

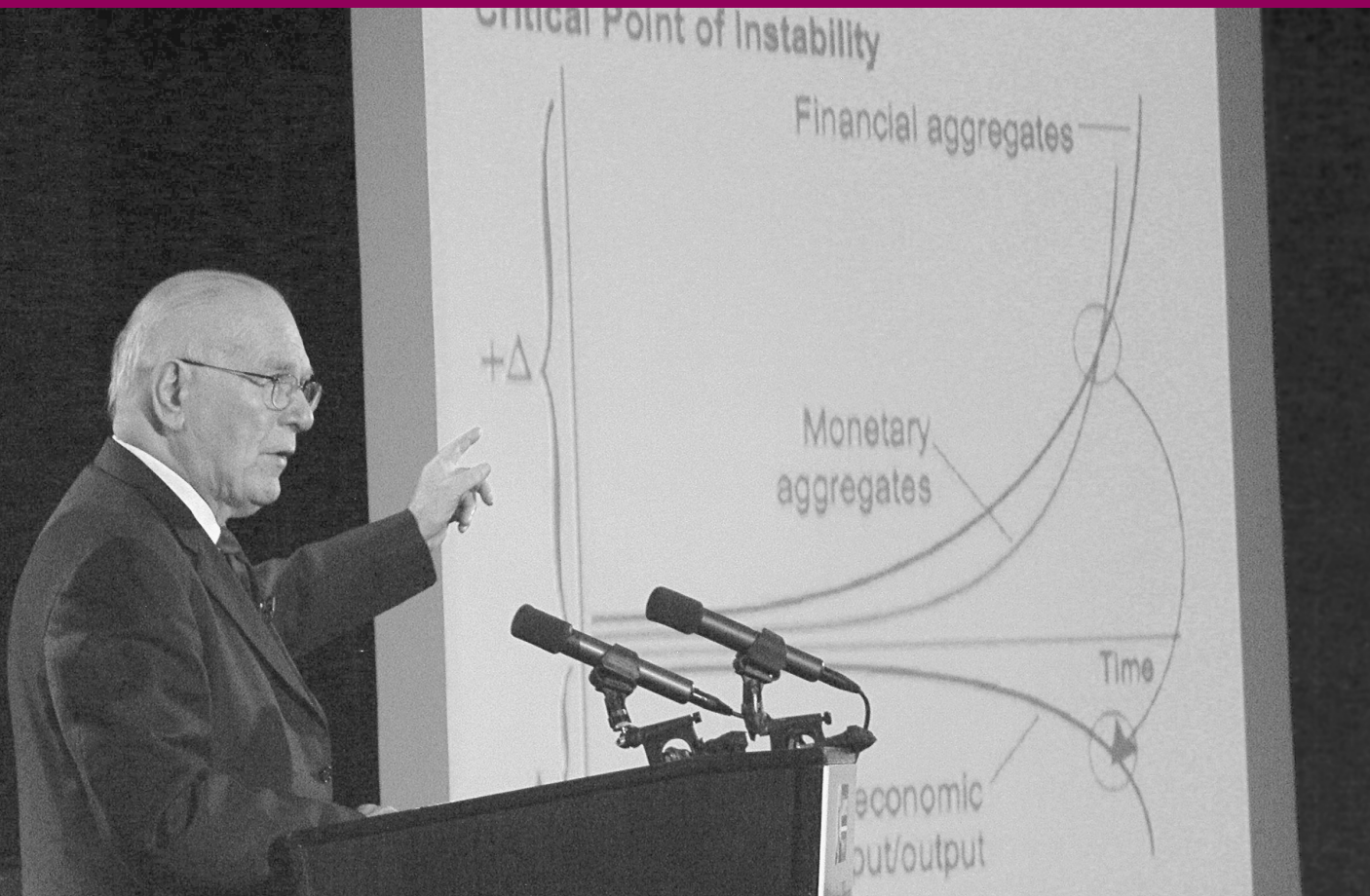
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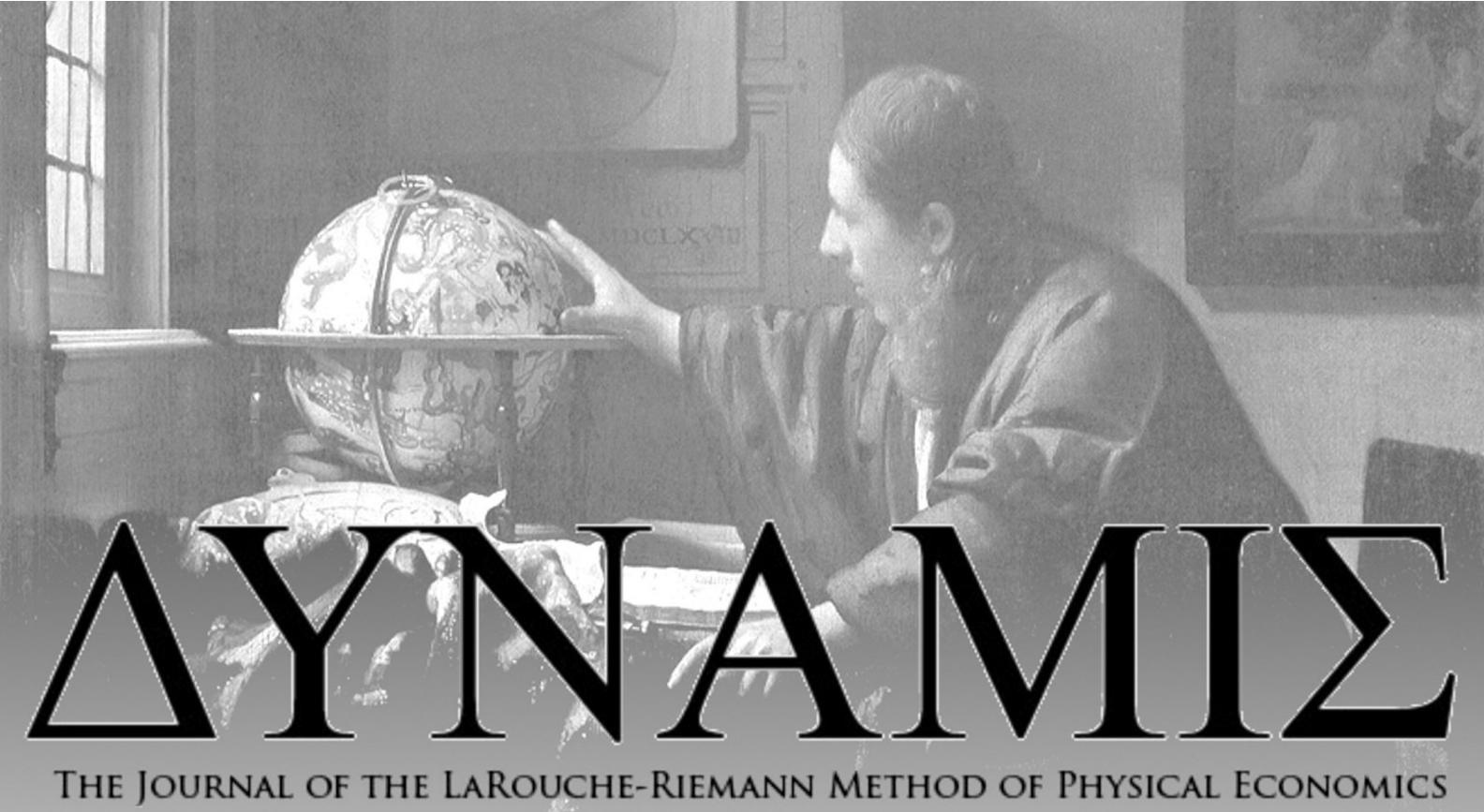
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Financial Blowout: The Constitution, or Fascism  
Israeli War Plans Against Gaza Are Insane  
Life At an Atheist's Funeral

## LaRouche: Six Months Into Greatest Financial Crash





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THE JOURNAL OF THE LAROUCHE-RIEMANN METHOD OF PHYSICAL ECONOMICS

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## SEPTEMBER 2007 EDITION

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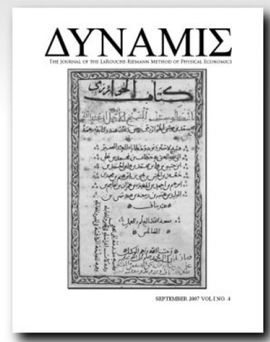
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# EIR

## From the Assistant Managing Editor

On Jan. 17, three events took place which clearly define the battle lines that have been drawn in a showdown over how to respond to the accelerating disintegration of the U.S. and world economy. On that afternoon, Federal Reserve Board Chairman Ben Bernanke appeared before the House of Representatives Budget Committee, and joined the chorus of off-key warblers calling for a “fiscal and monetary stimulus,” to try to inject some life into an already moribund system. This “solution,” unfortunately, represents “more of the poison which is already killing us,” as the bankers move to impose fascism (see *Economics* lead by John Hoefle).

Happily, the nation does not have to rely on the nostrums of Wall Street medicine men. That very afternoon, Lyndon LaRouche addressed an audience in Washington, D.C., and beyond, in an international webcast, titled, “Six Months Into the Greatest Financial Crash Ever” (*Feature*). When the question of the myriad of “stimulus packages” was raised at the webcast, LaRouche responded, “Everybody is talking about stimulation, like this is a sex clinic, or something. This is not the problem!” He warned that the crisis we face, if not stopped, will “bring every part of the world into a general breakdown of their respective social system.” But, LaRouche added, by following the example set by President Franklin Roosevelt, and basing ourselves on the U.S. Constitution, which is derived, in principle, from the 1648 Treaty of Westphalia, which placed the “benefit of the other” as the highest good, there is no problem anywhere in the world we cannot solve.

The third Jan. 17 event took place in Copenhagen, Denmark, where Schiller Institute Chairman Tom Gillesberg presented testimony to a parliamentary committee, urging adoption of LaRouche’s New Bretton Woods proposal, and informed committee members of the groundswell of support in the United States for LaRouche’s Homeowners and Bank Protection Act (*International*).

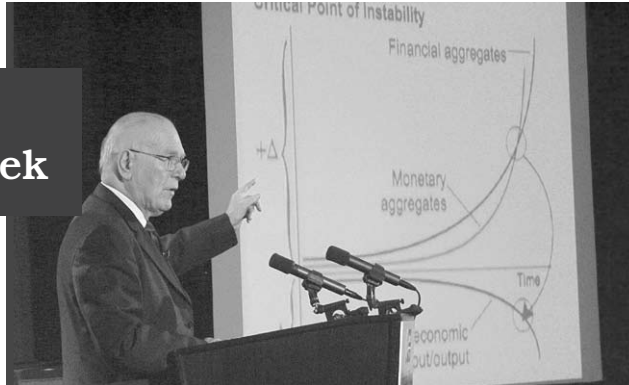
Thus, the choice we have before us is clear: Adopt LaRouche’s policies now, or plunge into the worst human catastrophe since the 14th-Century New Dark Age.

Benjamin Franklin, whose 302nd birthday anniversary we celebrated on Jan. 17, would have known what to do.



## Cover This Week

LaRouche points to his "Triple Curve" at the Jan. 17 webcast.



EIRNS/Stuart Lewis

### 4 LaRouche Webcast: Six Months Into the Greatest Ever Financial Crash

Lyndon LaRouche, in his keynote speech to a Jan. 17 webcast from Washington D.C., emphasized that the present crisis is not a mere financial crisis, nor a depression, but a global breakdown crisis, which, if not stopped, will radiate out from the Trans-Atlantic English-speaking community, "to bring every part of the world into a *general breakdown of their respective social systems.*" He characterized it as one of the most important moments in history since the 14th Century in Europe, with its new dark age, and said that none of the governments in existence today, has any efficient comprehension of measures to deal with this crisis. He asserted, however, that the crisis is manageable, and addressed the measures of control which the government of the United States and other governments *must take now*, if they're going to save civilization, which he elaborated further in the Question-and-Answer period that followed.

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Lyndon LaRouche warned on Jan. 17, that if Israel follows the advice that President Bush delivered during his tour of Southwest Asia, it would create regional chaos, and almost surely lead to the destruction of Israel. LaRouche identified such an all-out destabilization as fundamentally "Made-in-London," in pursuit of the British policy of using "managed chaos" to create a "post-Westphalian" world system.

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LAROCHE WEBCAST

## Six Months Into The Greatest Ever Financial Crash

*Lyndon LaRouche delivered the following hour-long keynote, and then fielded questions for two more hours at an international webcast from Washington, D.C., sponsored by the LaRouche Political Action Committee on Jan. 17, 2008. The webcast was moderated by LaRouche's national spokeswoman Debra Freeman.*

**Debra Freeman:** Good afternoon. On behalf of the LaRouche Political Action Committee, I'd like to welcome all of you to today's international webcast. As I think many of our listeners may recall, it was approximately six months ago, during a similar webcast, on July 25, that Mr. LaRouche made clear that we were in a situation, not where we were facing an *impending* financial collapse, but that in fact the financial collapse was under way. Within days of that webcast, Mr. LaRouche was proven absolutely correct, by a chain of events that occurred. On July 28, Countrywide Financial, which is the nation's biggest mortgage lender, announced a 33% drop in profits, and it's been nothing but bad news ever since then. Two days after that, American Home Mortgage, another major lender, which specialized in subprime mortgages, collapsed. By July 31, the subprime mortgage crisis was on the front page of every newspaper in the United States.

Mr. LaRouche was 100% right in forecasting the collapse. He was 100% right, when he said that the collapse had occurred. And here we are, six months later, with the debris from that collapse hitting on a daily basis. As a result of a national and international mobilization, the willingness to deal with that crisis, at least the willingness to admit that that collapse is under way, has begun to permeate political circles. Hillary Clinton's Presidential campaign stands as probably the only Presidential campaign, or at least the only one that I'm aware of, that has been prepared to put this front and center. And while that is useful, they have still failed to address the causes of the crisis, or the real solutions.

I think that today's webcast is one in which Mr. LaRouche, as he has been doing repeatedly at these international webcasts, will provide a pathway, whereby people can gain greater understanding of what it is we are facing, as a nation, as a world, indeed, as a civilization. And I believe, knowing Mr. LaRouche as I do, that he'll also provide a pathway to solving it.



LaRouche: "The danger from this crisis is greater than probably any of the precedents, other than the collapse of the Roman Empire itself."

So ladies and gentlemen, without further ado, let me present to you, Lyndon LaRouche.

## The Crisis Is Manageable

**Lyndon LaRouche:** Thank you.

The presentation and discussion which is going to occur now, will be for most of you, one of the most important things in your lives—the issues. Because we are at a point, not of an ordinary crisis, not of a financial crisis, not of a mere depression, but of a global breakdown crisis, centered in the trans-Atlantic community, especially the English-speaking trans-Atlantic community, which will radiate, if it's not stopped, to bring every part of the world into a *general breakdown of their respective social systems*. This is one of the greatest moments, in terms of importance, in history, since the 14th Century in Europe, with its new dark age, and since similar events, like the collapse of the Roman Empire, or the collapse of the Byzantine Empire: This is the kind of period we're living in. And the danger from this crisis is greater than probably any of the precedents, other than the collapse of the Roman Empire itself.

This is momentarily a collapse. Each day, now, since Jan. 3, the crisis has been expanding in magnitude, at an accelerating rate. What you think is the extent of the crisis today, if the measures I propose are not taken, will become much worse, by an order of magnitude in the next week, and the week after that, and the week after that, until the whole system grinds into

a collapse, probably some time during this year. And I'm talking about a global collapse, not a collapse just of the trans-Atlantic English-speaking community. But the thing is centered obviously in the trans-Atlantic English-speaking community. That's where the source of the infection is, from which it spreads. And that's what we have to deal with.

We also have to deal with another problem, apart from an economic problem: a problem of idiocy, which permeates the highest ranks of the Senate, and other locations, among all so-called leading economists, today. There are a few exceptions here and there. But on this question, of this crisis, except for a few people in the woodwork that I know about, there is no public expression of any comprehension of what this crisis is about, or any comprehension of what the remedies are.

Now, let me say, on that point specifically, that the primary crisis before us, immediately, is twofold: On the one hand, it's an international monetary-financial crisis, in which the collapse of the entire world international monetary system could be completed within a time as early as this year, and even sometime earlier in this year, because that's the way human events are. You can not predict the day in which that collapse would occur, but the collapse is already ongoing. And none of the governments in existence today, has any efficient comprehension of adopting measures which would actually deal with this crisis.

The crisis is manageable. It's not simply solvable: You can not simply turn back the clock and get good times back again, where you had them before. But you can bring the thing under control. And the problem I wish to address today, specifically, is the measures of control which the government of the United States and other governments *must take now!*, if they're going to save civilization. This is doom-time. And often in human history, it was possible up to a certain point, to prevent a civilization from disintegrating into chaos. We're in such a situation now.

But if we don't take the measures, this civilization will collapse into chaos this year. If we understand these measures and are willing to take them, we can manage the crisis, through cooperation among nations, which agree on certain principles. That's always been possible. But if we do not do that, we are living on the brink of one of the great dark ages in all human existence, globally.

## **‘This Is Big-Time’**

So: What I’ll do in the course of today’s remarks—I’ve portioned things into two sections, because I can anticipate from certain leading circles in our political system and elsewhere, that there will be certain questions addressed to me, through Debbie, which will either identify themselves, or will identify themselves categorically, by their profession or by their interest. But some of them are very highly sensitive, and the questions will come to me, not with their name attached to it, but with the category that they represent involved. And what I’m addressing most immediately, are certain leading political and other circles, inside the United States and internationally, which need to know what I know, and they do not yet know, and to make that clear.

So this is big-time. This is not small-time.

We also have a big problem of a bankruptcy of ideas and mentality among a dominant section of our culture. The more influential part of our upper 20% of family-income brackets are crazy, and corrupt. Especially the generation now between 50 and 65 years of age. That is the generation which is the most disoriented and most corrupt, especially certain influentials.

So therefore, the problem is that some of the people, including in the major press, major publications, mass media generally, and so forth, on this question, are either outrightly lying or incapable of telling the truth, because they couldn’t know where to find it. And they are the most influential voices you hear, so far, from the U.S. Senate, from leaders of the House of Representatives—not all leaders, but the ones who are the most vocal and most reported—and from most Presidential candidates. They are all, by my book, idiots, and worse; because their opinions are worse than worthless. If their opinions were to prevail, the whole country will go to Hell; that I can guarantee you.

Therefore, what we’re in the process of doing, which I’m particularly in the process of doing, is, being a veteran Presidential campaigner, and of some international significance: I am not running for President, but I am running to create the situation on which the coming President of the United States, if properly selected, will take the steps which are necessary on behalf of the United States, to enter into cooperation on these principles with other nations, and under those conditions, this planet can survive, civilization can survive. We can recover again. This is not as easy as Franklin Roosevelt faced with the Great Depression. This is a much tougher problem, a much more dangerous, deeper corruption than that. And so, the precedents from that period, while valuable to us today as a lesson, are not a prescription by imitation for solving this problem.

The greatest problem we have, is the incumbent President of the United States, and the number of idiots, both Democratic and Republican, in the Congress, including the Senate, who think like they do. That’s our biggest problem. Because what we need at this moment, looking back at our history, we are in a moment, that we need a Franklin Roosevelt as Presi-

dent. And what we have as a Presidency today has no resemblance to that, whatsoever. As a matter of fact, the question of species is also in doubt.

So therefore, it requires a special effort. The effort will, however, come in the course of the campaign—a critical point. Because if one or two figures, who are Presidential candidates, or pre-candidates at this point, step forward, as Hillary Clinton has made a step in that direction—if they step forward to take charge of the leadership of the parties going into their Presidential nomination procedures, then they will become a focal point of leadership, to counter the idiot who occupies the White House today. That’s our best shot. And people from abroad will observe that, because they will say, “Yes, you have interesting ideas. It would be nice if the United States would do that.” But, will the United States do that, considering the idiot we have in the White House today? And with the Cheney hanging around his neck. And with a Speaker of the House, Pelosi, who seems to be owned by a notable fascist, and is doing everything to sabotage what needs to be done to save this nation? And similar problems in the Senate.

So therefore, the first thing we have to address is the fact of a general incompetence in dealing with a specific problem we *must* solve, and also a massive corruption, political and moral corruption, within relevant parts of the upper 20% of our family-income brackets, notably those in politics. That’s our problem.

Therefore, I could say the following, just as an example: You could imagine two politicians trained in economics. They jump out of an airplane, to take a parachute to the ground—but they have forgotten their parachutes. The first one says, “I think we’re in for it.” The other one says, “Don’t believe any of those conspiracy theories. We’re going to make it. We’ll bounce back.” And you’ll get that from a lot of them, today.

## **The British Empire ‘Slime-Mold’**

Now, let’s go back in American history to a point, which should be a point of reference today—it doesn’t contain the solution, but it contains the suggestion of what the solution might be: Franklin Roosevelt, as President. Franklin Roosevelt as President saved the United States, by returning the United States to its Constitution. Measures by Roosevelt were in accord with the principle of the Constitution. The Presidents who preceded him, since the assassination of McKinley, including Woodrow Wilson, Teddy Roosevelt, Hoover, Coolidge, so forth, had actually been the enemies of the best interests of the United States, operating from the top level of the United States.

The problem that Roosevelt faced, was a problem of the British Empire. Now, the British Empire is not really a monarchy. It’s a slime-mold: That is, it is a collection—and this has been the case since the beginning of the British Empire in 1763, with the Peace of Paris—an international financier cartel, largely of Anglo-Dutch denomination, but essentially bankers in the Venetian tradition, a slime-mold. They kill each





Painting by Alexander Kotzebue

*The Seven Years' War was typical of British Empire "slime mold" practice. Britain won the war in 1763 after it got all its rivals on Continental Europe to fight and destroy each other. Here, a painting depicting the Battle of Kunersdorff in 1759, where Russian and Austrian troops defeated the Prussians.*

other by night, and they gang up together against the human race in the morning. This is the type.

In 1763, this slime-mold, this international financial gang, took over Britain, at a time that Britain had been the victor in a war it orchestrated, called the Seven Years' War. What Britain had done, which is typical Liberal practice, is to defeat all its rivals on the continent of Europe, by inducing them to make war against each other. So Britain sat back, while Russia, and France, and Prussia, and other countries, fought each other, and came down in ruins, with the Peace of Paris, in which the British came in and collected the remains. It was the British East India Company, who collected the remains. The British monarchy is *not* the controlling force inside the British Empire. The controlling force is a slime-mold, called the Anglo-Dutch Liberal financial establishment. They run the empire. They are not necessarily British citizens; they're often Dutch, they are French, they're Venetian, they're New York bankers. George Shultz, for example, the guy who sank the Roosevelt monetary system, is part of this. He's a fascist. So's Rohatyn. Rohatyn's a fascist. It's not a term, it's a species designation.

And what we're faced with today, and with the Bloomberg game, is the attempt to establish a Presidency of the United States, under Bloomberg and Schwarzenegger (whose father gave him fascist credentials by birth) to establish a dictatorship in the United States, modelled immediately on that which was used by the British to create Mussolini as a dictator in Italy, the same British circles which put Hitler into power in Germany. This is the problem. We are faced with a threat of tyranny beyond belief, by this crowd. And this is

what the British Empire is: It's the Anglo-Dutch Liberal system, which is a system of international finance, which in respect to each other are predatory. They eat each other, and they eat each other's children. But then, they gang up against all of the rest of us, and play us for fools.

For example, who started the war in Iraq, the last war in Iraq, that's now still ongoing? It was done by the Tony Blair government of England. Tony Blair orchestrated it. Remember the case of David Kelly? The key figure inside the United States was Dick Cheney, but not really Dick; it's his wife. His wife is the one who picked him out of the swamp, got him jobs, got him positions, and she's the terror who runs him. She's a British agent, a Fabian, part of the Fabian Society, the same thing that Tony Blair represents. So, you had American accomplices of the British Empire—which is not the British monarchy, it's the slime-mold of British or Anglo-Dutch finance—orchestrated a war in Iraq, in Southwest Asia, *to destroy the United States by inducing it to destroy itself!* Just in the same way that the Anglo-Dutch Liberals set up, in the early part of the

18th Century, a war called the Seven Years' War, in which the powers of Continental Europe chopped at each other. And the British came in and collected the remains, the Anglo-Dutch Liberals.

In our midst—if you think that Felix Rohatyn is an advisor to any leading figure, you should fire that leading figure, should be fired from office, particularly from the position of Speaker of the House. Because they represent a *danger* to the United States, as great as a traitor in a high position during warfare. She, under the influence, is a poor patsy, a poor, dumb patsy, controlled by Felix Rohatyn, who has done the most to destroy the United States House of Representatives, during her term of service, since she gained that position. These are the kinds of problems we face.

## **Roosevelt Used the Constitution To Save the U.S.A.**

Now, go back to, again as I said, to Roosevelt: Roosevelt came into the Presidency at a point that we hadn't had—with the exception of Taft, in a sense, and Harding, who were questionable figures—we hadn't had an honest President since the British killed McKinley, in order to bring Teddy Roosevelt into the Presidency. Teddy Roosevelt, Woodrow Wilson, Coolidge, Hoover, so forth, were problems. We were almost destroyed by this. We were still a powerful nation at that time; we were almost destroyed.

Roosevelt came along. Now, Roosevelt was a descendant of a New York banker by the name of Isaac Roosevelt, who had been a collaborator of Alexander Hamilton, in his time.



Franklin D. Roosevelt Library (NLFDR)

*“Franklin Roosevelt as President saved the United States by returning the United States to its Constitution.”*

And Roosevelt did not stumble around, and did not innovate in some curious manner, did not violate the Constitution, but he *used* the Constitution precisely, and followed it, in order to organize an effort to save the United States from itself, and from what previous Presidents had done to the United States. He saved the United States. He did more than save the United States: At the time he came in, the British ruling class, including the British monarchy itself, had not only put Mussolini into power in Italy, but had put Hitler into power in Germany. Who created Hitler? It was not Germans, it was Brits. They organized it. They insisted upon it.

When Roosevelt became President, this underwent some degree of change. Roosevelt took emergency measures which were based on the U.S. Constitution. And today, we should follow *exactly* those precedents that Roosevelt used then, that are constitutional precedents. His constitutional conceptions *are* constitutional. What exists now, as a so-called “constitutional” interpretation of these matters, is *not* constitutional: It is something imported from abroad. This is *not* our Constitution.

Remember, our Constitution is derived, primarily, immediately, from the 1648 Treaty of Westphalia, the Peace of Westphalia. This was the foundation of a commitment among nations to the modern, sovereign nation-state by those nations, in 1648. This ended a long period of religious warfare, which had been induced by Venetian interests, from 1492, the Expulsion of the Jews from Spain, by the Grand Inquisitor, through the end of the war in Europe in 1648, the Thirty Years’ War.

This agreement, prompted by a great Cardinal Mazarin, from France—actually an Italian, but he was stuck in there by the Pope—and this agreement on the Peace of Westphalia, on the “benefit of the other,” that each people and each nation must devote itself primarily to the benefit of other nations, and

by doing so, to create a bond among nations, in cooperation among nations, by which these kinds of problems can be cured.

We can not eliminate the nation-state; we do not need a Tower of Babel. Because the ability of a people to govern itself depends upon its culture. And without that culture, a people can not be self-governing. So therefore, you can not impose law upon nations, simply by just imposing law upon them. You must work through the culture of that nation, the culture of its people, and have their willful consent to cooperation of the type needed to fulfill the intentions specified by the 1648 Peace of Westphalia.

This is embedded in our Constitution, in the citation from Leibniz, in the Declaration of Independence: the “pursuit of Happiness,” which was Leibniz’s attack on the Liberal theory. Liberalism is *not* U.S. philosophy, not constitutional philosophy: Liberalism is rejected in U.S. constitutional philosophy. This principle of the “pursuit of Happiness” which Benjamin Franklin and others took

from a book by Leibniz, was expressed as the great Preamble of our Constitution, the so-called Bill of Rights. And this principle of our Preamble is our fundamental law. And that is the law which is the *interpretation* imposed on every other aspect of our constitutional system. *The Preamble of the Constitution is our fundamental law!* Which expresses, echoes the Declaration of Independence, but is our constitutional law, as a Federal Republic. *Every other part of the Constitution is subject to interpretation according to the specifications of that Preamble.* That’s our law. That was the law understood by Franklin Roosevelt.

### **The Federal Power of Bankruptcy**

We also have another feature of our Constitution, which is different than anything you find in Europe, or at least in western and central Europe: We do not believe in monetary systems, constitutionally. The United States system is not constitutionally a monetary system. European systems are monetary systems, based on parliamentary government. There *is* no moral principle controlling. There are moral principles adopted in constitutions in Europe, but the essential thing is not there. In the U.S. Constitution, *the creation of money, and the regulation of money is a function of the Federal government.* The issuance of money is done by the consent of the House of Representatives, and enacted by the Treasury Department, under the direction of the President. It is unlawful to create money, or a form of money, in the United States, except by the Federal government, and except according to this principle, this constitutional principle. We are not a monetary system! Not constitutionally. We are a *Federal Republic*, and we have a credit system, which is based upon the constitutional principle reflected in our system of the creation of credit.



Library of Congress

*The founding philosophy of the United States is in opposition to Anglo-Dutch Liberalism and the parliamentary system. The U.S. Constitution is derived from the 1648 Treaty of Westphalia and its principle of the “benefit of the other,” established by Cardinal Mazarin (left). This idea is embedded in the Declaration of Independence’s statement of the inalienable right to the “pursuit of Happiness,” as articulated by Gottfried Leibniz (right).*

We also have, under the same term, as a Federal government, the power of bankruptcy. And this power of bankruptcy is very important at this time, because without exerting it, you’re not going to save the United States. And if you can’t save the United States, you’re not going to save the rest of the world.

That means: That most of the outstanding debt, represented by financial interests, as claims upon the United States, its territories, and its people, will be put by the Federal government, into bankruptcy receivership. What should be paid, in the short term, *will* be paid. What should be supported in the short term, *will* be supported. But those sums we can not afford to pay, *we shall not pay*. We shall proceed under *bankruptcy law*, under our Federal law, to put the entire *system*, of money and related things, into receivership. If we do that, other countries will do it, too.

Now, what I’ve proposed, as you know, is that four powers in this planet must come together to share a policy, an initiative, which will save this planet from a general collapse. These four powers are, the United States (despite the idiot in the White House now); Russia, China, and India. Because, if these four nations agree on a relevant policy, not only will other nations join them, automatically, other nations, which are smaller nations, will join them in common interest. But we will solve the problem. *We can organize a recovery of the world economic system, by reorganization of its financial system*. We will return to a principle, if we agree among these nations, under which the same principle that applies to the U.S. Constitution, in terms of money, applies there: We will create a *fixed-exchange-rate system*, echoing what Roosevelt intended before he died—and I’ll explain what that significance, “before he died” is.

We will therefore have a system under which loans outstanding can not fluctuate in the interest rates upon them, but will be kept within payable limits. Because, in general with the world economy as it is today, if the interest rate on long-term loans exceeds 2%, you’re going to have a collapsed economy. Because you can not *afford*, in today’s productivity, to have higher rates of interest in general, for long-term capital and related improvements. Therefore, you must have a fixed-exchange-rate system. That does not mean a gold-based system, but it does mean that we probably would do the same thing with gold that Roosevelt did with gold: We will consider it, not as a monetary asset, but as a means for settling accounts among sovereign national powers. And thus, to use that power, to maintain a counter-inflationary stability in long-term investments among nations.

If we don’t do that, if we’re unwilling to do just exactly that, there is no chance that the world civilization as we know it, in its present organized form, will continue to exist, as long as the remainder of this year. Because the rate of acceleration of decadence, of collapse, that is now built into the system, will accelerate to such a degree, that we can not determine on what date the system disintegrates, but it will be soon.

### **Mobilizing the Base**

So the question is: Can we find in the United States, in particular, can we find a group of people, especially leading figures, who will come together to do what I have prescribed on this account?

Now what we’re doing right now, we are mobilizing the base: The problem has been, that since the corruption from the top down, in the Senate and the House of Representatives, the corruption typified by that expressed by Nancy Pelosi, the stooge for the fascist Felix Rohatyn, that has prevented the Houses of Congress from functioning. *They don’t function*. There are people in there who would like to function. There are good people in there, but they don’t function. Because the system of “go along to get along” doesn’t permit them to function properly under these conditions. With proper leadership in the Senate, and proper leadership in the House, yes, they would function. We’ve got to, first of all, change the Speaker of the House, right away. Otherwise, you don’t care much about the United States. If you care about the United States, you will say that she needs to go, into some peaceful retirement, where her limited mental powers will find a proper realization.

So, thus, in this way, we had to go to a lower income-bracket section of the population. We went to the states and localities, working on the state level, to campaign for an action, which I prescribed, which if it is not implemented ex-

actly as I have prescribed, means the doom of the nation. This is the Homeowners and Bank Protection Act. If that act is not instituted, in *exactly* the method I have specified, without changes, the system won't survive: We're finished.

Now, what we have now, is a growing mass support in the base of the population, on the state level, for that act. That the people in the Senate and the Congress are increasingly aware of the pressure coming from the states, in our mobilization for support of this act—to be implemented *precisely* as I have prescribed, without changes.

Why? Let me explain this act: The bankruptcy of homeowners, or nominal homeowners, can not be allowed. And we can not solve the problem by selective bailouts of some people. It won't work. You have to have a *national freeze* on foreclosures. Now, that has been picked up by some political figures, such as Bill Clinton and his wife. And so far, that's good. But that's not enough, as I think they know. You also have to protect the bankers *simultaneously, and in the same act*. Why? Because mortgages, if they're legitimate, and orderly mortgages, not some kind of fly-by-night thing, are related to banks: to *chartered banks, to chartered Federal banks, to chartered state banks*. These banks are now in danger of collapse and liquidation.

Therefore, you can not simply suspend these mortgages by themselves: *You've got to put the banks under protection, in exactly the same act!* If you don't put the bank under protection, your attempt to defend the mortgages will do no good. And if you allow the thing to continue, where the banks are being chewed up, now—by disreputable things that should be written off entirely—are being looted. As in the recent round of trying to buy out some of these hedge-fund operations which should not have been saved. They should be collapsed! Write them off the books! They're not worth anything.

We've got to save the homeowners. We've got to keep them in their houses. We've got to keep the communities stable. We've got to protect the local banks. Because, if the local, regular banks, the honest banks, are not able to conduct business, the whole economy of any part of the country will proceed to disintegrate! If you are not prepared to defend the homeowners, and the banks, the legitimate banks, *in the same Federal act of bankruptcy, using bankruptcy law as the means of doing it*, you aren't worth anything! And you should stop talking. Stop babbling. That's the *only* way you can save this system.

That is not all that's required. If we *stabilize* the United States politically, by the Homeowners and Bank Protection Act, *then* we open the door for the next required steps, which is to change national policy, probably in this time I would change it through leading pre-Presidential candidates. What you need, is an organizing voice, or more organizing voices, to get something moving behind this. If leading candidates defend the Homeowners and Bank Protection Act, as prescribed, we can save this nation. But that's only the *first step* towards saving this nation.

## Europe Needs a Lender of Last Resort

The next step is to proceed on the international level. And that means, the President of the United States has to go to Russia, to China, and to India, and to other countries, and to propose a treaty agreement, a draft treaty agreement, which is equitable, which establishes a fixed-exchange-rate system. And this will probably bring nearly everybody in, if you do it.

For example, in Europe, as my wife has explained to people—she's German, and she knows about Germany, which many Germans don't; but she also has her contact with German experts and French experts and so forth—and has been conducting a discussion, an intensive discussion, on the question of the Lender of Last Resort. Now, the reason that Continental Europe is absolutely doomed today, under its present conditions, is *there is no lender of last resort under the Maastricht Treaty* and implementation. You have to reverse and cancel the Maastricht Treaty, to save Europe! And all it takes is a couple of countries who are key countries, to break out of the Maastricht Treaty, and it will disintegrate of its own accord.

In that case, then Germany, Italy, France, and so forth, *will be forced* to return to the principle of the lender of last resort, which is their own national government, their own constitutional government. Once they agree to return to this principle, then we can talk to Russia, to China, and India, in terms of long-term trade agreements, we're talking about 25-to-50-year trade agreements, for infrastructure, all these kinds of things. And we can have a program of expansion of the economy, development, which will give us a perspective of long-term recovery.

Once we decide, under treaty agreements of that sort, that we are *going* to survive, over the coming 50 years, then we shall survive. Because we will then make the decisions and be able to make the agreements which enable us to accomplish the common aims of mankind. And that's our function on that account.

Now, there are several things that have to be dealt with to clean up the garbage which is left over from the past. Go back to FDR. Now, there are two views of what the Bretton Woods Agreement was. One view, which is little known today, is the intention of Franklin Roosevelt, and that intention was very clearly declared, repeatedly, by Franklin Roosevelt, while he was President, especially during the war: President Roosevelt's intention for the Bretton Woods system, was a breakup of the British Empire. Roosevelt was committed—as I was at the time, I was in military service at the time—he was committed to the liberation of all territories from colonial occupation or oppression; and also the elimination of what we call semi-colonialism. That was his intention.

The British, and Winston Churchill, had a fit about that. And as soon as we had breached the wall in France, in the invasion of Continental Europe, immediately, those banking interests, in London and in the United States—like the Harri-man bank, which had initially put Hitler into power in Germany, and also had put Mussolini into power in Italy—

these banks, which had created Fascism, on the continent of Europe, with the participation of certain U.S. bankers, Wall Street bankers *of the same type* which I'm fighting today, like Shultz, and Harriman, and so forth—these guys made a right turn. And the British policy was to prevent the war from being won too quickly at that point.

Therefore, the war was sabotaged. For example, you had a General Montgomery, who was probably the worst commander in World War II, who ran an operation with the First Army, which screwed everything up, and prolonged the war for at least six to seven months. Other things were done, to try to eliminate the Roosevelt perspective for the post-war world. And the issue was largely expressed *between Churchill and Roosevelt*. Roosevelt would talk to Churchill, and say, "Winston! We are not going to do this! We're not going to put up with this any more! We're going into a world without colonialism, without people being oppressed by other people. We're going to the American System, of the conception of independent, sovereign nation-states. And every people has to have the right to have a development, a self-development, of a sovereign nation-state."

Oh! Churchill wanted none of that! He was out to defend the British Empire. So, as soon as Roosevelt was safely dead, Churchill's friends—take the case of Indo-China: Indo-China had won its independence in warfare, under Ho Chi Minh. Ho Chi Minh had been cooperating with the United States in that struggle. With Roosevelt now dead, the British ordered the Japanese to come out of the prison camps where they had been held in Indo-China, to be re-armed, and to occupy the country which had just been liberated from them. And the entire history of the Indo-China War since that time, was that creation.

A similar operation was run in Indonesia. There was a very effective liberation movement in Indonesia against the Dutch imperialism. The British backed that, with armed forces, a war that went on for some time, and created the mess which we suffer still today.

Similar things were done in the split-up of India, in the Pakistan-India split—and it was a horrible scene to see, the way it occurred. This was done, by the British.

Africa was given liberation, but not liberation: They were given the title to liberation, but no power to run their countries. Similar kind of thing.

Similar efforts were made in Central and South America. So that when this Bretton Woods agreement was presented, by Franklin Roosevelt, the intention had been to use the power of the U.S. military, that is the economic power, to convert the military power into economic power, for machine tools and similar kinds of development, to assist not only war-ravaged Western Europe, but also the nations which had been colonized or semi-colonized, to be liberated and developed, by



*The imperialists double-crossed leaders in Indo-China like Ho Chi Minh, who had worked with the United States during the war, for the freedom of Indo-China; thus they guaranteed a situation of chaos and war in the region. Here, French President Georges Bidault greets Ho Chi Minh in 1946, after Ho proclaimed the Republic of Vietnam (and before the French recolonized Vietnam).*

converting the war-production capability of the United States to a peace-production capability, for the needs of these people. We proposed to make a world *free of imperialism* and its vestiges. That was Roosevelt's policy.

When Roosevelt died, immediately, Truman, who was an agent of the British in terms of his connections, moved to sabotage everything that Roosevelt had represented, in terms of this post-war policy of decolonization. The post-war policy of the Truman Administration was *re-colonization*. A British policy of recolonization.

### **FDR's Bretton Woods System Was *Anti-British***

Now, despite these changes, the United States continued on its internal economic policy, in the same direction, until the assassination of President Kennedy. And it was not just the assassination of President Kennedy that was key, it was the fact that his successor, Johnson, was terrified. And because Johnson was terrified, Johnson supported the Gulf of Tonkin Resolution, which got us into the Indo-China War.

The Indo-China War, a long war, like the Peloponnesian War, destroyed the United States, or destroyed the United States' economy, and so undermined it, that in 1971, the Bretton Woods system disintegrated under Nixon.

Now, the other view of the Bretton Woods system was that of Keynes. Keynes was at the 1944 conference of the Bretton Woods convention, and did submit a proposal. Now, people who *don't know* their history, will say that the Bretton Woods system was designed by Keynes. Not so. The Bretton Woods system was an *anti-British, anti-colonialist* position. What happened with the death of Roosevelt, was that Truman and Co., were able with their fascist friends in New York, like the

Harrimans and so forth—the same people who had put Hitler into power earlier—to turn it into the “Keynesian” alternative. So therefore, Roosevelt’s Bretton Woods system is made clear by his own testimony: This was an *anti-colonialist system*. The Keynesian system was a colonialist copy.

But nonetheless, despite the fact that this was merely a colonialist copy, in the United States, we maintained, internally, an economic system which was very much like the intention of Roosevelt. We maintained that up until the death of Kennedy, when things began to go bad at the time, after Kennedy had been killed. So therefore, today, when people say the “Keynesian system,” that’s a way of covering up the fact of this.

So, we maintained a protectionist economy, up through Kennedy, up through Kennedy’s Presidency, and lost it rapidly after that point, especially after 1968.

Then, in 1971, we lost our honor; we lost everything. The British took over, through George Shultz, the same George Shultz who, in the same period of time, put a fascist dictator, Pinochet, into power in South America, in Chile. The same George Shultz who owns Schwarzenegger today (whose father was a real Nazi), who ran a Nazi-aided operation in the Southern Cone of Americas during the first half of the 1970s. And has not improved his morals since that time—or Schwarzenegger’s either.

So this is what the issue is. We had a system, which is the Roosevelt Constitutional system, for decolonization of the world. Now if we look at things today, look at Asia and Africa, and the struggles in South America and Central America, you see a similar situation. The mission, the long-term mission for humanity now, if we get out of this crisis, is to fix this problem: We have large populations in Asia, most of whom are extremely poor. By their own unaided means, they could not solve the problems as they must be solved. However, with international cooperation, long-term cooperation, long-term agreements, the development of infrastructure, the development of other things needed. For example: The need for the thorium cycle of fission power, in India. India’s a very poor country. It has some people in it, who are not so poor. But 70% are desperately poor, and their condition of life is worsening. Without thorium-cycle nuclear power, India can not in practice recover from this mess.

China has a similar problem. It has certain technological progress, certain achievements, but it also has vast needs of development. This requires nuclear power; it requires cooperation in infrastructure. It requires long-term agreements. The same thing is true of all of these countries, of the world. We need these long-term agreements, which must be treaty agreements, based on a fixed-exchange-rate system, like that of Franklin Roosevelt’s design for the Bretton Woods system. That’s what’s required. And therefore, what we do is move from an act like the Homeowners and Bank Protection Act, to stabilize the U.S. economy sufficiently, to begin to move on



U.S. National Archives

*Lord Keynes (right), chairman of the British delegation at the Bretton Woods meeting in 1944. Roosevelt had designed Bretton Woods as an anti-British, anti-colonialist program, but after FDR’s death, the fascist financiers who had put Hitler into power turned it into the “Keynesian” alternative. Within the United States, however, the economic system followed that of Roosevelt, until about 1968.*

the other things, to give us the room to move on the other things we must move to—including *immediate* long-term agreements, starting no later than January of the coming year, with the nations I indicated: the United States, Russia, China, and India. We must have a long-term agreement, or series of treaty agreements, with those and with other nations, which govern the way we are going to develop this planet economically, for the future of humanity! For a thousand or two thousand years to come.

Defending the principle of sovereignty of a people, because a people has embedded in its culture, its language, or the use of its language, it has the deeper aspects of mentation. A people that’s denied that, and is supposed to speak an argot, moving from one country to another, and speaking some kind of a pidgin—they lack that cultural continuity of development, and the people are turned into virtual slaves, or approximations of that. So, we know that we must maintain national sovereignty, national *cultural* sovereignty among nations. And therefore, national sovereignty must be expressed in terms of cooperation among sovereigns, to develop long-term agreements on common objectives, for up to a thousand years or so to come. That’s what we require.

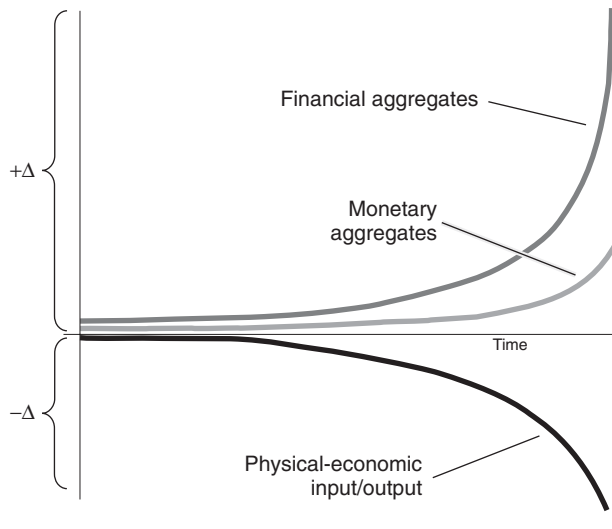
And that is what should be laid on the table of the next President of the United States, properly selected.

### LaRouche’s ‘Triple Curve’

Now, let’s go to the first of these Triple Curves, to explain where I come in on this thing [Figure 1]. This was something

FIGURE 1

### LaRouche's Triple Curve



The increasing decrease of the physical output coincides with an accelerating rate of monetary emission.

which I first produced, actually in the end of 1995, and published for the first time in January of 1996. It was published as a feature of my pre-Presidential election campaign that year. And what it describes is the actuality at that time, of the U.S. financial-economic situation. The three values are simply: You have the issue of money, Monetary Aggregate, issued by governments or by other means, other agencies. You have also then, the generation of Financial Assets, as distinct from just simply money assets, which are related to monetary assets. You also then must compare this with the per-capita, per-square-kilometer productive powers of labor, in *physical* terms, including infrastructure, as well as other aspects of productivity.

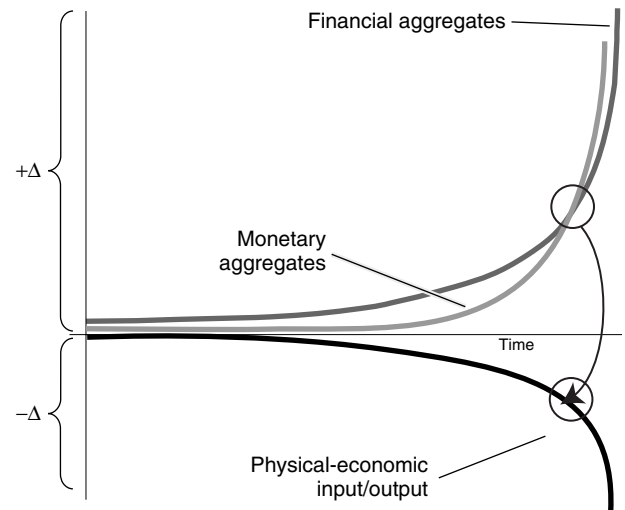
Now, what has been happening, especially at an accelerating rate, since 1971 in particular, and at an accelerated since 1987, since October of 1987, has been an *increasing decrease* of the physical output per capita of the population of the United States, per capita and per square kilometer. What has been happening at the same time, is this has been sustained, as especially under Greenspan, by an accelerating rate of monetary emission. The U.S. government, in various forms, has been extending the emission.

Now the emission has been used by a multiplier factor, which is insane, to increase the rate of financial aggregates outstanding. So now, you see an accelerating rate of financial aggregates' growth, relative to an accelerating rate of *decline* of physical production. For example: infrastructure. The New York streets, for example, under Bloomberg. The New York streets are collapsing under Bloomberg. Maybe it's an expression of their dislike for the man!

Now then, we come to a second one, a second case, which

FIGURE 2

### The Collapse Reaches a Critical Point Of Instability

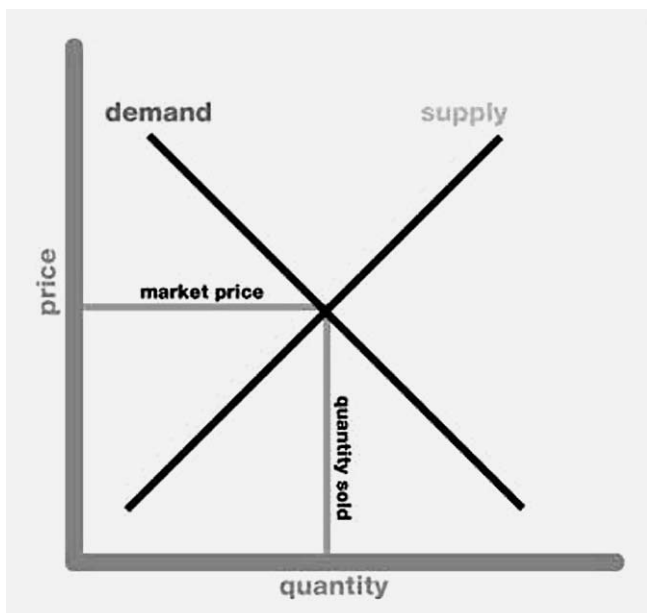


The continued collapse of physical output and the explosion of monetary and financial aggregates put the U.S. economy in a terminal collapse phase.

I published in 2000 [Figure 2]. There was a change that occurred that time, in which the United States entered into a long-term, deep, depression. This happened *before* George Bush was able to pollute the White House, that is, George Bush, Jr. But what had happened was, you had the rate of monetary aggregates, that you had to generate to sustain the financial explosion, and financial aggregates expanded. So, as a result of that, with a continued collapse of the physical output, per capita and per square kilometer, you had entered into a collapse phase of the U.S. economy, a *terminal* collapse phase. So, by the time Bush came in, as President, in January of 2001, the United States economy was already *doomed* under its existing policy. It was doomed to collapse at an accelerating rate, over the period of the decade. And it did.

That's the problem we have to fix. We have a bankrupt system, which is inherently bankrupt, in which the amount of monetary aggregate being generated to bail out, as you see the bailouts occurring today, to *bail out* an inflated, explosive mass of financial aggregate, has reached the point that it is now going to accelerate at such a rate, that the question is, whether the U.S. economy, under its present policies, *will out-live this current year*. People who think they have money, are going to find they don't have any. People who thought they had vast savings, will find out they don't have any. That's the kind of world we're living in.

And idiots out there, are saying, we're going to induce a palliative to some homeowners, we're going to "stimulate the economy." "Stimulate?" What's that mean? More monetary



*Cartesian Economics 101: This diagram from theinsidetrader.com has the following text above it: "How to make money from your first ever high school economics lesson. Think back to that first simple diagram on the blackboard. If you happened to miss that class, don't worry, it really is simple. The diagram is the same as the one [shown here]."*

aggregate! That's like putting more fuel in the fire, in the forest fire! The worst thing you can do. You have to go back to the Roosevelt idea, the Roosevelt conception. Put the system under bankruptcy, put it under control, and some things will have to go into negotiation, and some things will be paid; and that decision will be made on the nature of national interest and human interest, and human rights. That's our only chance.

Now, most people have a problem with this, including people who may be asking questions not too distant from now. "I don't understand it," they will say. "I don't understand what you see." "Won't it be sufficient...?"

Now, the problem we have: We have two kinds of people who are ignorant of economics: those who are honestly ignorant, and those who are inherently dishonest. And the latter outnumber the former. In other words, "How can I cheat?" This is Economics 101 today: "How Can I Cheat?" Not "How Can I Earn?" Well, we abolished earning: We shut down our factories, we stopped building our infrastructure, we shut down our farmers. We allowed Al Gore, who was reputed to have been eaten by a polar bear—which likes fat. Polar bears like fat. They see a guy walking up there, with fat, "This guy, what a fat head! He must be fat all over. We'll eat him!"

But, these kinds of ideas of sophistry, the same kind of sophistry in an extreme form, which sank ancient Greece under Pericles, the same kind that we're repeating today. This is our problem. And as a result of the popularity of sophistry: "All my friends tell me..."

## The Human Mind Is Not Digital

Well, let me take one more little side issue, because it's so crucial to understand this problem, which most people don't. Let's take computer games. *Killer* computer games. What's the difference between a man and a monkey? And how does this apply to understanding computer games? Because computer games are designed on the basis of two things: First of all, they were designed to kill; they were designed to train a mass of the population, and retrain soldiers, as killers, who would shoot more often and at more people. And it worked! In order to train soldiers to kill more profusely, they invented games; they went to the computer industry to produce games, which are point-and-shoot training games. Then, late in the 1990s, when the subsidies to the computer industry were collapsing, under the previous arrangement, then, the computer industry, which otherwise would have gotten suddenly poor, went into mass production of the computer killer-game industry.

They produced this killer wave: We are on the verge of having suicide-prone mass-killers, just like you talk about in the Middle East, inside the United States. These mass-killers will be from our own youth, and they will be from youth who have been indoctrinated in playing computer games. And those who produce these games, are fully aware of this. And our study of case-histories shows that the secret of these games is, the children don't play the games. *The games play the children.*

One of my experiences earlier in life—oh, a quarter-century ago, or more; back in the 1960s, actually—was, I had been an old chess player. And I got away from it, because I got bored with the game, couldn't stand it any more. I went to all the games. I didn't win tournaments, but I was a blindfold chess player, simultaneous blindfold chess, all these kinds of tricks which I was good at, when I was younger and quicker. But then I said, "I gotta change." So, I looked at the game of "Go." And after a little too much playing the game of Go, I realized what it does to your mind—and I said, "never again!"

Now, the game of Go does not have a bad intention as such. It has a negative effect on the mind. But it does not have a bad intention. Killer games have a bad intention. And the intention which is built into the design of the games, is that you think that the person is playing the game on the Internet? Uh-uh! *The game is playing him!* And the firm that runs the game, and monitors it, is *playing him!* Or her.

So the point is, first of all, it has all the defects of Go, with all the necessary moral failures added. Kill! Kill! Game ends! Game ends! Game ends! Die!

When does game end? When the law enforcement agency or other official comes on the scene—and you stop killing the people, and kill yourself. That's exactly what happened in Virginia, exactly that.

And all the time this is happening, the companies that run the games on the Internet, are *monitoring* the games. They're



coaching the games. Controlling and manipulating the minds of the players!

You have also a similar effect on MySpace, another mass-brainwashing operation produced by the digital industry. Facebook, another one, and so on and so forth. We're seeing the development of mass terrorism potential, inside the United States, based on these games! And the effect in the United States will be comparable to what we have in Southwest Asia, as so-called terrorism. But coming from *inside* the United States, *generated, and monitored, and controlled* by computer companies that manage these games, while the poor suckers who are playing them are being managed.

We allow it.

The other aspect of this thing, which is what I refer to in this case, is that the human mind is not digital. There is no digital mathematics that can represent the processes of the human mind, as distinct from those of a monkey. The human mind is creative by virtue of functions we associate only with *analog* devices. Creativity, as expressed by a human mind, corresponds generally to an analog function. We've done some work on that.

In the case of economics—coming back to that: in economy today, what is taught as economics, is *Cartesian kinematics*, a projection, a statistical projection. There are virtually *no competent economists* engaged in long-term forecasting—none! But many *incompetent* ones! And every one is wrong. Because it does not correspond to human behavior.

Human behavior is creative. Look at yourself. Now stand next to a picture of a gorilla or a chimpanzee. Or a baboon if you prefer. And say, "what's the difference between me, and a baboon, and a gorilla, or a chimpanzee? What do I do? I can think."

"Well, prove that."

Well, what is the population-density of baboons, chimpanzees, and gorillas. How many millions per square kilometer can you have, of chimpanzees, baboons, and gorillas? Now, what is the rate of growth of world population, per capita and per square kilometer of the human species? What's the difference? The difference is discoveries, which take two forms: of scientific principle, physical scientific principles, and Classical artistic principles. And these things enable human beings to increase the potential of the human species, as no other living creature can do.

This power comes as a result of what we call creativity, which does not exist in any digital system. But the only way you can represent it, mathematically, is by analog systems. That does not cause it, but it's capable of reflecting that.

So the point today, is people are living in a digital society, whose deleterious effects are enhanced, increased, by the role of these games, and similar kinds of entertainment. Look at the attention span of a young kid, 16-to-25 years of age! What is the typical attention span? What is it, 30 seconds? 15 seconds? Strictly as a result of MySpace. Take a MySpace addict, a typical MySpace addict: What is the length of their concen-

tration span, measurable? What is the length of concentration span of a game player, on a killer game? These guys are babblers! They have *no* concentration span, whatsoever.

So we're destroying a section of a population, by destroying their minds, destroying their mental capacities, and turning them potentially into mass killers. And this is what our policy is.

## It Is Time for a Global Peace of Westphalia

And this is the way we teach economics. Gore is typical of this. Gore is an exemplification of evil. Why? Because he denies the existence of creativity. For example, the case of India. He says he's for reducing carbon emissions—it doesn't mean a damned thing. He doesn't know what he's talking about! *But!* What does he mean? He's against the development of the fission process, for thorium-fission cycle. The thorium-fission cycle, using a material called thorium, which is rather abundant in India, used in proper devices, can be placed locally to provide power in locations, to improve water management and do a lot of other things. So the people of India require a very large increase of this process, set into motion. And to do this, you have to have a nuclear reaction which charges the thorium—which is not military problem at all—which thus gives the local village and so forth the ability to have a nuclear plant which provides what it can't get otherwise: freshwater.

Take for example, the Deccan in southern India: In southern India, the supplies of water have depended for long time, on drawing down fossil water! Now fossil water in southern India, in the Deccan region, means water which was put down there before the beginning of the Ice Age, 2 million years ago, the first ice age we know of. So, fossil water, which has been buried there for 2 million years, is now the recommended resource, for providing water for a village in southern India. It's crazy. With a nuclear plant, on the coast—and India has a very small area, relative to the coastline—near the coast, you can produce from seawater, you can produce freshwater in quantities, and economically, for these people. And improve the conditions of life.

So the United States government, in its infinite lack of wisdom, has tried to ban the thorium cycle from use in India, along with the British. So, the point is that humanity progresses through technological progress, and so forth.

What we represent as the American System is this: Europe has a very special kind of quality. Remember that about 19-20,000 years ago, we had great ice ages, all over the northern hemisphere, not every part of it, but a lot of it. Ice was thick, habitation was poor. The most advanced cultures were maritime cultures, people sailing in flotillas of boats, using astro-navigation, to go large distances, up to 1,000 miles or so, or 2,000 miles, across oceans, or down oceans, from one place of residence to another place of residence, as the seasons change. And we know of these things, because through the study of astronomy, we recognize that some of these astronomical cy-



India has plentiful thorium to use as nuclear fuel and become energy independent. The United States and Britain are trying to ban the thorium cycle and stop this technological progress, because thorium requires a small amount of plutonium to turn thorium into fissile uranium-233. Here, India's Kamini reactor, the first in the world designed to use thorium/U-233.

cles which are built into the calendars are of that character: that only a society which was based on astronavigation, a maritime culture, could possibly have generated these features of those calendars: 25,000 years, 50,000 years, 200,000 years. Long-range calendars for cycles.

So in this process, the Mediterranean area and its adjoining areas became developed, as a maritime culture. This happened over thousands of years, but what we know of most of it, started about 700 B.C. with the emergence of an alliance among Egypt—that is, the case of Egypt, the Etruscans, and the Ionians, against Tyre. And this process led to the development of European civilization, which had a promising start, but kept being destroyed by empires, or the development of European empires, such as those of the Romans, or the Byzantine Empire, or the empire of the Venetians of the medieval period; and the attempted modern empire.

The issue has always been, in European civilization, in particular, that the tendency has been by oligarchs, to degrade the lower 80% or more of the family-income brackets of a population to virtual animals, by denying them access to the process of developing creativity and new discoveries. This was the issue posed by Aeschylus in his great *Prometheus Trilogy* and other writings. We take the distinction of mankind from the animal, which is the creative powers of the human mind, which don't exist in any animal, which the strength of humanity lies in there, and we suppress that in large parts of populations, with various kinds of oppression—colonial and other oppression.

So we take a society which had the most advanced power in the planet, which was European society as it developed in recovery from the dark age of the middle of the 14th Century; we corrupt it by things like the Grand Inquisitor, and the emer-

gence of Liberalism, and the creation of empires based on Liberalism. And we subject the entire planet to this cruelty. And we call that, "the way things are." We call that, "common sense."

The time has come when the requirements of maintaining humanity, the technological requirements and scientific requirements are such, that humanity can no longer exist under what has been the practice of much of European civilization over the period to date. We must take what we resolved in Europe in 1648, the Peace of Westphalia, and commit ourselves to the *entirety* of the human race, to all of it: *It has the rights* which are granted to Europeans among themselves by the Peace of Westphalia.

So, that, to bring things to this close, as I presume the questions'll be pouring in shortly, is what I have to say today.

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## Dialogue With LaRouche

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**Freeman:** before we get to the questions, I have a couple of announcements and greetings. When we conduct one of these webcasts, we have satellite meetings in various parts of the world, and I couldn't begin to announce all of them. But, when we have gatherings that are new to the network, I always do try to extend greetings to them. My understanding today, is that in addition to the normal gatherings that we've had on the continent of Ibero-America, today we have several gatherings in Bolivia, at the University of San Francisco de Asis; teachers and deans at the campuses of La Paz and Tupiza, which is the Tarija province, are gathering. Also, in La Paz in Cochabama. The Association of Municipalities in Cochabama is listening today, and we welcome them to today's broadcast. There is a gathering in Ecuador at the University of Manta. There is a very large gathering at the University of Sonora in Mexico, and as always, there is a gathering in Mexico City. So, I'd like to extend a welcome to all of those groups, and I will try to entertain your questions as I always do.

We also have a statement that was submitted by State Rep. Joe Almeda of Rhode Island. He is the primary sponsor of a resolution calling for immediate Congressional action on the Homeowners and Bank Protection Act in the Rhode Island House of Representatives. And he wanted to convey this statement to those who are listening:

"I support the policy proposed by Lyndon LaRouche in the Homeowners and Bank Protection Act and we're working very hard right now, to push a resolution supporting this act through the Rhode Island House of Representatives. We are expecting a vote by next week. But I'd also like to urge all other state legislatures across the country to join us in passing

similar resolutions. You do not need an economics degree to realize that LaRouche's proposal is necessary."

Lyn, I think that you answered many of these questions in the course of your presentation, but the various questioners want them answered anyway, again. And my experience with them, is that repeating doesn't hurt!

### A 'Stimulation Package' or a Sex Clinic?

Before I get to those, one of the questions that came in while you were speaking, is from somebody who was previously associated with the Hamilton Group, and who now is over at the Congressional Budget Office. And he says:

"Mr. LaRouche, Hillary Clinton's economic stimulus package seems to me to be named incorrectly. I want to be clear that I happen to agree with what she's proposing. I think it's necessary. But I think that it's necessary only as a measure to address the immediate needs of the American population. I do *not* see it as stimulating the economy per se, but merely as an attempt to stabilize things.

"I'd like to know if you agree. My own view is that, given the nature of this crisis, there are two potential approaches. One is to take LBJ's approach, and I believe that Hillary's proposal actually falls into this category. The other approach is to take the kind of approach that John Kennedy took with his Moon mission. I don't know if one *can* lead to the other, and I'm wondering if you think one can lead to the other.

"The other question that I have for you is, do you think that we still have the capability to launch a JFK-style approach?"

**LaRouche:** Well, as I said, there is no real precedent for either the problem we face today, or for the remedies for that problem. There's no precedent in known history, for what's required now. I think, nonetheless, on the other hand, although that is true, that it is not beyond us, to discover the new approach to be taken to solve an unprecedented problem. This is not new to humanity, to do that, it just requires a mustering of the will and insight needed to do it.

The idea that we need a "stimulation package" is wrong! *That's* where the problem lies. Everybody is talking about stimulation, like this is a sex clinic, or something. This is not the problem!

The problem is the fact that stimulation is the worst thing you can do. That is, stimulation of the present system. Well, you had that, with the curve. It's being stimulated! *The rate of inflation is so-oo-arr-ring!* You want more of that?

Do you realize what the rate of inflation is now, underlying? Do you realize what it means relative to *your* income, personally? How do you match your income with the rate of stimulation? The rate of inflation? Look at the price of bread, look at the price of Al Gore! He took food out of your diet—as a carbon-control measure.

No, the point is, forget stimulation. This economy is not going to recover by stimulation. This economy will recover *only by massive surgery to remove the present kind of stimula-*

*tion, and introduce an altogether different one!*

What we have to do, is forget monetary stimulation. We have to have a governmental control of the creation of credit. We must have a banking system, a regular banking system, which cooperates with government, in processing that credit into places where it's needed: new firms, infrastructure, so forth. So, the *creation of credit is by government, not financial stimulation!* You have too much sexual financial stimulation going on, as it stands now!

What we have to do, is bring this thing under control, and *take down the present financial-monetary system!* Without changing some of the labels. And how do you do that? You do that by an orderly bankruptcy. What do you do with an orderly bankruptcy? You put the entity into bankruptcy. And the first thing you do, you say, "We're going to send this to the butcher shop, or revive it."

Now, in most of these cases, you can't send it to the butcher shop. Let's take the case right here: Loudoun County, nearby. I warned about this. I warned about this back in 2000, that Loudoun County was being set up to become Ground Zero for the biggest financial collapse in U.S. history. And it is in process of becoming exactly that, as I warned. What happens with bankruptcy in Loudoun County? What happens with this crazy idea of bailing out worthless real estate investment enterprises, *at the cost of banks!* It is the banks which are used by the Federal government, and other means to bring credit into areas' institutions! It is the security of these banks, which is *essential* to us, in our system of government, our system of economy. *We regulate!* We do not destroy! We destroy that which is worthless—we destroy diseases. We don't destroy financial institutions.

We don't stimulate a sick economy. We don't stimulate the sale of cocaine. We don't stimulate the spread of AIDS. We don't stimulate these things. What we do, is we concentrate on creating and supporting things which are necessary to cause the *physical* recovery of the economy.

The problem with this thinking, is people are worshippers of *money*. The Mammonites, huh? Strict worshippers of money. And money is nothing. Money, except as government makes it more than that, is either a system of usury or piracy, or it's an instrument of government, controlled by government. *Money must be controlled by government!* Principle #1. Before answering the question: Do you accept the control of money by government, in terms of its utterance and its circulation? Do you accept that? Do you accept tax rates which are selective? Which have the effect of regulating what things get treated more favorably than other things, because the tax rates are better? No more golden parachutes; lead ones. They sink deeply.

So, stimulation is not the answer. What you have to do, is *create a new monetary system, without shutting down the monetary process.* How do you do that? You take the core of this financial problem, the core is: The homeowners are losing their homes. You can not have them thrown out of their homes.

They are being thrown out, not because of any fault of their own, but the conditions imposed upon them, with the complicity of government, and with the complicity of powerful financial institutions which say, "We're more important than the people." People like Bloomberg. I mean, anybody who's got an \$11 billion income can not have done it honestly.

So therefore, what you do, is you say, "Money is, under United States law, money is the property of the U.S. government, and its regulation lies with the House of Representatives as the representative agency, and lies with the Presidency, especially the Treasury Department." That's what money is, and money has no rights to exist except on that basis, or by treaty agreements of the United States with other governments. So, anything else, you get into bankruptcy, the welfare of this population is threatened, the welfare of the nation is threatened, the economy is threatened, what do you do? Money has got to go into the woodshed, and we're going to take cord wood, and we're going to train it, get its hips back in shape. So, that's the first thing you have to understand. So, it's not stimulation vs anti-stimulation; it's reorganization. And how do you do that? What you do is you go into the key parts of the economy, starting with homeowners, communities, and banks—real banks, not the fake ones. You stabilize them under bankruptcy protection, Federal bankruptcy protection. Don't try to resettle the accounts, don't try to resolve anything; just resolve they're going to be under Federal protection.

Then you have to go from there to other measures which stimulate growth. Now, one of the first things you do, is you're going to start up things like the national automobile industry capability. We don't need more automobiles right now, we're producing enough, or we're getting the Japanese to produce them for us. But what we do need, is to revive the machine tool capability which was located within the automobile industry as a machine tool capability to build infrastructure—to build nuclear plants, to build new mass transportation systems. We don't need all these highways; we don't need people to have to travel from West Virginia into Washington at a cost of \$7 a day or more in tolls, where it's two or three hours each way to live in West Virginia where it's cheaper to live, in order to work in the Washington, D.C. area. It's nuts! We used to have a system where you would have local production, and therefore when people were working or living, they didn't have to travel three hours commuting. The ideal of commuting or commuting organization was 15 minutes each way commuting. That was considered good; at the maximum half an hour. When you go beyond half an hour or 15 minutes for commuting time, either way, to and from work or other essential functions, as a normal daily function, you are insane, or the government's insane.

So, therefore, what we are going to do is reorganize the society to make sure that those things that are essential are encouraged, and those things that are not essential, well, they can sit there for a while. Then we will, in a sense, have new

laws, which will be crafted, based on their impact on prices to incomes, in order to get things going so that you don't have a Bloomberg getting \$11 billion from a swindle, aspiring to become a fascist dictatorship the United States. That is *not* our policy, or should not be our policy. We don't need all these golden parachutes. We have a population that needs care; we have a world that needs care, and resources are not going to be sucked out of the blood of the masses of the people in our economy in order to enrich the few, at the expense of the people. So, therefore, that's where this problem lies, and that's where this question of stimulation takes people way out of whack. Forget stimulation—go see your sex consultant.

### Infrastructure Plus Stimulation?

**Freeman:** Well, you just provoked a whole mess with that. Well, people are altering their questions.

This is a question from someone who has responsibility for one of the Congressional committees that has to deal with this. And what she says is, "Lyn, there's a lot of discussion in Congress and the Administration regarding this so-called stimulus package. Maybe it shouldn't be called a stimulus package, maybe it should be called something else. The initiatives that we're talking about include things like rebate checks, extending unemployment benefits, aid to states, help with housing problems and the devastated construction industry, and various other short-term measures. While infrastructure spending is among the initiatives under consideration, there are concerns that legislation providing additional spending through infrastructural development, would simply take too long to enter the economy. So, from *this* standpoint, do you think that 'stimulus legislation' is appropriate, and should additional investment in infrastructure be included in any stimulus package, or should it be separate?"

**LaRouche:** Forget stimulus! There's too much stimulus. Eleven billion dollars in the possession of Mayor Bloomberg of New York is excessive stimulus. We don't need any more of that. We want to make sure that none of that ever happens again. He is the horrible example of the year. He must never appear again, especially as a candidate.

All right now, the point here is, *forget the stimulus all together*. What you're going to do is, you're going to cut and cover. You're going to cut crap; you're going to cut golden parachutes; and you're going to put what you cut to the account of things that should have been paid. In other words, you're not in the first instance going to increase the monetary aggregate. You're going to put money into some areas, and take it away from others. And that should be very stimulating, depending upon your point of view.

So therefore, we do want a growth program, but a growth program must be based primarily on science and technology and on capital improvements in basic economic infrastructure. That's what you do. Look at what Roosevelt did, and the way he did it. That's exactly the way it worked; that's the way



EIRNS/Paul Gallagher

*“Forget monetary stimulation,” LaRouche said. We need government creation of credit and a banking system which cooperates with the government in putting that credit where it is needed—infrastructure. Here, the former Broening Highway GM Plant, in Dundalk, Maryland, which closed in 2005.*

it should work. You will provide abundant credit, but not money, *credit*. How will you provide it? The Federal government will issue an act—let’s take one of the things that Hillary has proposed recently—that should be uttered as an act of the Federal government. That act of the Federal government should then be translated into a relationship with banks.

Now, for example, take banks that are legitimate banks—not these Countrywide or similar kinds of fake banks. What we want to do is stabilize them. In other words, you want the homeowner to have the home. This may mean that homeowner pays a reduced rate, relative to the present fees, for occupation of that house, but stays there. Now, you’re reducing it, but at the same time, your intention is to protect the local bank. You don’t want the local bank to go into bankruptcy, because if the local banks go into bankruptcy, then the homeowners have no chance whatsoever, the businesses have no chance whatsoever, they all go down. So therefore, your interest is to stimulate the security of those banks, and this is part of the exact same operation, it’s inseparable from protecting the homeowner, because the homeowner is not just a homeowner, the homeowner is a member of the community, and that community requires support, because what about its tax revenue base? So therefore, you’re going to have legislation which is addressed to dealing with these problems of the tax revenue base, the security of the banking system, the private banking system, the chartered banking system, and the homeowners, all at once. You don’t want people evicted, you don’t want things shutting down. So, you’re going to shift your policy so that some things that need stimulation of that type will get it, and other things will lose the excess stimulation they’ve been

enjoying all too much. That’s the way you do it. And therefore, you have to have a sense of a national budget, a national operating budget, including a national investment budget. You have to make a list of the things you require.

For example, look at what’s happening in Asia right now. It’s a very crucial part of this thing. What you have now is, you have a train which has left Shanghai, and will end up in Hamburg. What this means is a revolutionary change in the economy of China and of Eurasia, comparable to what the United States achieved with the transcontinental railroad system during and following the Presidency of Lincoln. In other words, you are going away from a society which depends on long-range and sometimes tedious maritime trade, into internal traffic in goods—imports/exports—across land areas. In this case, it will reduce the time required from Shanghai to Hamburg, to a few days, a relatively few days, or a couple of

weeks. Whereas, the longer route would take a month or two months. So, therefore, this is an improvement in the economy of Eurasia, which means that you are actually getting more for less. When you reduce the physical cost of something that is necessary, you’re getting more for less. And our object is what? Doing this through technological improvements and improvements in infrastructure.

We have a world population that is very poor. Take Africa, for example: They’re very poor people. You’re not going to go in there and stimulate very poor people to suddenly get all the wonderful skills they need to have a modern industry, you’re not going to do it! It’s not possible. What you’re going to do, for example, is to go to the African farmer. You’re going to go to the African farmer, who is essentially a good farmer, but the bugs and diseases kill his crop, and other things happen to him. So what do you do? You go in and you do things, through infrastructure, which enable the improvement, in the conditions of life and productivity of that farmer, to occur. Now, you have created a foundation for that farmer and his children and so forth, to improve their cultural power to exist, and that’s what you do. So, you are not always necessarily looking to *spend more money*, like a gift under a Christmas tree by Santa Claus or something. What you’re trying to do is increase the *efficiency* of the human race, so that the same effort by people per capita and per square kilometer, produces a higher gain, physical gain. And you’re trying to eliminate things which are more costly to society than they are worth, such as the existence of Mayor Bloomberg.

So, that’s the point, and that’s what has to be emphasized. Forget stimulus! What’s this, a sex clinic?

## Don't Look for a 'Plausible' Pitch

**Freeman:** Lyn, the more you say that, the more these questions keep coming in. . . .

This one is from the Hispanic Caucus on Capitol Hill. And I'm asking it because we have a number of Congressional offices, but also a number of state legislators, who are asking exactly this question:

"Mr. LaRouche, what would you think about dividing your legislation into two pieces? I think we've got the votes for a moratorium on foreclosures. What if we were to put that first, and then bring up separately the bank protection? And if we were to do it that way, how much time would we have after a moratorium on foreclosures to deal with the banks?"

**LaRouche:** I would say about ten seconds. By the time the effect of that hits the banks, you would begin to get an effect you don't want. See, the problem here is very simple, it's understandable: People like people, and they don't like banks. People like people more than they like loan sharks. They don't like predators who eat them. This is understandable. But don't worry about these predators; we are going to re-educate them and train them. They will now become good people; we are going to train them. The government is going to train them to become good people instead of bad people.

The point is, that the welfare of the citizens requires that the bank be stable. The welfare of the community requires that private banks, under Federal and state regulation, be stable, to provide an essential function in the communities to keep the communities functioning. Without the credit system which banks represent in the community, you can not have a circulating medium of credit needed to stabilize an economy. There is no question that what is proposed for the homeowners is, for the moment, more popular. But that's only because the homeowners don't yet know the truth of the matter. And the object is, rather than trying to pander to their ignorant views on some aspects of this thing, why not educate them and inform them of what the whole truth is? It is not against the law to educate people! It is not against the law to tell people what they need to know to survive, and they need to know what the role of banks is in their survival, or they will not survive. So, the fact that they have a prejudice against banks at this moment, does not mean that that's going to work.

See, the problem is, we're living in a sophist society. The culture is sophist. I find that I am appalled sometimes, even though I know this better than most people do. There virtually is no regard for truth in this nation. Virtually no part of this population wants to talk about the truth. I can get very nasty about that, because I can tell you some cases that people wouldn't like to have me talk about. But the point is, that people think that a *plausible appeal*, a plausible pitch which gets what you want, is what you should say. "Don't tell the truth if you don't think it has sex appeal." That's the standard of sophistry today, and therefore, most people relying on what they consider common sense or sex appeal, seek things that will destroy them. It's like the guy who went out to a prostitute and

came back with a deadly disease. He sought it, he thought it was what he wanted, and he died with it. So, don't think that what people think is popular is true, or that what is popular is what you should base yourself on.

The most important thing in politics, which very few politicians today know, is if you're going to tell the truth, you're going to make a lot more enemies than friends. But if you don't have the guts to do it, society may not survive. My job is to tell the truth, even if my own associates don't like it, because the truth is necessary. And the fact that we're in a society filled up with sophistry, where people say things on the basis of how they think it would affect the attitudes of other people. If they've got the wrong attitude, you're going to help change it.

## After the HBPA: Reactivate Industry

**Freeman:** . . . This is a question from somebody involved in a national campaign, and it's got many parts to it. I'll read you the whole thing, and then you can figure out how you want to address it.

"Mr. LaRouche, you've built what you call a firewall to protect what I assume you mean are the charter banks, into your HBPA legislation, and I have several questions regarding this. I don't understand exactly why you call it a firewall. How would it function? It won't really stop the collapse, as far as I can see. Second—and this is what I'm having the most problem with—the banks' exposure to the hedge funds and vice versa, is such that I don't understand how you could separate one from the other, and I think this is what many people are having problems with. I also look at it in terms of the implications of Bank of America's acquisition of Countrywide, which is being promoted as something that was good for Bank of America, although I don't really understand how it could be. Since your legislation does seem to address the issue of protection for the banks, why does Wall Street have such a violent reaction against it?"

"Also, finally, you've repeatedly said that the HBPA is only the first step. From the standpoint of domestic policy—I understand what you're saying about the four-power agreement—but from the standpoint of domestic policy, how would you immediately follow up on the HBPA, because obviously there's more than just the mortgage crisis that has to be addressed."

**LaRouche:** Well, let me take the last part of that first. The first thing that I would do, is to do what I proposed in the year 2005 and into 2006. I would say that we would create a Federal fund to reactivate what would otherwise be the permanently lost machine tool capability embodied in the U.S.-owned auto industry. I would use this, for example, for building large-scale rail systems, and nuclear power systems, and other things which are desperately needed by the population. So we shift the flow of payments away from what is a hopeless cause—bailing out these crazy banks, like mortgage banks. We're just going to cancel them. They're bankrupt,

they're honestly bankrupt, they're obviously financially bankrupt, and they have no useful function. Why should you save any of them? Why don't you declare them in bankruptcy? Is it because you don't have the guts to do so? Is it Wall Street? Wall Street is polluted. If Wall Street says something is something, don't do it! They *lie*! They always lie. At this stage, there is no honesty there. Forget Wall Street! If you want to live with Wall Street, you're going to die. Maybe not what you chose, but what you chose in fact.

Okay, so the key thing is, there are things which are urgent, which if done, will revive the economy by reviving the creative productive powers of the population, either directly, in terms of the application to production, in terms of the infrastructure which catalyzes an improvement in productivity. In this period, most people aren't worth employing, and in most cases it's not their fault. They're not worth employing because they were never trained to be useful. They were trained to do make-work, to seem to have a job, to seem to have a function, but no significant function to the benefit of the economy. It's just to keep them on maintenance, like a kindergarten. Not developing people. So therefore, our biggest factor in recovery, there are cases where we require re-industrialization, that is, employing people like skilled machine tool people, who were in of the automobile industry, as part of the machine tool sector. Employing them in projects which we need desperately as a nation, and employing as many other people as auxiliaries of their work as possible.

So, we will not put a penny into bailing out the mortgage banks, not a single penny. We will defend the charter banks, period. Nothing else. Everything else was a swindle. Why should we bail out a swindle? Just because it was not called illegal, it's still a swindle. So therefore, we will defend the banks, because we are limited in what we can defend, and we must defend the charter banks, otherwise the entire system on which the economy's functioning depends, will fall. And we have limited resources; we do not have infinite resources. And therefore, we will reserve the subsidies for the Federal government to extend long-term credit, issued through the usual procedure, including by the Federal government with the consent of the Congress, for major projects of the type that people like Felix Rohatyn and company killed, when I proposed them in 2005 and 2006. If my policies had been continued in 2005 and 2006, we would not be in the mess we are in today. Now it's later, but maybe it's not too late, and maybe we can still survive. So, let's do it, and let's stop talking about these other things. They're not worth talking about.

Hedge funds—well, we may need an expansion of the prison programs. I'm serious! Bloomberg—\$11 billion—look at it! *How the hell did he get \$11 billion?* What kind of hokum did he pull? Who'd he rob? He ought to be ashamed of himself to have that much money, considering what's happening to every street in New York. You're afraid to take one—it may be the one that collapses into a pit tomorrow. So, that's the situation.

The point here is, the charter bank is an essential institution for organizing and maintenance of the protection and recovery of the American economy, and the protection of its people. Don't start from the end run of some jerk, who says that's not going to work, so-and-so doesn't like it. Of course they don't like it! You're taking their right to steal away from them. Their right to commit suicide; you're denying that. "How cruel you are to do that." No, no need to apologize. The guy comes up to the bank, and says, "I've got a claim on your accounts here. I got this thing, you owe me this." "We got a firewall here, buddy. You get nothing. You go to the back of the line and wait. Put in your application, and when we get around to it, we'll talk to you." That's called a firewall.

### What Can the States Do?

**Freeman:** This question is from a Maryland state legislator.

"Mr. LaRouche, I serve on the committee which is dealing with the immediate implications of the mortgage crisis, and while I do plan on signing on as a co-sponsor to the HBPA, I wonder if there isn't something we can do on the state level to mitigate the crisis, while we are pressuring Congress to act." We have so many questions like that.

**LaRouche:** Well, very simply, yes. See, the state level is already functioning, and the state level is the superior power of the legislative facilities of the state, to kick the Federal government in the ass. And giving it an elevating experience, that method. That is a very important function, because the consent of the people as a whole and our institutions as a whole depends upon this process. The state has to do certain things, its responsibilities, but our Constitution divides what they have to do and what they don't. What they have to do *above all*, as states, and as state government agencies, is *to represent the people to the Federal government*, and to kick the Federal government in the rear end, when necessary. And that is what they're doing. Look, don't kid yourself, and don't be afraid. I'm telling you, that what we're doing in organizing this legislation now, and particularly when it comes in as LPAC legislation—comes in as something else, it wouldn't work, because LPAC means *me*. And I'm an expert, so you're not getting some gossip from the street, who's coming in and making a wild suggestion, which may be well motivated and so forth. But I'm an expert. I'm more expert than anybody in the government right now on this question. And what I'm putting out as an LPAC proposal, is an expert proposal, and I've seen nobody able to duplicate the equivalent of that, so far. So, when people at the state level support me in this, that is a message to the Federal government. And I can tell you, the Federal government wants nothing presented to it with my name anywhere near it. Why don't they want my name appearing there? Because they're afraid of me. What good does that do? If they're not afraid of me, they're not going to do any good. That's the way it works.



EIRNS/Joanne McAndrews

*Mobilizing the base for the Homeowners and Bank Protection Act: The LaRouche Youth Movement is organizing in city councils, state legislatures, and towns across the country for the HBPA.*

## Oil Prices: Congress Isn't Listening!

**Freeman:** ... I'd like to call to the microphone Ted Weill, the chairman of the Mississippi Reform Party.

**Weill:** I've just been bothered tremendously in the last three or four years, because I see a slight increase in gasoline prices all the time. In 1946, I paid 11 cents a gallon. Now I'm paying three dollars and a quarter a gallon. The strange thing is, that the oil under the continental United States belongs to everyone in this room. It doesn't belong to politicians, or to Bloomberg or anyone else. We should be able to do with that oil whatever we want.

Now, I know all you people know that in places like Venezuela, they're charging 9 cents a gallon for the Venezuelan people. Iraq, where we've already lost 5,000 boys, I think their price is 12 or 13 cents. My question is simply this: if the Venezuelan government can set up oil-cracking plants to make gasoline for their people, we should be able to do the same thing, and I'd just like to hear your comments on this, if you're in agreement with that, or if you're not in agreement with that. I've tried to contact congressmen. I can't get past the staff, and for some strange reason, you know. I just think this is an example of what the people can't stand in American anymore. When they have to pay, well, like I said, I used to pay 11 cents a gallon after World War II, and you can't go from 11 cents a gallon to three dollars and a quarter—now I understand, the last report I got, is that the price per barrel may jump to \$150 a barrel, and now it's \$100, and within a year it may go up to \$200 a barrel. That could kill the average American, and I don't think they should be dying.

I think we should do something about it, and the LaRouche group—I've been following them a long time, and I think we ought to have a program. You probably already have one, and we could do something about this, because I know you have young people, and that's why I like to support your organiza-

tion. These young people go out all over the country, and it's going to fall back on their shoulders anyhow what happens to this country. Not me, not you, LaRouche. You're too old, and so am I. But I think the American people should be able to do something about this, and do something about it now. And I don't know how to get to 'em. I can do it on a local basis. I put a full-page ad in the *Tylertown Times* in Mississippi, and got good response from the people in the county. I think we ought to really go out and get serious.

I've asked the Congress, where are our anti-trust laws? I got three answers back. One from

Pelosi, asking for a \$30 donation for the Democratic Party, and two of them were form letters, saying the exact same words. One was from a representative from the East Coast, one was a representative from the West Coast: "We have a longstanding understanding in the House of Representatives. Whenever we get a letter from another district outside of our district, we give it to the representative in that district." Picking, my representative, received 411 letters, because that's how many I sent to Washington, and those are the three responses I got.

Now we, as the American people, should be able to do something about this and do it now. And, I know it's gotta be a monopoly. It couldn't be anything else, because those oil companies aren't really paying anything for the oil they get out of the ground, but they've been paying a lot of our representatives and our congressmen, and a lot of other people. That's the reason I can't get in touch with 'em. Thank you.

**LaRouche:** It's not a physiocratic problem. The point is that, ask, "what is the price paid to Saudi Arabia for its oil per barrel," and you'll find out the truth of the matter is very simple. The truth is the price of petroleum is controlled by the British empire, not by the producers of oil, petroleum, or petroleum products, in the Gulf or anywhere else. They have a monopoly, which is controlled by the Anglo-Dutch Liberal system, which is the empire. My view is, there's only one solution to this problem: Skunk the Empire! Sink the Empire, and if somebody says they're pro-British, ask them what lunatic bin they came from, because anyone who's pro-British has to be a lunatic.

## Is the HBPA Constitutional?

**Freeman:** Lyn, we have a dozen questions that address this particular issue. This one is from John Jeffries, the machinist in Louisville, Kentucky, but we also have it from a



couple of congressional offices, and we also have it from a Presidential campaign. The way that Jeffries poses it is as follows.

“Lyn, I recently helped get the Homeowners and Bank Protection Act to my city councilmen and my legislators, and I’ve recruited many top officials in the labor movement here in Kentucky to endorse the legislation. I’ve recently met with my congressman, John Yarmouth of Louisville, this week, and I asked him to introduce the legislation into Congress. He read the material and was extremely provoked. He said he thought it was a good piece of legislation, but he was concerned that the bill was unconstitutional. I assured him that it was not, but I said that I would relate that concern to you, and I’d like you to comment on it, since it keeps coming up.”

One of the ways that this was posed by one of the other congressional offices, and by a Presidential campaign, is they say that the question of constitutionality is a complicated one, because “there seems to be little question that the President has the power, either by the declaration of a national emergency or by Executive action, to move in this direction or to send legislation up to Capitol Hill; but the argument that keeps coming up is that such a Presidential declaration or Executive order is in fact necessary, and many of us, frankly, are reluctant to encourage such a declaration, given our current circumstances.”

**LaRouche:** Well, first of all, there is no constitutional issue here at all. It’s fake. What happened was some members of Congress referred the subject to the Congressional Research Office, and suddenly in the middle of all this, somebody plunked this thing, saying this is unconstitutional, on top of it. And so, therefore, whatever jerk wrote that into that particular reply to the congressman, is the source of this thing. It’s totally incompetent.

The principle involved, the constitutional principle, is in the Preamble of the Constitution. And the Constitution prescribes the protection of the general welfare. By extension, each of the states—to the extent that the Federal government has not preempted the area!—the state has the responsibility and power to act in lieu of the Federal government, if the Federal government has not yet taken that area over. What would happen is, if a state government pushes something through, then if the Federal government *then* comes in with superseding legislation, then that power of the state has been taken from the state government to the Federal government.

So, the whole argument is idiocy. It means you’ve got some worms, or, uneducated people, shall we say, inside the congressional advisory office. So, it’s crap! It’s nonsense. You can not sit back and say, after reading the Preamble of the U.S. Federal Constitution, you can not sit back and say, that in the face of a threatened disaster to the American people, that the executives of a state, or the legislative bodies of a state, can not take action in the case where the Federal government has not preempted that area of action. The guy should go back and go to school, before giving it such an opinion.

## Motivation and Creativity

**Freeman:** This question comes from Ruby Nelson, who is a Warrensville Heights city councilwoman.

“Mr. LaRouche, I’m a city councilwoman in Ohio, who recently raised your Homeowners and Bank Protection Act at our council. There’s tremendous interest in this initiative among my colleagues. I understand that in the second portion of the bill, that you’re *not* calling for a bailout of the banks. I understand what you *are* calling for, and I agree with it. If the banks go belly up, then pensioners, state employees, and depositors will lose everything. If the HBPA passes Congress, and I certainly hope that it does, what can we look forward to? How will it work? Also, importantly, we depend on local revenue from real estate taxes and other taxes based on real estate in one form or another, to help on school and related funding. If we lower mortgage payments, this will impact those jurisdictions, and we’re going to have to deal with it.

“But second, on a broader and more profound level, I think your initiative is just terrific, and I really admire your drive. I have to ask, what is your spiritual motivation to do this? It’s like you’re David fighting Goliath. You’re working against all odds. What motivates you to wage this very challenging fight, and how can we spread it?”

**LaRouche:** My motives are habits I acquired a long time ago. You know, I came out of life with knowing that Euclid was a fake, from the age of 14, and knowing a number of other things were fake, because I never accepted what I knew to be fake. This got me into a lot of trouble, but it gave me a great benefit. I’m smarter than the people who gave in, because I didn’t believe what you shouldn’t believe, simply because somebody in authority said you should believe it. And also, you know, there’s a sense of immortality here, which is intrinsic to the human being who’s aware of this, and that is, we die, but since we’re human beings, we don’t completely die. The creative powers that are given to us, as human beings, continue to be efficient in their products, in their influence on society after we’re gone. And thus, there are no good “lost causes” in history. Any cause which is good, which involves creativity, will find expression in the process, by reverberation or otherwise.

I’ve seen that. I probably know more history than most people do. I live with about 3,000 years of European history, so I know this very well, and I could give you examples, but that’s a long story by itself, and I’ve already been dealing with a long story here, to begin with. So that’s essentially it.

## How the HBPA Will Work

The understanding on the other part of the question is, we must save the homeowner and the bank, both. We must save the charter bank. We can not save any other bank but the charter bank. We can’t do it! It’s too complicated. But what do we do? As I said, that’s the beginning, but what do we do? We’ve got a bank down there, we’ve cleaned the thing up by putting it into bankruptcy *protection*, bankruptcy protection. Now, we

know that this is not going to be enough to get a recovery going, so what do we do? We get Federal credit, from the Federal government, and we take necessary projects, which are long-term projects, like 25-year, 50-year projects, we take these projects and we use these projects which are an increase of productive output, and that increase of value of productive output becomes the margin of stability in the community, in which you have a certain balance between banking and households, and other things in the community. It's important to create productive activity. Passing money around is not the solution! Money does not contain the solution. The credit for doing things that are necessary, which are productive, is the solution.

So therefore you need programs. For example, it's crazy in this area here, to go from West Virginia, to Washington and back, in daily commuting. This is nonsense. It's idiocy! And the people who took down the railroad that connected Washington to that Northern Virginia area, the people who failed to develop farming and industry—they took an area and made a big residential area out of it, with no income source except the income of householders who reside there, and the services they provide in the community. There's no production going on! You have an area from into West Virginia to Washington, where there's virtually no production! They are failures! The revenues of the cities, the communities in this area, is entirely family income of people who live outside the area from which they commute. We used to have farms out there. We shut them down. Farms grow food. Farms near cities growing food are very helpful to municipal areas. Why did we shut down the farms? We could have improved the farms. That area is only good for one thing—dairy farming and similar kinds of things. The only damned thing it's good for, and that's what it was being used for before some damned fools got in there and tried to do something else with it, as real estate speculation.

The whole thing is a swindle! It's been a swindle since the early 1980s. And I'm sure we can fix it. We can fix it by bringing into that area, knowing there are a number of people who are no longer going to have jobs there, our job is to figure out what is a useful kind of employment—probably infrastructure or something else—which will stimulate growth of employment in that area, to absorb that area's requirements for employment. And that's where the Federal government, with cooperation with the state government, steps in.

But the idea of passing money around, this monetarist conception, is crazy. We've got to concentrate on building up the productive powers of labor per capita. If you increase the productive powers of labor, physically, per capita, per square kilometer, you can solve all the problems in that way.

If you think that by sloshing money around, or credit around, just as passouts, you're going to solve a problem, it is crazy. It's a product of the degeneration of the culture of our people over the recent period, particularly since 1971, 1964-71. We've degenerated. And we can not hold ourselves hostage to habits which represent degeneracy. We have to say to

people, you have to give up those habits which are moral degeneracy. Give them up! We can't afford them anymore. And then you have to come in and give the alternative, more productive things, and that's the way to get ahead. You've got to give the population a sense, as they did under Roosevelt during the Depression. You have to give the people of the United States a sense that *they* are moving ahead, that *they* are part of the process of moving ahead, that *they* and their children are part of the future of the nation, in building a future for this nation. If you get that started, we can not lose. If you don't get it started, I don't think we're going to win.

## What About Credit at Zero Interest?

**Freeman:** I'm going to take a couple of international questions, and interject them into this discussion of the situation here in the U.S. This is a question from José Villar, who is an economist for more than 29 years, who is writing to you from Spain.

"Mr. LaRouche, I'd like to say that I'm absolutely in agreement with your analysis and I understand that not only in the United States, but in all the other countries of Europe, we absolutely must adopt national emergency solutions. Given that the dollar currently has no support with relation to gold or GNP, and that they have eliminated the M3 index which identifies the quantity of money in circulation, I wonder if it's possible for a nation to issue money through a national bank without interest? I believe that this would prove a true revolution for humanity; money would only be moved within the productive economy and thus the speculative economy itself would be eliminated at its source. Is it feasible to do this, to issue money without interest? Wouldn't this after all be the best solution to force us to turn the economy back toward production and away from the speculative impetus that has brought us to this state of systemic and nearly apocalyptic collapse?"

**LaRouche:** Well, in general, the policy should be a recovery policy. If you recognize the level of productivity in economies today, to have a prime interest rate in excess of 1 to 2% as a general national credit standard for banking, is excessive. Anything in excess of that—We can't carry it. You have to realize, as I've put the curve here, over the recent years, especially the past ten years, that the productivity of Europe and the United States has been collapsing per capita, per square kilometer, at an accelerating rate, while money has been uttered at increasing net interest rates, in effect, for things which have no value whatsoever, except resale, resale on speculation of one thing or another. The case of Bloomberg. When Bloomberg walks away with \$11 billion from this thievery, you have to say there's something wrong with that society. Not just with Bloomberg, but something wrong with a society that lets a thing like that develop. It's like a cancerous tissue developing. You have to say, there's something wrong here. You have to remove that cancerous tissue. That's the problem here.

So therefore, I think a low interest rate and control of the

banks leads to control of credit at low prices, which do not affect and do not diminish that, and it has to be a fixed-exchange-rate system, because if you have a floating-exchange-rate system, as now, you have people finding that they were paying one rate of effective interest on something, and because of a currency depreciation or appreciation, they are now paying a different rate of interest borrowing costs than they did earlier. And you have whole sections of the world economy which are put out of business for this reason. So therefore, the regulation, Federal regulation, with international treaty cooperation, on agreements which regulate this, are necessary. If we have that kind of regulation, and that kind of international banking system, then a low interest rate, basic rate, on a nation-wide level, can be sustained, and will have exactly the kind of effect that you propose for an interest-free lending policy, because the net effect will be that the benefits will far outweigh the costs of that approach.

## Barack Obama's Role

**Freeman:** This is a question on the Presidential campaigns, from a Presidential campaign, but it's not on policy, it's more on strategy.

"Lyn, this is a more mundane question than some that you've been asked, but it's on the minds of a lot of us, and you keep bringing up Bloomberg, so I thought I'd ask it. Barry Obama keeps presenting himself as the candidate of change, and it's also the case that many people assume that simply because he says he's black, that that also makes him progressive, and they just never learn. He hasn't said very much specific about what his actual policies would be, were he to be elected, and this is probably a conscious policy on his part. Yet, despite the fact that he hasn't said what he would do, and despite the image that he tries to convey, it is the case that he enjoys the support of Wall Street and the most conservative Democratic senators and governors that we know. My question to you is the following: Does he know what he's doing? Is he a witting player in all of this, or do you think that he's just a throw-away?"

**LaRouche:** I think there's some of both elements in that. He is intrinsically a throwaway: The intention of the people he might think are backing him, is to throw him away. The key political figure to look at, to understand this, is Schwarzenegger, whose father was a true Nazi—he was engaged in the Nazi police force in enforcing, killing people in Eastern Europe, and that's his tradition. And he's also nothing but a tool of Shultz, who's another fascist, the man who brought Pinochet into South America with the help of Felix Rohatyn, and who brought in some Nazis by way of Spain, veteran actual Nazis, to apply Nazi methods to the Southern Cone in the first half of the 1970s, under the Nixon administration. So, this is the kind of reality you're dealing with. Shultz is a factor.

The Chicago Board of Trade is all I could find on Obama, as a major controlling factor. He has a history, part of which he wrote himself, in books which are published and also by

one biography written by others, who did a study. And there's nothing there that gives me any confidence. Now, he may be intelligent, but he has not revealed that to me. And in my view, Bloomberg and Schwarzenegger, who are owned by Nazi types—Bloomberg fits the profile of the Mussolini who was put into power by the Bank of England, with the support of relevant people in New York City, whereas Adolf Hitler was put into power by the Bank of England, with support from Harriman, for example, in New York City, and other Manhattan bankers.

In dealing with the ownership of someone who is receiving favorable treatment from financial interests which I know are at issue, it means that either he's intended to be a stooge for them in government, or that he's simply, like other candidates, one of those they're trying to run—they're trying to run the campaign in such a way that no visible candidate receives a significant, dominant support for the nomination. In that case, then, the Democratic Party officials, as opposed to elected or designated delegates, take over. And then you get a backroom decision, which could be something like Bloomberg.

We are very seriously in danger of a fascist government being installed in the United States at this time. The governor of California is a fascist dictator, in fact, by virtue of practice. And he is supported by, principally, by George Shultz, his controller, who also has a Nazi pedigree. The policies of Bloomberg are those of Mussolini. Corporativism! He said it; his people said it, his supporters said it. Corporativism, which is a form of fascism, a name for fascism as introduced under Mussolini, which was copied by Hitler! So, Mr. Obama, before he would get one iota of blessing from me, for his candidacy, would have to satisfy me that these unfortunate indications concerning his background and influences upon him can be explained away.

## The Source of Growth Is the Human Mind

**Freeman:** ...The next question comes from the Freshman Congressional Caucus: "Mr. LaRouche, you speak often about an FDR approach. Our view is that FDR's policy was to build our way out of the last Depression. The question to you is, can we still build our way out of this crisis, or is it just too late for that. The current situation seems so critical, that waiting for the benefits of a massive public works program to kick in, just does not seem to be sufficient to address the problem. What are your thoughts on this?"

**LaRouche:** Well, that's too simple a description of what I'm proposing, and what I'm pushing for. I'm not waiting for something to kick in, I'm saying we should move in, and we should do some slash and burn, of things that are too costly for us to do, and we should not continue to do. And after we slash and burn things that shouldn't be done—you know, like mass prostitution, which may denude the Congress at a certain point—that we have other things which have been postponed which are urgent.

Now, there is a secret to this; a secret well known to me. It's called human creativity, which if you can avoid computer games, you may become able to understand. Because computer games destroy your distinctly human capabilities. To put it as I said earlier, to understand it, you have to realize that if a procedure is *digital*, and you are trained by that, you are not a competent scientist, and your brains may be in danger. Whereas, if you think in ways which would be described as analog, you probably are on the right track.

Now, the source of growth in society is not money. The source of growth in society is the human mind. No animal, no chimpanzee, no gorilla can make an invention which would increase the potential population density of its species. Human beings do that all the time. Gorillas, and chimpanzees, and Schwarzeneggers have no creative potential. And it is through the creative potential by which

the productive powers of mankind are increased, that society increases its power per capita and per square kilometer, to live, and increases the standard of living, that is, the actual effective standard of living, increases the life expectancy of populations. That's the point. It's not manipulating money; it is stimulating the development and expression of the creative productive powers of the human mind. Now, the more creative you can be—and I can give you many examples: You have the Renaissance. The increase of the productive powers of labor of the mind, during the middle of the 15th Century was one of the greatest surges in increases of productivity in the entire history of mankind. The American Revolution had several cases. The power of the United States, which was developed by crushing the slave system, is one of the greatest increases in productivity per capita and per square kilometer in the history of mankind. The increase in productivity, productive powers of labor, and wealth, per capita and per square kilometer, under conditions of depression, under Franklin Roosevelt, is one of the greatest miracles of economic productivity in all mankind.

So, the issue of success, is not an issue of accounting. Accounting is important in the sense that you don't spend money for things that are worthless and you do spend them on things you should be spending them on. That's where it ends. And you engage largely in long-term investment, and you tend toward increasingly capital-intensive investment. You tend to invest as much in basic economic infrastructure in that way, as you invest in production, otherwise. If you follow those rules, as we did under Lincoln, with the effect of the transcontinental railway system and similar kinds of things—if we do that, if we do again what Roosevelt did out



USAID/K. Burns

*Africa has the largest area of agricultural production of any continent, but a low level of technological skill, LaRouche said. The solutions exist, but were never instituted because of a deliberate policy of genocide for Africa. Shown, primitive agriculture in Uganda.*

of the Depression in the 1930s, we can not predict any definite rate of improvement overall in net effect, but we can say, that this is the road you have to travel. And you will travel it, by choice, because if you don't, all Hell awaits you. And simply because Hell is burning at your tail, you will go ahead and progress.

### Investment, Not SIVs?

**Freeman:** This is a reflection of many questions that we've gotten from both inside and outside the United States. This particular question comes from Mr. Temba, who is asking you the question from Tanzania.

"Mr. LaRouche, the financial system failure may be caused by financial management system regulation or whatever, but since you are an expert on this topic, we are going to pose this question to you, since we've been unable to figure it out. Could you please explain if you would, how Structural Investment Vehicles were formed, and what their effects are to the global economy? Also, who owns these things, and what are we to do with them? Thank you." Nobody seems to know this, by the way.

**LaRouche:** First of all, it's a fake. It's a swindle, it's looting, and if you look at the results of the practice where this occurs, is promoted, you see that it's all looting.

As I said just before, take the case of Africa. Africa has the largest area of agricultural production of any continent. It has a population, to the extent it's not being killed by AIDS, which is talented for this purpose. But they have a very low level of technological skill otherwise. Now, what do you do? Well, what you do is what I've been proposing since I issued a proposal actually aimed at Nigeria back in the early 1980s, on the

plan of action which had been developed in that period—the Lagos Plan of Action. And it was obvious to me, that because of the low technological productivity factor in the African population in general, that if we looked at the problems that the African farmer faced—and they were largely African farmers—then you would see what had to be done. For example, look at what they produce as farmers, from inception of planting the crop and so forth. And you find out that bugs are eating them up; the bugs and diseases are eating them up. The problem is the African farmer had no local institutions, generally, which were capable of dealing with this challenge of bugs and infestations.

You would have local stations, in a place like Africa, a quasi-jungle area, tropical areas, and you would have local shelters which would help the farmers deal with problems of infestations and other kinds of things, like an agricultural advisory capability which is functional, as opposed to just commentary or advice. Then you would insure that you had methods of transportation—and remember Africa has the largest farming area of any continent—and you would try to insure that food was not destroyed in the process of being delivered to places for the people who were going to consume it. This required mass transportation systems, this required power systems, it required facilities of the type I had indicated. In that case, you would increase the net productivity of the African farmer, per capita and per square kilometer, without necessarily having to re-educate him as a farmer. You would simply give him the means to make his work more effective. And that would raise his standard of living, and once the standard of living starts to be raised, then you can go on a process of technological and other kinds of progress. That's the solution. It's still the solution today. We do not have any large-scale rail systems throughout Africa. We do not have the kinds of power facilities I have indicated. We do not have the institutions to give the kind of assistance against disease, tropical diseases and so forth, which are required. Why? Because they don't want it done.

And you go back to 1975, when Kissinger wrote a report on U.S. policy under the 1970s, and that is that the African population is already too large; it must be reduced. Let's not increase its productivity or size, because if we do so, the African population will consume too much of the raw materials which we have designated for *our* future use. So, there's a deliberate policy for Africa, of genocide. And once you understand that, and once you understand what the alternative was, and is still, and you understand what the opposition is, and where it comes from, as from London, from the London School of Race Relations, for example, which ran the Mau Mau operation in Kenya before, and is back at it in Kenya again today, the same kind of operation. And what happened to Mozambique and all these other places: Now you understand the problem. There is an element out there, an enemy of mankind, which happens to, among its other targets, choose Africa. And that's an example of this.

**Freeman:** We have time for a couple of more questions. I just want to remind people before I get to those questions, that as we gather here today, there are state legislatures all over the country, joined by city and county councils, who are currently considering legislation supporting the HBPA, and urging their Congressional representatives to take action on it. I know that in the state of Pennsylvania alone, I believe that as of this morning, 30 municipalities had passed HBPA endorsements. I would urge people to make sure that in their localities, the same is done. This is obviously not the total solution to the problem, but it is a critical first step, and one which our Congress has to obviously be helped along, before they take.

### **The Kosovo Crisis: A Dangerous Game**

The next question comes from someone in the audience, if he is here, Mr. John Bosnitch. Okay, if you would step to the microphone. Mr. Bosnitch is a consultant and a former executive director of the Serbian Unity Congress.

**Q:** First of all, Mr. LaRouche, I'm very happy to see you're still in action, despite the decades of efforts to silence you. Having been demonized for, unfortunately or fortunately, having Serbian descent, I understand exactly what it means to try and fight for the truth, and I'm very happy that you started out by talking about this as an era of sophistry, and that you took it one step further, because the Sophists did mix a little bit of truth with the lies, and you went straight out and said that there is no truth whatsoever, no regard for the truth in this country whatsoever.

And now when you talked about the deliberate policy of genocide for Africa, that's the same thing that's being pursued now in Kosovo. There's not a single Jew living in Kosovo today. The Croatian population that was living there has been eliminated. The Turks are asking Turkey to protect them from the Albanian extremists. The hill people called Romani, are staying in their villages for fear of being executed if they leave them. And of course, the final target will be the complete elimination of the Serbs from their ancestral homeland. And we've experienced the same kind of closed doors that one of the question askers was discussing earlier. No matter what we say, no matter what issue we raise, it's, "No, Kosovo has to be independent." So, I want to ask you about this illegal effort to separate Kosovo from Serbia. It's not only an attack on statehood, but an attack on the entire Westphalian order, which you discussed earlier today. And I'd like to ask you for advice. Were you in the situation of Serbia and Russia today, what additional steps could be taken to stop this effort to destroy the entire world order through the issue of independent Kosovo?

**LaRouche:** Good. Well, first of all, you had Madeleine Halfbright, otherwise known as Madeleine Albright, or something, and while she was Secretary of State, she gave an address in, I believe it was New York City, in honor of the H.G. Wells Association, of which she is a member, and in which her father, who was the teacher of our present Condoleezza Rice, is also. The other key figure to look at in this connection is



NATO Photo

Asked for advice on the Kosovo crisis, LaRouche said, “My first thing is to keep [U.S. Special Envoy Richard] Holbrooke the hell out of there, and anybody like him.” We must organize forces and get agreement on a solution. “We are not going to kill each other any more.” Here, Holbrooke (left) with Gen. Wesley Clark.

Richard Holbrooke, who was a key figure in the mess which occurred in the Balkans in the earlier phase of warfare there.

Then you have to look back. You have to look back to the policy of the Hapsburg Empire and the heritage it passed on to Great Britain, and the history of this whole process, which was a cockpit. And you have to locate this in reality, which means you have to shift your focus somewhat from the point you were making, to a different point of focus, because the British set rarely fight their own wars. They get other people to fight each other, as you saw with the Seven Years’ War, and that sort of thing, or with the world wars, so-called World War I and World War II, as you saw with the effect of the conflict with the Soviet Union, which was already orchestrated in the same way. The same conflict you see orchestrated by the Sykes-Picot Treaty in Southwest Asia, which is still run by the British. The British run that place; they run whole sections of religious bodies and so forth in that region. And now again, since they’re trying to start a war with Russia, they go back to the legacy of 1912, and they start a Balkan war, again and again and again. And the Balkan war was used to trigger a war—it was done by a fellow who was dead by that time, the King of England, who organized this thing to have a war between his two nephews, Kaiser Wilhelm II, and Nicholas II. These are his nephews. To get them in war with the aid of the stupid Kaiser of Austria, who was stupid enough to play this game.

So, what you’re looking at today with Holbrooke and with the legacy of the society, which was Madeleine’s legacy, she avowed this—the H.G. Wells Society. To understand that, the simplest way to understand that is to look at two things: *The Open Conspiracy* of Wells, and also his *The Shape of Things*

*To Come*, including the movie called *Things To Come*. You see a kind of utopian image of a certain hellish variety, and Holbrooke is a part of that. The minute I hear the name Holbrooke connected with anything to do with the Balkans, I say the obvious: This is orchestrated.

Now, the other thing you have here, is you have two kinds of passions, largely religious passions. I mean after all, the Serb and Croat populations come from the same origins, north of what is now Czechoslovakia. They came down and on both sides of the river you have a division. The division was declared by the Roman Empire, who split the two sections. So one side is called Croat and the other side is called Serb. They come from the same exact historic background, very similar backgrounds, except that one is technically Orthodox and one is technically Western. And since that time, as with the Byzantine Empire before them, the way empires are managed is by orchestrating conflicts, and the genius of avoiding empire and avoiding these conflicts is to find ways to orchestrate the situation to prevent these conflicts from starting. Because once ignited, they are difficult to stop.

Now, my first thing is keep Holbrooke the hell out of there, and anybody like him. Because they’re out to *start* the war! Not to fight it, but to start it. And the fight because of the history of the recent Balkans wars, *will be hellish*, if it happens. Therefore, it must not happen. And therefore, there must be a determination by, I hope, our friends and some friends in the U.S. government to understand this.

We must not have a new Balkan War. We must have a solution. The solutions are going to be difficult to get, but we must organize it. We must organize forces and get agreement on it. We are *not* going to kill each other anymore! The killing has gone on and on and on. End it! Because we will not win this by war. We have to win this not by war, and convincing people they have to be human to each other. That’s the great challenge. But the problem we have, I have, is these skunks who are out there, chiefly British skunks, because the British run this. It used to be an Anglo-French extension of the Sykes-Picot [Treaty], but now it’s completely British. They run the thing, and they are out to have a war with Russia, or to get the United States to fight a war with Russia.

And also, they have a similar design on China. We have a mess in Southwest Asia, which it is possible we could bring under control, because if the Israelis would agree, we could have a peace in some of that area, and that peace could be spread because the Israelis no longer have any real interest in fighting that war because they no longer are a real asset to the United States. Therefore, a Syria-Israel agreement would not be a Syria-Israel agreement: It would be the opening of the door to a general reorganization of agreements among the nations of the region, which have had more than enough hellish war of Southwest Asia so far, largely orches-

trated from Britain and the United States.

So, this is the kind of situation, and therefore, number one, the important thing is to present the truth of this situation. And the truth of the situation is, what the *hell* interest do these people have in killing each other? None! Have they killed a lot of each other already? Yes! How did it happen? Fine. Are we going to continue it, or not? Or are we going to lay down conditions, which are *human* conditions, for the region. What we need is a regional agreement, like a Treaty of Westphalia kind of agreement, in terms of the entire region, and it should be sponsored by powers. I would hope that Russia would play a significant role in that, given the opportunity to do so.

Western Europe doesn't function right now. Doesn't function at all. There's no government in Western Europe. It's a Maastricht government. It's a Tower of Babel. There's no lender of last resort in the continent of Europe, in terms of western and central Europe. There's not a single lender of last resort. There's no state that has sovereignty in western or central Europe, continental Europe. None!

So therefore, we need that, and therefore Russia has a very crucial role, and I would hope that the United States, despite—. Remember, one thing about the United States. As bum as our President is, as bum as some of the others are, in our institutions in the United States, there is included a roster of people to which I am attached. People who are veterans of wars, or other kinds of things, who are generally patriots of the United States. Who are concerned about the country, its responsibilities and so forth, and who think about the future of the planet, as the best of us did. We care, and we have some influence. So there *are* people of influence and power in the United States, in institutions of all kinds, inside and outside the institutions of government, who are capable of understanding what has to be done, and will do it, if given the opportunity. They have been the major block against the poor lunatic President getting us into a war with Iran, so far. It's not guaranteed, but so far it's worked. So therefore, there are forces in the United States which have the sense to care about this kind of situation, in the Balkans as elsewhere, and to use our good offices, and to talk to Russia, and to talk to other countries in the region, to say, we have to have a solution that does not lead to more killing. It's our best shot.

And then, on that point, we have to lead to the question of rebuilding the area. Look, here you have all these nice rivers, these mountains and so forth. It has tremendous potential for development, agriculture and other development. Why can't the development of the region be the unifying factor of cooperation, and let a couple of generations pass of peaceful construction to sort the mess out?

**Freeman:** Lyn, before I pose the last question of today's event, I should tell you—we usually don't get this—that we're getting numerous thank you's, especially from some of the national institutions and Presidential campaigns, for your answers. They say that you did a great job in clarifying this for them.

## 'The Best of All Possible Worlds'

The last question comes from Mark Samet, who's a member of the LaRouche Youth Movement, and his question is a simple one. "Lyn, what makes ours the best of all possible worlds?"

**LaRouche:** Well, what we're talking about when we mean "world," you know what I mean by world, or you should. It's the universe. The universe is finite, isn't it? I've tried to make that clear. It is an unbounded finite universe in which we live, and the principles on which we operate are universal. We're not able to travel the way we might like to, to other exploding super-galaxies or things like that, if you like those kinds of spectacles. But we are part of this universe, we are part of the principle that runs it. And we have an effect on our immediate part of the universe, and on the whole.

For example, I often refer to this one case. You know, we discovered back at the end of the 1980s, that most of the cosmic ray radiation coming into that area of northern Germany, also in England and also in Denmark, through these phased-array devices, cosmic ray detection devices—we discovered that most of the cosmic ray radiation hitting the United States was coming periodically in a way which indicated it was coming from the Crab Nebula, which was a great supernova explosion back in the time when it was first observed from China. So this thing is a very complex organism out there. And it also controls our weather, much more than Al Gore could, because what happens is, the Sun is the real factor in global warming or not global warming. Nothing else. The Sun is the key factor, eh? What the Sun does, it plops up or it plops down. We're now in a period of greatly *increased* solar radiation activity recently, which is why there has been global warming. Having to do with the Sun, no other reason. And they pass suddenly, as Solar flares do.

So, in any case, we live in that kind of a universe, and therefore we should think of ourselves as universal beings, even though we are restricted to walking around on one particular planet, or even one part of it. We should think of ourselves not just as one human being in one area. We should think of ourselves as eternal people, as immortal people, because while the animal aspect of our being is subject to death, and that is not yet remedied or known to be remediable, nonetheless, what we are mentally in our creative powers, no animal has. And what we create to change the ordering of the universe, even in a finite way, is eternal. And thus, if we understand that, we have the confidence to expend our lives without tangible reward, simply by doing what we know needs to be done. And that is what makes us human, when we realize that. That what we *get* from life is not what's important. Physical satisfaction, for example, is not what's important. What's important is the fact that we have lived a good life, which will be, in some way, of benefit to those who come after us. And you have to have that kind of unselfish motive, in order to gain for yourself the most precious thing you can have: satisfaction with being yourself.

# LaRouche: Israeli War Plans Against Gaza Are Insane

by Jeffrey Steinberg

On Jan. 17, Lyndon LaRouche warned Israeli leaders that if they go forward with their reported plans to conduct large-scale military operations inside the Gaza Strip, they will be unleashing chaos throughout the region, and sabotaging any hopes of a regional peace breakthrough. “It would be insane, suicidally insane,” LaRouche commented. “Israel’s own self-destruction would be virtually assured.”

LaRouche issued the warning after *EIR* had received detailed reports from Israeli and U.S. intelligence sources, that a recent meeting of the Israeli security cabinet, following President George Bush’s recent eight-day visit to the region, had approved massive military operations into Gaza, to uproot Hamas command and control, and to assassinate or arrest leading Hamas figures—all in the name of “peace.” Indeed, even before Bush completed his regional tour, Israeli Defense Forces (IDF) units launched a series of targeted military operations in Gaza against Hamas, killing dozens of people, including the son of a prominent Hamas leader. The Israeli actions followed on the heels of the U.S. President’s visit to Ramallah, on the West Bank, where he held a meeting and media availability with Palestinian Authority President Mahmoud Abbas. This led the PA leader to threaten to resign on Jan. 18, unless the Israeli military operations were immediately halted. Abbas is reportedly furious at the Americans and the Israelis for what appears to to him to have been a setup, giving the impression that he had somehow signed off on the assaults into Gaza.

## **Barak’s Blind Ambitions**

According to both the Israeli and American sources, Labor Party leader and Minister of Defense Ehud Barak has been

a proponent of the Gaza strikes, arguing that no two-state solution to the Israel-Palestine conflict is possible, so long as Hamas remains a strong and popular force among Palestinians, and retains control over Gaza. It is an open secret in Israel that Barak is convinced that military victories in the Gaza campaign can catapult him back into the prime ministership.

According to one well-placed Israeli source, the Olmert cabinet has approved a large-scale military invasion, to occur anytime after April. This, however, is premised on the survival of the Olmert government, which is awaiting the release of the Winograd Commission report on Jan. 30, 2008. The Commission has conducted a thorough review of the disastrous July 2006 Israeli invasion of Lebanon, which aimed to crush Hezbollah. After a month of air strikes and ground operations, Israel halted the invasion, having failed to seriously damage Hezbollah’s forces in southern Lebanon.

It was a nightmare defeat for Israel. The Chief of Staff of the Israeli Defense Forces, Air Force Gen. Dan Haloutz, was forced to resign, and the new Israeli military leadership overhauled their Northern Front war plans, to take into account Hezbollah’s surprisingly effective asymmetric warfare operations. Any new Israeli military operation against Hezbollah would, according to American and Israeli sources, involve massive air and ground conventional attacks by the IDF, and would likely precipitate a war with Syria, and perhaps, even Iran.

If the Winograd report focuses the blame on Prime Minister Olmert, there could be further cabinet resignations, forcing early elections. In that case, Likud leader and former Prime Minister Benjamin Netanyahu is waiting in the wings. He has been an open advocate of Israeli preventive strikes against Iran’s purported nuclear weapons sites. Recent polls suggest



that Netanyahu would win a snap election for prime minister. A close ally of U.S. Vice President Dick Cheney and others in the pro-British war party in Washington, Netanyahu would also likely launch a full-scale invasion of Gaza, but, unlike misguided Labor Party leaders, who believe that peace with the Palestinians can be achieved over the political corpse of Hamas, Netanyahu would see the smashing of Gaza as a guarantee that peace would be off the table for the indefinite future.

### **Bush's Trip: Promoting War and Peace**

During his meetings with regional leaders, on his Jan. 8-16 tour of Southwest Asia, President Bush had attacked Iran as the world's leading state sponsor of terrorism, and had made other equally bellicose comments, while ostensibly pursuing a final status peace deal between Olmert and Abbas. In the wacky world of George W. Bush, war is peace, and peace is war—or so it seems.

The Israeli sources, with close ties to the Olmert government, warned that the Israeli war plans against Hamas's presence in the Gaza Strip, could easily careen out of control, and spread to a second northern front, if Hezbollah carries out rocket attacks against Israel, in sympathy with Hamas. Under those circumstances, the sources warned, Israel could be drawn into a simultaneous war against the Palestinians, Hezbollah in Lebanon, and Syria. According to some Israeli contingency plans, Iran could also be a target, if evidence were to surface of further Iranian military support for Hamas or Hezbollah, or if Iran were to take some kind of direct action against Israel.

This is the kind of regional chaos and war, advocated by Bush Administration figures like Vice President Dick Cheney.

LaRouche has identified such an all-out destabilization as fundamentally “Made-in-London,” in pursuit of the British policy of using “managed chaos” to create a post-nation-state, “post-Westphalian” world system. LaRouche has warned Israeli leaders that they are considered to be throwaways by this hard-core British crowd. While Israel, with its arsenal of an estimated 200 nuclear weapons, was a key Cold War “wild-card” asset, with the fall of the Soviet Union, and the recent spike in oil prices, Israel's net worth to the geo-strategists in London, has greatly declined. Some Israeli leaders, like President Shimon Peres, seem to recognize this reality, and they, therefore, see a peace deal with Syria and the Palestinians as in their near-term vital interest. In this broader strategic context, any impulse to launch major military operations into the Gaza Strip, which would serve as a trigger for the larger permanent conflict, must be dropped, immediately. Such folly would almost certainly lead to the destruction of Israel, LaRouche concluded.

Instead of this Gaza folly, LaRouche urged Israeli leaders to pursue a bilateral peace deal with Syria as soon as possible. Such an agreement, which would pose no strategic threat to

Israel, would build upon the small measure of momentum towards peace, that was established with the Nov. 27, 2007 Annapolis, Md. conference—but set back by Bush's disastrous regional tour. Syria attended the Annapolis conference, breaking nearly seven years of isolation by the United States and much of the rest of the world. On two prior occasions, in 1994 and 2000, Syria and Israel came within inches of a comprehensive agreement, that would have returned the Golan Heights to Syria, in return for verifiable security guarantees, including billions of dollars of American high-tech “eyes in the sky” technology, and the deployment of an American peacekeeping force on the Golan Heights.

### **Bush's War Mission**

President Bush's war mission against Iran fared about as well as his peace mission to the region, according to a wide range of Washington sources contacted by *EIR*. At a Middle East Policy Council (MEPC) forum on Capitol Hill on Jan. 18, the former U.S. Ambassador to Saudi Arabia, Chas Freeman, cited a stunning editorial attack on Bush in Saudi Arabia's English-language daily newspaper, *Arab News*, on the eve of the American President's arrival in Riyadh. The editorial signaled a Saudi rejection of Bush's demands that Sunni Arab states join Washington and Tel Aviv in a military alliance against Tehran. It came in the context of direct Arab diplomatic talks with Iranian officials, led by both Saudi Arabia and Egypt, the two countries that Vice President Cheney and other Administration warhawks had counted on, to be the drivers of the new “coalition of the willing” that would carry out “regime change” in Iran before Team Bush leaves office.

The Jan. 12 *Arab News* editorial, titled “Cynicism With Reason,” contained a very undiplomatic assault on President Bush himself: “He has proved a disaster of a president—for the US, for the Middle East, for the world. Everything he touches turns to dust and ashes. Iraq, Afghanistan, maybe now even Iran. And not just in the Middle East. The American recession—it is already happening—can be laid directly at his door. Thanks to a financially disastrous combination of massive military spending hikes and tax cuts, he will bequeath to his successor a record national debt of a minimum of \$9 trillion and possibly far more if the Democrats are to be believed. He will surely go down in American history as the most incompetent president ever and the deathly ‘Bush Touch’ will go into the English language as his only lasting legacy to the world.”

With such uncharacteristically harsh words in the Kingdom's leading English-language daily, it is no surprise that the Saudi government virtually laughed at Bush's demands to increase oil production.

One can only hope at this point that the Israeli government wakes up to the fact that if they proceed ahead with the planned Gaza invasion, they will only be contributing to the advancement of the Bush folly. Preventive war is never the route to peace.

# German Government Agrees To Put Schacht's Policy Into Constitution

by Helga Zepp-LaRouche

*Mrs. Zepp-LaRouche is the chairwoman of the Civil Rights Solidarity Movement (BüSo) in Germany. Her statement of Jan. 18 was translated from German, and subheads added. The full title is "Hjalmar Schacht's Policy Is To Be Incorporated Into the Constitution! The Population Has the Right to Resist it!"*

As the Dow Jones and the *Financial Times* of Germany reported on Jan. 18, the Federal government and the coalition parties of Germany have agreed to incorporate the provisions of the European Union's Stability Pact into the German Constitution [*Grundgesetz*, or Basic Law—ed.]. If that occurs, the federation and the states would be obligated in the future to submit and to enact balanced budgets.

If the Grand Coalition government actually wants to transfer the debt ban of the Maastricht Treaty to the Constitution, then this poses a serious constitutional problem, with which the citizens had better concern themselves, before it is too late. For with this political straitjacket, the government coalition wants to incorporate the completely incompetent politico-economic austerity corset of the Maastricht Treaty into the Constitution, which would be yet another step towards the complete self-disempowerment of the government, after its abandonment of currency sovereignty.

Indeed, the EU Stability Pact directly prohibits governments from making available state lines of credit for the stimulation of production in times of crisis. It therefore specifically prohibits a solution to economic and financial crises, according to the model of Roosevelt's New Deal or as the Lautenbach Plan or the so-called WTB (Woitinsky, Tarnow, and Bade) Plan of the General Federation of German Trade Unions (ADGB), provided in the 1930s.

In the face of the systemic crisis which has dramatically intensified over the last six months, the acute national banking crisis in Germany, the global breakdown crisis of the financial system, and the immediate threat to all social systems as a consequence thereof, such a "transfer" into the Constitution is the most mistaken, dumbest thing conceivable. For, as Dr. Wilhelm Lautenbach observed correctly in 1931, in a depression, combined with a world financial and currency crisis, budget-cutting (i.e., a balanced budget) is the most absurd thing of all, because it propels the spiral of collapse ever downward, into a bottomless pit.

The serious constitutional question that this "transfer"

thus forcefully raises, lies in the fact that the logic of the Stability Pact represents a direct threat to Article 20 of the Constitution, which states that "the Federal Republic of Germany is a democratic and social federal state." Application of the criteria of the Stability Pact would mean, for the federation and the Federal states under current conditions of a global breakdown crisis, that Germany could no longer be a social state. Instead, the instruments would be developed, with which the living standards of the population could be reduced by 10, 20, 30, 40, or 50%. And that is precisely the conception of the international financial oligarchy for how they want to solve the crisis: with austerity in the tradition of [Hitler's Economics Minister] Hjalmar Schacht.

However, the same Article 20 in Paragraph 4 reads as follows: "All Germans have the right to resist against anyone who attempts to eliminate this system, if no other relief is possible." And precisely in this paragraph lies not only the legal basis for resistance to the plans of the coalition government, but also the starting point for possible complaints of unconstitutionality, before the Constitutional Court at Karlsruhe.

## Suppression of Reality

But unfortunately, this intention of the government demonstrates that it is light-years away from facing up to the reality of the systemic collapse. To what extent this is simply ignorance of economics, or whether other motives are to be found for their demonstrated incompetence, remains, for the moment, to be seen. While for six months, the daily horror reports about the worldwide systemic collapse have followed in rapid succession, the finance ministers of Germany, France, Great Britain, and Italy, and an EU Commissioner, indulged in a further orgy of suppression of reality on Jan. 17, in their meeting in Paris.

The French Economics Ministry in Bercy stressed that this was not a crisis meeting, but only had to do with the transparency of so-called structured products, and with the role of the banking supervisory authorities and rating agencies. Beforehand, when French Prime Minister François Fillon on Jan. 13 proposed a dialogue on the level of the heads of state of the Eurozone on economic policy, the deputy spokesman for the Chancellor's Office, Thomas Steg, initially stressed that Berlin was open to this idea. But Chancellor Angela Merkel on the following day said that she did not see the necessity for it, because the economic policy of the European



German Federal Government/Steffen Kugler

*Chancellor Angela Merkel wants to amend the German Constitution to require balanced budgets on the state and national level: a recipe for Schachtian austerity.*

Central Bank [ECB] is in good hands (!); yet a meeting of the four heads of state, whose finance ministers had previously met in Paris, is now occurring. As the *Financial Times Deutschland* observed, these were the same four states which, at the Financial Stability Forum, had requested a report for Feb. 8 for the G7 Meeting in Tokyo. But apparently they did not want to, or could not, wait for it.

Since with Mrs. Merkel there will be no “state orgy of re-regulation of hedge funds,” as she said at the New Year’s reception of the Bundesbank in 2007, no limit was placed on the mega-speculators either. But that all this greed for gain has an impact in the real world, becomes clear in another context. Already over a dozen German cities, including Ravensburg, Hagen, Pforzheim, and Wuerzburg, have brought a suit against Deutsche Bank, because they had been “falsely advised” in the purchase of so-called interest rate swaps. The accusation against Deutsche Bank is, that it had deliberately withheld information about the risk of these securities, which, however, had been well known in-house. Together, these cities had suffered losses of over a few million euros. According to the *Süddeutsche Zeitung*, in Germany up to 200 cities and communities have engaged in similar speculation, and therefore a total loss of around 1 billion euros is said to have occurred. Naturally, here also the taxpayer is the loser, if lawsuits for damages should fail.

The plaintiffs’ attorney, Klaus Nieding, spoke to *Handelsblatt* about “capital swindlers,” against whom investors are not sufficiently protected. Similar accusations are being made in several U.S. states against Deutsche Bank and diverse special-purpose vehicles, to the effect that, with fraudulent intent, they had not told investors about the risks of investing in the subprime market. As a matter of fact, it is hard to comprehend

why it should not have been clear to financial experts at the banks and financial institutions, that the massive awarding of mortgages with adjustable interest rates to debtors with low creditworthiness had to lead directly to the bursting of the mortgage bubble, which has been the trigger for the global financial crash.

When the crisis broke out at the end of July 2007, Jochen Sanio of the BaFin [Germany’s financial watchdog agency] observed that this was the worst banking crisis in Germany since 1931. In the meantime, every person knowledgeable about the situation had to be clear, that what is involved is a very profound crisis, due directly to the cluster of risks of globalization, from “creative financial instruments” to the cultural paradigm-shift over the past 40 years, and the destruction of productive capital connected with it. This is to be compared, if anything, to the collapse of the European banking system in the 14th Century. Nonetheless, Sanio’s statement was useful, because it brought to mind, that in Germany, 1933 [Hitler’s takeover] came very soon after 1931. And while in Europe, fascist “solutions” to the world economic and financial crisis were chosen—with Mussolini, Franco, Hitler, and Hjalmar Schacht, as well as Pétain—in the U.S.A., on the other hand, Franklin D. Roosevelt demonstrated that it was possible to lead the economy out of the Depression with the New Deal.

### **Suspend the Stability Pact**

And here lies the actual devastating effect of the coalition government’s plans to transfer the criteria of the EU Stability Pact into the German Constitution. For, under current conditions of systemic financial collapse, a “balanced budget” means, in practice, the prescription of Schachtian austerity. The people who in the 1930s did not know that a rejection of the plans of Lautenbach, Voitinsky, Tarnow, and Bade would very rapidly give rise to Hitler, can still be credited with the fact that there was still no precedent for Hitler. Today, this obviously is no longer the case.

What is urgently necessary today, is not the transfer of the Stability Pact into the Constitution, but on the contrary, the suspension of the Stability Pact, because of the massive breakdown of economic equilibrium. If it is proven that an international treaty violates the fundamental interests of one or several of its signers, then it is absolutely permitted under international law, to withdraw from such a treaty. Minimally, what should occur is suspension of this treaty, until the breakdown of the economic equilibrium is remedied; and then the sense, or absurdity, of the treaty can be reconsidered, in an atmosphere of tranquility.

In any event, the authors of the Constitution wrote Article 20, and in particular Paragraph 4, into the Constitution, so that precisely what the coalition government has in mind would be rendered impossible. It is high time that all organizations and institutions to which Article 20 is important, remember their right to resistance.

# Brits Wanted Military Coup in Italy in 1976

by Claudio Celani

Recently declassified papers in Britain document that the Foreign Office considered the option of a military coup in Italy in 1976, to prevent a government with Communist Party (PCI) participation. Ultimately, the coup option was rejected, but two years later, the architect of the participation of the PCI in the government, former Prime Minister Aldo Moro, was kidnapped and killed by the Red Brigades. That could have been “the substitute hypothesis” for the Foreign Office, historian Giuseppe De Lutiis commented to this author.

A short background: In the early 1970s, Christian Democratic (DC) leader Moro had understood that the solution to Italy’s vulnerability to external interference in its national sovereignty lay in transforming the PCI into a fully pro-West and democratic party. If that occurred, there could be no obstacles to a normal transfer of political power, as in other Western democracies, and no pretext for subjecting Italy to Anglo-American imperial politics under the pretext of anti-communism.

Moro developed therefore the strategy of “parallel convergences,” or the possibility of associating the PCI with government responsibilities, along with the DC, in a “national solidarity” cabinet. In 1974, after the failure of the Popular Front government in Chile and the Pinochet coup, PCI leader Enrico Berlinguer had already proposed a similar strategy of alliance with the DC, calling it the “Historic Compromise.” In 1976, Berlinguer broke with Moscow by publicly stating that the PCI would respect Italy’s membership in NATO.

Moro’s included aim was to defeat the right-wing forces in his own party, those responsible for having blocked the reformist potential of the center-left governments which he had promoted since 1962.

Notwithstanding the evolution of the PCI in the direction set by Moro, London and pro-British forces in Washington and other European capitals, plotted to stop Moro’s policy with all means, including a military coup. This is now documented in papers, published by the Italian daily *La Repubblica* in a two-page article on Jan. 13, which were uncovered in London archives by researcher Mario J. Cereghino. The article includes lengthy quotes from a Foreign Office policy paper, as well as from diplomatic dispatches from Rome and Paris, and minutes of a secret “four powers” meeting on the Italian case. The archives dramatically confirm the role played by London in the Italian destabilization and in the elimination

of Aldo Moro, which had been exposed by the Italian La-Rouche organization as early as 1976-78.

The planning staff of the Foreign Office issued a classified paper dated May 6, 1976, entitled “Italy and the communists: options for the West.” The headline on page 14 reads: “Action in support of a Coup d’état or other subversive action,” and below that: “For its nature, a coup d’état can lead to unpredictable developments. Nevertheless, theoretically, it could be promoted. In one way or another, it could come from right-wing forces, with the support of the army and the police. For a series of reasons, the idea of a bloodless and surgical coup, able to remove the PCI or to prevent its coming into power, could be attractive. But it is an unrealistic idea.” Such reasons are: the PCI strength in the trade union movement, the possibility of a “long and bloody” civil war, a possible intervention by the Soviet Union, and reactions by Western public opinion. Therefore, the option was rejected.

## Kissinger Backed the British Plot

However, preventing the PCI from entering the government in Italy remained a high priority for British diplomatic activities, backed by Henry Kissinger’s State Department and NATO. On March 25, 1976, the British Defense Ministry wrote to their Foreign Office colleagues that an Italian government with the PCI would be a “catastrophic” event. The British ambassador to NATO, John Killick, wrote that, “the presence of communist ministers in the Italian government would lead to an immediate security problem inside the Alliance . . . therefore, a net amputation is preferable to an internal paralysis.”

The British ambassador in Rome, Sir Guy Millard, wrote that a PCI participation in the government would mean “the rapid end of the free-market system.” Millard was also hostile to Aldo Moro: “Sometimes, he seems to be rather ambiguous on the Historic Compromise.”

Millard reported of his talks with a leader of the Italian Republican Party (PRI), Giovanni Spadolini, who was agitated because, he said, “Moro’s decision to consult Berlinguer before the meeting of the Council of Ministers is a serious symptom. It means that the Communists are now part of the majority.” The PRI was a pro-British party, ideologically based on Giuseppe Mazzini’s version of liberal fascism, whose members included many freemasons and bankers.

In London, Henry Kissinger warned, in a meeting with the new British Foreign Minister Antony Crosland, that for the West, reformer Berlinguer is “more dangerous than [the Leninist] Portuguese [Álvaro] Cunhal.”

On April 13, a group of specialists from the Western European Department of the Foreign Office issued a dossier whose task was to define an anti-communist operational strategy. The first part is devoted to discussing options to prevent the PCI from entering the government; the second part discusses how to remove the PCI from power. Five scenarios are mooted, from the softer “business as usual,” to “econom-

ic persuasion,” including pressures from the EU and the IMF. Option number four is entitled: “Subversive or military intervention against the PCI” and says: “This option covers a series of possibilities: from low-profile operations to the active support of democratic forces (financially or otherwise) with the aim of directing an intervention in support of a coup d’état encouraged from outside.” The pros and cons are evaluated, and, again, the option is rejected. The fifth option is “expelling Italy from NATO.” This would also be a debacle for the West, the dossier concluded.

### Italian Leaders Humiliated

On June 27, 1976, at the G-7 economic summit in Puerto Rico, Italian government leaders Aldo Moro and Mariano Rumor were excluded from a closed-door meeting among U.S. President Gerald Ford, British Prime Minister James Callaghan, German Chancellor Helmut Schmidt, and French President Valéry Giscard d’Estaing. In a humiliating scene, Moro and Rumor were blocked at the door of the Dorado Beach Hotel by security guards. The other four heads of government decided to organize a second, secret meeting in Paris on July 8, 1976, with Helmut Sonnenfeldt for the U.S. State Department, Yves Carnac for the French government, Gunter Van Well for the Foreign Ministry in Bonn, and Reginald Hibbert for the Foreign Office. There, they discussed strategies for Italy.

The author of *La Repubblica*’s report, journalist Filippo Ceccarelli, remarks that nowhere in the Foreign Office papers, was the phenomenon of terrorism in Italy discussed. Yet, in June 1976, the Red Brigades killed their first victim, Judge Francesco Coco. “Never, in the British papers, is there a reference to the left-wing and right-wing terrorism of that ‘season of lead.’”

Of the four British officials named in the Foreign Office papers, three of them, Hibbert, Campbell, and Killick, were members of the SOE, British intelligence, during World War II. The fourth, Sir Guy Millard, is today 90. He served as the private secretary to British Prime Minister Anthony Eden during the 1956 Suez Crisis, and took part in the secret meetings with representatives of the French government that helped plan the Suez War. He was told by Eden not to take any notes of the meetings. After the war failed, because of the U.S. opposition, Eden resigned and Millard started a diplomatic ca-



## Chi ha ucciso Aldo Moro

Dossier speciale del Partito Operaio Europeo sul complotto della Corona Britannica per sovvertire la Repubblica Italiana

DOCUMENTI DEL bollettino internazionale

*Lyndon LaRouches’ collaborators in Italy, the POE, issued this exposé, “Who Killed Aldo Moro,” which identified the British role behind Italian terrorism in the 1970s and ‘80s. Henry Kissinger’s threats against Moro, as testified to by his wife, were also included in the dossier.*

reer. He is currently a patron of the cult called the “Venice in Peril” Fund, a.k.a. the British Committee to Save Venice, whose chairman is the Viscount of Norwick.

Author Giovanni Fasanella, who exposed the British connection in the Moro assassination in his book *The Mysterious Intermediary*, raised a series of questions on his blog on Jan. 14:

“What authorized the British government to intervene so heavily in Italy’s domestic affairs?”

“Was there a ‘British Party’ in Italy that pushed British interests?”

“Did British intelligence have connections with circles in the Italian insurgency?”

“Once the option of a right-wing coup was rejected, are we sure that the target was not pursued and achieved in another way?”

These are of course rhetorical questions, which themselves suggest the right answer. As concerns the “British Party,” the answer comes from Ambassador Campbell himself. Campbell once said, according

to an obituary published in the London *Telegraph* Sept. 10, 2007, that of all the Italian ministers he encountered, he found Francesco Cossiga to be “one of the few leading Italian politicians with a profound knowledge of English civilisation and culture.”

Cossiga, interior minister during the kidnapping and assassination of Moro, and later prime minister and State President, has indeed been the leader of the “British Party,” at least at the political level. No surprise therefore, that the aging Cossiga reacted to the coup revelations by playing them down. He wrote a letter to the newspaper *Corriere della Sera* (whose editor Paolo Mieli is the son of a World War II uniformed SOE agent), which was published with an answer by former ambassador Sergio Romano, another Anglophile, whose comment was that yes, evidence shows that the British considered supporting a coup d’état in Italy, but they rejected the option, and this demonstrates that they are democratic!

Unfortunately, Italian political circles have not reacted, so far, to the revelations from London. This is all the more regrettable, not only because this year marks the 30th anniversary of Moro’s death, but because the “British Party” is as active as ever, fueling a fascist revolution which is daily gaining ground, with the ultimate aim to overthrow the constitutional system.

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# International Intelligence

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## *Venezuelan Congress Escalates British War Plan for Region*

In a dangerous escalation of longstanding British imperial plans to plunge Ibero-America into fratricidal warfare, the Venezuelan National Assembly passed a resolution Jan. 17, granting “belligerent status” to the Colombian narco-terrorist groups FARC and ELN. Approved by 161 of the 168 members of the Congress, the resolution recognizes groups’ “belligerent status,” characterizing them as “insurgent movements,” and arguing that this sign of “good will” is the first step toward “generating confidence” for future negotiations for hostage releases. The resolution also denounces the “imperialist” United States, suggesting that the FARC and ELN are really “national liberation groups” that have been arbitrarily and unfairly included on the list of terrorist organizations drawn up by the U.S. government.

This act of lunacy comes just a week after Venezuelan President Hugo Chávez called on the world community to recognize the FARC and ELN—which are both guilty of heinous crimes in Colombia—as “belligerents.” It is guaranteed to further polarize a region where tensions are mounting daily, as a result of the conflict between the Venezuelan and Colombian governments on the issue of the FARC.

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## *Eurotreaty Moves Ahead In French Parliament*

On Jan. 16, with hardly any media coverage, the French National Assembly voted up the initial parliamentary text required to modify the French Constitution, a modification required before any ratification of the new “simplified” Eurotreaty, imposed by German Chancellor Angela Merkel and French President Nicolas Sarkozy at the EU summit in Lisbon on Dec. 13, 2007.

The text now has to also be approved by the Senate, which will vote on Jan. 29. Then, both Assembly and the Senate will meet at Versailles on Feb. 4 to vote on the needed

Constitutional modifications (two-thirds of the expressed votes needed). Only then, can the Eurotreaty be ratified by a vote of the French Parliament to take place on Feb. 7.

A mobilization against the treaty failed because all the major parties declared themselves in favor of this ugly remake of the free-trade zone “European Constitution,” which French citizens rejected in a popular referendum in May 2005.

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## *China Building High-Speed West-South Rail Corridor*

China will build a new high-speed railroad to link Guangdong Province, on the southeast coast, with Guizhou, one of its poorest regions, Xinhua reported Jan. 18. Lin Shusen, governor of Guizhou, announced in the provincial congress that the 818-km railroad will allow trains running 250-km per hour to link the Guizhou capital, Guiyang, with Guangzhou, on the coast. There is now no link between the two cities, and the trip can take as long as 20 hours.

The Guiyang-Guangzhou high-speed railroad will become part of the planned west-south high-speed trunk line in China, and will be connected to the planned high-speed railway between Lanzhou, capital of Gansu Province in northwest China, and Chongqing, the largest industrial city in central-west China.

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## *India and China in New Era of Rail Cooperation*

India and China, “the two giant railway systems of the world,” are now launching a “new chapter of cooperation,” the Indian Ministry of Railways announced Jan. 18. The two nations signed a Memorandum of Understanding during the visit of Indian Prime Minister Manmohan Singh to China Jan. 15-18. This will be a big boost for Indian Railways’ modernization, the Ministry announced. Chinese Railways will help India increase rail speed, which is essential to increase the efficiency of India’s system.

Chinese trains reach speeds of 275 kph, while the fastest Indian train goes just 150 kph.

These nations really are the railway “giants” in terms of rail length: China is third in the world, after the United States and Russia, and will soon be second; India is fifth in size. But when it comes to passenger use, these two nations far surpass any other. China’s rail use is the highest, with India not too far behind: twice the ridership of the entire European Union, and 30 times passenger use in the United States.

In freight transport, however, India lags behind, transporting only about 25% as much as the largest rail freight transporters, China and the United States.

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## *Messenger Spacecraft Shows Mercury Close-Up*

The latest news from the Solar System includes spectacular images taken by the Messenger spacecraft, as it skimmed about 120 miles above surface of the planet closest to the Sun, on Jan. 14. Nearly 33 years ago, when Mariner 10, the only spacecraft to visit Mercury, flew by it, it was able to “see” only one side of the Moon-sized planet. The Messenger (Mercury Surface, Space Environment, Geochemistry, and Ranging) has now shown scientists a good portion of Mercury that they had never before seen.

High-resolution photographs show details of impact craters (including one with a 120-mile-wide diameter, named for Yiddish writer Sholem Aleichem), ridges, and new features. The planet has a highly elliptical orbit and is frozen on the night side, and baked where it faces the Sun. It is the only planet besides Earth with a global magnetic field, and radar data indicate there is water ice at its poles.

Messenger will fly by Mercury twice more to slow down, and then the spacecraft will brake into orbit around the planet in March 2011, to study it for one Earth year.

The images can be seen at: <http://messenger.jhuapl.edu/gallery/sciencePhotos/pics/>

## Clinton Campaign Pulls Nation Back from Brink

*Lyndon LaRouche's national spokeswoman Debra Freeman was Harley Schlanger's guest on The LaRouche Show web radio broadcast, on Jan. 12, 2008, along with LYM members Meghan Rouillard and Michael Steger. Here is an edited transcript.*

**Harley Schlanger:** In case you missed it, let me inform you that the world changed this last week, in ways that were both visible and unmistakable. First, and most visible was the dramatic shift in the U.S. Presidential campaign, with the results in the New Hampshire primary last Tuesday....

Secondly, was the push for an independent Presidential bid by billionaire, and fascist, New York City Mayor Michael Bloomberg. This was given a boost by 17, mostly former, elected officials—and has-beens and never-was—in a so-called bipartisan forum in Norman, Oklahoma.

And also unfolding this week, was the open push for dead-ly budget cuts by California Gov. Arnold Schwarzenegger. Arnie, who refers to Bloomberg as his “soulmate,” virtually ac-

knowledged in his speech to the legislature on Thursday, that he knows that these cuts will kill people, but he said that “fiscal responsibility” (which is his name for killer cuts), is a virtue.

So, during the first full week of 2008, we've seen exactly what Lyndon LaRouche has been forecasting, since he said in his July 25, 2007 webcast, that the financial system has already collapsed. That there will be a coordinated effort by the City of London to impose Mussolini-style fascist policies, corporatist policies, with Bloomberg chosen to play the role of Mussolini. And that, at the same time, there's a potential for a Franklin Roosevelt reflex, a return to the anti-Depression policies of the American System.

The victory by Hillary Clinton in New Hampshire, was based on her emphasis on economic issues, particularly action to stop foreclosures, and reflects the growing support nationally for Lyndon LaRouche's Homeowners and Bank Protection Act.

So, joining us today, to discuss these dramatic developments, will be Debra Freeman, the national spokesman for Lyndon LaRouche. Also, we'll hear from Meghan Rouillard, from the LaRouche Youth Movement, who was in New Hampshire in the two weeks leading up to the primary; and Michael Steger, who recently returned to Los Angeles from several months in Washington, D.C....

Now, clearly, as Lyndon LaRouche said, a change occurred in New Hampshire. So, what happened?

**Freeman:** Well, in the aftermath of the Iowa loss, a number of events were set into motion, and they were ironic, at first. Because Hillary's loss in Iowa didn't come as a particular surprise to anyone. She never expected to win there, and in fact, she came out of the Iowa caucuses with only one delegate less than Barack Obama; which, really, by some people's estimate, would have been looked at as a draw.

But, what the response in the media was, was that Hillary had suffered a stunning defeat. And even before the candidates boarded their planes for New Hampshire, an extraordinarily vicious media campaign was unleashed, declaring, virtually the end of the campaign! Poll numbers were coming out, showing an incredible surge by Obama [see Debra Freeman's article, “Clinton's Fight for Invisible Americans Can Save the U.S.,” *EIR*, Jan. 18, 2008, for her analysis of the election campaign]....

But at the heart at all of it, really was the fact that Hillary was the only candidate who was prepared to speak directly on the foreclosure crisis....



Hillary for President web page

*Since Hillary Clinton's stunning victory in the New Hampshire, where she shifted her focus to the general welfare, every other candidate is now forced to respond to those issues. Clinton is shown here campaigning in Iowa in December.*



*The LaRouche Youth Movement's organizing in New Hampshire for the Homeowners and Bank Protection Act (HBPA), helped to shape Hillary Clinton's shift in orientation to the lower-income 80%. Shown, LYM members perform Bach's motet, "Jesu, meine Freude," in Boston.*

## A 90-Day Moratorium on Foreclosures

**Schlanger:** She had already endorsed a 90-day moratorium, I believe, on foreclosures.

**Freeman:** She had endorsed a 90-day moratorium, and with a potential for a three-year moratorium on foreclosures. But it was not front and center in what she was doing. But after this meeting [with Bill and Chelsea Clinton and close advisors—ed.], it became the center of what they were doing. It was noted with a response that Bill Clinton gave on Monday night [Jan. 7], in response to a question about the subprime mortgage issue, where he not only gave a fairly elaborate presentation of the history of the crisis, but he went after the hedge funds. And she just continued to hammer away at these central points. And the fact is, when she said, on election night, that in listening to people of New Hampshire, she found her own voice, I think it may have been one of the most honest statements that she has made during the course of the campaign. . . .

And you know, the results in New Hampshire were startling: She won 47% of the vote to Obama's 32% among those with incomes under \$50,000 a year. Among young people between the ages of 25 and 29, she won a clear majority of the votes.

But more importantly than the dynamic of New Hampshire itself, or of Hillary's campaign, per se, the fact of the matter, was that by doing what she did, it forced the issue. And right now, two things occurred: One, is that if they thought they had a cakewalk to dictatorship with this Bloomberg candidacy, that just went out the window. Number two, they got the exact *opposite* result than they intended! Which is that, now, every other candidate is forced to respond to the issues that Hillary has defined. . . .

## Support for 'Firewall' Act Grows

**Schlanger:** Now, as you mentioned the mobilization of the LaRouche Youth Movement and forces associated with

Lyn in particular, we had new developments in the last couple of days, with the opening of state legislatures: Rhode Island, Missouri, and Maryland, in each of those three states, there's been the introduction of a resolution in support of LaRouche's Homeowners and Bank Protection Act. Some people wonder—I hear this all the time—"Well, if there's something done on a state level, or a city council passes a resolution, does that get up to the Congress? Do the Presidential candidates know about it?" What about that, Debbie?

**Freeman:** Absolutely, yes. And what you have to keep in mind, is that at the same time that we're mobilizing

the base of these Congressional representatives and Presidential candidates, we are also very visible, and very present in Washington, where it's simply fear and denial, by at least some people, that is stopping them from just endorsing Lyn's policy.

Each and every time—each and every time a state legislature, each and every time a city council, or a county council, passes a resolution in support of the HBPA, it brings us that much closer, to forcing the issue with the U.S. Congress. And I think that Hillary's recent move does that as well. Because it is the first time, that somebody has stepped forward and has spoken in recognition of the crisis; and also, if you look at the features of what she's calling for, she is making clear that this is not just a peculiar subprime mortgage crisis, but that this is an across-the-board economic crisis.

But, I can assure people, that there is nobody anywhere in the United States, who is too small to have an effect on the overall mood on Capitol Hill at this time. And you know, these guys are not going to move, unless they are forced! And this is precisely the kind of action that does force them. And I think that the kind of dynamic that we've been able to unleash in the state of Pennsylvania, where you have scores and scores of elected bodies considering and passing the HBPA, is something that we want to create in states all across the nation. . . .

**Schlanger:** Let me turn to Meghan Rouillard, who is joining us today. Meghan had a chance to organize in New Hampshire, was involved in some very significant exchanges on policy with various candidates. Meghan, why don't you give us a report from New Hampshire?

**Meghan Rouillard:** Sure. I'd start by saying the work that we did in New Hampshire, the idea was initially by no means to track or follow any of the candidates who were up there. It was simply a continuation of our mobilization from here in Boston, around LaRouche's Homeowners and Bank Protection Act, and we have extended ourselves into the states



of Connecticut, Rhode Island, Massachusetts, and New Hampshire as well. So, we figure there's a politicized environment up there, and we should go organize these people with LaRouche's literature and policies.

We probably attended and organized people at about 20 of the Democratic candidates' events up there, with the intention of shaping the mind of the election process. Now, the first thing that we realized is that nobody else is doing that. None of the campaigns actually had any literature, at all, for the voters....

### The LaRouche 'Presidential Campaign'

**Schlanger:** And so, Meghan, we were out there then with the various pamphlets that the LaRouche PAC has put out recently, then?

**Rouillard:** Right, and the population of New Hampshire is very interesting, because there is a real familiarity with LaRouche as a Presidential candidate, and with his ideas, except this is the first year, where he is not running for President. But when we told the people there, "Look, LaRouche has crucial economic policy advice for the next President of the United States, whoever it may be," people were grabbing the stuff up. And at some of the events of candidates like Edwards and Obama, there is a little bit more to joke about, because there was really zero substance at all, when it came to a discussion of economic policy. So, that was a large part of what we were able to do, and the electorate very much appreciated it.

One thing I would just add, is that there were what I thought some useful exchanges with Hillary Clinton. We attended a lot of her events, and I'll just give an example of one of the first events that we attended up there, in Manchester. Now, this is before this shift that LaRouche has noted in Clinton's campaign, in the days before the primary. And it was an event for women and their daughters. You were only supposed to ask questions about "women's issues," and this type of thing. It was a relatively large audience, and I was able to ask the first question that anything to do with economic policy; and just brought up the fact that it was very good that she had come out with a plan to halt foreclosures, which she hadn't talked about during the event itself. And one thing I noticed was that the people in there, when I was asking this question, everybody turned around, a lot of people were nodding their heads. And I said, "Look, it's very good that you've called for this, but what are you going to do about the much larger banking crisis, and the fact that banks are actually insolvent?"

She was very eager to respond, and actually gave a very long answer, one of the longest answers that she gave during the event. And not only outlined her call for a moratorium on foreclosures, but also she said, "Wall Street is not happy about my policy." And she said, there are banks in Shanghai and Abu Dhabi who have securities that are based on these mortgages, and these interests cannot come first.

The exchange in and of itself is important, but also after the event, I had a couple people come up to me afterwards,



Office of the Governor

*California Gov. Arnold Schwarzenegger announced that he plans to deal with a \$14.5 billion budget deficit by cutting aid to the poor, the elderly, the blind, the disabled. In a recent speech to the legislature, he all but admitted that the cuts will kill people, but added that "fiscal responsibility" is a virtue.*

and just thank me for asking the question. And then, there was another event several days later, with Bill Clinton—this is actually before what was initially referenced, where he had a relatively in-depth discussion of the subprime mortgage crisis; this also happened a couple days prior, in Rochester, where he was asked about this. We were preparing to ask him a question, and then somebody in the audience asked him about this. He gave a very long answer. And the next woman who asked him a question, was an extremely elderly, sick woman, who got into the auditorium, and basically said, "I don't really have a question for you, I'm just letting you know that in a couple of weeks, I'm basically going to have to live on \$300 a month, and how am I going to survive?" And he was visibly shocked by that, I think, and moved.

So, these are just a couple of the things that we noticed in the days even prior to the shift that occurred at the beginning of this week.

### Clintons Are Looking at FDR Precedent

**Schlanger:** Debbie, from your past experience with the Clinton Administration, the administration of Bill Clinton, and the work you've done: It's clear that in Hillary's campaign the last few days, the idea of speaking for the "invisible Americans" is a real echo of Franklin Roosevelt's "forgotten man." To what extent do you think that Bill and Hillary Clinton, and the people around them, are looking at this FDR precedent?

**Freeman:** Absolutely.

It's very conscious, especially on Bill's part. You have to keep in mind, that in Bill Clinton, what you're dealing with is

someone who, above everything else, is a student of history and a true intellectual. And he is well aware of the fact that the magnitude of this crisis, far surpasses the crisis that we faced in the '30s, coming into the Second World War. That is something which is very much on their minds. And we know for a fact, that many of the people in the campaign are looking very closely—in addition to looking at Lyn's work—at many of the relief packages that were put together by FDR.

Also, keep in mind, that Bill Clinton, both during his Presidency, but also very significantly since his Presidency, he also has a certain global picture. He has spent an extraordinary amount of time in Africa, and in Asia, and he's well aware of the depth of the catastrophe in those places; but he also knows there's no solution to it in those places, that the solution can only come inside the United States. So, I think that that also has a very big impact.

But the reference to the "invisible men and women" was by no means an accident. It was an intentional harkening back to FDR...

**Schlanger:** Speaking of FDR versus Mussolini/Hitler, Michael Steger is with us in Los Angeles. Michael's a veteran of campaigns going back now five years, where the LaRouche Youth Movement has been the *only* consistent force that's been in the street, prodding and smacking the Democratic Party to come out against Arnie, in a consistent way. Schwarzenegger this week announced that he's going to deal with a \$3 billion deficit for the next six months, and \$14.5 billion and growing deficit for next year, by cutting aid to the poor, the elderly, the blind, the disabled; slashing \$4 billion from education. And of course, Arnie, as we've pointed out, is a bad actor, who was brought in by George Shultz, and the same Felix Rohatyn that Debra's been talking about, who is the wreck-er of the Democratic Party.

So, Michael, give us a sense: We're going out against supposedly the popular actor. What do we find, when we go out and make these comparisons of Schwarzenegger and Bloomberg to Mussolini?

**Michael Steger:** People recognize, his draconian austerity is modeled on Hitler and Mussolini, and as you put it yesterday, it really is, that he thinks of himself as a Hitler, but really he's just more of a Mussolini: He's kind of an overgrown meathead, who they recognized that he had the stomach to do what was necessary, that's why he got the job...

**Schlanger:** But people are aware that he came out with this slashing of the budget?

**Steger:** Yes, people know it, and people generally recognize that the Democratic Party in California, really, since he made his kind of about-face, instead of calling the Democratic Party wimps, and attacking the firefighters, nurses, and teachers as "special interests"; after his referenda were defeated in 2005, he switched in 2006 to be so-called, this "post-partisan collaborator" with the Democratic Party environmentalists. And now the Democratic Party is stuck here in California, led

by people like Pelosi and Feinstein on the national level, where they've capitulated to this type of leadership.

And so now, what we're facing is, Schwarzenegger going for complete austerity against the lower 80% of California citizens, and they know it! What they want to see is people taking leadership and recognizing what the real problem is, and that's what we're doing out in the streets.

### 'Bushvilles' in California

**Schlanger:** And people are aware that there are "Bushvilles" springing up in California.

**Steger:** That's right. There's a Bushville down in Ontario, California near Orange County. And the economic crisis out here is severe—a \$14 billion deficit—I've heard this is *half* of the total state deficits across the country! And it's very real. I think statistics like, 20% of the new jobs over the last five years come in real estate areas, of home construction, mortgage lending—these people are all out of work. You go to organize in Orange County, or Los Angeles, even in affluent areas, people are telling you, "You know, I'm out of work. I was in construction, I was in real estate, I was in finance, I was in mortgages. I'm facing foreclosure. I can't pay my rent, I can't pay this." And it's generally hitting a large portion of the population. It's very real out here.

And Schwarzenegger's policies are killing people. They have over I guess the last three years. One of the first things he did, was cut a state program for children's health-care. So his mentality is, as you said, "fiscal responsibility, like compassion, is a virtue." So, he really sees that it's his job, that if he has to kill people, he's the guy to do it. And that's what we're going after...

**Schlanger:** Meghan, as I understand it, besides Rhode Island, there's now motion in New Hampshire for the Homeowners and Bank Protection Act.

**Rouillard:** Yes, and this is interesting. It was actually at a Bill Clinton event in New Hampshire that we met a very feisty New Hampshire state representative—because they actually have two representatives, who [are supporting it]—there is a bill in the New Hampshire state house, which is going to be voted and discussed during this month. And then, at one of these events just this past week—we didn't know either of the women who had sponsored this; we met a very feisty representative who wants to be an ally of ours, and wants us to go up there and organize. We also have a vote coming up early next week in the Rhode Island state house. *And*, we're now getting motion in the Massachusetts state house, which is very important, because the Democratic Party in Boston, Massachusetts has had a very severe Felix Rohatyn problem in the recent period. But the work that we've done in the city councils, for example, has now allowed us to get things moving there.

**Schlanger:** Well, it's not at all surprising that in two of the



EIRNS/Michael Steger

Californians, even in formerly wealthy areas, are facing job losses and home evictions. Here, LaRouche Youth Movement organizers interview a resident of “Tent City,” also known as “Bushville,” in Ontario, east of Los Angeles.

bluest states in the country, Massachusetts and California, you have Rohatyn deployed to wreck the Democratic Party. Debbie, what can you tell us about this Rohatyn/Shultz collaboration over the years?

**Freeman:** This goes back, as I said, to the aftermath of the Social Security fight, when it was clear that we were faced with the potential loss of the auto industry, and most importantly of the machine-tool sector as tied to that industry. We were involved in a massive drive nationally, and a massive drive on Capitol Hill, and we were getting a very good response. And then, suddenly, there was an intervention by Nancy Pelosi, at the behest of Felix Rohatyn, and in fact, that support for the LaRouche proposal began to wane.

Right around that time, I happened to find myself as a guest at a Washington, D.C. reception, and one of the other guests was none other than Felix Rohatyn. And over drinks we were chatting, and he was not too pleased to kind of be my captive there for a while, but really he didn’t have too much of a choice. . . .

But one of the things we were chatting about, was Franklin Delano Roosevelt, and what FDR would have done, if faced with a similar crisis. And Rohatyn got extremely exasperated, and responded that “FDR was fine for then, but that was then and this is now.” And the situation now, is that you have private, financial institutions, whose annual budget far outweighs that of so-called—and that “so-called” was his term, not mine—sovereign nations. And that therefore, why should these nations have more of a say than these financial institutions?

**Schlanger:** So, it’s explicit, then?

**Freeman:** Absolutely explicit! It was one of those instances where I was shocked, but not surprised. We knew that this was his position, but I never expected him to come out and say it publicly, and to say in front of other people! But he was emphatic about it, and he fought for that position.

## Pelosi: A One-Woman Wrecking Operation

**Schlanger:** This is a continuing thing with him. Didn’t Pelosi just invite him to present to the Democratic Party why they should go along with Bush’s so-called “foreclosure” bill, instead of what LaRouche is saying, and what the Clinton campaign is moving towards?

**Freeman:** Yes! Well, she invited him to a quote/unquote “leadership meeting,” where this was adopted. However this so-called “leadership meeting”—just to give you an example of how Pelosi does business—did not include Congressman

Charles Rangel of New York, who happens to be the chairman of Ways and Means! Now, that is without question the single-most powerful committee in the House of Representatives, and *nobody* has a discussion of a leadership issue, especially a leadership issue on an economic question, without the involvement of the chairman of Ways and Means. But Pelosi *knew* that there was no way that Charlie Rangel would go along with it—so she conveniently “forgot” to invite him!

The question of Nancy Pelosi, is not the subject of our show, but this woman, in her absolute stupidity and incompetence, has done more damage to the Democratic Party, than that imbecile Bush could do in his wildest dreams! She has been a *one-woman wrecking operation*. And she has left the party *extremely* demoralized. She’s come very close to breaking the spirit of the Congressional freshmen; I think the only thing that really stops that is our continued fight and our continued presence.

But this woman is an *absolute* disaster, and she really is just the lapdog of Felix Rohatyn. Because she has no thoughts of her own, so whatever he tells her to do, is what she does! And hopes that the money comes in as a result. . . .

**Schlanger:** And Debbie, just to conclude: We’ve seen, as we’ve been discussing for the last hour, an incredible shift this week: There’s no reason to believe you can put the genie back in the bottle now.

**Freeman:** Absolutely not. But the way to guarantee that, is for us to continue the mobilization that we’ve unleashed. . . .

# City of London's Wish Is Their Command

“The year ahead is not going to be easy, but as I stand here, I’m more optimistic about our future than ever,” said the multi-billionaire without a party in his Jan. 17 State of the City address. Just whose future is New York Mayor Michael Bloomberg talking about?

Is it the city’s residents who will suffer the effects of his across-the-board budget cuts while he chops \$1 billion from property tax revenue? (After all, the Citizens Budget Commission calls the plan “responsible.”) Or is it the financiers he would service in the Oval Office starting next January?

Here’s more than a mild hint: Moody’s Investors’ Service has threatened to downgrade the sovereign credit of the United States. Moody’s warned that the United States government could lose its top-notch triple-A credit rating, unless it takes radical action to cut health-care and Social Security spending—just as demanded by Bloomberg and the rest of the “above-the-parties” corporatists who met the week before at Oklahoma University to pump up his unannounced, but virtually certain Presidential campaign.

In its annual report on the United States, Moody’s says that, “The combination of the medical programs and Social Security is the most important threat to the triple-A rating over

the long term.” Reporting on Moody’s outrage, the City of London’s *Financial Times* delivers the message to “both the Republican and Democratic parties to sharpen their focus on healthcare and pensions in the run-up to November’s Presidential elections.”

This, from a ratings agency which was paid by banks and other Wall Street firms to wildly *overrate* mortgage-backed securities (MBS) and the rest of the alphabet-soup of toxic trillions of investment vehicles of investment banks and hedge funds, which have now imploded and crashed the financial system.

The City of London couldn’t have picked a more sterling messenger to deliver its demands for Bloomberg’s fascist austerity. Moody’s own rating and corporate reputation have already crashed under the rubbish of most “triple-A” financial entities and other firms that have collapsed since July 2007. It is now under investigation by the Securities and Exchange Commission for faking these ratings.

Bloomberg, too, seems to have a fondness for faking. After his speech, he was to go to California to meet with George Shultz’s steroidman, that son of a Nazi, Arnold Schwarzenegger, who recently announced 10% cross-the-board cuts for the California budget. Media stars “Benito” Bloomberg and the Governor share more with Il Duce than just a love of celebrity; like Mussolini was, they are witting tools of the British Imperial crowd which is out to destroy the United States.

Shown, Bloomberg and Arnie share a *Time* magazine cover last year (below right); Mussolini’s cover dates from an earlier era.



# LaRouche's HBPA Is 'Uniting the Nation'

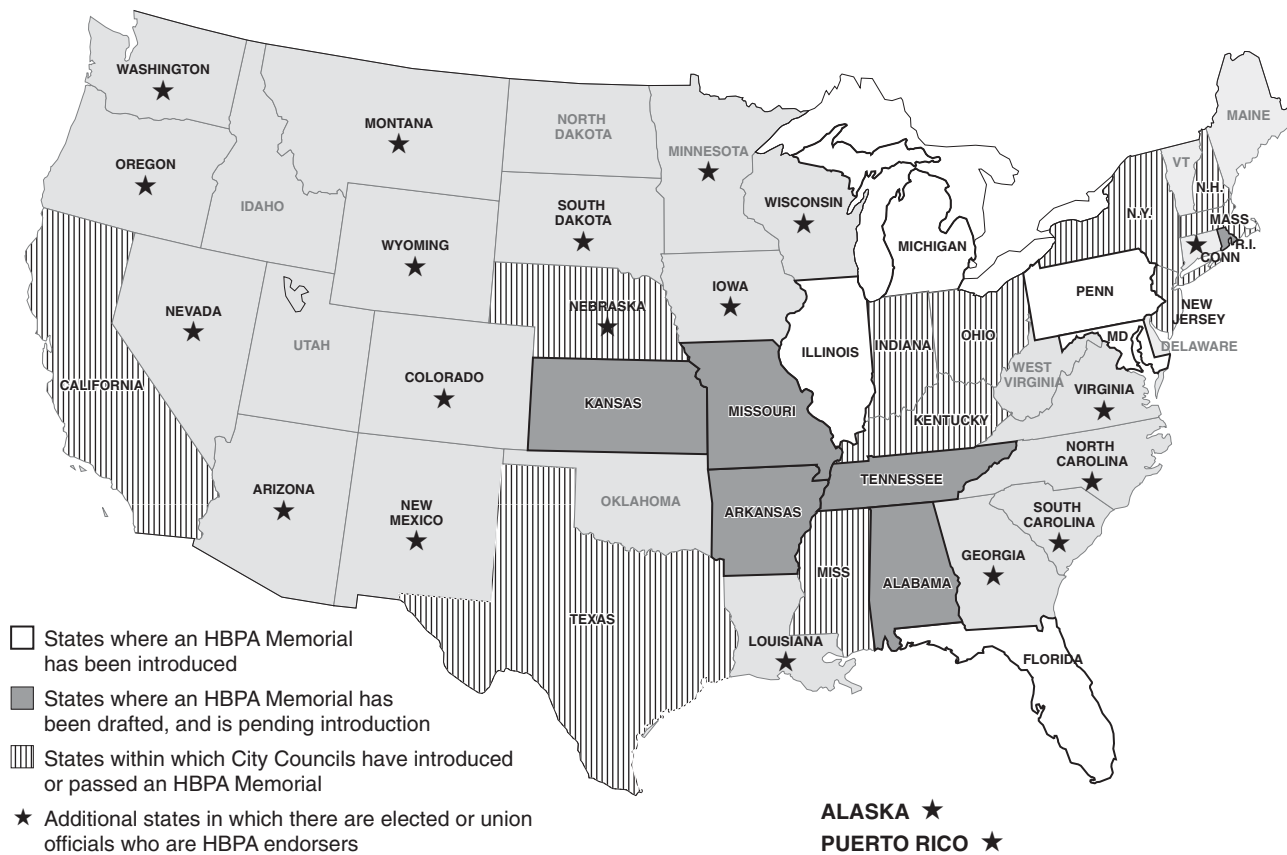
by Ingrid Torres, LaRouche Youth Movement

As U.S. state legislatures opened on the first of the year, and Citigroup and other banks and corporations were forced to reveal even deeper losses and layoffs, the collapse of the global economic and financial system has become more and more evident, and city and state elected officials are responding more seriously than ever before to the LaRouche Political Action Committee's call for a Homeowners and Bank Protection Act (HBPA). The Act, which has to be passed by Congress in order to become law, would freeze home mortgages, while

protecting charter banks that serve local communities. But with Congress currently under the thumb of banker Felix Rohatyn's Nancy Pelosi, the speaker of the House, it is incumbent upon state and local officials to take the responsibility for action. Lyndon LaRouche discussed at length how the HBPA would work in his Jan. 17 webcast (see *Feature*).

Here are updates from the week of Jan. 14:

- In New Jersey, LaRouche PAC organizers recruited four new signers on a resolution supporting the HBPA. One of



*The Following Municipalities Have Already Passed 'The Homeowners and Bank Protection Act':*

- |                      |                 |                  |                  |                  |                  |
|----------------------|-----------------|------------------|------------------|------------------|------------------|
| Pomona, CA           | Flint, MI       | Berwick, PA      | Ellwood City, PA | Nesquehoning, PA | Titusville, PA   |
| East Chicago, IN     | Pontiac, MI     | Bradford, PA     | Erie, PA         | New Castle, PA   | Wellsboro, PA    |
| Gary, IN             | Jackson, MS     | Borough of       | Farrell, PA      | Norristown, PA   | West Mifflin, PA |
| Indianapolis, IN     | Providence, NE  | Canonsburg, PA   | Harrisburg, PA   | Philadelphia, PA | Wilkes-Barre, PA |
| Shively, KY          | East Orange, NJ | Carbondale, PA   | Johnstown, PA    | Pittsburg, PA    | Yeadon, PA       |
| District Heights, MD | Irvington, NJ   | Coatesville, PA  | Jim Thorpe, PA   | Shamokin, PA     | Cameron, TX      |
| Lawrence, MA         | Newark, NJ      | Connelsville, PA | Monessen, PA     | Sunbury, PA      | San Benito, TX   |
|                      |                 | Conshohocken, PA |                  |                  |                  |

the city councilmen, from East Orange, when briefed on the national mobilization, said: "Your movement is linking us all around the nation." In Paterson, one woman underlined the personal dimension of the foreclosure crisis: "In trying to pay our mortgage, we can no longer afford to live."

- Pennsylvania added five more cities that have endorsed the call, bringing its total to 31. LaRouche PAC has set a goal there of 50 cities in the near future. Shamokin is a city of 8,000 people, and is the third municipality in Pennsylvania that has passed the resolution in the Congressional District represented by Democratic freshman Congressman Chris Carney. The second is the city of Connellsville, which is in Democratic Rep. John Murtha's district; Wellsboro is in Republican John Peterson's district. Carbondale and Coatesville passed the HBPA on Jan. 14. All the cities and towns that have passed the resolution in the state represent more than 2.5 million people.

- In Indiana, East Chicago's City Council unanimously passed the HBPA resolution. That area represents more than 30,000 people.

- The Providence, Rhode Island, City Council, representing more than 176,000 people, passed the HPBA unanimously. As soon as city councilmen knew that the resolution was going to be introduced, 15 of them signed up to co-sponsor it.

- In New Hampshire, two state representatives, Barbara Hull Richardson (Cheshire) and Barbara French (Merrimack), have filed an HBPA resolution.

- The Flint, Michigan, City Council unanimously passed the HBPA. Flint, under the devastating effects of deindustrialization and the shutdown of the automobile sector in the state, has been suffering a loss of population, but it still represents 124,000 persons.

## What Does This Mean?

As LaRouche has emphasized, we need a national firewall to protect the general welfare. The issue is not just the deflation of the mortgage bubble, but the collapse of the whole system. And that means not only intervening to stop foreclosures, but also to protect chartered banks, as a first measure to reorganize the whole economic system, to create a New Bretton Woods system, with fixed currency exchange rates.

LaRouche was asked in his webcast how much time would there be to deal with the banks after intervening to stop foreclosures. LaRouche answered: "I would say about ten seconds. By the time the effect of that hits the banks, you would begin to get an effect you don't want."

States cannot issue credit to save the banks, but they can burn their Congressmen's asses to get them to do so. They can intervene on the side of their constituents, to represent their interests.

It is past time for Congress to act. If it doesn't, and fails to serve the needs of the lower 80% of income brackets, it will be its fault that the United States goes down, and the whole world with it.

As the late Mexican President José López Portillo once said: "It is time to listen to the wise words of Lyndon LaRouche."

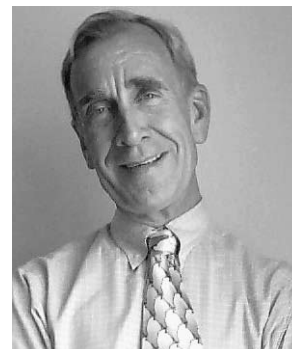
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## Interview: L. Rowell Huesmann

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# Violent Video Games Incite Teen Violence

*L. Rowell Huesmann, Ph.D., of the University of Michigan, has reviewed more than 50 years of research on the effects of violent media on young people. His study was published in the Fall 2007 issue of the Journal of Adolescent Health, in an article entitled "The Impact of Electronic Media Violence: Scientific Theory and Research."*



*Huesmann shows that violent video games are a major public health threat, and a leading contributor to violent behavior. In fact, of a list of correlations of each of ten major public health threats with the behavior which heightens each threat, only the correlation of smoking with lung cancer narrowly exceeds the correlation of violent media, especially video games, with violent behavior.*

*The study grabbed international media attention when published. Dr. Huesmann warns that video game units, which are now in 83% of American homes, have significant long-term effects. Under the heading, "Desensitization," he writes, "Repeated exposure to emotionally activating media or video games can lead to habituation of certain natural emotional reactions. This process is called 'desensitization.'" He continues, "the effects on stimulating long-term increases in violent behavior should be even greater for video games than for TV, movies, or Internet displays of violence."*

*Dr. Huesmann concludes, "The evidence ... is also compelling that children's exposure to violent electronic media, including video games, leads to long-term increases in their risk for behaving aggressively and violently. ...*

*"One valid remaining question is whether the size of this effect is large enough that one should consider it to be a public health threat. The answer seems to be yes" (emphasis in original). The article is available at [www.jahonline.org/article/PIIS1054139X07003916/fulltext](http://www.jahonline.org/article/PIIS1054139X07003916/fulltext).*

*Don Phau interviewed Dr. Huesmann on Dec. 21, 2007.*

**EIR:** In your study on the effects of violent media, you single out video games. Do you consider video games more effective in provoking aggressiveness than other media?

**Huesmann:** Yes, there's the issue of scientific evidence versus theoretical beliefs. My theoretical belief, is that playing violent video games, compared with the same amount of time watching a violent movie, is more likely to cause a person to behave aggressively. But, that is still being investigated in the laboratory, so I can't state that with scientific certainty. What I can state with scientific certainty, is that either one will cause a person, more likely, to behave aggressively.

One of the difficulties is the amount of time being spent on video games. Seeing a violent movie can have a very strong impact on someone, just like playing a violent video game. But kids tend to play violent video games day in and day out, over and over again, and that probably increases their effect too.

**EIR:** I was surprised that you say eight- to ten-year-olds spent the most time on video games, and that it declines as they get older. I would think that the eight- to ten-year-olds are more affected by violence.

**Huesmann:** Yes, that's true.

**EIR:** There has been a rash of shootings that has ended in suicide by the shooter. You had the Virginia Tech killings, in which the shooter was an addicted video-game player; just today, in Colorado, the kids killing kids—the killers had been playing "Mortal Kombat." The fact is that many have ended in suicide. The founder of our magazine, Lyndon LaRouche, said that the phenomenon of suicide bombers in the Mideast has come to the United States. Do you see this as related to video games?

**Huesmann:** I haven't looked at that empirically, but I have some strong ideas. First, keep the Virginia Tech shooter separate, because I'm 99% certain that he was a paranoid schizophrenic, and that's a very unusual case. But there are now many cases, recent cases, where kids have behaved very violently and obviously have been influenced by violent video games, one way or the other. There have been cases where kids have apparently followed scripts of video games in shooting a policeman, for example. So I think those clearly have an effect.

As to why the kids commit suicide, I have a couple of speculations about that. First, for most kids who did that, it was about more than just playing video games. Video games increase the risk of aggressiveness and behaving violently for anyone, but the kids most likely to really act out, in a very serious violent way, almost always have some converging, other psychological factors. Now in the case of school shootings, one of those is, very frequently, being an outcast, having been rejected by peers, so one of the things they are trying to do is to get back—a revenge motive, modelled on video games. Part of being an outcast is having feelings of not wanting to live, because things are so bad. I see the suicide as a very important part of the whole picture of the person, but somewhat different than what the video game is stimulating.

**EIR:** At the beginning of your study you say, "The recent increase in the use of mobile phones, text messaging, e-mail, and chat rooms by our youth have opened new venues for social interaction in which aggression can occur and youth can be victimized."

There have been a number of cases where these shootings have come about after these kids have been online with MySpace, Facebook, and chat rooms. There has been coordination, such as in Finland, where the kid who shot eight people was communicating with another kid in Philadelphia. The Philadelphia police arrested him and found a whole stockpile of armaments in his home. Have you looked at how these chat rooms, MySpace, Facebook, and the Internet, are contributing to the violence?

**Huesmann:** They are, but no differently than peers would contribute. The real difference is that it is now so much easier to find people all around the world, when you're on the Internet. You can meet many more people than you can meet in your neighborhood. But it would frequently be the case that a youth who was thinking about doing one of these things, had a friend in his neighborhood who provided support and would say, "Yeah, they deserve to die," and so on. I think the main thing the Internet has done, as I said in the paper, is that anybody now, no matter where a child is living, can quickly be transported into a bad neighborhood, meeting all sorts of bad peers. They don't have to go out and walk to one, to get the kind of feedback that will reinforce their bad behavior.

## Desensitization to Violence

**EIR:** You have a section in your study on "desensitization." How do you see video games doing that?

**Huesmann:** I think this is really important. It's like what happens to soldiers when they're in Iraq, or Afghanistan, or Vietnam, when they're in continuous combat, with people dying around them. To survive, they have to become—it's part of the automatic way the nervous system works: The nervous system stops responding negatively, emotionally, to blood and gore, and you become numb to that. That makes it easier to survive psychologically, but it also makes it much easier for you to become very brutal and aggressive and violent, because violence and aggression no longer have the negative emotional connotation. Studies have shown that if you expose people to violent films continuously, or violent video games continuously, first they react very emotionally to the violence, and then they stop reacting over a period of time. It is bound to make it easier for them if they are provoked; it makes them mad and they behave aggressively, because they become desensitized to that, emotionally.

**EIR:** One would think that in video games, because you are actually involved in playing them, that you would become even more desensitized than watching television or a movie, because you are not just sitting there, passively,

watching a television.

**Huesmann:** Yes. My colleague Brad Bushman and I have an hypothesis, and we're trying to study it. He's been working on emotional desensitization and video games. It's easier to show that it occurs, but it is a little more difficult to determine *how* it occurs, more than it would occur from watching a very violent, bloody, gory, movie.

**EIR:** Have you read David Grossman's book?<sup>1</sup>

**Huesmann:** Yes.

**EIR:** Grossman says these point-and-shoot video games are "murder simulators." From his work training military sharpshooters, he can see that some of these school shooters shoot almost professionally, very quickly.

**Huesmann:** Yes, a very good example of that is a kid in Alabama, a couple of years ago, who had been playing "Grand Theft Auto" or another shooting game, and the police arrested him for delinquency. He really mimicked a script out of the game: He grabbed a policeman's gun, took a two-handed stance, and shot several policemen right in the middle of the forehead, each one, a perfect shot. It's hard to believe that he could have done that, except for all the practice he had on a shooting game.

**EIR:** Grossman has said that when you shoot someone, it's normal to shoot them several times to make sure they're dead, but the fact that these kids shoot quickly, going from one victim to another, shows you that they think they're just playing video games.

**Huesmann:** I think we know two things. We know that video games teach specific behavioral scripts: how to shoot. They can teach how to land an aircraft, but they can also teach how to shoot—the muscle movements, the cognitive decisions that you need to make. And we know that they also emotionally desensitize, which makes it easier to shoot, because you don't have the negative emotional feelings that would arise in any of us, if we started to point a gun at another human, and thought about the results of that.

## What Can Be Done To Curb Video Violence?

**EIR:** I had mentioned to you that the Society of German Psychotherapists voted last month to call for a ban on violent video games.<sup>2</sup> Have you raised this with your colleagues? Are you thinking that we have to do something more than just put out reports?

**Huesmann:** Well, yes. There has been a big movement in this country to ban the sale of violent video games to minors;

1. Lt. Col. David Grossman and Gloria DeGaetano, *Stop Teaching Our Kids to Kill: A Call To Action Against TV, Movie & Video Game Violence* (New York: Crown Books, 1999).

2. See "German Psychotherapists: 'No Killer Video Games for Christmas!'" *EIR*, Dec. 14, 2007.

for example, any game rated M should be illegal to sell to a minor. Something like 15 to 16 states have attempted to pass laws, and do you know what's happened every time a state has passed a law?

The Electronic Software Association files a lawsuit which, at least at the lowest level of the courts, results in an injunction against the law. So most states think this is hopeless, and it's going to cost a fortune, and they don't pursue it. That's what happened in Michigan. Michigan passed such a law, and they really didn't pursue fighting the lawsuit at all, because it was going to cost too much money. It's not clear to me why one couldn't win such a lawsuit. If you think about, for example, restrictions against pornography. It is generally accepted legally, that you have restrictions against showing pornography to kids, against kids buying pornography. Why not buying violence? What's the difference?

It comes down to the political process and the amount of money involved. There's a huge amount of money in electronic games, and the people who sell them are very panicked. They're willing to spend a lot of money on high-priced lawyers to fight such a law. I'm not a lawyer, but it seems to me, with sufficient money, one could certainly fight one of those lawsuits successfully.

**EIR:** If the medical community and psychotherapy community says this is dangerous for children and raise this strongly—

**Huesmann:** But Don, years ago the American Academy of Pediatrics said the same thing as the German Society of Psychotherapists. Not recently, but a long time ago. The American Psychology Association, the American Psychiatric Association, the American Medical Association, they all said those things. It hasn't really had much effect.

**EIR:** We have to bring forward, in the minds of the people in the country, what Dave Grossman said: These are "murder simulators."

## Video-Game Violence Turns Children Into Killers

Schiller Institute founder Helga Zepp-LaRouche's speech to a Feb. 20, 2000 conference, titled "The Mark of the Beast," is available in video format (1 hour and 40 minutes).

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# National News

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## Amelia Boynton Robinson Statement on MLK Day

In a statement issued Jan. 18, to commemorate Martin Luther King Day, revered civil rights leader Amelia Boynton Robinson called King “this country’s philosophical spiritual leader, a role model. . . .”

“Almost 40 years ago, since the death of Dr. Martin Luther King,” she said, “the world has gone through many phases of changes: physically, degradation of our world; educationally, corruption in the public schools; socially, a little more race tolerance; and morally, many young people have lost faith in the future. Often in speaking of the 1950s and ’60s, the name Martin Luther King permeates most conversations especially on his birthday, and Black History Month, which is February. Dr. Martin Luther King’s messages were inspired by One Who was greater than he, that is, by God. My experience riding with him, made me realize this. . . . Thus, as this kind of leader, he inspired millions worldwide to love, rather than hate, do unto others as they would have done unto them. . . .”

“When Dr. King was killed, we were all saddened. Many of us, angry. But like all of us, we are here for a purpose. . . . God did not want Dr. King’s enemies to destroy him. But before leaving us, Dr. King to a degree changed the course of the entire world.”

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## Wexler Urges Cheney Impeachment Hearings

In direct opposition to Speaker Pelosi, Rep. Robert Wexler (D-Fla.) gave a short, impassioned speech on the floor of the House on Jan. 15: “In this time, at this moment, Congress must stand for the truth. If we fail to act, history may well judge us complicit in the alleged crimes of Vice President Cheney. . . . In the history of our nation, we have never encountered a moment where the actions of a President or a Vice President have more strongly demanded the use of the power of impeachment.”

Wexler held up a thick packet containing the names of almost 189,000 Americans who had responded quickly to his call for support of hearings on Rep. Dennis Kucinich’s (D-Ohio) impeachment resolution. Wexler has sent a letter to Judiciary Committee Chairman John Conyers (D-Mich.), praising his work on oversight of balance of powers, and asking Conyers to “hold a sober investigation and let the facts determine the outcome.”

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## Waxman To Hold Hearing On Iraq Reconstruction

The chief Oversight Committee of Congress will hold a hearing on Iraq Reconstruction on Feb. 6, announced its chair, Rep. Henry Waxman (D-Calif.). Waxman released three letters on Jan. 17, requesting the testimony of former Coalition Provisional Authority Head Paul Bremer; Special Inspector General for Iraq Reconstruction Stuart W. Bowen, Jr.; and Coordinator for Iraq Transitional Assistance Timothy Carney.

Waxman requests Bremer to “be prepared to discuss an audit report issued on Jan. 30, 2005, by the Special Inspector General for Iraq Reconstruction, which concluded that more than \$8.8 billion in cash under the CPA’s control was disbursed without adequate financial controls or accountability (Report No. 05-004). In addition, you should be prepared to answer questions about how key positions with the CPA were filled.”

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## Pennsylvania, New Jersey To Levy Huge Road Tolls

Pennsylvania has come up with a scheme to raise funds for repairing failing highways and bridges: Impose huge tolls on highways that are now free. Ironically, this is the state where Lyndon LaRouche’s Homeowners and Bank Protection Act has been endorsed by more than 30 municipalities, as the first step in rebuilding the state’s, and the nation’s collapsed industrial economy, and where a bill supporting the HBPA is be-

fore the state legislature.

The *New York Times* reported Jan. 19 that Pennsylvania’s legislature approved a plan last July to put ten toll booths on Interstate 80, which runs 311 miles across the northern half of the state. The revenue tolls, which would be \$25 for cars travelling across the entire state, and \$93 for commercial trucks, would be used to repair and maintain the aging highway. The state did this as an alternative to privatization. The legislature had rejected a plan, proposed by Gov. Ed Rendell (D), to lease the Pennsylvania Turnpike to private investors. Apparently Rendell has not noticed, unlike many of his colleagues in city councils across the state, that the reason for the collapse in transportation funding is that the state’s economy has crashed.

New Jersey Gov. Jon Corzine (D), meanwhile, is going ahead with even more onerous tolls. Corzine’s plan calls for jacking up tolls on the New Jersey Turnpike from the current \$5.85 to drive the entire length of the road, to \$48 by 2022. The additional money would go towards debt reduction and public transportation.

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## Is House Speaker Pelosi Paranoid?

House Speaker Nancy Pelosi (D-Calif.) acknowledged, in response to a question at her press conference on Jan. 17, that she is under enormous pressure for protecting Dick Cheney from impeachment proceedings.

“Members of your caucus have accused you of silence and denial . . . in [not] having impeachment hearings concerning Vice President Dick Cheney. [Why not] have hearings and see whether or not there were impeachable crimes?” a reporter asked.

After a monologue about the legislative “successes” (which have brought the Democratic Congress down to a 10% approval rating), Pelosi spilled the beans: “And you’re right. I am criticized for it [blocking impeachment hearings on Cheney—ed.], not only in my caucus, but across the country—because I go through airports, and people have buttons as if they knew I was coming.”

# The Constitution, Or Fascism

by John Hoefle

Lyndon LaRouche warned that we would be in for a wild time in 2008, and, as usual, he was right on the money, so to speak. The year 2008 has already seen two of America's largest financial institutions, Citigroup and Merrill Lynch, each report \$10 billion losses for the final quarter of 2007 after large write-downs of the values of their securities holdings and increases in reserves for rising losses in credit cards and other consumer loans. While \$20 billion in losses for two banks over a three-month period is unprecedented, the reported losses, as big as they are, are coverups, the magnitude of their losses far greater than they dare admit. The view on Wall Street is so pessimistic, that when J.P. Morgan Chase announced write-downs of just \$1.3 billion in its holdings for the quarter, its stock price actually rose. Apparently, a mere billion-dollar loss is considered good news these days.

The level of insanity is so great that Canadian bankers, seeking to downplay the \$3 billion hole blown in the balance sheet of the Canadian Imperial Bank of Commerce, tried desperately to claim that this was actually good news. To cover its losses, the bank was forced to seek a \$3 billion capital injection, which Bank of Nova Scotia chief executive Rick Waugh claimed "should give confidence in the marketplace. . . . [I]t's a very good sign." While it is easy to understand why the bankers would be lying in this situation, one can't help but wonder if they have become so divorced from reality that they fail to comprehend that such blatant denial will only make the public, and their customers and counterparties even more nervous.

That the instinct of the bankers to deal with a financial crisis by throwing more money at it is not at all surprising, since the bankers—indeed most of the public—have come to believe that finance and economics are synonymous, and that

the flow of money determines the strength of the economy. Concepts such as production and infrastructure are no longer considered important; today, the entire economy *seemingly* revolves around financial matters, with a particular focus on interest rates.

Interest rates are an important component of monetary policy to be sure, since the provision of credit at reasonable rates is essential to the functioning of the economy, but what drives the fixation on interest rates these days, the proverbial 500-pound gorilla in the room, is debt, a huge mountain of debt which is crushing the economy. Lower interest rates reduce the cost of debt, higher interest rates increase that cost, and to an economy which survives by borrowing, the cost of that debt is paramount.

## The Path to Fascism

The bankers can claim all they want that the multi-billion-dollar injections by foreign institutions into the banking system is a sign of strength, but what it really is, is proof that we are bankrupt—not just our banks, but our nation. The United States was once an exporter of capital to the world because of the wealth created by its industrial production and efficient infrastructure. We lent our surplus wealth to other nations to help them develop their own productive capacity, which both created new markets for our goods and raised the standards of living of both ourselves and our partners. Today, thanks to the combined effects of deindustrialization, deregulation, and globalization, we have become not only a net borrower of capital, but are so dependent upon borrowing from the rest of the world that we can't even keep the doors of our banks open without multi-billion loans from overseas, loans for which we pay above-junk-bond interest rates. What was once the most

productive nation on Earth has been reduced to the pathetic status of debt junkie.

Our descent into bankruptcy is reflected in the balance on current accounts, which shows our increasing dependence upon foreign goods and investments. Our current account deficit doubled to more than \$800 billion in 2006, from \$400 billion in 2000, and increased tenfold from \$80 billion in 1990. At the same time, the debt of the U.S. economy, as reported by the Fed, has jumped from \$14 trillion in 1990, to nearly \$50 trillion today. A comparison of the growth of debt and GDP shows that since the beginning of this decade, we have incurred nearly \$5 in debt for every dollar increase in GDP, giving the lie to the claims of the “fundamental soundness” of the U.S. economy. Just paying the interest on this debt is eating us alive, and there is no possibility of ever paying off the principal. All we are doing, is using new borrowings to pay off existing debts, at an accelerating rate, making us more bankrupt with each passing year.

This is the context in which to view the “economic stimulus” plan being pushed by Treasury Secretary Henry Paulson and Federal Reserve chairman Ben Bernanke. Appearing before the House Budget Committee on Jan. 17, Bernanke called for “fiscal and monetary stimulus,” saying that it was “critically important” that such measures be implemented quickly. In effect, what Paulson and Bernanke are proposing is another round of debt increases, which will only make matters worse.

Since increasing the debt means increasing the amount of money which must be paid as debt service every year, this policy would have the effect of increasing the level of looting of the economy and the population. Enforcing this austerity would require changes in our political structure, of the sort we have already begun to see under the auspices of Vice President Dick Cheney. A nation cannot implement crushing austerity without also crushing freedom. We are on the path to fascism.

## LaRouche’s Alternative

The same day that Bernanke pushed his “more of the poison which is already killing us” plan before Congress, Lyndon LaRouche outlined a real economic recovery plan in his international webcast, the transcript of which is presented elsewhere in this issue, and is essential reading for all. LaRouche emphatically rejected the stimulus plan, saying “We don’t need any more of that. We want to make sure none of that ever happens again.”

LaRouche repeatedly turned to the U.S. Constitution during his presentation, particularly to the Preamble, which sets forward the principle which is the fundamental law of the United States. The Preamble states: “We the People of the United States, in order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and

establish this Constitution for the United States of America.”

Under the Constitution, LaRouche explained, the United States is a Federal Republic which restricts to the Federal government the power to create money. “The issuance of money is done by the consent of the House of Representatives, and enacted by the Treasury Department, under the direction of the President. It is unlawful to create money, or a form of money, in the United States, except by the Federal government, and except according to this principle,” LaRouche said.

The Federal government also has the power of bankruptcy, which LaRouche identified as crucial to dealing with the breakdown of the economy. What must be done, he said, is “that most of the outstanding debt, represented by financial interests, as claims upon the United States, its territories, and its people, will be put by the Federal government, into bankruptcy receivership. What should be paid, in the short term, *will* be paid. What should be supported in the short term, *will* be supported. But those sums we can not afford to pay, *we shall not pay*. We shall proceed under *bankruptcy law*, under our Federal law, to put the entire *system*, of money and related things, into receivership. If we do that, other countries will do it, too.”

“What we are going to do,” LaRouche said, “is reorganize the society to make sure that those things that are essential are encouraged, and those things that are not essential, well, they can sit there for a while.”

Under our Constitution, the welfare and liberty of the population as a whole is paramount, and it is illegal to subjugate the population and eliminate their liberties in the name of protecting fictitious financial claims. The issue here is not that the Constitution is outmoded, but that it has not been followed. The Federal government has illegally abdicated its responsibility over the creation of money to the Federal Reserve, and allowed banks to create money through the “multiplier effects” of fractional reserves. These failures, combined with a refusal to properly regulate the banking system, has created a crisis which threatens our Republic. The financiers would have us abandon the Constitution in order to protect their power, but it were far better that we abandon their insane policies, and return to the Constitution.

This, ultimately, is the fight LaRouche is picking with his Homeowners and Bank Protection Act, and why so many people support it. It is also the reason why so many bankers and speculators oppose it, and are determined to stop it at all costs.

Passage of the HBPA, to stabilize the U.S. politically, is but the first step toward reversing the effects of four decades of deindustrialization and globalization. There is much to be done in the way of re-regulating the financial system, rebuilding our depleted productive base and tattered infrastructure, and restoring the standard of living of our population. Far from being outdated, the principles expressed in the Constitution are a guide to our recovery. That is real economics.

# The 'Next Domino' Is Biggest: Derivatives

by Paul Gallagher

The pending breakup of a \$45-50 trillion bubble of financial derivatives contracts—the vast bulk of it set to fall upon banks—guarantees widespread bank insolvency and failure, unless chartered banks are quickly protected by Federal bankruptcy reorganization which freezes all these contracts and compels the banks to implement an orderly writeoff of them.

The derivatives are known as credit default swaps, and whereas they scarcely existed five years ago, their nominal “value” has ballooned by ten times in just three years, to a gargantuan \$50 trillion bubble, according to a report by New York money managers, who call them “the next domino to fall.” They say it will be “far more severe” than anything that has happened so far in the mortgage meltdown and otherwise. The exploded “U.S. mortgage bubble” involved claimed debt values totalling about \$20 trillion.

Default swaps are bought and sold entirely in unregulated “over-the-counter” speculations, which means that there is no organized market which bears any responsibility for, or even tracks any of this huge mass of financial contracts, as there is in the case of stocks or bonds. Like the now-notorious structured investment vehicles (SIVs), the default swaps have been highly profitable speculations which are entirely “off the books” of banks and hedge funds profiting from them—until they collapse back onto those books, causing hundreds of billions of dollars in bank losses.

In the case of credit default swaps, make that trillions in losses, say these money managers.

These derivatives contracts are supposedly drawn to insure buyers of corporate bonds against the bonds defaulting; but there are only about \$5 trillion in actual corporate debts “insured” by these \$50 trillion in default swaps! This is the biggest pile of “leveraged debt” of all.

Default swaps are really vehicles for massive speculations on companies’ ability to repay their bonds and loans—gambling games in which dozens of banks, hedge funds, and other financial firms are placing big bets on whether bonds will be repaid, or will default. And still other hedge funds are buying default swaps to bet on whether, when the bonds default, the companies *insuring* the bonds will default or pay. The speculators selling the “default insurance” buy other default swaps against having to pay. Hedge funds and banks which have sold such default swaps “insurance” to companies holding corporate bonds, collect premiums from those companies, and have *securitized* those premiums—sold them as securities

to other banks and hedge funds, just as subprime mortgage payments were bundled into all manner of securities which have lately blown out.

Few speculations have made more profits, with more “leverage” and less real capital, for hedge funds in particular, in those few years, than credit default swaps. With Sir Alan Greenspan sending global short-term interest rates to rock-bottom lows, and the “yen carry trade” providing hundreds of billions of dollars of “free money” every year for global speculations, corporate defaults on bonds—even junk bonds—were almost non-existent. “Selling insurance against default” with credit default swaps exploded as a hugely profitable betting game, done almost entirely with leverage—borrowed money. There were ten default swaps “bond insurance sellers” for every corporate bond holder that might buy such insurance; so, the insurance salesmen sold the default swaps to one another, piling bets on derivatives bets for the same underlying “reference bond.” And they sold the insurance premiums as “securities,” piling new debts and bets on top of them.

There is currently intense fear in markets and financial media, about imminent failure of big bond insurance companies, like Ambac Financial Corp. and MBIA, which insure more than \$2 trillion in government bonds, and sell credit default swaps. Merrill Lynch has just had to write off a \$3.1 billion loss on default swaps with one of them. But, these sources report, 50% of all the \$45-50 trillion in default swaps are potential obligations of *banks*, and 24% more are potential obligations of hedge funds, which will “all vaporize in the first wave of defaults,” dumping those obligations onto the same banks, which loaned the hedge funds the money to play the default swaps betting game.

## ‘Bank Holiday’ Returns

Now, the global financial collapse since July-August 2007 is blasting the “real economy,” hitting employment, manufacturing, auto and durable goods sales, credit card purchases, and of course, construction, and companies having anything to do with housing. As it does, corporate defaults have risen from below 1% to 1.5% of corporate debt, and are headed for 4-5% of corporate debt (10% for junk bonds) in the early months of 2008, according to the professionally rose-colored estimates of the ratings agencies Fitch and Moody’s.

But when the sellers of default swaps contracts are required to pay for mounting defaults, they have made absolutely no provision for doing so. They believe that all of their multiple counter-bets and “counterparties” will allow them to walk away, leaving only the original bondholders to take losses of “only” \$200 billion or so—“someone else” will pay.

Whether banks try to pay these obligations, or try in desperation to walk away from them, a crisis like the 1933 bank closures and “Bank Holiday” will have arrived.

# Schiller Institute in Denmark Testifies In Parliament on Financial Collapse

by Michelle Rasmussen

The Schiller Institute in Denmark has once again brought crucial ideas directly into the Danish Parliament, this time focusing on the ongoing international financial collapse. Chairman Tom Gillesberg, accompanied by a five-person delegation, testified before the Political and Economic Committee of Parliament, on Jan. 17, just hours before Lyndon LaRouche's webcast from Washington.

During his 15-minute testimony, Gillesberg stated that the global financial system is collapsing now, and that the only solution is the adoption of LaRouche's New Bretton Woods proposal, returning to fixed exchange rates and national banking. As the first step, he described the growing support in the United States for the Homeowners and Bank Protection Act, and urged Parliament to act to protect the Danish economy and citizens, and to facilitate establishing a New Bretton Woods.

In conclusion, Gillesberg asked the committee members to watch LaRouche's webcast, and "follow in the footsteps of the Italian Senate, and invite LaRouche to the Danish parliament to further discuss these questions." (See *Documentation* for his remarks, and a paraphrase of the questions and answers following.)

There were at least six members of the committee present: the chairman from the Unity party, plus the Social Democrats, Socialist People's Party, and the Danish People's Party. Two members of the committee had signed an earlier call by Helga Zepp-LaRouche for a New Bretton Woods, and the idea has been taken up during parliamentary debates by two other prominent parliamentarians.

Gillesberg's testimony was the second time the Schiller Institute had testified before a Danish parliamentary committee. The Institute's national maglev proposal was the subject of the first testimony, on April 12, 2007, before the Traffic Committee. At that time, Gillesberg became the first person to urge the committee to initiate a study to investigate the feasibility of building a bridge across the Kattegat Sea, between the island of Zealand, where Copenhagen is located, and the Jutland Peninsula near Aarhus, Denmark's second-largest



EIRNS/Michelle Rasmussen

*Schiller Institute chairman Tom Gillesberg at the Danish Parliament on Jan. 17.*

city, as well as equipping the route with a maglev link. One could then travel between Denmark's two largest cities, Copenhagen and Aarhus, in just 25 minutes, a trip which now takes three and a half hours, which would revolutionize the Danish economy and society. A maglev train link over the Kattegat is the first stage of the Institute's proposed national maglev plan. Now, there is broad political support for at least building the new Kattegat bridge.

Gillesberg had been scheduled to appear before the Political and Economic Committee on Oct. 25, 2007, but this was postponed when parliamentary elections were called just the day before, on Oct. 24. Yet, due to the possibilities the Nov. 13 election provided, this vital discussion was brought to the entire Danish

population: Gillesberg and three other Schiller Institute activists ran independent candidacies for Parliament, under the slogan, "After the Financial Crash: Maglev Across the Kattegat." There was significant national press coverage of both the candidates' warning of financial collapse, and of the maglev plan.

This campaign was a followup to the 2005 municipal elections, in which Gillesberg ran for mayor of Copenhagen, heading a slate of 12 candidates, under the slogan, "When the Bubble Bursts ... a New Bretton Woods." As the current financial collapse develops, many voters are remembering that the Schiller Institute was the first to call for action to deal with it.

The Danish Parliament allows citizens and organizations to request permission to testify before many parliamentary committees, and present written material. In conjunction with the two requests to the Political-Economic Committee, extensive material in Danish and English has been posted on the Parliament's website, including Helga Zepp-LaRouche's call for a New Bretton Woods, Lyndon LaRouche's Homeowners and Bank Protection Act, his speech to a conference in Los Angeles in November 2007, calling for U.S.-China collaboration, Gillesberg's first prepared testimony, coverage of the financial collapse from the Schiller Institute's Danish newsletter, *Prometheus*, and *EIR* articles on the economy. See [www.ft.dk](http://www.ft.dk), and search (*soeg* in Danish) for "Schiller Instituttet."

# Gillesberg Testimony on Global Financial Crisis

*Schiller Institute chairman Tom Gillesberg addressed the Political-Economic Committee of the Danish Parliament on Jan. 17. His speech has been translated from Danish.*

I am Tom Gillesberg, chairman of the Schiller Institute in Denmark. Thank you for allowing us to appear.

We are here today because the credit crisis the world has experienced during the last six months, is part of a breakdown of the global financial system. Only by putting the entire system into bankruptcy reorganization, and establishing a New Bretton Woods system, can we avoid total chaos. The [Danish] Parliament has to therefore work for the establishment of such a Bretton Woods financial system, and make sure that the Danish authorities take the necessary precautions to protect the population, the physical economy, and our bank and financial system.

When the international credit and financial crisis broke out at the end of July, due to the American subprime mortgage crisis, pulling the rug out from gigantic financial values, and started to topple banks, like the IKB bank in Germany, and the British Northern Rock, most people hoped that the German financial oversight authority BaFin was exaggerating, when it called the crisis the worst banking crisis since the 1930s.

Today, it is clear that it is even worse than BaFin feared. We are not dealing with a subprime crisis, and some unlucky speculators, but with a breakdown of the entire international financial system. The system has been undermined by many years of financial speculation, which has created fictitious paper values, which now have to be written off by enormous amounts in the billions. Deutsche Bank estimates that the 500 billion crowns [\$100 billion] that the world's banks up until now have had to write off due to the subprime crisis, will grow to 2 trillion crowns [\$400 billion], equivalent to 33 Kattegat bridges. At the same time, other bubbles are now bursting, like the stock market bubble, housing bubble, credit card bubble, and at some point, the gigantic derivatives bubble. Enormous paper values are going up into smoke.

That will leave a great part of the world's financial institutions bankrupt, and it is a crisis which in size and depth, exceeds that of the 1930s, and reminds us of the financial breakdown of the 14th Century, which, after the bankruptcy of the Bardi and Peruzzi trading houses, led to a new dark age. The attempts of the central banks to postpone the crisis, by lowering the interest rate, and pumping in massive

amounts of liquidity, will simply lead to hyperinflation, as was seen in Weimar Germany in 1923—but this time, on a global scale.

## LaRouche's Proposal for a New Bretton Woods

For a long time, Lyndon LaRouche, economist and former Democratic Presidential pre-candidate, has been pointing towards the buildup of the present crisis. In the spirit of Roosevelt's initiatives in the 1930s, he has warned against the wishes of the financial world, to let the population pay for the crisis through a draconian austerity policy, and has instead proposed a New Bretton Woods system, which means a bankruptcy reorganization of the old financial system, and the establishment of a new one with fixed exchange rates. That will secure functioning banks and long-term credits for physical economic development, which is necessary for the future of global trade and our national welfare.

As the first step in the acute crisis, in August, he suggested "The Homeowners and Bank Protection Act of 2007," which can save the millions of American homeowners who are threatened by foreclosure, and protect the American banks. On the other hand, financial speculation, hedge funds, and "creative" financial instruments can go down the drain. LaRouche's proposal has been introduced into eight state legislatures (with an additional five on the way), has been passed in 30 American cities, and has already begun to influence the American Presidential elections.

After that, LaRouche thinks that the U.S. has to begin a New Deal, and, together with Russia, China, India, and other countries, establish the New Bretton Woods system, and international collaboration around great infrastructure projects, like the Eurasian Land-Bridge, and a tunnel under the Bering Strait. Already, in 2005, the Italian Chamber of Deputies decided to require the government to work for the establishment of a new financial system, and last week, signatures of 40 French mayors, including two members of Parliament, were published, supporting a New Bretton Woods.

## What Do We Do in Denmark?

At home, the Schiller Institute, and the current speaker, have raised this debate. In the election in November 2005, we had the slogan, "When the Bubble Bursts ... a New Bretton Woods," and during the recent parliamentary elections, posters saying, "After the Financial Crash—Maglev Across the Kattegat." At the same time, we have distributed more than 200,000 campaign newspapers, to make sure that we can all prepare ourselves in time, for the financial floods on the way.

Denmark has to keep the crown, and our unique mortgage system, and, as soon as possible, get rid of the new, dangerous SCB loans [special covered bonds]. The [Danish] financial oversight authority has to map out the problems our banks are exposed to from abroad (including via foreign affiliates), and through greatly expanded lending at home. There has to be an



railroads, can build the user-paid bridge/tunnel-connections across the Fehmarn Belt, the Kattegat Sea, and between Helsingør [Denmark] and Helsingborg [Sweden], and a publicly financed Danish maglev network. This maglev network will not only reduce the travel time between Copenhagen and Aarhus to 25 minutes, but will, when fully developed, bring all of Denmark closer together, and be able to take over a large share of passenger and freight transportation. An international network will not only bring us to Stockholm, Oslo, and Berlin in under an hour and a quarter, but all the way to Asia and America.

### Webcast With LaRouche

The international crisis we are in the midst of is without historical precedent, and cannot be solved within the framework of the present financial system. It threatens not only our present and future welfare, but is, with active help from the empire faction in Great Britain, already unleashing global cha-

intervention, in order to reduce the risks. At the same time, we have to prepare ourselves for the consequences of the Danish housing bubble, and the parallel to the American subprime crisis: hundreds of Danish mortgage carousels, which will soon collapse, together with the housing bubble.

Ambitious banks have uncritically lent money for construction projects, like those in Orestaden [a newly build section of Copenhagen], with insecure collateral. Homeowners have been persuaded to use their homes as collateral for investment credits, which have been spent on consumption and financial investments, which have been feeding a Danish stock market bubble. The Danish banks and our economy will be hit hard by all of this.

The Parliament has to instruct the government to work for the initiation of a New Bretton Woods financial system, and through measures like the Homeowners and Bank Protection Act of 2007, make sure that Danish citizens and the Danish economy are protected.

The Parliament also has to instruct the government to prepare a quick implementation of urgently needed infrastructure projects, which can keep the Danish economy going, and begin a shift in the national economy, away from consumer spending, where service jobs are replacing jobs in the productive sector. We have to return to an investment-driven economy, where investments in infrastructure, production, and scientific and technological progress, create the basis for increased productivity, and a higher living standard for the whole population.

The infrastructure budget has to be tripled, so we, besides the self-evident, acute need for investments in highways and

os and a new dark age. But if we make the necessary, courageous political interventions, we can not only conquer the acute crisis, but also create a global renaissance, which gives all nations and peoples the possibility of creating a future worthy of mankind.

Tonight, at 7:00 p.m., Lyndon LaRouche will hold a webcast from Washington, about the seriousness of the present crisis, and the way out of it. It would be a good idea to listen, and afterwards, follow in the footsteps of the Italian Senate, and invite LaRouche to the Danish Parliament to further discuss these questions.

Thank you.

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### Question Period

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*The three members of the committee who asked questions were all Social Democrats. There were three other members present, from the right-wing Danish People's Party, the left-wing Unity party (the chairman), and the Socialist People's Party. Schiller Institute members also talked to, and gave material to, three government ministers who came by: the finance minister, the education minister, and the jobs minister (the right-hand man of Prime Minister Anders Fogh Rasmussen). One asked, "What financial crash?" Another said, "They are all blown-up values, so it's good that they're collapsing."*

*The following questions and answers are a paraphrase of the discussion.*

**Q:** Your proposal about maglev is captivating, as I am

from Aarhus. But the question is, why should we keep the [Danish] crown?

**A:** First, right now, there is a discussion within the Eurozone, about disbanding the euro, because there is a common currency, but not a common economic policy, and that presents problems. Second, there is an advantage to having your own currency, because you can make your own decisions. In the case of Northern Rock, the European Central Bank disagreed with the English central bank's intervention to save the bank. If you have a crisis, like a bank crisis, as a sovereign nation you want to be able to solve the crisis, but the ECB has no such consideration, and does not allow you to make decisions based on what is good for your nation, but sticks to its arbitrary judgments.

*The following two questions were asked by two members jointly:*

**Q:** Your infrastructure proposal is captivating, but to call for tripling the infrastructure budget is something hard to fathom, also in light of our European relations. Where are you going to get the money from? I'm also worried about an overheating of our economy.

Why should we keep the crown, when we are obliged to do what the euro nations do? What degree of freedom do we have?

**A:** As to the first question, we have the money. We actually have a budget surplus. The big problem is, how do you take a temporary surplus, and invest it in such a way that the money doesn't just disappear, but you have a long-term benefit. Of course, you can pay back debt, which is the current government policy, or you can invest in long-term infrastructure projects, which, over 30-100 years, pay back a yearly bonus to the physical economy. That is so important, that even if you don't have the money, it still pays to borrow the money to invest in infrastructure, as we do with the current user-paid big bridge projects. Right now, we have a lack of labor in Denmark, but that can change very quickly. In the United States, we see a collapse of the physical economy. The dollar is already low, and if it collapses further, it will have devastating consequences for the exporting nations in Europe.

**Q:** How can we uphold our treaty obligations and agreements?

**A:** It's not true that we have to follow the policy of the others. Right now we have chosen to do so, but we have the right to change our policy. That is important in these dramatic times. You don't put up your umbrella when the Sun is shining, but you need it when it begins to rain. Then it's good that you have an umbrella.

Imagine that you have a change in U.S. policy. The physical economy is breaking down. Hillary Clinton has made the economy the biggest issue in her campaign. We have to be ready to collaborate with a new economic policy.

# Eurasian Land-Bridge Enters a New Era

by Mary Burdman

China is leading six nations in taking the Eurasian Land-Bridge into a new era. For the first time since the "Euro-Asian Second Continental Bridge" was opened by finally linking of the Chinese and Kazakstan railways in 1992, a direct, regular train service is being established between China and Europe's biggest industrial nation, Germany, with the cooperation of Russia, Kazakstan, Belarus, Poland, and Mongolia. All six nations have signed an agreement to ensure that the China-Europe land-bridge really works (the first continental bridge in Eurasia is the Russian Trans-Siberian Railroad). On Jan. 9, a pilot container train, flying flags in traditional Chinese style, left Beijing for Hamburg, Germany's leading port, an epic trip 9,780 kilometers long. Before this new agreement was signed, Chinese rail connections to Russia and Central Asia had been greatly expanded, but the critical connection to western Europe has barely functioned, due to long cross-border customs delays, different rail gauges, and other barriers which severely slowed transport.

Two months earlier, the land-bridge connection to western Russia was finally opened. On Oct. 23, 2007, the first direct container train from Lianyungang, Jiangsu province, the "eastern terminus of the continental bridge" on China's east coast, reached Moscow, 8,310 km away, after 15 days transit. Lianyungang has opened integrated sea-railway container connections from the U.S. Pacific coast, all the way by rail to Russia and Europe. This was the first "real operation of the whole Eurasian railway since the land-bridge opened in 1992," the Lianyungang port authorities announced. The western terminus of this land-bridge is Rotterdam, which is the biggest port in Europe. Now, the bridge will reach Germany as well.

The railway authorities of the six land-bridge nations have formally agreed to deal with all the blockages, and make regular container train service a reality. The pilot train should reach Hamburg in 18 days, as compared to at least 40 days by ship; it is also a big improvement in current rail transport time. As late as 2006, rail transport time from the Chinese coast just to Moscow was estimated at 30 days.

## Development Concept

That it has taken 15 years from closing the last big gap in the rail links between China and western Europe, to reach a political agreement which can make the land-bridge economically viable, is hardly surprising. The whole question of the development of Eurasia—in which this land-bridge



plays a critical role—has been one of the most fundamental political battles of the last two centuries, between nation-builders in the United States, Russia, China, and Europe, and the geopoliticians of the Anglo-Dutch financial empire.

What is on one level an important rail agreement, is on another, a big step showing determination by Eurasian nations to cooperate, as Lyndon LaRouche immediately recognized. In May 1996, Schiller Institute head Helga Zepp-LaRouche delivered a speech to one of the workshops at the Beijing International Symposium on Economic Development of the Regions along the New Euro-Asia Continental Bridge. She laid out the necessity to build a land-bridge of advanced technology “development corridors,” as the key to economic reconstruction of Eurasia, and the only way to overcome the ravages of “free-market” globalization let loose on Russia, Africa, Ibero-America, and other regions. LaRouche representatives had brought his Eurasian policy, which he had enunciated a year before the Berlin Wall fell in 1989, directly to China already in 1994, and this played a key role in shaping the agenda of the Symposium, which was attended by 450 leading officials from Asia and Europe. Mrs. LaRouche’s presentation, demonstrating the need for a renaissance to make it possible to realize projects on the scale of the Eurasian land-bridge, was greeted for its impact, in the final plenary session of the meeting.

### Cooperation Breakthrough

Zheng Mingli, chairman and president of China Railway Container Transport, announced on Jan. 9 in Beijing that the agreement “can be seen as a breakthrough in our cooperation. Today railway officials from six countries are here to witness this event. This is very important for the development of the Asia-Europe continental bridge. This means of transportation has great potential for the countries involved.”

The international rail officials posed before a big map of Eurasia, which showed the entire rail line from Beijing to Hamburg, with the caption “Sketch Map of Eurasian Land-bridge Corridor” printed in Russian, English, and Chinese. Zheng said that the “goal is to open a scheduled railway container service between the six countries. Barring any complications, a scheduled container train should be shuttling between China and Germany in a year’s time.” It will take about that long to ensure that transit time for the freight containers is reduced to just 15 days, which Deutsche Bahn—the initiator of this project with the Chinese Railway Ministry two years ago—considers necessary to make it commercially workable.

The International Union of Railways praised the project on Jan. 15, when UIC head Luc Aliadière said from Paris that “China is the workhouse of the world—the potential is enormous. . . . It’s like a new [high-speed] TGV line coming

into play, and now it’s becoming real.” His assessment is that “export transport costs taking goods from China to Europe are worth some 3 billion euros per day.” Aliadière noted that more and more Chinese manufacturing is moving into the interior, away from the Pacific coast ports like Shanghai; this also favors increasing direct rail transport to Europe.

China itself—which has, with the United States, the most rail freight traffic in the world—will build and put into operation 15,000 km of new railways just in the next three years. China’s total rail system will expand to 120,000 km by 2020, including 20 new big projects to link the most important economic regions in eastern China—on the Bohai Sea, the Yangtse valley, and the Pearl River delta—with the interior. These will be high-speed rail lines, using Chinese technology for passenger trains that can travel as fast as 300 km per hour. In 2008 alone, there would be 1.4 billion passenger rail trips in China, and cargo transport would be more than 3.3 billion tons, generating revenue worth 361 billion yuan (\$49.5 billion). China is also building 18 new, strategically placed rail container terminals in the next five years.

A new “southern route” of the land-bridge is also on the agenda. In Shenzhen, on China’s southeast coast, the authorities are proposing building a third continental bridge, to link Shenzhen to Rotterdam. This route between South China and Europe—15,150 km long—would go through 21 countries, including Myanmar, India, and Turkey, the Academy of Social Sciences of Kunming, Yunnan province (one of the stations on the route) announced in October 2007.

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# Will Canada Choose the American System or Collapse with the British?

by Rob Ainsworth

*Two systems are before the world.... One looks to pauperism, ignorance, depopulation, and barbarism; the other to increasing wealth, comfort, intelligence, combination of action, and civilization. One looks toward universal war; the other to universal peace. One is the English system; the other we may be proud to call the American system, for it is the only one ever devised, the tendency of which was that of elevating while equalizing the condition of man throughout the world.*

—Henry C. Carey, *Harmony of Interests*, 1851

The legacy of Canada lies between two poles: the American and the British. Today these two antagonistic systems are best characterized by, on the one hand, Lyndon LaRouche and the Franklin Roosevelt tradition; and on the other, by the avarice and parasitism of the London-spawned hedge funds, predominantly centered in the British Cayman Islands. It is the hedge fund, the cancer of the financial system, which is at the center of the now-trembling global derivatives bubble, the greatest speculative bubble in recorded history, measured not in hundreds of billions, but hundreds of trillions of dollars.

This system, of usury, of people sacrificed to support the weight of unpayable debts, of no restrictions but those imposed by financial power; this system, which, if continued, will ruin civilization for generations to come, must be terminated and replaced with the American System, which recognizes the only source of economic wealth to be the human mind, in those creative powers which allow us to increase our power in and over nature. This distinction, between man and beast, is the central issue of economics. Economies which fail to recognize this principled difference must inevitably collapse; such was the case during the Great Depression, when almost every Western nation, *except the United States of Franklin Roosevelt*, was dominated by fascist or pro-fascist governments. War was and is the inevitable result of the British System, known today as Globalization. Canada must choose one or the other; there is no longer any room for vacillation.

The international financial system burns; former Federal Reserve chairman Alan Greenspan confesses to his

own lifelong incompetence<sup>1</sup>; and European pundits use the much feared “D” word; meanwhile, the intellectual and political leadership of Canada seems to be frozen in time, gape-mouthed, unless they are blathering nonsense about the continuing prosperity of Canada’s economy, the low unemployment rate, or the rising value of the dollar. If any reporting of the crisis does creep into the media, it is universally described as being isolated to the United States, or to Europe, or to a particular sector of the financial system, as if the roaring forest fire were simply the statistical accumulation of countless individually (and coincidentally) burning trees.

In these times of shameless acts, of folly, incompetence and denial, Canada has reached a physical-economic boundary condition akin to the state of collapse in America. Our infrastructure is approaching the point of failure; farms and small industrial enterprises are disappearing; the productive sector has been in recession for years, while the “booming” sectors of banking, insurance, retail, and real estate have begun to “BOOM” in a different way. Several reports on the actual state of the Canadian economy have been issued in the past months, disconcertingly at variance to the blithe forecasts of the finance minister.

Thus, Canada is faced with an existential question that most have wished to avoid. Too long have we neglected our national destiny: *to build a great continental nation*; not to haplessly carve out a strip of ground, stretched precariously along the U.S. border, and neglect our great hinterland. Certainly not to squat on our haunches and praise ourselves for so efficiently wasting the future’s patrimony! Have we forgotten the names of our forebears, those who built our cities, farms, and industries, laid our railroads, or constructed the vital canals of the East? Will we bow to our British colonial past, or look up to a future free of divide-and-conquer games, played between English and French, or East and West?

Up to this time, most Canadians have felt reasonably insu-

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1. “The record of forecasting not only of myself and of companies I have developed, but of the profession as a whole, is not particularly spectacular,” Greenspan said. “I’ve been forecasting since the early 1950s. I was as bad then as I am now.” Former Federal Reserve chairman Greenspan to National Public Radio, Dec. 31, 2007.

lated from the distant rumblings of economic tumult, assured by our banks that Canada's financial institutions had not been dangerously exposed to the "toxic waste" of the U.S. subprime mortgage sector. However, as this article is being written, the Canadian Imperial Bank of Commerce announced the firing of CIBC World Markets CEO Brian Shaw and the head of the unit's risk operations, Kenneth Kilgour. The departure of the two executives was preceded by revelations that CIBC, the stock price of which has plunged by 30% since September, has as much as \$9 billion, and possibly more than \$10 billion, worth of subprime exposure, much of which is hedged with failing bond insurers such as ACA Capital. Analysts at the bank acknowledge that CIBC could handle as much as \$3 billion in losses, but beyond that, the bank will be essentially insolvent. The Bank of Canada asserts that it will do whatever is necessary to defend the private banking sector, which is far more concentrated than even the U.S. financial system. For Canada, the failure of a major bank, of which there are only five, would mean chaos.

Another threat on the horizon is the \$130 billion of Asset Backed Commercial Paper (ABCP), which Canada's banks sponsor and for which they provide liquidity support. Some \$35 billion of these derivatives consist of indirectly sponsored "non-bank" ABCP, while another \$81 billion is directly sponsored by the banks. According to the Bank of Canada's December 2007 *Financial System Review*, the majority of the "non-bank" ABCP is derived from highly speculative collateralized debt obligations (CDOs), an international market in the many trillions of dollars which is ripe to explode.

Perhaps the greatest threat to Canada's economy is its massive dependence upon exporting to the United States, which accounts for as much as 45% of Canada's GDP. As the U.S. collapse accelerates, more and more sectors of Canada's economy are slammed with job losses, plant shutdowns, and recession. In the October 2007 *Economic Statement* issued by the Ministry of Finance, the government acknowledged that almost the entirety of Canada's productive sector was in recession—the worst being the auto sector—and had been since at least 2005. The loss of manufacturing jobs in Canada, between November 2002 and July 2007, has totalled 288,300, as much as 12-13% of the total manufacturing base, an utter disaster when considered in light of the imminent infrastructure crisis facing the nation.

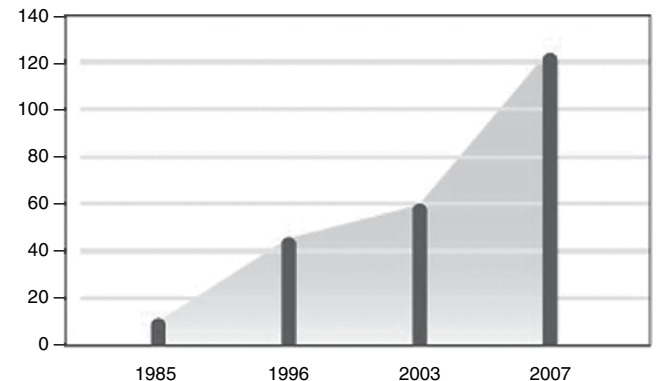
## The Infrastructure Crisis

In November 2007, the Federation of Canadian Municipalities (FCM) issued a devastating report entitled "Danger Ahead: The Coming Collapse of Canada's Municipal Infrastructure," which grabbed headlines at the time. It was long recognized that Canada's cities were floundering amid increasing costs and economic commitments, while being unable to run deficits or win adequate additional funds from the Federal or Provincial governments. Over the past 15 years,

FIGURE 1

## Canada's Municipal Infrastructure Deficit

(\$ Billions Canadian)



Source: Federation of Canadian Municipalities

both the Liberal and Conservative governments have lauded themselves for their wise and scrupulous management of the economy, reducing our national debt by tens of billions of dollars, balancing the budget every year, and often posting astonishing surpluses, which the Conservatives have used as an excuse to grant extensive tax cuts. What was not explained to the credulous public, was that in order to achieve such wonderful objectives, we have gutted investment into the very systems upon which we depend to survive. The cities, faced with rising costs and no new sources of revenue, cut into their capital budgets, which, as explained in the FCM-McGill report, "do not face the same immediate pressures as operating expenditures, making capital investments easier to delay."

As a function of the rejection of the Franklin Roosevelt paradigm and the open-armed embrace of the "post-industrial" and increasingly "post-human" utopia of the Information Age, Canada's municipalities require an immediate infusion of *at least \$123 billion* to resuscitate and replace old infrastructure, in addition to *at least \$115 billion* to expand infrastructure systems to meet the demands of the population.<sup>2</sup> It is to be emphasized that this infrastructure deficit is proportionally either on par with or worse than the American Society of Civil Engineers' assessment of the U.S. economy; its 2005 "Report Card on U.S. Infrastructure" placed *America's infrastructure deficit at a staggering \$1.65 trillion* (EIR's own estimates place the actual infrastructure investment nec-

2. In addition to this massive sum, since municipal infrastructure accounts for approximately 50% of total Canadian infrastructure, a reasonable estimate of the total investment needed for the Canadian economy would be almost \$500 billion. Notably, this sum does not include any new great projects such as high-speed or magnetic levitation trains, or water-management projects such as NAWAPA, which are just as essential to the future prosperity of the nation.

essary in the several trillions of dollars).

The FCM-McGill report states that, “across Canada, municipal infrastructure has reached the breaking point. Most was built between the 1950s and 1970s, and much of it is due for replacement. Given the municipalities’ already strained fiscal situation, we are rapidly approaching a tipping point on the infrastructure deficit, one that will seriously harm both our quality of life and our competitiveness and productivity.” The report continues, “between 1955 and 1977, new investment in infrastructure grew by 4.8 per cent annually. This was a period of intense capital investment that closely matched Canada’s population growth and rate of urbanization. This period stands in stark contrast to the 1978 to 2000 period, when new investment grew on average by just 0.1 per cent per year.”

Seen behind these numbers, is the shift away from successful American System policies, inspired by the actions of Franklin D. Roosevelt, and toward radical monetarist policies, typified by former Federal Reserve chairman Paul Volker’s “controlled disintegration” of the U.S. productive base, initiated with the bludgeoning inflicted upon the economies of the West between 1979 and 1981. From 2000 onward, Canada’s municipal capital spending rose significantly, averaging 7.5%, but the report warns, “This recent growth in infrastructure spending should not be considered a solution to the infrastructure deficit. . . . [T]his increase in investment has not met the annual rehabilitation needs of existing capital stock, or alleviated the backlog of maintenance and rehabilitation that accumulated over the [past] decade.”

The report proceeds to reveal that “only about 41 per cent of Canadian infrastructure is 40 years old or less. The age of 31 per cent of the assets is between 40 and 80 years, while the remaining 28 per cent is more than 80 years old. . . . Canada has used up about 79 per cent of the total service life of its public infrastructure. Moreover, it should be noted that infrastructure deterioration accelerates with age.” The report closes by asserting that “the results of the 2007 FCM-McGill survey point to a single, inescapable conclusion: that much of our municipal infrastructure is past its service life and near collapse.”

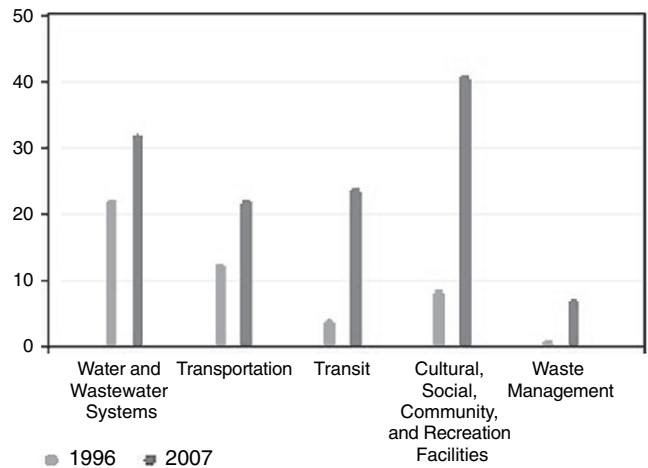
### Where Is the Government?

It would seem reasonable to ask what the position of the Canadian government is on this issue. Conservative Finance Minister Jim Flaherty, when questioned on the survey, told reporters that “we’re not in the pothole business in the government of Canada” (meaning, meeting the needs of constituents). He said that the cities should stop “whining” and “do their job.”

At the same time, Flaherty boasted of a \$33 billion infrastructure fund, which the Conservative government introduced in the 2007 budget; however, despite his bragging about

FIGURE 2  
**Infrastructure Deficit by Category in 1996 and 2007**

(\$ Billions Canadian)



Source: Federation of Canadian Municipalities

the largest infrastructure fund “in modern times,” the truth is far from grand. The \$33 billion is to be spent over seven years; and, according to Calgary Mayor David Bronconnier, the deal includes a score of pre-existing funding agreements, “repackaged” for optical effect. When questioned by this writer, several Conservative Members of Parliament insisted that this fund was exactly what was needed to solve the infrastructure crisis; yet, as it turns out, the country will be fortunate if this fund merely slows the rate of depreciation and collapse. In addition, the \$33 billion fund is premised upon the forecast of continued budget surpluses in the coming years, which, considering the maelstrom on the international financial markets and the rate of collapse of the planet’s physical economy, is a wishful proposition at best.

The government’s response to these criticisms would be to declare that it is also taking steps, as indicated in the 2007 budget, to ensure that Canada becomes “a leader in public-private partnerships” (PPPs). The budget indicates that the models for Canada are “world leaders in promoting and engaging public-private partnerships.” On the one hand, the bankrupt economy of the United Kingdom, and on the other, Australia, which “enjoys one of the most developed P3 markets worldwide,” but is now in the greatest freshwater crisis in its history, due to its failure to build its water-management systems! In any case, the PPP model is already doomed, since the “credit crunch,” which became a “liquidity crisis,” but was really a “solvency crisis” of the entire system, has demonstrated that, when even the giant hedge fund Blackstone fails to raise sufficient cash for a puny \$1.8 billion leveraged buy-out, there is no money to be had.

## Canada Needs a Capital Budget

The world economy is doomed to a collapse without end, unless governments cast aside their foolish adherence to British policies of free trade, monetarism, and *laissez-faire* economics. It is time for Canadians to revisit their own history, for despite the insistence of today's free-market ideologues, Canada was not built by British policies or free trade! It was built in spite of the British, with the same ideas and policies that transformed the United States into the great nation which it became under the guidance of leaders such as John Quincy Adams, Abraham Lincoln, and Franklin Roosevelt.

Capital budgeting and national banking are the means at our disposal to ensure that the physical economy is developed appropriately, as emphasized by Lyndon LaRouche. In Canada, as in the United States, the government has the power to create money which can be used to develop the physical economy, creating productive jobs, and improving the productivity of the population. Neoliberal economists and financiers may scream at this assertion, yet these same hypocrites will not hesitate to throw trillions of dollars into the black hole that is their now-bankrupt financial system.

The American System is the means by which we will be able to deal with the looming physical-economic boundary conditions which are being expressed through the collapse of municipal infrastructure. The model of FDR's Reconstruction Finance Corporation is instructive. Through the RFC, Roosevelt financed the Tennessee Valley Authority, the rural electrification of the United States, and the building of other great projects. Similarly, the Bank of Canada, *which is wholly owned by the government*, played a crucial role in financing the construction of the St. Lawrence Seaway in the 1950s, one of the most important infrastructure projects in our nation's history, the economic and financial gains derived from which are beyond all reckoning. Or consider the government's role in the late 19th Century, *under the influence of the protectionist National Policy*, of financing the construction of two continental railways, industrializing the country, and settling the West; if the government had not taken up this challenge, western Canada would today not exist as an economic/political entity, and nor would Canada today have one of the highest living standards in the world.

The Canadian government, using its power to create money, can capitalize a Federal institution, new or previously existing, such as an Infrastructure Development Bank, which can then be the lending facility for billions of dollars' worth of projects, with low interest rates and reasonable terms of repayment. The revenues generated by the bank can then become new capital for lending. In this fashion, with prudent management and cooperation, we can build ourselves out of the crisis, borrowing from ourselves, and paying ourselves back. Our sovereignty is preserved, the General Welfare is promoted, including that of our posterity, and the people will be happy and industrious.

Unless Canada breaks from the accepted way of doing things, and stops capitulating to the City of London and the City's Canadian financier allies, Canada has no future. The population will not be sustained at its present standard of living, and under a general breakdown of the international order, it is uncertain that the nation could maintain its integrity. The British Empire was erected and sustained on the corpses of those who allowed themselves to be drawn into self-destructive conflicts, who fell into British cultural or geopolitical traps. Canada has been managed since 1763 primarily by turning the population against itself, ensuring that the people remain weak, divided, and preoccupied: a country easily controlled and predictable, like today's drug or cyber-culture addict.

*Money is the tool of government, government is not the tool of money; no nation is sovereign if it does not control its currency. Should our current batch of ne'er-do-wells in Ottawa fail to understand this difference, and to understand that the purpose of government is to aid the people's intellectual and moral-development, there is little hope for Canada's once-bright future; however, if they take the advice of Lyndon LaRouche and the Canadian LaRouche Youth Movement, Canada will become a great nation, and realize the promise of past generations.*

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—Friedrich List

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SCIENCE & RELIGION:

## Life at an Atheist's Funeral

by Lyndon H. LaRouche, Jr.

January 11, 2008

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*Sometimes, reading the New York Times is like the experience of attending funeral services for a notorious grammarian. Times writer Jim Holt's brief review of a poor piece of intellectual trash, is a case in point. The review presents the book, with some tongue in cheek, as in the tradition of a Times favorite, quirky atheist, Oxford's Richard Dawkins. The book, **Irreligion**, is by author John Allen Paulos, whatever his species-loyalties might be.<sup>1</sup>*

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Given both the prices and the miserable quality of much university education in the age of Fabian ideologue Mrs. Lynne Cheney's cultish tyranny, a growing number of exceptionally promising young adults, selected from among my associates, have devoted successive years to our special, tuition-free programs of serious achievements in a program of advanced work in the academic field of mathematical physics pursued in the Classical tradition. Groundwork in the work of Pythagoreans such as Archytas, and of Plato, prepared the way, so far, for a relatively very high quality of successive in-depth treatments of the leading discoveries of Johannes Kepler and Carl F. Gauss. These efforts have produced what is today's rarely met competence in those subject-matters.

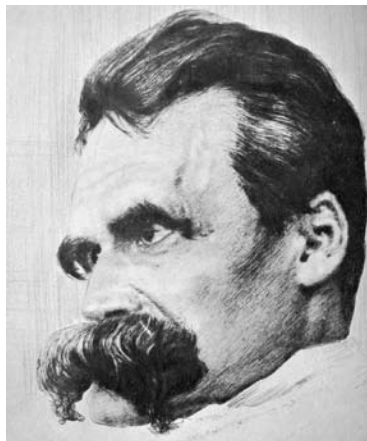
On a closely related matter, one of the most amusing T-shirts I have seen, read: "Nietzsche says 'God is Dead'" and, then, the accompanying rebuttal: "God says, 'Nietzsche is dead!'" Quiddlers such as Dawkins and Paulos deserve the

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1. John Allen Paulos, *Irreligion: A Mathematician Explains Why the Arguments for God Just Don't Add Up*. (New York: Hill and Wang, 2007).

same kind of contempt. The point is, that the drivel spawned by either of those two authors, or their like, is premised on a fraudulent charge against religious belief, that that belief is merely an arbitrary assumption.

For example: the appropriate response to dupes who share the gist of Dawkins' and Paulos' assertion, is that the doctrines of both the Sophist Euclid and of Bertrand Russell's *Principia Mathematica* are merely the elaboration of bare assumptions; they are to be recognized, like the assertions of Dawkins, Paulos, and their like, to have been not merely arbitrary, but scientifically fraudulent, intellectual trash.



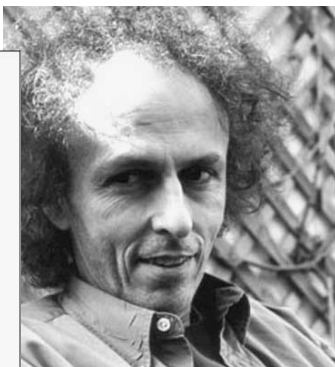
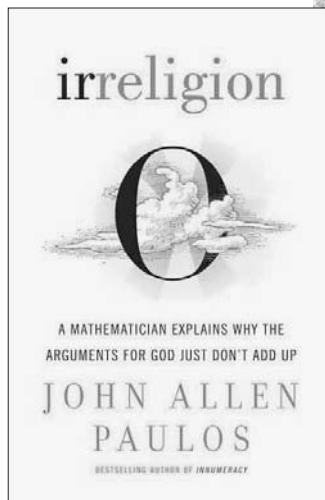
Friedrich Nietzsche: "God is dead."

Granted, many asserted forms of religious beliefs, certain currently popular varieties of nominally Christian beliefs included, premise their arguments on nonsense. Nonetheless, despite aberrations of that sort, the definition of man and woman in the first Chapter of *Genesis*, is actually a statement of the implicit premise of all competent physical-scientific and related judgment. That conception of man and woman, there, a conception which the AI Gores of the world must intrinsically hate, is the key to any competent expression of religious belief.<sup>2</sup>

The classroom and related work by my young associates over more than a decade, from the *quadrivium* of the Pythagoreans, through the span of modern mathematical physics from Nicholas of Cusa through Kepler, Leibniz, and Gauss, has been conducted from my own professional standpoint in *the domain of long-range physical-economic forecasting*, a profession in which I have been, in my time, the most successful of

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2. So, in sophisticated political circles, pseudo-scientific beliefs are sometimes termed "al-gore-ithms."



*The drivelt spawned by Paulos (above) and Dawkins (below) "is premised on a fraudulent charge against religious belief, that that belief is merely an arbitrary assumption."*



the publicly known forecasters. There have been professionally qualified economists, some of great competence and skill in other aspects of economic subjects, although even they have appeared only in greatly reduced numbers during the recent four to five decades; but, the fact remains, that, simply as a matter of fact, in the matter of long-range cyclical forecasting, my record of achievement has been unique.

To understand the motives for those educated persons who have expressed public (or, perhaps also public) hate and fear of my earned authority in such matters, I recommend attention to the precedent of the "Wobblies" (IWW) appearing in the trials of the early Twentieth Century. The advice of the leaders of the IWW to their members going on trial was, "If you have robbed a church, and the steeple is protruding from your hip pocket, deny everything." Such is the method on which Dawkins and Paulos rely as alleged proof of their cases.

Actually, it is a source of great embarrassment to hoaxsters such as Dawkins or Poulos, that, for reasons which I have delivered in various relevant locations, what is actually known as competent physical science's bearing on the subject of religious belief, is to be traced from the roots of the ancient work of the followers of the school of Thales, the Pythagoreans, and Plato, and the modern revival of competent physical science by, chiefly Cardinal Nicholas of Cusa and such among

his most notable followers in science as Leonardo da Vinci, Johannes Kepler, Fermat, Leibniz, and such followers of Leibniz as Carl F. Gauss and Bernhard Riemann.

## The Matter of Proof

The crucial issue of competent physical science, of which the science of physical economy is a special kind of branch, is the role of the creative powers of the individual human mind, in enacting, and re-enacting those experimentally validatable, universal physical principles through which knowledge, society is enabled to accomplish what no lower form of life can do. The large-scale effect of such realized modes of progress is measurable in terms of a qualitative, *dynamically defined* increase in the relative potential population-density of society, as measurable per capita, and per square kilometer of national territory as a whole. Those considerations bring our attention back to the definition of man and woman in *Genesis* 1.<sup>3</sup>

This remarkable, qualitative, functional distinction of man from all beasts, reposes in a quality of the individual mind absent from all beasts (and, apparently, lacking among an inferior form of human life known, alternately, as "the empiricists," or "the Liberals"). The term "creativity" is properly restricted in use, strictly so, to two complementary aspects of human mental life: the discovery of a universal physical principle, or the same quality of individual mental activity expressed only in strictly Classical artistic expressions of irony, as in poetry, music (e.g., Bach), and drama (Aeschylus, Shakespeare, Lessing, and Schiller), a quality of creativity absent from what is often classed as "popular tastes" and entertainments today.<sup>4</sup>

Competent modern physical science, of which neither Dawkins nor Paulos shows the slightest comprehension, was inherited by Cardinal Nicholas of Cusa, and his followers, from (most essentially) the Classical Greek precedents of sources such as Thales, Heracleitus, the Pythagoreans, and Plato. Cusa's own systemic insight into the foundations of the ancient Classical physical science of Thales and his followers, hinged upon Cusa's identification of a crucial fallacy in Archimedes' supposed (inductive) proof of the generation of the circle by quadrature. Cusa's discovery is an expression of the central principle of all competent modern physical science, as typified by the example of Cusa student Johannes Kepler's discovery of the role of the principle of the *ontologically infinitesimal* in defining the role of the principle of Solar gravitation.

3. Cf. G.W. Leibniz, "Critical Thoughts on The General Part of The Principles of Descartes" (1692), and "Specimen Dynamicum" (1695). In *Gottfried Wilhelm Leibniz Philosophical Papers and Letters* (Dodrecht: Kluwer Academic Publishers, 1989). Modern dynamics is the method of Bernhard Riemann, as Riemann's method is that both of Gottfried Leibniz and that which had been introduced to the practice of modern science by, chiefly, Nicholas of Cusa and Johannes Kepler, and echoed by Academician V.I. Vernadsky and Albert Einstein.

4. Take the case of the woman who had just been raped, earlier in that day. She described the experience to the police officers as, "Classical." Her use of "Classical" was, "Well, I mean, it was exciting!"

A universal physical principle is never a mechanical action (such as that of Descartes and his followers de Moivre, D'Alembert, Euler, and Legendre) which connects two points of lapsed time in empty space. It is an efficient principle of action which permeates physical-space-time in such a degree that there is no distance during which that principle itself is not determining the continuing action.

Furthermore, physical science is not defined within the confines of a single principle of sense-perception, such as space or time, but is defined by the human mind's discovery of an infinitesimal principle of universal action which subsumes perceptions, but is not simply a mirror of those sensory experiences.

The great modern comprehension of the implication of this notion of the meaning of "universal physical principle," came in the form of the Riemann definition of both the Biosphere and Noösphere by Russia's Academician V.I. Vernadsky. The Biosphere represents the expression of processes which do not occur in any processes excepting those determined by a universal (i.e., ontologically infinitesimal) principle of life. The Noösphere, similarly, expresses a domain of products of the action of human individuals' cognition which does not occur outside a principle of human individual creativity.

This quality of human individual creativity, which defines the Noösphere, does not occur in the physical universe except in that form of human reason associated with analog, but never digital functions. The crucial distinction between analog and digital functions lies precisely, and uniquely in the mode of the notion of analog functions associated with the ancient Pythagorean quadrivium, the work of Plato (as in competent Christian theology), or that of Philo of Alexandria, for example, but never Aristotle or Euclid.

This quality of creativity, which never appears in lower forms of life, is the only distinction of human behavior which separates the increase of potential relative population-density of the human species (and society) from the population potentials of the higher apes.

The arguments described by *Times* reviewer Holt, like the arguments repeatedly deployed by Dawkins, are all premised on the assumption of a radically reductionist version of digital deductive-inductive methods, methods which have no agreement with the characteristics of the human species. However, analog methods, such as those of the ancient Pythagoreans, Plato, Nicholas of Cusa, Leonardo da Vinci, Kepler, Fermat, Leibniz, and Riemann, like those of Vernadsky and the Einstein of his maturity, correspond to the historical evidence of human progress.

The notion of man and woman presented in *Genesis* 1 accords with this evidence, whereas, in that sense, it were fair to describe Bertrand Russell, Professor Norbert Wiener, John von Neumann, like Dawkins and now Paulos, as creatures whose adopted profession has been to make either monkeys of themselves, or perhaps apes. It is the presumptions of the empiricists, not *Genesis* 1, which represent the assumptions contrary to scientific truth.

## Lincoln's Dilemma: Emancipation—When?

by Susan Welsh

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### **Act of Justice: Lincoln's Emancipation Proclamation and the Law of War**

by Burrus M. Carnahan

Lexington: The University Press of Kentucky, 2007  
171 pages, hardbound, \$40

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It remains popular in certain circles to bash Abraham Lincoln as a racist, because he did not free the slaves on Day 1 of the Civil War. Carnahan's book sheds some new light on why he acted as he did.

Lincoln's Emancipation Proclamation was issued in draft form in September 1862, more than a year after the Confederate firing on Fort Sumter in April 1861; the final proclamation was signed in January 1863. Both were argued on the basis of military necessity. The most immediate result was to enable the enlistment of blacks in the Union army, fighting for their own freedom and joining with Lincoln to end slavery by force.

The Union's victory against the Confederacy—Britain's project to destroy the United States—has never been forgiven by the world's feudalists and free-traders. The 16th President was assassinated by a Confederate-British gang based in Canada. And the modern-day followers of those who relied on chattel slavery to supply cotton for British textile mills, are today sitting atop a collapsing free-trade system, and have launched renewed attacks on Lincoln's legacy and the U.S.A.

The idea of a military basis for emancipation was not new, and indeed, there were people who had urged that emancipation be proclaimed sooner, as Carnahan reports.

- Sen. Charles Sumner, a leading anti-slavery spokesman, urged Lincoln, in April 1861, to use his Constitutional power as commander in chief of the armed forces, to free the slaves in the rebellious states.

- Orville Hickman Browning, Lincoln's friend from Illinois, wrote to the President at the same time, urging him to be ready to march an army into the South and free the slaves ("The time is not yet, but it will come...")

- John Quincy Adams (who had died in 1848), the former President, Secretary of State, and Congressman, studied the matter of military emancipation intensively throughout his career. In 1842, during his famous battles in Congress to break the "gag rule" against even *discussing* slavery, he argued for emancipation as a justified military measure, under the laws of war: "... when a country is invaded, and two hostile armies are set in



martial array, the commanders of both armies have power to emancipate all the slaves in the invaded territory.” He believed that a civil war would come, and it did.

So, why did Lincoln wait?

The reasons, in general, are obvious to anyone who has but the slightest acquaintance with history:

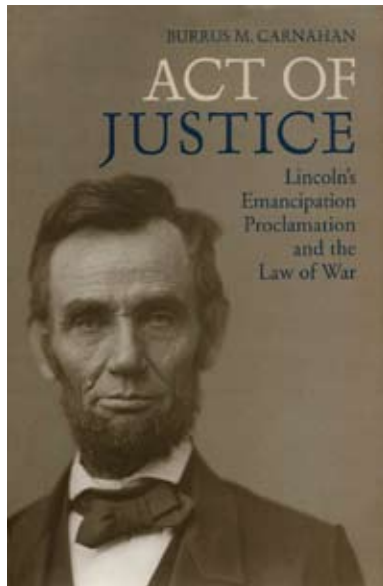
1. President Lincoln, under the Constitution, ruled with the consent of the governed. Had he violated that trust, he would have been a king, not an American President. Northern whites were, by a vast majority, not ready to fight to end slavery in 1861.

2. The Constitutional Convention of 1787 relegated the issue of slavery mainly to the states, as part of the deal that forged the Union. The way to amend the Constitution is clearly enunciated in that document; under the conditions of 1861, such an effort would have failed. And the wartime Chief Justice of the Supreme Court was Roger Taney, author of the infamous *Dred Scott* decision of 1856, which avowed that Negroes were “so far inferior that they had no rights which the white man was bound to respect.” It was easy to predict what would happen, before the Taney Court, to any measure to free the slaves in 1861—even had it been practically possible to free them, which it was not.

3. Lincoln was desperately trying to keep the slave-holding border states in the Union. Had they seceded, the Union cause would have been lost; neither the abolition of slavery nor the unification of the country could have been achieved.

Carnahan’s book, although limited in scope and seemingly intended for specialists (to judge by its lawyerly writing style), provides a useful service by presenting the *legal* background to the Proclamation, from the evolution of American thinking on the “law of war,” to issues of the rights of prisoners and civilians in wartime. Among the complicating issues he elucidates: Under existing law, Union soldiers could be held *personally liable* for damages, should they seize the “property” of a slaveholder. Also, it took the Administration time to affirm that this was a *war*, rather than a *domestic insurgency*, like the Whiskey Rebellion of 1794. A declaration of war would have rendered the Union blockade of Southern ports illegal under international law, which required that neutral ships be given access to the ports of belligerents. Equally important, a declaration of war would imply recognition of the Confederacy as a “country,” and therefore make more likely its diplomatic recognition by Britain and other European powers—which Lincoln keenly hoped to avoid.

As one Union defeat followed another through 1861 and 1862, Lincoln realized that he had to deliver a powerful political and strategic flanking attack, to turn the tide of demoralization in the North. His choice of weapon was the Emanci-



pation Proclamation, which he could by then justify to his more reluctant constituents (including those within the armed forces) on military grounds.

Carnahan cites Lincoln’s famous Aug. 26, 1863 letter to James Conkling of Illinois, as his most definitive defense of the Emancipation Proclamation. The letter was read to a mass meeting of Republicans, many of whom were dubious about ending slavery and permitting the enlistment of black soldiers. But Carnahan omits one of its most poignant passages:

“Peace does not appear so distant as it did. I hope it will come soon and come to stay, and so come as to be worth the keeping in all future time. It will then have been proved that, among free men, there can be no successful appeal from the ballot to the bullet; and that they who take such appeal

are sure to lose their case and pay the cost. And then there will be some black men who can remember that, with silent tongue, and clenched teeth, and steady eye, and well-poised bayonet, they have helped mankind on to this great consummation; while I fear there will be some white ones, unable to forget that, with malignant heart and deceitful speech, they have strove to hinder it.”

One would think that ringing statement alone would have put to rest any slanders about the “racist” Abraham Lincoln. But not so. As *EIR* reported (July 28, 2000), that year began a new barrage of anti-Lincoln propaganda in the British press (the *Guardian*, the *Sunday Telegraph*), as well as from the Cato Institute in Washington, the *Washington Times*, and *Atlantic Monthly*. Taking aim at the African-American community, *Ebony* magazine executive editor Lerone Bennett, Jr. wrote a book-length tirade, *Forced Into Glory: Abraham Lincoln’s White Dream*, which distorted Lincoln’s record beyond recognition, to make the lying case that the President was an unreconstructed racist.

And today, it is widely believed in the black community that the Emancipation Proclamation reflected racism, because—as Barack Obama wrote in *Time* magazine on June 27, 2005—“it was more a military document than a clarion call for justice.” Obama’s article is otherwise highly appreciative of Lincoln. How could he forget about two of the most eloquent “clarion calls for justice” in all history: the Gettysburg Address and the Second Inaugural?

Skeptical African-Americans should listen to the great Frederick Douglass, who has the last word on Lincoln and “racism,” in my book: “Viewed from the genuine abolition ground, Mr. Lincoln seemed tardy, cold, dull, and indifferent; but measuring him by the sentiment of his country, a sentiment he was bound as a statesman to consult, he was swift, zealous, radical, and determined.”

## THE 'NEW ECONOMY' IS DOOMED

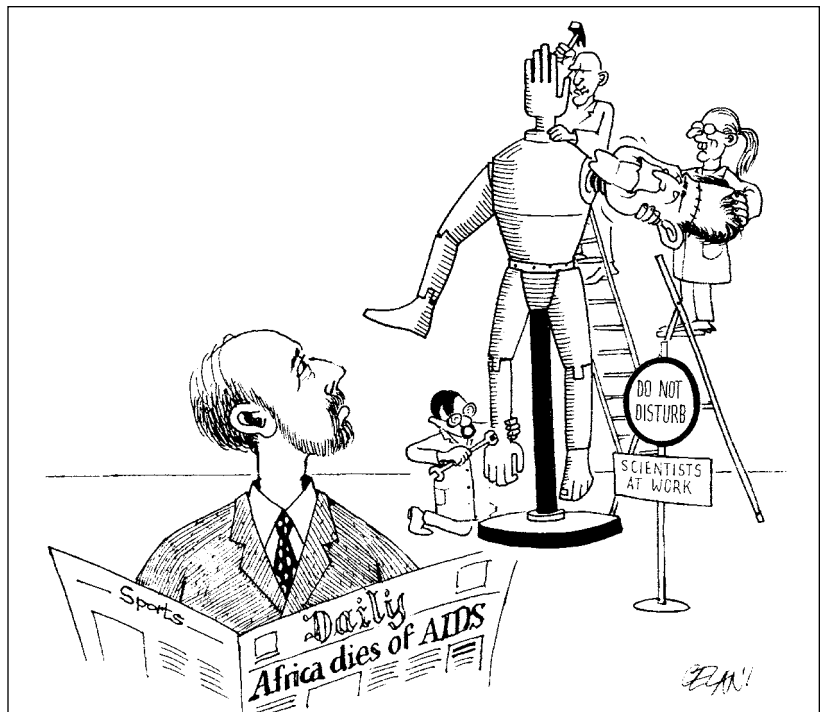
### The Fraud of the Information Society

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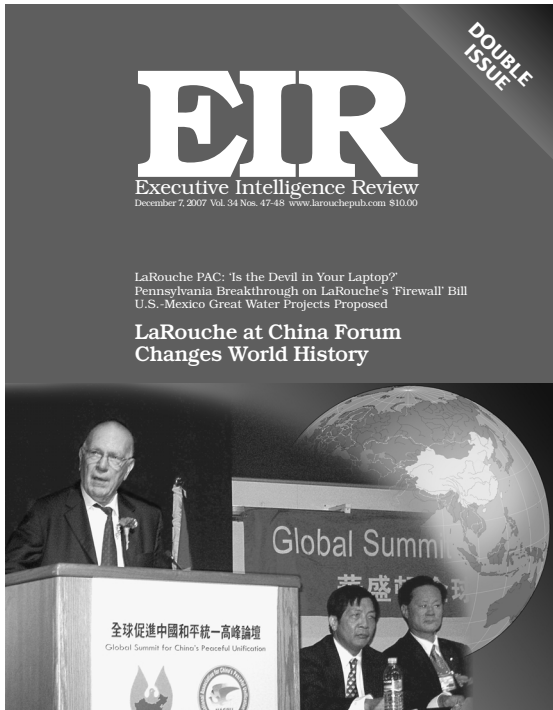
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