

between American policies and BAC policies. The British-orchestrated attempt to oust President Clinton from office in an illegal, unconstitutional coup d'état, failed to install Al Gore into the Oval Office, but the President's survival came at a dear price.

### **U.S.A. should join the 'Survivors' Club'**

The last best hope for the world to avoid war and further financial and economic catastrophe, is for a rejuvenated President Clinton, supported by anti-BAC forces in the United States and around the globe, to take the lead in crushing London and its lackeys, including those penetrated into his own administration and both political parties' Congressional caucuses.

As LaRouche noted in *The Road to Recovery*, the post-October 1998 actions of the BAC—the hyperinflationary binge, and the war drives in the Persian Gulf and the Balkans—have driven leading Eurasian nations, led by China, Russia, and India, to form a “Survivors' Club” of nations, opposed to the lunacy coming out of nearly all Western capitals.

In a recent commentary, published, in part, in the prestigious Russian financial daily *Kommersant* on April 13 (see p. 6), Lyndon LaRouche observed, “My hope, is that President Clinton will refresh his options for cooperation with Russia. The world is in a crisis, which can not be overcome without cooperation among a leading group of nations, including the U.S.A., Russia, China, India, and at least one or two nations of western continental Europe. Under those conditions, the vital interests of the planet as a whole can be defined in ways indispensable for solving the world's present economic crisis and avoiding the growing danger of a global spread of warfare. An agreement in principle, under which the U.S.A. and at least one relevant nation of western continental Europe enters into an agreement in principle for global economic cooperation, based on cooperation with the emerging pattern of Eurasia cooperation among China, Russia, and India, would represent the most powerful concert of power imaginable on this planet at this time. The cooperation among the nations representing such a concert of power, becomes the instrument to resolve the increasingly dangerous pattern of conflicts confronting us today.”

### **A combat manual against the BAC**

To further that objective, *EIR* has prepared the following dossier on the BAC. It is vital that the BAC treason be swept from the corridors of power in Washington and on Wall Street, so that the United States, under a revived Clinton Presidency, can, as LaRouche has demanded, assume its historic, rightful place as a leading nation pursuing policies in the best interests of all of mankind.

For that to be achieved, the BAC must be defeated. Such a fight must proceed on the basis of sound intelligence. This dossier is intended to be a good start.

## **The American System vs. British treason**

by Anton Chaitkin

The American republic's unique, pro-human economic and social character was born in the Revolution and shaped over time by such revolutionary economic nationalists as Benjamin Franklin, George Washington, Alexander Hamilton, Henry Carey, Henry Clay, Abraham Lincoln and, later, Franklin D. Roosevelt. The British assassination of President John F. Kennedy preempted his efforts to revive the tradition; and President William Jefferson Clinton has, on occasion, shown an “FDR impulse” to revive this essential American republican outlook and policy.

The progress of the whole society was the U.S. national mission, whose success required secure independence from the grasping enemy empire. Having lost the Revolutionary War (1775-83), having failed to reconquer its colony despite burning Washington (in the war of 1812-15), having backed the Southern slaveowners' rebellion and lost the Civil War (1861-65), Britain's aristocratic rulers in the late nineteenth century faced their most dangerous opponent, an energetic America setting the example of national freedom for Ireland, India, China, Japan, Russia, Germany, and Ibero-America; a world moving into alliance with America against Britain.

That notion of political freedom from imperial tyranny and slavery was rooted in vigorous economic development. The Trans-Continental Railroad project, which consolidated the United States as a continental republic during the middle of the nineteenth century, was exported to Eurasia, through such great projects as the Trans-Siberian Railroad. American diplomats such as E. Peshine Smith, and the American-trained German economist Friedrich List, spread American System ideas and technologies to Prussia, to Meiji Japan, to Tsarist Russia, and to China, where the economic grand design of Sun Yat-sen was explicitly based on the American System success. The 1876 Centennial Celebration in Philadelphia brought together republican statesmen, scientists, engineers, and artists from all around the globe, to partake freely of the scientific and technological revolution accomplished by the United States and its friends.

The desire of the United States, during the epoch of the Founding Fathers and their immediate heirs, to spread the republican ideal worldwide, was best expressed, in diplomatic terms, by Secretary of State, and, later President, John Quincy Adams, in his anti-British, anti-European-imperialist Monroe Doctrine. Up to the present day, whenever an American President has attempted to use the Monroe Doctrine and

the John Quincy Adams's notion of a "community of principle" among sovereign nation-states as a guide to foreign policy, America has been able to reassert its role as the world's "beacon of liberty." It is this lingering tradition of American System diplomacy that strikes fear in the hearts of the British oligarchy to this day.

### **Recolonization by other means**

The British oligarchy — Crown, bankers, cartels — determined to regain power over America through U.S.-based private bankers and related agencies, who were allied to Britain and to British Canada. They would form a trans-Atlantic power structure to control the U.S. economy and government, aiming to reverse the American Revolution.

This British-American-Canadian faction sought to suppress the "upstart" American national character.

Unlike the European empires, in the United States the government was run by the vote of productive and aspiring segments of population, in their own interest.

Committed to scientific and technological advancement, overcoming poverty by revolutionizing man's power over nature, the U.S.A. used high tariffs, cheap government credit, and government-financed transportation, to build iron and steel mills, settle the wilderness, and achieve great power status.

Against slave or peasant labor, the nation promoted an educated, skilled, urban labor force for the nationally protected machine industries. Creating private family farms was a calculated national strategy, achieved through special initiatives in land access, education, scientific advice, and public infrastructure.

These measures to increase man's dignity created an independent population that could defend a republic. For the first time in history, these ideas were set down in the founding documents of the American Republic: the Declaration of Independence (the "inalienable rights" of "Life, Liberty, and the pursuit of Happiness"), the "General Welfare" clause of the Preamble to the U.S. Constitution, and the *Federalist Papers* of Hamilton, John Jay, and James Madison, which fostered the public debate for ratification of the Constitution.

Against this successful national mission, a hostile ruling power emerged which is now eliminating manufacturing and family farms and reducing public infrastructure to ruins. Its news media cartel feeds ignorance to a degraded mass culture. Its free-market regime, flavored with aristocrats' environmentalism, would outlaw industrial and social progress.

This enemy power arose from old British-allied (Tory) families in the northeast and among the southeastern plantation slaveowners, ultimately concentrating in a tight group of British-directed financiers in New York.

At the clique's center were enterprises under the names Morgan, Rockefeller, Schiff/Warburg, and Harriman — all of them British assets.

**John Pierpont Morgan**, New York representative of his

father's London bank, established Drexel, Morgan & Co. in 1871 to spearhead London's anti-U.S. financial warfare. The new firm ran slanders against, and sabotaged the credit of, Jay Cooke, the Philadelphia railroad builder and the Federal government's chief private banker. Cooke's downfall under the Morgan onslaught caused the 1873 national financial collapse, weakening the Philadelphia-based American nationalist political faction which had sponsored Abraham Lincoln. Morgan, in a British banking syndicate with Rothschild, stepped in and took monopoly control over U.S. government bond financing.

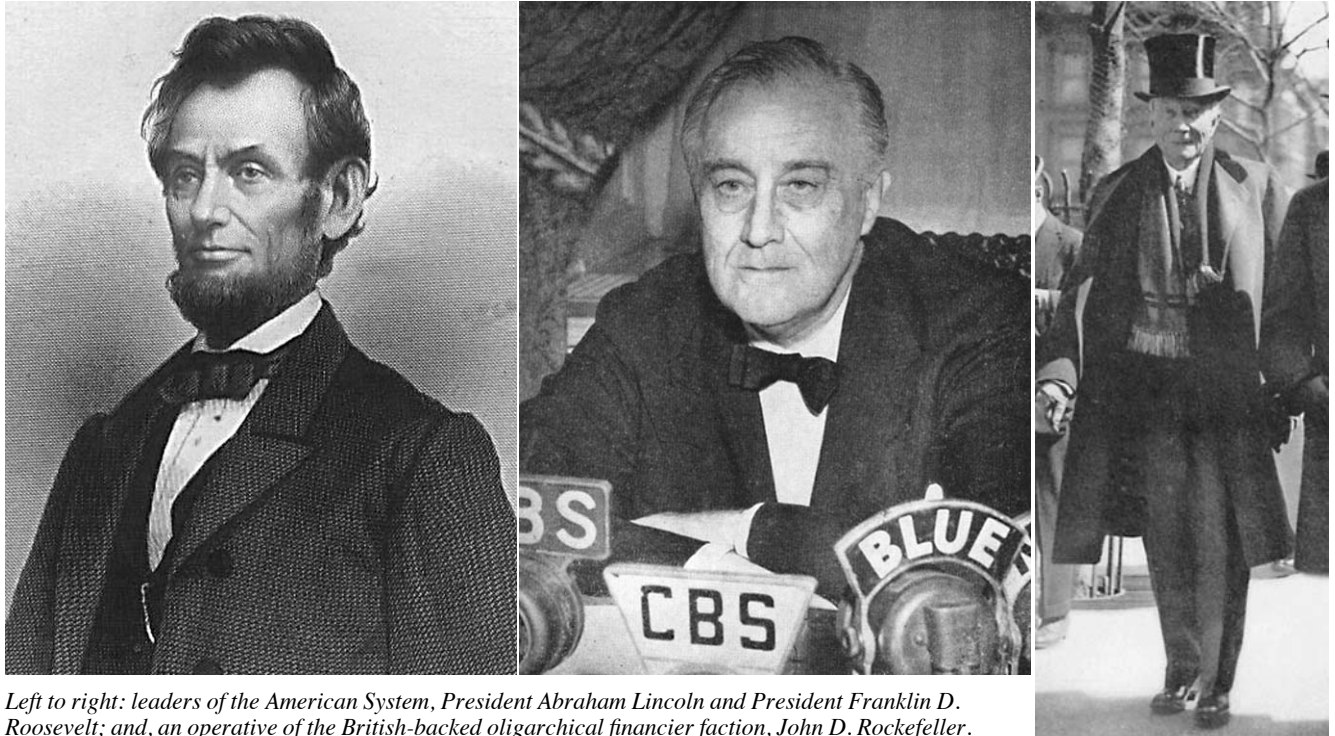
By the early twentieth century, the J.P. Morgan bank on Wall Street had gained control over most of America's heavy industries. During World War I, Morgan was the official agency within the United States for the British Crown and Empire.

**John D. Rockefeller** entered business in Cleveland in 1859 with British capital, as a partner of Englishman Maurice B. Clark ("Clark & Rockefeller"). In 1863, Rockefeller got into oil refining as a junior partner to Clark and Englishman Samuel Andrews ("Andrews & Clark"). Conspiring with Cornelius Vanderbilt and other Anglophile New York financiers, Rockefeller, Andrews, and others built up the Standard Oil refining monopoly into a weapon against both American industrialists and labor.

As Morgan attacked Jay Cooke, Rockefeller assailed the Pennsylvania Railroad (PRR), the biggest underwriter of the protectionist leaders who sponsored Thomas Edison, Andrew Carnegie, and most great U.S. industrial projects. Rockefeller stopped shipping his own and others' oil on the PRR, while Rockefeller's robber-baron allies drastically cut freight rates, forcing the rival PRR to cut wages to survive. The scenario, guided by Standard Oil Vice President Henry H. Rogers, was capped in 1877 when striking workers and provocateurs rioted, burning millions of dollars' worth of PRR equipment. Less than two months later, in September 1877, the PRR surrendered to all Standard Oil demands, sold off its oil industry assets, and retired from any further challenge to the London-New York power axis.

John D.'s brother **William Rockefeller**, founder of National City Bank (later Citibank), employed, in a private capacity through William's New York social club, a British secret intelligence service officer named Claude Dansey. As the United States prepared to ally itself in World War I with its old enemy Britain, Rockefeller employee Colonel Dansey reorganized U.S. Army intelligence into an adjunct of the British secret service. Dansey's loyal U.S. follower, Gen. Marlborough Churchill, soon became director of U.S. military intelligence. The Rockefeller Foundation was set up as a particularly aggressive channel for British Empire political projects, such as sponsoring the white race purification (eugenics) movement in America and Germany.

**Jacob Schiff**, chief of New York's Kuhn Loeb & Co. private bank, was junior partner to his London mentor and



Left to right: leaders of the American System, President Abraham Lincoln and President Franklin D. Roosevelt; and, an operative of the British-backed oligarchical financier faction, John D. Rockefeller.

guide to power, Sir Ernest Cassel, personal banker to King Edward VII. Edward was “Prince of the Isles,” whose approach to building a global British imperium has been followed by today’s “Club of the Isles” boss, Prince Philip. At King Edward VII’s request, Schiff issued bonds in America to finance Japan’s 1905 war against Russia. This was the sole “American” participation in the British sponsorship of the war, but it helped ruin Russia and destroy the Russian-American alliance.

The director of British Intelligence operations for North America during World War I, Sir William Wiseman, was a partner with Jacob Schiff and the Warburgs; Wiseman remained at Kuhn Loeb, New York, until his death in 1962.

**Edward H. Harriman** was an Anglophile New York stock broker and minor railroad speculator, allied to Rothschild New York representative August Belmont. In 1898, Sir Ernest Cassel arranged to put British Crown money through Kuhn Loeb & Co., to finance Harriman’s purchase and reorganization of the giant Union Pacific Railroad. Son **Averell Harriman** created a bank which merged with London’s Brown Brothers, the family firm of Bank of England Governor Montagu Norman.

The British Crown-affiliated Harriman group, managed in New York by President George Bush’s father, sharing Morgan’s lawyers (the Dulles brothers), financed Britain’s promotion of Hitler’s rise to power in Germany.

Aided by the Anglomania of U.S. President Theodore Roosevelt (who was ludicrously called the “trust-buster”), the Morgan, Rockefeller, Schiff/Warburg, and Harriman central

clique formed trusts to wrest the steel, electrical, machinery, and railroad industries from their American builders. The British government, through a Morgan-brokered loan worth ten times the value of the Du Pont company, took power over that munitions firm and made it a British political agency (Du Pont was a particularly prime target for British takeover, because earlier generations of the du Pont family had played a pivotal role in the early development of the U.S. economy under “American System” methods). Morgan and his Du Pont partners then seized control of General Motors, the automobile manufacturer.

The *New York Times* aided the British takeover. The *Times*’s post-Civil War owner Leonard Jerome was intimate with British Tory Party leaders and became the grandfather of Winston Churchill. With Morgan money and British blessing, southern racist Adolph Ochs acquired the *Times* in 1896. Ochs hired British spy “journalists” and flagrantly promoted American subordination to British Empire interests. Ochs’s descendants, the Sulzbergers, continue the tradition as *Times* proprietors.

The Federal Reserve System, created by the British Wall Street Group in 1913, gave the Bank of England an instrument for hands-on manipulation of U.S. government finance; this has usually been managed through the New York Fed branch, in conjunction with J.P. Morgan.

Following World War I, the British formed an organization to direct the U.S. government’s foreign policy, the New York Council on Foreign Relations, as a twin of the Royal Institute of International Affairs. Based on Britain’s Wall

Street banking clique and their lawyers, the CFR later became more broadly synonymous with the Anglophile Eastern Establishment.

President Franklin D. Roosevelt reasserted America's national mission from the 1930s through World War II. But after FDR's death, the London-Wall Street axis, now joined by Canada-based British Empire financiers, clamped a vise grip on American policymaking.

The premature death of FDR provided the opening for Winston Churchill, Bertrand Russell, and other leading lights of the "new" postwar British Empire, to orchestrate a Cold War divide between the wartime allies, the United States and the Soviet Union.

The National Security Act of 1947 and accompanying measures reorganized the U.S. Armed Forces along lines mapped out by Britain's Lord Maurice Hankey, for the reform and coordination of the U.S. and British military and secret services. Britain's New York banking clique (Harriman et al.) ran President Truman's global policy (1946-53), and (through the Dulles brothers) much of President Eisenhower's (1953-61). In this era, British-Soviet triple agent Kim Philby tutored the American CIA, and Montreal-based British intelligence operative Maj. Louis Mortimer Bloomfield counselled J. Edgar Hoover's FBI.

President John Kennedy, echoing Lincoln and Franklin Roosevelt, moved America back on the path of industrial and scientific progress, giving hope to the world that the post-colonial era had arrived. But following Kennedy's 1963 assassination, British-imported social and political changes—the New Age—swamped the U.S.A., under the management of the Ford and Rockefeller foundations, and other agencies of the Wall Street octopus.

This is the origin of the post-industrialism, "globalism," and cultural insanity which has so dangerously undermined America's uniquely positive contribution to world civilization, a contribution that can still provide a margin of victory, if properly marshalled, against the British-American-Commonwealth faction.

**For further reading:** Anton Chaitkin, *Treason in America: From Aaron Burr to Averell Harriman*, second edition (Washington, D.C.: Executive Intelligence Review, 1998); Webster Tarpley and Anton Chaitkin, *George Bush: The Unauthorized Biography* (Washington, D.C.: Executive Intelligence Review, 1992); Chaitkin, "Leibniz, Gauss Shaped America's Science Successes," *EIR*, Feb. 9, 1996; Chaitkin, "The 'Land-Bridge': Henry Carey's Global Development Program," *EIR*, May 2, 1997; Nancy Spannaus and Christopher White, editors, *The Political Economy of the American Revolution*, second edition (Washington, D.C.: Executive Intelligence Review, 1996); W. Allen Salisbury, *The Civil War and the American System: America's Battle with Britain, 1860-1876* (Washington, D.C.: Executive Intelligence Review, 1992).

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## The Federal Reserve

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# How the BAC controls credit, U.S. policy

by Richard Freeman

In 1913, the financier oligarchs of the City of London and Wall Street effected a profound change: They created the Federal Reserve System to impose a dictatorship on the United States, through control of the nation's credit. Through this means, economic and national policy can be dictated. Over the years, the Federal Reserve ruined America's productive economy, and destroyed its economic sovereignty. This became all the more important in 1913, because by then, America was the most powerful industrial nation in the world, producing fully one-third of the world's industrial output.

As a centralized authority, with the final say over most credit policy, the Federal Reserve handed to the City of London and Wall Street powerful levers, to set the level and price of credit, and to determine how much would flow, and for what purpose. The principal controls of the Federal Reserve are: 1) power over the discount rate, the rate at which commercial banks borrow directly from the Federal Reserve by discounting paper with the Fed; 2) power over the federal funds rate, which is the rate that controls the injection or withdrawal of 24- to 48-hour money into the commercial banking system (carried out through Treasury security "repurchase agreements"); 3) power to set the level of reserve requirements for banks; 4) power to own and market U.S. Treasury securities; and 5) power to issue credit, as only the Federal Reserve has the authority to purchase Treasury securities by monetizing them, that is, printing up new money.

Through the first and second powers enumerated above, the Federal Reserve sets the floor for interest rates for the economy as a whole. Showing the full wrath that can be inflicted on the economy through these combined powers, in October 1979, then-Federal Reserve Board Chairman Paul Volcker began instituting a policy of "controlled disintegration of the economy." During the week of Oct. 6-12, 1979, he started a process of continuously raising the discount and federal funds rates, which sent the prime lending and other interest rates into the stratosphere. The economy buckled. This produced an enduring effect: Between 1979 and 1985, one-third of America's high-technology machine-tool capacity was permanently shut down, and there was a close-down of a similar percentage of other capital-intensive industries throughout America's industrial heartland.