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Paulson's Bailout: The Biggest Swindle Ever Pulled  
The Challenge Facing Russia in Global Crisis  
Helga Zepp-LaRouche: Act Now To Avert a Dark Age

**LaRouche: Bush Must  
Telephone Medvedev!**



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# EIR

## From the Assistant Managing Editor

As we go to press over the Sept. 20-21 weekend, the major national newspapers carry blaring front-page headlines about the idiot President's call for a \$700 billion bailout of the very investment banks that, with the complicity of the Federal Reserve, created the biggest financial bubble in history. As we witness the meltdown of trillions of dollars in worthless paper assets, and trillions in taxpayer dollars directed toward bailing out the Wall Street predators, we can console ourselves that in one area at least, we are wealthy, for the situation could not be more rich in *irony*: As millions of Americans struggle to keep their jobs, their homes, their health insurance, and to provide for their children's futures, those who caused their distress are rescued by the government. Those same financial barons who, only weeks ago, railed against regulation of the economy, are now screaming for government intervention!

In our cover story this week, Lyndon LaRouche, once again, presents the indispensable measures that must be taken to rescue the United States and the world from a New Dark Age, worse than that triggered by the crash of the Lombard banks in the mid-14th Century. These are "times that try men's souls," LaRouche writes, in his memorandum calling for a "Four Power" agreement among the United States, Russia, China, and India, to convene a new Bretton Woods conference, based on the principles intended by President Franklin Roosevelt.

To get a perspective on just how mentally deranged are those who are attempting "The Biggest Swindle Ever Pulled," see John Hoefle's report on "Paulson's Bank Bailout." The international bankers and our political leaders "would transfer most of the enormous losses incurred in the death of the global financial system, from the books of the banks to the Federal government—and the U.S. taxpayer," he writes. But, as LaRouche warns, "there will be consequences for such treasonous stupidity, far beyond what you can imagine."

Also, this past week, Helga Zepp-LaRouche delivered an address in Berlin, Germany, in which she reiterated her call to double world food production, and to implement Lyndon LaRouche's "Three-Step" plan to end the depression (see *International*).

Does anyone, anywhere, now doubt that LaRouche was right?



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*Lyndon H.  
LaRouche, Jr.*



EIRNS/Stuart Lewis

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TO ALL U.S. GOVERNMENT INSTITUTIONS:

## ‘Times That Try Men’s Souls’: Bush Must Telephone Medvedev

by Lyndon H. LaRouche, Jr.

September 19, 2008

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*The world is running out of time, right now!*

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Russia’s President Medvedev has uttered a proposal for immediate, emergency consultation among the U.S.A. and Russia and others, on a general international meeting for emergency measures to deal with the presently onrushing general monetary-financial breakdown-crisis. Since none among the proposals uttered so far, from the Executive Branch or the Speaker of the House of Representatives, have any competence for dealing with this onrushing breakdown-crisis of the present international monetary-financial system, it is of the greatest urgency that there be initiating joint action, co-sponsored by Russia, as a member of the Russia-China-India, Eurasian party and the U.S.A. as the representative of the international Dollar system on which the present world system depends.

I speak now with the authority of the economist who has been consistently right on this problem, and that, for the most part, uniquely, when my government, most economists, and other relevant institutions have been what can be seen so clearly now, as having been terribly wrong, even just plain stupid. The proof has been delivered, and it is now time for many influentials to eat the mistakes which they have, largely, produced.

Whereas all current measures associated with Treasury Secretary Paulson and his current co-thinkers are remedies worse than the disease, the force of leading international power, as typified by the U.S.A., Russia, China, and India, must be brought to bear, immediately, to “put a political-diplomatic freeze” on the current, panic-driven dive into an international hyperinflation of a type last seen in 1923 Weimar Germany.

Not just the U.S. financial-monetary system, but the world system as a whole, is already deep into the early phases of a general, planet-wide financial-monetary breakdown-crisis. The methods for playing with children’s toys being used by the dupes of charlatans such as Felix Rohatyn and George Soros, must be categorically rejected. The fools who have profited, illicitly, for so long, from the disastrous, actually lunatic forms of speculation associated with the legacy of former Federal Reserve Chairman Alan Greenspan, must swallow the losses which they and their associated institutions have bestowed upon the U.S. economy, institutions which, for the most part, require no benefits other than a decent burial.

A “New Bretton Woods” agreement in the spirit of the initiative of President Franklin Roosevelt, is the only precedent of relevance for the currently ongoing, general breakdown-crisis of the world’s present monetary-financial system.



# The Challenge Facing Russia In the Systemic Global Crisis

by Rachel Douglas

By the week of Sept. 15, it was clear that the global financial crisis would drive the Russian leadership to take emergency action. Gone were Finance Minister Alexei Kudrin's assurances about Russia as a "safe haven" in international financial storms. President Dmitri Medvedev's vision of Moscow as a world financial center, and his and Prime Minister Vladimir Putin's desire to strengthen the ruble to regional reserve-currency status, suddenly appeared in a whole new light, as Russia experienced a stock market plunge, serious capital flight, and a liquidity crisis in the banking sector.

It was likewise clear, that the Russian response to these events could go far beyond pragmatic, ultimately barren crisis-management. Being global, and systemic, the current crisis forces certain paradoxical issues of Russian policy. How can the national economic strategy combine long-term, high-technology development in manufacturing and infrastructure, with allegiance to the rules of a speculation-based global financial system that is now imploding? Will Russia take leadership in guiding Eurasia, and all humanity, out of a threatened



Presidential Press Office

*Russian President Dmitri Medvedev at a meeting on the economic crisis, in the Kremlin on Sept. 18.*

new Dark Age, through interaction with a United States whose top officials have recently exuded hostility toward Russia?

That is the challenge defined by Lyndon LaRouche's "Four Powers" idea of Russia's taking the lead, with

## Medvedev: 'Talk to Russia'

The United States, instead of "trying to be clever," must begin discussions with Russia on how to overcome the consequences of the crisis on the U.S. stock market, Russian President Dmitri Medvedev said on Sept. 19. He said that the problems caused by the U.S. crisis had spread to all market economies, and would not have had such serious repercussions, if an agreement had been reached during the G-8 summit in Japan in July.

On Sept. 18, Medvedev had said at a reception for new ambassadors to Russia, that Russia and the U.S.

can maintain a constructive dialogue despite their differences: "Despite a number of significant disagreements on certain international issues, we are convinced that we have what it takes to forge a constructive dialogue on a long-term basis," Medvedev said. He called ties with the U.S. one of Russia's foreign policy priorities, Novosti reported.

"The history of Russian-U.S. relations has seen plenty of imbroglios, but invariably common sense and pragmatism have prevailed." There are good foundations for relations, based on political dialogue, trade and economic relations, and investment activity. "It would be politically short-sighted to fritter away these achievements and get back to the old stereotypes," he said.

China and India, in working with the U.S.A. to initiate a New Bretton Woods system, to save the physical economy of nations, and give mankind a future.

Sept. 15-19 was a week of emergency meetings. “The crisis on world financial markets has proved worse than predicted, in even the most pessimistic forecasts,” Medvedev told an extraordinary government session on Sept. 18, as trading was suspended on the main Russian stock exchanges. Although Russian share prices had been down 37% since May, at the beginning of the week (over 50%, by its end), a prominent Russian economist told *EIR*, it was assumed in Moscow that this was part of a worldwide correction, which Russia could ride out. Thus, the Kremlin was not prepared for crashes of as much as 18% in a single day.

On Sept. 9, the Russian Central Bank started injecting liquidity into the market, through \$10 billion in one-day loans. On Sept. 15, Putin demanded to know from Kudrin, what the impact of the Lehman Brothers and Merrill Lynch debacle would be in Russia. The next day, Putin announced that the Finance Ministry and Central Bank had pumped 475 billion rubles (over \$19 billion) into Russian markets. At the Sept. 18 meeting, Medvedev said that up to another half trillion rubles would be allocated to stabilize the markets, in the form of government loans to the state savings bank Sberbank, VTB (the former Foreign Trade Bank), and Gazprombank; these could lend to other banks in need of liquidity.

Although Russia’s state debt has been nearly completely paid down in recent years, and although Russian economists hurried to note that the stock market plays less of a role in Russian business, than is the case in the West, there was no pretending that Russia could remain insulated from the global crisis. Russian banks and other companies have \$10 billion in loan payments to foreign creditors due in September, and \$45 billion in the fourth quarter, under conditions abroad that make refinancing problematic. The banks also have hefty tax payments due in October. After the Sept. 18 meeting, the Central Bank and Finance Ministry announced a temporary slash of bank reserve requirements, interest rate reductions, and some oil export tax breaks, aimed to maximize the liquid funds available to large companies and banks. Kudrin acknowledged that capital flight was not negligible, as foreign investors withdrew funds, in their panic to meet obligations.

Putin said Sept. 19 at the Seventh Sochi Investment Forum, however, that neither the National Reserve

Fund nor the National Welfare Fund—the current form of the approximately \$200 billion Stabilization Fund, accumulated from oil export earnings duties since 2004—would be tapped to support the financial markets. The President, the prime minister, and the finance minister all cited Russia’s more than \$500 billion in gold and foreign currency reserves. Putin voiced a commitment to build a strong and independent financial system.

### The Post-1971 Perspective

Ten years ago, global hedge-fund-driven speculation crashed the ruble and the Russian government bond pyramid, forcing default on Aug. 17, 1998. Those events also forced the beginning of the end of the disastrous reign of undiluted monetarism, imported from the London Institute of Economic Affairs and Harvard Business School under President Boris Yeltsin, through which Russia’s real economy had been looted since 1992. Today’s Russian leadership is far better positioned to act, than was the case a decade ago. But the type of action required, in an interconnected world, is more profound. The potential for Russia to meet the challenge of leadership for an entirely new global system, has been signaled by leading figures, including Medvedev and Putin.

One signal was a Sept. 16 article in the economics supplement to the government daily *Rossiyskaya Gazeta*. Journalists Alexei Chichkin and Yevgeni Vasilchuk quoted LaRouche at length, on what was wrong with the post-1971 floating-exchange-rate monetary system. They dealt with the urgent need, especially for raw materials-exporting countries like Russia, for a monetary system that protects each country’s sovereignty. Dollar/raw materials speculation, they noted, was an important factor in the crash of the financial and economic system of the U.S.S.R. in the late 1980s. Because of the renewed threat to national economies, the Russian authors said, “some experts are calling to return to pegging national currency rates to the average world prices for gold or platinum.” Then followed an excerpt from LaRouche’s April 15, 2004 lecture at the Moscow Academy of Finance and Law, on how the floating-exchange-rate system had given “the Anglo-American financier interest” an “imperial dictatorship over the world’s finances,” especially through “the London market, which is the center of world speculation.”

In the wake of Georgia’s attack on South Ossetia, and the decisive Russian military response, Moscow had al-

ready, in August, taken steps to defend its economic sovereignty. These included reinstatement of protective tariffs on some agricultural imports, which had earlier been cancelled to meet requirements for entering the World Trade Organization. Like September's liquidity infusions, this was a pragmatic move; WTO member Georgia stood ready to block the Russian application, at least if Mikheil Saakashvili remained in power.

### The Lincoln and Roosevelt Precedent

Indications of a more thoroughgoing rethinking of policy have appeared in discussions at a meeting of the State Council, and in commentaries published by Academicians Andrei Kokoshin and Sergei Glazyev.

President Medvedev met Sept. 7 with Russia's regional governors, convened as the State Council, for a policy review in the aftermath of the South Ossetia crisis. According to Gov. Boris Gromov of the Moscow Region, "The main point of the session was . . . national security in the military, food, and industrial areas. What was stressed was the internal development of the country, plus preemptive steps from the standpoint of defending the interests of the country and its citizens." Media reported this account as reflecting a shift in Russian economic and security policy, as well as foreign relations.

Economist Glazyev, interviewed Sept. 16 on radio Ekho Moskvyy, disputed Sen. Barack Obama's comparison of the current crisis with the Great Depression of the 1930s, calling that a mere "PR opinion." There is an "essentially different," worse situation today, because the "structural crisis" of the economy is compounded by "the collapse of the financial pyramid, which the U.S. built through the unrestrained printing of dollars," said Glazyev. Huge amounts of derivatives "have driven this pyramid to gigantic dimensions."

In Glazyev's view, "The crisis will intensify, ending in the inevitable disintegration of the current global financial system." He anticipates chaotic fragmentation, unless "the world financial community, in the person of the Group of Eight, immediately propose to the world a new financial architecture, which would be based not on the American printing press, but on a balanced monetary policy on the part of the world's leading nations." The dollar would have a role, as would the Chinese yuan and the Russian ruble.

In an Aug. 14 essay on the financial crisis, Glazyev asserted that it would not have developed as it did, had leading authorities paid attention to the hearings he held

in the State Duma in June 2001. The lead witness he invited to those hearings was LaRouche.

While Glazyev has fought global monetarist policies for 15 years, Kokoshin is a senior member of the State Duma from the regime's main party, United Russia. He told RBC.ru Sept. 16 that the world financial crisis resulted not from U.S. mortgage lending alone, but from 20-25 years of Western bankers' "opportunistic" policies. Now the banks have "lost control," and it is time Russia stopped "paying homage" to them, and, rather, took part in settling the crisis. Kokoshin called for Russia to consult with its Asian partners.

Academician Kokoshin is a leading specialist on the United States and strategic affairs. In February 2006, he called Franklin D. Roosevelt "one of the greatest statesmen, not only of the U.S.A., but in world history," and "a symbol of truly mutually beneficial and equal cooperation between the U.S.A. and our country" (*EIR*, Feb. 23, 2007).

Indeed, the seemingly impossible—but, in reality, eminently possible under conditions of a tectonic crisis—touchstone of *Russian-American cooperation* in the face of global strategic necessity was cited this same crisis week of Sept. 15 by Prime Minister Putin. Interviewed in the Paris *Le Figaro*, Putin said what he expects from the next U.S. administration: "I expect that relations should improve, but it is up to the Americans to make the effort, because the situation has deteriorated due to their sole responsibility. *During the time of Lincoln, an American Secretary of State said that the United States wanted privileged relations with Russia, because Russia always desires the well-being of America.* Since that time, a lot of water has flowed under the bridge. Our relations, depending on the moment, have had different characteristics. But always, when situations became extreme, the United States and Russia found themselves side by side. This was the case during the two World Wars. Russia will never forget it, and hopes that our American partners won't either."

People with some historical memory had to notice that this statement came within days of Putin's warning that Russian relations with Britain will never improve, as long as London remain a base for anti-Russian relations, and that Foreign Minister Sergei Lavrov, in a Sept. 1 speech, cited the importance of studying Russian diplomats of the 1850s and 1860s—a time when Russia had the Crimean War with Britain, but an alliance with Lincoln's America against the British-sponsored Confederacy.



# The Facts in the Case of Alan Greenspan

by Lyndon H. LaRouche, Jr.

September 16, 2008

The death of the system that Alan Greenspan built is not in much doubt. However, the system of mesmerism which Mr. Greenspan employed, must appear to all well-informed students of history to have been entirely a product of Mr. Greenspan's plagiarism of the relevant gruesome tale originally published by the celebrated Edgar Allan Poe.

This is especially notable at the present moment when the horrid stench of the passing of many institutions such as Lehman Brothers and its numerous followers, makes the true history of these cases so stinkingly obvious.

The lesson to be learned by persons as ignorant of Classical literature and history as President George W. Bush, Jr., is that one should give a decent and timely burial to the already dead, rather than deluding oneself that one can rescue the already dead by infecting the sickness of the corpse, as by marriage, into the perilously ill, but still living.

Contrary to the delusion shared by many, since the collapse of Lehman Brothers, and the case of the over-ripe Northern Rock, the system of banking which Mr. Alan Greenspan adopted was implicitly a criminal practice from the outset, which was intended to loot one after another of still living chartered banks and other living business institutions into a continued coma which must ultimately lead to the death of those victims.

We must now separate the living from the should-be-dead among financial institutions, using the principle of national reorganization in bankruptcy under Federal protection as the mechanism for saving the economy, and chartered banks, by burying what should have been pronounced dead as the living-dead creatures harbored by Mr. Greenspan.

As it was in the end with Mr. Poe's case of M. Walde-mar, the time has come to bury the dead, not spread the

infection of the dead by marriage of the fatally disease-ridden to the living.

## LaRouche Denounces Paulson's Latest Bailout Swindle

*The LaRouche Political Action Committee issued this press release on Sept. 19.*

Lyndon LaRouche responded, instantly, to Treasury Secretary Henry Paulson's 10 A.M. (EDT) press conference, today, unveiling what promises to be a multi-trillion-dollar bailout of the speculative bubble. "This latest action by Paulson, Bernanke, et al. is pure thievery. This is a swindle, it is corruption beyond belief," LaRouche declared.

While refusing to offer any details, Paulson announced another Treasury Department and Fannie Mae/Freddie Mac bailout of the worthless mortgage paper held in the commercial banking system, while promising new legislation to extend the bailout to other financial institutions not covered by the Treasury Department and the Federal Reserve. "This," LaRouche declared, "means trillions of dollars in new bailouts, at taxpayers' expense. They are trying to bail out a corpse. Rigor mortis has already set in."

LaRouche concluded by reiterating that his three-step solution represents the only available means of averting a total global collapse, and an onrushing new dark age. "Paulson continues to promote policies that mirror the 14th-Century Dark Age," LaRouche concluded.

LaRouche has called on Congress to immediately pass his Homeowners and Bank Protection Act; to establish a two-tier credit system, to defend the U.S. dollar, and launch massive infrastructure development projects; and for the U.S. government to join with Russia, China, and India, in convening an immediate New Bretton Woods conference, to put the global financial system through bankruptcy reorganization, and establish a new, fixed-exchange-rate system, modeled on Franklin Roosevelt's original Bretton Woods system.

"Make no mistake about it," LaRouche concluded. "Either Congress and the Executive Branch wake up to reality, and implement my three-step program, or this country will not survive the consequences of the greatest financial collapse since the 14th-Century Dark Age."

## Caught in His Rotor Blade

by Lyndon H. LaRouche, Jr.

September 19, 2008

*Poor Ben Bernanke has been lately turned into the Dormouse of Mad Hatter Paulson's financial tea-party. It has turned out to be a pity that Lewis Carroll never wrote in a part for silly Nancy Pelosi's role at that table; but, then, we must consider the fact that Nancy's desired role had been obviously pre-empted by the personally pathetic role played by former U.K. Prime Minister Margaret Thatcher on behalf of the "Brutish Empire."*

The most essential fact of the present monetary moment, is that the world's present, international monetary-financial system would have been declared already dead and rotting, had the pathologist arrived on time. That system, being already dead, will never recover. The proverbial king is dead; a replacement is needed, ere the kingdom goes the way of its departed monarch.

However, Washington, D.C. is not the only case of a mentally ill regime in the world today. Consider those foolish governments, from around the world, which had heralded the onrushing U.S. financial collapse with the assertion: "Yes, the U.S. is sick, but it won't really hit us here." The crash of the U.S. dollar is the crash of every financial-monetary system in all continents of the world. It is the present international monetary-financial system which is incurably bankrupt, and, therefore, virtually dead. Reviving the dead was never a sound policy. Now, they are all dead, because the financial-monetary system within which they were situated is now dead.

The word to the wise is, therefore, the following.

Economic value was never truly contained within money. As the U.S. government of President Franklin Roosevelt understood in its practice, the only true economic values are physical-economic, not monetary values. The increase of the net productive powers of labor, per capita, and per square kilometer of national territory, is the only true measurement of value.

Furthermore, since progress occurs under inevitable

conditions of attrition under currently continued, fixed standards of practice, an economy which is not increasing the per capita, net physical productivity of its production, as measured per capita and per square kilometer of its total territory is already lurching along the rotting trail toward collapse, unless it changes its ways back toward progress. The U.S., in particular, has been collapsing, in real (i.e., physical) terms, per capita and per square kilometer since U.S. fiscal year 1967-68. The Nixon reforms wrecked the U.S. economy, and the Trilateral Commission-controlled Carter Administration, unleashed a systematic destruction of the wreckage which the Nixon and Carter Administrations had created.

What was done by Prime Minister Thatcher and her side-kick, President Mitterrand, done in complicity with a corrupt U.S. President George H.W. Bush, wrecked the remains of the physical economies of the U.S.A. and Europe over the course of the 1990s. Mrs. Thatcher's Brutish Imperialism, the process of so-called "globalization," the new "Tower of Babel," leading into Maastricht, has become virtually treason against the entirety of the human race. It is U.S. complicity with that process of "post-industrialism," "globalization," which has been the crucial factor, added to the Nixon follies of 1971-1973, which has made possible the present global breakdown-crisis of the world's now rotting IMF system.

Sick monetary-financial systems which have entered their terminal phase, as the present world system has done, can not be brought back to life by the likeness of garage mechanics. They must be replaced.

The view to be adopted to provide the needed replacement, is to recognize that it is the physical-economic system which government must act to save, as President Franklin Roosevelt demonstrated that approach. The financial-monetary system which caused the collapse, must be reformed in a sufficiently radical way, by aid of reforms in bankruptcy, to allow the real part of the economy, the physical economy of a scientifically and technologically revolutionizing practice of and among nations, to function by debridging the economy of the hopelessly sick monetary-financial elements.

Under these present conditions, what should one say of Representatives Barney Frank and Nancy Pelosi, who insist on their proposals to solve the problems of human society by funding a program for teaching dead lemmings to fly?

# The Biggest Swindle Ever Pulled!

by John Hoefle

Lyndon LaRouche has issued a clear warning to the pack of fools pushing the largest bank bailout in history: *Don't do it, and if you do, don't expect to get away with it. There will be consequences for such treasonous stupidity, far beyond what you can imagine.*

The plan, presented by Treasury Secretary Henry Paulson, and supported by Fed chairman Ben Bernanke, President George W. Bush, and a gaggle of international bankers and other idiots, would transfer most of the enormous losses incurred in the death of the global financial system, from the books of the banks to the Federal government—and the U.S. taxpayer.

This scheme is being marketed to a frightened public as a “bold” plan to “solve” the financial crisis once and for all. What it really is, is the biggest theft in history, an act of monumental stupidity which will destroy everything in its path: the economy, the nation, and the people. There is nothing good about it.

## Absolute Insanity

“This is the biggest swindle ever pulled,” LaRouche said. “It is absolute insanity. The public is being duped.”

Virtually nothing Paulson has said is true—it is all lies designed to dupe Congress and the American people into believing that this gigantic ripoff is both necessary and in the public interest, when neither is true. The lies began well before Paulson, when we were told that finance, not production, was the road to wealth. For the past four decades, we have seen the systematic dismantling of American industry and agriculture, and the turning of our economy into a giant casino. Our banking system has been turned over to the speculators, and we have watched a relatively small portion of our population get rich—some obscenely so—while a growing portion fell into poverty, and others were pushed over

the edge. Every protection put into law to stop such looting has been systematically repealed, including the Glass-Steagall Act of 1933, which forbade commercial banks from engaging in investment banking. Now that system has collapsed, and we are being told that the people must bail out the crooks.

The final phase of this collapse began last year, with the mythical “subprime crisis,” a deliberate misnomer. Then this “subprime crisis” somehow morphed into a “credit crunch,” infecting an “otherwise healthy” banking system. It was, from start to finish, a lie carefully constructed to support the ultimate demand for a bailout.

Here's what really happened, and it all starts with the banking system. The banks built up a huge derivatives bubble in the 1990s, a pyramid scheme which constantly needed more money fed into its maw to keep it going. One of the prime sources of fuel was mortgages, which were used to spawn mortgage-backed securities, and even wilder forms of casino chips like CDOs. The more mortgage money that came in, the larger the profits that could be made from speculating in the securities, yielding more money for new mortgages. It was this securities machine which drove housing prices—and the mortgages on those houses—into the stratosphere.

However, the machine worked so well that it drove housing prices beyond the reach of many Americans, so, in order to keep the mortgages flowing in, the banks began to relax loan standards, and in the end, were selling homes to people who could not afford them, just to keep the game going. It finally got to the point that prices were so high, that even with the lax lending standards, they couldn't keep the game going, and the whole house of cards collapsed. The subprime loans collapsed first because they were the shakiest, made at the top of the market, so the banks painted the subprime lenders and borrowers as the villains, as a way of covering up their own role. It was a classic “blame the little guy” scam.

Now we see Paulson asserting that the banks have been infected by this “housing crisis,” and that in order to protect the American people, we must carry out the biggest bank bailout in history. But it was Paulson, a former investment banker, and his investment banking buddies and their predecessors, who created this mess in the first place, and are now demanding that they be saved from the consequences of their folly, and handing

the bill to the people they have been victimizing for decades. The foxes are demanding that the chickens pay for cleaning up the blood in the chicken coop.

## It Won't Work

Aside from its incredible arrogance, the plan put together by Paulson, his cronies at the Plunge Protection Team, and his Wall Street peers, is incompetent from an economic standpoint. All it really does is transfer unpayable debts from the books of the banks to the books of the government, without addressing the issue of why those claims are unpayable.

The claims are unpayable because the productive sector of the economy, the sector which ultimately pays all bills, is far too weak to carry the load, and is sinking fast. As it has for the past four decades, the U.S. economy is operating below breakeven and taking on debt to make up the difference. This growing mountain of debt was turned by accounting magic into a pile of assets, upon which the bankers leveraged an even bigger mountain of speculative bets. They lived off the income they gained from trading all this fictitious capital back and forth, until the size of their bubble could no longer be supported, and it collapsed. All Paulson's plan would do is give the bankrupt gamblers more chips with which to play, so they can do even more damage.

## We Can Stop It

We have reached the point where we can no longer survive such greed and stupidity, and must fundamentally change our approach. Rather than listen to the siren call of the bankers which summons us to our doom, we must face the fact that we, as a people, have been behaving like fools. The bankers may have done this to us, but we let them, and all too often participated, greedily scraping up the crumbs which fell off their overloaded tables.

Now, watching our biggest banks report multi-billion-dollar losses every quarter, despite multi-trillion-dollar injections from the central banks, watch-

ing our leaders call for unprecedented bailouts and sacrifices, it is beginning to dawn upon us that the great economic boom was a sham, that the "fundamentally sound" system was an illusion, and that the whole house

of cards has collapsed. It is dawning on us that we were fools, that the world does not work the way we thought.

Fortunately, we have among us a man who saw these errors as they were being made, and who has a plan to solve the problem, even at this late date. That man is Lyndon LaRouche, and his solution begins with a return to the sound economic principles that have worked so well for America in the past, most recently with President Franklin Roosevelt. Rather than saving the paper, as Paulson would have us do, LaRouche's pro-

posal is to put the financial system through the equivalent of a bankruptcy proceeding, freezing the giant mass of speculative bets while stopping foreclosures and making sure that the goods and services necessary for human existence continue to flow. At the same time, low-interest government credit would be used in an emergency program to rebuild our productive base, all coordinated with keystone nations like Russia, China, and India, as a way of pulling the entire world up out of this looming new Dark Age. It can be done, but we must do it.

First, we must stop this crazy bailout scheme, which LaRouche has characterized as "tantamount to treason" for the destruction it will visit upon our nation and its people. But LaRouche also has a warning for those who sponsor it, and for those who vote for it. As the magnitude of the theft you support becomes more apparent, there will be new governments, prodded by a furious people, who will demand that this theft be reversed, and that the perpetrators of this crime be punished. Great crimes are not always punished right away, but history has a way of settling the score. There are more things in heaven and Earth than are dreamt of in your philosophy.

*johnhoeffe@larouchepub.com*



*Senate Majority Leader Harry Reid said at his Sept. 17 press conference: "No one knows what to do. We are in new territory here. This is a different game. We're not here playing soccer, basketball, or football; this is a new game and we're going to have to figure out how to do it."*



# LaRouche: The Planet Needs A New Financial Architecture

*Lyndon LaRouche videotaped these remarks on the global financial/economic crisis, Sept. 17, 2008. His opening statement is followed by a portion of a discussion with members of the LaRouche Youth Movement. The video and a complete transcript are available at [www.larouchepac.com](http://www.larouchepac.com).*

In 12 days from now, on Oct. 1, we're going to have an international webcast, as usual, but we're not quite sure that it's going to occur, because the U.S. economy may have entirely disintegrated, by that time. And, in a sense, I'm being witty, but not entirely, because that's actually a possibility, the way the government has been behaving recently, in dealing with these bailout situations.

We're now in a hyperinflationary process, caused largely by the measures taken under this government. Of course, as you know, back on the 25th of July of last year, I warned that this was about to break out, and I expected it to break out by the first of August. It broke out by the 28th of July instead of the 1st of August. So I'm wrong sometimes, hmm?

But, the system since that time has gone into a hyperinflationary mode, and it's accelerating. The measures which I proposed then, were, first of all, the Homeowners and Bank Protection Act. It had a lot of support, in the cities, and counties, and states of the United States, it was never voted up because of the Pelosi problem in the Congress, and similar kinds of things prevented it from happening. A bunch of pieces of stupid legislation that were reckless were adopted in the meantime.

We're now in an aggravated mess. The recent series of bailouts, *which never should have occurred*—these entities should have been put into bankruptcy reorganization, in the normal way. Many of the assets that are listed, as the lost assets from these things, were dubious assets. Some of this may have been criminal, and should have been investigated for potential criminal action

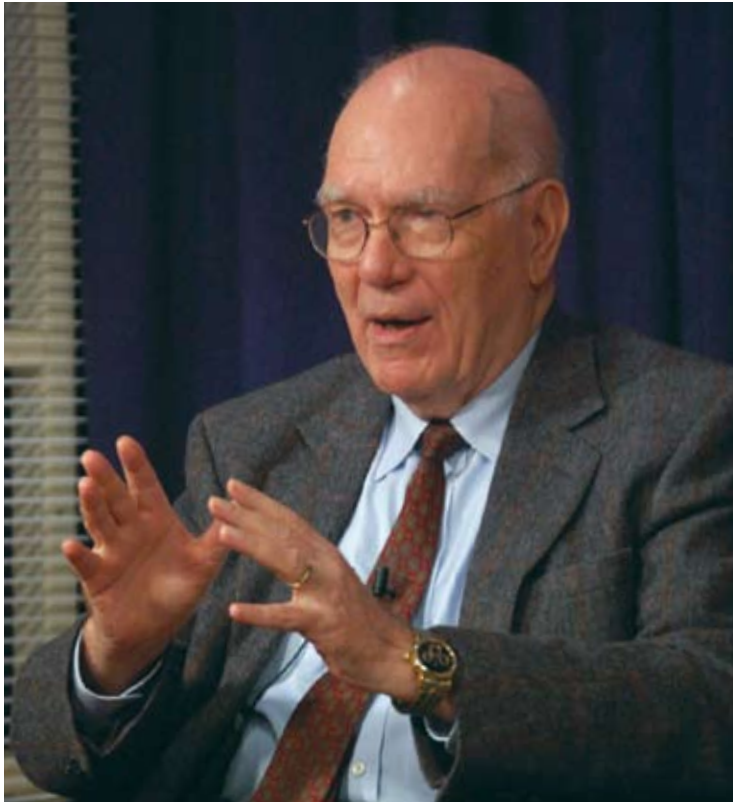
against those involved; we have a lot of bankruptcies, which there's a suspicion of criminality involved, recently, coming out of this kind of speculation, which has been going on recently.

But the essential thing is to save the United States. That involved, as I said last year, it involves, first of all, the Homeowners and Bank Protection Act. We must not shut down any essential bank, which is an essential institution of credit, within the chartered banking system, whether Federal or state. Even if these things are bankrupt, their doors must be kept open, their assets involved, their communities involved, they must continue to function.

I also proposed that we have a minimum of 4% basic interest rates—that was not done. We're now operating at 2%. Some idiots are trying to reduce it to 1 1/2%, which is hyperinflationary nonsense.

We also proposed, and I proposed in particular, that we approach Russia, China, and India, as prospective partners of the United States, in initiating a new international monetary-financial system, based on the precedent of Franklin Roosevelt's Bretton Woods system. This would mean that we would, instead of relying on the present financial systems, which are hopelessly bankrupt, we would again create a credit system, which is only possible under the U.S. Constitution, because we are not a monetary economy; we are a credit system. That is, this country can not print money, except by authorization of the Congress, and by the Executive Branch, with the authorization of the Congress. We are a credit system. We are not a monetary system. We have an approximation of that under the Federal Reserve system. But essentially, our constitutional authority is that of a credit system. No other country in the world has this kind of system, that we have by our Constitution. We're completely different from Europe, the parliamentary systems and so forth.





EIRNS/Stuart Lewis

Here, LaRouche addresses a studio audience, during the videotaping of his address on the global financial/economic crisis. “The essential thing,” LaRouche said, “is to save the United States.”

Therefore, we represent, for Russia, for China, and India—which are directly, or indirectly, major trading partners of the United States—something unique for the world, in reorganizing a new monetary-financial architecture for the whole planet. We together, if these four powers agree, and other countries would then join them, we can create, as if on a dime, a new international credit system, and begin to rebuild the world which is shattered now.

So, that is what we’re going to discuss on the first of October, approximately 12 days from now. Am I clear?

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## Dialogue with LaRouche

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**Q:** You’re discussing the Four Powers—implementing this right now, with the prospective Presidential candidates. It doesn’t seem too likely that either of them would be willing to adopt that kind of proposal, but in the U.S. there are more institutions than just the Presi-

dency. But how, how do you see us...?

**LaRouche:** A thing like this happens only under one kind of condition: They’re scared to death. And what is happening now is going to terrify nations, and it’s going to terrify the people of the United States. They’re going to be screaming for a solution, knowing that the present institutions and the present policies won’t work. And frankly, the two candidacies now are both failures. As it stands now, there’s little likelihood that Obama would win the election. He’s lost his trust fund, so to speak, that he was relying upon. There are problems with McCain. I don’t know if he can shoot caribou from the air or not. But anyway, there are problems there. Neither of them has addressed, so far, or even threatened to address, any of the real issues on which the continued existence of the United States depends.

So therefore, if something happens, it’s not going to happen because of a Presidential candidate, these candidates. It’s going to happen because the country is scared, and because people in Europe and elsewhere are scared, and see that there is no hope for them, unless the reform is made. Under those conditions, whichever dummy were elected in the United States, he would have to follow, carry out this kind of policy if it were adopted. That’s reality, and we’re now come to the area of reality.

### A Short Window of Time

**Q:** You mentioned in the very beginning, that basically, within the next 12 days, you could see the complete disintegration of the entire economic system. Now, what does that mean? Because that means that we have a very short window of time in which to organize. How must we act now with the population?

**LaRouche:** Well, the issue is: The bailout, the AIG bailout, added to the previous bailouts, which I think, in many cases, are actually unconstitutional, and possibly involve potential criminality. But the question of investigation, to see if there is potential criminality under our Constitution, is there.

But apart from these considerations, these bailouts are *insane*! They are intrinsically hyperinflationary. What should have been done, is, these entities should have been put into bankruptcy reorganization, not liquidated, not bailed out. And so, we’re at that point,

where the whole system can be blown out by these kinds of measures, that brought us to this point. This AIG thing was one blow too many. I don't think the system can withstand it for long. One or two more such cases, and the entire system can blow out. We could find a situation, therefore, in which there would be no election, because there would be a complete financial breakdown of the system, conditions under which you couldn't conduct an election. You'd have to postpone it for reasons of rain, like a baseball game.

So, we're in that kind of situation.

What's happening now, is, behind the scenes, not everybody in this country in power is stupid. We have actually people in some positions who are reasonably intelligent. They may be reluctant, but they're intelligent. They are capable of recognizing what I've just described. They see the facts correspond to it. People in the Congress, people in other institutions. And in this case, if they come out and say this, together, the changes will be made. Because everybody's ready to accept the fact that the President is an idiot, and nearly everybody in his administration is an idiot, and that what the two leading Presidential candidates are saying is totally incompetent and silly.

Under those conditions, the people who are threatened by this kind of situation, will tend to get, suddenly, very reasonable, and very demanding about it. And it has to happen *now*, not next January—*now*. If the United States is going to be saved, it's not going to happen in January. It has to happen now.

So, we are about at the limit, on Oct. 1. We're about

**Sports**Tuesday, C15-18

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The New York Times

TUESDAY, SEPTEMBER 16, 2008

**DOW FALLS 504 POINTS... BIGGEST POINT DROP SINCE 9/11**

**The Street After Lehman Brothers**

**A Race For Cash At A.I.G.**

**WHO WILL BE NEXT**

**Will you be next?**

**After a Losing Battle Against Bankruptcy, Workers Pack Up and Wonder, 'What Now?'**

**Change Arrives, With a Sense That Wall St.'s Boom Times Are Over**

*The only way U.S. institutions will adopt his proposals is when they are "scared to death," LaRouche said. The lower right photo on the front page of the New York Times Business section Sept. 15 is captioned, "In New York, the scene took on an air of protest, with a sign by the LaRouche Political Action Committee...."*

at the limit for the United States: Either we can do something by approximately that time, or I'm not sure we can say we're going to have a United States. It will just go away, all by itself. It's that bad.

**Q:** Could this sort of bankruptcy reorganization happen with the current Democratic Party and Republican Party leadership right now?

**LaRouche:** If they're sufficiently terrified, yes. And I think they're about to become sufficiently terrified. I think in the next dozen days, we'll probably get some stroke of that kind of terror, screaming terror: "Save us! Save our butt! Save our butt!" Americans don't say, "Save my soul" anymore; they say, "Save my butt!"



**Q:** This situation that we're in right now, where there are many recognizing, that there is no hope for this system, and are starting to freak out, is there also an understanding, then, from those relevant people, that it is the dollar system that they have to save, and there's no longer this delusion that you can go and divert towards other forms of currencies as a primary form of currencies?

**LaRouche:** Well, the point is, that I can know from Russia, from China, and from India, and from other countries than our own country, that there is no competence to design the kind of system which is necessary for this situation. Therefore, this is not a matter of trying to get a consensus among contending opinions. This is a time that someone—me—knows what to do, and maybe some people out there are intelligent enough to recognize that I'm right, and they would act upon my suggestion.

As far as I can tell, unless what I'm proposing is accepted, there's no hope for the system. So, they're either going to take my suggestions, or they're going to fail. And there might not be a United States, by the time the smoke clears.

### The New Bretton Woods: How It Will Work

**Q:** I was also wondering if you could explain how this credit system could work along with Russia, China, and India. How would the New Bretton Woods function?

**LaRouche:** What essentially we would do, is we would say, *we're going to do it*. That's number one. Now, you're going to then discuss what that means. And we're going to say, we're going to take a point of reference for a recent relative value, of the national currencies of the United States, of Russia, and China, and India. We're going to say, "Let's fix a fixed-exchange-rate system, based on negotiating among what we agree is a fair estimate." We're going to, in that process, bring in countries like Japan, Korea; Giulio Tremonti, I think, in Italy, will be happy to join the discussion; he's talk-



EIRNS/Christine Schier

*This is not a matter of trying to get a consensus among contending opinions, LaRouche said. The hope is, that there are intelligent people out there who will recognize that he's been right while everyone else has been wrong, and act on his suggestions. Shown: LaRouche PAC organizer Therese Mallory, in Philadelphia, August 2008.*

ing in that direction; probably somebody in France will be happy to join that direction. And we will get enough nations to agree to this process; to say that approximately this level of pricing—we're not going to try to come up with the best price; we're going to come up with a price that is acceptable, and can be gotten through with the least controversy.

Then, we're going to say, we're going to operate on the basis of the U.S. Constitution, and that's key: We are not a monetary system. What we're going to do, is essentially *cancel the power of monetary systems*, such as the British system. We will no longer have money operating by central banking systems, outside the power of government. All money will be accountable *to government*, and we will operate on the basis of a credit system, as the U.S. Constitution provides for a credit system. We will then set a system of issuing, of uttering credit—. We will put the whole system into bankruptcy reorganization, take all of the old values and say, "they're inherently bankrupt, the world is being operated in bankruptcy."

We are then going to create credit for things which should be created credit for. It will be largely long-term infrastructure investments, large-scale projects—like

the rail projects of the United States—we're going to bring back the rail system, power system; we're going to fix our rivers, so they function again, and as they never functioned yet before, because they never did north of St. Louis, they never got part of the system.

We're going to do these kinds of projects. And these projects will be the drivers for the use of technology, to develop new industries. We're going to talk in terms of a 25- to 50-year perspective on utterance of credit over that term. We're going to get enough projects of this type going, to use up the productive powers of labor, otherwise idle labor; we're going to take people out of a lot of white-collar jobs. We may ban white collars, just as a matter of sanitation. But we're going to do that sort of thing, and get people back into factories, back into engineering, back into basic economic infrastructure, back into agriculture: Produce some wealth, physical wealth, again! Raise the standard of living.

Recognize, that in the United States, since the fiscal year 1967-68, there has been a net decline in the economy of the United States, consistently, from that time to the present. There's been an increase in so-called dollar value, but that increase is purely inflationary. There has been no increase in *physical* value, of product of the United States, since 1967-68. And that is the year, in which we had a decline in basic economic infrastructure. And this is the infrastructure needed for production, not just infrastructure for people to look at, or gaze at.

So, we're going to have to go to that kind of system. For example: We will create the entire Eurasian system, in terms of rail and magnetic levitation. We will open up the development of raw materials development. We'll make an international rail system, where you can go by rail or maglev, all through Eurasia, all through Africa, and through the Americas. We'll open up the Bering Strait. We'll have a rail connection: You can go from France, into Alaska, down through the Americas to Tierra del Fuego. You can go from Europe into Africa, by rail, all throughout Africa, the main routes



creative communications/JakeLM

*It's time to reverse the collapse of basic economic infrastructure that has taken place since 1967-68, such as by moving to advanced rail systems, including maglev, as pictured here: the Transrapid Shanghai maglev train.*

in Africa. We will have power stations, especially nuclear power stations, being developed throughout the world.

We're going to change the character of the planet! And it'll be a mission for the next 50 years—it'll actually be 100 years, but we'll take the first 50 years as the first slice of this thing.

And on the basis of creating a credit system, a debt system which is supported competently, we'll be able to do this. We'll increase, first, infrastructure: We'll use the development of infrastructure projects to create industries, new industries, to expand agriculture, to develop raw materials. Then out of that, we'll get a secondary layer of industries. We'll restore our educational system, because people will have something to learn then. Under the present system, you go to university, not to learn, but to become brainwashed. And it's not a good brainwashing, there's a lot of dirt that goes with that.

So that's what we have to do. That's our direction.

Use the idea of credit, which is inherent in the U.S. Federal Constitution, a work of genius in the U.S. Constitution: Use that method of credit, building up a tremendous debt, but accountable debt, to change the world through productivity; to mobilize people to pro-



duce what they're qualified to produce, in terms of infrastructure and industry; and to use that to develop people, to develop new skills beyond that, to open up new industries, new types of industries, fundamental scientific progress. Change the character of the planet, a planet of nation-states, but co-operating nation-states, connected by interconnected power systems, interconnected mass transit systems. And that's the way to go! And agree to do that, and have the guts to carry it out.

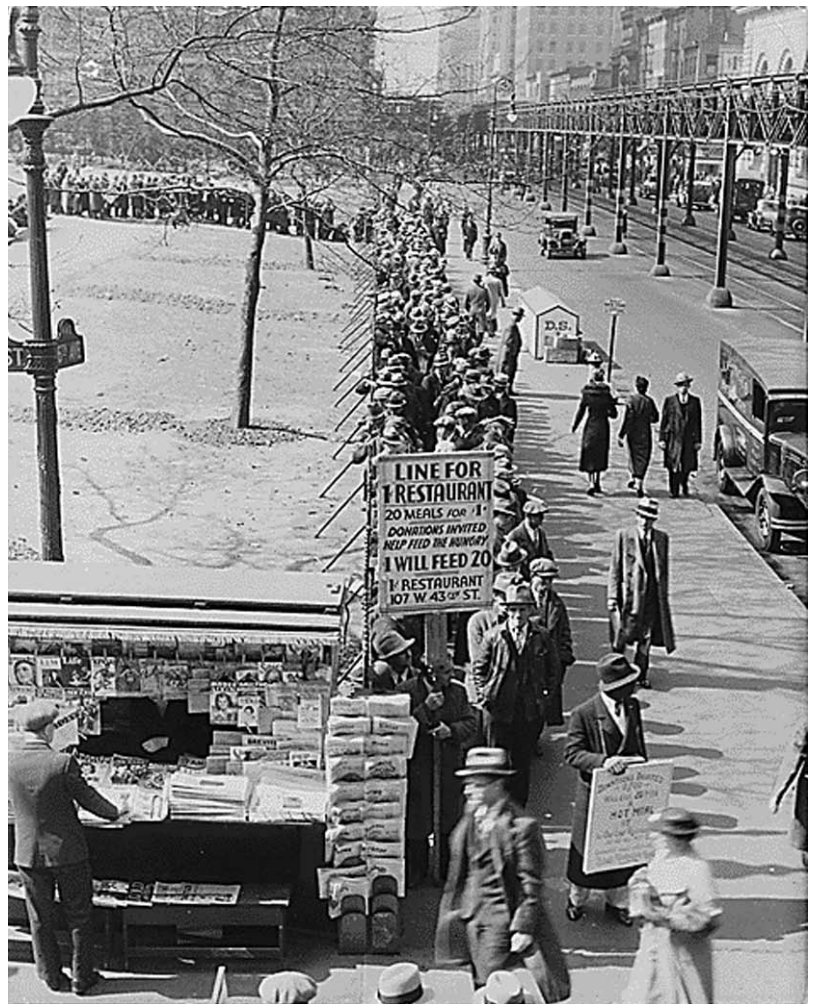
### The Fantasy Is Over!

**Q:** The only opposition to this, isn't simply that people have never heard of these policies before, but there's actually witting operatives trying to stop this sort of bankruptcy reorganization and development: people like George Soros, Felix Rohatyn, prominent members operating behind the scenes in this country and abroad. So, as this thing breaks down, hour by hour, how do we make sure that this commitment to a credit system, and development, and changing the character of the planet, is clear to the people whom it needs to be clear to, and that these operatives are put to sleep, once and for all?

**LaRouche:** You got several things going for you: First of all, look back to 1927-28, before the 1929 Crash. Look at the change in the attitude of the population of the United States, between 1928-29 and 1931-33: You had a change in the population which had lived in fantasy-land to a large degree before then. The fantasy was over. Today, the fantasy is over! Today, with the collapse of all these giant firms, these super-firms, you're going to see thousands and tens of thousands of people coming out of each of these places that are being closed down! The streets are going to be full of white-collar people who no longer can afford to wash their collars.

This is going to destroy the illusion of the system. And people are going to want some kind of employment, and security. They're going to demand it. And they won't put up with anything less.

And we saw that in the early 1930s, also. It'll work the same way. People are down on the ground, grovel-



National Archives

*As after the 1929 Crash, the population today will be confronted with the fact that the fantasy is over. "The streets are going to be full of white-collar people who no longer can afford to wash their collars." This photo shows a breadline in New York City during the early years of the Great Depression.*

ing in the dirt. Their illusions lost. That is the time to say: "Okay! Get out of the dirt! Stand up! Here's something for you to do. Stop being an idiot, and you'll survive." And that's how it's done.

But you've got to mean it! Because people can smell out a fake in situations like this. You can't promise it, unless you mean it! You can't convince people to do it, unless they think you mean it. And there's a little problem in leadership in certain circles on that basis: Obama would never convince anybody of that! Nor could John McCain. And I certainly don't think this lady from Alaska [Sarah Palin] would convince anybody of anything. She probably would be running from caribou who're seeking vengeance on her, or something. You'll see a lot of caribou out there with guns trying to shoot



down small planes that they suspect are coming to kill their children!

You should see the British press cartoons on her: She is the biggest object of ridicule in the international press today. They had this six-gun, in the *London Times*, a six-gun; you have these six little cartridges, and the bullet is a lipstick!

She really is something. Anyway, she fills a hole.

### Thinking Two Generations Ahead

**Q:** We know that during the first Depression, they still had some manufacturing industry and workers around, whereas today, we've lost a large part of that. And as part of the educational problem in the United States, we've elected leaders who are incompetent. So the question I have is, are there layers of competence in the institutions, such that we could actually carry out these kinds of projects. Because, as it stands right now, I don't see that the Congress would be trustworthy on this question.

**LaRouche:** A lot of this is located in the military right now. You have certain medical potential, certain medical science potential, which is bottled up because of the present policies on medicine. But there is competence. But it's a small quantity; it's a cadre core of capability.

That's why I say, you have to start with major projects, engineering projects. You take your major engineering projects and you use that to get your driver going. As you get your driver going, then you spread it.

One looks at the history of what was done under Roosevelt from 1932 on. And look at that process, what Harry Hopkins did, for example, and you find exactly how this worked. It's going to be the same thing again. It's not instant gratification: It means a change from going down to a change to going up. And going up means you're going to have to go up, step, by step, by step. Do the things immediately that can be done immediately with an orientation to get to the net thing: And think two generations ahead. And you need people who can think two generations ahead.

And I hope that what we're doing in the Basement [the LYM's core scientific work] is going to set the precedent for exactly that. Because I see what our people are doing in the Basement: They're *way* ahead, of what's coming out of the universities in scientific capability. So we have a little monopoly on that, on

the idea of how to do that. And, we're going to use it.

### You Have To Be Eccentric

**Q:** This is a question that I've had for a while: What actually qualifies someone, or makes someone qualified to be able to lead? To be an actual leader in society, especially today?

**LaRouche:** First of all, you have to be eccentric. If you're not eccentric, you're not going to be a leader. You may be considered a leader, but you're not one, you're a misleader. Which is not a feminist concept. And that's the issue: It's the experience of the act of insight of discovery. For example, anyone who believes that there is a tragic personality in Classical drama, is not qualified for science, or for Classical drama. Because the tragedy in society, is the tragedy of the population, not of an individual. And if you look carefully at all Classical Greek tragedy, or Shakespeare's tragedy, or Schiller's, there is no such thing as the idea of the tragic personality. This is a *Romantic* conception: "If the right person had been there, everything would have been just right." Crap! Often the right person was there! But the society wouldn't let them function. This is the lesson of tragedy. It is the people who are stupid. It is the culture which is stupid! It is the culture which is corrupt!

And the business of creativity is changing the culture: The individual who knows, who is able to change the culture, not to change the behavior of leadership of society, except by changing the culture. And that's lost. The idea of creativity is lost! People talk about creativity, they don't know what it is, they've never done it. But they decide to "call" certain things "creativity."

For example, if you follow the *New York Times* Style Book in editing, you can't think. Why? Because, by sticking to those conventions, which now are made abhorrent—"Oh! He made a solecism. He violated the *New York Times* style book; he made a solecism." You're conditioned to believe that that's bad, and you will correct somebody who does something competent, because they considered a solecism, by *New York Times* standards. What the *New York Times* does, is eliminate the idea of creativity. If you go by that kind of style, you are "not allowed" to use irony in the way that corresponds to creativity.

All creativity involves concepts which lie outside formal logic. And it's those concepts which are scientific principles. It's those concepts which represent creativity. It's those concepts which carry man forward.

## Italy's Tremonti: A Systemic Crisis

Italian Economy Minister Giulio Tremonti was interviewed on Sept. 17 by RAI TV news, which described him as a man who had anticipated the world economic crisis in his 2007 book, *Fear and Hope*. Now, Lehman Brothers' failure vindicates his forecasts, the interviewer said. Tremonti said, "It is not a bank failure, it is the failure of a system. This is the result of the insane decision of financing globalization through debt. They produced in China and bought in the U.S.A. with debt. Then, the house of cards collapsed. The system of oversight and survey has failed, but the bankers take a large check home, the surveyers come to lecture us, and the poor people are the losers.

"We have a world without rules, with the idea that you produce without working. We must establish new rules, and rules are not made by the ruled. Rules are made by governments and authorities."

Tremonti reiterated his call for convening "a New Bretton Woods conference," when Italy becomes the chairman of the G-8 meeting, in January 2009. "I believe that the G-8, under the Italian chairmanship, will set new rules," he said.

### 'Crisis Will Get Worse'

The same day, Tremonti told the House Finance Committee of the Italian Parliament that "the crisis will get worse," and gave an interview to the daily *Corriere della Sera* of Sept. 18, in which he called for "a return to the public," i.e., the state. Tremonti reiterated his call for a New Bretton Woods, and called for large public projects, which he wrongly called "Keynesian policies."

He denounced the policies of the U.S. Federal Reserve under Alan Greenspan: "Greenspan was considered to be a master. Now we should ask whether, after bin Laden, he is the man who hurt America the most."

"It is evident that what is being manifested is a 'sickness,' he told *Corriere*. "It is not the failure of a bank, but the failure of a system. Until a few days

ago, very few people were willing to acknowledge the intensity and the dramatic nature of the crisis. If you deny the existence of the sickness, you do not find the cure. At the roots of the sickness is the decoupling between finance and regulation ... finance has progressively decoupled from the original national jurisdiction. Regulation remained local, while finance became international, moving into its own domain, made of anarchy and namelessness." Regulators have been "accomplices" of speculators. The collapse of the system is implicit in the system itself.

"Inside a pyramid, one default, even a small one, is enough to unleash a computerized, exponential mechanism of defaults.

"The cure can be only building regulation. ... We have suicidal regulations, like those that force us to draft balance sheets in such a way that the crisis multiplies through the crisis itself. We do not have the regulations we need: regulations forbidding speculative contracts, legal paradises, atypical instruments, opaque balance sheets. The crisis can be overcome only through re-establishing confidence, and confidence can be re-established only on new regulations.

"Since Mount Sinai, rules have not gone from the bottom up, but from the top down. Regulation is not done by regulators, but by governments. ... When, next January, the Italian G-8 presidency starts, our proposal will be not only a New Bretton Woods, the 1944 agreement of the governments of the free world, but also the specific list of a catalogue of regulations aimed at building a new and more rigorous and moral legal environment."

However, it is not only a question of regulations, Tremonti said. "In Europe, as we saw at the Nice summit, the idea is advancing, that you come out of the crisis, above all, with large public investments, or, at any rate, through policies based on the public design of large projects, i.e., Keynesian policies. The return to regulations goes along with the return to the public. Once morality has been re-established, manufactures come back, the return of the morality of work; and there is more morality of work inside an industrial product than inside a financial product. Finance as a means and not as an aim, the idea that wealth is not produced through debts, but through work."

HELGA ZEPP-LAROUCHE TO BERLIN SEMINAR

## Crisis Slams Banking System: Act Now To Avert a Dark Age

*Schiller Institute founder Helga Zepp-LaRouche brought a breath of hope to a diplomatic luncheon in Berlin on Sept. 17, which a dozen people attended, from Africa, East and Central Asia, Southwest Asia, and Eastern Europe. Their hopes were rejuvenated and strengthened, while their illusions were shaken and broken.*

*Questions ranged from, “Isn’t it all a question of morality?” to “What can we really do at the UN General Assembly? They will postpone this discussion to prevent it,” and “Why are you excluding the European nations from the powers that can solve this crisis?”*

*Some participants stayed longer and had a very productive, un-diplomatic roundtable discussion with Helga and LaRouche Youth Movement organizers, including viewing then-Mexican President José López Portillo’s 1982 speech to the UN General Assembly, and discussing who could do what before the General Assembly, to bring that spirit back, and orient toward a New Bretton Woods and the four-power agreement.*

*Mrs. LaRouche’s speech follows:*

I’m very happy to welcome you for this occasion. Most people are quite shocked at what is going on, but we are not. Because those of you who are familiar with our movement, in particular the economic forecasts of my husband, Mr. Lyndon LaRouche, know that he has made prognoses that this would happen, like nobody else. He has proven to be right, and all his critics and

opponents are completely false, and have been proven false.

Right now the situation is disintegrating. There is nothing in this universe which will stop this process. After you had the de facto nationalization of Bear Stearns, of the mortgage-financing institutions Freddie Mac and Fannie Mae, then Lehman Brothers went under. Next, AIG was temporarily nationalized by the U.S. government, with \$85 billion. Just to give you a comparison: In 1998, when the then-largest hedge fund, the LTCM, was about to go under, the sum was \$4 billion, and the Bank for International Settlements said in their annual report that this was close to a meltdown of the international system. If the 16 largest banks had not come to the support of LTCM, we would have had a meltdown of the system.

Now, obviously, we are talking about hundreds of billions. And the even more critical aspect, is that among these banks, especially in the case of Lehman Brothers, there was a discussion of \$62 trillion in credit derivative swaps, and nobody knows exactly how much there is, because most of it is “over the counter,” which means that no central bank, no government, has any control, and the only published figures so far, in the context of the BIS and other reports, as to what the dimension of this market might be—the figure which was named was \$600 trillion, which is *\$600,000 billion*. (Most people stop thinking when it comes to these amounts of zeroes!) And that is the dimension of outstanding debt, outstanding obligations.



*Helga Zepp-LaRouche, shown here at an Aug. 16 conference of the Civil Rights Solidarity Movement (BüSo), the party she heads. "Most people are quite shocked at what is going on," she told the Berlin seminar, "but we are not." The LaRouche movement has forecast for many years that the globalized, free-trade system would come to a crash point.*

Obviously if you try to maintain that, you can only have it by having hyperinflationary printing of money. (Nowadays you don't *print* money anymore; you create it virtually, on a computer, but the effect is the same.)

Now, I want you to hear what my husband said on the 25th of July, last year, in a webcast in Washington. You can go to the LPAC web page [[www.larouchepac.com](http://www.larouchepac.com)] and look at the whole webcast.

**Lyndon LaRouche:** "There *is* no possibility of a non-collapse of the present financial system—none! It's finished, *now!* The present financial system can not continue to exist *under any circumstances, under any Presidency, under any leadership, or any leadership of nations.* Only a fundamental and *sudden change* in the world monetary financial system will prevent a general, immediate chain-reaction type of collapse. At what

speed we don't know, but it will go on, and it will be *unstoppable!* And the longer it goes on before coming to an end, the worse things will get."

The crisis on the mortgage markets started three days after his speech, and one week after the speech, many people internationally said that Mr. LaRouche has a prophetic ability. Then on the 1st of August, the head of the German credit supervision agency BaFin, Jochen Sanio, said this is the worst credit crisis since 1931. Now, that looks like the understatement of the year, since it is much, much bigger; but I thought it was useful, because it reminds people that out of the depression comes the danger of war, and the danger of fascism. It reminds people that there were two approaches that were taken. One was taken by Franklin D. Roosevelt, with the New Deal, which brought the American economy essentially out of the Depression; but in Europe, unfortunately, the solution that was taken was Mussolini, Franco, Hitler, and the Hitler government—fascism, the solution of Hjalmar Schacht. Therefore, the reference, I thought, was useful.

And then the thing really exploded, when you had the German banking crisis that started in August: the West LB, Sachsen LB, Bayern LB. The answer of the central banks to this crisis was just to pour in liquidity. The European Central Bank, the Federal Reserve just opened the sluices, and poured in hundreds of billions, or what must now have become several trillions. And naturally if you do that, you create hyperinflation.

The problem was the following: The banks were sitting on toxic waste. Because the financial instruments that were created, which Alan Greenspan donated to civilization, are in reality toxic waste. There are mortgage-backed securities; there are structured investment vehicles; they are packaged and resold so many times, that nobody knows anymore where this thing ends, where it goes. And every day, since August of last year, they knew that they themselves were sitting on piles of worthless paper. The interbank trading completely stopped, because they knew that since *they* were sitting on worthless paper, they suspected correctly that the others were also sitting on worthless paper. So activity stopped. But nevertheless the central banks kept pumping in liquidity.



## Double Food Production!

From September onward, the hyperinflation became visible, in the prices of food. Because this money, once it is created by the central banks, does not stay under the mattress of some people, but they're using it for speculation. The European finance ministers' recent report stated that there was no role of speculation in the food price development; this is completely ridiculous, since the Chicago Board of Trade had already published, a couple of months ago, that 80% of the food price explosion was due to speculation.

This started to become visible last September. And also in raw material prices, energy prices. Then in October, a report was given by Jacques Diouf of the UN Food and Agriculture Organization [FAO], that there was the danger of food riots, due to the food price explosion in 40 countries. But this report was completely suppressed; you could not read it in the media at all. But by about April of this year, all of a sudden, just in time for the IMF and World Bank annual meeting, all of a sudden the media reported that 40 countries had hunger riots. The government of Haiti was toppled—and this is no joke, because the people who were demonstrating in Haiti were saying that they were not afraid of the guns of the police and the Army, because they would die of hunger anyway. That shows you the degree of desperation which this caused.

Jacques Diouf, by the way, had already said in December that he urgently needed *\$11 million*—a ridiculously low sum—in new funds, to be able to buy seed for the poorest farmers in the developing countries. And in April he said that he was unable to raise that money, and he had come to the conclusion that the advanced countries did not want to stop this hunger crisis.

At that point, I issued a call, saying that the only way that we can address this problem, is by doubling food production. Because obviously the free-market economy has failed. The idea of cheap production and forcing poor Third World countries to export food, when they are starving themselves, is a crime against humanity. I said that immediately one should stop the production of bio-fuels; stop using food for biofuel, which is a crime against humanity. If you would stop that right away, you could immediately feed 500,000 people on the spot. But you would have to double food production anyway, because



UN/Eskinder Debebe

*A family in Port-au-Prince, Haiti. During the hunger riots earlier this year, people said they were not afraid of facing the police, because they would die of hunger anyway.*

existing food production is simply not enough, and if you assume that there will be 3 billion people more by 2050, the idea of doubling production is a very realistic idea.

This would make a complete, radical change. You would have serious economic development in the developing countries: infrastructure, ports, railroads, nuclear power for desalination of large quantities of ocean water. And you would really have to be serious about the economic development of Africa, Latin America, large parts of Asia.

So, we circulated this call, which received a lot of support. It was signed by many parliamentarians, heads of agricultural institutions, and so forth.

But at the FAO conference at the beginning of June, nothing happened. Basically the only thing which happened was that the true fronts became absolutely clear, between those people who demanded the total free market economy, eliminating all barriers, that the WTO should finish the Doha Round of the Geneva negotiations, which basically would mean to stop all barriers for the speculators, and turn the whole thing over to private speculative interests, and those who wanted to feed humanity.

## Depression and the Threat of War

Then came the G-8 meeting. By that time it was clear that the system was really crashing. But the G-8 would



not address it! They did not address the financial collapse of the system. And maybe I have to quote the opinion of General Ivashov, who is a very well-known Russian strategist, the head of a think tank in Moscow, who basically said, maybe one should conclude from the fact that the G-8 did not address the financial meltdown, that some people want to solve the problem militarily.

And I do not exclude the possibility that there are some people who are thinking that, because I do not think that the government of Georgia is really a Georgian government. But Mr. Saakashvili and much of the Georgian government have been sponsored by George Soros—who is even financing much of the police in Georgia—and George Soros is simply an arm of British intelligence. He is basically doing the job of the British empire. I think the fact that the Russian government reacted in a very determined way to the Georgian attack on South Ossetia, probably did much to stop an escalation to World War III. It did not eliminate the danger of World War III, but it made it very clear that Russia would not accept the continuation of the encirclement policy of NATO and the European Union. (I do not make a big distinction between NATO and the European Union, in terms of their encirclement policy against Russia.)

So by now, I think no one can deny anymore that the system is finished. And I would even go so far as to say that unless the measures that are proposed presently by my husband, who is in the United States right now—either the measures he proposes are adopted in the next two weeks, or we may have only half of the American banks left. That is how bad it is. Right now, the next big issue is HBOS, the Halifax Bank of Scotland, which is about to go under. There are several little banks in Denmark being nationalized, or bailed out by other banks, right now.

It really has reached a point where we are looking at potential chaos. This crisis is much bigger than that of the 1930s. In the '30s you did not have these financial instruments; you had a much smaller volume; you did not have continents in the condition that Africa is right now. And therefore what is happening right now can only truly be compared to the collapse of the 14th Century, when the financial houses of Bardi and Peruzzi collapsed, and you had the plunge of Europe into a Dark Age. And the consequence was that one-third of all people died, in the area from India to Ireland. The Black Death. A collapse of civilization. You had flagellants, you had witchcraft, you had a real moral and cul-

tural collapse. That is what we are looking at now, if we don't stop it.

Now, Mr. LaRouche already last August proposed certain measures, which if they had been adopted, would have spared a lot of misery and a lot of consequences. See, we don't care about money; money is very unimportant. But the consequence of this is that a lot of people are dying, and that is what is morally absolutely unacceptable, which is why many of the people who are insisting that the system must be maintained, are actually criminals, and should be in jail. This has reached the point that only a moral moron could deny the consequence, in terms of genocide, for what is happening right now.

So the question is, where should the solution come from? I don't think the European Union right now will do anything. The Ecofin ministers just met in Nice; they came out with ridiculous statements. The only reasonable person right now is Italian Economics Minister Tremonti, who has appealed and called for a New Bretton Woods system. You have interesting voices in France. You have a desert, in terms of knowledge, in Germany.

### Three Steps to Survival

Mr. LaRouche said last August already, that three measures are absolutely indispensable. One is the Homeowners and Bank Protection Act of 2007. This is in order to prevent total social chaos: The government has to step in and make sure that the people who are about to lose their homes and apartments, can stay in their apartments and their homes. In the meantime, more than 3 million people have lost their homes in the United States. This has tremendous social consequences, because now you have empty houses, where gangs break in, because copper gets a very good price on the spot market. All communes [cities and towns] are bankrupt, because of the collapse of the real estate and mortgage market. Mr. LaRouche said the government has to take over and basically freeze all of these payments; let the people stay in their homes; and then later sort out a reasonable price which people can pay.

Secondly, you have to save the banks—not the investment banks, and not the investment bankers, and all these things, but the chartered banks, public banks, so the economy doesn't collapse. The idea, therefore, was basically to take over, from the state, some of these chartered banks, which is totally legal under the American Constitution. The American Constitution is totally

different than the European constitutions, because they are based on the idea of a credit system, which is very different than a monetary system. In the United States, according to the Constitution, only the government and the Congress have the right to issue credit. Not the independent central banks, like in Europe.

So that would have been the first step. The second step, which he has added, is to have a two-tier credit system. And to raise the interest rate in the United States, because if you have such a discrepancy between the interest rate of the European Central Bank, which is 4.25%, and the Bank of England, which is 5%, and you have 3% in the United States, then you have an outflow of money, which is not welcome in this situation at all.

And the third measure is the most important, and that is where we are focusing all our energy right now, to put it on the agenda. Because of the power of the financial institutions, Mr. LaRouche has said for a long time that only if the four most powerful countries in the world come together, and decide to create a new financial system, then it can function. He has said that you need the United States, Russia, China, and India to work together and have an emergency agreement. Maybe they would have a preliminary commission among themselves to figure this out, and then a conference to announce that the international system is bankrupt; that a new system will be created in the tradition of the Bretton Woods System of Franklin D. Roosevelt from 1944.

This is very important, because the Bretton Woods system that was created, was a mixture. Unfortunately, Roosevelt died in April 1945, and his successor, Truman, was very much an Anglophile, and accepted the ideas of Churchill. But Roosevelt's Bretton Woods in 1944 had a very important element. It basically said that the new system should be a credit system and not a monetary system—a difference which is very, very important. It should end colonialism forever. It was Franklin D. Roosevelt's definite commitment to a post-war order, in which the economic development of sovereign countries in the whole world would be an integral part of the new system. Now this unfortunately was never realized, because Truman, as I said, was more of a Churchillian inclination. But that is what we have to do today.

Now obviously, what we have to do is to have an emergency conference of this combination, and then other sovereign countries should attach themselves to this combination. Not supranational institutions like



EIRNS/James Rea

*The LaRouche party in Germany, the BüSo, organizes in Berlin on Sept. 19. The sign reads: "Financial Crash: LaRouche Was Right: Three-Point Plan Now!"*

the European Union, but Germany, France, Brazil, Japan, other countries, should just join. And they would have to be clear that the premises of this bank would be that you would have to write off the vast majority of all outstanding debt, since it cannot be paid anyway—neither the Third World debt nor the Berlin debt, nor most other debt. (Because the city of Berlin has a Eu65 billion debt and no industry. So this will never be paid, so why not just forget it?) We have to eliminate all of the outstanding derivatives and other speculative means. There is no reason why they should exist. They're only virtual anyway.

And then, most important, we have to have a fixed-exchange-rate system, because there is no reason why it should be allowed that individual financiers are speculating against national economies of countries. Why should Mr. Soros and Mr. Rohatyn, or Warren Buffett, or

any one of these people, be allowed to speculate with people's own *Volksvermögen*, the wealth of nations, for their own personal profit? Dr. Mahathir from Malaysia said a couple of years ago that Soros was a "criminal"—and I agree, because he was speculating down what the Malaysian people had worked for for 40 years. So, we need fixed exchange rates. And then, very important, we need a system of national banks, of sovereign governments, which issue credit, for a credit system.

### **A Credit System, Not a Monetary System**

Now, let me just say the difference between a monetary system and a credit system: A monetary system is based on the rotten ideas of Adam Smith and all his followers, that you have to buy cheap and sell expensive. And this does not work, at least not in the long term. The best example of why it does not work, you can see right now in the case of China, because China unfortunately followed that advice, and accepted to be a cheap labor production place for Wal-Mart and many other export markets in the United States and Europe. And now China has a real problem, because with the collapse of the system, the collapse of the dollar, the Chinese remarkable development, which has averaged 12% or more, only allows a certain portion of the population to be developed. The larger part of the Chinese population is still in a very poor condition—almost 80% are still on a more-or-less Stone Age level. I have travelled to China a lot, and can verify that this is the case. Now they are confronted with this problem, that they have \$1.2 trillion in reserves, denominated in dollars—Treasury bills, bonds, stocks of Fannie Mae, and other such things. They have a lot of their income in this.

Therefore, the new system must be a credit system, where the purpose is not to make profit, but the purpose is to develop the cognitive powers of the population. Because the only source of wealth is not by buying cheaply and selling expensively. The only source of wealth is the creativity of the population, because it is that which enables the economy to grow, to have scientific and technological progress, and therefore increase the material wealth of the population.

That all has been elaborated by Mr. LaRouche in many papers. I can only encourage people to look at these, because this is a very complex matter, which I cannot do justice to in these remarks.

Russia is not a problem, because there is right now a big debate about a New Bretton Woods system in Russia. I am absolutely certain that in China there is a

very serious concern about how to get out of this crisis, and I know that the ideas of Mr. LaRouche, at least in some quarters, are very much accepted. The same goes for much of India, where we have relations with many important people.

### **Crucial Battle for the United States**

Obviously the big missing question is: What about the United States?

The British empire forces around George Soros have really done a lot to ruin the only Presidential campaign which could have addressed the problem, namely that of Hillary Clinton. Hillary Clinton, in her campaign, took up a lot of Franklin Roosevelt's ideas, by stressing the needs of the lower 80% of the population, the lower income brackets. And there was a huge media effort, and by some corrupt elements in the Democratic Party, to run her out, despite the fact that she had the most popular votes. She had 18 million votes, which is more than Obama, or any other candidate in the history of the primaries in the United States. But she obviously felt that she could not oppose herself against this situation.

And now, you have a situation where the two candidates, McCain and Obama, are confronted with the meltdown of the system. And both of them have *no* idea. Mr. McCain is famous for having said that the economy is not his strength. So, if you have a Presidential candidate, in this time of crisis, who admits that he doesn't know about the economy, it's not so good. And Obama is a lightweight. He has not said one thing that would convince me, or most people, that he has any idea. So therefore, Mr. LaRouche has said that it is six or seven weeks to the election, and a lot can happen between now and then. Maybe some other people will emerge as candidates. Right now it is difficult to say, but it is not to be excluded.

In any case, we are mobilizing right now in the United States. We are rallying forces in the Democratic Party, and we are also trying to get other institutional forces to go back to the policies of Franklin D. Roosevelt. It would be better if Hillary Clinton had been the candidate, because we would have been in a better position.

But right now, Mr. LaRouche has also said that if Russia, China, and India together would announce that they would like to have a new system based on the ideas of Roosevelt, it would create the right shock effect in the United States. And I'm totally certain that the perceived pain about the collapse of the system will be an encouraging element to go in this direction.

# World Harvests Below Need; UN Ducks Crisis

by Leni Rubinstein

The Sept. 12 release of the monthly “World Agricultural Supply and Demand Estimates,” by the U.S. Department of Agriculture, gives forecasts of the size of major grain harvests expected for 2008-09, which in brief, show that, “we’re nowhere,” when it comes to mobilizing to double agriculture output worldwide, in order to supply food for all. Up perhaps 4% from last year, the combined global crops of wheat, rice, and corn remain below minimum diet needs, especially with the continuation of the bio-energy insanity, where corn and oil crops are being consumed for ethanol and diesel.

The annual September session of the UN General Assembly seems the obvious venue for international collaboration to launch a food production mobilization, as part of emergency debate and action required to deal overall with the blowout of the world financial system, now crashing by the hour. However, as of Sept. 16, the official opening of the 63rd session of the General Assembly, no such matters were included on the pre-set agenda of UN activities in New York for the period through Oct. 1.

Instead, there are dirty maneuvers to sideline essential discussion into such ongoing policy-control tracks as the Millennium Development Goals (MDG) schema, which was set in motion in recent years by British neo-imperial networks, among them, George Soros’s NGOs. On Sept. 25, there will be a UN emergency summit on MDG, with the economic breakdown and food crisis subsumed under “anti-poverty” and “fighting hunger.”

Then there is the ruse of the “agriculture value chain” discussion, promoted by world food cartels, and based on maintaining the kind of free-trade, cash-cropping, food-seed-patenting and other looting practices that caused the food crisis in the first place. From Sept. 21-26 at the UN, there will be an “Agricultural Value Chain Market Place,” which is described by its spon-

sors—the U.S. State Department AID and the UN Development Program—as intended to “demonstrate the importance of market-based strategies ... and public and private investment” to end hunger.

The common theme throughout these staged operations is the preservation of globalization, and suppression of national sovereignty. The stress is on “open” (rigged) markets, public-private partnerships (with the World Wide Fund for Nature, Monsanto, et al.), reducing carbon footprints, ending “rich” nations’ farmer subsidies, and other globaloney, especially the fattest lie of all: the Al Gorey hoax that global warming is upon us, and is to blame for the inevitable global hunger and de-population.

## Break Ranks

The hope for humanity is that certain national leaders will break ranks during the general debates, or side sessions, and speak out on behalf of nations, not “market forces” and “public/private partnerships.” For example, a side event on Sept. 24 will be sponsored by China, which is taking very concrete action for national food production increases. Russia, which also is increasing food output, announced at the Group of Eight meeting in July that it will host a world grain summit, although it is currently scheduled for Spring 2009, too late for many facing hunger now.

Over this past Summer, Helga Zepp-LaRouche originated a Schiller Institute resolution for international endorsement, demanding that this year’s annual UN General Assembly take up the urgent tasks of dealing with the world food crisis, and establishing emergency measures for a new world credit system to revive and expand economic activity.

At the same time, several member-nation governments, in particular, Indonesia, called for a UN summit to take up the food crisis as a principal focus. This was not heeded. Now, the dramatic events of the crack-up of the financial system underscore the need to break with the global controlled environment once and for all.

## World Grain Output in 2008-09

The total world grain output (of all kinds) for the 2008-09 crop year, is forecast for 2,195 million metric tons (mmt). This is up about 4% from last year’s 2,117 mmt, but way below the volume of grains output that would meet needs and also provide safe levels of grain reserves—that is, “carryover” from year to year. In



fact, this year's carryover estimate is for only 367 mmt, which in absolute tonnage terms is below what the carryover was for 19 years, from 1984 to 2002, which ranged from 450 to 550 mmt. Supplies remain scarce. Speculation is soaring, and globalization continues.

The world total production of each of the three major types of grains is projected to increase somewhat this crop year: rice, to increase about 1% to 432 mmt; coarse grains (corn, barley, sorghum, etc.) to rise about 1% to 1,087 mmt; world wheat output, which is rising by the biggest increment of 11%, may reach 676 mmt. This would be a wheat harvest world record, but still below the level of consumption required for the world's "daily bread."

What the forecasts show, is that there may be good results in certain nations that have taken measures to increase grain output, and also had decent weather, such as Russia; but this benefit is in turn, offset by the fall in production in other regions, due to lack of mobilization and/or bad weather. This year's wheat harvest in Russia may hit 57 mmt, up 14% over last year; and 27% over two years ago. However, wheat production will be down in Kazakhstan and in some other areas.

The release of the September U.S. Department of Agriculture crop estimates were, as usual, the occasion for a burst of speculation on the Chicago Board of Trade, with wheat futures (December) prices falling, because of the so-called "glut," and other grains' prices rising. The only sane response to this wild trading is to ban food speculation altogether.

## **The MDG Project and George Soros**

On Sept. 11, UN Secretary General Ban Ki-moon held a press conference at the UN in New York, to release his so-called progress update, "Millennium Development Goals Report 2008," and point to the Sept. 25 MDG Summit, occurring during the week of heads-of-state speeches to the General Assembly.

The MDG project is filthy from beginning to end; it is run, in effect, as a British Foreign Office policy-control operation, serving private financial interests. It was launched in September 2000 with a "Millennium Declaration" at the UN, which committed nations "to ensure that globalization becomes a positive force for all the world's people." Then eight MDG goals were elaborated in March 2002, in a "Monterrey Consensus" among over 100 nations meeting in Mexico. The eight goals: eradicate extreme poverty and hunger;

universal primary education; promote gender equality; reduce child mortality; improve maternal health; combat HIV/AIDS; ensure sustainable environment; and global partnerships for development.

At Monterrey, President George W. Bush announced U.S. money for a "Millennium Challenge Account," and British operatives, billionaire George Soros and Lord Mark Malloch-Brown, then director general of the UN Development Program, gave a press briefing.

Soros began his speech: "One of the main themes of this conference is public/private partnerships . . . because without that, not much progress can be made in eradicating poverty." Besides Soros and Malloch-Brown, the many British boosters of the MDG include former Prime Minister Tony Blair, Prime Minister Gordon Brown, and Sir John Holmes, one of "Tony's Cronies" put in as Under-Secretary to Ban Ki-moon in January 2007, for Humanitarian Affairs.

Now, in the countdown to the Sept. 25 MDG Summit, these networks are working overtime to confine the "issue" of the food crisis, to MDG "Goal No. 1," to reduce hunger.

The MDG idea is for "rich" nations, personages, and companies to fund "partnerships" and interventions in poor nations, and for world markets to prevail, but in a "kindly" fashion. The historical analog is the 18th-Century demand to have the British East India Co. provide chaplains and Bibles to the peoples being looted.

If various public entities (International Monetary Fund, World Bank, World Trade Organization) and private authorities (Soros foundations, NGOs) find that a poor nation's government is practicing approved governance and free trade, that nation might get a token reward; if not, it is to be punished.

U.S. statesman Lyndon LaRouche denounced the entire MDG concept at the time of the Monterrey Conference. He wrote, in March 2002, that the Monterrey Consensus MDG signator nations were committing themselves to continue a policy that "has achieved, today, a potential for mass homicide rivalled only by mass asteroid collisions with Earth, or general thermo-nuclear warfare."

The mass homicide is now to be seen in Haiti, the Horn of Africa, and other locations of desperate food shortages and death. This must stop.

*Marcia Merry Baker contributed to this report.*

# U.S. Troops Move Into Pakistani Tribal Area: A British Stronghold

by Ramtanu Maitra

In recent weeks, particularly following the removal of Pervez Musharraf, Pakistan's former President and Chief of Army Staff, on Aug. 18, Washington has begun to train its guns on Pakistan's Federally Administered Tribal Areas (FATA), which is on the border with Afghanistan. On Sept. 3, U.S. troops raided a known habitat of Taliban leaders in South Waziristan, without seeking permission from Islamabad.

The U.S.A.'s unilateral violation of Pakistani territory created a furor in Islamabad, but it is evident that Washington has come to the dangerous conclusion that the Durand Line—the international border that separates Pakistan from Afghanistan, and was drawn on sand more than century ago by a British clerk—does not hold any longer. In order to secure Afghanistan, and tame the insurgents there, Washington has decided that U.S. troops have no choice but to take the bull by the horns and move into the FATA physically, to eliminate the Taliban leaders.

Beside the furor that the raid has caused, it is evident that the Americans do not really understand what they are taking on. It is not that the U.S. troops are not militarily competent to deal with the enemy, no matter what the strength of that enemy could be; the real issue here, is that Washington refuses to acknowledge who its actual enemies are. On the ground, the FATA is controlled by the tribal groups, who have remained non-integrated as a result of the British policy of divide and rule, and by the Pakistani Inter-Services Intelligence (ISI), a section of which works hand-in-glove with MI6. In other words, the enemy is the British controllers, not the local tribesmen.

In a recent article, the senior Indian journalist Bhaskar Menon pointed out that relations between the ISI and the British intelligence community have been close for decades, and have extended into a variety of areas. Britain's post-World War II role as the patron of the

Muslim Brotherhood (inherited from Nazi Germany), developed into a low-profile alliance with Saudi Arabia and Pakistan, to guide the most effective anti-communist movement in the Islamic world. "The Brotherhood has provided the leadership of every major 'Islamic' terrorist organization, including the Taliban and al-Qaeda," Menon noted.

## Know Thine Enemy

Following the U.S. incursion into the FATA, Pakistan's newly appointed President Asif Ali Zardari travelled to London to seek the British Prime Minister's support against the U.S.-led border violation. While it is true that the FATA is basically controlled from London, with the help of the MI6 and the ISI, it is nonetheless strange, but at the same time revealing, that Zardari, who "got" his job by ousting Musharraf, with the help of the United States, ran to London, and not to Washington, to seek help. It raises the question: Who really controls Zardari?

British Prime Minister Gordon Brown, whose popularity at home is at about the same low level that Zardari enjoys in Pakistan, refused to condemn Britain's "ally," the United States. Subsequently, however, Britain's Secretary of State for Justice, Jack Straw, in a meeting with Punjab Chief Minister Shahbaz Sharif in Lahore, reiterated the U.K.'s commitment to stop both cross-border movement of terrorists, and attacks by U.S.-led forces in Pakistan. The Pakistani media noted that Straw's statement was in contrast with an earlier statement by Brown, backing U.S. incursions into Pakistan. Punjab Law Minister Rana Sanaullah told the media after the meeting that Straw has also pledged his country's support to Pakistan to improve law and order.

Meanwhile, the visiting U.S. Joint Chiefs of Staff chairman Adm. Michael Mullen, on Sept. 17, reiter-



Online photo/Muhammad Iqbal

*The incursion by U.S. troops into Pakistan's tribal areas has provoked a furor in Islamabad, and is contributing to the instability that has created fertile conditions for the explosion of the opium trade. Shown: Pakistani paramilitary forces attack militants near Peshawar, June 2008.*

ated the U.S. commitment to respect Pakistan's sovereignty, while Pakistan made clear that unilateral air-strikes in its territory are not acceptable.

This double-dealing by London's Labour leaders, Brown and Straw, should not surprise anyone, since this is the standard modus operandi of the British, and a section in Washington has been completely taken over by this British notion of "fair play." But, Washington must understand that Straw's pledge was not simply rhetoric. It portends dangerous consequences, which are not yet even on the radar screens of U.S. authorities.

Reports indicate that Pakistan's ongoing support for America's fight against terrorism has helped the British-led ISI to dissolve ideological differences

among the Islamic militants in Pakistan and Afghanistan, and that they have united in a dangerous new militia war.

Reports also show that, as the U.S./NATO and the Pakistani Army have a single agenda to curb the insurgents in the FATA, the ISI has combined the Pakistani Taliban leaders and the al-Qaeda to wage the regional war against the Pakistani armed forces. This is the battleground that the British designed in recent years to separate the tribal area, bordering Afghanistan, from Pakistan, in order to take full control of the separated state.

### **Using the U.S. To Unify the Separatists**

The unification of these disparate tribal groups was also helped by controversial U.S. drone attacks. It was reported that several missiles were fired recently at an Islamic madrassa (seminary) and the house of powerful Taliban commander Jalaluddin Haqqani in Dandi Darpa Khail in the North Waziristan tribal area near the Afghan border. In the last week in August, fighters loyal to commander Haji Nazeer attacked Pakistani security forces in South Waziristan. Haji Nazeer operates the biggest Taliban network in the neighboring Afghan province of Paktika.

According to a Pakistani analyst, there are now fears in the Pakistani military that the militia war could lead the country into deeper chaos, like that seen in Lebanon during the civil war, in neighboring Afghanistan, and in several African countries.

What Washington must realize is that what has been triggered in Pakistan's tribal areas, and in the adjoining Pushtun-dominated border provinces in Afghanistan, is the old British-led scenario to bring about a Greater Pushtunistan. This plan had always been opposed by Islamabad, but now, since Islamabad is backing the U.S.-led troops inside the Pushtun areas, the British-led forces have joined hands to go after the Pakistani Army, which is much weaker now than before 9/11. In addition, the infiltration of young British Muslims, deployed by MI5 into the ISI and the

military, has given the separatist movement a boost. But the war cry of the jihadis is against the Pakistani Army, which has allied with the U.S. troops, who, in return, have repeatedly violated the sovereign territory of Pakistan.

### **Opium: Britain's Best Ally**

However, in order to get a clearer understanding of what keeps the British grip strong in this area, one must realize that this is also Pakistan's opium-growing region. In Afghanistan, British troops are active in Helmand province, which produces more than 50% of Afghanistan's opium. It is anyone's guess how much of that opium money is used to shore up the City of London's bankrupt financial storefronts.

Poppy crops have been cultivated on more than 4,500 acres in the remote areas of the North West Frontier Province (NWFP) and the FATA this year, says an official report.

However, it has also been pointed out that the teams could not carry out an accurate ground survey of the poppy production areas because of the fragile security situation in the areas. Sources said that respective political authorities and district administration did not give clearance to the survey teams. Despite resistance from the growers, the poppy crop was destroyed in some parts of FATA and settled areas of the province this year. According to the official figures, poppy has been cultivated on 4,275 acres in Khyber, Mohmand, and Bajaur regions of FATA and on 296 acres in several parts of the NWFP, including Kaladhaka and Kohistan.

Poppy cultivation was brought to "zero level" in the NWFP and the tribal areas in 2000, according to the official reports. At that time, the Taliban government had also placed a ban on poppy production in their country. However, people in the FATA and parts of the NWFP, particularly Kaladhaka and pockets of Charsadda district, resumed poppy cultivation, and officials said the banned crop was cultivated on 8,000 acres in 2002.

Inside Pakistan, the vast bulk of illegal opium is cultivated in the tribal areas, and in Baluchistan near Quetta, bordering Afghanistan's Pushtun-inhabited borders. Together, Afghanistan and Pakistan today are responsible for an estimated 95% of the world's illicit opium production. The border between the two opium regions is more or less non-existent.

At the same time, this is precisely the area which is

now the base of Pakistani Taliban strength, as well as the location of the many radical Islamist madrassas, along the Pakistan-Afghanistan border. The FATA heroin goes from Quetta or Hyderabad to Lahore, and from there, either directly to the West, or to Mumbai, or Delhi. India serves only as a major transit state for far more lucrative markets in Europe for processed heroin.

Moreover, most of the heroin laboratories, which refine the vast amount of opium produced year-after-year in both Afghanistan and Pakistan, are located in the FATA, and many of the "chemists" who run these labs, are British Muslims, who have come over from London, perhaps under orders of MI6, serving British financial interests.

What is particularly disturbing is the fact that a section of the British- and Saudi-led Pakistani officials have also dipped into the opium jar from time to time. For instance, former Pakistani Chief of Army Staff, Mirza Aslam Beg, in 1989, told a Pakistani newspaper that "Afghanistan and Pakistan were two countries but one people, and any future war will be our war, which gives the Pakistani Army added capability." Together with the then-ISI chief, Gen. Assad Durrani, Beg sought approval in 1991, from then-Prime Minister Nawaz Sharif, for his "detailed blueprint to sell heroin to pay for covert military operations." In a 1994 interview, Sharif told the *Washington Post*, "Both General Beg and General Durrani insisted that Pakistan's name would not be cited because the whole operation would be arrived at by trustworthy third parties." The "third parties" were not named, but it is not difficult to guess who they were.

The cooperation of Britain and Pakistan in supporting terrorism was most open in the effort to expel the Soviet Union from Afghanistan during the 1980s. Those operations involved running the notorious Bank of Credit and Commerce International (BCCI), which was wound up when American regulators began an open investigation of its activities after the end of the Cold War. U.S. Congressional reports have detailed BCCI involvement in a range of criminal activities, including laundering drug money and supporting terrorists. The specifics of British involvement in BCCI have been difficult to put on the record, because the Bank of England has claimed sovereign immunity, to shield itself from investor lawsuits aimed at discovering them.



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# Business Briefs

## *Nuclear*

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### **Brazil To Build 50-60 Plants in Next 50 Years**

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"Nuclear policy is a priority for Brazil," and the country shall build 50 to 60 new nuclear plants over the next 50 years, Mines and Energy Minister Edison Lobao told reporters, after inspecting Brazil's existing two plants (Angra 1 & 2), and the construction site for the third (Angra 3) on Sept. 12. The power from those new plants would increase Brazil's electrical capacity by 60,000 megawatts, more than half again as much as total installed capacity today (100,000 MW).

Nothing like this has been heard in Brazil since the aggressive nuclear plans of the 1970s were crushed by environmentalist attacks and threats from the Carter Administration. Lobao's emphatic statement indicates that Brazil's pro-development forces are back in action, pressing to regain the ground lost under globalization.

## *Ibero-America*

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### **Fernández, Lessa Ridicule Monetarists**

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Argentine President Cristina Fernández de Kirchner, and Brazilian nationalist Carlos Lessa, former president of the Economic and Social Development Bank (BNDES), are two voices of sanity which stand out among those many government and other officials, who—at least publicly—choose to deny the reality of the current global financial crash.

Fernández, on Sept. 16, noted the irony of Lehman Brothers and other now-crumbling Wall Street investment firms, having attacked her government's economic policies just two weeks ago, forecasting that Argentina would collapse under the weight of her gross "mismanagement." The time Lehman Brothers spent forecasting doom for Argentina would have been better spent examining

"its own risk," Fernández suggested, because the "First World" model they recommended for her country, has "popped like a bubble." She didn't deny that Argentina would be affected by the financial blow-out, but indicated that the model she defends, based on industry and production, is better prepared to "weather the storm."

Lessa, interviewed by Reuters Sept. 16, warned that the measures that monetarist central bank president Henrique Meirelles has supposedly put in place to defend Brazil from crisis, are non-existent. Moreover, he admonished, in the face of what is about to hit Brazil, its \$200 billion in reserves are meaningless. As for the United States, Lessa explained that its alleged "financial gain" bears no correspondence to the generation of real wealth, and has created a large bubble. Here, Lessa echoes what he told *EIR* in an exclusive April 2005 interview in which he warned that "the financial dragon has to be slayed!"

## *Hydroelectric Power*

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### **India To Build Two Projects in Myanmar**

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Myanmar signed an agreement Sept. 19 with India to build two hydroelectric power projects. Under the agreement, Myanmar's Department of Hydropower Implementation (DHPI), with the help of India's National HydroPower Corp. (NHPC), will build the 1,200 megawatt Tamathi hydropower project and the 600 MW Shwzaye hydropower project on Chindwin River. New Delhi called it a "major strategic victory" for India. The deal was signed in the newly built administrative capital, Naypyidaw, during a ceremony attended by the Myanmar Minister for Electric Power Zaw Min and Indian Ambassador Bhaskar Kumar Mitra. New Delhi is already in the process of building the 111 MW Thahtay Chaung thermal power project in Myanmar.

The breakthrough came after a number of meetings between representatives of the two countries, followed by the visit

of the Indian Minister of State for Power and Commerce, Jairam Ramesh, to Myanmar on June 23, where he firmed up investment plans after his meeting with Lt. Gen. Thiha Thura Tin Aung Myint Oo, Secretary of the State Peace and Development Council, Myanmar.

"This is a major strategic victory for us. The Chindwin River holds huge hydropower potential and we intend to further strengthen this relationship by going in for other such projects in Myanmar," Jairam Ramesh said.

## *Interest Rates*

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### **London Scribbler Wants 'Shock and Awe'**

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The bailouts of Freddie Mac, Fannie Mae, and insurance giant AIG were not enough for the City of London. City mouthpiece Ambrose Evans-Pritchard, writing in the London *Daily Telegraph* Sept. 19, calls for slashing interest rates, to produce "shock and awe" in the financial markets. Evans-Pritchard quotes Stephen Lewis of Insigner de Beaufort, as warning that, "The Central Bank [U.S. Federal Reserve] action treats a symptom of the disease, not the disease itself. It is a palliative. At root, there is no way of imbuing worthless financial claims with value."

Evans-Pritchard then endorses U.S. Treasury Secretary Hank Paulson's call to set up a Resolution Trust Corporation-type institution, which he calls a "super sewer" to swallow up all the banks' bad debts, but laments the probability that Congress will adjourn before taking any action. This, it is hoped, will lead to the solution demanded for months now, by Evans-Pritchard's Anglo-Dutch financial masters: slashing interest rates.

"This crisis will not begin to abate until monetary gods at the Fed and the ECB make it clear at long last that they grasp the full extent of the crisis by slashing interest rates in a single concerted action. That will shock and awe," Evans-Pritchard concludes.

# International Intelligence

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## ***Mbeki Dumped To Wreck South Africa***

South African President Thabo Mbeki was asked to resign by the ruling African National Congress (ANC) party, according to South African media accounts on the morning of Sept. 20. *EIR* has been informed that he will formally tender his resignation Sept. 23. No details about who will replace Mbeki, considered the architect of modern South Africa, for the remaining six months of his second term as President, have yet to be announced.

*EIR* reported early this year that the targetting of Kenya for destabilization, and the effort to turn the Presidential succession in Zimbabwe into a chaotic regime-change scenario, by the City of London-based financial cartel, were leading to their primary target, South Africa, the economic powerhouse of Africa. The brutal and rapid overthrow of Mbeki will be a loss for all of Africa, as Mbeki has consistently intervened to sabotage London's destabilization operations throughout Africa.

On Sept. 15, the national working committee of the ANC passed a resolution seeking Mbeki's speedy resignation. On Sept. 20, the ANC's National Executive Committee passed the resolution. The pretext for the action was a Sept. 12 ruling by High Court Judge Chris Nicholson, who unsubstantiated assertion that it appeared that Mbeki may have colluded with prosecutors against Jacob Zuma, a former deputy president who was fired for his involvement in a corruption scandal. Zuma succeeded Mbeki as president of the ANC last December.

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## ***ADB: Produce More Food Now, or Face Disaster***

The Asian Development Bank (ADB), as part of its annual Asian Development Outlook for 2008, has issued a stark warning that food production is so far behind the needed levels, that all of Asia is "just one

supply shock away from another grain price spike." The report notes that rice prices tripled from \$400/ton in January to over \$1,200, and have fallen back only to \$730, and are not likely to fall further, but instead, could spike again, if there are not dramatic increases in output.

The ADB report says the primary cause of the 2008 food crisis is that "population and income growth have far outpaced productivity growth as measured by rice yields per hectare." While accurate, this leaves out the political, willful cause of the collapse of production: the World Trade Organization's enforcement of the globalization policy of replacing reliance on production with a dependence upon "free trade."

ADB chief economist Ifzal Ali hinted at the need for parity pricing, without using the term: "Governments have to invest in public goods that support agricultural productivity growth, and allow clear market price signals to pass through to producers and consumers alike. Only a robust supply response by Asia's farmers can bring down prices to comfortable levels again."

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## ***Livni Must Now Form New Israeli Ruling Coalition***

Having beaten hardliner Shaul Mofaz, Defense Minister under former Prime Minister Ariel Sharon, for leadership of the Kadmina Party, Foreign Minister Tzipi Livni must now form a new coalition government, a task that will not be easy. If Livni fails to assemble a new coalition, new elections will have to be held. In new elections, she would be challenged by hardliner Likudnik Benjamin Netanyahu. Labor Party chairman Ehud Barak, according to Ynet, wants a unity government with the Likud to be formed, while Likud chairman Netanyahu is calling for new elections, which he believes he would win.

Unlike Netanyahu, Livni is believed to support peace negotiations with Syria as well as the Palestinians.

Livni's election could prove to be a Pyrrhic victory, since she won by a majority of just 431 votes, about 1%.

Until a new government is formed, Ehud Olmert remains as caretaker prime minister. He resigned this month in the midst of a prolonged corruption scandal.

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## ***Ex-Chancellor Schröder Pans Anti-Russia Policy***

In the keynote address to the opening reception for the German-Russian Industry Conference in Dresden Sept. 16, Gerhard Schröder stressed how crucial good cooperation between Germany and Russia is, not only for those two nations, but for all of Europe and the rest of the world.

Schröder, the CDU leader who was chancellor from 1998 to 2005, said that the lesson of the 20th Century is that mistrust and hostility in Germany against Russia has always led to war, and that must never be allowed to occur again. Therefore, it must not be tolerated by Germany that Europe is taken hostage by anti-Russia sentiments in some European countries (a clear reference to Poland and Britain), and that military aid to Georgia and encouragement of the present leadership there, for example by the American government, is not what should be granted. Nor should the U.S. missile defense system that is perceived as a threat by Russia be stationed in Europe.

Schröder said that he was sorry to be attacking the U.S.A., but U.S. policy towards Russia is still under the influence of Cold War paradigms, and there has been a policy of arrogance and disrespect toward Russia from the point of collapse of the Soviet Union until today. But today, and especially since 1999 (in a clear reference to then-Russian President Vladimir Putin's efforts), Russia has regained strength, it is a strategic partner for Europe, and it deserves respect for its position as a great power and for its dignity—which is what is unfortunately being denied to Russia by "some Western states."

Schröder noted that, so far, Russia is

mainly a supplier of raw materials and energy to Europe and the world, which it will remain for some time. But, he said, Russia should increasingly become a producer of high-tech industrial goods, and Germany and Europe should help Russia in building a strong industrial sector.

For Germany, the main orientation must be to contribute to the project outlined by President Dmitri Medvedev: education, research, innovation, and infrastructure. German industry can do a lot in this area, he said.

### ***Fascist Lisbon Treaty Postponed Until 2010***

The European Union's Brussels commission has decided to bury the fascist Lisbon Treaty until 2010. Luxembourg Prime Minister and senior head of state of the EU, Jean Claude Junker, recently said publicly what other officials are saying behind the scenes: "I would say that the treaty will be applied towards Jan. 1, 2010.... To have it in application in June 2009, the treaty would have to be ratified by all countries before February. It is not realistic," he added in statements to the press.

Imperial plans to turn Europe into a fascist marcher lord against Russia were stymied this past June when Ireland, in the only plebiscite on the treaty, resoundingly voted against it. To be adopted, the treaty must be ratified by all EU nations, either by parliament or popular vote. Ever since the Irish vote, the British-directed imperialists have been trying to get Ireland to "revote" on the treaty before the next European elections in June 2009.

According to *Le Monde*, the EU is now divided into two groupings: 1) France and Germany, which want to force the issue; and 2) Britain, Poland, Sweden, and the Czech Republic, which think it "wiser not to precipitate the issue."

"It is a question of respect for Ireland," said Swedish Foreign Affairs Minister Cecilia Malmstroem to *Le Monde*. "We have all decided to give time to the Irish."

### ***Past Georgian Defense Min. Calls for Regime Change***

Contradicting British propaganda that Russia was the aggressor in the case of South Ossetia, according to Reuters, Georgia President Mikheil Saakashvili's defense minister from 2004 to 2006, Irakly Okruashvili, gave a Sept. 14 interview in Paris, in which he said that Saakashvili had long planned a military strike against South Ossetia. Okruashvili said he and Saakashvili worked together on military plans to invade South Ossetia and Abkhazia.

Okruashvili said, "Saakashvili must be held accountable and resign. If he steps down, he shouldn't be prosecuted. But if he doesn't, it will lead to criminal charges against him."

"Abkhazia was our strategic priority, but we drew up military plans in 2005 for taking both Abkhazia and South Ossetia as well," Okruashvili said. "The original plans called for a two-pronged operation entering South Ossetia, taking Tskhinvali, the Roki Tunnel and Java. Saakashvili's offensive only aimed at taking Tskhinvali, because he thought the U.S. would block a Russian reaction through diplomatic channels. But when the U.S. reaction turned out to be non-existent, Saakashvili then moved troops toward the Roki tunnel, only to be outmaneuvered by the Russians. After 2006, we didn't have the possibility for success by military means ... the Russians had repositioned and improved their military infrastructure in the North Caucasus, Abkhazia, and South Ossetia—and obviously they did it for us."

Okruashvili, 34, fled to Europe in 2006 after imprisonment in Georgia, where he faced corruption charges, which he said were intended to punish him for criticizing Saakashvili. In March, a Georgian court sentenced him to 11 years in prison in absentia, but he was granted asylum in France, where this month, a court rejected Tbilisi's extradition request.

## ***Briefly***

**THE LATEST IAEA** report on Iran, still under seal, reportedly says that Iran has not diverted nuclear material from its civilian program to military purposes. According to the Iranian English-language service PressTV, the International Atomic Energy Agency report says all nuclear material remains under IAEA "containment and surveillance." True to form, Western media contradicted PressTV.

**IN A SEPT. 13** press conference at the end of the Ecofin summit, Italian Economy Minister Giulio Tremonti reported that the Ecofin Council of European Union Finance, Economic, and Budget Ministers, has decided to set up a committee to study his proposal to use the European Investment Bank as the instrument for a public investment policy in Europe.

**GOLDMAN SACHS** investment bank is "the modern equivalent of the notorious Knights Templars founded in the 14th Century—all powerful in every country," a London financial analyst said Sept. 19. Acknowledging that investment banks are being taken down, he said Goldman Sachs is "not going to go quietly." It could well be something like, "we go, and we take everything with us," the analyst said.

**THE UKRAINIAN** "Orange Coalition" has collapsed as a result of an underlying dispute between the two major parties over differences with regard to Russia. Prime Minister Yulia Tymoshenko and the opposition Party of the Regions blocked a measure that would have condemned the Russian "aggression" against Georgia. The parties have until mid-October to pull together a workable coalition.

**NAZI GEORGE SOROS** along with a gaggle of his Open Society activists, staged a demonstration in Brussels Sept. 16 against Italy, protesting what he called "ethnic profiling."

# Financiers Try ‘Swift Boating’ War Hero Murtha—Again

by Anita Gallagher

The Wall Street predators have targetted senior Democrats in Congress, like Rep. John Murtha (D-Pa.), for defeat in November, with a vicious campaign of scandal-mongering. The financier establishment wants no resistance to slashing the living standards of Americans to “Dark Age” levels in the ongoing collapse.

The “financial locusts” represented by the *Wall Street Journal*, the *New York Times*, Fox News, the *Washington Post*, Rupert Murdoch’s *New York Post*, and “Boot Murtha” neocon columnist Michelle Malkin, are united in trying to create a scandal and promote an opponent to get Murtha out.

In 2006, Murtha was the target of a “Swift Boat” campaign, which rivalled that run against John Kerry in 2004. In 2008, the financiers have gone back to the “Swift Boat” playbook to oust Murtha, who, since 2006, has chaired the powerful Appropriations Subcommittee on Defense, which controls all military spending. Murtha’s record—ranging from his promotion of economic development, and its advocates like Hillary Clinton, to his opposition to anti-Constitutional policies on law enforcement and the war—provides the best explanation of why he has become such a target.

## **Murtha as a Local ‘FDR’**

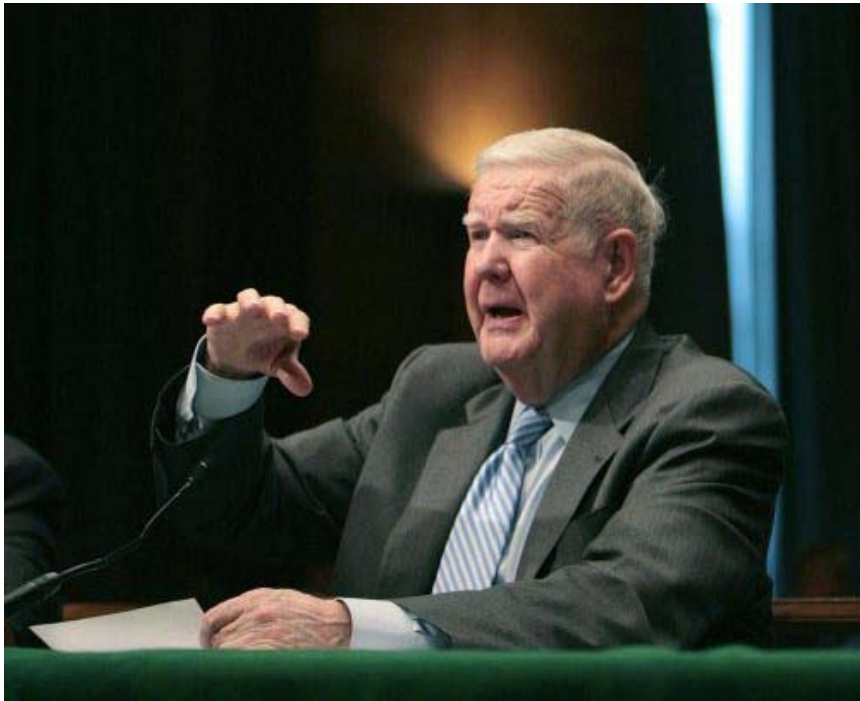
Murtha was elected to the U.S. House of Representatives in 1974, the first Vietnam combat veteran to be elected to Congress. In fiscal 2008, Murtha was one of the initiators of the largest funding increase in history

for the Department of Veterans Affairs—an additional \$3.7 billion over the President’s request. He has consistently promoted the military’s true interests, and opposed the perpetual war doctrine of Cheney’s Chickenhawks.

When Murtha arrived in Congress in 1975, the 12th district, which runs from Johnstown to Pittsburgh, was reeling from shutdowns in the steel and coal industries that had sustained Western Pennsylvania until that time. In 1977, Johnstown experienced its third catastrophic flood in a century; and in 1983, had the highest unemployment rate in the nation—24%. Due to Murtha’s strenuous efforts to bring high-tech jobs in military-associated industries, health, and other areas to the district, unemployment was reduced to 5%. Murtha has worked on infrastructure development, especially water, sewage, and bridges.

In the early 1990s, the U.S. Justice Department tried to exempt Federal prosecutors from ethics rules, which allowed a number of prosecutors to hide evidence, bribe witnesses, and set up innocent people for prosecution. The successful passage of the McDade-Murtha bill to bring this abuse under control infuriated those who wished to get rid of political enemies by false prosecution, and to keep the electorate out of it. The fact that Murtha was never charged in the ABSCAM frameup they tried against him in the 1970s, and that he fought to dismantle this capability, drives these networks berserk.





[www.murtha.house.gov](http://www.murtha.house.gov)

*Decorated war hero Rep. John Murtha, shown here testifying before the Senate Foreign Relations Committee in 2007, is the target of a dirty campaign by right-wingers and neo-Swift-Boaters controlled by Wall Street financiers.*

## Support for Hillary Clinton

Before Pennsylvania's April 22 primary, Murtha was Democratic Presidential candidate Hillary Clinton's most active Congressional supporter. He and Gov. Ed Rendell mobilized for Clinton throughout the state, and brought her back into the race with a big win, that ran to a 70% margin in blue-collar Western Pennsylvania. She travelled from one post-industrial town to another with Murtha, and talked about creating jobs and restoring the living standards of the "invisible Americans." Had Clinton lost in Pennsylvania, the anti-Clinton forces were prepared to move in for the kill with demands that she drop out of the race, and to make it financially impossible for her to continue her campaign. Heavy pressure had been applied to the New York delegation, as well as to Clinton's African American supporters, to cross over and endorse Barack Obama after the Super Tuesday primary March 4.

## No to Cheney's War

On Nov. 17, 2005, Murtha, a highly decorated 37-year member of the U.S. Marines, who retired with the rank of colonel, and one of the strongest supporters of the U.S. military in Congress, had stunned Washington

with his H.J. Res. 73, calling for American troops to be redeployed from Iraq. Murtha said, "The U.S. cannot accomplish anything further in Iraq militarily. It is time to bring the troops home." Loss of life, atrocities, and a "hollowed-out" military would be the price of not doing so, Murtha warned. After voting for the war authorization in 2002, Murtha made a complete about-face, based on frequent discussions with commanders on the ground, while others stuck with Chickenhawk Cheney's "permanent war" doctrine. In 2006, Murtha was awarded the prestigious John F. Kennedy "Profiles in Courage" Award, which annually honors a public official who rises above popular opinion to act in the national interest.

## The 2008 Version of 'Swift Boat'

In 2006, Murtha was a target of a "Swift Boat" operation run on behalf of his opponent in that year's campaign, Diana Irey. Following her brother-in-law's conviction on child pornography charges in Florida in 2007, Irey did not challenge Murtha again.

Desperate to find a candidate to challenge Murtha in 2008, the financiers again turned to the "Swift Boat," apparat; the updated version was to run a veteran against war hero Murtha. Lacking someone who lived in the district, in late 2007, they seized on a Lt. Col. William Russell, who lived in Virginia, and who would not retire from the Army until Aug. 1, 2008.

Right-wing networks collected petition signatures to qualify Russell for the Republican primary ballot in April. However, local Republican officials rejected Russell as their candidate, and threw him off the ballot through signature challenges. The apparat behind Russell then swung into action, organizing a mass mailing to write in Russell's name. Right-wing-associated direct mail firms were retained by Russell's campaign as his chief means of fundraising—direct mail to a national neocon list. Russell's website extolled his homespun "porch visits" in Johnstown, while what Hillary Clinton had memorably called the "vast, right-wing conspiracy" carried out massive direct-mail efforts. Then, the neocon press, such as Murdoch's Malkin, mobilized to



hillaryclinton.com/Sophia Paris

*Murtha campaigned throughout the Western Pennsylvania Rust Belt with Hillary Clinton, bringing her a decisive victory in the April 22 primary. Shown, Murtha and Clinton at a rally in Uniontown, March 24, 2008.*

attack Murtha and tout carpetbagger Russell's candidacy nationally.

Russell's campaign violated the letter and the spirit of the "Open Letter" directive of Joint Chiefs of Staff head Adm. Michael Mullen in late Spring, in which he had admonished members of the military that they must remain apolitical (see box). Russell appeared in the media and raised funds, while actively serving in the Reserves; on his campaign website and in brochures, he was pictured in uniform, and identified as Lt. Col. William Russell: These are violations of Article 88 of the Military Code.

Russell's campaign activity is now under investigation by the Judge Advocate General and Inspector General of the Command of the U.S. Army Reserves in Ft. McPherson, Georgia. Public affairs acting chief Scott Ferguson informed this news service on Sept. 4 that the probe will not be completed "for months," despite the election scheduled for Nov. 4—and that no information will be made public before the entire investigation is completed. The slow-paced investigation is not the first favor that Russell has received from a right-wing faction in the military. During his activation from approximately April 1 to July 31, he was assigned to a chemical unit in Johnstown—where he wished to run for Congress—despite the fact that this

was outside his military occupational specialty. The question of who arranged this for his campaign is one of the issues under investigation.

### Russell's Fundraising Profile

Russell's campaign raised \$918,000 from Jan. 1 through June 30, 2008, from individuals through direct mail, according to his Federal Election Commission (FEC) reports. In the 1st Quarter 2008, only \$34,409 of \$214,168—16%—of that was "itemized"—with names, addresses, employers, and occupations reported. Only 8% of the identified contributors of that \$34,000 were from Pennsylvania—a sampling which shows that a national mailing list of "Swift Boat" donors was used to foist Russell on the 12th Congressional District.

In the 2nd Quarter, only \$137,835 of \$669,534—21%—of the money raised, was itemized. Only 10% of the contributors were from Pennsylvania, providing another sampling which shows that out-of-state money is being raised to defeat Murtha and install a carpet-bagger.

On May 15, FEC campaign finance analyst Robin Kelly wrote to Russell's treasurer: "Your report disclosed \$185,575.09 in unitemized contributions..." She required the campaign to either amend the report with more data, or to "clarify that for the contributions in question, the aggregate total ... for each contributor does not exceed \$200." FEC spokesman Bob Birkenstock told *EIR* that the fact that the FEC sent the inquiry, showed that the Commission considered the campaign's high number of un-itemized contributions to be unusual.

## Col. Donahue Speaks Out In Support of Murtha

*Lieutenant Colonel Hal Donahue (USAF-ret.) served in Europe, Asia, and the Middle East, on the staff of the Joint Chiefs of Staff. Since retiring after 20 years in the military, he has been employed as a vice president of several major energy companies. He now devotes his time to assisting military veterans and working to elect veterans and their supporters to all levels of political office. Lieutenant Colonel Donahue wrote the following statement for EIR on Sept. 10.*

The Bush Administration began with intimidation of senior military officers. Then accelerating their tactics, they began retaliating outright against general officers who dared to give their best military advice when it countered Bush Administration “thought.” General Shinseki is the most obvious example, but over 20 general officers have retired in disgust. The results were predictable. The military became mired in the Middle East.

Then in 2006, numerous military veterans ran as Democrats. The Department of Defense appeared to selectively target veteran candidates attempting to restrict their use of hard-earned military credentials. Jack Murtha is a military icon. President Bush identified Democratic Congressman Murtha as his “go-to man” in Congress for all military issues. Military people from all over the country know “Jack Murtha” as their defender, whether in Congress or the Pentagon. Yet, when Congressman Murtha, in a true profile in courage, spoke out against how the Bush Administration was mishandling the Iraq War and the military, the entire might of the Bush Machine turned against him. Luckily for the nation, the people of Congressman Murtha’s district are made of the right stuff. Murtha’s constituents knew two things. First, their Congressman did his job, and did it well. Second, if the folks in Washington, D.C. were coming to their district to tell them what to do, those D.C. people would get nowhere—nor did they.

Now here we go again, and the Bush/Rove/McCain hate machine learned from 2006. They went out and recruited military veterans to run against the 2006 military veterans. The constituents seem aware of the tactic, and I expect all to be reelected. Congressman Murtha has opposition apparently handpicked in Washington and the candidate, a retired Reserve LTC named Russell, stands accused of running his campaign out of the Pentagon itself, while on active duty. The Bush Administration apparently escalated their use/abuse of military officers into paying full-time officers and funding them to seek political office. In addition to using Pentagon office space, telephones and equipment, LTC Russell appeared on an extreme right-wing talk show, also while serving on active duty. Now an investigation is being conducted into the whole affair. *But*, the Command of the Army Reserve at Ft. McPherson in Georgia, where the complaints are before the Inspector General and the Judge Advocate General, is “taking its time” and the elec-

tion will be decided before any findings. Is this delay, the Bush Administration politicizing the military, nothing? I will let you decide. I think the answer is an obvious yes.

Joint Chief of Staff Adm. Michael Mullen’s strong admonition in late Spring: “The U.S. military must remain apolitical at all times, in all ways. A good first step is keeping our politics private.”

Why did the Admiral say that? Because the military is sworn to protect and defend the Constitution of the United States. If the military becomes actively involved in politics, they almost by definition endanger the Constitution. This was exactly how Ollie North disgraced himself, when he deliberately lied to Congress and violated his oath as an officer. This is why so many military officers retire to oppose the Bush Administration.

I strongly support Congressman Murtha for his years of support for the military and its members, whether a general or a private, but most of all for Congressman Jack Murtha’s principled stand against an out-of-control Bush war in Iraq, which resulted in change of direction in that war.

## America’s Untold Story

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

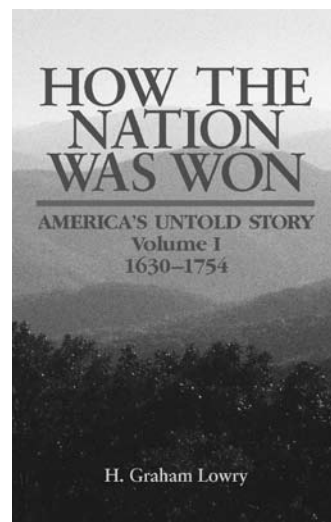
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# National News

## Rangel Faces Down Wall Street, Pelosi

Rep. Charles Rangel (D-N.Y.), the chairman of the powerful House Ways and Means Committee, on Sept. 15, shot back at Wall Street, the *New York Times*, the Murdoch press, and House Speaker Nancy Pelosi, by defiantly refusing to step down from his chairmanship. Wall Street has been on a drive to unseat Rangel on flimsy ethics charges, since he refused to cave in to Treasury Department pressure months ago, to give Secretary Paulson a free hand to bail out the financial system, at taxpayers' expense.

Rangel told the Congressional Black Caucus (CBC) on Sept. 16 that he had never even considered resigning, and Rep. Lucy Clay (D-Mo.) told reporters after that meeting, that CBC members rallied around him: "We think this is a political ploy by Republicans and he will be vindicated."

Sources on Capitol Hill reported that the demand by House Minority Leader John Boehner (R-Ohio), that Rangel step down from the Ways and Means chairmanship, would not have been pressed, had Pelosi not also been out to unseat the Congressman. Pelosi is known to be controlled by Wall Street/London sharks Felix Rohatyn and George Soros.

Reporters for *The Hill* found widespread support for Rangel among freshmen Democratic Congressmen. "Charlie Rangel took shrapnel for his country in the Korean War and has served this institution with honor and integrity," Rep. Patrick Murphy (Pa.), an Iraq War veteran, told *The Hill*. Rep. Nancy Boyda of Kansas said that some Republican Congressmen told her that they considered Boehner's call for Rangel to step down, to be "shameful."

Then on Sept. 18, Democrats and five Republicans defeated Boehner's motion by a 226-176 vote. Every Democrat except the five on the Ethics Committee (who voted "present"), voted against Boehner's motion. The five Republicans

who did include Reps. Wayne Gilchrest (R-Md.), who was defeated in the Republican primary by a pro-war candidate; Walter Jones (N.C.); Ron Paul (Tex.); Dana Rohrabacher (Calif.); and Jim Ramstad (Minn.) Six more Republicans voted "present." Eight Democrats and 12 Republicans did not vote.

The vote is a defeat for Boehner, who had threatened Republicans on Sept. 16, that if they voted against his motion, they could kiss their committee assignments goodbye.

## Gov. Schwarzenegger In Budget Showdown

The California budget crisis is going strong into its eighth week, with signs that the rotten deal that had been worked out, has broken down. That deal was based on \$9 billion in cuts in social services, combined with gimmickry centered on a 10% increase in state taxes. The "revenue acceleration," as it was called, would cover some of the remaining \$6.2 billion in the deficit, to be "repaid later," as the state's economy improved!

Gov. Arnold Schwarzenegger vowed to veto this compromise, which was passed with the necessary 2/3 vote by both the Assembly and the Senate. His objection is that he has not been given the discretionary power that he has demanded: to make mid-year cuts, without consultation with the legislature, if revenue drops; and full power over the "rainy day" fund.

The Democrats balked at giving him those powers, for good reason—i.e., that he would use them for massive cuts in social services. When this was put before the voters in 2005 as a referendum, they defeated it, with the LaRouche Youth Movement leading the charge against it, dubbing the initiative the "Make Arnie the Dictator Act."

The initial reaction to his threats to veto the budget was that Democratic and Republican leaders had the votes required to override his veto. However, that consensus appears to have broken down, as

Republican legislators suddenly discovered that "accelerated revenues" really means "increased taxes," so a number of them are leaning toward accepting Arnie's veto, and are demanding more budget cuts.

The state comptroller has warned that he will have to go to stressed credit markets to pay ongoing state expenses, as California is running out of cash. The prolonged period without a budget, approaching 80 days as of Sept. 18, means that cuts have already been imposed, particularly in Medi-Cal, the state's Medicaid program, which means that doctors, clinics, and hospitals are not being reimbursed for care they are delivering.

## Djerejian Calls for Dialogue with Iran

U.S.-Iranian Relations: The Diplomatic Cost of Not Talking," was the title of an op-ed in the *Washington Times* on Sept. 17 by Edward Djerejian, former U.S. ambassador to Israel and Syria, and the founding director of the James Baker III Institute at Rice University.

Djerejian noted that the Iranians have engaged in discussions with the United States on Iraq, but that they want a broader dialogue. The U.S. is strong enough, he said, that it can afford to offer Iran such a strategic dialogue, which might begin with discussions of Iraq, Afghanistan, Arab-Israeli peace, Gulf security, and Lebanon—before getting to the question of Iran's nuclear program. There are at least three different factions in Iran with regard to the nuclear issue, and a sophisticated approach by Washington would take this into account, Djerejian contends.

Meanwhile, David Wurmser, a former advisor to Dick Cheney, says that President Bush will not attack Iran before his term ends in January (even though Wurmser wants him to). "No, Bush won't go," Wurmser said, speaking in Brussels on Sept. 16, after a roundtable on nuclear nonproliferation, sponsored by the European Jewish Congress. As quoted in the



## Briefly

*Jerusalem Post*, Wurmser complained that the dominant sentiment in Washington now seems to be that “diplomacy is working, that there is a trend in the regime toward moderation, that pressure is building on the regime.”

### Congress’s Debate on Aid To Georgia Meets Reality

Economic reality rudely intruded into the Congressional debate on Sept. 17 to authorize \$470 million as part of the Bush Administration’s \$1 billion package of aid for Georgia; the bill was being marked up in the House Foreign Affairs Committee.

“This debate does seem a bit bizarre in the context of having our economy teetering on the edge of bankruptcy, and we’re talking about spending hundreds of millions of dollars in a faraway region that has nothing to do with our own national security,” said Rep. Dana Rohrabacher (R-Calif.), who had said the week before that “the Russians are right, and we’re wrong”—referring to the fact that Georgia, not Russia, started the war.

“In budget terms,” Rohrabacher said, “we are proposing to give hundreds of millions of dollars, to give to a government that clearly ignored our advice, broke a truce, and then initiated a military action against people whose only crime was that they didn’t want to be part of Georgia.”

Another Congressman, unidentified in the House transcript, charged: “This is \$1 billion to basically show our anti-Russian attitudes. That’s an expensive telegram, particularly at a time when the United States faces tough economic conditions. Now, I might favor this resolution if we could fund it by transferring to Tbilisi \$1 billion worth of mortgage-backed securities. Unfortunately, the State Department plans to fund this in cash—*cash*, \$85 billion of which is already been deployed by the Fed to deal with the latest crisis. And AIG is just one of the crises to come.”

Rep. Ted Poe (R-Tex.) pointed out

that some of the funds will be used to repair Georgia’s energy infrastructure, but Texas’s energy infrastructure was badly damaged by Hurricane Ike, and, he reminded his colleagues, charity starts at home. Rep. William Delahunt (D-Mass.), an opponent of the bill, asked, “What’s the disparity between \$1 billion, and \$20 million for Haiti? How do we explain that to the world?”

Rep. Ron Paul (R-Tex.) warned that it is very dangerous that so few members, and no news media, were at the committee session. “It’s shocking to me, the lack of interest,” Paul stated. “This is the kind of bill that so often, the more important it is, the less attention it gets, and the more likely it is to come up under suspension and slip it through—another \$1 billion committed to a country on the borders of Russia looking for a fight, looking to reignite the Cold War.”

The bill was approved by the committee on a 24-9 vote, with four Democrats and five Republicans in opposition.

### Secretary Gates: Don’t Provoke Russia

Secretary of Defense Robert Gates issued a warning against those who are pushing confrontation with Moscow. Speaking in England after a NATO conference on Sept. 19, Gates said that “Russia’s current actions . . . do not represent the existential and global threat that the Soviet Union represented,” and that their military “remains a shadow” of the Soviet Armed Forces.

He added that “Russia’s policies are born of a grievance-based desire” to deal with the nations on their borders which were once in the Soviet Union, rather than “an ideology-based effort to dominate the globe.”

Gates said that NATO and the United States avoided confrontation with the Soviet Union, and should not change that policy now, adding on a personal note that he had the “added perspective of having signed nearly 1,400 condolence letters since taking this post.”

**A U.S. ARMY COMMANDER** told the British newspaper *The Independent* that an Israeli attack on Iran “would destabilize the entire region and open a new battlefield which could have damaging effect on Iraq and Afghanistan.” Described as a senior officer in the heart of U.S. military policymaking, the anonymous source said that “a diplomatic solution is the only logical answer to this.”

**THE OBAMA CAMPAIGN**, finding itself strapped for cash, turned down a direct appeal from Senate Majority Leader Harry Reid for financial assistance, for campaigns which could boost the Democratic majority by four to seven seats, Washington’s *Politico* reported on Sept. 16. The campaign has not even planned any joint fundraising events with House or Senate Democrats.

**DETROIT’S** Interim Mayor, Ken Cockrel, was sworn in the week of Sept. 15, replacing Kwame Kilpatrick. As City Council president, Cockrel on March 25, 2008 submitted a resolution in favor of the Homeowners and Bank Protection Act (HBPA), Lyndon LaRouche’s proposed measure to stop the destruction of the U.S. economy. The resolution passed unanimously.

**CHIEF OF STAFF** Adm. Michael Mullen, returning from another visit to Pakistan without any apparent solution to the issue of unilateral U.S. attacks on Pakistani territory, announced that a plan to send U.S. military advisors to Pakistan will begin within weeks.

**WHO SAYS CONGRESS** isn’t doing anything? On Sept. 15, the House passed a measure to ensure Secret Service protection for former Vice Presidents for six months after they leave office. The Senate approved it in July. But what about those who need protection *from* the Vice President?

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## The Challenges of the Second 50 Years in Space

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*The U.S. space program, which inspired the world and was the science driver for our last real economic growth, faces its worst crisis since the end of the Apollo program. Marsha Freeman reports.*

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NASA's first half-century, which we celebrate on Oct. 1, has demonstrated that there are no limits to man's creative potential, and that the most visionary challenges can be met by a society that is determined to mobilize the necessary resources.

During the space agency's first 50 years, the tools were developed to explore near-Earth space, and then to apply those technological capabilities to revolutionize productivity in industry, agriculture, medicine, communications, transportation, and basic economic infrastructure.

The ability to place scientific instruments in space allowed man, for the first time, to "see" the universe in the parts of the electromagnetic spectrum that had been hidden from him by the Earth's atmosphere. NASA's robotic explorers have allowed us to observe, at close range, the outer planets, comets, asteroids, and other bodies that had appeared as mere specks of light from Earth-bound telescopes.

But the greatest legacy of the first half-century is the exploration of space by man. Manned space flight provides the indicative proof that there are no frontiers that cannot be conquered by man. It demonstrates the courage that men must summon to go out into the unknown, and the commitment to excellence by those who send him there. Its societal impact is reflected in the popular appreciation of the unmatched difficulty of the endeavor,

in the way the success of the 1960s Apollo manned lunar landing program has become part of our culture. This is epitomized in the commonly-used expression: "If we could land a man on the Moon, why can't we...?"

Today, for the second time in its history, the American space program is facing an existential crisis. The first came in 1971, when, in order to "save money," in the throes of the financial crisis that led to the dismantling of President Franklin Roosevelt's Bretton Woods agreements, the last three Apollo missions to the Moon were cancelled. The plan to industrially develop the Moon was scrapped. Manned missions to Mars were taken off the table. Only the development of the Space Shuttle was approved, and that, with a funding profile that led to a six-year hiatus in manned space flights.

The hundreds of thousands of scientists, engineers, highly skilled industrial workers, and managers—the greatest treasure that had been created through the mobilization to land a man on the Moon—were now unneeded, most becoming unemployed. The physical infrastructure, in factories, research laboratories, and NASA centers, that had been created for Apollo, was left to rot, or was physically dismantled.

Now, the second crisis comes, not due to a lack of technology, but a failed national policy. The U.S. space



NASA

*In this artist's rendering, the Orion crew vehicle is approaching the International Space Station. In a rational program, Orion would have been ready to fly in 2010 when the Space Shuttle is scheduled to be retired. Due to a failed policy, there will be a five-year gap between manned vehicles.*

agency is facing a period of five years when it will not have the ability to transport astronauts into space. NASA Administrator Mike Griffin has described this situation as “unseemly” (an understatement) for a nation that considers itself a world leader, has any national pride, and any concern about its future economic and national security. At risk today, once again, are the talents of scientists, engineers, production workers, and managers, many with decades of experience, who could soon be out on the street.

There is no segment of our national government or our policymaking institutions that escapes blame for this situation. It is now time to learn the lessons of this crisis, and fix it.

### Why We Have a Space Program

While it is important to consider how the current crisis in the nation's space program developed and how it can be resolved, this cannot be done without looking back 50 years, to a time when we were on the threshold of the Space Age.

Space visionary Krafft Ehricke laid out the onto-

logical foundation for the second great age of exploration, in 1957, even before the Soviet launch of Sputnik would open this new frontier.

In his *Anthropology of Astronautics*, he promulgated three fundamental laws to govern mankind's coming exploration of space:

**First Law:** Nobody and nothing under the natural laws of this universe imposes any limitations on man except man himself.

**Second Law:** Not only the Earth, but the entire Solar System, and as much of the universe as he can reach under the laws of nature, are man's rightful field of activity.

**Third Law:** By expanding through the universe, man fulfills his destiny as an element of life, endowed with the power of reason and the wisdom of the moral law within himself.

Laying the philosophical basis for space exploration was understood to be necessary, because it was clear to Ehricke and other astute observers that there would be

opposition to this view of exploration as a moral responsibility and economic imperative for mankind. Just as the American colonists had to wage a fight against the British Empire to establish a culturally superior new world, space enthusiasts would have to engage in the cultural war that was going to take place over space exploration.

Just five months after President Kennedy announced, before a Joint Session of Congress on May 25, 1961, that the United States would mobilize its resources “to land a man on the Moon, and return him safely to the Earth,” space visionary Arthur Clarke presented his paper on “Space Flight and the Spirit of Man,” at the American Rocket Society’s meeting in October that year, held at the New York Coliseum.<sup>1</sup> The Society was preparing its Space Flight Report to the Nation for policymakers, under a committee chaired by Ehricke.

Clarke had written in 1946, that “with the expansion of the world’s mental horizons may come one of the greatest outbursts of creative activity ever known. The parallel with the Renaissance, with its great flowering of the arts and sciences, is very suggestive.” But it was clear to Clarke that not everyone would see it this way.

“Unfortunately,” he wrote in 1961, “altogether too many educators, intellectuals and other molders of public opinion, still regard space as a terrifying vacuum, instead of a frontier with infinite possibilities.” Typical of this attitude, though rarely so clearly expressed, is the following passage from Prof. Lewis Mumford’s *The Transformation of Man* (1956). Mumford (1895-1990) was an historian, who decried the “dehumanizing” effect of cities and of technology, and had a guiding influence on anti-technology gurus, such as Amory Lovins and small-is-beautiful kook E.F. Schumaker, and the environmentalist movement.

“Post-historical man’s starvation of life would reach its culminating point in interplanetary travel. . . . Under such conditions, life would again narrow down to the physiological functions of breathing, eating, and excretion. . . . By comparison, the Egyptian cult of the dead was overflowing with vitality; from a mummy in his tomb one can still gather more of the attributes of a full human being than from a spaceman.”

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1. Arthur Clarke, who passed away on March 19, 2008, became well known for his fictional writings, such as “2001: A Space Odyssey,” which was made into a film. From the 1930s through the 1960s, his writings focused on the coming applications of space technology, and the opportunities of space exploration.

Clarke argued that to turn back from the road that lay ahead in space would be “treason to the human spirit.” He added, that were mankind to choose the wrong path, “there will be none to carry our dreams across another dark age.”

The creation of the Club of Rome in 1968, and its explicit call for limits to growth—the predecessor of today’s calls by the British royals, Al Gore, and their followers, to turn back the clock of economic growth, and destroy mankind, supposedly in order to save the environment—sharpened the fight.

In the early 1970s, Krafft Ehricke described the exploration of space, leading to the industrial development of new resources, and the “urbanization” of space to extend human civilization throughout the Solar System, as the “Extraterrestrial Imperative.” Why an “imperative?”

If life on Earth is condemned to remain on one planet, he explained, this “closed system” would eventually lead to the exhaustion of natural resources, geopolitical competition for what is left, the pauperization of most of the world’s population, and, eventually, wars. Moreover, believing that mankind has inherent limits creates a “small-mindedness,” Ehricke stated, which eliminates the very possibility of meeting challenges. Philosophically, he explained, the zero-growthers, the neo-Malthusians, “who think we have reached the end of our tether, live in an even more unreal world than those who, in the last century, advocated closing the patent offices because their mousy minds could not comprehend that there might be anything left to invent.”

## The Work of Generations

In an extraordinary speech on Jan. 19, 2007 in Houston, NASA’s Griffin followed in Ehricke’s footsteps, describing the “real reasons” for space exploration, as juxtaposed to the “acceptable reasons,” like economic spinoffs, aid to education, improved national security, and the other justifications that are used before Congress.

Griffin came to head the space agency in 2005, with an academic background, as well as real-life experience, in science, engineering, and management, in industry, the defense establishment, and the space program, and is able to stand back and see the space program in its broader context. He is known for speaking his mind, even if it’s unpopular.

“We like to do what I’ll call monument building,”



Griffin said in his speech. “We want to leave something behind for the next generation, or the generation after that, to show them that we were here, to show them what we did with our time here. This is the impulse behind cathedrals and pyramids, and many, many other things....”

How does the space program fulfill this “real reason”? Griffin explained: “It is my contention that the products of our space program are today’s cathedrals.” Like the cathedral builders, Griffin stated, to work in the space program, “you have to value hard work. You have to be willing to defer gratification, and to spend years doing what we do, and then stand back and see if it works. We learn how to leave a legacy, because we work on things that all of us will not live to see—and we know it. And we learn about accepting the challenges of the unknown, where we might fail, and to do so not without fear or apprehension, but to master it and to control it, and to go anyway.”

Griffin’s favorite quote from President Kennedy, which he has repeatedly recalled, is that we go to the Moon, “not because it is easy, but because it is hard.” In these ways, the space program stands apart from all other “line items” and agencies in the Federal budget. Its funds are not a “cost,” but an investment.

If the nation’s commitment to its space exploration program is a measure of its commitment to its future, the White House and the Congress both get failing grades.

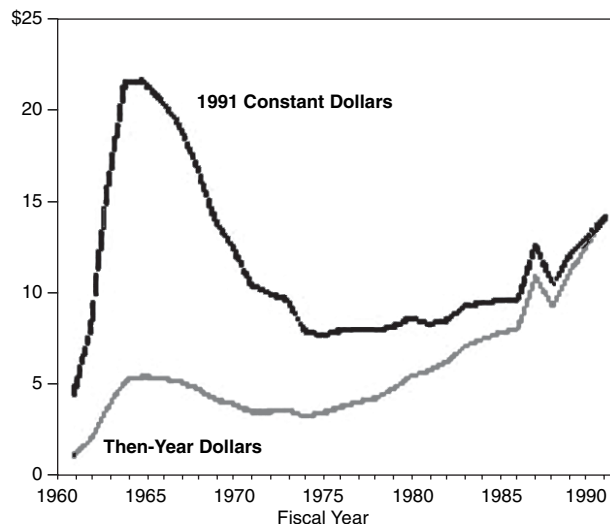
## How We Got Where We Are

The current crisis has its origin in the the space policy that the Bush Administration asserted in November 2001, which was indicated by the appointment of Office of Management and Budget (OMB) bean-counter Sean O’Keefe, who was recommended by Dick Cheney to be NASA administrator.

In the face of a projected and predictable cost overrun in the International Space Station R&D program, O’Keefe stated at a Nov. 2, 2001 Congressional hearing that the OMB would not support any increases in the NASA budget, and that “technical excellence at any cost is not an acceptable approach.” Apparently, O’Keefe had never read the 1958 act that created the space agency, which gives it the mission of technological excellence and leadership, and never mentions the word “cost.”

The Administration’s proposed “solution” to the station cost overrun was to “downsize” the project,

FIGURE 1  
**NASA Budget Trend**  
(\$ Billions)



Source: NASA

*The end of plans for manned space exploration following the Apollo program collapsed NASA spending, starting in 1966. The temporary up-tick in spending in 1987 represents the \$1 billion President Reagan gave to NASA, to replace the Space Shuttle Challenger, which had been destroyed in an accident.*

eliminating some of the planned U.S. elements. The most critical, in terms of the current situation, was the elimination of the emergency crew return vehicle, or Orbital Space Plane. This vehicle was to be ready by 2004, to transport crews of up to seven at a time, to and from the station. It would be parked at the station as an emergency return vehicle, ready in case any member of the crew needed to be returned to Earth, or should the station need to be abandoned.

The decision was made by the Bush Administration that, to “save money,” the U.S., European, Japanese, and Canadian station partners, would instead rely on the Russian Soyuz capsule to provide emergency crew rescue capability. In itself, there is nothing wrong with this decision. Depending upon our Russian partners for access to the station was especially critical during the multi-year stand-down of the Space Shuttle following the Columbia accident in 2003, when, without the Soyuz, the station would have been left unmanned.

But refusing to provide a U.S. back-up rescue vehicle capability was penny-wise and pound-foolish. Should there be a technical problem with the Soyuz that

necessitated its stand-down, there would be no space rescue capability available, because the Shuttle cannot stay in space for more than a couple of weeks. With no Soyuz at the station, in accordance with safety rules, there could not be a crew on board.

Worse, cooperation with Russia in space is not immune to the political machinations and geopolitics that often characterize relations between the world's two leading space and nuclear powers. More than once, U.S.-Russian cooperative space projects have had collateral damage inflicted on them, when political tensions have occurred.

It was against this backdrop, of having already created a potentially untenable future for the space station and the Space Shuttle, that Bush promulgated his flawed "Vision for Space Exploration."

### A Fuzzy Vision

Nothing focuses the mind, and allows new options, like a crisis. After the Space Shuttle Columbia broke apart on Feb. 1, 2003, during its reentry into the Earth's atmosphere, an investigation was conducted into the accident. The Columbia Accident Investigation Board (CAIB) looked beyond the circumstances of the accident itself, and recognized that one broader problem affecting the space program was the lack of a long-range vision. The Board also pointed to years of underfunding of the Shuttle program, which resulted in the delay or cancellation of planned safety upgrades, the lack of adequate spare parts, and other problems that created the circumstances that led to the loss of Columbia and its crew.

In response to that report, as well as the frequent reminders by the space community and some in Congress that NASA's capabilities were much greater than its resources, on Jan. 14, 2004, Bush announced his Vision for Space Exploration, at NASA headquarters in Washington.

The goals of the new program were to use the Space Shuttle to complete assembly of the International Space Station; develop a manned vehicle to replace the Shuttle, for missions to Earth orbit and to the Moon; develop the rocket needed to take astronauts back to the Moon; and later, to carry out a manned mission to Mars.

There is nothing new or original about these goals—they have been promoted by the space community since 1969. But each time this long-range plan has been put forward, the political will to realize it was absent. The program put forward by George W. Bush in 2004 was

no exception. The way it was proposed to be carried out, from the very beginning courted disaster. It has compounded the mistakes made in cancelling the replacement for the Shuttle in 2001, and led to the crisis we face today.

In order to avoid providing the space agency with increased funds to develop the new manned vehicle, named Orion, to be ready when the Shuttle was scheduled to be retired, the Bush Administration mandated that the bulk of the money needed for the new development would come from the money that would be "saved," once the Shuttle stopped flying in September 2010.

At the five-year funding level for the space agency that had been proposed by the White House in 2004, NASA estimated that when the Shuttle stopped flying, it would take at least three more years to bring Orion on line. So for all of the recent loud complaining on Capitol Hill about the "gap" in U.S. manned space flights, and the fact that the U.S. will have to buy seats for its astronauts on the Russian Soyuz, this gap did not develop since the war between Russia and Georgia; the gap was built in to the original program! The rational approach, as Griffin has stated, would have been to have the replacement Orion vehicle ready to fly the day the Shuttle was retired.

Moreover, the fact that the Administration repeatedly refused to send up to Capitol Hill *even the budget level that had been promised to NASA*, has stretched the original three-year gap to five years.

### The White House 'Jihad'

Over the past two years, astute observers could see, and Griffin kept telling anyone who would listen, that with constantly-reduced funding levels, the gap was going to increase. Leaders in the House and Senate made a serious effort to add \$1-2 billion to the NASA budget during the past two budget cycles, to try to alleviate the problem. They explained that this increase in funding would help make up some of the shortfall that resulted from the cost of repairing the damage NASA centers suffered during Hurricane Katrina, and the cost of returning the Shuttle to flight after the Columbia accident. But this Congressional effort failed. Worse still, two years ago, the Congress abdicated its responsibility and never passed a budget—only a continuing resolution. That sliced \$575 million from the already inadequate White House NASA budget request.

It is not only the manned part of our national space program that has been affected by perennial budget



NASA

*NASA Administrator Mike Griffin describes space exploration as comparable to the building of the cathedrals of the Middle Ages, requiring the dedicated work of generations.*

shortfalls. In order to keep enough money in the Orion and Ares rocket programs to show any progress at all (without which, NASA fears, the whole effort would be cancelled), the agency has had to make cutbacks in other areas. Space science and planetary exploration projects have been cancelled, delayed, or stretched out. Aeronautics research was cut to the bone. The only reason the Shuttle program has not suffered the same treatment is that no one has (yet) proposed risking the lives of the astronauts to save money.

Griffin took on the job three and a half years ago of implementing this flawed Vision for Space Exploration, because he passionately believed it necessary to put the U.S. back on the track of a visionary long-term program, even within the constraints imposed by the White House. Now his job has become more and more difficult, if not impossible. Griffin, who has refused to propitiate Congress with promises that could not be kept, or downplay the seriousness of this crisis, has plainly stated his view of the situation.

In an e-mail sent to NASA officials and agency advisors on Aug. 18, obtained by the *Orlando Sentinel*,

Griffin states: “Exactly as I predicted, events have unfolded in a way that makes it clear how unwise it was for the U.S. to adopt a policy of deliberate dependence upon another power for access to ISS [the International Space Station]. In a rational world, we would have been allowed to pick a Shuttle retirement date to be consistent with Ares/Orion availability . . . and we would have been provided the necessary budget to make it so. . . . The rational approach didn’t happen, primarily because for OSTP [the White House Office of Science and Technology Policy] and OMB retiring the Shuttle is a jihad rather than an engineering and program management decision. Further, they actively do not want the ISS to be sustained, and have done everything possible to ensure that it would not be.”

In his e-mail, Griffin provided his view of the prospects of obtaining the Congressional waiver needed in order to buy seats on the Russian Soyuz, and continue an American presence on the ISS: “We might get relief somewhere well down the road, if and when tensions [with Russia] ease, but my guess is that there is going to be a lengthy period with no U.S. crew on the ISS after 2011.”

## No Good Options

At this point, there are no “good” options for resolving the loss of American space transportation capability, and possibly, U.S. access to the space station.

Members of Congress of both parties, and both Presidential candidates, suddenly horrified that there will be the five-year manned space gap between the Shuttle’s 2010 retirement and the deployment of the new Orion craft, during which only the Russians can take people into space, have jumped on the bandwagon of proposing the extension of Space Shuttle flights past 2010. However, whether or not this is done, it does not solve the problem.

There are well-reasoned differences in judgment on whether Shuttle flights should extend beyond the now-scheduled retirement date. NASA has explained that, while this *can* be done, because none of the critical manufacturing or launch infrastructure for the Shuttle program has yet been irrevocably dismantled, the question is whether it *should* be done.

In August, Griffin asked Shuttle managers to carry out a study to determine what it would take to keep flying the Shuttle. This is not Griffin’s preferred option, but he anticipates that question will be asked by the next President and the next Congress. In August, Sens.



John McCain (R-Ariz.), Kay Bailey Hutchison (R-Tex.), and David Vitter (R-La.) sent a letter to President Bush, asking that he direct NASA to take no action that would preclude operating the Shuttle beyond 2010.

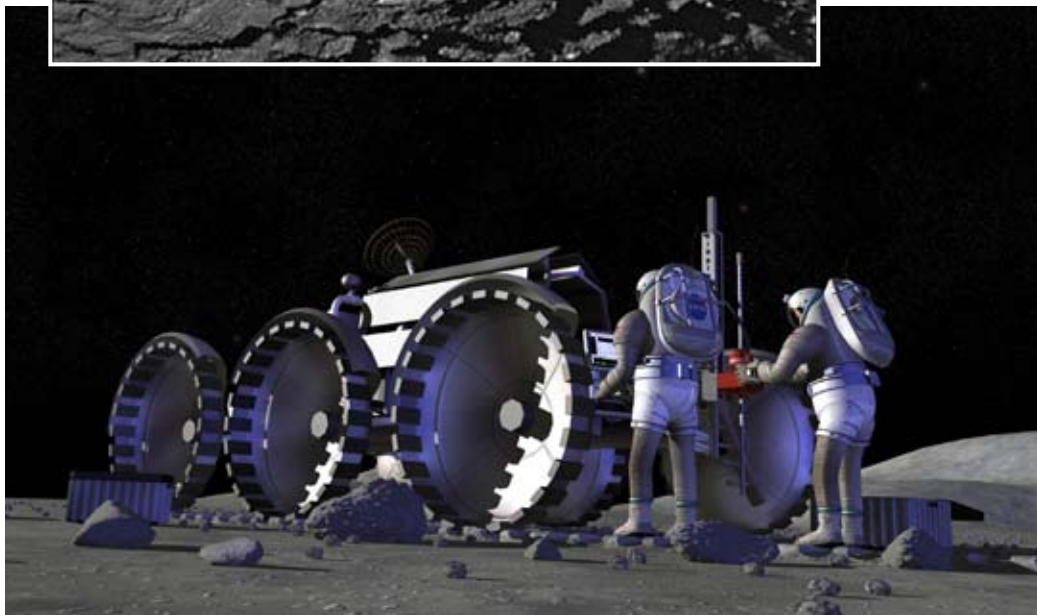
As a first estimate, Griffin has stated that to keep the Shuttle ready to fly will cost in the ballpark of \$3 billion per year. But if “new money” is not appropriated to cover that cost, it will come out of the already underfunded Orion and Ares rocket programs. This would push their development further into the future, meaning that the gap would not be closed, but extended; Orion and Ares would still be waiting for the Shuttle to retire, to have sufficient funds to proceed.

Griffin has explained that, regardless of what the financial cost may be of a couple of Shuttle flights per year in order to rotate crews on the space station after 2010, a major concern is that the Shuttle is inherently a high-risk vehicle, and the more missions you fly, the higher the odds of another catastrophic accident.

The major motivation on the part of the Florida Congressional delegation in proposing the continuation of Shuttle flights is to reduce, or at least delay, the projected layoffs at the Kennedy Space Center, during the five years there is nothing to launch. In a commentary printed in the June 2008 issue of *Aerospace America*, Rep. Dave Weldon (R-Fla.) stated that the projection is for over 64,000 lost jobs. He has introduced H.R. 4837,



*Left: The Apollo 15 astronauts set up drilling equipment and scientific experiments during their stay on the lunar surface, during the Summer of 1971. Below: In this artist' rendering, two astronauts drill into the lunar surface, to retrieve samples for geologists to study.*



NASA/Glenn Research Center / NASA/KennedySpace Center

to authorize additional funds to extend the Shuttle program and to bring the next-generation spacecraft on line sooner. In fact, only these two measures, combined, would have any palpable positive effect.

But in an interview with *Space News* on Sept. 2, Griffin said that with the refusal by Congress to act to accelerate the Orion program over the past three years, “time has essentially run out.” Describing the situation as “water under the bridge,” he said, “We really can no longer significantly accelerate” the programs.

For all of the political posturing that has occurred



since the conflict between Russia and Georgia, and calls for a “jihad” against U.S.-Russian space cooperation, no matter how long we fly the Shuttle, the United States, and its partners, will remain dependent upon Russian transport.

The Space Shuttle can only stay parked at the space station for about two weeks. In order for there to be a long-term crew aboard, there has to be a vehicle on site that can return them to Earth at any time, in case of emergency. Only the Russian Soyuz can do that. So, even if the Shuttle can deliver and return crews until Orion is ready to fly, the Soyuz will still be needed for emergency crew return.

As Griffin explained in a Sept. 4 interview with CBS News, in order for NASA to pay Russia for seats on its Soyuz, the Congress must waive the sanctions of the Iran, North Korea, Syria Non-Proliferation Act. This was done three years ago, but that contract expires on Dec. 31, 2011. Now another waiver to the law is required, to allow NASA to contract for the Russian transport in time.

According to the barter system among the station’s international partners, in return for Canada, Japan, and Europe contributing hardware to the station, the

U.S. is obligated to provide transportation for their crew members. Therefore, if the Congress does not grant the waiver, in 2012, we may have left the space station entirely to the Russians to operate and use—out of spite!

Time is of the essence. The Russians need three years to manufacture a Soyuz vehicle. If the U.S. does not have a contract in place soon, whether or not we fly the Shuttle, there will be no American, European, Canadian, or Japanese astronauts on the station three years from now.

### One Global Solution

It should be no surprise that the only real solution to NASA’s crisis, is the same approach required for reversing the financial blowout now devastating the globe: an agreement among Russia, the United States, China, and India to put the world financial system back under control, with an FDR-style New Bretton Woods, and to adopt shared missions for the common good of mankind—including space exploration.

Does that seem impossible? Not at all. It is still true that if we could land a man on the Moon, there is not any other challenge we could not meet.

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# *LaRouche: No Bailouts! Send These Crooks to Jail*

Lyndon LaRouche responded instantly to the proposed bailout legislation from Treasury Secretary Henry Paulson on Sept. 19, by declaring a firm “No!” “No bailout can be permitted,” LaRouche said. “Freeze all the speculative paper, for purposes of auditing. If you go with any kind of bailout, you lose control over the situation.”

LaRouche explained, “Congress has got to get ruthless with these swindlers. I am afraid too many members of Congress are owned, outright, by the likes of George Soros and Felix Rohatyn. I don’t think Congress, collectively, has the guts to act on behalf of the American people.”

LaRouche warned, that if Congressmen, over the next week, actually sign into law, anything resembling the multi-trillion-dollar bailout scheme proposed on Sept. 19 by Hank Paulson, they will be greeted by swarms of furious constituents, who will see them as the slavish tools of the swindlers and thieves who brought the nation to its knees. Congress will be driven, LaRouche forecast, to return to Washington, to undo the damage, and “kick the foxes out of the henhouse.”

LaRouche demanded that Congress has to “scare the Hell out of these characters. They have been looting the American people blind for the past thirty years or more. They have sent people off to jail, because they dared to get in the way of their thievery. Now it is time to turn the tables. This is not the time to make nice deals. This is not the time to be reasonable.

“The nation is being robbed blind. These guys don’t have anything coming to them. Poor people have been denied health care because of these swine. Millions of manufacturing jobs have been lost, millions of homes have been foreclosed, and

millions of American families are living at or below poverty, explicitly because of the massive swindles perpetrated by people drawing eight-digit salaries as so-called investment bankers. Let’s start frog marching them off to jail, where they belong.”

LaRouche warned that to fail to take these measures, virtually assures that the nation, and the planet as a whole, will plunge into a New Dark Age, similar to the Dark Age that destroyed Europe during the middle of the 14th Century. At that time, the investment banks of the Lombard banking system, led by the House of Bardi, looted all of the kingdoms of Europe, through wars that presaged the recent Blair-Bush-Cheney Iraq War, until there was nothing left to loot. At that point, the whole system collapsed overnight.

“Now, what has collapsed in Washington today, most conspicuously,” LaRouche said, “is investment bankers who have repeated essentially the same practice that the Lombard bankers of the 14th Century practiced. And we are on the edge of a global, financial, economic collapse, comparable to what happened in Europe in the so-called new Dark Age of the 14th Century.”

Then, as now, the world could have been saved from the horrors of a Dark Age, by a bankruptcy reorganization. In 14th-Century Europe, LaRouche noted, the bankruptcy reorganization was prevented, and, as the result, half of the parishes of Europe ceased to exist, and one-third of the population was wiped out in just two generations.

In the past days, LaRouche warned, the United States has reached the same moment of truth that Europe faced when the House of Bardi collapsed.

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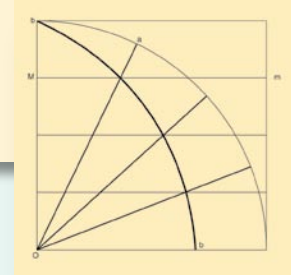
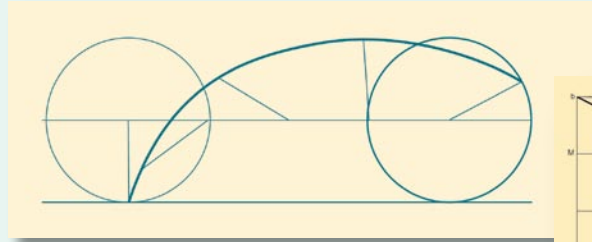
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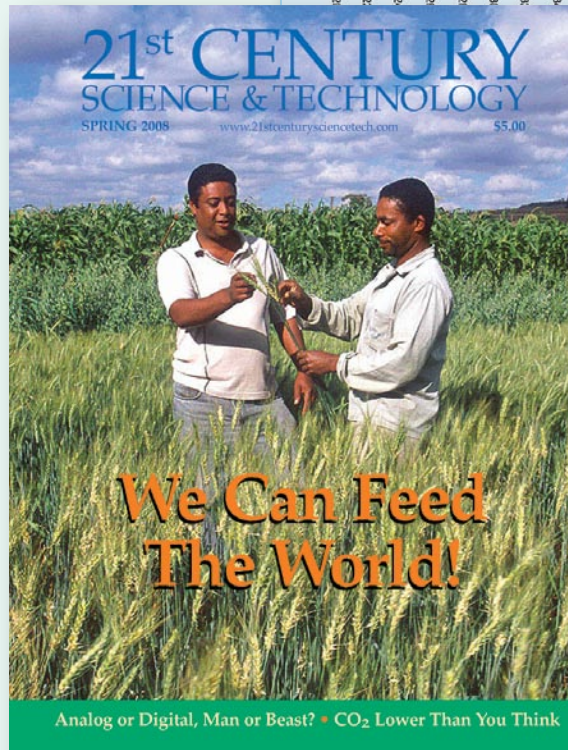
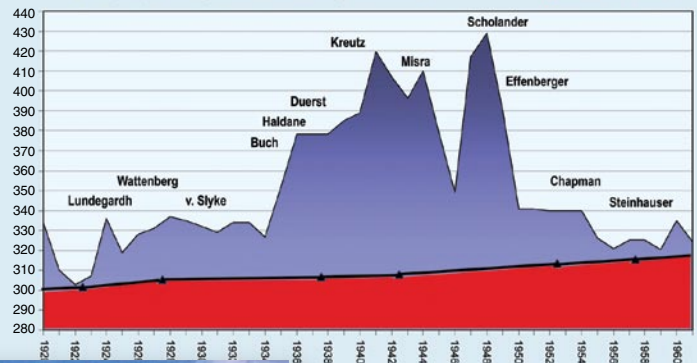
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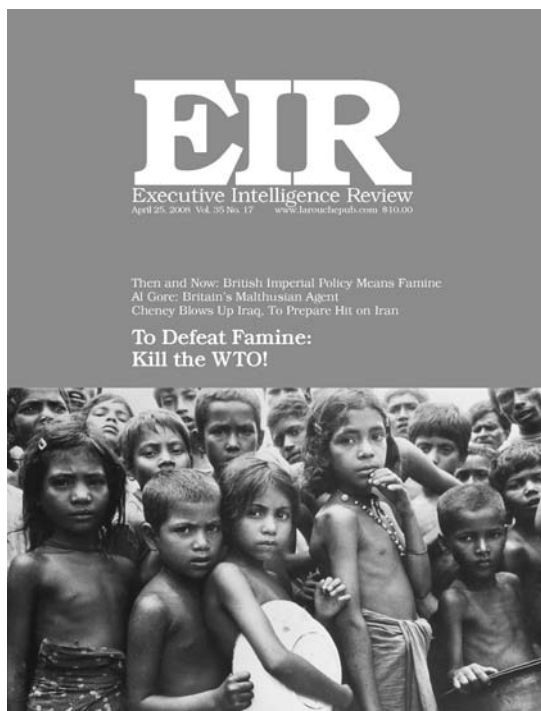
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