11, the UFW and



EIRNS/Stuart Lewis



EIRNS/Dan Sturman

The April 10 rallies brought out larger crowds, and in more cities, than was anticipated. But the fight for immigrant rights, and better-paying jobs, will only develop into a broader political movement, if U.S. economic policy is changed, so that huge development projects, such as NAWAPA (above) can be implemented.

Global Horizons, Inc., a major broker for migrant workers, signed an agreement giving union representation and protections to agricultural H-2a guest workers, including a wage increase, paid work breaks, seniority status, bereavement leave, grievance procedures, and a requirement that the agribusinesses serviced by Global Horizons pay medical-care costs for these workers.

It seems clear that the mass mobilization among immigrant workers had an effect on Global Horizons, and there is likely more of this impact to come. Interestingly, most of the workers coming in through this company are from Asia and South Africa—not South America. Indeed, immigrants from many groups were seen attending demonstrations in places like D.C. and Los Angeles.

Where Is the Leadership?

Despite the spectacular turnouts, there is no guarantee that the fight for immigrant rights, and better-paying jobs, will feed into a broader, more permanent political movement. An organizer of the Los Angeles demonstrations, for example, reported that attempts to expand the focus of the rallies beyond immigration per se were voted down, in the hopes of repeating the spectacular success of the March 25 event. When the April 10 demonstration in Los Angeles only brought out about 30,000 people, many of the organizers, especially the younger ones, were demoralized.

One glaring failure of leadership is apparent in the Democratic Party, which, *EIR*'s sources indicate, has very little capability on the ground in the immigrant communities. One source pointed out the contrast between the Dallas rally, and the fact that, the week before, only 2% of the registered voters in the county turned out to vote in the runoff in the Texas Primary, in which Democrats determined who would be their

candidates for U.S. Senate and Lieutenant Governor. People are ready to move, he said, but the Democratic Party is not inspiring them to act effectively in the political arena.

The obvious exception to this disconnect, is the role which the LaRouche Youth Movement, which itself is closely integrated with the Democratic Party in places like California, played in the demonstrations. The following report from a member of the LYM who participated in the March 25 demonstration in Los Angeles, gives a flavor of the response and potential:

“LaRouche’s infrastructure policies are the flank to the proposed fascist border wall, and the population is ready for Lyn’s ideas. One organizer described the organizing precisely as the Monge principle out on the streets, where literally newly met contacts were taken through how the proposed NAWAPA water-infrastructure project would work, and then would turn to the people next to them, begin organizing them, and answering their questions. There were several occasions where LYM members were organizing, and a volunteer would break in with a simultaneous translation to assist in the organizing. It should be noted that many of the people at the rally had the proposed border wall on their minds, so when they saw the huge NAWAPA map, they were immediately drawn in to the idea of how bringing water to the area was the perfect flank.”

Indeed, LYM members from all around the country reported an eager fascination by those attending with the plan for economic development on both sides of the Mexico-U.S. border, which is encapsulated in the huge, but never developed, 1950s water project called NAWAPA.

If the pro-immigrant sentiment is going to bring about a real, positive change in policy, a movement around the LaRouche economic program is the only hope.

Gonzales Won't Rule Out Warrantless Wiretapping

Members of the House Judiciary Committee grilled Attorney General Alberto Gonzales about the Bush Administration's domestic wiretapping program, on April 6. Ironically, it was committee chairman James Sensenbrenner (R-Wisc.) who set the tone for questioning that later came mostly from Democratic members of the committee. Sensenbrenner asked Gonzales a series of questions about the legal debate within the Justice Department about the program, including who was included in the review of the program before it was authorized, which question Sensenbrenner described as "at the center" of the committee's jurisdiction. Gonzales refused to answer the question on the grounds that the information about who was involved in the review was classified.

An exasperated Sensenbrenner replied, "How can we discharge our oversight responsibilities if every time we ask a pointed question we're told that the answer is classified?" He said that the Congress is attempting to discharge its Constitutional responsibilities "and I think that saying [that] how the review was done and who did the review is classified is stonewalling." Congress needs answers "and we're not getting them," Sensenbrenner said.

When Gonzales tried to cite the 42-page legal opinion released by the Justice Department in February, Sensenbrenner replied, "We have legitimate oversight questions and we're told it's classified, so we can't get to the bottom of this."

As he did when he testified before the Judiciary Committee in early March, Gonzales refused to answer most probing questions about the National Security Agency program, but he did let one cat out of the bag that

disturbed some members of the committee. When asked by a number of committee members whether, under the Administration's claim of inherent authority, he could rule out any sort of purely domestic surveillance without a warrant, Gonzales said "no."

"The concern I have," said Rep. Adam Schiff (D-Calif.), "is that there's no limiting principle to the one you've established for doing what you need to do in the war on terrorism."

Budget Resolution Stalls As House GOP Splits

House Majority Leader John Boehner (R-Ohio) is now facing questions about his leadership after he sent the House home, on April 6, without agreement inside his own caucus on the fiscal 2007 budget resolution. The questions became sharper after Rep. Tom DeLay (R-Tex.) made statements, in the context of his resignation announcement, that the House Republicans now had "weak" leadership. During his own tenure as Majority Leader, DeLay was well known for ramming through party-line votes with little or no dissent. Now, the GOP caucus has fractured into three factions over the budget resolution. Boehner had hoped to find agreement among those factions before the Easter recess, but was unable to do so.

The caucus is split not only over how much money to spend, but also on budget process reforms. The conservative Republican Study Committee, chaired by Rep. Mike Pence (Ind.), wants to adhere strictly to the budget blueprint sent up by President Bush in February. A smaller group of moderates, the same ones who successfully blocked opening the Alaska National Wildlife Refuge to oil drilling in last Fall's budget reconciliation bill, wants

\$7 billion more for health and education programs.

The third group, led by House Appropriations Committee chairman Jerry Lewis (Calif.), vehemently opposes the limitations on emergency spending inserted into the resolution by the House Budget Committee. "I cannot and will not support a resolution that greatly diminishes Congress's ability to respond to national disasters and makes it more difficult for us to get our budget work done on time," he said in a statement on April 7.

Republicans Push Through '527' Reform

The House, on April 5, narrowly passed, by a 218 to 209 vote, legislation to regulate so-called "527" organizations. After Congress passed the McCain-Feingold campaign-finance reform legislation in 2002, much of the unregulated "soft money" that political action committees were banned from receiving, went, instead, to "527" organizations, a category of tax-exempt groups that, unlike political action committees and election campaigns, have no contribution limitations.

Democrats have especially taken advantage of 527 groups and the Republicans want to restrict that flow of money by forcing such groups to comply with Federal campaign finance laws. In making that effort, however, Republicans opened themselves up to charges that they were changing the subject to avoid addressing their own problems stemming from the Jack Abramoff lobbying scandal.

Rep. Juanita Millender-McDonald (D-Calif.), the ranking Democrat on the House Administration Committee, noted that, unlike the House, the

Senate debated, and passed, lobbying reform (which it did on March 30). She charged that the House GOP leadership brought up the 527 bill "to circumvent their lobbying reform bill that they do not have. . . ." Millender-McDonald also said that regulating 527 groups "impedes the democratic process," because there are many such groups involved in voter registration and get-out-the-vote drives. She charged the Republicans with hypocrisy, because there are other types of tax-exempt groups that have no disclosure requirements, are spending millions to influence voters, and are not addressed by the bill.

GOP Support Grows For House Debate on Iraq

On April 5, Representatives Walter Jones (R-N.C.), Ron Paul (R-Tex.), and Wayne Gilchrist (R-Md.) announced that they would be signing a discharge petition which, if it gains the required 218 signatures, would force the House to debate a resolution introduced by Rep. Neil Abercrombie (D-Hi.) requiring the President to develop a strategy for withdrawal from Iraq. All three, along with Rep. Jim Leach (R-Ia.), who has also signed the petition, are co-sponsors of the resolution, but took the unusual step of signing the Democrat-initiated discharge petition because, as Jones put it, "we have never debated this issue since we voted to send the troops to Iraq."

Both Jones and Paul denounced last November's debate on a sham withdrawal resolution, which the Republican leadership introduced in order to embarrass Rep. John Murtha (D-Pa.). "That bill was never put through regular order," Jones noted, and the debate on it lasted just one hour and 11 minutes. In contrast, if the

discharge petition succeeds, it would require, under the House rules, 17 hours of debate, which would be fully open, with no limitations on amendments. "We owe it to the American people and the troops on the ground in Iraq that we in Congress are not asleep on this issue," Jones said. "There are those of us in both parties who want to meet our constitutional responsibility, and that is to discuss and debate the present and the future of our commitment in Iraq."

Abercrombie, who also participated in the press conference with Jones, Paul, and Gilchrist, echoed the demand for a debate on U.S. policy in Iraq. "We put in the discharge petition," he said, "because we are unable to move the resolution through the regular committee process." So far, the discharge petition has 95 signatures.

Immigration Debate Stalls in the Senate

Less than 24 hours after the leaders of both parties in the Senate declared a "breakthrough" compromise on immigration reform, that optimism vanished, and charges of obstructionism took its place. On April 6, Senate Majority Leader Bill Frist (R-Tenn.), Minority Leader Harry Reid (D-Nev.), Judiciary Committee chairman Arlen Specter (R-Pa.) and several others appeared together at a press conference to announce that a compromise brokered by Senators Chuck Hagel (R-Neb.) and Mel Martinez (R-Fla.) ended the logjam that had developed on the immigration reform bill over the previous two weeks. "We've had a huge breakthrough which will allow us to pivot in the next several hours that will lead us to the conclusion of passing a very important bill," Frist said at the press conference.

The bill passed by the Judiciary Committee includes a guest worker program, border security measures, and a pathway for undocumented "aliens" to earn citizenship by meeting certain requirements and waiting at least 11 years. Hagel and Martinez proposed dividing undocumented workers into three groups. Those in the U.S.A. under two years would have to go home with no promise of being able to return. Those here between two and five years could obtain temporary work visas, but would have to, at least briefly, return to their home countries, before eventually being able to earn citizenship. Those here more than five years could begin to work their way to citizenship without having to return to their home countries.

The compromise was brokered in an attempt to gain the support of some Republican Senators who were opposed to what they called an "amnesty" program.

Within hours, however, the "breakthrough" compromise began to fall apart. Republicans opposed to the bill wanted to offer up to 20 amendments to the Hagel-Martinez bill, but Democrats objected. That night, Frist announced that he would not support his own motion to close debate on the bill, and by the morning of April 7, the chance to pass the bill was all but dead, after two cloture votes both failed.

Each side blamed the other for the collapse, but Specter vowed to keep on working. When the Senate comes back from the Easter recess, he said, the Judiciary Committee is "going to go back to work on this bill, because if the full Senate cannot find the answer, then the Judiciary Committee is going to find the answer." Specter also charged that both sides were responsible for the impasse because of the willingness to resort to using the Senate rules to block votes on amendments.

Make Berlin a Crossroads For Eurasian Development

by Helga Zepp-LaRouche

Parliamentary and borough elections will be held in Berlin on Sept. 17. The Civil Rights Movement Solidarity (BüSo), the LaRouche party in Germany, will stand for office on a platform for reindustrializing Berlin and reviving its great Classical tradition. BüSo Chairwoman Helga Zepp-LaRouche issued this statement to kick off the campaign, the first week of April. It has been translated from German.

Dear Berliners!

Are you of the opinion that over the past 16 years, Berlin has gone in the right direction? Now, if you are a stockbroker, windmill-maker, or simply a fun-seeker, you will probably answer yes. But if you are amongst those, whether in west or east Berlin, who had a productive job in industry before 1989, or if you are a young man or woman with no prospect before you, you are doubtless well aware how wildly astray we have gone, and how urgent it is, that Berlin be reindustrialized.

What is needed, is a wide-ranging plan concerning the role Berlin can play in a Eurasian continent that will be growing closer together over the next two generations. Under pressure of events, the issue will put itself on the agenda, although the established parliamentary politicians are presently less concerned with such a perspective for the future, than they are with the size of their own pensions.

As it happens, Berlin's debt now stands at 66.5 billion euros; that works out to 22,000 euros per inhabitant, approximately three times higher than the debt of Argentina, which is officially \$140 billion, but in actuality \$200 billion. Reality is, that the entire world financial system is hopelessly bankrupt, for the same reasons that Berlin is bankrupt.

What has taken place in Berlin over the past 16 years, is

the same process seen throughout the so-called industrialized nations over the past 40 years: systematic deindustrialization, a paradigm-shift away from production into speculation—away from a society of producers creating real goods, that encouraged advances in science and technology, over to a society of consumers, that “produces” money in a money-economy, and where “profit” alone counts.

But the game is now up for this casino economy. In point of fact, the world financial system was already at the end of its rope in October 1987, a replay of the 1929 “Black Friday.” But with the collapse of the G.D.R. [Communist East Germany] in 1989 and the U.S.S.R. in 1991, some saw the opportunity to loot real economic worth through privatization, otherwise known as “shock therapy” or “liquidation.” In the former U.S.S.R., between 1991 and 1994, this led to 70% of industrial capacity simply vanishing, while in the former G.D.R., industry was slashed to the bone. The mass of the population was thrown into misery, while “oligarchs” and “managers” lined their pockets lavishly.

And now? Now, behind the scenes on the executive floors of banks, cartels, and governments, panic reigns. For years now, the banks have been simply printing money, in an attempt to forestall bankruptcy: virtual money, funny-money, “created” at the click of a computer-mouse and pumped into the system. In this way, bubbles developed in real estate, stocks and bonds, energy, and raw materials. This prevented the system temporarily from blowing out—the only fly in the ointment is, that we are now facing hyperinflation.

The central banks are currently trying to pull off what they would like to believe is “controlled” deflation—raising the interest rates, to let the air out of the bubble-economy. It is

only a matter of time until the property bubble, and notably in the U.S.A., explodes, or the totally uncontrolled derivatives speculation leads to a complete breakdown of the system. In truth, the “globalized” financial system is more bankrupt today than ever the G.D.R. was in November 1989.

The Way Out

The [German Federal] Grand Coalition’s first months in power indicate that the government is rather prepared to repeat the selfsame errors perpetrated by [Heinrich] Brüning, viz., the brutal austerity measures that led to the great Depression of the 1930s, than to change course in respect to economic policy. Nor should one expect much from the rest of Europe, as the governments are not only divided, but they have forced their nations into the Maastricht and Stability Pact straitjacket. Although mass demonstrations and strikes have broken out everywhere, these have not yet gone beyond “single issue” protests.

The actual power relations on this planet define that the only means at hand to solve the systemic crisis, is for the United States to take the initiative. And that chance does indeed exist. The Democratic Party, thanks to the leadership provided by the opposition figure and economist Lyndon LaRouche, may well opt for the Franklin D. Roosevelt course, and return to his policy of state issuance of credit.

Whenever anyone dares to suggest in Germany today, that a positive solution might loom on the horizon, from the United States, the general reaction is shocked disbelief. Never has the prestige of the United States lain so low, as since the neo-cons took power. But the good thing is, that Berliners have historical experience with the real America, the America that supported West Berlin’s population with a 462-day airlift. And today, for people outside the United States, it is extremely important that there are, indeed, two utterly opposed currents in the U.S.A.

On the negative side, when one thinks of everything that is being done in the name of “globalization” in the world today, it becomes obvious, that globalization is nothing but an attempt to submit the planet to fascist dictatorship. That includes the attempt by the neo-cons to rein in the powers of the U.S. military, and replace those with private organizations and firms, operating without any Congressional oversight. George Shultz, for many years the head of Bechtel Corporation and the neo-cons’ mentor; as well as the banker Felix Rohatyn, whose role in the Pinochet putsch in Chile is now being investigated; and Vice President Cheney, who headed Halliburton for many years, are the spokesmen for that policy.

But their policy has led to the greatest strategic debacle in U.S. history. The war in Iraq has already turned sour, more so than the final stages of the Vietnam War, and the U.S. troops’ position is so desperate that without help from Iran, they will not even be able to withdraw without leaving behind complete chaos and civil war in the entire region. The lies and manipulation used to justify that war are now being investi-



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The BüSo organizing in Berlin, in front of a closed AEG factory. To revitalize the city’s industry, build the Eurasian Land-Bridge!

gated in the Congress and Senate. It has come to light that the neo-cons moved to prevent any involvement of the Iraqi Army in rebuilding Iraq after the fall of Saddam Hussein, solely to guarantee Halliburton’s billion-dollar contracts.

The disaster in Iraq is but one of dozens of reasons that have made Cheney and Bush extraordinarily unpopular, and have stirred revolt against the neo-cons in traditionalist military circles, and even in the Republican Party. Although the situation will remain extremely dangerous until the neo-cons have been removed from power, nonetheless, that outcome is approaching. The mainstream Republicans know that the November elections are around the corner, and that they will be wiped out, if they remain tied to the neo-cons.

The best-case scenario would be a cross-party coalition of Democrats and moderate Republicans, following in the footsteps of Alexander Hamilton, the country’s first Secretary of the Treasury, and of F.D. Roosevelt, to reorganize the world financial system, and, along the lines of the 1944 Bretton Woods System, convene an emergency government-level conference. The worst-case scenario would be that such a conference take place after the crash, as the sole alternative to boundless chaos.

A New Bretton Woods

The conference would pronounce the present financial system bankrupt, and launch sweeping new measures. Most of the world's debt cannot ever be repaid, and must simply be struck from the books. Other debt categories must be converted from short-term, high-interest-rate debt, to long-term credit at low interest rates. Derivatives speculation must be eliminated through agreements between governments, and fixed exchange rates re-introduced, without which no long-term investment internationally is feasible.

In the context of that new financial architecture, Germany must take back sovereign control over her own currency. The European Currency Union has proven—as predicted—to be a gigantic flop, and has created an equally gigantic imbalance to Germany's disadvantage within the Eurozone. It is all well and good for Germany to be the "world's leading export nation," but it profiteth us nothing! We are exporting real goods, and then we turn around and pay the relevant income out again for massive cross-financing of the more backward Eurozone nations. Meanwhile, unemployment, in real terms, has reached 9-10 million in Germany alone, while in real terms, income has collapsed during the years of the euro.

A major aspect of a new financial architecture, will be a National Bank for Germany, and either the Bundesbank or the Kreditanstalt für Wiederaufbau must, just as after World War II, be used to issue public credit. The National Bank must then make 400 billion deutschemarks per year available, so that no fewer than 10 million productive jobs can be created.

Such credit is not inflationary, provided it be issued strictly in line with the principles of physical economy—i.e., used to create real capital value, and to increase productivity, being invested in projects that would attract investment also in times where the economy is prosperous. This is seed capital, which eliminates unemployment and therefore gets rid of an enormous cost to the real economy. The former unemployed will then be creating real value, in the order of several hundred billion D-marks, and the tax revenue base will increase accordingly. Real growth of 3% per annum will suffice to compensate for the decline in demographic development, finance pensions, get back to the level of health care we previously enjoyed, and so forth.

A Perspective for the Next Half-Century

We need a vision for how we want to design the 21st Century, and a vision of a truly peaceful order, putting aside once and for all the catastrophes of the 20th Century. Pragmatism will not suffice to build such a peaceful order: It must rest upon the common goals of all mankind. That means affording every human being on the planet a life of dignity, and pursuing the common good of all of humanity. Such a vision is neither unrealistic, nor is it prejudicial to the economy—to the contrary. The obvious, concrete framework for such a program is to build the Eurasian Land-Bridge.

Now that the Iron Curtain dividing Europe has fallen, there is no material obstacle to integrating the economies of Eurasia. We need only pick up where things were broken off by the onset of World War I, and relaunch both the Trans-Siberian railway and the Berlin/Baghdad railway.

What is needed is a transport scheme for the whole of Eurasia, linking the industrial and population centers of Europe with the industrial and population centers of Asia. That calls for an integrated network of high-speed rail, including the Transrapid, and normal rail, as well as motorways and canals that can be interlinked through computerized stations.

Around these transport arteries, we must build 100-kilometer-wide development corridors, for energy production and distribution, and communications, creating the ideal pre-conditions for new cities, and for new industrial and agricultural enterprises. Through these modern infrastructure links, the landlocked regions of Eurasia will be as privileged in respect to local business environment, as those lying on the sea or on a river.

That means kissing goodbye to the paradigm that has brought about the ongoing collapse of the world financial system. The building of the Eurasian Land-Bridge does not mean maximizing the profits of private financial interests, but rather to improve productivity in the lesser-developed Eurasian nations, and to increase the living standards of the countless millions who still live in poverty, including 70% of the populations of China and India.

This long-term development strategy is in Germany's own best interest. We have almost no raw materials. Since Bismarck's industrial and labor reforms, we owe our high living standard only to a continued focus on advances in science and technology, and of course, we export up to 40% of what we produce. Our natural export markets are in Russia, China, India, and the rest of Asia. It is in our own best interest that our clients become richer, and that their buying power increase.

But in the future, we will not be the only ones who export. There must be a rational division of labor among all the world's nations, each focussing on a suitable area. Part of such new economic and financial infrastructure must not only be the development of raw materials in Siberia and Central Asia; we must also develop new raw materials with modern methods, such as creating energy from hydrogen or thermonuclear fusion.

Such a Eurasian development will occur, either now, or after a long dark age. At some point, our children will look back at our own epoch, and ask why the aforesaid program was not implemented the moment the U.S.S.R. dissolved (just as we proposed in 1991). The Eurasian Land-Bridge is in the natural course of events. All we suggest, is that this program be launched as an instrument to actively intervene, to end the current crisis, and to get us started rebuilding the world economy.

Berlin's Future

Should Eurasia be integrated as we have just described, Berlin's future looks bright indeed. Berlin will play a fundamental role in scientific exchange, and will be the primary crossroads for East-West and North/South transport of goods and people throughout Eurasia. Precisely because our view of Berlin's future is optimistic, we suggest that the former Soviet airport at Spereenberg be retooled so as to become an intercontinental airport.

Should the United States break with the neo-cons and return to Roosevelt's policies, it will cease to see Eurasian development as a geostrategic threat. After World War II, Roosevelt intended to do away once and for all with colonialism, which is why he clashed with Churchill, who intended to preserve the British Empire and colonies at any cost.

The United States can indeed return to the tradition of John Quincy Adams, one of its finest Presidents, and to the concept of a community of principle amongst sovereign republics. If it does so—and that is what the LaRouche movement intends to have it do—it will regain a prestige that has been tarnished by the neo-cons. And Berlin—in the most glorious tradition of the friendship between, first, Prussia and the young United States, and then Germany in Bismarck's day, during the Industrial Revolution in the United States—can then speak out for a new Atlantic Partnership.

Reviving Berlin's Classical Tradition

Have you taken notice of Berlin's virtual reality image as a media and PR town? With 68ers, yuppies, bankers, film producers, and show-biz moguls having a blast, partying hard night and day. One is almost reminded of the Cabarets, vintage 1920s. The problem is that all this is virtual reality, and by definition has nothing to do with real-reality. Where does all this strange counterculture come from?

It so happens that, in addition to the positive American tradition that we have just seen with Gen. Lucius Clay's airlift, there has also been a negative impact on Berlin. After World War II, the Congress for Cultural Freedom was very busy here. The CCF was nominally simply the extensive propaganda front of the beginning in the Cold War against the Soviet Union. In reality, things went much farther: The CCF waged cultural warfare against the axioms that had made an F.D. Roosevelt possible—in other words, against the notion of leadership, in a strict line of descent through the American Revolution and the idea of the common good. In Europe, the CCF was there on the scene, undermining the Classical culture that even Nazi terror had not succeeded in uprooting.

Alongside the Frankfurt School, mentors to the 68er generation, the CCF bears the responsibility for destroying Classical humanist culture. We have gotten to the point that in Berlin, it is quite impossible to see a single Classical production of a major play, as it still was possible with the director Borislav Barlog at the Schiller Theater. *Regietheater* has been

repeating tastelessness and pornography for the last four decades, and that is due to the longterm influence of the CCF.

Taken together with the destructive effects of the OECD educational reforms, rammed through by the Brandt government in 1970, and the ensuing onslaught against the Humboldt educational system, it is no accident that Berlin's "popular" culture today should be so trivial. By now, almost two full generations have grown to adulthood, denied any inkling of a humanist education.

With the 68ers, who began their long "march through the institutions" 40 years ago, and now are sitting in leadership positions everywhere, as well as the next-in-line "Tweeners," two generations have gone by, whose essential character trait amounts to thinking in "virtual" terms, cut off from actual reality. Which explains their hostility to technology and industry, and a perfectly streamlined and predictable, politically correct mindset. Few among them would ever even dream of standing up against the *Zeitgeist*, and taking personal responsibility for the consequences of their own conduct.

But Berlin, since the days of Gottfried W. Leibniz, Abraham Kästner, Moses Mendelssohn, Gotthold Ephraim Lessing, the Humboldt brothers, Schinkel, and countless others, has a Classical tradition of which few cities can boast.

The BüSo and the LaRouche Youth Movement are resolved to make Classical music and poetry accessible to every citizen. So, you may well come across youths in the streets of Berlin, who, with a properly trained *bel canto* voice, sing Bach, Mozart, or Beethoven, or recite poems of Friedrich Schiller.

Instead of the so-called "youth culture of violence," which now rages throughout Berlin's schools, instead of discothèques and drugs, let us give youth the chance of a humanist education, as Schiller and the Humboldt brothers would have intended. And we do not only speak about this—we live it.

For Berlin, our nation's capital, to play the positive role it must do, as core and crossroads of Eurasian integration, Berlin, and Germany, must be in a subjective state capable of confronting the challenges of our time, and that means reviving Classical culture, because it is the nourishment of the soul.

This is my promise to you: The coming months of the Berlin electoral campaign will be months of dramatic change internationally. Work with us, because we have a clear notion of how to intervene into the future, and we have a hotline to the true United States.

Berlin must be reindustrialized. For that to happen, we need active citizens, not just people who carp and cavil about "the politicians," but people who will fight at our side for Berlin and Germany, against "globalized" fascism, the [financial] "locusts" and the European Union's bureaucracy.

We need your active engagement for Germany to revive its great tradition as a land of Poets and Thinkers, and find therein the power to create new ideas, and face the challenges of the future.

LaRouche in Mexico: A Dialogue On Economics and Statecraft

Editors' note: We present here the third installment of our coverage of Lyndon LaRouche's March 28-April 2 visit to Monterrey, Mexico. In our April 7 issue, we covered Mr. LaRouche's speech to the Monterrey Technological Institute, which invited him to address their 27th International Symposium on Economics. Last week, our cover feature reported on LaRouche's address to a group of political, business and trade union leaders from around the country, as well as his exciting presentation and exchange with 100 youth—members and supporters of the LaRouche Youth Movement (LYM) in Mexico, Argentina, the United States, and Canada.

Here you will read the transcript of three discussions LaRouche had with Mexican media during his visit. The first is a 30-minute dialogue with Architect Héctor Benavides, the most-watched TV anchor in northern Mexico, which was broadcast in full on April 9 on the "Cambios" show of Multi-medios TV. This is followed by LaRouche's hour-long dialogue with radio and TV host René Alonso, which was broadcast on Alonso's program "Encuentro" on Radio Nuevo León on April 6. And third, we report on LaRouche's press conference on March 31, which includes an exchange he had with a group of youth present on that occasion.

The final element of the package is a call issued by the Mexico LaRouche Youth Movement following LaRouche's visit, which announced that the LYM and *EIR* will be co-sponsoring a seminar on "Oil for Nuclear Technology," to be held in Mexico City on June 7, 2006.

LaRouche on Mexican Television

U.S. and Mexico Can Jointly Solve the Crisis

Here is the transcript of Architect Héctor Benavides's March 29 television interview with Lyndon LaRouche. The last eight minutes of that interview, starting with the question about which of the three Presidential candidates had the most support from the U.S. government, were aired on the news broadcast that night, just after coverage of President Bush's meeting in Mexico City with President Fox. The full half-hour

interview was aired on April 9, on "Cambios," one of Benavides's most-watched programs, which airs late on Sunday evenings. The questions and answers were translated on air by Dennis Small.

Q: Welcome, Mr. LaRouche. With just 100 days to go before the election for the Presidency of Mexico, how do you see the situation in the country?

LaRouche: Well, I don't look so much at the candidates, as I do at the overall situation which I know very well. In former times, when I was more closely associated with the PRI, then I had inside knowledge on the candidates. I don't presently have inside knowledge on the candidates, but I do know what the global situation is which Mexico faces. Because you have to look at the international situation: The international financial system in the post-Greenspan period is being put through a collapse. The collapse was inevitable. The inflation under Greenspan was beyond belief. His successors now realize that they have to let the thing collapse.

But the financial groups have no interest in the people or the nations. You look, for example, at South America: You have a very interesting President in Argentina, Kirchner. I watched him closely—I think he's good. I know Argentina somewhat—the bad people and the good people. The partnership between the new government of Chile and Argentina is very important. It's very important for Mexico, if indirectly. Because the question here is, can we, in the Western Hemisphere deal with a crisis, the biggest crisis in modern history, in which whole countries can disappear? Therefore, what I'm concerned about, is, we have to have a return to a form of the old IMF, the original Bretton Woods system.

The fact is that most banks, most of the financial systems which today are dictating to other countries, are bankrupt themselves. There probably is no major bank in Japan, in the Americas, or in Western or Central Europe which is not bankrupt. The entire U.S. system is bankrupt—it's hopelessly bankrupt. The only solution is to go to government, and that is the only solution in any part of the world. The private financiers can not solve the problem. Only government, by going back to methods like those of Franklin Roosevelt, can deal with this crisis.

So, the question of what the policies are—not only in Mexico, but especially across the border, between the United States and Mexico—therefore is my great concern.

Q: If you look at what's happened in Brazil, Argentina,



EIRNS/Richard Magraw

Lyndon LaRouche, in an interview with Mexican TV host Héctor Benavides March 29, emphasized that the looming blowout of the globalized financial system will play a greater role in determining what happens in Mexico, than the outcome of the Presidential elections in July.

Chile, Bolivia, there's talk of an advance of the left in the Americas. Were there to be in Mexico a similar advance, with the election of Andrés Manuel López Obrador, what do you think would happen?

LaRouche: I have two ways of looking at it. First of all, I think what the opportunities for Mexico are, in terms of these countries—Ibero-American countries—coming out of the South, not Mexico's South. However, to make any recovery work, Mexico must be mobilized to play a leading role. Because, if you understand Ibero-America, Mexico has a very special importance for the entire hemisphere. It has not been playing that role recently, not since 1982. But the role Mexico was able to have before 1982, is the role that Mexico must play politically, in the community of the nations to the south, now.

We have certain problems in the hemisphere. Argentina has a very strong character, particularly since [Argentine President Néstor] Kirchner has cleaned up some of the problems. Chile coming in means that the Southern Cone is not destabilized. I think Bolivia can be stabilized. [Venezuelan President Hugo] Chávez is Chávez. But, we can not dictate the conditions inside a sovereign nation. We can dictate the terms of cooperation among sovereign nations, and I think that Chávez, so far, has been willing to cooperate, and that is positive.

But Mexico has a very strong historical character. If that can be mobilized, Mexico could become a powerful factor in the organization.

Q: How do you mobilize Mexico? This is twice that you've mentioned this.

LaRouche: Well, I went through this with [former Mexican

President José López Portillo: As you know, in the Spring of 1982, in the middle of the Malvinas War, he asked me for my advice. He said, "What are they going to do to me? What are they going to do to Mexico?" And I said, "They're going to try to destroy Mexico by September." He said, "What do we do?" So, I wrote a book, *Operation Juárez*, which, still, I think, is the valid policy approach for today. In the crisis in August, when it hit, he acted properly. But everything was against him. Mexico was crushed; the institutions were crushed.

My view is, being an old man, and having roots back hundreds of years, I know that certain values don't disappear, and that what you need is a leadership in Mexico which will bring these deeper values back to the surface, which is essentially a patriotic image.

Q: That leadership, do you see this in Calderón, the PAN's candidate? In Madrazo, the PRI candidate? In López Obrador, the PRD candidate?

LaRouche: I don't see any of the candidates as particularly strong. The problem is, that the United States and the Europeans will not allow Mexico to have a strong candidate. They would destroy any candidate they think is a strong patriot, and therefore, the candidate is going to be weak. But, with what we have in the hemisphere, and certain forces in Europe, and other places, we can take even a weak President; if he's uplifted by a movement, a patriotic movement, he will respond to that. And often in history, a weak President has acted strongly, because he had a popular base and good advisors. So, my concern is to give whoever is going to be the President of Mexico the best advice I can.

Q: That leadership which you're talking about, who of the three might have it? Which of the three is the least weak?

LaRouche: I'm not sure. López Obrador has had a certain strength. But I don't know. Because I know the pressures that are coming in on him. Conditions: "You want to be President? You want to be killed, or you want to be President?" And that's the kind of thing that's coming from the North. I know these characters. I know what they're like.

My view is, that it's up to us in the United States, particularly with circles that I'm bringing together within the Democratic Party, to act in a way in a crisis in which Mexico's sovereign powers can be exerted as a sovereign approach. And therefore, I think it's my job, because in the past two years, I've come into a more significant position inside the Democratic Party, and other institutions. I'm also in the process of destroying a couple of powerful people, including Felix Rohatyn, including George Shultz, and people of that type. I'm presently engaged in destroying them politically. They have to be destroyed, if we're going to get our country back. And therefore, from the standpoint, if I can do what I did in 2005 with the Democratic Party, what we did in defeating Bush on taking away the pensions—if I can get into that

position again, which I think I will, then I can do something in shaping policy here.

Q: You formed a political action committee in the Democratic Party, and especially in California—

LaRouche: No, more than that. California is our largest youth organization. And our people, youth who came with me six, eight years ago, are now leading figures at certain levels of the Democratic Party. But, essentially, I'm pretty much integrated with the institutions in Washington, and I have a sometimes strong, sometimes weak, relationship with the leaders of the party. I'm generally being identified as close to President Clinton, and I'm very much hated by Vice President Cheney.

Q: These youth in California, what's their position with regard to the Hispanic marches which we've seen in the recent period in the United States?

LaRouche: Well, they're part of it. It's our function inside the Democratic Party, in the base, largely on the lower base, though we have friends at a higher level. And we function with certain leaders in the Democratic Party and in things like this, this protest movement. No, we're very much involved in that, we support that. Because this thing, this must not happen—this *must* not happen. And therefore, we're committed to it. It's a policy question. It's not a social issue, it's a national policy question: *This kind of bad law must never occur.*

Look at the border: All right, Mexico was destroyed. So therefore, people go northward, as illegals, other ways, to survive. They get to the United States, they're semi-slave labor for the cheapest kinds of jobs. What happens if those jobs collapse? As they will. Then, what do you do? Push them back here? What do you cause in the northern provinces of Mexico? You cause a crisis! You cause a very deadly situation.

We don't want it. We must go back to the kind of things we were talking about years ago. We can organize the relationship of migration into the United States on a fair basis to protect the individual who migrates, through consular arrangements. But, we must not have this. So therefore, on an issue like this, this is a very serious matter for us.

Q: What can be done to stop the construction of that 1,000-kilometer wall that they're talking about?

LaRouche: That's what we're trying to do. Look, this is the same thing as fighting Cheney: You have to realize that what Cheney represents, what Felix Rohatyn represents, what George Shultz represents—they represent a Nazi-like operation inside the United States. If these people were to succeed, you would have a Nazi power in the United States, north of Mexico. So, the question is not merely this issue: The question is *stopping them.*

It's the same mentality behind this war in Iraq. The United

States had won the war in Iraq. The government had surrendered. General Garner was ready to work with them. But, Halliburton wanted money. So, they started the war again by firing Garner. And now, \$11-something billion is paid to Halliburton and other firms. This is a private army war! And it's about to become a chaos! This war in Iraq is about to disintegrate!

But, what we've got there: You want to know about Nazism? You look at Cheney, and the people behind them. If we don't *stop them* inside the United States, you're going to have Hell here.

Q: What's been the role of the electronic and print media in this whole situation? There seems to be unhappiness of the families with soldiers who are dying in a war that seems to have no end, and have no purpose.

LaRouche: You have a generation which was the 68er generation. Now, the 68er generation does not have the depth of character of the preceding generation; the preceding generation would not have put up with this. So, what happens is, the press is more corrupt than ever before. We have some of the press that is responding, but for opportunistic reasons. There are some parts of the U.S. establishment which are responding, because they are against Nazism, they're against fascism, like the *New York Times*. Other major parts of the press are pro-fascist, in fact. They don't have swastikas yet, but they have the mind, just the same.

So, that's our problem. We're at a point, however—you *have* to understand that the situation in Iraq now, for the United States, is worse than at the end in Vietnam—far, far worse! It's an absolutely hopeless situation, militarily. We are now, some of us, negotiating internationally to get a withdrawal by an agreement with Iran. While Cheney wants a war in Iran, we know we need cooperation with Iran to stabilize the situation in that part of the world.

Q: Some say that the Fox government in Mexico has made significant mistakes regarding the U.S.-Mexican relationship. What is your view?

LaRouche: Yeah, terrible mistakes! Economic and everything.

You have to recognize that people of Hispanic-speaking origin are the largest single minority group in the United States. This is potentially a very powerful political force. This force has been alienated by the present government. If the Democratic Party goes back to itself—these groups are being kept out, they're being kept in special categories. They don't feel like citizens, they don't think they have rights; they make complaints, they protest, they ask. But they don't think of themselves as having *rights!*

Give me citizens, a majority of the American citizens who think they have rights, and these problems can be changed overnight. It's one of the things I'm taking up here, in my visit here—some of the things that have to be done. If we



EIRNS/Dan Sturman

Tens of thousands rallied in Washington, D.C. (shown here), and other U.S. cities April 10, calling for immigration reform. "The Hispanic-American legacy in the United States today, is a general welfare tendency."

decide to cooperate between the two countries, we can produce what will seem like miracles. But we have to find a political solution that enables us to cooperate.

Q: How many millions of Mexicans are we talking about in that situation? How many millions of Hispanics?

LaRouche: Well, you're talking about—I'm not sure of the exact numbers. But the official count is, that the number exceeds that of U.S. citizens of African descent. It's the largest single so-called minority in the United States. And most of them have some degree of a Spanish cultural background. And the Mexican background is the largest, most deeply embedded. If these people are convinced that they have the right to be real leadership, to be a decisive factor in the next election, this November.

Q: What are the scenarios which you think about regarding the upcoming July elections in Mexico? Please tell us what you think would happen should each of these three candidates be elected. What would happen to Mexico, and in its relationship to the United States? Let's start with Calderón, the PAN candidate.

LaRouche: Well, I think, the case in all is the same, because, I think these are all weak candidates. They may have certain strengths as contenders, but for purposes of government, they're dealing with the international financial community, they're dealing with the United States; therefore, in respect to those forces, they're going to be weak. And therefore, they will not do anything strong.

However, my approach is different: My approach is to give them the opportunity to become strong. You've got two key problems—actually three, but two key problems: First of

all, the world is going to nuclear energy, and that's the only way you can deal with the water problem in Mexico, Northern Mexico. Now, that is not only a Mexico option. If you look around the world, you will see that the anti-nuclear campaign is over! It's not just because of the price of petroleum. It's because of technological reasons that go beyond that. We *must* go to high-temperature sources of power. This is all over the world.

Therefore, if Mexico finds itself in a situation, in which the President of Mexico sees that that is the trend, then they'll go with it. You have, already in the plans in Mexico—20 nuclear plants were planned years ago. Mexico needs those. Mexico has to build new cities, otherwise the population problem can't be dealt with. Agriculture must be restored—and without water, this won't work! And we can not get enough water without desalination. Just, there is not enough water—we're drawing down fossil water. There's some water in Mexico that could come north from south, along the coast, in part, but through the mountains. That would help.

But, for the long term, you need nuclear power. And therefore, you have to develop the land-area, you have to build up agriculture, you have to build industries and towns. It is in the interest of the United States that that happen, in the long term. It's in the immediate interest of Mexico. If Mexico is able to have an orientation in that direction, I think the political process in Mexico will take care of the problem—whoever the President is. That is, a serious person were the best President.

Q: Have you heard anything about what each of these three candidates tell us about their own programs?

LaRouche: I've heard, but I don't believe anything. Because

I've also heard things behind the scenes, as well as on the surface. Any candidate who has popularity and has a political base with popularity, is going to say a number of things which are attractive. But then, when they become President, the pressure *from behind the scenes*, on the major questions of banking and finance and economic policy will take over, as they have so far, since 1982: It's the international financial forces reflected within Mexico, that have dictated the policy. Now, that is at a breaking-point, that won't work. So, if there's a change in trend, then we have a possibility. But I think what's probably happened is, that a qualified candidate, in the old sense—that these financial interests and the U.S. interests have been very careful to prevent this from happening.

Q: From what you have observed, which of the three candidates, of the major parties—Calderón, López Obrador, and Madrazo—has greater support from the United States' government?

LaRouche: Well, I think that they're looking at Madrazo as a very likely person, to get the maximum pressure on him. And if he doesn't do what they want, they'll get somebody else.

Q: The polls indicate that there is a nine point advantage—with each point representing a half-million voters in Mexico—in favor of López Obrador. Are the polls mistaken?

LaRouche: I think, no, they're not mistaken. That's in general what my reading is. He's been a very successful populist candidate, a populist mayor [of Mexico City]. So, it was an attack on him, which worked to his advantage on the question of that road. So, all the things have gone to his advantage, in the ordinary sense. And if he becomes President, I wish him the best. But, I have deep ties to certain currents of the PRI; there are some people still alive who, I would consider friends. And I would trust them personally.

Q: What do they tell you?

LaRouche: I haven't talked to them about this question. I've kept my fingers out of the Presidential campaign in Mexico, and I'm looking at Mexico as a whole.

Q: The problem of ungovernability in Mexico: Should the announced winner of the elections not be López Obrador—which the polls and everyone says, for the last two years, is the one on top—is there a possibility of ungovernability? Is there such a risk?

LaRouche: Let me be very concrete: This is an international question, not a Mexico question. We're now at the point, we have gotten rid of Alan Greenspan. Alan Greenspan was in charge from 1987 until recently. Alan Greenspan was one of the worst things that ever happened to the United States—and to the world.

You have to realize that money is not worth anything, really. Because, what you have, you don't have deposits,

assets in banks. You have financial derivatives. And these financial derivatives are in layers. You saw what happened in Iceland: Iceland is totally bankrupt. New Zealand is bankrupt. Australia is near-bankrupt. They're having a meeting in Australia now, of bankrupt countries: But it's not just them. *Every leading bank in the United States is bankrupt.* The housing bubble is about to blow—all kinds of things are about to blow.

We can have, in the period of the coming months—April, May, June—these three months, are potentially three months of an *incalculable rate of financial collapse internationally*.

So, therefore, when you're talking about an election coming up in Mexico, you have to realize that whatever the situation is now, you have to factor in the fact that we're facing a very great danger of an immediate collapse.

Presently, the leading bankers of the world have realized that this is the case. Therefore, they're not going to put any more expansion or any money into the system. They're going to allow the bubbles to collapse. They're going to shut down the carry-trade. Unless they change their mind in the coming months. But, right now, if they continue on the present policy, during the next three months, we're facing a general collapse of the financial system, with horrifying effects on the economies and on the condition of people in national economies.

In France, you have 3 million people going on strike; you have strikes in Germany; you have an ungovernable situation in Italy; Poland is breaking down. The Belarus election show you that there's no popularity for this trend over there. Ukraine, they've lost. Netanyahu has lost the election in Israel: You're now in a *global political crisis*, building up, so that there is no stable condition on which to hold an election. Because, you can proceed like a commanding general in warfare, to have a strategy, which takes all conditions into account, but you can't predict anything. *No one* can predict, because you have too many people who are now unpredictable in powerful positions.

Q: My last question: Will the picture you're painting for us become worse in Mexico? The majority of the banks in Mexico are no longer ours, they're not Mexican any more.

LaRouche: That's right! That's the worst of it. Because, a bank that is not yours in Mexico, is a bandit robbing your country under these conditions. Therefore, the problem is, only the strengthening of national governments, the assertion of the sovereignty of the people of a country, is the real line of defense around which we can mobilize to defend people. We need strong, patriotic government, which the people respect!

Q: Leadership.

LaRouche: Yes!

Q: Thank you, sir. Thank you, Dennis Small.

LaRouche: It's always good to see you.

LaRouche: The Issue In Mexico Is Defense Of the Nation-State

An hour-long interview with Lyndon LaRouche was conducted by Monterrey radio and TV host René Alonso, and aired on April 6 on Alonso's program "Encuentro," on Radio Nuevo León.

Q: Today we will talk with someone who has had a close relationship with Mexico, a man who, for quite some time, has been an important protagonist in the political life of the United States, and now is an influential personality in international politics. We are referring to Mr. Lyndon LaRouche, a former Presidential candidate in the United States—a man who has built an entire movement, and who has views which are totally different than those of the U.S. establishment. Mr. LaRouche, thank you for being here.

LaRouche: Good to be here.

Q: Mr. LaRouche, the United States is turning out to be a major war power around the world; however, there are indications that internally, its economy is collapsing. Is this in fact the case?

LaRouche: Yes.

Q: Why?

LaRouche: Well, you've got two problems. First of all, the international monetary system, especially in the form it's been in since 1987, under the model of Alan Greenspan, the former head of the Federal Reserve System—he instituted a form of financial derivatives, which is now about to blow up as the greatest bankruptcy in modern history. Then you have to go back further to 1971-72, when we broke up the Bretton Woods system and went to a floating-exchange-rate system. So, the whole world system has been in a period of decadence, since 1971-72. But the worst of it started after 1987, and now it's out. We can expect a total collapse of the system as early as this year. Interestingly enough, it could happen before the elections in Mexico.

Q: This is something that is very interesting, because we can see that this global international system has not actually strengthened internal economies. For example in the United States, we see this in the auto sector.

LaRouche: It's not only that. The point is this: This is the same thing that really hit Mexico in 1982. There's been a long-term intention to destroy the nation-state as an institution.

It's called globalization. Eliminate the nation-state and let an international financier group control the world.

This is the same group, not the same people, but the same group which created Adolf Hitler: That the world should be run by a group of powerful bankers. Destroy the nation-state, have nothing but cheap labor, reduce the world's population to less than 1 billion. And this is what we're living in. It's crazy. It won't work, but it could destroy society.

Q: The society as we now know it.

LaRouche: Well, you would not call it jungle society. This is like a reenactment of a farce of the Roman Empire collapse. It's a situation like the 14th-Century New Dark Age.

Q: Why is this happening? Do the international financial interests think they could stay in control of things under such conditions of chaos?

LaRouche: Look, you look at history. For example, look at history, 1492: You had an attempt to break up the foundation of the modern nation-state. It started in Spain, but it was actually organized from Venice. This resulted in religious war until 1648. So, you date modern European civilization actually from 1648, the Treaty of Westphalia. That was religious warfare, to attempt to destroy civilization through wars, organized by religious warfare. Then the Crusades were the same thing: The Venetian bankers used the Norman chivalry to run religious warfare against Islam, and others. It was called the ultramontane system, which ended up in a New Dark Age. The Roman Empire went down in the same way. Athens went down in a similar way: To become an empire, sophistry, gave up principle. So you see, you might call it a form of mass insanity which keeps coming back. It's like a disease. If you catch the disease, you may die of it; and it's always associated with a certain kind of a use of usury, and it's an imperial system. All of it's imperial—the nation-state must have no power.

The modern nation-state since the Renaissance is always based on the principle of the common good. The law is the nation-state has no right to exist, unless the nation protects the welfare of all the people. By modern civilization, we mean that nation-states together share the same principle. Each nation runs its own affairs, but it must protect the general welfare.

That's the problem.

Q: How do we organize things to break this kind of vicious circle, so that humanity can move forward, from the edge of what you've called a New Dark Age?

LaRouche: Actually, we have done pretty well in beating it many times. Especially, the progress of European civilization since the 15th Century. You had the dark age of the Roman Empire, you had the Byzantine Empire, you had the Venetian-chivalry system. But the 1439 Council of Florence, the principles—a Christian version of the principles of ancient

Greece—were used to adopt the modern nation-state. So, we had modern European civilization with the best heritage of modern European civilization before it, in other words, European culture, but finally realizing a decent form of society. And the key thing was the development of the Americas, particularly from the 16th Century on. People left Europe—some people were chased from Europe, but some people left—to come here, in this Hemisphere, away from the oligarchy (but some of the oligarchy came, too), in order to build a form of society based on European culture without the oligarchy!

And so, that's been the struggle—it's like the history of Mexico, Maximilian, hmm? Mexico was emerging in the 19th Century as a solid nation-state. So, the British send their agent over, Maximilian, through Napoleon III, to try to destroy the country. Unfortunately, they lost the war, because Lincoln won the Civil War, and then the French were chased out! And thus, Juárez came back. Juárez got rid of this crowd.

So then, you have this struggle, but there is progress. We kept getting defeats and betrayals, but there's progress. Now, they're determined to crash it, once and for all! But they will fail; it's too late.

Q: What about certain people involved in this process, what is their relation to this? I'm talking about individuals we could describe as pawns in the game, such as Dick Cheney.

LaRouche: Dick Cheney is like a mafia killer. That's just all he is. He's a thug. He will do anything for money. He works for George Shultz, he works for international financial oligarchy. And he has an idiot called "the President"! We used to have this dummy on television, a famous ventriloquist, Edgar Bergen. He had two dummies. One was called Charlie McCarthy, the other was Mortimer Snerd. Mortimer Snerd was a hayseed, he was a bucolic figure. But then, the wooden dummy wore out, the termites got it. And at this time, George Bush had a chance to get a job as a fill-in for Mortimer Snerd as dummy! But he failed the intelligence test.

I mean, you have to say this, in order to appreciate the irony of the situation. This President is not totally stupid, but mentally, he's a mental case.

Q: But, nonetheless, President Bush was reelected by a wide margin—

LaRouche: Not reelected by a wide margin. We were always on the case, and Ohio was very close. First of all, you have a corruption of the Democratic Party over the '70s and '80s. The Democratic Party tried to break from the Franklin Roosevelt tradition. The real exception was Clinton. And so, Clinton is a very able, brilliant person—I've often had criticisms of him, but we're on friendly terms. And with his help, and with his role, we have reestablished the tradition of Franklin Roosevelt in the Democratic Party. I've been doing it, but he's been in a sense saying I should do it. He's convinced I was right—



EIRNS/Richard Magraw

In an interview with René Alonso, aired on Radio Nueva León April 6, LaRouche outlined an FDR-style policy for the entire Hemisphere. "In the Americas," LaRouche said, "Roosevelt is the idea of the independence of the republics of the Americas."

so, we have a war in the Democratic Party, now, inside.

Last year, I defeated Bush, 2005. We defeated him on the question of the social welfare, Social Security, and several other questions. But then, this crazy Howard Dean, who is the leader of the Democratic Party, spent the money. So now, the Democratic Party's going into a new election this year, and they're looking for money. So you have two sources of money: George Soros and Felix Rohatyn. So now, Rohatyn moved in, to try get me out of the way. And now, I'm going to destroy Felix Rohatyn.

Q: You speak frequently about Franklin Roosevelt and John Quincy Adams, citing them and saying that the United States is not an imperial power. Why do you refer to these two figures, in particular?

LaRouche: Well, from the standpoint of, particularly around the world, John Quincy Adams created the diplomatic system of the United States. For example, what was called the Monroe Doctrine was entirely his work. And the Monroe Doctrine was the defense of the sovereign nation-states of the Hemisphere, an anti-imperialist doctrine. And the French and the British didn't like it, one bit; it was the Habsburgs and the British, essentially. So, he's important, because he built the system of the State Department, the diplomatic system, when he was Secretary of State under Monroe, with a mission. With a plan, a mission, a conception. And before that, he had become a leading diplomat, one of the most successful diplomats.

Franklin Roosevelt is important because of the last century. There's no difference between Franklin Roosevelt and the Founders of the nation. His great-grandfather was Isaac

Roosevelt, who was an ally of Alexander Hamilton against Aaron Burr. So, the tradition. And Franklin Roosevelt was a conscious continuation of his ancestor, and of Abraham Lincoln, and some others, who were great men.

So, the point is, today, when you're dealing nationally and internationally, you must place emphasis on those personalities who best represent, in the most recent point of reference, for example, to deal with an America internally, you have to say Franklin Roosevelt is the tradition which—against Hoover and Coolidge and so forth—which restored the United States. And which, unlike Truman, was against colonialism. And also, he built a world monetary system which is first equitable monetary system the world ever had.

In the Americas, for example, Roosevelt is the idea of the independence of the republics of the Americas.

So, in this case, it's a problem that you have to deal with, when you're dealing with ideas. You've got to personify ideas: Because ideas come as grandfather to grandson and so forth, to help people to locate their own identity, by referring to somebody in the past who is—"Oh, yes! I remember that!" To find in themselves the ideas which they really need.

Q: Given this idea of trying to establish that American tradition, how does that fit in with recent problems and conflicts, such as the Iraq War and the conflict in the Middle East?

LaRouche: What you have: The modern danger has older roots, but the modern form of danger became known as the Synarchist International. So, for example, the Synarchists in Mexico were an extension of this. In the 1930s, they were open Nazis, and Roosevelt and the President of Mexico controlled them. And they're still here! They're also still in Europe: Felix Rohatyn is a Synarchist—a Nazi, of Jewish extraction.

See, most of the categories don't make sense sometimes. Simplistic categories don't make sense. There are processes that define things.

So, it was called the Synarchist International in the Versailles Treaty. The way it worked was this: At Versailles, the intention was actually to keep the United States from taking over Europe. The British and the French, in particular, had seen that the power of the United States had risen to the point that they had to stop the United States. So, they had an idea, the idea was to start a war in Europe, and keep the United States out of it. So, they assassinated the President of France, this was done by the Prince of Wales. Then they pulled the Dreyfus case in France.

By this process, they leveraged French politics into a coalition controlled by the Synarchists. As a result of that, the Prince of Wales and France formed an alliance, which became known as the Entente Cordiale. Then, what they did, is they orchestrated, with the aid of this organizing, they got the Russian Czar in on their alliance against Germany. Then they started the Balkan Wars. And therefore, then they got the

Russians upset because the Balkan War involved Slavic peoples, Eastern Orthodox. They got rid of Bismarck, who wanted to prevent this—and they started World War I.

Then, after that, to keep the United States out, they decided to have a second war, this time, to send Germany against Russia: While Germany was engaged with Russia, they would attack it from the rear but keep the United States out of this war. But then, the German military said, this is crazy. We're willing to go to war, but you don't go attacking, invading Russia, before you get rid of your enemy behind. So, they said, all right, fine—and you had the Hitler-Stalin Pact as a result. The Hitler policy was to attack west first, then, having defeated the British and French, to force them to give their alliance for the Russian warfare.

But then, when the French and British discovered the German attack was coming against France and England first, they changed their mind, and came to Roosevelt! So, therefore, we got into the Second World War.

Now, the issue at the end of the war: Franklin Roosevelt's policy was to set up a world monetary system, the Bretton Woods system, to include elimination of colonialism: All imperial systems go. Make the world a nation-state world, only nation-states. And the United Nations was supposed to be the vehicle by which the nation-states would form a consortium, particularly to prevent wars, and to assist in bringing the younger nations into the system. Churchill wanted to go to war immediately against the Soviet Union. When Roosevelt died, they used the conflict with the Soviet Union to immediately recolonize whole areas of the world; to drop two nuclear weapons on an already defeated Japan; and to prepare for a surprise nuclear attack on the Soviet Union. It didn't work out. So, they got rid of Truman.

Eisenhower came in. Eisenhower saved the world from a war, as President, because he knew what these people were—the Synarchists again, in a new form.

And, when they killed Kennedy, attempted to assassinate de Gaulle, got Macmillan out of government in Britain, got Adenauer out of government in Germany—they killed Kennedy, and they went to the Vietnam War. And in the process of this, they started the 68er movement, based on this stuff. They destroyed the idea of industrial society, agro-industrial society, and we have, then, Nixon and after Nixon destroyed the monetary system, they set out to recolonize the world—as you know from 1982 in Mexico.

So, we've gone down this road, toward globlization.

Q: But globalization is a fact. It's moving forward, through communications and so on. How can the nation-state survive? Under a different type of globalization, perhaps?

LaRouche: The nation-state can not survive under globalization. There will be no nation-state under globalization. You can't invest. You can't make any capital investment: Because you get work, then another nation works more cheaply—

you're gone! You can not protect the capital investment in the improvements of the capital resources of the state and of private industry. You're back to barbarism. The work goes from one place to the other, capital is destroyed. And we're now at the point, that if this system were to continue, the entire world system would be destroyed.

Now, we've reached the point where the system no longer works the way it did under Alan Greenspan. The hyperinflation under financial derivatives has reached the point, that under Bernanke, the new Federal Reserve chairman, there's agreement that the carry-trade will end. It means that you can no longer borrow at zero interest from Japan, and loan that money to Iceland. Iceland is bankrupt, New Zealand is bankrupt, Australia is probably bankrupt. You're going to see the collapse of the housing bubble in the United States, the mortgage-based bubble, many other bubbles are going to collapse. The next three months, as they stand now, unless somebody changes policy, the next three months—April, May, June, before the July election here—are going to be a period of increasing chaos.

Q: This is the key point you've pointed to: You're talking about a *very* short-term crisis. What would be the impact of such a crisis on countries like Mexico?

LaRouche: Destruction. Unless we stop it. Or unless we take remedial measures.

See, my problem is largely in the U.S. Senate. During 2005, what I was doing was generally accepted in the U.S. Senate among Democrats, and also in increasing numbers of Republicans. On most issues, we had a majority vote against the President. The President of the United States was a lame-duck all last year. He's still a lame-duck. The problem is, when the money problem came up, and they thought they needed the money organized by Felix Rohatyn, and possibly also George Soros, then they wouldn't do anything to offend Felix Rohatyn until after the next November election. In 2005, the U.S. Senate was a fighting force, for sanity! Now, it's a bunch of bums. Individually, they're nice people—mostly. But they won't fight, now! They say, "Wait till after the November elections." Which means, "Let us get our money from Felix Rohatyn and so forth." The idea of going out to the people does not occur to them. The money for advertising occurs to them!

This is a problem of a generation! They're not like my generation. What we're organizing with—we still have a lot of friends there, in the Senate, and in the House. That's not a problem. The problem is, they don't do what they should do! So, we get on the phone, we talk to the [Democratic] county chairmen, we get them materials, we help them on this.

Last spring, they were ready to take my proposal on reorganizing the auto industry to save it. No! Not now! "Wait till after November!"

So, the problem is the generational problem. They don't

have—the 68er does not have the instinct for strategic decisions under fire. They're sophists.

Q: Under such conditions, how do situations like the immigration problem play out? Given the situation in the U.S. Congress, given the rise of conservative voices, such as those of Samuel Huntington; how does this affect the immigration question?

LaRouche: Well, Samuel Huntington is different. Samuel Huntington is a British intelligence operation, of which Brzezinski's a part. But, the idea was creating anti-Islam, a conflict with Islam, as a way of creating a condition of warfare, like the medieval warfare, to disrupt society with religious warfare.

Now, what happens is, the thing on immigration here, has a certain accidental aspect to it. If you throw a bomb, a hand grenade at one person, you may hit others. So therefore, if you inspire *hate*, people will tend to express the hate in some direction.

The other thing is, that the Hispanic-American legacy in the United States today, is a general welfare tendency. That people who feel that they're in a sense under, or think their neighbor's under, will tend to vote and act on the basis of trying to promote the general welfare. You promote a general cause, because you know you need that protection. Under these conditions, in which the lower 80% of the family-income brackets in the United States are *down*, way down, and with the demoralization of the African-American groups, which have been going on for the past two years, the Hispanic minority in the United States is not only the largest minority, but it's a very important one. The present administration is about to lose the election in November. So therefore, it is a time where they turn loose lunatics, in a typical Cheney-George Bush kind of mentality. George will come across the border. He's been across the border with Fox, before. He doesn't want to have bad relations with his friend Fox, so he'll moderate. He'll say, no, he'll do this, and such and such.

Now, the obvious thing, which is the same thing which I happen to have discussed with López Portillo years ago, is to deal with this thing: Document them! How? Let the Mexican government document them. And then, let consuls in the United States, Mexican consuls in the United States, deal with the problem. As long as you have it documented as a state-to-state agreement, you always can handle the problem diplomatically. You have a way of administering, you talk; the two governments talk. "Oh, this one? Don't bother him, let him stay. This one—send him back home!"

So, you don't *need* to have a big fight about it.

Q: This would be a joint agreement?

LaRouche: Absolutely! That's the only way to do it. The first thing is not to make a detailed plan—a detailed plan is a mistake.



EIRNS/Dan Sturman



EIRNS/Stuart Lewis

Leading Democrats in the U.S. are afraid to offend Felix Rohatyn (left) and George Soros (right)—the “Biche” and “Mouche” of the Synarchist banking crowd: “They won’t fight, now! They say, ‘Wait till after the November elections.’ ”

Q: Not unilateral, like they’re proposing today?

LaRouche: No, no. But, the point is, it’s a diplomatic problem. Don’t make it complicated. Get the two governments handling the problem.

Now, the other thing you have to do, is you have to stop this nonsense that’s happened in the northern area. Driving problem: You’ve got these five states, of the northern border states in Mexico—you have to stabilize life in this area, where this is hitting the hardest. Either people from here, or people who come through here. You create some degree of social stability with economic programs—very easy, joint economic programs.

For example, Texas is the most important state in this, and New Mexico is the second most important. Because, Texas should be developing a light rail system. Now, the key problem here, is the two areas between the two Sierra Madres, the dry area, water, and so forth. So therefore, you need a transportation system and a logistical system, and irrigation, to promote some development, to keep families together. That doesn’t mean eliminating people coming across the border, it means simply putting some stability into this. So, development projects—I insisted a rail line from El Paso to Mexico City is very important. Otherwise, you get the *cacique* problem, which is an old thing left over from the Aztecs and Spanish. You want to have a sense of national integration, and Mexico City, sitting down there with all these people, sitting in a sinking city, you’ve got to get a sense of national unity. Otherwise, people will play upon the regional conflicts.

Q: Speaking of the border and these regional conflicts, the drug trade and the lack of security in the border area. What

you’re talking about would help deal with this problem; but how do you deal with something that’s already out of control?

LaRouche: No, it’s out of control, but it can be dealt with. What’s needed, essentially, is more than just control. You have to recognize, I’ve been fighting against this drug problem, not just here, but in the Hemisphere. We got very deep into this anti-drug business. This is not a spontaneous problem, it’s an orchestrated one. And it’s orchestrated through special channels, like financial interests and so forth.

Look, George Bush, the Vice President, was actually coordinating some of this stuff, when he was Vice President. I was working with people at one end of the National Security Council of the United States; George Bush had a special mission on the other end. And what happened with the death squads in Central America, and the deals that were cut with the Colombian cartels—how crack cocaine got into Los Angeles, for example—this whole war in Central America was extended to this thing.

What has happened internationally is, the spread of the drug traffic has two functions: First of all, it is a destructive force. To destroy a nation, you corrupt it, you weaken them. Secondly, it’s very profitable. Now, if you want to hire private armies, take a group of people who have been given Special Forces kinds training, or equivalent military training; have them run a drug organization. Now, this means doing a certain amount of killing. But it also means you can set up an uncontrolled territory within a nation. You have a private army, funded by drugs, which can take over a territory. So, there’s an effort to use this thing, even right here, because of the trafficking throughput to the Texas border.

Q: In search of a conclusion to this discussion, how do you see the Mexican elections, especially vis-à-vis what Mexico's orientation towards the United States should be, and towards nations to the South?

LaRouche: Well, I would hope that the basis for this would come from people around the U.S. Senate in the Democratic Party. The thing is, right now, a President of Mexico, newly elected, is not really independent. He'll be independent on certain questions, but not the existential ones. And you have certain banking groups which are foreign, which control the situation here.

Now, in order for a Mexican President to function, since the last independent President was López Portillo, you have to give Mexico back the authority to make some of its own decisions, the really important ones, not just the neighborhood. That can only come in the form of a signal from inside the United States, which means it has to come from the political system. Now, what you have now: We're now at the point of getting out of Iraq, despite Cheney and Co. The idea is to negotiate with Turkey and Iran, and to get a group of countries to sponsor the reorganization of the situation in and around Iraq. You have three elements there in Iraq—Iraq is now three federated semi-autonomous areas. One, north, the Kurds, who are operating with agreement with Turkey. Turkey does not want another Kurdish problem inside Turkey. Therefore, Turkey is now cooperating with a northern Federal government in Iraq. The southern part, Sistani and Co., Shi'a. Now, this group is tied to Iran, but it is not quite the same thing. The Iraqi ayatollahs are different than the Iranian ayatollahs (that's an old story). Then, you have in the middle, the small area in between.

If we have a coordination among the Organization of the Islamic Conference and others, with the backing of some other forces in Europe, we could create a situation which would bring this whole area under control, and *get our troops out*. Now, you have a special study group, headed up by Senator Warner, who is in charge of the Armed Services Committee. This is a bipartisan group, to whose work I've given my sign I support this. They are working on this. So, we have two tendencies—one tendency, in Berlin for example, just this past week, Brzezinski, who is usually on the other side, Brzezinski signalled that his group is going to support this. No conflict with Iran. Stop the conflict. Create a group, to get the United States out, the troops out: Because the situation for the U.S. military forces in Iraq is worse now, than it ever was in Indo-China. So therefore, this fact is a very strong motive, for stopping this Cheney nonsense.

That's the situation.

So, under these conditions, there are no simple answers; there are no simple predictions. I can guarantee you that the financial crisis is going to become unbelievable within the next three months. It's already happening. You could see whole governments going under, whole nations going bank-

rupt. The collapse of the real-estate mortgage bubble in the United States, for example, will cause a crisis. But there are many other things, that depend upon who is willing to jump. We're on the verge of the breakup of the U.S. auto industry, which is the core of the U.S. economy! So, we're in a period in which you can not predict what's going to happen, but you know the weather problems. You know what the problems are, you know what you have to be prepared to deal with.

And therefore, in the case of Mexico, the next election, which people are concerned about here—who's going to be it—I say, that's important in a certain way, but more important is, what does being the President of Mexico mean? What powers will he actually have to make decisions? And that's going to depend on the United States. For example, if the United States deals, gets rid of this immigration nonsense—and there is a mood to do so—if that's done, that helps. There are other things that could happen that help. If the people of Mexico see the United States getting out of Iraq, that will help. If the United States is once again predictable, calculable, that would help. Then, the President of Mexico could go to the United States, and say, "I need this cooperation." But, right now, any President of Mexico is not going to expect much cooperation from the United States. They may pretend they're getting it, but they're not going to expect it.

Q: It's a pleasure to talk with you, and we really appreciate your time and your visit with us.

LaRouche: Thank you. Good to see you!

Press Conference

What Mexico Needs To Know About the U.S.A.

Here is Lyndon LaRouche's March 31 press conference in Monterrey, Mexico. After the press conference, LaRouche talked with some of the youth and supporters who had attended.

LaRouche: I've given a number of addresses, press interviews, as well as at the "Tec" [Monterrey Technological Institute] during my visit here, and I thought it was appropriate to have a press conference, at which I could answer questions on matters which I have not covered in these addresses.

The problem that I want to specifically focus on, is the fact that, in Mexico, even though it's next to the United States, some of the most important things that are happening inside

the United States are not much discussed. Essentially, I have a very peculiar position inside the U.S. Democratic Party and institutions, particularly since 2004, July of 2004, when a lot of the Democratic Party leadership agreed to accept my leadership in some role. And we had a very successful year in 2005, where most of us were united, especially in the Senate and some people in the House of Representatives, in defeating Bush on the attempt to eliminate Social Security. The situation now is a little more tenuous; the Democratic Party is not quite as well united, as much as it was then.

But all this is happening at the point that the biggest financial crisis in modern history is now breaking out. The next three months are likely to be among the most crucial. And since there's an election in Mexico of some importance, I think it's important that I say what I have to say about the conditions which Mexico faces.

Essentially, the situation is this: The passing of the leadership of Alan Greenspan from the Federal Reserve Board left the world economy with the worst inflationary crisis in a very long period of history. The decision was made in leading circles, including the Federal Reserve Board, to shut down the international carry-trade. The international carry-trade is the biggest factor in inflation in the world today. But that means that you're going to have a very dangerous collapse of the world financial system which is going on right now. You have the bankruptcy of Iceland, the bankruptcy of New Zealand, the threat of a similar condition in Australia. This is going to affect every financial market in the world, and could trigger a real-estate mortgage bubble inside the United States.

We're entering a period, as you see, in France, strikes in France—mass strikes; a lesser degree, mass strikes in Germany; and volcanic, earthquake-like effects in other parts of the world.

So, what the situation is today with the Mexican Presidential campaigns, and what they will be at the time of the election, may be far different. I think that Mexicans should be informed of this, so I wanted to make myself available on that question.

Q: If the next President of Mexico turns out to be Andrés Manuel López Obrador, as the polls indicate, what does that mean for the United States, that a leftist take the reins of power in Mexico?

LaRouche: That's not bad. It's not a serious problem. First of all, we have too much regime-change going on from the United States to other countries today. Especially in the Americas, we need a system of sovereign nation-states, which means the U.S. government must accept the decision of the people of Mexico in their choice of candidate, and not use pressure to try to interfere with the internal politics of Mexico. Instead of using pressure, we should use diplomacy, to try to find ways to work together with whoever the new President is. There's too much giving orders.

Q: Under current conditions you have very good relations between the United States and Mexico. What will happen when the next government comes in, in Mexico? Will relations improve?

LaRouche: We are going to have a crisis inside the United States in the meantime, and therefore, there's a certain amount of uncertainty about what the conditions will be after July.

For example, right now, the entire U.S. domestic auto industry is at the verge of collapse. The international situation is—for example, the case of Iraq-Iran: The majority of Democratic and Republican legislators and similar people is for dumping the Bush policy of confrontation with Iran.

Because the situation for the U.S. military in Iraq is worse than ever it was in Indo-China. The Iraq situation is a total military disaster. The United States troops have got to get out, nearly immediately, despite Cheney.

So, we have the majority of Republicans and Democrats around the Congress saying we have to get out. We can not walk away; we have to make an agreement with a number of governments, including Turkey and Iran, to achieve the stability of the region. And we cooperate, in withdrawing from the region.

This coincides with the worsening of the financial-monetary crisis. You look at the prices of gold, the price of precious metals, and non-precious metals: We have an *explosive, hyperinflationary collapse in process*.

My effort has been to get the U.S. government, especially the Senate—and you have people like Senator Clinton, the former President's wife—among those who are working on this. My view is, the United States government has to take the auto industry into receivership to protect it, and buy up much of the capacity of the auto industry, to build things like railroad systems, nuclear power systems, river systems, and other things that an engineering facility can do. Under these conditions, if we move in that direction, which we might, then it would not be difficult for the U.S. government to work together with a government, say, of the former mayor of Mexico City, because our great mutual interests, are cooperation on economy and human relations. The fact that the largest single minority group in the United States is of Hispanic origin, which is also a very active group in the United States. Many have come recently from Mexico, especially the poorest. Therefore, the immediate issue on the table between the U.S. government and the Mexican government, is the issue of dealing with this problem.

In my view, you take a state like Texas, the U.S. state of Texas, with about five states in northern Mexico on the U.S. border: Obviously, the challenge is going to be to establish cooperation between Mexico and the United States government on social and economic solutions to the potential crisis. For example, all of this since the time of [José] López Portillo, President López Portillo here, when conditions were not as bad as now. Our policy has always been, to fight for the docu-



EIRNS/Sergio Oswaldo Barbosa Garcia

Members of the LYM in Mexico sing, during a meeting with LaRouche April 1. "You must have as much unity as possible among the nations of the Americas. And education in the Youth Movement is crucial, scientific education. Singing! You've got to have more! Very important."

mentation of the so-called illegals in the United States, and then use Mexico's representatives inside the United States, the diplomatic representatives, to maintain responsibility for this relationship. Because it's a complicated situation. You can't make a simple formula, but you can always have a humane approach to solving whatever the problems are, and it has to be dictated by both governments together.

So therefore, the question is, the thing that would be on the table would be the economic issues and the social issues, especially with the illegals in the United States, and arrangements under which the two governments are in systematic cooperation dealing with border problems, and dealing with humanitarian problems. With a good government, a good change in government which could occur, fine. The danger is, that the Bush Administration might go the other way. And we have some very nasty people inside the United States, even though they're a minority.

Youth Dialogue With LaRouche

LaRouche: [Addressing the youth] Okay, well, we have some more fun. The future lies with youth. So, you must have more youth. That's the future!

In politics, the question is, is how many people in politics do you have who are going to be the future leaders? Because the citizen votes for the future. The past, they don't like. The present is sometimes worse than the past. So, the people want

to see the future, you have to produce young people, who are leaders, who can be recognized by the people as being the leaders into the future. That's the only thing that's worth doing.

The Role of the Youth Will Be Vital

Q: A message from the youth of Mexico, that we're really happy and excited to have you here, organizing explosively here this whole period of time. We've created a lot of optimism over these last few weeks.

LaRouche: Well, you've got more than that. You've got also a very important development in Argentina, which is going to be more and more integrated with the same thing here. So what we're building essentially, is a nucleus of a new movement in South and Central America. The unification will come through activity of youth, like you have a very small group in Argentina, but they're very active, very effective, and very important. So you just take the whole thing, and put it together. *There is a basis of a movement of unity, for cooperation among the nation-states of South and Central America.* That's the future. And the sense that you have a sense of that organization and that kind of cooperation among nations, is going to work.

Because, if we don't do it, young people have no future, hmm? Right now, youth have no future, young adult youth—*none!* You have to create a future, which means changes in economy. And, we can do something on education, a few other things, but there has to be a change. We have to reverse

the downward trend of the past years. And the only way it's going to work, is you have to have unity among enough countries to represent power. You must have as much unity as possible among the nations of the Americas. And education in the Youth Movement is crucial, scientific education. Singing! You've got to have more, to sing! Very important.

So, that's what I think is crucial. And so therefore, [addressing older supporters present] you who have been around for a little bit longer, who pretend you're tired, who pretend you can't do anything any more, that you're too tired, you're too old, or too thick—you've got to come back into activity around these youth! You have to build a future.

And no one understands it better than an old man, like me! People who are older than I am, are generally dead, so I have to do the speaking! So, that's what we're doing.

'We're at a Breakthrough Time'

Q: In the history of the world, the youth have made the changes. It's not the other way around, that the older generations change the youth and make the program.

LaRouche: No, the older generations—first of all, you have a problem now with generations which is worse than is the usual case. As you know, you went through a change from a productive orientation. Mexico's an example, where 1982 is crucial, Summer of 1982: The orientation toward the future was destroyed throughout the Hemisphere, with what happened in Argentina, and in Mexico. The orientation toward building a future was lost.

Now, you see, this goes with the 68er phenomenon in the United States and Europe, and also the 68er phenomenon here. You have a generation who are now between 50, 55 and 65, they generally are running society. They have a cultural problem: They don't believe in the future! They believe in their retirement and comfort, but not the future. The only thing that'll activate them, is seeing youth move. But, the older generation wants to hold the youth back! "Don't try to change too much."

So, only if you have a youth movement, of young adults, 18-25 and so forth, *they have no future, except the one we make*. So therefore, this is the problem we have to overcome: The so-called Baby Boomer generation is a block against progress, because of the habits of these years. So therefore, we have to have a change, a social change, and the only way is by letting the youth have more authority. Don't try to run them; don't try to direct them. Yes, guidance, assistance. But they must have more authority. They have to *take* more authority, and more responsibility. You don't just give people authority, you give them responsibility. And they have to meet their responsibilities. It's called in Germany, *Auftragstaktik*. Once you train people intellectually, you don't give them orders every five minutes; you don't look under their beds all the time—you wouldn't want to! All those dirty socks!

What you have to do is get them to take the responsibility

for initiative. So they have to have a sense of responsibility, and freedom to exert leadership on the basis of responsibility.

The problem is, the Baby Boomers try to *run* the youth, dominate them. It's a mistake. Use good military training, of the German military training: *Auftragstaktik*. Give people responsibility, and the ability to *be* responsible. Let them do their work.

And it'll work. I think we're at a breakthrough time. The thing is, you know, there's a difference in South America, for example: Chile and Argentina are no longer at war. We got rid of the fascist, Pinochet and Co., the Nazis. We have problems through the Hemisphere, *but!* you have cooperation among dissimilar governments in South America—with problems, but nonetheless. We haven't *had* that cooperation since '82. So, now you have an environment which is favorable to going back to the kind of thinking we had in 1982.

Just come to life. Come out of the hole! Come back to life! Be optimistic. Anyway, that's what I have to say.

LYM Press Release

The Future Is Now: Oil For Nuclear Technology

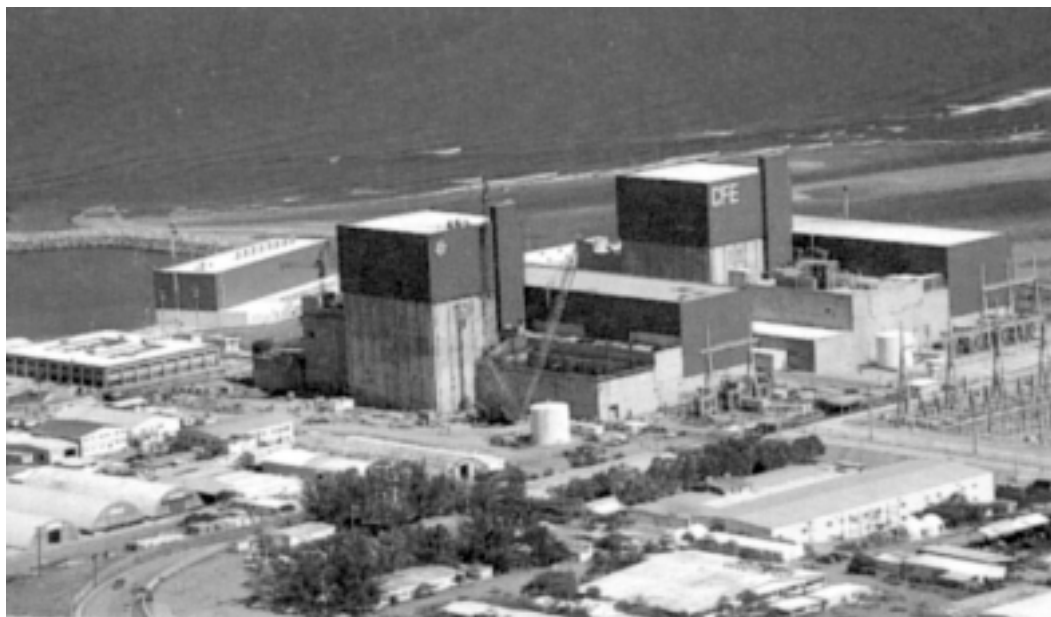
The following statement was issued on April 12, 2006 by the LaRouche Youth Movement in Mexico, as a call for a conference to be held in Mexico City on June 7, co-sponsored by the LYM and Executive Intelligence Review.

One of the stupidest statements ever made on the subject of economics, is the infamous cynical remark by the British oligarchy's pet economist, John Maynard Keynes: "In the long run, we are all dead." Meaning that economic decisions must all be based on immediate monetary criteria for the here and now, with no regard for the future.

Keynes, of course, is right . . . if you think man is just an animal. But man is *not* an animal. Man has cognition; he creates; he can build the future. And we—the LaRouche Youth Movement—are that future, and we are building it.

To state the central point clearly: Mexico, like the rest of Ibero-America and the world, must go nuclear, now! And we have to do it the way former Mexican President José López Portillo proposed it back in the late 1970s and early 1980s: establish an oil-for-technology exchange to rapidly propel Mexico into the nuclear age.

U.S. statesman and Democratic party leader Lyndon LaRouche worked closely with López Portillo on precisely such a policy back in the 1980s. Today, LaRouche heads the



Mexico's one nuclear plant at Laguna Verde. The LaRouche Youth demand that "Mexico, like the rest of Ibero-America and the world, must go nuclear, now!" They are calling for an international seminar on energy in June.

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growing movement in the United States to stop the Cheney-Bush Administration's imperial economic policies, and return to the outlook of President Franklin Delano Roosevelt, including cooperation with Mexico's sovereign high-technology development. In March of this year, LaRouche elaborated on these ideas during a visit to Monterrey, Mexico:

"We need a policy for the reconstruction of Mexico. Now, this coincides with the world situation. Everyone in the world, who understands the world's problems, has now come to a general agreement on a rapid return to investment in nuclear power. This is not only because of the price of petroleum. Petroleum has a limited future as merely a fuel; it has an important future as a chemical feedstock. We will tend to go, instead, toward fuels which are produced by nuclear fission. As a general agreement, we're going back to nuclear power, and more or less rapidly: This is China, this is Russia, this is France, this is Brazil, and so forth. As a general understanding, we are going back to a nuclear-based economy.

"Now, of course, in Mexico the greatest problem we have is water. That is not a Mexico problem, that is a worldwide problem; but it's especially a problem for Mexico, because of the dry areas of the North, especially between the two Sierra Madres.

"Now, there's only one way that we can get an adequate flow of water for human consumption and similar things, agriculture, and that is with nuclear power [to desalinate sea water]. There are sources of water in Mexico in the South which you can bring across the mountains into the area between the Sierra Madres, or along the West Coast, the Pacific Coast, up to the PLHINO [Northwest Hydraulic Plan]. That's possible. But that's not enough.

"You look at the ratio of use of water in the agricultural areas close to the U.S. border: You have a critical situation

there, in terms of water use. In Mexico City, you have a catastrophe in water. In most of the rest of the country, you have important problems.

"Now, two things are in the future on nuclear power, right now. As you know, back in the early 1980s, Mexico had a policy for building 20 nuclear plants.

"The second thing is, we will go into a new kind of industry of producing hydrogen-based fuels. This is already under way as a policy within certain countries and within their industries. For example, Japan is going toward hydrogen-based hybrid cars. Now to produce hydrogen-based fuels, by fission power, requires about 800 MW power to get the intensity of power needed; whereas, you can use a 120 to 200 MW plant for all kinds of things, [desalinating] water, and so on.

"Also, we need, of course, transportation, and Mexico should actually have a rail line from the Mexican border to Mexico City—it's an insult not to have it! If you're going to unify the country, you have to do it! And it would help to move things around. This will be popular. Argentina will go in that direction. Brazil has already adopted the intention. Other countries will.

"So, what we're going to need, first of all, is we're going to make the Mexican population in the north of Mexico stable: This requires water. It requires new cities. It requires making these areas, areas of development, not areas of cheap labor. Whereas, you have a crisis already, in the number of people from Mexico going into the United States as virtual slave labor, which is a security risk in this area; therefore, we have to think about building up northern Mexico, but with things which involve power and water to transform the environment. It can be done, it's not a great intellectual challenge, just a lot of work.

“So, we need a clear perspective, a shared conception of objectives among the nations of the hemisphere.

“If you are to invest in Mexico, you have to invest in the future of young people, because all your important investments in Mexico, capital investments, have a life of 25 years investment, or 50 years investment; a nuclear plant, 30 years investment, 35 years investment; water systems, 50 years investment. Who is going to do this? You’re talking about a society which is going to be under the management of young people who today are 18 to 25 years of age. But the very youth you need for this, young adults, are largely demoralized, because they don’t see a future. So you should call these young adults the future, the generation of the future. Not only a generation to inhabit the future, but a generation which will *create the future!*”

LaRouche is right. In order to plan what we must do today, we require a clear concept of what the next 50 years must be.

Mexico’s oil industry must be rebuilt from the destruction imposed by the International Monetary Fund and the bankers since 1982. The oil industry, under López Portillo, was used to provide the resources to fund education, health care, and the building of essential infrastructure. Now it is used to pay the foreign debt that has been illegitimately imposed on the country. And the bankers’ plans are to remove Pemex’s revenues from the government’s control—in order to steal them for the bankers—and to privatize the state oil company Pemex altogether.

It will take about five to seven years to rebuild Mexico’s oil industry back up to the level of 1982. That must be done, at the same time that we move toward a nuclear-power-based economy. Oil and nuclear are complementary—if we view them from the standpoint of the next 50 years.

So, contrary to John Maynard Keynes and the financial oligarchy he represented, in the long run we are *not* all dead—at least not those of us who live today for our immortal contribution to humanity.

So act like a man, not an animal. Join the LaRouche Youth Movement to change the future today. Come to our international seminar on “Oil for Nuclear Technology,” to be held in Mexico City on June 7, 2006.

HOTLINE

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Gaza: Humanitarian Catastrophe Looms

by Dean Andromidas

A humanitarian catastrophe is threatening the lives of hundreds of thousands of Palestinians in the Gaza Strip and West Bank, because of the policies of the Bush Administration and the Israeli government. The ongoing criminal blockade by Israel of the Gaza Strip has begun to create mass hunger in the population of 1.2 million people, the vast majority of whom are dependent on emergency food aid from the United Nations Relief and Works Agency (UNRWA).

The refusal of the Bush Administration to recognize the new Palestinian administration led by the Hamas party, which won elections on Jan. 26 that were deemed totally fair, and without violence, by former United States President Jimmy Carter, is not only hypocritical, but a crime against humanity. Not only is the United States withholding recognition of the new government, but it has joined Israel, an occupying power, in pressuring the international community to follow its policy, including cutting off all official aid to the Palestinian National Authority (PNA). The European Union announced on April 7 that it will also be cutting aid to the PNA worth hundreds of millions of dollars.

Food Supplies Cut Off

At the beginning of April, David Shearer, head of the UN Office for Coordination of Humanitarian Affairs, informed the Israeli Foreign Ministry that Gaza was on the verge of a humanitarian disaster. This warning was backed by a report by UNRWA, stating that the lack of basic food supplies because of the Israeli closure of the border crossings, has caused a significant increase of hunger. This situation comes on top of the degradation of the population of the Gaza Strip since Ariel Sharon came to power in 2000. According to the World Bank, poverty increased from 22% of the population to 75% over the last five years. Some 25-40% of the workforce is unemployed, and 44% of the population is expected to survive on \$2 a day.

The Israeli government refuses to transfer custom duties it collects on goods shipped through Israeli ports destined for the Palestinian National Authority, amounting to \$50 million a month, which is crucial for paying the salaries of PNA workers: not only security personnel and administration, but also teachers, hospital and health workers, etc. The PNA employs no fewer than 140,000 people, who sustain over one-third of the population. In Gaza alone, 73,000 people are employed by the PNA. Thus the failure of the transfer of these



Palestinian Red Crescent Society

A building in Gaza bombed by Israeli jets. Gaza's suffering is compounded by the strangulation imposed by Israel, the United States, and the European Union, which cut off food aid and imposed a blockade.

funds, and the U.S. and the European Union freeze on aid, amounting to \$800 million, will wipe out the livelihood of one-third of the Palestinian population. This is nothing less than collective punishment—a war crime under the Geneva Conventions.

The Bush Administration is now even demanding that the PNA return \$50 million transferred earlier this year for infrastructure projects.

Already, 986,000 of Gaza's 1.2 million people are refugees, receiving some form of aid from UNRWA, which provides food aid to 137,000 families, an UNRWA representative told *EIR*; now another 25,000 families, whose wage earner works for the PNA, and will not be receiving his salary, will have to seek food aid from UNRWA. The UN agency is already lacking \$120 million of its \$457.9 million budget for basic food needs for the year. While it needs \$150 million for its projects such as building schools, it has only received \$14.3 million.

On top of this, the H5N1 avian flu virus has hit both Israel and the Palestinian territories very hard, threatening to wipe out the poultry industry in Gaza. Already 250,000 birds have been culled, representing 10% of the number of fowl in Gaza, and another 250,000 are expected to be culled as well. According to statements at a Jerusalem press conference on April 5 by officials of the World Health Organization (WHO), more than 30,000 farmers in Gaza alone lost their chickens, leaving them unable to provide for their estimated 200,000 family members. The officials said that the continued closure of the Karni crossing between Israel and Gaza is making it impossible for sufficient alternative supplies to enter Gaza, where

poultry has been the most important source of protein to the population. WHO official Luigi Damiani told the press conference that fish could serve as an alternative source of protein, but Israel refuses to allow Palestinians to fish off the Gaza coast.

Given the poverty and high population density of Gaza, it is feared that the bird flu could mutate into a deadly human strain. Ambrogio Manenti, the regional head of WHO, told the press conference that doses of the anti-viral drug Tamiflu are needed for at least 3% of the population, although he said it would be much better for 25-30% of the population to receive the drug. Donors have yet to transfer the funds promised for dealing with this crisis.

Warsaw Ghetto Conditions

This humanitarian catastrophe is the legacy of former Israeli Prime Minister Sharon's policy of "unilateral withdrawal" from the Gaza Strip, a policy which his successor, Ehud Olmert, promises to pursue in the West Bank. This policy, referred to by Olmert as "creating the borders of

Israel" or "convergence," in reality is aimed at turning all the occupied territories into the moral equivalent of the Warsaw Ghetto. Already conditions in Gaza make it the Warsaw Ghetto of the Middle East. The only difference is that Palestinians who can afford to, are free to emigrate, and indeed one can only conclude that this is its true purpose. Already 245,000 Palestinians, close to 15%, have emigrated in the past five years.

The Bush Administration has been a full partner in creating these Warsaw Ghetto conditions. After removing all the settlers from Gaza last Fall, Sharon, with the backing of the U.S. Secretary of State Condoleezza Rice, established a regime whereby the Israeli government has the last word on who and what may come into or out of Gaza, including millions of dollars worth of agricultural exports, as well as all imports, including food and medical supplies. All this is based on "security considerations." It must be noted that there has been only one terrorist attack originating from Gaza against Israeli territory in the last five years. The only security threat from Gaza are the homemade Qassem rockets that are launched from time to time over the fence that surrounds Gaza; their destructive effect is extremely limited, and does not warrant an Israeli policy that punishes the entire Palestinian population. The Israeli military has been firing hundreds of artillery shells, including into the Gaza football stadium, after three Qasems were fired which landed in open fields in Israel. In three days, 15 Palestinians, including women and children, were killed.

Through the mediation of Rice, a regime was set up where there are now only three crossing points, which the Israelis

want to reduce to two. One is at Rafah, between Egypt and Gaza, where only people are allowed to cross, but no cargo; another is at Keren Shalom, in the southeast corner of Gaza, entering Israel near the Egyptian border; the third is the Karni crossing on the northeast corner. The Israeli government, which wants to totally isolate Gaza from Israel, want to permanently close the Karni crossing, where goods imported through Israel's port of Ashdod, which is only 6 kilometers away, can enter. Closing the crossing would force the Palestinians to bring all their imports, at far greater expense, through Egypt's Port Said or Alexandria, which are, respectively, 200 and 400 kilometers away. Meanwhile Israel refuses to allow the construction of a Gaza seaport, and the reconstruction of the Gaza airport, which was destroyed on orders from Sharon.

Since the Israeli withdrawal from Gaza, these crossings have been closed for 60% of the time, according to Christer Nordahl of the UNRWA Gaza field office. Nordahl told *EIR* that at least 300 trucks have to enter Gaza daily, but Israel has only opened the Kerem Shalom crossing, which can handle 15 trucks a day! Nordahl called the situation "unbelievable, but also unacceptable," and charged that the United States has not put any pressure on Israel to open the crossings.

There is no sign that the government, now being formed by Olmert, will change this policy. In fact, it has reiterated that it will continue to build the "separation wall" on the West Bank, with 35% of the West Bank behind it, fencing in over 2 million Palestinians into two or three ghettos. It is already worse then ghettoized by the over 400 checkpoints that cover the entire transport grid of the West Bank, making it an ordeal to travel from one town to another.

Recognize Hamas

Hamas has met all the demands of the international community, and more. The accusations being made by the Israeli government and the Bush Administration are groundless. Hamas has adopted in full the positions of the former government, led by Fatah, including UN Resolution 242, which stipulates an agreement based on the 1967 borders, that is, the two-state solution. Yet the Israeli government refuses to accept Resolution 242. As for the two-state concept, the Israelis recognize the PNA as merely a local administration, not even as "national," as seen in the fact that the government, media, and general population drop the word "national" when referring to the Palestinian National Authority. Palestinian President Abu Mazen is referred to as "chairman" of the "Palestin-



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The Israeli "separation fence" slices through a Palestinian neighborhood on the West Bank. The new Ehud Olmert government vows to continue this policy, which will make the West Bank as much of a "Warsaw Ghetto" as the Gaza Strip is already.

ian Authority," since "President" would imply national statehood.

The question of Hamas's recognition of Israel's right to exist has been forcefully addressed and clarified by Hamas spokesmen recently.

Prime Minister Ismail Haniyeh stated his government's positions in a commentary in the British *Guardian* on March 30. After accusing the United States and European Union of "scandalous double standards" by cutting aid and other measures, to force Hamas to make statements and commitments, while doing nothing to pressure Israel, he made clear his desire to move towards a peace agreement, presenting the same demands as the Palestinian Liberation Organization has done:

"No plan will ever work without a guarantee, in exchange for an end to hostilities by both sides, of a total Israeli withdrawal from all the land occupied in 1967, including East Jerusalem; the release of all our prisoners; the removal of all settlers; and recognition of the right of all refugees to return." Through this statement, UN Resolution 242 is clearly recognized by Hamas.

He concluded: "If we are boycotted in spite of this democratic choice—as we have been by the U.S. and some of its allies—we will persist, and our friends have pledged to fill the gap. We have confidence in the peoples of the world, record numbers of whom identify with our struggle. This is a good time for peace-making—if the world wants peace."

Palestinian Foreign Minister Dr. Mahmoud Zahar, in an interview to the London *Times* on April 7, stated the conditions for the Hamas government to recognize Israel. First, he makes a very simple point: It takes two states to recognize one another. The Palestinians have not been offered even the

terms of what their state will consist of.

"First of all we have to understand what is the nature of these two states? Is it just taking permission or recognition of the Israeli side, or Israeli existence without taking anything? I give you one example. The PLO recognized Israel on the borders occupied from 1948 to 1967, meaning 78 percent of Palestine. The other side recognized the PLO as the representative of the Palestinian society without any square meter. Is this a bilateral recognition? Is it fair?"

"We are not here speaking about 1948 or 1967, we are speaking about what they are going to offer. This is the first point. The second, if Israel is ready to respect the right of the Palestinian people? There are several questions concerning the right of return. We have more than five million Palestinians living outside. What is the fate of such people, to live forever in intolerable conditions in refugee camps in Lebanon, Syria, Jordan, and everywhere? These questions should be answered. This is a national interest.

"If Israel has the right of return to bring people who have no relation to Palestine, after 3,000 years, I think we, by the same implementation, have the principle of right of return to come back to our land. We left only in 1948."

He further said that if an offer is made, then not only will it be necessary for the Hamas government to accept it, but also the Palestinian people and its institutions, including the legislative council.

Signs of Change

Cracks are already beginning to appear in the attempt to diplomatically isolate Hamas. The first was the invitation Moscow extended shortly after the Palestinian elections, which culminated in a very successful official visit, and a clear commitment of support by the Russian government. Following a meeting on April 4 with the Yang Wei Guo, the Chinese representative to the PNA, Foreign Minister Zahar announced that he had been invited for an official visit to China next month. The tour could include other countries in East Asia. "We will visit countries of East Asia, and China will be the first country we will visit in the region," Zahar told reporters. "I have spoken to the ambassador, and they are ready to receive a Palestinian delegation any time."

Zahar has received invitations from several Arab countries, including Egypt. There are indications that an invitation could be extended by India, and possibly, France.

Shlomo Ben-Ami, former Israeli foreign minister in the Labor-led government of Ehud Barak, broke ranks with much of the Israeli political class, and called on the international community to continue funding the Palestinian National Authority and open up negotiations with the Hamas-led government.

"I think financial aid must be given to Hamas," Ben Ami told a meeting in Jerusalem. "Giving to NGOs will not solve the problem. You cannot call for democracy in the Arab world and then punish the people who are elected." He was speaking

on April 10 on the release of his new book, *Scars of War, Wounds of Peace: The Israeli Arab Conflict*.

Ben-Ami also attacked Olmert's unilateral convergence plan. "The convergence plan is based on fallacies. [Olmert] assumes that if he fails to reach a settlement with the PA—and the PA for him is Abu Mazen—the international community will accept his unilaterally defined borders as final borders. Withdrawing to unilateral borders that include settlement blocs is not going to give us security. . . . The Israeli tradition of playing chess with ourselves has existed for many years. It's painful to depart from that tradition." He underlined that "Hamas is not al-Qaeda. It is an organization that has used terror in the service of well-defined national goals. . . . You can argue the means are inadmissible, but the rationale is essentially nationalistic."

Ben-Ami declared that Hamas should only be required to accept a two-state solution and halt terror, and that negotiations should begin with the Hamas government, without the prerequisite of its extending recognition to Israel, since "they cannot be expected to change their longstanding policy . . . about accepting Israel without signs of a quid pro quo."

Nicholas Pelham, of the International Crisis Group's office in Jerusalem, agreed with Ben-Ami, saying, "Cutting aid to the Palestinian Authority is certain to lead to more violence, not less. Israel and the international community should find a formula for interacting with the Palestinian Authority."

In light of Israel's demonization of Hamas as a terrorist organization, a new book by former Israeli Mossad director Efraim Halevy reveals that Hamas in 1997, through the good offices of Jordanian King Hussein, proposed a 30-year truce with Israel. Although the book claims this news somehow never reached then-Israeli Prime Minister Benjamin Netanyahu, a few days after the proposal was made, the Israeli Mossad carried out an unsuccessful assassination attempt on Hamas leader Khalid Meshal. The attempt was foiled when Jordanian police captured two of the four agents. King Hussein was so enraged that he threatened to take military action. It was at that point that Israel agreed to release Hamas spiritual leader Sheikh Ahmed Yassin. That decision had to be made by Defense Minister Yitzhak Mordechai, who was the moderate in the government at the time.

This leaves little doubt that the assassination was planned by both Sharon and Netanyahu in order to sabotage this peace initiative by Hamas and King Hussein. The latter always thought that the assassination was part of an Israeli plot to overthrow his monarchy and turn Jordan into "Palestine"—Sharon's long-advocated policy. When Sharon himself became Prime Minister, he soon ordered the assassination of Yassin.

The Olmert government is the son of the Sharon government. Will it make the same mistake, with the backing of the Bush Administration, that Netanyahu and Sharon did in 1997?

Iran's Progress in Uranium Enrichment Represents No Casus Belli

by Muriel Mirak-Weissbach

When the Iranian government announced the “good news” on April 11, that its scientists had succeeded in enriching uranium at their Natanz facilities, predictably, the neo-con war lobby shifted into high gear, to demand “consequences for that action and that defiance” at the UN Security Council (Condi Rice), because the Iranians were “not paying attention to what the Security Council has said because they are clearly continuing in their enrichment activities” (John Bolton).

More rational responses were to be heard from quarters intent on preventing any military attack against Iran. The Russians and Chinese, although expressing concern over the news, insisted that no military action be contemplated, and that the process being followed by the International Atomic Energy Agency (IAEA), which has a new report due at the end of April, should continue.

One point cogently made by saner forces, was that, although achieving enrichment constituted a step forward scientifically for Iran, it did not indicate any capability for weapons-grade uranium production. Both Sergei Kiriyenko, head of the Russian Nuclear Power Agency, and Igor Linge, deputy director of the Russian Academy of Science's Safe Atomic Energy institute said that a weapons-grade level of industrial production would be a long way away. A similar point was made by U.S. intelligence analyst Anthony Cordesmann.

The reality is that Iran has done nothing to create a *casus belli*, noted Lyndon LaRouche. The negotiating track must continue.

Speaking a New Language

Why did Iran decide to announce the breakthrough at this time, just prior to a visit by IAEA chief Mohammad ElBaradei? Both Expediency Council head Hashemi Rafsanjani and Iranian President Mahmoud Ahmadinejad indicated the reasons, obliquely, in their announcements of the breakthrough. Rafsanjani said, “When ElBaradei arrives in Iran, he will face new circumstances”; Ahmadinejad stated that his government would now be able to “talk to the world in a different language.”

The Iranian government thinks it has established a better bargaining position, as a result of the announced success with enrichment. Ahmadinejad made a point of underlining Iran's willingness to continue cooperation with the IAEA, which has

been surveilling the activities. As one Iranian think-tanker, Saeed Laylaz, put it, “Their goal is to claim a very big victory and achievement, and say, ‘Now that we have reached our goal, and public opinion has been satisfied, we will go for compromise with the UN Security Council, and the U.S.’”

In fact, when ElBaradei held his talks in Tehran on April 13, with Ali Larijani, head of the Supreme National Security Council, and Gholam-Reza Aqazadeh, head of Iran's Atomic Energy Organization, the language was a bit different than in the past. Iran agreed to increase the level of cooperation with the IAEA, but did not make any commitments to suspend enrichment activities. IAEA spokeswoman Melissa Fleming said the Iranians had agreed to work closely with the agency to clear up any “gaps” in the history of their program. ElBaradei reportedly told the officials: “Iran should not deal with the matter emotionally. The request is that Iran suspend uranium enrichment *for a specific period* for confidence-building with the international community” (emphasis added).

In statements to the press, ElBaradei stressed that there is plenty of time to negotiate. Larijani said Iran would “announce its stance during the remaining two weeks,” before the IAEA delivers a report.

Setting the Issues Straight

What will happen now? There is no obvious answer, for the simple reason that the ostensible issue—Iran's nuclear program—is not the issue at all. As U.S. statesman Lyndon LaRouche has stressed again and again, there is no good reason for the United States and Great Britain to threaten Iran. LaRouche pointed to Vice President Dick Cheney, and his controller, George Shultz, as those driving for confrontation. It is this “international crowd of private bankers,” he explained, “who are the new fascist threat of this time. . . . They're attacking Iran, as going after Iraq, was not because of anything in Iraq; it's not because of anything in Iran.” Such an attack, he warned, could “create global chaos. And that is what this crowd is looking for. . . . It's called ‘permanent warfare/permanent revolution’; permanent regime change: that's the policy.”

Therefore, LaRouche argued: “The key thing is to shift, and say, we've got to buy time, we've got to get off this thing now. What the Russians are doing is crucial. Let it work. Buy time. Build confidence. Get rid of Cheney. Get rid of Bush.

Build confidence for the future. But then, come in with some positive proposals on cooperation and development. Nuclear power is one of them.”

Proposals on the Table

The Russian proposal to which LaRouche referred is an offer, not only to Iran, but to all countries with civilian programs, to collaborate on a joint project for uranium enrichment on Russian soil. Thus far, the Iranians have accepted the proposal in principle, but have maintained their claim to have at least a research capability on their national territory.

Another proposal on the table comes from the International Crisis Group (ICG), which launched its plan in February. (The ICG report is available at www.crisisgroup.org, under reports.) The proposal was presented to a Berlin conference on security in late March by one of its authors, Dr. Tim Guldemann, the former Swiss ambassador to Iran.

In an interview with *EIR* (April 7, 2006), Guldemann explained that he had been involved in discussions with “leading American nuclear scientists. We had discussions with Iranians and there, given the clear position on the Iranian side not to give up the enrichment, the question was, well, is there any way out: In other words, what are the dangers—or possibilities—of getting closer to the military option by an enrichment under different conditions. And the idea of a very limited enrichment scheme under very severe inspections and collateral conditions has been developed with the conclusion that such an approach would not increase the danger of military break-out, above all compared to a scenario of Iran’s confrontation with the West on the issue.”

Guldemann said the ICG formulation was a fall-back position if the best solution—no enrichment—did not work.

The ICG proposal envisages a first phase, during which Iran voluntarily suspends its uranium program for two to three years, while all outstanding questions with the IAEA are settled. The additional protocol to the Non-Proliferation Treaty (NPT), which the Iranian government had been following, would be ratified by parliament, and Iran would receive further trade benefits. In second phase, during which IAEA inspectors seek to ascertain that no *undeclared* activities have taken place, Iran would be allowed to have a program for low enrichment; fuel thus produced would be immediately delivered to the Bushehr plant in fuel rods, under strict surveillance, to ensure no diversion.

The ICG proposal represents a hard-nosed, pragmatic response to the need to respect the country’s right, by international law, to nuclear energy, without harboring any illusions. As Guldemann put it: “My assessment—we don’t have it in the report—is the following: We have to make the distinction between the will of having the military option, and the intention to build the bomb. I am convinced that the Iranians want to achieve the military option, that is, to achieve a level in their nuclear industry, above all by mastering the enrichment technology, which would allow them—under changed condi-

tions—to develop the bomb from there. And they want to achieve this level within the NPT, and they are ready to accept all international controls which go with it. They say they have the full right to do this under the NPT. Other countries such as Japan, Brazil—have also done it.

“I think, we have only three options: First we get this development under control by engaging them into a process of mutual confidence building with a very tight framework of tough conditions, international controls and an increasing level cooperation which they do not want to jeopardize. Or second: The Iranians, by being antagonized by an increasing international pressure and sanctions, would hide their nuclear program behind a smoke screen which leaves us in the dark about what is going on. Or third: a military strike would not destroy the nuclear program, but would delay it by some years. However, for this case my assessment is, that then the Iranians—presumably with a broad nationalistic support in their own country—would shift their aim from the military option to the nuclear bomb.”

In Guldemann’s view, the situation in Washington vis-à-vis the Iran nuclear dossier, is “open.” In fact, there are various indications that the ICG approach is being actively discussed, and in some quarters, endorsed. It was explicitly embraced at the same Berlin security conference, by former National Security Advisor to President Carter, Zbigniew Brzezinski, a member of the ICG board. Recently, after the announcement of Iran’s enrichment achievement, Richard Haass, of the Council on Foreign Relations, issued recommendations that dovetailed with the ICG approach. Also, Dr. Ali Asghar Soltanieh, Permanent Representative to the IAEA in Vienna, has signalled openness to the ICG proposal.

To generate momentum for a negotiated, diplomatic solution, direct talks between the United States and Iran would be advisable. The factional brawl in Washington has merely kept it on the table. U.S. Ambassador to Iraq Zalmay Khalilzad had been tasked to be the point man for eventual talks.

Officially, the Iranian side agreed to hold talks, again only on Iraq, after the head of the largest Shi’ite political force in Iraq, Abdel Aziz Hakim of the SCIRI, publicly floated the proposal. Iranian sources confirmed to *EIR* on April 10, that the Foreign Ministry was studying the matter, and was essentially awaiting the go-ahead from Washington. Unconfirmed reports say Rafsanjani, while on tour in the Persian Gulf, may have established contacts with some American circles. Speaking to the Saudi daily *Al-Hayat* on April 13, Rafsanjani said that U.S.-Iran talks would focus exclusively on Iraq, but, if they were to go well, they could lead to talks on other issues.

In short, it is in Washington that the conflict has to be resolved, not between the United States and Iran, but between those like Dick Cheney, Donald Rumsfeld et al, who are committed to a military adventure which could blow up the region and the world, and those who wish to avoid such madness. As LaRouche has insisted, for the latter to prevail, Cheney must go.

Peruvian Elections: Synarchists Hit a Snag

by Luis Vásquez Medina

International Synarchism's triumphal march into Peru's Executive branch stumbled in that nation's April 9 general elections. Although the Presidential candidate of the narco-synarchists, Ollanta Humala, did come in first with 31% of the vote, he fell far short of his hoped-for first-round victory, and now faces a run-off election, against either Social Democrat Alan García or Social Christian Lourdes Flores. Which of Humala's opponents will make it into the second round awaits the final tally, as each won around 25%.

Humala's spokesmen had trumpeted that their candidate would win outright in the first round, as Evo Morales did in Bolivia in December 2005, and that Humala's party would win a majority in the Parliament. The Peruvian electorate denied them both. Former President Alberto Fujimori, who had been blocked from participating in the campaign, made his still-potent presence on the political scene felt, when his daughter, Keiko Sofia Fujimori, received the most votes of any Congressional candidate. She, therefore, should preside over the next Congress.

That the synarchists did not achieve their objectives, thus offering Peruvians another opportunity to defeat them, should be credited in good measure to the book *The Return of the Beasts: International Neo-Fascism Behind Humala*, which *EIR* published in 2005. It had been broadly distributed by the LaRouche Youth Movement in Peru before the electoral campaign began; exposing the synarchist conspiracy behind the Humala family, it rapidly became one of the most widely read books of the campaign.

Moreover, Humala's vote was not a vote for him per se, but a protest against the International Monetary Fund-dictated policy implemented by the Alejandro Toledo government. Toledo's party, failing to meet the minimal 4% requirement, lost its registration as a political party, while its ally, the Independent Moralizing Front of Fernando Olivera, won only 1.03%, and will also disappear.

While Humala, with his populist mouthings against privatizations and the Free Trade Accord, and his calls for changing the obscenely generous rules governing investments in mining and natural gas, captured the vote of marginalized voters; the central plank of his campaign is the legalization of coca leaf, that long-desired demand of international drug-traffickers. Humala demonstrated throughout the electoral campaign that he is nothing more than a peon of the drug mafia, and he succeeded in getting various leaders of the *cocaleros* (coca-

growers) elected. Nancy Obregón and Elsa Malpartida, leaders of the Peruvian *cocaleros* who are assets of mega-speculator George Soros's Andes drug-legalization campaign, and legalizer Hugo Cabieses, were elected to the Congress and the Andean Parliament, respectively, on Humala's slate.

With Aid From Foreign Financiers

Humala's proposal to legalize cultivation of coca leaf, and, "why not?" the export of cocaine, as he has said, found a surprising ally. In an act reminiscent of then-New York Stock Exchange chief Richard Grasso's 1999 infamous embrace of machine gun-toting Raúl Reyes of the narco-terrorist FARC in the demilitarized zone in the southern jungles of Colombia, at the height of the Peruvian Presidential campaign, Toledo's Prime Minister Pedro Pablo Kuczynski, the financiers' man in Peru, came out for drug legalization. In an interview with Radio Programas del Perú on Feb. 15, Kuczynski declared: "As for coca: Its legalization is a subject under discussion in the United States. There are people in the U.S. who are thinking of . . . the legalization of narcotics. Certainly, if we look at it mathematically, if we legalize coca in Peru and we tax it at the 19% [sales tax rate], we would get \$190 million. With this, we could solve the infrastructure problems of the jungle rim area, in the Upper Huallaga Valley. Things are not so simple. There must be international acceptance for this, and, unfortunately, we don't have that right now." With this, Peruvian-American financier PPK (as he is known) not only backed Humala's program of government, but extended a public offer to serve as Minister of Economics in a Humala government.

An Opportunity To Defeat Humala

Going into the second round, where do Humala's opponents stand? Alan García, in his desperation to gain *cocalero* votes, at the end of the campaign announced that he would also legalize the cultivation of coca in Cuzco. Lourdes Flores, a right-winger on the board of directors of the financiers' Inter-American Dialogue, who, despite representing the banking interests, admitted in the final days of the campaign, to the surprise and discomfort of her pro-free-trade press backers, that "neo-liberalism had failed in Peru." Whichever candidate wishes to beat Humala will have to acknowledge that the economic system imposed upon Peru by the IMF has totally failed, and that the apparent mining-export boom only benefits the foreign cartels. They must acknowledge that only by integrating Peru into the incipient Presidents' Club in South America, forming around Argentine President Néstor Kirchner, can the resistance of the nations of the region be strengthened, in the face of the ongoing breakdown of the international financial system.

They must also expose Humala's ties to the international drug trade, as the decisive weapon. Hitting both these flanks will be the key to stopping, in Peru, the narco-fascist threat looming over the entire region.

Editorial

The Real Threat to Civilization Itself

A wave of near-panic and disbelief spread worldwide last week, as news of the latest *New Yorker* special by veteran investigative journalist Seymour Hersh went out over the wires. Hersh's report was on the danger of a Bush Administration attack on Iran. Based on sources from within the Administration, his report featured the fact that the White House was considering the use of *nuclear bunker busters* in a military adventure.

Lyndon LaRouche had two comments in response to the Hersh exposé. On the one hand, there is no question but that the author is correct about the murderous intentions of the pro-war crowd in the White House. On the other hand, the substance of his report, including the potential use of nuclear weapons, contains *nothing new*, nothing which had not been revealed in LaRouche's "Guns of August" press release of July 27, 2005.

Thus, to focus on, and wring one's hands about, the horrifying details of what the Administration is planning, is worse than a waste of time. One might as well be staring with fascination at a cobra preparing to strike. The focus of attention for patriots has to be on how to *stop* the chief individual who is in place to carry out such an attack—Vice President Dick Cheney.

But that's nothing new, our interlocutors might respond. Indeed. The removal of Cheney from office falls under the category of unfinished business, which LaRouche put on the agenda already in the Summer of 2003. And it's about time that people stopped changing the subject from that agenda. Nothing worthwhile is going to happen if it's not accomplished.

While the task of removing Cheney has remained the same, the strategic situation which is impelling him toward launching an insane flight-forward against Iran has not. Back in July 2005, LaRouche said that one piece of compelling evidence of Cheney's "Guns of August" plan was the pattern of eyewitness reports of Cheney's state of mind, reports which testified to the fact that he was basically living the mental life of a "Hitler in the bunker." With that mentality, Cheney was lashing out at Republican Senators who had dared to resist his mad tirades, and accused anyone who failed to follow orders, including senior members of the Senate, of being "traitors."

Today, the evidence shows that Cheney's state of mind

is much more desperate—and dangerous.

Just think back to all the Republican revolts against Cheney's diktats, from the anti-torture amendment to the Federal budget, to Cheney's lies on the war, over the past eight months. The Vice President is still the butt of jokes for shooting his hunting buddy in Texas, under still unrevealed circumstance. Cheney still wields enormous power, but he is seeing the political ground eroding underneath him.

Most important, however, is the shift in the global financial situation, which has gone onto a fast track toward implosion in the immediate weeks and months ahead. The Synarchist bankers who control Cheney, are facing the blowout of all the accumulated bubbles which their so-called magician, Federal Reserve Chairman Alan Greenspan, created over his tenure. Hundreds of trillions of dollars of derivatives and other debts cannot be paid, and it is becoming increasingly clear that the system cannot be sustained. The facade of a functioning financial system, is about to go "poof"!

Faced with such a systemic blowout, Synarchist bankers reach for the same "solution" they always do: Spread chaos and war. The result is to *prevent* any sane national forces from taking the kinds of measures LaRouche has laid out in his New Bretton Woods proposal, measures that would save the people, rather than the banks. The bankers want Cheney to start a war, precisely because it will destroy the United States, and ultimately, civilization itself.

The threatened use of nuclear weapons is a kind of barbarism which points to the strategic threat, but it does not define it. Should Cheney's plans go ahead, we are looking not only at spreading religious war, but the propelling of the entire world into economic and financial and physical collapse, of the sort only properly described as a New Dark Age. Indeed, the Europe of the 14th Century, with its Black Death, will pale besides the global destruction we face.

What's at stake in the battle over the weeks ahead is nothing less than the survival of a human way of life, in which every individual has the hope for a decent life for him or herself and his or her posterity. It is from that standpoint that you, as a political person or leader, must wage the fight—beginning with the removal of Dick Cheney now!