

# LaRouche's Jan. 22 Webcast: 'The Issue Is Bankruptcy'

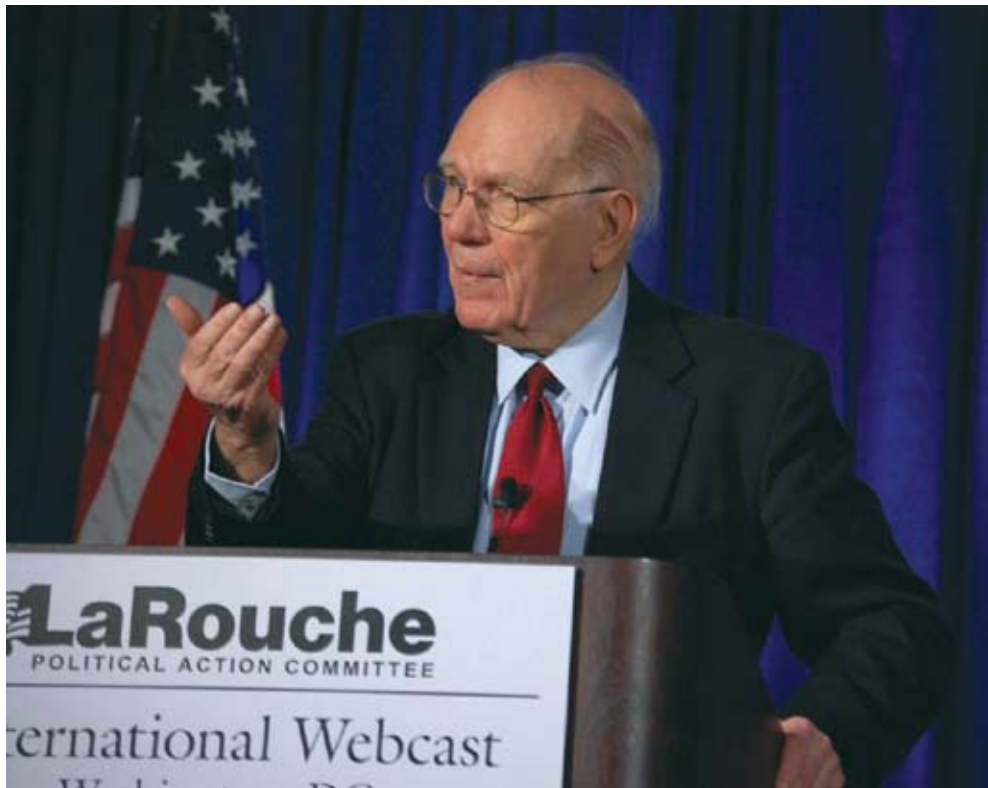
*Lyndon LaRouche gave a webcast address to an audience in Washington, D.C., and internationally, over the Internet, on Jan. 22, just two days after the inauguration of President Barack Obama. Here is an edited transcript of his opening remarks, and the two-hour discussion that followed. The event was moderated by LaRouche's spokeswoman Debra Freeman.*

**Debra Freeman:** Good afternoon, ladies and gentlemen. On behalf of LaRouche PAC, I'd like to welcome all of you on this bright, sunny day in Washington, to today's seminar and webcast.

As you know, this webcast is being broadcast internationally, in capitals around the world, as citizens everywhere, both inside and outside the United States, share in the sentiment that, in the words of one very wise man: "We might be out of the Bushes, but we are very far from being out of the woods."

There are many things that we will address in the course of today's proceedings, and much discussion that we can have. But given the urgency of the international crisis, given the urgency of the domestic crisis, what I would like to do, really without any further discussion or introduction, is to present to you, Mr. Lyndon LaRouche.

**Lyndon LaRouche:** Thank you. I shall devote the presentation preceding the question-and-answer discussion period, to the most crucial issue facing the United States government now, and the world as a whole. And the issue is: bankruptcy. The fact of the matter is, that the United States is bankrupt. The U.S. system is bankrupt. The U.S. government is bankrupt.



*Lyndon H. LaRouche, Jr. addresses the Washington webcast on Jan. 22, 2009. "The U.S. system is bankrupt. The U.S. government is bankrupt. And every part of the world is also bankrupt." Accordingly, LaRouche gives "essential ground rules" for how to assure the success of the Obama Administration in dealing with the emergency.*

EIRNS/Stuart Lewis

And every part of the world is also bankrupt.

Not only does this state of bankruptcy exist, but the moment at which the decisions have to be made to bring this problem under control is *now*. That's why the priority.

The other aspect of this thing, is that very few people, including the present administration of the United States, the current President's administration, know how to deal with this problem. And therefore, that's the hole that has to be filled, immediately. And therefore, I shall indicate some of the essential ground rules under which the emergency policy of the United States must be crafted to assure the success of the Obama Administration, and in the process, to ensure, that nations such as China, Russia, and others around the world, do not tumble into a collapse in the meantime.

### **Before a Dark Age Closes In...**

We are on the verge, not of a simple bankruptcy, but of a general chain-reaction collapse, globally, comparable in form to the breakdown crisis in the middle of the 14th Century, the so-called New Dark Age. Only this time, the threatened dark age, while immediate, is

not merely in Europe: It is worldwide. There is no part of the world which could escape a dark age, *unless*, the United States itself, the United States government, takes the actions now, under the leadership of its President, which put the world through bankruptcy organization before a dark age closes in.

China is ready for chaos. India is somewhat behind that, in time schedule. But a general collapse of the planet will hit India, too. Russia is on the verge of general bankruptcy. Every part of Europe, including the British Empire—thank God—is on the verge of bankruptcy. And the time has come, therefore, to understand what to do.

Most of the proposals which I hear from around the U.S. government itself, that is, from influential circles around government, as well as those who are coming into government, is that they really don't understand the problem. They understand many aspects of the problem, but they don't understand the problem, and therefore, their tendency would be to make a mistake.

Now one of the big mistakes is this: We have a President, who's just been elected and installed, inaugurated. He must act, now, because he's at the high point of his ability to act. If he postpones these questions, or

tries to approach them gradually, certain evil things can take over, and remove from his hands the ability to take the kind of action which he might be able to pull off now. If he's not able to pull it off, if he doesn't get the support to pull it off, then we're all in trouble, and the world as a whole is in trouble. But if he takes the right action, takes it promptly, and proceeds with resolution, as I think he would, then we can make it, as a planet. And what the United States does in that direction, is crucial and will be decisive.

First of all, the policy has to be, to put the United States system into bankruptcy reorganization. Don't fool around with this reform, that reform, this adjustment, that adjustment—forget it! Put it through bankruptcy reorganization *now*! That means, put the Federal Reserve System into bankruptcy reorganization: That's one of the first necessary steps. Put the Federal Reserve System into bankruptcy reorganization. And it deserves that, after what it did under Alan Greenspan, and what this poor schnook, who now is in his place, is doing or not doing. The system is bankrupt.

What has happened recently, under the Bush Administration—and under the Congress! Remember, the leadership of the Congress is the place that made this a real chaos: Back on July 25th of 2007, when I forecast a general collapse of the system, as coming on immediately, we still had room to get out of this mess, without too much drastic action. That is now no longer possible. Due to what happened in the Congress, including when poor Barney Frank, who is the scapegoat of the century—I think he wanted some success, and he's made it, as "Scapegoat of the Century." Everything that was done in terms of dealing with this crisis, was wrong. What was bad was made worse. We bankrupted ourselves with this bailout policy. The bailout policy was, in my view, unconstitutional and illegal, and warrants impeachment actions against those who are responsible for initiating it, and misleading and panicking the population into getting their representatives to vote for it. This was a crime against humanity. There should have been no bailout.

What's the alternative? The banks are bankrupt! Financial houses are bankrupt—so what? If you engage in gambling and you incur a gambling loss, you're supposed to eat it! You don't get to go to the government to get a bailout. You don't get a second life. Where else—? I mean, a guy says, "I got good news for you, Mother—I'm bankrupt." "Why's that good news?" she says. "Because the government's going to bail me out." What

kind of law is that? It's going to take away the pensions of our widows and orphans and so forth, and that's going to bail us out. No!

That's immoral, it's unconstitutional, it's insane.

## No Bailout!

So therefore, what we have to do, is immediately, put the entire system through bankruptcy reorganization. The best way to do it, is to act on the Federal Reserve System, because we created the Federal Reserve System, and we want to keep a separation, as Hamilton laid it out, between the functions of the Treasury Department and those of banking. Our affection is devoted to state and local chartered banks, under bank rules which we had with Glass-Steagall. That's the way it should be.

Now, what's happened is, in this corrupt mess, which the Congress has created—remember, the majority of the Congress is responsible for this! They did it! So don't say, the Congress says, "Mr. President, you trust us"! The President can not trust the Congress, after what they did. They voted for this swindle! You're going to trust them? It's immoral! They voted for it!

No, the President has to take the leadership, as the Chief Executive and leader of the nation, in the action, from the Presidency, which must *demand support* from the Congress, with the support of the people, and ram through an immediate reform: a reform of the U.S. Federal Reserve System, among other things.

What we have to do, is, we have to protect legitimate claims in the banking system, the legitimate functions of the banking system, and forget the illegitimate functions. Cast them aside: Cancel all bailouts! Cancel! No bailout! The only thing you do, is you put the Federal Reserve System through bankruptcy, and by putting it through bankruptcy, you put it under *bankruptcy protection*—not bailout, bankruptcy protection.

Then: You conduct an assessment of the situation of the bank, like a bank holiday procedure. Those elements which correspond to legitimate functions of chartered banking, will be protected. Those functions which are, because of the repeal of Glass-Steagall, included in this, will be cancelled. They will be simply put into a freeze, through assessment. Because we must save the chartered banking system, which is, in a sense, with its history, a constitutional feature of our system. National chartered banks and state chartered banks of the type which take deposits, and make reasonable, secure investments on behalf of those deposits, which are en-

trusted with money passed through the Federal government, through the creation of a currency, under the authorization of Congress, will go through that.

We have to, then, rebuild the U.S. economy.

### A Hamiltonian National Bank

Now, for example, take a point: We have a fraudulent measure, now in force, in what is, and what is not valuable. The economy is *not* productive, now. We're in a collapsing economy, in general; it's true also in Europe; it's in the world at large. We have to force investment into areas which are productive.

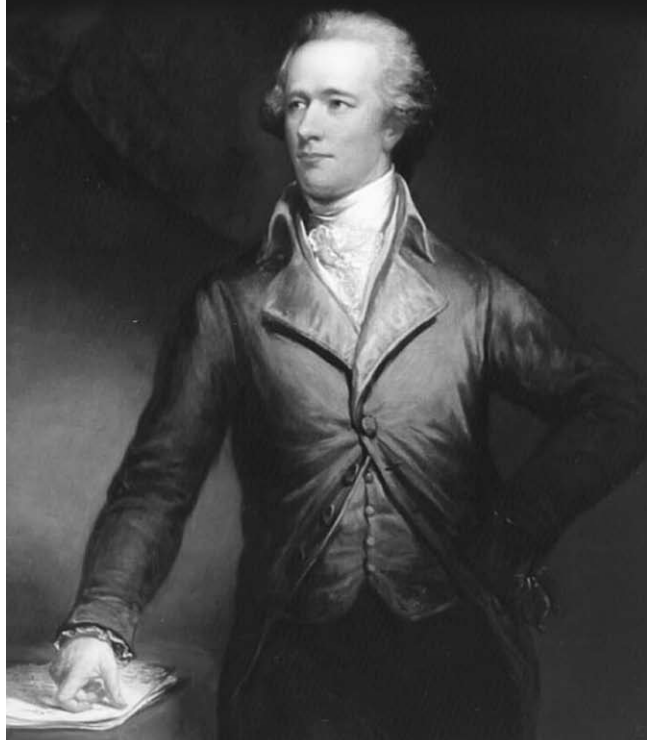
Now, Greenspan's standards of productivity are fraudulent. Forget Greenspan's standards. We're talking about *physical* standards. We're talking about standards of performance in production, in productive values, per capita per square kilometer. We're talking about health care, we're talking pensions, we're talking about production as such, physical production; essential services, health-care services, this kind of thing. And those things have to be protected and promoted. We are now operating, in point of fact, as a nation, we're operating below breakeven, in physical terms.

We're a bankrupt nation: We need bankruptcy protection. We go to our Federal government for bankruptcy protection. We put the banking system under *protection in bankruptcy*; we put the Federal Reserve system into bankruptcy. We take, and proceed to enact, a national banking act where we put all the essential functions of banking under protection of a national banking act system: a Hamiltonian National Bank. We use the National Bank as an instrument of credit, which *absorbs* the Federal Reserve System. Because the Federal Reserve System is bankrupt! And it needs bankruptcy protection. We put it in bankruptcy protection under the creation of a national banking act, a Hamiltonian National Bank.

Then we take national credit. We take what is worthless, and we *call* it worthless; we classify it as worthless, as in bankruptcy. We put it out of its misery. And banks which are bankrupt, but which are useful in their function as chartered banks, we'll keep their doors open, we'll maintain their functions, and we will generate *Federal credit, as a source of lending power, to get the economy moving again*. We will build agriculture, we will build infrastructure—especially infrastructure.

Now, the other problem we have here, in trying to solve this problem, is the fact that over the past period,

*Alexander Hamilton, in his "Report on a National Bank" (1790), argued that his Bank would mean that "by contributing to enlarge the mass of industrious and commercial enterprise, banks become nurseries of national wealth." As such, he noted later, "such a Bank is not a mere matter of private property, but a political machine of the greatest importance to the State."*



especially since 1968; since 1968, the United States has been functioning at a loss in terms of basic economic infrastructure. That was the year where—well, let me explain this: Because, again, you're dealing with an area of economics, which most economists know nothing about. That's why they call them economists, I guess.

The modern economy is based in its progress on two things: It's based on technological progress, scientific and technological progress, number one. Because, if you don't increase the productivity of a population, per capita and per square kilometer, the human population uses up some of its resources and becomes poorer and poorer and poorer! And therefore, you have to compensate for this, with large-scale investments in scientific and technological discoveries and progress, in order to



increase the productive powers of labor, per capita and per square kilometer, in the total territory.

This requires scientific progress. As you go to scientific progress, you're going to capital intensity: that is, you make investments in machine tools, and scientific technologies, in agricultural improvements, and so forth—that sort of thing—which have a life, a useful life where you use these investments up by wear and tear. And these periods range from a period of a few years, in terms of relatively short-term investment, to up to, in industry, about a quarter-century; in terms of basic economic infrastructure, you're going up to a half-century; when you go to some major things, like total national water systems, water-management systems, you're talking about a century investment.

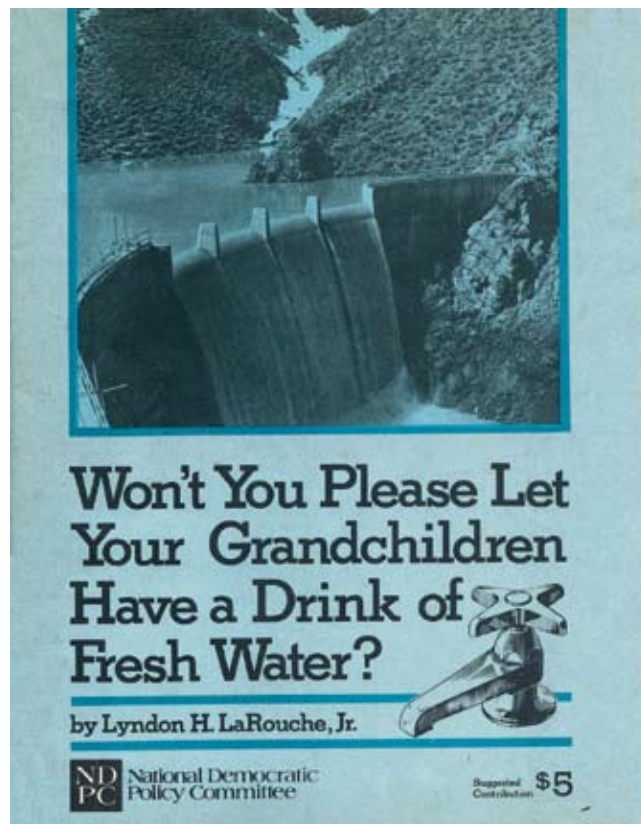
### We Have Become Poorer

So therefore, you have to look at an economy, in terms of the rate of growth of its unused-up part of investment in this sort, capital investment. And you have to promote more of that, but you have to also take account of the fact that you're *wearing out* some of your investment, as in mass transit systems, as in power systems, as in water management systems.

For example: *Where* could you, if you were alive then, and could get a drink of water, from a faucet, safely, in where you lived—say, back 40 years ago; in how many of locations would you dare drink water from a faucet, today? And similar facilities?

What happened to your health care? What happen to your ability to get health care before, and now? We have used up our investment in infrastructure. We used up our capital investment in these kinds of improvements. And since 1967-68, fiscal year '67-'68, the United States has been operating on a *negative* rate of growth of investment and useful basic economic infrastructure. We have become poorer, and poorer, and poorer. Our productivity has collapsed! Because we counted relatively useless services, which were largely make-work, to give people some kind of fake employment to keep them busy, instead of giving them productive employment, where they're producing something of physical value, or some service, which is of especially human value.

So what we have, is, since '67-'68, the date of the arrival of the Baby-Boomers, when the Baby-Boomers were rioting, and becoming disgusting, hmm?—from that period on, the United States' economy, per capita and per square kilometer, *has been degenerating*! Now,



NDPC

*This LaRouche movement pamphlet in 1982 already focussed on the infrastructure crisis in water management that was well underway.*

what we've done, is we've made up a lot of so-called services and other forms of employment, alternative employment, and ways of keeping people alive, which are *not* productive! They do *not* contribute to the increase of the production of physical wealth, per capita and per square kilometer! So we've been investing in things we should not have invested in, and we have been failing to maintain the level of productivity in things that we do need.

*Therefore*, look at prices: Go back and take the cost of a typical wage, the weekly wage of a typical person, not some guy who flew out with a golden parachute, but a typical working person, in society. Look at the purchasing power, as measured in dollars, and measured in physical equivalents, before and now. We have been going through a long range of inflation, in this period. Why? Because we've been robbed. We've been robbed, because other means, other forms of employment, other forms of activity, such as Wall Street gambling, have been used in place of investment in production!

## Why Save the Auto Industry?

For example: the auto industry. People say, “We must save the auto industry.” Why do you want to save the auto industry? Where are you going? Where’s anybody going these days? They’re not going to work! We overbuilt the auto industry anyway. It was a fake! We shouldn’t have! We should have relied more on mass transportation.

For example: Go back to my young years, even in the post-war period. How many hours did it take you to commute to work in a typical area in the United States? In many communities, it was 15 minutes. In other communities, a half an hour. What are people doing now? In the area of Washington, D.C., you can commute two and half to three hours from parts of this region into work within the region, each way. How much of family life does that involve? That’s what we’re being put through, through this kind of process.

So, we have *lowered* the productivity, the *actual*, *physical* productivity, per capita and per square kilometer, of the United States. And we’ve done similar things in Europe. We have exported our highly productive capabilities in the United States, as outsourcing, to other parts of the world.

We have now created a really interesting problem for China: The Chinese economy is now in a phase of collapse. We ripped up our industries, from the United States and from Europe—we ripped up those industries, and we shipped the production to China, for us. We then go bankrupt, and China, which now depends upon these industries and this production assignment we deployed to *them* over the past nearly 40 years—suddenly that market collapses! And China’s going through a grave crisis, as a result of *our* exporting *our* industries, for production, to China as cheap-labor sources. And paying the Chinese prices which are not adequate for them to maintain the development of their economy as a whole, when it would have been more rational, to give China the opportunity to develop its infrastructure, and to develop its industries on the basis of infrastructural development, and thus have a stable situation.

Compare, for example, the case of India. Both countries are countries with a lot of poor people, say 63% of the people in India. But India does not have the crisis that China has, because India is not as dependent upon foreign exports as China is. China’s *highly* dependent upon foreign exports. And the collapse of China’s export market, which is part of a collapse of the export market of everybody, these days, is now a social crisis

and political crisis for China.

Russia is in the process now of collapse, as a result of similar kinds of bad thinking. Europe as a whole, is bankrupt, and in a state of collapse. And what’s the reason for it? It’s largely *green*—green thinking. We have stopped producing physical values; we have stopped capital-intensive investment; we have dropped nuclear power. And nuclear power is the *essential* remedy for much of the economic problems we have today.

If you try to go with a green policy, and anti-[nuclear] policy, you go with this crazy, lunatic, “free energy” policy—which is the idea of a complete, unscientific, anti-scientific lunatic—the planet’s not going to make it! We have to go, *heavily*, to nuclear power. We need to charge up more thorium reaction plants, and more uranium plants, in order to meet the basic power requirements of this planet, and many of the productive requirements as well.

## We Did It to Ourselves

So therefore, what we have to do, is we have to recognize that this crisis is not some kind of “spontaneous” market phenomenon, or this and so forth, or what most people have said. We decided to do the wrong thing, especially from 1967-68 on: We decided to shift away, to a green perspective, away from a high-technology, productive perspective and agricultural perspective. As a result of that, we lowered the productivity per capita and per square kilometer of the United States, in physical terms, in terms of physical needs. We did similarly in Europe. We relied on exporting our production at cheap wages to other parts of the world.

So *we* created the cycle! *We* created the collapse. This was not a “market” phenomenon. The market reflected the insanity of the government and many other institutions, in changing the policy away from the policy we associated with Franklin Roosevelt’s Presidency, in mobilizing for World War II, into this kind of policy—the “green” policy, the post-industrial society policy, the globalization policy which we have today. And therefore, *we*, in the process of allowing ourselves to *use up* the capital investment, to *use up* the resources for scientific and technological progress in productivity. *We* created the cycle. *We* created the pattern of *using up* the means we had to become as wealthy and powerful as we had been as a nation earlier.

And this cycle of decay—it already began under Truman. Truman was no asset to the United States.



Office of War Information, Alfred T. Palmer

*The industrial mobilization for World War II (here, assembly of B-25 bombers in Kansas). Without U.S. logistics and industry, the Allies would have lost the war. We dismantled these capabilities ourselves, moving toward a “post-industrial” and “green” economy.*

Truman ruined the United States. But we didn’t notice it as much. It was after ’67-’68, in that fiscal year, where the net infrastructural investment, physical investment in the United States went onto the negative side. And similar things happened in Europe. And then, after ’89, worse happened worldwide.

There was no “business cycle”; there was an insanity cycle, an insanity in terms of policies, in the post-war period, where we should have learned something from the experience of rebuilding under Roosevelt. We turned it in the other direction, and we decided “there’s another way to run an economy! People would like it better this way! Or, they would like it this way, better: We didn’t like to get our hands dirty, any more. And so, we adopted policy, where we dropped our productivity, we dropped our productive potential. And we’ve found, we’ve reached the point where it has run out, and the system is collapsing.

Now, what we have to do, is invest in ourselves. Invest in our commitment to a future. Our commitment to *change* from a counterproductive mode of society, to a productive mode: And that means, government must intervene, and freeze these things, and force investments which will, in the long term, over 25 years or so

forth, rebuild this economy to the kind of relative standard it represented a long time ago.

So we are going to have to create credit, a lot of credit, and the credit’s going to be partly in the form of the U.S. dollar.

## **An Anti-British Empire Coalition**

At the same time, we have to do something else: We have an international problem on our hands: In taking steps to prompt the recovery of our system, we have to take a look at the rest of the world. We have to take a lead in doing that.

Now, most of our problem, that we have, comes from the British Empire. The British Empire has been the big influence, the British influence in leading us down the pathway toward this destruction. What

we have to do, is we have to look now, having decided that we’re going to solve our own system, reorganize our own system, at the same time, at a partnership with other nations in rebuilding the world system on a cooperative basis. This means we have to go to, say, the big nations, big nations such as China, Russia, and India. These are our natural partners. They’re not the only ones—you have Korea, South Korea in particular, you have Japan; you have other countries of Asia, other countries of Europe.

Europe doesn’t function right now, because Europe has been destroyed by this European system now operating. And Europe will have to free itself, and get back to a nation-state system, away from this present European common market system, the way it’s developed under the British influence.

The main problem we have is the British, and in anything we do, generally, you have to disregard the British in making policy. Let them sit off by themselves, the British Empire, and let it do what it wants to. And treat them as a nation-state, but don’t take them into your counsels in making international policy. They’ve already done too much of that—they made a wreck of us.



So you have to unite the United States, with an *anti-British coalition*, in a sense, an *anti-British Empire coalition*. And the anti-British Empire coalition, since Europe is not ready to do that—that is Western and Central Europe. You go to Russia, you go to India, you go to China. And you then organize a world system of cooperation, to bring the other nations in and to long-term investment in building up the world economy.

And that's the way we have to go. This kind of decision.

## A Credit System, Not a Monetary System

Now, one of the real problems, here, is the idea of a monetary system. No sane person should want a monetary system, but Europe has one, and we're a victim of one. What we need to do, is return to a credit system. Now, remember what a credit system is in the United States: Under our policy, money can not be uttered in the United States, without the initiative of the President, and without the consent of the Congress. Similarly, no international treaty can be reached, except with the initiative of the President and the consent of the Congress. Therefore, our creation of what we called a "credit system," is based on that consideration.

So what we have to do now, is put the whole system into bankruptcy reorganization, defend the dollar, and create an agreement with Russia, China, India, and other countries participating, for a fixed-exchange-rate system of the type which Roosevelt specified in connection with his Bretton Woods conference in 1944. Not the 1945 procedure, which was a change from Roosevelt's, under Truman.

Because, remember what President Roosevelt's intention was, at the end of the war: Roosevelt's intention was—we had a broken world, a war-torn world. Russia was in a mess; Europe was ruined; England, too, was ruined. Other parts of the world were ruined. Roosevelt's intention was to eliminate the British Empire, to create a system of cooperation under a fixed-exchange-rate system, under which the United States would take



National Archives

At the Bretton Woods conference in July 6, 1944, Lord John Maynard Keynes (shown here) was chairman of the U.K. delegation. President Roosevelt's conception of economics was nothing like that of Keynes, who wrote: "If the Treasury were to fill old bottles with banknotes, bury them at suitable depths in disused coalmines which are then filled up to the surface with town rubbish, and leave it to private enterprise on well-tried principles of *laissez-faire* to dig the notes up again . . . there need be no more unemployment. . . . It would, indeed, be more sensible to build houses and the like; but if there are political and practical difficulties in the way of this, the above would be better than nothing." (The General Theory of Employment, Interest and Money, 1937)

the vast productive potential which we had mobilized in the form of a military, wartime capability, and take that vast potential, and utilize that to assist two things: One, in eliminating empire, eliminating colonialism; *freeing Africa*, in particular, freeing China; freeing India; rebuilding Russia, rebuilding Europe; and to use the vast machine-tool and related capability we had directed for winning the war—and we did win the war. We didn't win the war because our troops were better trained than the Germans. We won the war because we had the logistics to do so, where they did not. And it was American logistics, American mass production of airplanes and everything else: where we had materiel with us when we were serving overseas, we had it *in tons*, where they had it in pounds. And we had that superiority in productive power, to win the war. Without that American productive power, we would have *lost* the war!

Roosevelt's intention, in the post-war period, was to take this productive power, and the policy of developing it, which he had utilized under his leadership, under wartime conditions, and say, "We're now going to use that same power, to rebuild the world; to provide the machine-tool capital goods and things of that sort,



which will feed the world. *We're going to break up the British Empire! We're going to eliminate all empires on this planet!*"

But under Truman, we reversed that process. Truman went with Churchill! The United States tolerated it. The British restored a colony in Indo-China, where we—the OSS included—had freed Indo-China from colonialism. We backed the Dutch, in conducting a war, to reconquer Indonesia! We assisted the British in controlling India, assisted the process of splitting India between Pakistan and India, which has turned out to be quite a mess these days. And similar kinds of things.

So, we allowed the British to continue crimes against humanity in Africa! We, in the 1970s, with Henry Kissinger and others, made it U.S. policy as well as British policy, that the Africans would not increase their population, would not invest, would not have access to use of their own raw materials: Because the British—and the United States, of the 1970s—agreed that the natural resources of Africa “should be preserved for the benefit of future generations, of the English-speaking people”! And that goes on today; what do you think goes on today? If you want to talk about humanity, and you’re not going to kick the British out of Africa, you’re not serious about humanity.

Then we have the drug problem. The British have been operating on the basis of the international drug traffic since the 1790s. In the 1790s, the British, including some of our Wall Street types, were running the African slave trade into the United States. And then they discovered, in the 1790s, that this was not profitable for their ships. So what did the British do? The British went into the opium trade: And they went to India, and to Turkey, for supplies of opium and other drugs, and they opened up the market in China, for opium and opium products.

And guess what? It’s still running today. The Queen of England—not herself, but the institutions—runs the international drug traffic: Take the case of George Soros. George Soros is a British agent. He controls the drug trafficking, much of it, the principal part, from Asia into Europe; he controls the drug trafficking in South America; he controls it through the Caribbean; he’s behind it coming across the border into the United States from Mexico; and he’s a leading political influence inside the United States. But he’s a British asset.

So, Roosevelt understood this. And understood that in order to have a safe world for humanity, which is not going into things like the two world wars that we’d just

gone through, both of which were organized by the British—in order to avoid that, we had to kick the British out of that business. We had to eliminate all traces of imperialism and colonialism. We had to help build up these economies, with our American methods of concentration of machine-tool and related power, to create industries, to increase the productive powers of labor on this planet. And that was our policy.

Truman went the other way.

So, we went into a great recession in the late 1940s, because the Truman Administration, in alliance with the British, went back to a pre-Roosevelt policy, and in the process *shut down* a vast amount of the potential for production which we had built up as war materiel potential during World War II. That’s how we went into that trouble.

### **The Only Successful Economic Forecaster**

Then you look at the 1950s, where I began doing some consulting work then, and had a chance to come up with a forecast about a 1957 recession. Well, how did I do that? Because I knew what was going on. And I looked at the way that the industries were behaving, and that Arthur Burns’ influence was working inside the administration of Eisenhower. And what was happening, is, I was able to forecast; I said, inevitably, this thing is coming down. I knew it from consulting.

Take the auto industry, which was one of the industries which I forecast was going to collapse—and it did, in 1957, along with others. How did it collapse?

Well: They were trying to build up an expansion of automobile sales and production. So what they did, is they increased the life-span of automobiles being sold, and this went from 12 months to 24 months to 36 months, and 36 months with a balloon note at the end—a big note at the end, the last payment. And this happened, not only in the automobile industry, it happened in virtually every other aspect of that kind of industry. And so, I simply knew the calculations. I knew that *physically*, the physical values for which credit was outstanding, and paper credit, had nothing to back them up. So, I said, “Well, we’re going to have a recession by February of 1957.” We had a recession by 1957.

So that there was never a case in this period, where some kind of statistical forecasting, or market forecasting, explains why these things occurred—recessions and depression occurred, as now. It occurred precisely because we, with our system, accepted policies—first

of all, we accepted the shutdown of our productive potential, which was bequeathed to us as the product of the war production, during the war. We shut that down to a large degree—had a serious recession in '47-'48 as a result.

We came back under Eisenhower, and we went through another credit expansion, this time under Arthur Burns' advice, which resulted in the deepest recession in the post-war period, 1957-58. On the basis of looking at the policies, then, I said, "Well, this system is going to collapse, some time during the second half of the 1960s, if it continues this way." And it did! In 1967-68. And then the whole thing collapsed in 1971-73.

So, I've been in the business of forecasting, and the only successful forecaster, of this kind of forecasting, in the entire post-war period, in Europe or the United States. Why? Because I understood these problems. And I understood that the monetarist policy is the one that leads to the kind of disaster *which has hit us, right now*.

As a result of these policies, beginning with the shift from Roosevelt's policy in 1945-46, the split from there; the switch again, after 1957; the switch again! The killing of Kennedy, which cleared the way for the Indo-China war, which was also used as another way of ruining the U.S. economy! In '67-'68 we had passed the zero point, where the amount of infrastructure we were *losing* from wear-and-tear and other causes, was greater than the amount we were gaining. So we were heading on a long-range road.

Then we went to a *green* policy. A so-called solar policy, of shutting down nuclear power, which was the one chance we had, to rebuild our industries, and rebuild our technology. And we were getting worse and worse. And under Carter, with the Trilateral Commission, *we destroyed* the U.S. economy! We limped along with the remains of that during the 1970s, and we went into the recession under George Bush I, or the Emperor George Bush I, and developments in Europe.

We destroyed the productive power of the world in the way we dealt with the Soviet collapse. If we had dealt rationally with the Soviet system's collapse, as I had proposed, having warned of this thing: I warned of the Soviet collapse in 1983; warned of it publicly later. The Soviet system collapsed exactly as I forecast it would collapse, and at approximately the same time I



*From the LaRouche movement's newspaper, New Solidarity/Ginny Baier, 1975. LaRouche recognized—where others did not—that the system would eventually collapse, because its conceptual foundations were incompetent and becoming more so. His analyses and recommendations were widely ignored by officialdom, until the present catastrophe made it impossible to deny that he was right.*

said it would collapse! We still didn't change! I forecast the '87 recession: They *still* didn't learn their lesson! I forecast what would happen under George Bush I, the Emperor, and they still didn't pay attention. And so it went, on and on and on.

So there has been no mystery to this process. Nothing has descended from the sky upon us, unless it's from God Himself. And that, as punishment for what we've done in our policymaking!

So what we have to do, is recognize that *we have made the mistakes*, by allowing our governments to be so stupid, or so corrupt as they've been. And we're not the only stupid jerks on this planet, thank God. Or whatever, the other way around. The Europeans are stupid. And what they did to the Russians, was criminal. The Soviet Union represented a great productive potential. Instead of cooperating with what remained of the Soviet

Union after the collapse of Gorbachov and company, we should have entered into cooperative agreements with them immediately, because *we needed that productive power!* We turned them into a basket case.

Here, the Soviet Union had access to the greatest infrastructural potential, in terms of raw materials, in all Asia! And only in the Soviet institutions, did the scientific institutions exist which were capable of developing the tundra areas and similar areas of high raw materials potential. The Soviet Union's potential, properly used, was essential for our policy for Asia: We didn't have to kill anybody! All we had to do, was enter into—with the aid of Germany—enter into cooperation with the new government in Russia, and enter into these kinds of long-term projects and we could have recovered nicely, as a planet.

We didn't. We went the opposite way.

So when you're talking about the crisis today, the economic policies, and the monetary policies, and the built-in policies of our government, in this way, over these years, have been the *source* of our self-destruction. And the time has come for us to recognize that. So therefore, we have to go back to the kind of thinking, which we had, under the leadership of Franklin Roosevelt.

## The British Were Out To Start a War

Now let me just explain one other big problem, here. Some people have said, that Roosevelt wasn't such great shucks, during the 1930s. Well, they're wrong.

The problem has been, that the British wanted to start World War I, as a sort of a Seven Years War repeat. The intention was, to eliminate the American economic factor in Eurasia, particularly in Russia and in Germany, Bismarck's Germany. Therefore, the British aim was to destroy the economic development, physical economic development of Eurasia, and the two powers most relevant to that, which were tied to the U.S. policy, were Germany, under Bismarck, and Bismarck's policy for Germany was an American policy. That doesn't mean it was American, in the sense that it was an American colony, but it meant that the model of the American economy under Franklin Roosevelt and beyond, was the policy of Bismarck, especially from about 1877 on. Right? So, under Bismarck, Ger-



Prescott Bush and son George H.W. Bush. As a principal in the Harriman Fifteen Corp., Brown Brothers Harriman, and Union Banking Corp., Prescott played a major role in financing Fritz Thyssen and Friedrich Flick, two German businessmen who financed Hitler's way to power in 1931-33. (See Webster Tarpley and Anton Chaitkin, *George Bush: The Unauthorized Biography*, 1992.)

many, from about 1877-1878 on, became a great, driving industrial power, with a great reform, in terms of labor reform. And great railway systems were being developed.

Similarly, in the same period, 1877-78, Russia moved in the same direction. They begin working on developing railway systems to unite Eurasia for development.

The British said, "No! We won't tolerate that!" So the British were out to start a war. And their intention was to get a war going between Russia and Germany, over the Balkans, started by Austria. Bismarck blocked that. So what the British did, is they got rid of Bismarck, through the British influence on the royal family of Germany, the Hohenzollerns. As a result of that, immediately, you had the assassination of the President of France, within a year or two later: Sadi Carnot. You had the British, the Prince of Wales, in 1894, organized the Mikado of Japan to launch a war against China, which continued until 1945.

As a result of doing these things, and the assassination of a President of the United States, McKinley, and bringing in a virtual traitor, Teddy Roosevelt, and a Ku Klux Klan fanatic, Woodrow Wilson, we joined the British side in World War I.



Now, from that point on, until the election of Franklin Roosevelt, the Presidency of the United States was largely controlled, the Presidency and Congress both, were largely controlled by an element which we would call, later, in the 1920s and 1930s, “fascist.” The Presidency of Teddy Roosevelt, the Presidency of that Ku Klux Klan fanatic Woodrow Wilson—the man who gave rebirth to the Ku Klux Klan while he was President of the United States; and similar people from Wall Street—controlled the U.S. economy and politics, from 1901, until Roosevelt was elected and installed as President.

Now, when Franklin Roosevelt became President under conditions of Depression, he was able to direct the policies of the United States in an improved direction. *But!* Wall Street and the Supreme Court *were still controlled by the fascists!* When I say “fascists,” I mean, Wall Street bankers and other people who were actually part of this operation, and who had supported Mussolini, enthusiastically; who had supported Hitler, enthusiastically, as Prescott Bush, the grandfather of George, the recent exit here, had supported Adolf Hitler personally; as a matter of fact, he had—Prescott Bush—had written the letter, the equivalent of a check, to a German bank, which bailed Hitler out in time to become Chancellor of Germany. And the Bush family are a bunch of fascists, from that time on.

### **The Pearl Harbor Attack**

Now, what happened is, the day Pearl Harbor happened—I happened to be in New York on that Sunday—on the day that happened, these guys began to get a little bit scared, particularly because of Pearl Harbor. Because some people knew that the attack on Pearl Harbor had been organized by the British in the 1920s, when the British had an alliance with Japan against the United States, on U.S. naval power. The British and Japanese, and others, were determined to cut down the U.S. naval power. And they were planning to go to the point of warfare or a limited war, with the United States, in order to bring down U.S. naval power. For this purpose, Japan agreed, on its part, to be the agent of Britain in an attack on Pearl Harbor.

So when the Pearl Harbor attack actually occurred, it had a funny effect. Because what it did, it meant that the Wall Street crowd, the entire anti-Roosevelt Wall Street crowd, were *entirely Hitler backers*. And Prescott Bush, the grandfather of the recently exited President, who had put Hitler into power, in effect, on behalf of the

British Bank of England, was among the malingerers who wasn’t willing to give up his connections to the Nazis that quick.

The problem has been, these guys, these institutions, organizations, think tanks, so forth, which were behind this process, from Teddy Roosevelt’s inauguration, until Pearl Harbor: *These people are the right-wing organizations of great influence in Wall Street and in United States’ politics and finance today!*

And that’s what the problem was in the post-war period. When Truman came in—and Truman had been a patsy of these guys—Truman changed the policies away from Roosevelt’s policies, back to the policies of the pre-Roosevelt period, with the backing of those New York and London bankers who had been the backers of Adolf Hitler. And what we’re suffering today, and have been suffering, especially since the Kennedy assassination—we have been suffering the effects of that same bunch of political influences up to the present time.

Therefore, how are you going to deal with this? That means, that in looking at the present crisis, the London-allied crowd—the Anglo-Dutch Liberal crowd—from London, and their New York banker Wall Street friends and cronies, *who are still the same alliance*, which corrupted U.S. Presidential politics from the assassination of McKinley until Roosevelt’s 1941 change—that crowd is still in there.

### **Get the President To Act—Now!**

Now, how do you deal with that? When you’re looking at the members of the Congress, some of them are powerful people, relatively speaking, but they’re not Presidents. And most of the ordinary representatives in our political system, are weaklings. Not necessarily because they’re weak morally, but because they’re weak in influence and weak in power. Don’t expect them, like a bunch of parliamentarians, to bail this nation out from its great troubles now. This can only come by a mobilization, a *surge* of mobilization of the American people, the majority *behind an incumbent new President!* As it happened with Roosevelt.

Now, the conditions, of course, with Roosevelt inauguration and Obama’s are different. *But!* This principle applies: You have to take the occasion of a popular, newly elected President, who comes in with sudden authority to make changes, to make a number of *very big changes*, a limited number of very big changes—because all the other changes are easier to do: *It’s the*



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*"You have to take the occasion of a popular, newly elected President, who comes in with sudden authority to make changes, to make a number of very big changes." He has a limited time to act, And he's got to act on the most crucial decision: the financial-banking system. Shown: Obama in Springfield, Illinois, 2007.*

*big, crucial changes, you've got to make!* Don't try to sneak up on it. You're out to kill a man who's out to kill you—you got to get him first.

That means, where do you go? You go to the center of *power*. And the center of power, here, is the issue of economy. It's control over finance, it's control over the U.S. dollar, over the U.S. credit and banking system. The President of the United States, with support of the great majority of the American people, who wish to be freed *now*, from the afflictions they're suffering, which are worsening; a President who is in a position where the world is looking at him, as a center of traditional power in the world: What is *he* going to do, that's going to better the conditions of life of endangered people of China? Of an endangered Russia? Of many endangered nations of Asia? Of the endangered people of Africa, and of Central and South America? What's he going to do for us, this great President?

*He has one, limited time to act!* And he's got to act on the most crucial decision. And the most crucial decision, is the financial-banking system. He must take *charge* of the financial-banking system, not by nice little measures—but, by the rough-tough measure of *bankruptcy reorganization of the U.S. financial-monetary system*. Reestablishing the kind of credit system which Franklin Roosevelt intended, and with due refer-

ence, which Alexander Hamilton had intended, in founding the Department of Treasury himself.

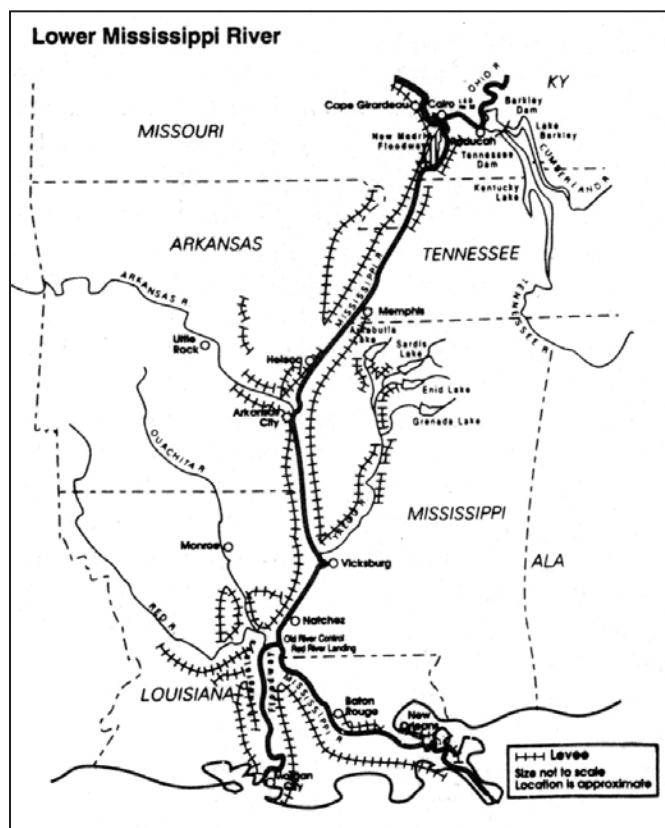
So therefore, what you have to do: The system has been wrecked, it's been poisoned, it's been polluted, and so forth. The President of the United States must move, and must terrify, essentially, everybody into saying, "We're going to put this financial-banking system into receivership." And the best way to do it, is take the Federal Reserve system, specifically—it is bankrupt!—put it into receivership!

## What We Need To Rebuild

Now, what're you going to do with it? Well, you're going to do two things with it. You're going to take the whole banking system, you're going to take those parts of the banking system whose functions correspond to traditional chartered banking practices. You're going to restore Glass-Steagall, immediately, with an amplified form. Don't take any argument on it—you're going to restore it, period! Cut it out! It was a great mistake—cut it out.

And then you're going to create a mass of credit to start some things going.

Now, we don't have many industries to start going. You're not going to build the auto industry again, because we do have an auto industry: It's called "Japa-



U.S. Army Corps of Engineers

*The levees on the lower Mississippi are in need of renovation, while the upper part of the river has never been properly developed. The machine-tool core of what used to be the auto industry could design and build the equipment needed for massive waterway projects.*

nese.” And it was a cheap-labor industry, wasn’t it? The old GM/Chrysler/Ford industry, that’s gone! That was destroyed, with the help of the leadership of the Congress in the beginning of 2006. The Congress destroyed it! They could have saved it then; they destroyed it. Well, what’re we going to do?

Well, we don’t need a lot of this automobile industry production; it’s not going to work. It’s hopeless—it’s a hopeless case to start that. What you do, is you take the auto industry area, and you look at two things, or three things: Look at the floor space which was associated with production for the automobile industry before. That’s still there. The floor space is there. Then you take the total population associated with the auto industry, of all types, ordinary people, in the auto industry; then you take, third, the machine-tool sector of the auto industry.

Now the machine-tool sector of the auto industry is the driver. The way the thing works, is, science and engineering and so forth are done in the machine-tool

sector. The work that’s done by the scientific and related work in the machine-tool sector, now creates the designs of the products which are manufactured as automobiles or something else. This machine-tool sector, is a sector which produced airplanes, locomotives, and many other things in former times. It can still do that!

So what we need is, as you see in the case of Katrina, you need to rebuild the water systems of the Mississippi River. We have the entire area, on both sides of the Mississippi, between the two mountain ranges on the East and the West, which are, in a sense, in a desperate condition. The Mississippi system is collapsing, as the case of Katrina demonstrates. The Ohio River system, which was somewhat developed, is also wrecked through old age; it needs repair, major repairs. The upper part of the Mississippi was never properly developed. The Missouri side was never properly developed. We also have a vast water problem, water crisis, in the Western part of the United States, water-management crisis.



So therefore, one of the things which is required, is the large-scale instruments, required for rebuilding the water-management system of the Central States of the United States, between the Alleghenies and the Rocky Mountains. We also need to do this, as part of developing a water system which will affect both the United States and Mexico, and also benefit Canada, but we build a water-management system, of the type we know can be done, to deal with that problem, to increase the food production, to increase the food development production, and also to create new cities, new industries and so forth, in parts of the country that are now destitute.

We need to go to large-scale nuclear power. Nuclear power is the only really safe and effective power, needed to meet the requirements of people today. Because, with nuclear power, you can do a lot of things, including make things clean, and you can't do it otherwise. So with the fourth-generation type of uranium plant—and with the thorium-cycle plant which is largely now proposed for India, for smaller applications in the border area—with this sort of thing, we can solve many problems, including problems of pollution. And these are, contrary to rumor, perfectly safe: There is no accumulation of nuclear waste; that's a complete fraud. The story is out there, but there's no truth to it; it's a fraud. And it's a fraud of a certain faction that wanted to go in that direction. That's another subject I won't go into.

But therefore, we need to build a mass transportation system. We can transport people by rail, today, at speeds of 300 miles an hour. So why do you need to sit on a highway? We can build all kinds of mass transit systems of that characteristic.

We also need to decentralize a lot of our production. Instead of having very large industries controlled by certain financial centers, we need to decentralize some of the U.S. production. We need to build up centers of employment and production, in various parts of the country: Go back to building the territory of the nation as a whole.

So this power business, mass transit, water management, these are the tools which lead to developing the new technologies, which enable us to create new industries. And that's what you need to do!

## **We Can Assist the World To Develop**

So therefore, since we don't have a very skilled population—there's another aspect to this, which is inter-

national as well. You're not going to take a population of the farmers of India, who are poor, or similar parts of the world, who are poor, or the poor of Africa, you're not suddenly going to make them productive geniuses. They have a certain productive skill, but what they need is something which enhances their productivity without demanding that they suddenly make a leap in capability of production.

In Africa, for example: Africa's a big food-growing area of the world. Unfortunately, diseases and other problems interfere with the net production of food, even though Africa has a large food-growing area, agricultural area, and a population which is largely oriented to agriculture. The problem is, diseases and other things destroy the food supply, and prevent them from being productive. And they don't have sanitation and many other things that are necessary for this process.

If you supply Africa with assistance in capital investments, with help of foreign countries, in developing transportation systems, power systems, and so forth, then, suddenly, an Africa which seems very destitute, becomes rather productive—not because the people have suddenly mastered great skills, but simply with the skills they have, and with some assistance, they're able to greatly increase their net production, which includes their general welfare.

They also have natural resources there, which are useful in other ways. These natural resources represent a potential source of international income for African nations. If they had access to the means of developing these resources. So we can help them with that, and it's part of our job.

We can do similar things in India: India has a water crisis. The water crisis is acute. Because many parts of the world have been depending upon what's called fossil water. We have been running down fossil water supplies, exhausting them, by not replenishing them. Fossil water resources are being drawn down. For example, there's a threat to India, from using up and drawing down fossil water resources. They got a big one in India—down deep under the Deccan! But it's 2 million-year-old fossil water, deep down! And they're being driven in that kind of direction.

So, that's the point. So we can, in various parts of the world, assist the world, with our participation, with our policies, in moving in these kinds of directions.

Recognize, as I said before, the problem here is, not because of “this” financial investment or “that” financial investment, or this monetary thing. It's because we

have adopted policies of practice, in succession, especially over the post-war period, since the time that Roosevelt died, we have adopted policies, which in each case—as my own experience proves—have *led, predictably* to a collapse of the system as it was operating then! And we have reacted—again, predictably!—through policies which led—predictably!—to another collapse of the U.S. economy!

It's not a monetary statistical thing. If you're not increasing your productivity, then attrition is taking over; if you're overestimating your income and drawing it down, you are going to have a collapse. And I can say, my authority is, I have predicted these things a number of times, forecast them, and they've always happened exactly as I have said, where everybody who uses different methods, has been wrong! No one matched me on '57—it's precise. No one matched me on these other crises—they were all predictable, they were all foreseeable! Not by statistics, but by understanding the physical principles of economy.

### Not a Penny for Garbage!

And so, we've come to the point now, that the President of the United States must be supported in acting to put the present system, economic system of the United States, in particular, into a general reform, general reorganization, reorganization in bankruptcy. This means putting the Federal Reserve system into bankruptcy, under bankruptcy protection; taking the assets, or claimed assets, of the banking system and sorting them into two piles. One pile fits the chartered bank standard, conventional ordinary banks, as under Glass-Steagall, that kind of contingent. Those banks must be restored to full functioning now, and they must be used as receptacles of Federal credit to get some things moving that have to be gotten moving.

On the other side, the garbage side, the bailout side: Not a penny! You put them into bankruptcy receivership, freeze them. That's the garbage department: You freeze the garbage so it doesn't stink too much. Don't put more garbage in there, don't generate more garbage.

And on that basis, now we can then use Federal credit, generated under our system, our constitutional system: With the consent of Congress, we can channel credit as needed to start some growth programs, largely in basic economic infrastructure.

For example, take the auto industry sector; take that strip which is called the auto industry in the North; take



EIRNS/Stuart Lewis

*A liquidation sale at a Circuit City branch in Northern Virginia, Jan. 19, 2009. Our leaders reacted to each step of the financial-economic collapse with policies which would only make things worse.*

that area, recognize, identify, earmark these areas, which are areas of machine-tool capability and have labor forces and floor space available to build things we need, such as a new national rail system; such as systems to rebuild our river systems, aircraft systems, nuclear power plants, other things that are needed, mostly in the area of basic economic infrastructure. Get the people who are working in the auto plants *back to work*, in new kinds of work, suited to their traditions and skills, and suited to their associations and lines of communication that they used formerly, for their operations. That will change things.

Then, at the same time, we have to do the same thing with Europe. We have to act with Europe and with Asia, to help them, go through a general bankruptcy reorganization of their international monetary-financial sys-

tems. The first thing I would do—we're going to deal with Europe, of course. We won't have much of a problem with France; we won't have much of a problem with some people in Italy. We will start there if that's where we can start. China is waiting for us to come up with something to help them: They're desperate now. We have to respond! India is going to be at the point, it's going to demand the same thing. Russia is in a crisis, now! We have to bring in these nations: Russia, China, and India, with other nations. We have to engage Japan's cooperation, which will be no trouble under these circumstances; we have to engage Korea, which will be no trouble under these circumstances. We have to engage other nations in Asia—no trouble. But we have to proceed, immediately, to start to turn the world in a new direction: Up. Up.

And that way, we can make it.

So: Take the Federal Reserve System. Declare, from the Presidency, a general bankruptcy reorganization of a bankrupt system. The President acts—emergency. Under national emergency, to save the United States, and to save the peace of the world. Put the Federal Reserve system into receivership. Move to create a National Bank of the United States in the Hamiltonian tradition. Use the National Bank as a way of cleaning up the Federal Reserve system, and use it for the kinds of things that Roosevelt would have done, were he alive today, to do it.

And under those conditions, we can begin to do just fine. But: No more bailout. No more bailout.

Thank you.

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## Dialogue

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**Freeman:** What I am going to try to do, is, because we have so many questions from international institutions, from institutions here in Washington, and from elected officials across the United States, I have tried to pick representative questions from each group, that are important, and which are questions that Lyn has not had the opportunity to address.

We just have an enormous number of questions that have come in from Russia, undoubtedly, largely in response to your recent paper ["How Russia Was Surprised," *EIR*, Jan. 9, 2009].

The first question is from a senior Russian economist, associated with the Russian Academy of Sciences,

whom you know very well. I should also mention that he is also someone who is very familiar with the U.S. framework, and actually had served in a capacity here in the U.S. for many years.

His question is: "Lyn, many Russians don't trust the people that Obama is bringing in, for example, [Secretary of State] Hillary Clinton. Not because of things that happened during her husband's Presidency, but because Hillary herself has been something of a hawk in the Senate. There is also concern about [Defense Secretary Robert] Gates as a holdover from the Bush Administration. Also, there are many people in Russia who believe that the United States is behind the current crisis in Ukraine, and Ukraine's very hard line toward Russia.

"President Obama could make a major change, by changing U.S. policy on putting the ABM facilities in the Czech Republic and Poland. What do you think about his doing that? Personally, I think it would be critical to addressing some of this nervousness about his new administration."

**LaRouche:** Well, I think the nervousness around the Administration comes also from some other sources which are not U.S. sources, or, U.S. actions. For example, it's been obvious to me, for some time, that although I announced the imminent process of collapse of the international financial-monetary system on July 25th of 2007, as of November 2008, leading institutions of the Russian government and others associated with them, were not up to speed, had no recognition of the fact that this international crisis existed. And my question on this has been: What are the pernicious influences which have been acting on Russia, to misguide a number of notable Russian officials in making the mistakes they have made, in understanding the United States in this period.

Now, the problem in the United States, of course, has been, as I've said before, in remarks just previously: The United States, from the time of the assassination of McKinley—which was an assassination *intended* to bring the United States on the side of Britain in a war against Germany—the United States was dominated, until the election of Roosevelt, by *fascist* elements, or elements which were identified in the 1920s, 1930s, and even 1940s, as fascist, such as the Bush family. And that has been a problem. The failure to recognize the fact that there has been a recurring *fascist* element in the United States, as fascism is defined from the immediate World War I period, the same fascist element in our





hillaryclinton.com

*Russians' worries about Hillary Clinton as Secretary of State are misplaced, LaRouche said. Instead, they should wise up, and recognize that the U.S. and Russia have a common enemy: "It's the British! And when they lose sight of that, they're in trouble."*

think tanks, which has been operating since Truman became President, and especially since the assassination of President Kennedy, was a change in the situation. And don't assume that there was "lone assassin" that killed President Kennedy. (He may have been a money-lender, but that's the only kind of "loan assassin" he was.)

### **It's the British Empire!**

So, the failure to take into account the political realities of U.S. and international politics, to recognize, in particular, that what many people in Russia tend to blame on the United States, is actually to be blamed, put at the door of the British Empire! And the softness on the British Empire is what I turn to, when I suspect some of the foolish things that have been said from Russian circles recently, in terms of Russia's *failure—the Russian government's failure!* Like a suicidal act!—to recognize the validity of the warning that I had given on the 25th of July, which they're aware of! And the

Russians' *failure* to recognize the nature of the crisis, even into December of 2008!

I strongly suspect, there's some dirty work, among Russians and others, coming from influences which are British or related, which have been responsible for much of this distrust of the United States.

Take into account that we know: that Bush is no good. Bushes are no good: We need trees, not Bushes! But take that into account. That is the problem; it's been the most crucial problem. And anyone who looks at Russian history and American history, should understand differently. Now, there are many people who don't know that.

But I think there are other problems inside Russia. Because I certainly have done everything responsible, as an American, to warn Russia of what I saw the threats to them were. And, the Russians know very well, that George Soros is no good, even though he was close with Gorbachov for a while. Gorbachov, I think, has distanced himself somewhat from them. But the biggest drug pusher in the world, the worst fascist in the world, is probably George Soros, personally. And if you have George Soros around, what do you expect? I mean, who ran the operation in Georgia? That was George Soros and Company, on behalf of the British Empire!

And therefore, when Russians doubt that the British Empire is their enemy, I think someone in Russia is being very foolish. And that's the problem.

Hillary Clinton? That's not a problem. That's a cheap excuse. Hillary was functioning as an ambitious political leader in the U.S. Senate. Her husband was a person who adapted to things. And I didn't always approve it, and I said so, and Bill knew it very well. Bill knew it well, and Hillary knew it well. But Hillary's behavior on this kind of thing is not really that significant. It's not the cause—that's the frictional aspect of parliamentary types of politics. And Russians should know me by now well enough, to know that, when in doubt about U.S. policy—what I think it means—they should ask me! I'll help to clear their heads a little bit; listen to me a little bit more, and they won't make these kinds of mistakes any more.

Yes, we have a common enemy. Russia as a nation, and I, have a common enemy: It's the British. And when they lose sight of that, they're in trouble, when we get them between us, when I and the Russians get the British between us. We can do something about this thing! So they shouldn't break the alliance with me. And that's the way to look at it.

## Kill the Sykes-Picot Treaty

I don't think you have to worry much about this problem, as such, as stated in the question. I think, right now, Hillary will probably be going into Russia—I don't know what the facts of the matter are, but I would suspect very soon. I think her primary orientation would be to deal with, probably Syria, because we're trying to salvage a very dangerous mess in Southwest Asia, with the Israelis falling into this crazy thing in this recent attack.

You know, here you are, you're on the verge of an agreement with Israel—I mean, the Israelis only had to sign the papers! They had agreed to everything with Syria! If they had signed the papers, instead of going into this crazy war against Gaza—forget Gaza: It's the Muslim Brotherhood, so what? Blame the Saudis, if you don't like that.

If they'd signed the papers with Syria, the signature on the agreement with Lebanon would have occurred. If the agreement with Israel and Syria, *and* Lebanon, had occurred, then suddenly, the whole Palestinian question now comes on the table in a positive way! Because the whole purpose of this negotiation is, *to kill Sykes-Picot!* Rip up Sykes-Picot, which the French-British alliance created as the occupation of Southwest Asia, in the period of World War I! That's where the problem comes from. You want to talk about the bloody Middle East, the bloody Arab area: Sykes-Picot!

For example, 9/11: What about the Saudi involvement in 9/11! You think that was some loose cannon? Or was this an operation against the United States, to try to change the United States politically? Was this a terrorist act, intended to manipulate us—which seemed to succeed? It made a national figure out of a dummy, called George W. Bush, Jr.? The guy couldn't even read a thing about *My Pet Goat!*

We have to grow up on this thing: *The vital interest, the existential interest of Russia now*, at this time, in the crisis which is a very severe one, which hit it, and by which it was caught by surprise—the Russian government was caught by surprise; don't blame me for that. I warned of it. They didn't believe me, they believed somebody else. They should get rid of that somebody else.

But, under these conditions, we have to get this thing going: We have to get this collaboration among the United States, Russia, China, and India, now. *If* we get that, we get that collaboration, *we can get control of the planetary situation*. If we *don't* do that, I don't know

if we can control it. And if we can't control it, I don't know if you want to live on this planet.

## The Russia-U.S. Issue

**Freeman:** The next group of questions comes from a group of professors, and their students, as well, at the Moscow State Institute for Foreign Relations. For people who are not familiar with this, this is a university associated with the Russian Ministry of Foreign Affairs. In November of 2008, the group held an open seminar on the global crisis, which centered on a critique of the Paulson Plan, from the standpoint of Mr. LaRouche's ideas. And this seminar included the screening of excerpts from the Oct. 1 webcast, which you can find and gain access to, on the [larouchepac](http://larouchepac.com) site.

Lyn, they've submitted a significant number of questions, not all of which we're going to be able to entertain here. But there's one question in particular, which is almost identical to a question that was submitted by the director of the Institute for Research and Development and Security in Minsk, in Belarus.

The question generally is: "Mr. LaRouche, in your recent speeches, you've often stressed the prospect for the development of human society and the solution of the common worldwide economic problems, depends upon the participation of the United States, Russia, China, and India. But the governments of these countries, so far, do not seem to have been prepared to work out a common program. My question to you, is what, in your view, is blocking this? What forces, especially in the U.S. and Russia, are hindering the process?"

**LaRouche:** Well, the basic problem, sticking point, between the United States and Russia, has always been a problem involving Britain. And if you look at the Churchill/Stalin/Roosevelt encounters, and look at some of the policy issues of that time, it's always clear. The key problem has always been that a certain element inside the United States, which is associated with that traitor Aaron Burr, who was a British agent, and actually an agent of Jeremy Bentham, who was the head of the actually secret committee which ran the British Foreign Office from 1782 on, when the Foreign Office was founded. It was founded by Lord Shelburne—so he was part of that thing with Lord Shelburne.

So, always the problem has been that, and if you look at Russian history as those who specialize in Russian history do, you look from the time of Catherine the Great on, and Catherine the Great's attitude on the



*The basic sticking point between the United States and Russia has always involved Britain. "If you look at the Churchill/Stalin/Roosevelt encounters, and look at some of the policy issues of that time, it's always clear." Here, the Big Three at Yalta, February 1945.*

American Revolution, and you see that this is exactly the issue. It has always been—the Russia/U.S. issue has always been associated with the relationship, or lack of relationship, between Russia and the United States. And this was true also in the Soviet period. There are many problems there, but still, nonetheless, the same thing was true. And I never saw a problem in terms of my experience with U.S./Russia relationships that did not involve a British intermediary problem. And that's the basic thing you have to address in this area.

In this case, it also has to do—as I indicated in a recent paper—with the question of Marx. Now, Marx was actually a British agent. He didn't know it, but he was. Engels did know it. So, since Marxism as such, which was adopted as kind of a Bible by the Soviets, among others, the idea was that the [capitalist] system, as described by Karl Marx, was the British System. Whereas, the Russian Foreign Office could always tell you, on sensitive matters, that the British were on the opposite side. Because when you look at the British in every part of the world, they were an imperial power. The only time they had power was when they were functioning as an empire under Shelburne; Shelburne's Empire. And so, Russians were often confused, and this

was especially during the Soviet period, on this Marx/London connection. And the problem is, that the Soviet ideologues didn't understand Karl Marx (and I think Karl Marx didn't understand himself, but that's another question). So, this has been a problem. And worse than that, they accepted Karl Marx, they accepted Marx's mythology, or what became known as Marxist mythology about the United States, as opposed to the British Empire.

### **Empires Are Not Nation-States**

The fundamental thing with the Russian doctrine was that empires were products of nation-states.

Now, empires were *never* products of nation-states. An empire and a nation-state are two absolutely contradictory things. Empires are supra-national, such as the Roman Empire, the Byzantine Empire, the imperial system of chivalry under Venetian

control. The Anglo-Dutch Liberal Empire—it's not British, in a sense; it's not the English people. The English people aren't intelligent enough to know what an empire is, at least these days. But, it's actually an empire which has nations as its subsidiaries. And if you read the relevant works, the British Empire is based on a conception of Julian the Apostate. The conception of an empire which uses religion as a way of controlling people. And uses conflicts among religious bodies, as you see in Southwest Asia.

How do the British control Southwest Asia? You have several Jewish factions in Israel. Most of them would hate each other's guts if they didn't have to hate somebody else more. You have various Arab factions. You have the Muslim Brotherhood, and the Muslim Brotherhood is a complete captive of British intelligence. It's a special faction. You have other kinds of factions among Arabs, among Islamic peoples. And the British come in there with their particular sects, and particularly now that the Saudi Kingdom is part of the British Empire; it's an integral part of the British Empire, as you would find out if you looked at what happened to New York in 2001, September. That was the Saudi involvement in New York. This was a favor to





FEMA/Andrea Booher

*If you look at what happened on 9/11, LaRouche said, you come hot on the trail of the British Empire and the Saudis. “You’re dealing with empires which hate nation-state authority; they use religious conflicts—artificial religious and ethnic conflicts—as ways of playing one group of people against the other.”*

George Bush; that’s the fact of the matter. So, therefore, you’re dealing with empires which hate nation-state authority. They use religious conflicts—artificial religious and ethnic conflicts—as ways of playing one group of people against the other.

The British Empire was established in February of 1763, at the time that the people of what became the United States recognized it as the enemy, through the Peace of Paris, out of the Seven Years War. The British—the banking circles—became an empire by play-

ing various nations of Europe in wars against each other. And when the nations had been worn down by wars against each other, organized by, and partly financed, by the British financiers, then they had a Peace of Paris in which the British Empire, or the empire of the British East India Company, was established.

Every war run by the British is run like that. For example, World War I. The British Empire organized a war between Germany and Russia. Germany at that time was headed by the Kaiser, who was a cousin of the Czar of Russia. And the British monarchy organized a war between Russia and Germany, like a Seven Years War, to again, control continental Europe.

## World War II: Roosevelt Intervenes

World War II was organized in the same way. The different thing in World War II was that Roosevelt intervened. And Roosevelt changed the thing; otherwise you would have had British support of Hitler against the Soviet Union. But then Hitler made a deal with the French fascist government, then the French fascist government allowed the German Wehrmacht to occupy a militarily inferior France. This got the British upset, because now Germany was in a position to threaten the British Empire, the British naval power. So, then the British screamed for rescue from the United States, and out of that, with the Pearl Harbor event, then suddenly, the United States did agree to collaborate with the British, under Roosevelt. And therefore, the British then, who had been the enemies of the United States on this issue, except for their fascist friends in New York, suddenly changed their policy to become anti-German. But even Churchill was *pro-Hitler* until that happened! And that’s the way the British operate as an empire, and they do it to this day.

Anybody who thinks the British state is a monarchy, a kingdom: It’s not. The British are an empire. Yes, they may have a Queen—they have many queens, actually—but the British Empire is essentially an Anglo-Dutch Liberal Saudi Empire, of international financier interests, which control the empire and orchestrate politics by the method of Julian the Apostate: *of playing people against each other*. You see, you had this Roman Pantheon, and you had the Pantheon of all these little

niches. In each niche is a different god, and a different religion. And the Roman Emperor controls all the religions.

The same thing was done again with the Byzantine Empire. And Julian the Apostate did this: He took the idea of having the religions fight each other as his way of controlling the empire. That's what the British do—create synthetic religions, pit actual religions against each other, play ethnic issues against each other, and, by getting everybody to fight everybody else, they control the fools who believe in these conflicts. And the problem, what Russia has been a victim of, is a typical British religious manipulation, in the manner of Julian the Apostate, of playing one power against another.

The fundamental interests of Russia, however, lie in one area, which is very important here, because of the institution that sent this message: The problem in Russia, is that, in economic and related policy, historically Russia—and especially since the Soviets—has been very good in using science for taking imperfect capabilities, and making them effective military capabilities, strategic capabilities. Russia at times, has done similarly good work in basic economic infrastructure, as in the case of the development of the Russian railway system. But, in the question of economics, production economics, Russia often stinks. And the Marxist problem didn't help them any, because the problem is, that industry, production, is motivated—when it's successful—by a commitment to scientific and technological progress, to innovation, based and driven by scientific progress. The problem in the Russian system, especially in the Soviet system, as the Soviet literature would advise you, the Russians *stunk* in terms of manufacturing! See, when they're motivated by military considerations, they muster scientific capabilities even contrary to their Marxist instincts, or whatever. When they're motivated by a strategic project, which is not necessarily military, but strategic, which is infrastructure, they've achieved great things. When it comes to

running a factory or a farm, the performance stinks!

## The Nature of Man

And this is the area in which the traditional German, or traditional American, approach to industry was superior to the Russian approach. And there's a lack of real understanding, still to this day, in the Russian system on one thing—and it's not limited to a Russian problem; it involves the nature of Man. It involves a peculiar kind of religious problem about the nature of Man. That Man is not an animal, and the Marxist theory tends to be that of Man as an animal.

Man is inherently creative, as no animal is. We make fundamental discoveries of universal physical principle, and those discoveries we then, hopefully, apply to improve the way we behave, to make discoveries of principle which we apply to Nature in order to increase Man's power over the universe, per capita. No animal species can do that, only mankind. The tradition has been, under empires, to deny this. You have, for example, the famous Prometheus issue. Zeus says, Man is not allowed to discover the principle of fire, and/or use it. The principle of fire is the creative power of discovering a universal physical principle. The way that many empires have prospered, is by controlling societies, by



Library of Congress

*Russia's construction of the Trans-Siberian Railway system was launched as part of the influence of the American System of economics during the late 19th Century. Expansion and modernization of rail today offers the promise of uniting Eurasia for development.*



prohibiting them from making changes in science and technology practice. Just like the Greenies of today. The Greenies are the same thing. They say progress is bad. Concentration of power through scientific progress is bad; we must go back to old ways, old primitive, peasant ways. And that's what the problem is.

So therefore, the fact that the official science as taught in U.S. universities today, or as taught in much of Russian tradition, does not recognize the role of the discovery of a universal physical principle as the proper basis for science and for economy, is the major problem. And what I propose, simply, is that. The Russians have a very great capability, inherently and historically, in developing resources which are crucial for Asia. For example, in the northern tundra area, there are mineral resources which are essential for the future of all of Asia. Russia is peculiarly capable of addressing that kind of problem, and coming up with solutions. And that is *typical* of the kind of cooperation we need with Russia.

The other side of Russia, is that Russia is a Eurasian economy, not a European economy, nor an Asian economy. This goes with the history of Russia, which is both Europe and Asia in terms of its development, especially since Genghis Khan. So, this means that Russia in Asia, is a link between European civilization and Asian civilization in a very meaningful sense in respect to Asia itself, in terms of the nations of Asia. The development of the undeveloped region of Siberia is typical of this, and you find the typical relations between India and Russia, in many areas, are also typical of this.

So, therefore, Russia's importance, for us, is what it is, on the one hand. On the other, the United States needs now to deal beyond Europe, with the question of the development of Asia. And therefore, Russia is, for us, the ideal Eurasian partner in promoting the development of Asia.

Thank you.

## The U.S. Institution of the Presidency

**Freeman:** The next question is from, again, the Director of the Institute for Research on Development and Security in Minsk, Belarus.

He says: "Mr. LaRouche, many people right now have great hopes for the new U.S. President Barack Obama, who has taken office. After the deafening foreign policy failure of the Bush Administration, people link the arrival of the new President with very big changes, both inside the United States and throughout



U.S. Army/Spc. Brian A. Barbour

*Secretary of Defense Robert Gates was brought in to try to prevent a war with Iran.*

the world. However, a number of experts say openly, that the new President is far from being independent, and that he was installed in this post by world elites to serve as a scapegoat. The scale and depth of this crisis is too great, and there is, so far, little basis to hope that this young President will take extraordinary steps.

"Moreover, despite being an active person, until now he has remained silent on many important issues, including the events in Gaza. On top of everything else, it has been observed that there is a stand-off inside the United States between the globalists on the one side, and the *siloviki*—government, military, and intelligence-oriented people like Gates and others, on the other side, and that the latter began to lean on Obama even before he took office. I am referring specifically to the publication of a poll taken among military people in an American military journal, where most of the officer corps was negative toward the President. Do you agree that in Obama's case, the court will make the king, and that in a critical situation, all the failures will be blamed on him? What role do you think Obama himself will play in the future of the U.S.?"

**LaRouche:** If you look more carefully at these things, a lot of the stuff you cited, you would pass over, because that is the frictional kind of considerations which are—including the reference to Gates; it's a complete misunderstanding of Gates. Gates was put in, in order to try to prevent a war with Iran, among other



things. Many of us screamed about this danger, and Gates was accepted and took a position in that, and has resolved, apparently, to continue to occupy that office in order to maintain the continuity of that function. He is a man of his own opinion. I don't endorse necessarily everything he thinks, but he is a responsible person, and he has functional responsibility, and he was a very important tempering feature inside the Bush Administration at the time when the Bush Administration was becoming very dangerous, in terms of the Middle East.

As you recognize that Cheney was a British agent—and people in Eastern Europe *don't get this point about the British*, and they make most of the mistakes I hear from them are *on the failure to recognize the British problem!* That's the threat! If you want to save civilization, *get rid of the British factor!* If you don't want to get rid of the British factor, if you're worried about the American factor, you don't have much—you're not going to get anywhere. You won't like the result of your own opinion.

But Gates is *not* the problem. Gates did a useful job. I was aware of this, I watched this all the way through, and in my estimation, Gates did an honest job. He did the mission for which he was put in, and that is, to counter people like Cheney, who is a British agent, who was using everything possible to get us into a war with Iran. And he did that job, but he did it *as a professional inside the U.S. institutions*, according to the rules of game inside the U.S. institutions. If he had not played the game, as you play the game inside the U.S. institutions, he would have failed. And he was experienced at that job, and knew how to do it, and did it well. So, that's not a problem.

What you have to look at, is where is the problem coming from? Don't look for signs, strange signs, or Satanic signs or symbols, or Freemasonic symbols. Look at the way institutions perform. *What is the policy of the United States?* If the policy of the United States is to save the United States, if it's our traditional policy, a policy that the American people will put up with, in terms of their own interest—and the way that U.S. institutions behave—then, the U.S. interest lies in a secure relationship with most parts of the world, including Russia, including China, including Japan, including the nations of South America. Yes, there are conflicts, but we're talking about basic interest. The United States' interest is not in this kind of penny-ante game; it's not in this witchcraft. The United States is a serious institution, especially now with this President.

And don't underestimate this President. Because the President of the United States is not some flunky stuck in there. We've had a flunky stuck in there—George W. Bush—and I think [former Russian President Vladimir] Putin did not make a mistake in trying to deal with Bush, because Bush was a representative of a major state. But I think there was a lot of mythology about this thing. The point here is, that the U.S. institution, the Presidency, is not to be compared with a parliamentary head of government. A parliamentary head of government is a foolish institution. Sometimes they do good things, but they are not a very good institution. They are a relic of feudalism.

The U.S. government, the U.S. institution, is a Presidential system, not a parliamentary system. The Presidency of the United States is not an individual. The President of the United States is part of a Presidency, which includes many people, and many institutions. The Congress is a subsidiary, but essential institution in this process. Ours is a Presidential system. When we have a bad President, we're in trouble. And even people in the Presidential institutions, who are decent people, have trouble functioning under a bad President, or a bad Presidential circle. But they try to stay on ship, and function, and hope for a better President.

But the policies, and Obama's coming in, and coming in the way he did, was a decision made by the *Presidential system*. Look at the people he brought on: Hillary Clinton. Look at the rest of the people he brought on: Yeah, you've got a few dummies in there, but who did he bring on? He composed around himself, the apparatus of a *Presidency, a U.S. Presidency*. And he represents a U.S. Presidency; he's not a stooge. And don't make that mistake. *The fate of Belarus and Russia, now depends upon achieving a positive relationship between the United States and Belarus and Russia. That's the way to look at it. Any other policy is fatal folly.*

## **Afghanistan: The Problem Is Soros**

**Freeman:** The next question, and the last international question for this segment, comes from His Excellency Syed Ahsani, who is the former ambassador from Pakistan. And he says: "Mr. LaRouche, being a statesman of vision, you have the unique ability to present ideas in a historical perspective. My question to you relates to the advice you would give to President Obama about the dangers of getting involved further in Afghanistan. He began his Presidency with moves to implement the withdrawal from Iraq, but there is some

fear that he will next move to relocate 40,000 men to Afghanistan, in an effort to deal with terrorism and al-Qaeda.

“The NATO commander is reported to have said that a military solution in this region would not work, advising the President instead to resort to negotiations with the Taliban, currently being attempted by President Karzai. Besides this, the hot pursuit of Osama bin Laden may very well involve a violation of Pakistan’s territorial sovereignty, engulfing Pakistan in war. Given this scenario, would it not be wise to solve the Afghan imbroglio diplomatically through the traditional tribal *jirga* system, which is local convention, instead of attempting a military solution that could result in a second Vietnam?”

**LaRouche:** Well, I am sympathetic to the question in some respects, but I don’t think it implies a solution. I don’t think United States troops should be involved at all in Afghanistan at this time. That I agree with; it’s foolish.

You have to look at what the problem is. The problem is, that when a farmer in that region of Afghanistan or neighboring regions harvests a crop of opium, the crop may be priced at some hundreds of dollars—\$600, \$700. When that crop reaches Europe, its price is \$6 million, or the United States similarly, \$6 million. Now, the problem is, you go to a very specific gentleman you want to talk about—George Soros! George Soros: Remember who he is. At the age of 17, he was a young Jewish boy, of Hungarian provenance, who saved his life by adopting a non-Jewish identity, and doing work for the Nazis on the Jewish question. He was an instrument in what Ben Hecht described as *Perfidy*.

This was the deal which the Nazis proposed, that for so many trucks given to the Nazi system, from the British and Americans, that so many Jews would live. And if the trucks didn’t come, they would kill that number of Jews. And they would assemble Jews, or people who were not necessarily Jewish by their own inclination, but who had Jewish ancestry. You know, one-fourth Jewish, partly Jewish, and so forth. From all parts of the Balkan region. And they herded them up, put them in camps, stripped them of their wealth, and so forth, the whole procedure. And he was the messenger boy, who



Ariel Gutierrez

*If you want to stop drugs, stop Nazi apologist George Soros, who runs most of the world’s drug traffic. Here he is shown (left) with his British controller, Lord Mark Malloch-Brown of the Foreign Office.*

would send the message, “Hey, here’s your ticket for the train.” And he did this. He’s a part of *Perfidy*.

Now, he doesn’t do that today, exactly. But that’s his character! And because of this character—he adopted this kind of character—you know, a person who would do that is a degenerate. I don’t care how they became a degenerate. They’re a degenerate! He defends it. He defended it publicly, repeatedly, in recent years, in public broadcasts, and said it was an experience that did him good.

Yes, and what does he do now? He’s done many things. He’s a British agent. Works through the British Foreign Office, the Commonwealth Office, with Lord Malloch-Brown. He’s the biggest dope-runner in the world. He runs the drug traffic out of Asia, into Europe. He runs most of the drug traffic in Europe. He runs most of the drug traffic in South America. He runs the drug traffic from South America into the United States, notably from Mexico into the United States.

Now, look at this problem. Is this problem of terrorism in Afghanistan a Saudi problem? Yes. Did the Saudis create it? Yes. How was it created by the Saudis? By the Wahhabi cult, when they used that to train people as fighters in Afghanistan against the Soviets. So, out of that, all through the Arab world, this Wahhabi cult, run by the Saudi Kingdom, which is a British agent, created

this group of new-formed terrorists, Arab terrorists, including Osama bin Laden, including the Taliban organization, and created and used these and involved them in the drug traffic, directly or indirectly.

These forces are now being used. A section of them runs out of London under the protection of the Church of England, which took some of these terrorist agents of Arab origin—that is not to suggest that the Arabs in London are terrorists. Some are, but most aren't. Most of them are just normal Arabs, Muslim believers in London. So what? That's not a problem. But some of these guys are actually terrorists.

And how are they able to function? Because the Church of England declares them under protection as clergymen. Diplomatic protection as clergymen. So this organization, in London, is the organization which is part of, under British intelligence, through MI6, and formerly through the ISI in Pakistan which ran the Mumbai terrorist operation recently in the south, and this organization is prepared to run terrorist operations in every part of the world. It's the most mobile, repeatable terrorist operation we have on hand.

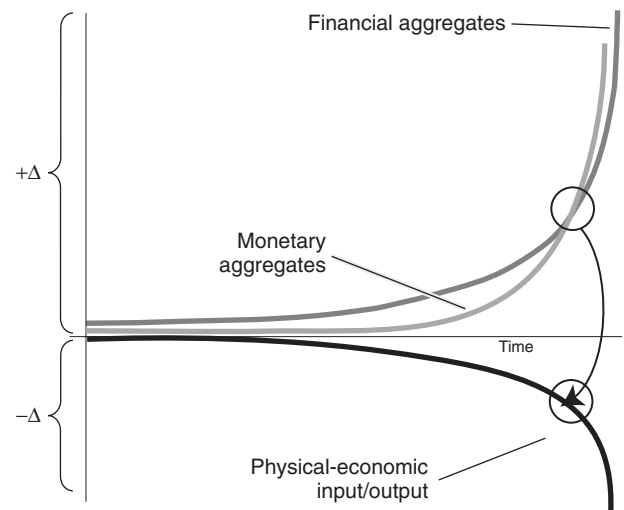
Now, the same thing applies to our border. Why are American weapons going across the border by these funny little wagons, desert wagons, running in there delivering weapons to the drug traffickers—including military-grade weapons—to the drug traffickers in northern Mexico? And why are the drugs coming from northern Mexico, or from various parts of South America through northern Mexico, across the U.S. border? Why are the guards turning the other way, looking the other way, when the drug shipments are coming across, or when the weapons shipments are going down? And this is now a major terrorist threat to the United States. The problem here is the failure to take perfectly accessible modes of action, to neutralize the transport of these goods, drugs and weapons.

Putting troops into Afghanistan to protect the area, or the Taliban area, is simply creating more targets! Why do you want to send more targets of the drug terrorists into Afghanistan? Pull them out! You may want to protect [President Hamid] Karzai and the capital, in order to maintain some integrity of that territory, but you don't want to put troops in there. That's not the cure. That's a diversion. What you want to do is *shut down George Soros!* And shut down everything like him. And if you don't shut down George Soros, you're not serious.

So, what you're doing with that kind of behavior,

FIGURE 1

## The Collapse Reaches a Critical Point of Instability



*LaRouche's Triple Curve schematic, first released in 1995, aptly describes what is now happening to the global economy. "How did he know?" the questioner wonders.*

what you're doing is you're saying, "Let's play a game. We pretend we're chasing you, and you pretend you're chasing us, and we'll play the game. And we'll send some soldiers out to get killed in the crossfire." NO! *No U.S. troops put into Afghanistan*, except to ensure security of the city, the capital city. Dry it out! *No drugs leave Afghanistan*. No drugs leave that area. Enforce it. And take sanctions against any nation that doesn't enforce it. Why get U.S. soldiers killed? We've lost too many already. We don't need to.

## LaRouche's 'Triple Curve'

**Freeman:** I'm now going to move to a selection of questions from institutions based here in Washington, who are tied to the new Administration. The next question comes from a section of the economic advisory group, and they say: "Mr. LaRouche, we represent a multi-disciplinary group centered at Stanford, Berkeley, and Princeton which, since early November, has been tasked with working on your 'Triple Curve Function' as a model for economic analysis. Little argument can be made right now as to its accuracy in defining our current predicament. However, it's my understanding that you developed this model long before our financial instruments, like derivatives, ever even existed. This



may be too involved a question for you to address in this venue, but if you can, would you please indicate to us how you were able to forecast this dynamic before the instruments which arguably caused this current crisis were even born?"

**LaRouche:** (That's a smart kid!) Essentially, I understood economics. That's why. My discoveries in economics were, of course, part of a childhood experience, in a sense. My father was a consultant in the footwear industry and a few other things, and I was never dumb. Got into a lot of trouble for that reason. No, but in 1953, I, in a sense, completed a phase of what, shall we call, my education, and by that time, I had adopted, understood, that we can not possibly deal with or understand economic processes, except by looking at them, first of all, as *physical economic processes* rather than monetary or financial processes.

And secondly, that we could not do this unless we abandoned the usual Cartesian-type methods of thinking about economy, even physical economy, which are prevalent in most universities today. That you had to use, you had to apply the concept of *dynamics*, as reintroduced to modern civilization in the 1690s by Gottfried Leibniz, and then the advanced concept of dynamics by Bernhard Riemann. And Riemann's conception, as exemplified by his famous Habilitation Dissertation of 1854, is the key to the competent understanding today, of any kind of physical process, and economic processes as physical processes can be only understood as Riemannian systems. Now, in Riemannian systems, the variable you're looking at, is dynamics, and you could go back to the *Dynamicum* of Leibniz in 1695, *Specimen Dynamicum*, for the definition of this.

The point was that the reductionists in physical science and so forth are idiots, and they should not be allowed—they can repair things, but they should not be allowed to try to design anything. Because, you see, the difference between man and the beast, is that no beast is capable of creating the discovery of a valid universal physical principle. Only an individual human mind can do that. This, of course, is the reason implicitly why Academician Vernadsky emphasized the question of the Noösphere, as distinct from the Biosphere: That human beings are essentially spiritual, you would call them, because what happens in the human body is a biological entity, apparently, but it has a function that performs intellectually which is not biological. And this function is called creativity, and it is most easily identified, that is, from a scientific experimental standpoint,

*Bernhard Riemann concluded his 1854 habilitation dissertation on the hypotheses that underlie geometry: "This path leads out into the domain of another science, into the realm of physics, into which the nature of this present occasion [mathematics] forbids us to penetrate."*



by the discovery of a universal physical principle. It also has a complementary way of being defined, in terms of artistic composition. But the most common approach is to physical principles.

Now, in physical principle, as in the case of the Leibniz differential, as opposed to all the other versions of the things, the calculus, is that this concept of Leibniz comes essentially from the discovery of gravitation by Johannes Kepler. And what Kepler did was to discover the differential, the infinitesimal, in terms of the characteristic of the planetary orbits, such as the orbit of Earth: that there's no way by quadrature of the ellipse or quadrature of the circle, that you can define the meaning of the infinitesimal in the curvature of the planetary orbit.

### The Harmonics of the Solar System

Now, this was then treated again by Kepler in what is called *The Harmonies of the World*, and in Book IV

of *The Harmonies of the World*, he takes the thing up in a very specific way, which is later addressed by Albert Einstein. And that is that the harmonics of the organization of the Solar System are such, that you can not explain this from a visual standpoint, or from a simple aural system. That is, not from the sense of sight, the use of the function of the concept of the section of sight to portray the orbital pathway, or from the function of sound, simple sound, to define the orbital pathway. But rather, you would have to rely upon something from music, called harmonics. And you realize then, when you do this, that you are dealing with something, a phenomenon, in which neither the sense of sight nor hearing defines the phenomenon you're looking at, the phenomenon of change, which you're looking at, which defines the orbital pathway of the planetary system.

So, Leibniz in this sense, in the 1690s, returned to this conception, because he was a student of the work of Kepler—all modern science, all competent modern science, comes from the work of Johannes Kepler, of physical science. Anything else is—forget it. So, he recognized that the infinitesimal of the calculus, which he had originally discovered based on this appreciation of this work of Kepler, involved an ancient conception which is called the infinitesimal, of dynamics. And therefore, we understand that creativity is always expressed—creativity in terms of physical principle—is always expressed in terms of this kind of dynamics, of the infinitesimal, which has no finite quality, but is simply the appearance of a principle as a discontinuity in a system of action.

So therefore, what the difference between man and the animal is, is that mankind, by discovery of new physical principles, and applying these to production, is able to transform man's power to generate physical values, to increase man's power to produce something. That sort of thing. And so therefore, this kind of concept is the basis for all competent science, all competent economy. All present economists, as taught in universities, do not know this, and therefore they try to figure out, from a financial system, the idea of profit, in terms of a *financial* system or marginal income, in terms of a financial system, not in terms of a physical system. And all progress in science is based on that.

For example, let's take the simple case of simple stupidity among today's typical environmentalists. If you measure power in calories, you're an idiot. If you think a calorie of sunlight is equivalent to a calorie of nuclear power, you're an idiot. Because a calorie of nu-

clear power is thousands of times more powerful than a calorie of sunlight. Sunlight is very useful, when it comes in the form of solar radiation, in terms of chlorophyll. Extremely useful. Then the sunlight increases its work, the power increases its work on behalf of man, or on behalf of nature, in many ways. Whereas if you simply use it as power, what do you do? You use up all the sunlight, you make a desert. If you take the sunlight and apply it to plantlife, you make prosperity. So sunlight, in a sense, as a living principle—the chlorophyll is a living principle—actually increases man's power in and over the universe, whereas the same number of calories consumed as solar power for a solar reactor, is a waste of time. If you have enough solar reflectors, what have you got? You've got a desert. Have enough calories, have enough chlorophyll, you've got a forest. That's the difference. And you've got human life, and all kinds of things.

So therefore, it is human creativity, individual creativity of the individual human mind, such as universal physical discoveries, the application of these to the productive process in particular, that is the means by which man is able to increase his power to exist on this planet.

So what you have then, you have financial systems, all these financial systems in economy: They're not worth anything! Because they don't take into account the most important thing: How you increase the productive power of labor per square kilometer and per capita, in a world in which the key opposing factor is depletion. If you simply try to do the same thing over and over again, and expand the population on that basis, you're going to run down the planet. If, on the other hand, you use creative methods which involve this concept, which Leibniz defined as the differential, the infinitesimal, and you apply this as in the case of chlorophyll, or the case of nuclear power, which is thousands of times more efficient than the same amount of calories expressed in the form of sunlight impinging on the Earth.

So, what happens is, you find in the history of mankind that all backward societies, including especially societies of slavery, prohibit the slave from developing discoveries of principle. The slave is told to follow in the footsteps of his father, of his grandfather, of his great-grandfather, and not to try to change the way in which he produces. Now, the effects of this is in all societies which are fixed-mode societies, lead to the destruction of the society by itself, simply by continuing



*A case of stupidity among today's environmentalists, who promote solar power and are hysterical about nuclear: "If you measure power in calories, you're an idiot."*



Clipart.com

*Solar power is no solution to the need for more power for a growing world. Cover farmland with solar reactors and windmills, and you'll create a desert.*



*The Idaho National Laboratory's design for its Next Generation Nuclear Plant. It would use a high-temperature gas-cooled nuclear reactor (left) to produce the power for process heat applications (right), including the production of hydrogen for automobiles of the future.*



Gary Kramer

*Sunlight activates the chlorophyll in plant life, increasing man's power in and over the universe, whereas using the same number of calories for a solar reactor, is a waste of time. Shown, a lush field of lettuce in California.*

to exist. All societies which are successful, take natural resources and increase the power of natural resources by these kinds of methods called discoveries, which reflect the same kind of principle which Kepler recognized in the organization of the Solar System, or that Einstein and others recognized in terms of the way the world is organized.

## The Factor of Creativity

So, the problem with economists, generally, is they don't look at this factor of creativity. They call all kinds of things creativity, including the ability to masturbate in new ways—but that's not creativity. which is the discovery and use of newly discovered principles which increase man's power in and over the universe, and the organization of these discoveries in the form of production or other relevant ways to increase the power of man to exist, and to exist in a better way. So therefore, economy is not to be studied, first of all, as financial economy or monetary economy, but to be examined as a physical process, a physical scientific process, with attention to things like life, as in the case of Vernadsky's work, on life and on the idea of the Noösphere.

So, you're looking for the principle of change, which distinguishes, on the one hand, living processes from non-living ones, and human processes, which are distinguished advantageously from non-human living processes. And this is expressed by invention, by production, and also by the development of an appropriately improved infrastructure, such as an increase of nuclear power; and the greater the nuclear power in terms of per-square-centimeter power, the greater your productivity.

So therefore, if I go into India, and I find an Indian farmer who is what he is in his skill, and I bring in the factor of nuclear power in the form of enhanced water resources, freshwater resources, which you can only make efficiently from nuclear reactors, as with say the thorium-cycle reactor which is appropriate for the coast of India, then you have increased the productive power of labor of that farmer, without changing the way he produces, because you have



changed the conditions under which he produces, and therefore increased his productivity. So, all economy is based on that.

The problem we have, for example, is under the former director of our monetary system, the Federal Reserve system, [Alan Greenspan], who was an idiot and his idiocy has dominated the interpretation of what productivity is in the United States today. Forget Greenspan. Get rid of him. He's gone. Get rid of what he did. Therefore, we have to have a system which functions not on the basis of counting dollars, or counting marbles, but by counting the increase in the level of productivity per capita and per square kilometer of the United States, and of other countries. This means investment, capital-intensive investment, in technologies and in modes of production which multiply the effective productivity of the working individual or the producing individual.

Therefore, if you want an economy which is going to grow, you have to have capital-intensive investment. Because to build a nuclear power plant, that costs a bit of money. It wears out over, say, 40 or 50 years, if you maintain it properly. Say a 40-year investment. It's a capital investment, and the importance of the capital investment is not the size of the investment in money. The importance of the capital investment is the amount of the increased yield per moment of action that you get as a result of that power, at that intensity. It's just simply a matter of physical science. You raise the level of energy-flux density of any process, you raise the potential productivity of that process. And you simply have to know enough science, enough physical science and other things, to know how to make that work. That simple.

So therefore, what we need is capital-intensive, long-term investments, concentrating first of all on the basic economic infrastructure. First of all: water, power, mass transportation, and so forth. Make these more efficient. Therefore, even simple labor will be increased in its productivity, because you have created the environmental preconditions for enhancing the effective power of that act of production. And that's the point.

So, for me, it was simple to forecast. My forecast cycles always worked in these ways. The condition I was forecasting about was different. The auto industry forecast I did back in the 1950s, which was unique, was very simple for me. I was simply doing consulting in this area, knew a number of these auto industries, knew how the thing was rigged, and I said—along with other industries, which were doing something similar—this

is finished. It's gone. When I find that somebody has a vehicle which has a 24-month useful life, and it's sold on the basis of 36 months, with a giant balloon note in the 36th month, and I find that not just the auto industry is being run that way, but many other industries are being run that way, I can look at the capital factors and tell you at the point, this is going to blow out. It's that simple. And it's that kind of consideration, to give a simple illustration, which I used. It's always the same.

We kept coming back to one condition under Truman, we got to another condition, which is the Vietnam War condition—under the Vietnam War conditions, we were destroying the economy. And we were going to destroy the economy once the policy of Wall Street and London was introduced, the policy against which Kennedy fought in the steel negotiation issue. Once Kennedy's policy was eliminated, the United States was going to go the way these guys were going to send 'em, and it went that way. By 1968, it was going that way. In 1961, they blew it. The same thing happened in the 1970s. They blew it again: the Trilateral Commission. The Trilateral Commission did the greatest amount of destruction to the United States economy, in terms of rate, of any time in its modern history. Until we got to George Bush, George Bush I, the Emperor George Bush I, and he did a good job in this.

And then you had the effect of the green revolution, in effect, the anti-industrial, the anti-nuclear, all this kind of thing. And again, what we were counting upon as production was fake. The ratio between the cost of production to the U.S. population as a whole, and the benefits of production, was such that we were losing.

And what happened then, is Greenspan came in, and Greenspan said this doesn't work. (This is after the October 1987 crash. It didn't work. Well, I forecast that one.) And what he did is, he went to financial derivatives, self-inflating fake money. And the world economy now is sitting under the weight of \$1.4 quadrillion of absolutely fake money, and under the present conditions, that fake money is growing, like a cancer, while the world economy, in terms of employment and production and goods produced, is shrinking.

So therefore, what you have to do is you have to take the cancer and you have to excise it! The entire financial derivatives bubble created by Alan Greenspan has to be taken out in the backyard and shot! And then buried! That's the solution.

So, there was nothing mysterious about this, because if you think about how these curves function, it

## Derivatives: LaRouche Knew

The history of derivatives trading dates back to the 1920s, when farmers spoke out against the deleterious effects of trading in “options” in agricultural commodities. The practice was banned in 1936, during the Franklin Roosevelt Administration. Then in January 1983, President Ronald Reagan signed the 1982 Futures Trading Act, officially lifting the ban. Derivatives trading began, taking off after Alan Greenspan became chairman of the Federal Reserve.

Lyndon LaRouche warned, again and again, of the danger derivatives represented, including publishing a mass pamphlet in July 1993. On Sept. 8, 1993, *EIR* economist John Hoefle testified before a House Banking Committee hearing on NAFTA, at the invitation of chairman Henry Gonzalez (D-Tex.).

Wendy Lee Gramm, chairwoman of the Commodity Futures Trading Commission, and wife of then-Sen. Phil Gramm (R-Tex.), exempted derivatives from regulatory procedures. On Sept. 8, 1993, the *Wall Street Journal* published her article “In Defense of Derivatives,” complaining that derivatives have been unfairly “characterized as purely speculative instruments” that “pose grave risks with potentially dire consequences for the whole financial system.” “Most important,” she



GFDL

Nobel Prize winner and shyster economist Myron Scholes.

$$C = SN(d) - Le^{-rt}N(d - \sigma\sqrt{t})$$

where the variable  $d$  is defined by

$$d = \frac{\ln \frac{S}{L} + \left(r + \frac{\sigma^2}{2}\right)t}{\sigma\sqrt{t}}$$

The Black-Scholes formula for derivatives. Get it?

wrote, “if another major default or market shock occurs, we must all resist the urge to find scapegoats, or to over-regulate what we just do not understand.”

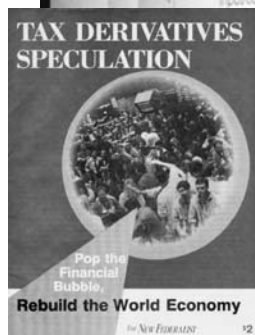
At a Rome conference in December 1995, LaRouche first presented his “Triple

Curve” schematic of a Typical Collapse Function, which he described as “a summary of three curves which



EIRNS/Stuart Lewis

Lyndon LaRouche speaks on the danger of a financial-economic meltdown in 1998, with his “Triple Curve” diagram on the screen.



A pamphlet issued by the LaRouche movement's newspaper *The New Federalist*, July 1993.



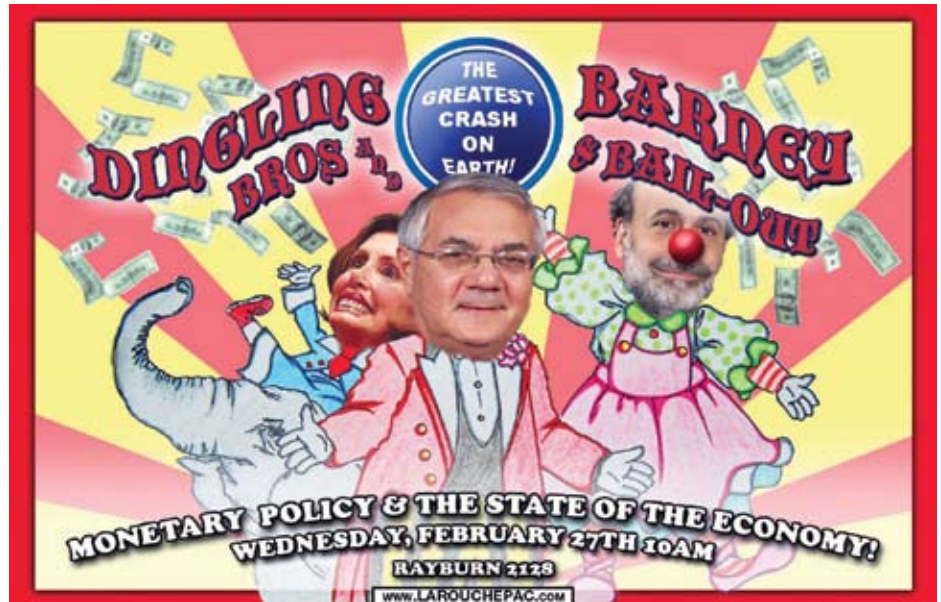
The late Rep. Henry Gonzalez (left), chairman of the House Banking, Finance, and Urban Affairs Committee, invited *EIR* economist John Hoefle (right) to testify on the derivatives danger in 1993. “I’ve been reading Mr. Hoefle’s articles for two and one-half years,” Gonzalez said. “He gets information I have been unable to get.”



are characteristic of the process of monetary and financial disintegration of the world economy.”

In 1997, Myron Scholes was awarded the Nobel Prize in Economic Sciences, as one of the authors of the Black-Scholes equation, for “a new method to determine the value of derivatives.” He had been one of the co-founders of the LTCM hedge fund, a derivatives trader, which then failed spectacularly in 1998, with \$4.6 billion in losses.

simply was to me—I had a Vatican conference I attended, the way it happened, and it was on health care. So, I submitted a report to the Vatican on my participation in that conference, and later, in the following months, I was running for President, so I just published this Triple Curve on that basis. All it was, was a description of what I know about the way the system is working, and the way the system has worked ever since I first got into the business back in 1953, as a successful student of the work of Bernhard Riemann on the principle of creativity.



LPAC/Chris Jatz (2008)

## Put the Fed into Bankruptcy Reorganization

**Freeman:** The next question is similarly from the economic advisory group. It's a simpler question. They say, "Mr. LaRouche, whenever a discussion of the Federal Reserve takes place, there's a very vocal group that asserts that the Federal Reserve is unconstitutional. . . . We do not wish to address that question. However, both former Federal Reserve chairman Paul Volcker and Treasury Secretary designate Geithner have indicated that the current manner in which the Fed has been operating is way outside its charter. With that said, what, in your mind, is actually the proper role of the Federal Reserve in this current situation?"

**LaRouche:** It's to be gobbled up, and eaten by a higher species! That higher species should be a National Bank.

All right, first of all, the Federal Reserve system is bankrupt. I think no sane person who's familiar with the facts would disagree with that. So therefore, what we have to do, is the President of the United States has to himself, in a sense probably has to give an Executive Order, saying to the effect, that his finding is that the system is bankrupt, and therefore it must be placed now in receivership. That it will continue to function under Federal supervision of the Executive branch. In other words, assimilate the authority, take away the independence of the Fed, all semblance of independence of the Fed, and by putting it into bankruptcy, assimilate it into the authority of the Executive branch, directly, as a part

of the Executive branch, as an agency of the Executive branch.

Now, we want to move that around, so the way the Executive gets rid of it, is by going to the method proposed by Alexander Hamilton: Create a National Bank. what you want to do is this: First of all, go back to this chartered bank system. We want only essentially chartered banks involved with deposits which involve firms and regular borrowers and lenders. We want to secure, above all, the public, the saver, and the person who's depositing—as a manufacturing firm or something else—who's depositing their proceeds in this thing, they have to have protection. The individual saver has to have protection. So the Federal government must protect them, or the state government must protect them with Federal backing.

So fine, we want to separate them. We want to take all this other stuff, and we call it trash. They call it a "bad bank." I call it big bunk. Take all this trash and don't pay a nickel for it. Just put it in the waste deposit for further disposition. But, in the meantime, what you must do is you must free the essential part of the economy to continue functioning, including the essential banking function. Now, what I had proposed back on July 25, 2007, was to put this Homeowners and Bank Protection Act in place, and that would have meant that we would have protected the chartered banking system entirely from the effect of this, and we wouldn't have this problem.

What happened is that [Rep.] Barney Frank, of



Barnum & Bailey, engaged in a swindle which he was instructed to carry out, to prevent—as ordered by [House Speaker Nancy] Pelosi—to *prevent* protection from being given to the chartered banks. In other words, Mrs. Pelosi was acting as a swindler in preventing something, doing harm to the vital interests of this nation and its people, by taking away the protection which their regular banks, chartered banks, require, and opening the gates for the swindlers of the world to come in and steal and steal and steal and steal. The United States government is not Las Vegas, and should not be Las Vegas.

So, that's where the problem came in, that we didn't do that. So now we have to reverse the effect of what Barney & Bailey Frank did, we have to separate—because the chartered banks have been cluttered up with this filth, this garbage. *Carry out the garbage!!* Go into the bank, and say this fits the quality of a chartered bank account. Protection! But this does not. No protection! You go without a condom. Then you've got to clean this mess up.

But don't go with these other half-way measures. You have to take a ruthless attitude. The American citizen has to have a clear understanding. The American citizen needs Presidential action. When the President has to act, the citizen has to understand clearly what the President is doing, and why he's doing it. No mishmash. Come straight to the point. This is theft. We don't allow thievery to invade your pantry. We're taking this useless garbage. We're putting it over here: That's the garbage pail. Don't call it a bad bank, call it a garbage pail! This is something in the bank which qualifies at a chartered banking account. This is protected. So essentially, you use bankruptcy proceeding. By putting the system through bankruptcy, the Federal Reserve system through bankruptcy, *you sort out the garbage from the valid accounts. The valid stuff must go forward, as if nothing had happened.* Just as it was supposed to go normally.

Now, the Federal government can now come up with money for bailout, but not for this garbage. Money in order to promote the recovery of production and employment, both foreign and domestic.

And what we have to do is create a system of National Banking through which private chartered banks of the United States, on the Federal or state level, are able to have a vehicle under the protection of the Federal government in dealing with domestic and foreign accounts in the way that Alexander Hamilton pre-

scribed. And do this in memory of the great 1837 Panic which was caused by Andrew Jackson in overturning the National Bank.

## The Homeowners and Bank Protection Act

**Freeman:** The next question comes from the chief of staff of one of the Senate offices, who is tasked with dealing with questions around the TARP funds. He says, “Mr. LaRouche, as you know, former Federal Reserve chairman Paul Volcker, speaking on behalf of a group that includes Secretary of the Treasury Geithner, Larry Summers, and a host of others who now have official positions in the Obama Administration, issued a strong recommendation for a return to the Glass-Steagall framework, along with other strong regulatory measures. But, Mr. Volcker also indicated that for these measures to work, other issues would have to be addressed first. Specifically, the fact that in the absence of regulatory control, the banking system is drowning in toxic paper, and all U.S. banks are essentially bankrupt.

“Yesterday, Geithner made two tentative proposals to the Senate. One was to take all of the toxic paper and to place it in one place. This is not the Bad Bank proposal. He said that, in public-health terms, it would essentially be placed in quarantine, so that we could begin to work with what is otherwise salvageable.

“Geithner also indicated that the Administration's view is that they want the second half of the TARP funds to be released, and to be used not to bail out the banks per se, but that the banks would function essentially as clearing centers for the disbursement of funds directly to the people who are hardest hit by the credit crunch, namely homeowners, small businessmen, farmers, and others, whose access to credit has been largely cut off in the midst of the current crisis. This would clearly serve as a major injection of relief, delivered directly to those Americans being strangled by the cutoff of credit. Although I understand these measures fall short of what you've proposed, they've already provoked howls of protest from the world's financial capitals.”

That's true. They called Geithner the anti-Christ yesterday!

“Our view is, however, that such measures could be taken almost immediately, and that they would go a very long way to providing the new Administration with the kind of support and goodwill from the majority of Americans that would then allow the Administration to move forward with what are deeper and probably



*The city of St. Louis issued this proclamation in January 2008, one of many state legislatures and city governments that endorsed resolutions calling for Congress to implement a version of LaRouche's proposed Homeowners and Bank Protection Act.*

more controversial restructuring measures. Could you please comment on this?"

**LaRouche:** Well, you have to remember that back in 2007, I proposed all the remedies that are required. And what I proposed then is better than what's being proposed now. The Homeowners and Bank Protection Act, which secured a tremendous amount of support on the state and local levels in the United States, still provides for this. You don't need to mix this thing up. You provide the Homeowners and Bank Protection Act because that's a very separate question, including the question of whether fraud was committed in creating some of these mortgages, or whether they were over-

priced or whether they should be reduced, and so forth, in what form, for the homeowners. Because remember, a lot of these mortgages were swindles, and today, the value of the property which is mortgaged is vastly below the mortgage. So therefore, separate the homeowner mortgages from the other questions.

If you don't like that, blame Alan Greenspan. He created the mess.

All right. Then go to the bankers as a separate issue. In other words, you provide protection for the banks and the homeowners on the one side, against foreclosure action, and on the other side, you then protect the banks to be able to continue to issue and honor loans. And instead of having the money disbursed like a one-time pass-out—it's all right to have a level of what you intend to bail out—but I would put that two ways: First of all, enact the Homeowners and Bank Protection Act. Simple. Then, go to the fact that that Act was proposed before the crime had been committed, and the crime was committed with the Barney & Bailout thing.

## Convene a New Pecora Commission

So, then go to the bank question. What we want to do, on the turn of a dime, is have, on one day, the garbage is now declared out of the system. It's in a depository which is not going to be argued anymore. We're going to take what is valid in the banking system—that is, what corresponds to a chartered bank—and go straightforward with this thing. Don't go with this mismash, maybe this or that—straight. You had a bank, which under the previous Administration, there is a question as to whether there was something criminal, or tantamount to criminal, in the way the Bush Administration handled this thing in 2007-2008.

Did the Bush Administration commit crimes? Are you going to compound this mess of crime before the question of whether the crime was committed or not is settled? Maybe the President committed a crime, committed a fraud against the people. Maybe his officials assisted a fraud against the people, against the United States. I think they did. I think after a Pecora-type investigation, the American people would think so.

So let's get the Pecora Commission process started. Let's settle the thing and put this thing in one compartment. If it qualifies as what had been a chartered bank consideration, under Glass-Steagall, then it goes in one





## Where Is Our Ferdinand Pecora?

By Ron Chernow

**B**ARACK OBAMA has assigned a top priority to financial reform when the new Congress assembles today. If history is any guide, legislators can per-

they shifted to a stately caucus room, illuminated by chandeliers and flashbulbs. As it gained momentum, the inquiry expanded until it shined a searchlight into every murky corner of Wall Street. Pecora exposed a stock market manipulated by speculators to the detriment of small investors who could suddenly attach

and power.

One Morgan partner, George Whitney, lamely explained that the intent was to safeguard small investors by preventing them from assuming such risk. To which Pecora responded tartly in his best-selling book, "Wall Street Under Oath." "Many there were who would gladly

New York Times

Historian Ron Chernow's Jan. 16, 2009 New York Times article picked up on LaRouche's call (first issued in September 2008) for a new Pecora Commission to investigate Wall Street's crimes. In 1932-33, Ferdinand Pecora, chief counsel of the Senate committee investigating the causes of the 1929 Crash, put the House of Morgan and other top bankers in the dock. He later wrote: "Undoubtedly, this small group of highly placed financiers, controlling the very springs of economic activity, holds more real power than any similar group in the United States."

category, and the bank goes back and starts functioning again in that department, as before. Credit can be supplied by the Federal government to these banks, through—not the Federal Reserve system right now, because the Federal Reserve system is not trustworthy; it's also bankrupt—therefore we have to go through a facility, by putting the Federal Reserve in bankruptcy. If we don't put it in bankruptcy, how are we going to do it?

And then you have to think of where you're going to

move this whole operation. You're going to move to what Hamilton conceived as National Banking. And you're going to take Andy Jackson, and say, "Andy Jackson, you may be a good Democrat, but you're a lousy American. Because what you did in repealing Hamilton's design was to set us up for the 1837 Panic, and *you* in a sense are setting us up for something like the 1837 Panic all over again, which almost destroyed the entire financial banking system of the United States."

So I think, go the other way. Put the Federal Reserve system into bankruptcy. It is bankrupt. Separate what we used to consider the chartered bank accounts from the crazy stuff, put the crazy stuff in a completely different department, sort it out, and see if there's something in the garbage you want to save, but put in a completely different category. Get it out of there. Reverse the bailout, because the bailout was a swindle against the American people, and I'm sure that a new Pecora Commission would have that finding. I have already made that finding, if anybody needed help on that. Proceed in that direction.

Don't try to compromise language extremely. It just makes things more complicated. You know, don't cut half the head off with the guillotine.

## A Four Power Agreement

**Freeman:** This is a question that was submitted by an economist who is tasked with advising the State Council of China, and he says, "Mr. LaRouche, the trouble to the world economy has been caused mainly by powerful financial interest groups on Wall Street. Within the confines of the U.S. system, how can these groups be constrained, and do they have to be in order to rescue the current economy?"

**LaRouche:** Well, again, on the same thing, I think you know we can extend the idea of the Pecora Commission to the claims and grievances of China. Why not? They belong there, don't they? In the meantime, again, this is my reason on this proposal of the Four Power Agreement. We four nations, as an initiating group of nations—not four exclusive nations, but four nations which are called together to initiate a general reform for the benefit of humanity—Russia, China, and India, with groups of nations associated with them in this effort—and we have to put the world through reorganization, financial and related reorganization, with a view to launching a general recovery which ensures the security of humanity. For example, if China were to disintegrate, would that have an effect on the security of



humanity? China must not disintegrate, and China is being threatened in a way which borders on that. Therefore, the United States has a vital security interest in the security of China, and this is a part of the problem which threatens the security of China. Therefore, the United States, as a friendly nation, is vitally concerned with the security of China, to make sure that China is able to function as it should, as quickly as possible, without any further threat.

If we have an extended Pecora Commission—which is what we require obviously, because the amount of filth and lies and thievery that’s been going on recently under the Bush Administration is beyond belief, particularly the last year of the Bush Administration, the first step is to simply have a gesture from the United States, from the President of the United States to the government of China, that the United States is expressing its concern for the welfare of China in this matter. That statement of concern can then become operational in various ways. It can lead to practical discussion of ways and means by which China and the United States and other nations can cooperate to prevent this crisis from running out of control. That’s the case in which you don’t necessarily want to have a specific proposal, because you want to minimize the kinds of specific proposals which you make as formal proposals to other countries. In some cases, you have to make a proposal that’s formal and specific. In some cases, you don’t. In some cases, you simply have to say that we’re opening the doors for a discussion of measures of common goodwill. Let’s have the discussion. But, in this case, I think it’s a borderline case. We have to express that concern.

You know, there’s a lot on the plate of this newly installed President, of that nature, and he requires advisors who’ll just step in on his behalf, and according to his will, and express these concerns. Because nations will, with reasonable patience, accept promises from this Administration. If it is in some cases doing the work that it promised to do, then that’s reason for them to believe they should have confidence in what it *will* do, in addition to what it’s already done. So the quicker the President gets on to the major things which are of importance to his administration *now, immediately*, the more patience he will get from other countries to wait and consult with him on negotiating other things.

### **Recall the Governor of California!**

**Freeman:** We have a pile of questions that I’m not going to be able to get to, that came in from legislators

across the United States. These are legislators from California, from Michigan, from Florida, from Nevada, from West Virginia, from Kentucky. In just about every case, one of the things that they do always express is, first of all, the fact that they had worked during the course of the last two years for the HBPA, and that they intend to continue to work for that measure [see *Appendix*]. They also invariably have lent their endorsement to Lyn’s call for a new Pecora Commission.

But they also are all addressing the problem of state budgets in extreme distress. Lyn, because California is the biggest problem, in this regard, I’ll read you just one question along these lines, and you can either answer it specifically or generally, as you wish. It is from a member of the California legislature, and he says, “I think I know what you’re going to say, but I want to hear you say it. Is there anything that can be done about these ballooning deficits in state governments? While most states are running deficits, California has by far the biggest problem. It’s now estimated at a \$42 billion shortfall. The governor insists that this must be covered by budget cuts and disguised tax increases, and that nothing else can be discussed until this is resolved. Meanwhile, desperate members of the legislature are now appealing to President Obama for a bailout of the magnitude of that offered Citibank. The problem is that the state will run out of cash reserves by next week. What can we do?”

**LaRouche:** Well, I think we need a California Recall commission. I think that the popularity of the governor [Arnold Schwarzenegger] is at a low point about this time. Obviously, we have to have—especially between the Federal Executive and relevant people in California—there has to be a discussion. Now, I don’t know how Mrs. Pelosi is going to treat this thing, because she’s been one of the major problems in this, and she’s said to be from California, although I understand she’s actually from Maryland. Or maybe from some other place called Hunger.

But there should be a negotiation on this, right away. This is an emergency, there’s no question about it. But, unfortunately, the governor himself *is* the emergency. I mean, the guy has a pedigree from Austria, which is not exactly the most reassuring, shall we say. His father was a leading Nazi official—and he’s acting like one in California, so I don’t think that we can be soft on that. No, there has to be, there obviously has to be an action and it has to come largely from Washington, from the Executive branch.

You see, one thing you can do—you see, a President can encourage people to do something, even if he can't do it himself. He says, "You do it, and I'll back you up, I'll support you." And I think this is one of those cases. We can not have California sliding off like the fault into the Pacific Ocean. We can throw the governor into the ocean, if the fish don't object too much. Obviously, I'm very serious about that. We have to do something, and the point is, is to make it clear that we intend to do something. And I think also a number of measures simultaneously unleashed, such as an immediate recall motion for the governor, that is a minimum thing that has to be started. And then, gestures of goodwill, and then, also an alternative, and to put the state into bankruptcy, bankruptcy protection, and maybe Federal bankruptcy protection, Federal receivership, if necessary. And that would do it. Put it in receivership, put the governor in recall, and get some credit in there for, worthwhile credit, because \$42 billion is not that big when you consider what happened in Wall Street recently.

So to bail out a whole state is worthwhile, if that's going to stabilize the situation for the nation. And a combination of such measures, an array of such measures—you know, open up with a battery of artillery fire and see what that does.

### **'The Party's Over'**

**Freeman:** I'm going to read a short statement that came in from Assemblyman Jerry Claborn from the Nevada State Legislature, just because it captures statements that we've gotten in from so many others. He says, "Mr. LaRouche, my question is more in the form of a statement. I wanted to say that I wholeheartedly support your call for convening new Pecora hearings. It is long overdue. The party's over. The public are dead set against the banks, and hopefully will not stand for any more bailouts. We've had enough. The well is dry. These bankers should be put on trial. The evidence is right there in front of us. Look at the shape of the nation. We are a wreck. They, the Madoffs, the Soroses, and others, have killed the American Dream. That is all the proof we need. Only an animal would do what the Wall Street boys have done. They're like Jesse James or John Dillinger, without guns. March them off to jail, just as you said. I've been a union organizer for over 25 years, and now I serve in the State Legislature. I built bridges and power plants, and now these guys are tearing everything down. I support your call for Pecora hearings in the Congress. I know that many of my colleagues do

as well. The only question is, what are we waiting for?"

### **The President Needs Our Support**

And then the final question comes from one of the people who is coordinating the transition. And he says: "Mr. LaRouche, over these last months, you've been extremely generous in providing not only the context in which this new Administration must consider its policy, but you've shared detailed analysis and specific policy initiatives. Your input has been invaluable, and we'd like you to know that it has been greatly appreciated. If, this very afternoon, you had a few moments to give advice directly to the President, what would you say to him?"

**LaRouche:** Well, I would say the things I've said today, above all. This is a time—I know the feeling of this kind of situation. I understand the situation he's in, probably in some ways, better than he does, being older and having lived through this world longer, and probably having more influence on me, from various parts of the world, that I can feel strongly the effect in various parts of the world of what the world has been subjected to, under the U.S. toleration of the British Empire. And that's the best way to put it.

That the President has been given, as I believe others would assure him, he has been given a moment as President, where his popularity is at the very height, probably the highest it will ever be, because there are frictional things in being President which tend to tear down some of your popularity around the edges, on one grievance or another, or one issue or another. And this is the time to make a couple of decisions which are crucial, and I think they have to be made up front.

First, we have to deal ruthlessly and decisively with this world monetary-financial economic crisis. We have to establish, again, the position of the United States in the specific tradition of President Franklin Roosevelt, to act as Roosevelt would have done, had he lived beyond the time of his death into the conclusion of the war which he led in winning.

And I think, at this point, President Obama has inherited that legacy from the deceased Franklin Roosevelt, to pick up the world from a period of decline and despair, by taking a decisive action, which, above all other things, establishes the United States in the opinion of leaders of the world, as being the leader of nations out of the darkness through which we have lived in recent times up to this point.

I think that the general economic reform, including

that of cooperation extended toward Russia, China, and India, is crucial. But to make that work, we must first make a sweeping reform in the U.S. credit system. We must establish, as Roosevelt intended, a fixed-exchange-rate system of credit, not a monetary system, but a credit system, among a number of leading nations of the world, including our own United States, Russia, China, and India. And around this group of leading nations, to lead the world into a general economic reform, with the kind of objectives which I've referred to today. We have to take mankind out of this abyss, this abyss which we've been sliding into more and more and more, since Franklin Roosevelt died, and especially since 1967-1968.

We've got to get back, and we've got to recognize also in our actions, that the United States, whether some

people like to hear it or not, the United States is the greatest nation which has ever existed. Not because of something magical about it, but because we are the representatives of what we call the melting pot nation, of the hopes of the people of the world. We were what they hoped would become their destiny. That what we would achieve would become available to them, for their benefit. And the President of the United States, I think, must express that in practical ways, as well as in voice, to the world as a whole. He must be again seen, as we saw President Franklin Roosevelt during World War II, as a man who took a leading position in a leading nation in saving the world from Hell. And certainly President Obama is faced with a challenge of approximately that magnitude, and I think he needs all the support he can get on that account.

## APPENDIX

### The Homeowners and Bank Protection Act of 2008

*Here are essential points of LaRouche's HBPA, as updated on Sept. 30, 2008. For the full text, see [www.larouchepac.com](http://www.larouchepac.com).*

Whereas, the present financial crisis now threatens each and every U.S. bank and all related banks, and all individuals and institutions associated with those banks....

Whereas, this financial crisis has already wiped out both state and federally chartered banks, eliminating both personal savings, and the states' and municipalities' access to funds, and there are currently no measures in place to prevent the accelerated collapse of the monetary financial system from plunging civilization into a prolonged new Dark Age....

This act includes the following provisions:

1. Congress must establish a Federal agency to place the Federal and state chartered banks under protection, freezing all existing home mortgages for a period of how ever many months or years are required to adjust the values to fair prices, and restructure existing mortgages at appropriate interest rates. Further, this action would also write off all of the

speculative debt obligations of mortgage-backed securities, derivatives and other forms of Ponzi Schemes that have brought the banking system to the point of bankruptcy.

2. During the transitional period, all foreclosures shall be frozen, allowing American families to retain their homes. Monthly payments, the equivalent of rental payments, shall be made to designated banks, which can use the funds as collateral for normal lending practices, thus recapitalizing the banking systems. These affordable monthly payments will be factored into new mortgages, reflecting the deflating of the housing bubble, and the establishment of appropriate property valuations, and reduced fixed mortgage interest rates. This shakeout will take several years to achieve.

In the interim period no homeowner shall be evicted from his or her property, and the Federal and state chartered banks shall be protected, so they can resume their traditional functions, serving local communities, and facilitating credit for investment in productive industries, agriculture, infrastructure, etc.

3. State governors shall assume the administrative responsibilities for implementing the program, including the rental assessments to designated banks, with the Federal government providing the necessary credits and guarantees to assure the successful transition....