

[return to home page](#)

**Why the Economists Failed**  
**Economy & Creativity**  
**by Lyndon H. LaRouche, Jr.**

October 10, 2008

We live, at this moment, in a world which, at this brief instant of its history, had been presently dominated by the approach of the ominous fiscal date of October 10. This already sick world's present financial system, has entered the threatened death-agonies of that present global system of Las Vegas-style gambling, called financial derivatives. The holders of financial derivatives HAVE gambled on the virtual race-track called financial speculation, and have lost, and should not be paid off for that. Cancel their worthless ``play money" claims; get on, so unhindered, with the business of the physically real economy of the world. Let the actual people of this planet live....

**In-Depth articles from EIR, Vol. 35, No. 41**

**...Requires Adobe Reader®.**

## Feature

- **Why the Economists Failed: Economy & Creativity**  
**by Lyndon H. LaRouche, Jr.**

The already sick world's financial system has entered its death agonies, as civilization heads for a dark age. 'As I show in this summary report,' LaRouche writes, 'the only proper response to that present challenge to civilization, is to be found under the heading of scientific creativity, as the proper meaning of that term creativity (as distinct from mere innovation) is defined in practice by the development of the original discovery of that principle of gravitation ruling the Solar System.'

- **Change the Subject**

Almost no one has any understanding of actual physical science anymore, and yet, this is the basic problem of modern civilization, said LaRouche.

- **How the Human Mind Works**  
**(The Sight & Sound of Science)**

The most crucial of the issues posed by the breakdown of the present world monetary-financial systems is the role of human individual creativity.

- **A Report from the Basement Team:**

- **Human Creative Reason as a Fundamental Principle in Physics**

**Sky Shields** sheds further light on the ontological significance of the concept of potential, as investigated by Gauss, Dirichlet, Weber, and Riemann.

## World News

- **Shut Down the Derivatives Markets To Save Civilization**

The true, hyperinflationary factor in the situation is the unregulated, insanely leveraged derivatives trade This is what is killing us. This is the great crime of Alan Greenspan.

- **International Bankers' Scramble Shows Money Can Solve Nothing**

- **Russian State TV Puts LaRouche on The Air:**

  - **Revive FDR's Bretton Woods**

The *Vesti Nedeli* (News of the Week) program on Russia's national TV *Rossiya* channel aired an interview with LaRouche on Oct. 5. Economist LaRouche laid out both the inevitability of the demise of the current financial system, likely by the end of this year, and the emergency alternative that he is fighting for.

- **LaRouche's Proposals:**

  - **It's Time to Listen!**

- **Bangladesh:**

  - **The British/ Saudi Slush Fund and the Rise of Wahhabism**

    - **A Country with Hungry Mouths To Feed Needs Food Irradiation!**

      - An interview with **Dr. Arun Sharma.**

- **Repercussions, Alternatives To World Financial Crisis**

Lyndon LaRouche was interviewed on Quito, Ecuador Radio on Oct. 6, along with Pedro Páez, Ecuador's Minister of Economic Policy Coordination.

## Book Reviews

- **Advice from the Generation that Worked Making Government Work**  
**by Ernest F. 'Fritz' Hollings.**

## Interviews

- **Dr. A.K. Sharma**

Arun Sharma has received the Indian Nuclear Society's 2006 award for outstanding achievements in the field of radiation and radioisotope applications. He is the head of the Food Technology Division at Bhabha Atomic Research Centre and professor at the Homi Bhabha National Institute.

## Editorial

- **No Reason for Panic**

## U.S. Economic/Financial News

- **Farm Belt Faces Below-Breakeven Crop Prices**

- **Peterson Foundation Peddles IOUSA Genocide**

## U.S. Diplomat Warns: End of Free Market Capitalism

### **Farm Belt Faces Below-Breakeven Crop Prices**

Oct. 6 (EIRNS)—Index prices have fallen over 40% since July, for a combined group of commodities, including grains (e.g., corn, wheat, soybeans), industrial metals (e.g., copper, zinc, nickel), precious metals (gold, silver), as well as oil, according to all data composites. The global price value of 19 commodities in the Reuters-Jefferies CRB Index has fallen \$280.6 billion, or 43%, from its July 3 peak, a loss larger than their total worth two years ago, according to Bloomberg. Last week alone, the CRB index fell 10.4%, the largest weekly drop in over 50 years.

The deflation reflects a mass exodus from the Chicago, New York, London, and other major exchanges by hedge funds and other players in commodities speculation, now lacking credit for their gambling habit, and seeking to cover losses or just fleeing to find "safer bets."

Among the dramatic price declines from July to October:

- \* Wheat: \$13 a bushel, down to \$6 a bushel
- \* Tin: \$25,000 a metric ton, down to \$17,600
- \* Nickel: \$33,000 (March) down to \$15,900

But far from signifying a "break" for end-users, which would spur actual physical activity in agro-industry and construction, the dynamic is chaos, given the lack of international collaboration for a new credit system to stabilize and expand national economic functioning. The case of the U.S. corn belt makes the point.

Corn prices were run up as of July to the level of \$8 a bushel in futures speculation, which occurred in the context of the Mississippi/Missouri Basin flooding, which hit the heart of the U.S. corn belt, which accounts for nearly 35% of the world's annual corn output. However, the corn futures price went down by September to \$6 a bushel, then last week, the price dropped 16% to \$4.55 per bushel (futures price for December delivery), on the Chicago Board of Trade (CBOT). At some grain elevator buying stations, the price to the farmer is still lower. The Iowa state cash average is only \$4.12 right now. This is a barely breakeven price for the farmer, given the costs of fuel, fertilizer, and other inputs.

The same process is affecting soybeans, wheat, and other farm commodities. Soybean futures have dropped from \$16 a bushel in Summer, down to \$10 for November futures on the CBOT. Below this, and the farmer gets no profit at all, and losses set in.

Wheat has dropped from the \$13 a bushel high, down to \$6 a bushel. "With average yields, current prices and higher input costs, you are back down to breakeven levels for winter wheat," summed up Dr. Mark Welch, an agriculture extension economist in Randall County, Texas recently.

In this context, farmers have no basis at all for planning ahead. One longtime Iowa corn and bean farmer reports that mass mailings are showing up in his county, asking him and neighbors to quit operations, and just rent out their land to roving teams of young workers, geared up to farm 10,000 acres or more as "investments" for absentee money funds. A page from the book of feudalism.

## Peterson Foundation Peddles IOUSA Genocide

Oct. 5 (EIRNS)—The Peter G. Peterson Foundation, producers of the "IOUSA" film demanding an end to Social Security, Medicaid, and Medicare, took out a two-page ad in the *New York Times* Oct. 5, headlined: "Think the current financial crisis is bad? You ain't seen nothing yet." Signed by Peterson and his sidekick David Walker, the former U.S. Comptroller General, the ad lists several supposedly "inconvenient truths": a \$53 trillion federal financial hole (public debt and benefits, plus Medicare and Social Security), with double tax rates in the near future, while insisting that "We cannot grow our way out of these programs."

They demand that the Presidential candidates tell the American people that these "tough choices and shared sacrifices will be required."

## U.S. Diplomat Warns: End of Free Market Capitalism

Oct. 8 (EIRNS)—Former ambassador J. Stapleton Roy told a conference in Washington today that the current financial crisis was "catastrophic," that 2009 will be a defining moment in history, that the idea of free-market capitalism and even free societies is being severely challenged internationally, and that this will actually be good for the United States!

Roy, a senior diplomat and former ambassador to China, is now head of the Kissinger Institute on China at the Woodrow Wilson Center.

He began his presentation at the Georgetown Center for Strategic and International Studies (CSIS)/Peterson Institute forum to launch a new CSIS book, *China's Rise: Challenges and Opportunities*, by saying that the coming Presidential transition will be the first since 1932, to come in the midst of a catastrophic crisis, the "worst financial crisis since 1929, two unresolved and festering wars, and the worst relations with Russia since the Cold War." He noted that neither candidate is discussing any of these issues.

"This financial crisis will end the American hubris," he said, ending the false belief that the U.S. had the power to assert its will to control the world as it wished. "There will be at least one benefit from this," he said, in that the country will be more open to other ideas.

"The idea that free market capitalism is the best system is now under suspicion," said Roy. In the 1920s, there was a "failure of capitalism," he said, which resulted in the rise of fascism and communism. "That's what is happening now."

## Global Economic News

### [Great Britain: The Trillion-Dollar Bailout](#)

### [Fallout from Iceland Bankruptcy Hits Europe](#)

### [Zoellick: G7 Is Dead and Should Be Replaced](#)

## Great Britain: The Trillion-Dollar Bailout

Oct. 8 (EIRNS)—The British banking system has imploded as the government announced a £500 billion bailout plan.

Within hours, this was followed by the announcement by the Bank of England of a 0.5 percentage point cut in the interest rate to 4.5%. The announcement amounts to an official recognition that the entire British banking system is in trouble, an admission that goes far beyond what every other country, except Iceland, has cared to admit.

Most of the headlines in British dailies talk of a £50 billion rescue, but, according to the official statement of the government, the £050 billion is to buy preferred shares in eight of the biggest banks including Abbey, Barclays, HBOS, HSBC Bank Plc, Lloyds TSB, Nationwide Building Society, Royal Bank of Scotland, and Standard Chartered. These banks have all agreed to become part of the plan, which can be extended to other British banks and foreign banks with large operations in Britain. These eight banks will immediately receive a total of £25 billion for the sale of preferred stock to the government. Another £25 billion will be made available to these banks as needed.

The statement then reads, "At least £200 billion will be made available to banks under the 'Special Liquidity Scheme' ... against extended collateral," i.e., toxic waste. This is four times more than in the past year.

Then, the government will extend a £250 billion guarantee to cover "new short and medium term debt issuance to assist in refinancing maturing, whole fund obligations as they fall due." This will be "issued out of a specifically designated Government-backed English incorporated company."

## **Fallout from Iceland Bankruptcy Hits Europe**

Oct. 8 (EIRNS)—With subsidiaries all over Europe, the collapse of Iceland's banking system could have an effect on the European banking system like a match thrown into a gas-filled room. An Eu150 billion rescue package to the Iceland Central Bank has been put together in Scandinavia: The central banks of Sweden, Denmark, and Norway have each extended a loan of Eu50 million.

Two days ago, government regulators walked into the offices of Landbanki, throwing out the board of directors and taking over management of the bank. Now, Samson Holding, which owned 42% of the bank, has filed for bankruptcy. The collapse of Samson Holding could have further implications, since the Bjorgolfur family holdings in banks and other companies are all over Europe, including Russia.

## **Zoellick: G7 Is Dead and Should Be Replaced**

Oct. 8 (EIRNS)—Attacked by a rare fit of sanity, World Bank chief Robert Zoellick said the global financial crisis was a "wake up call" that required broader cooperation across more countries. "The G7 is not working," and it should be replaced by a steering group that includes emerging economic powers such as China, India, South Africa, Saudi Arabia, Russia, and Brazil. "The new multilateralism, suiting our times, will need to be a flexible network, not a fixed nor a unitary system," Zoellick said. "It needs to maximize the strengths of interconnecting and overlapping actors and institutions, public and private." Zoellick's statement should not be construed as a call for a New Bretton Woods.

## **United States News Digest**

[Obama Knew Weatherman Since the 1980s](#)

[ACORN Under Multiple Investigations for Voter Fraud](#)

[Vote for Bailout Is Big Reelection Problem](#)

## 'Papa Doc' Bloomberg? Mayor Demands To Stay in Office

### **Obama Knew Weatherman Since the 1980s**

Oct. 10 (EIRNS)—John Murtagh, a Yonkers, N.Y., city councilman and current candidate for state senator, whose home was bombed in 1970 by the Weather Underground, has come forward to challenge Barack Obama's claim that he only learned of Bill Ayers's and Bernadine Dohrn's activity in the terrorist Weather Underground sometime after a 1995 meeting at the Ayers' home in Chicago, where Obama's political career was launched.

In February 1970, Murtagh's father was a New York State Supreme Court justice presiding over the trial of the so-called "Panther 21," members of the Black Panther Party indicted in a plot to bomb New York landmarks and department stores. On the morning of Feb. 21, three gasoline-filled firebombs exploded at their home on the northern tip of Manhattan. The same night, bombs were thrown at a police car in Manhattan and two military recruiting stations in Brooklyn. A few weeks after the attack, the New York contingent of the Weathermen blew themselves up, making more bombs in a Greenwich Village townhouse. In late November that year, a letter to the Associated Press signed by Dohrn, Ayers's wife, promised more bombings.

Murtagh put out a statement on behalf of John McCain's campaign Oct. 8 stating, "Barack Obama's friend tried to kill my family."

"The Weather Underground launched an attack on our family home ... looking to kill us," Murtagh told FOX News. "I believe if the senator were to come clean and tell us the full story, we'd find out this relationship well predates the fundraiser held in the Ayers home. It goes back to the '80s."

In an interview on Fox TV, Murtagh established that Michelle and Barack Obama knew Bernadine Dohrn and Bill Ayers beginning in 1988-89, when Michelle Obama and Bernadine Dohrn worked together at the law firm of Sidley and Austin.

Lyndon LaRouche commented that Obama is a creation of the British, and they can still pull the plug on his candidacy. They can sink him overnight. They can determine the outcome of the election by sinking him or not sinking him overnight, even now.

LaRouche had identified the character of the Weathermen after they emerged in 1968, in a document entitled, "The New Left, Local Control, and Fascism." The Weathermen, like ACORN today, was a British-controlled, anti-labor, fascist organization in its essential character. Obama is a product of a fascist movement.

### **ACORN Under Multiple Investigations for Voter Fraud**

Oct. 9 (EIRNS)—Investigations have been undertaken in a number of states over the past several days, of the voter registration activities of the Association of Community Organizations for Reform Now (ACORN), which runs campaigns to register low-income voters, often with taxpayer funding. Barack Obama has had various associations with ACORN in the past, and ACORN is backing Obama in the Presidential campaign. ACORN also is part of the George Soros "billionaires club" Democracy Alliance nexus of organizations, which also includes the Tides Foundation and the Service Employees International Union (SEIU). This apparatus was heavily deployed against Hillary Clinton's primary campaign, and is part of Soros's self-described "hostile takeover of the Democratic Party."

\* On Oct. 7, Nevada state investigators executed a search warrant in Las Vegas to seize documents and records of ACORN's "Project Vote" registration drive, for a multi-jurisdictional investigation of alleged fraudulent registrations.

\* The *Las Vegas Sun* reported today that the Nevada Corrections Department learned in July that one of its facilities in Las Vegas had sent out work release prisoners to a contractor which sent 59 of them to ACORN for registering voters;

\* The *New York Post* reported that voters subpoenaed by the Cuyahoga County (Cleveland), Ohio Board of Elections said they'd been registered to vote anywhere from 10 to 72 times by ACORN canvassers;

\* The *Chicago Sun Times* reported, citing county election officials, that in Lake County, Indiana, an estimated half of the 5,000 voter registrations filed by ACORN in the past two weeks were fraudulent, and Republican officials have taken the issue to Federal Court; and

\* The *Chicago Tribune* carried an AP article reporting that Missouri officials "are sifting through possibly hundreds of questionable or duplicate voter registration forms" submitted by ACORN, and an FBI spokeswoman was quoted, that the FBI has been in touch with election officials about potential vote fraud and plans to investigate. The article noted that in April, eight ACORN workers in St. Louis pleaded guilty to Federal election fraud for submitting false registration cards in the 2006 election.

## **Vote for Bailout Is Big Reelection Problem**

Oct. 8 (EIRNS)—Two Senate Republicans up for re-election, Minority Leader Mitch McConnell (R-Ky.) and Saxby Chambliss (R-Ga.), are scrambling to defend their votes in support of the \$700 billion bailout to angry voters.

The campaign of McConnell, the highest-ranking Republican in the Senate, who rounded up Republican votes for the bailout's 75-24 passage, put out a mass e-mail last weekend which says: "I helped pass a bill with broad bipartisan support to stabilize our credit markets.... Most economists agree that the initial cost of this bill will be recouped, and there is a significant chance the rescue bill could actually make money for the American taxpayers." He says he voted for it because the crisis impacted "real people." McConnell now trails his Democratic opponent by 2 points, according to the latest Democratic poll.

Freshman Chambliss took out a TV ad to defend himself in a close race: "We are facing the worst financial crisis in my lifetime. We had to act: Businesses are failing; people are losing their retirements, their homes, their jobs, and their life savings.... I'm as mad as you about what happened, but doing nothing would have been a disaster. I know in my heart this legislation is good for all Georgia families...." All of the Georgia members of the House, both Democrats and Republicans, voted against the bill.

Lyndon LaRouche advised them to simply tell the truth on why they voted for the bailout: They should say, "I was threatened!"

## **'Papa Doc' Bloomberg? Mayor Demands To Stay in Office**

Oct. 6 (EIRNS)—New York's billionaire Mayor Michael Bloomberg's effort to overturn two voter referenda mandating a two-term limit city's mayor is not playing well outside his rubberstamp City Council. As *Newsday* columnist Les Payne put it in today's paper, "Papa Doc Bloomberg, Mayor for Life. To hell with this being a nation governed by laws and not men. Shred the City Charter. Scrap the voters' referendum. Ignore the will of the people. Forget even the mayor's own past refusal to extend his reign. The Great Man has placed himself above the law with his billions to back it up."

Payne quotes Bloomberg saying, Oct. 2, "I've been convinced that three terms is right.... In tough times, it is probably good to have more choices, because the decisions you make are more important than ever before." With the economic crisis, Bloomberg will not go quietly away, as the law requires, "from a city I feel I can help lead."

Payne continues, "Tyranny creeps in on precisely such cat feet. Not surprisingly, Rudolph Giuliani tried it. We've seen it not just in Haiti under dictator Papa Doc Duvalier but elsewhere around the world.... Along comes the Wall Street meltdown and, Bingo!—a rationale for the billionaire to stay in his private East Side mansion. After all, who better to protect the city from the excesses of such greedy wheeler dealers than a former equity broker once fired from Salomon Brothers? ...

"Bloomberg declares himself best suited to steer the city through its economic crisis. He didn't, of course, see the calamity coming, but, hey, what's to be expected from a mayor you pay only \$1 a year...."

Yesterday, demonstrators were on the steps of City Hall, denouncing the Bloomberg move.

## Ibero-American News Digest

[LaRouche Was Right! Brazilian Reporter Recalls](#)

[Peso Meltdown: Which Way Mexico?](#)

[Calderón Offers PEMEX to Speculators](#)

[LYM Serenades Argentina's President](#)

[Chile's Private Pension Funds Evaporate](#)

### LaRouche Was Right! Brazilian Reporter Recalls

Oct. 7 (EIRNS)—In an article published in *Correio Braziliense* yesterday, reporter Rubem Azevedo Lima recalls that it was U.S. economist Lyndon LaRouche who first warned, as long as 15 years ago, that the speculative "casino" economy, reflected in the growth of the U.S. real estate bubble, would come crashing down—as is occurring today.

Under the headline "The Lost Casino," Azevedo notes that LaRouche's warnings, published in the mid-1990s in his magazine *Executive Intelligence Review*, were dismissed by the so-called "elite" economists, both in Brazil and the United States. They called him crazy, and he was eventually imprisoned, "as he put it," Azevedo explains, "thanks to the machinations of the Bush Sr. government and his advisor Henry Kissinger." Azevedo reports that *EIR* arranged for him to interview LaRouche, and that he asked the American economist questions about the United States, the world, and Brazil.

Yet, Azevedo recalls, when he tried to publish his interview, no one would touch it. "That guy is crazy," the "experts" said. But look at the situation today! "The economists were blind or crazy, in rejecting LaRouche's warnings about the growing bubble of real estate mortgages which, he said, would bring down the U.S. and the world economy."

Azevedo Lima also chided Brazilian President Lula da Silva for loudly denouncing the casino economy today, but

allowing it to flourish in Brazil in the past, as long as it appeared to benefit the country. He added that it's symptomatic of Brazil's problems that Central Bank president Henrique Meirelles, formerly of the Bank of Boston, praises the U.S. \$700 billion bailout package as "perfect," when "most Americans think it only benefits the bankers."

## **Peso Meltdown: Which Way Mexico?**

Oct. 10 (EIRNS)—The disintegration of the international financial system is now "consuming" the Mexican peso, which has been devalued by 24% against the also-collapsing dollar since Aug. 4. For a nation which imports a quarter of its basic grains, this is a disaster. The rate of the peso collapse accelerated on Oct. 6 and 7—with record drops each day—and then went into virtual free-fall on Oct. 8.

That day, and on the following two days, a frantic Banco de Mexico (the central bank) sold a whopping \$8.9 billion to defend the peso, spending \$6.4 billion on Oct. 10 alone. So far this month, the currency has plunged by 16%, and only inched up slightly following the Oct. 10 intervention.

The devaluation comes on top of a drop in remittances by as much as 30% in some states, more than double official figures, according to the National Peasant Federation (CNC). Remittances from Mexicans working abroad had been the country's second-largest source of foreign exchange.

As its jobs and growth program, the Calderón government had touted several giant, export-oriented public-private partnership (PPP) infrastructure projects, to stave off social chaos. But on Oct. 6, the Transportation Ministry announced it was postponing bidding on two of those projects, because the private investors that were to put up the cash—such as the bankrupt AIG!—are disintegrating along with the global financial system.

Under the leadership of the LaRouche movement, institutions in the state of Sonora are stepping up the fight for a change from failed national policies to those reiterated by Lyndon LaRouche during his April 2008 visit to Monterrey, Mexico. The latest salvo came from Sonora Gov. Eduardo Bours, who warned Oct. 7 that it would be the "gravest error," were the Mexican government to respond to the crisis by cutting its investment in infrastructure. Instead, he said, the federal government should be asking states about the projects they have to build, and help get those rapidly underway. Bours named the Northwest Hydraulic Plan (PLHINO) as one such project, whose construction would help to generate almost a million jobs and provide irrigation for hundreds of thousands of hectares of land for farming.

## **Calderón Offers PEMEX to Speculators**

Oct. 9 (EIRNS)—Following Mexico's dramatic peso collapse, President Felipe Calderón addressed the nation last night to admit, after weeks of public denial, that the world crisis will, indeed, affect Mexico, and gravely so.

He presented five "anti-crisis" measures, which pivot on one central act: setting up the state oil company, PEMEX, for sell-off to the financier vultures, by bankrupting it.

As London-centered financiers have been demanding for years, Calderón announced that the transformation of PEMEX into an "autonomous" entity, financially and technically separate from the state, must begin immediately. He also said that the government was moving some \$176 billion in "PIDIREGAS contingency debt" (off-balance-sheet obligations) onto PEMEX's account, which PEMEX would have to pay from its own resources!

Lyndon LaRouche, who has defended Mexican sovereignty for decades, immediately identified the scheme as a move to turn PEMEX into a "public-private partnership," yet another infamous PPP.

Because Calderón packaged the whole swindle as a way to free up money through accounting hand-waving so that the government can spend on infrastructure projects, including building the first new oil refinery in 30 years, even the opposition Democratic Revolution Party (PRD), including its 2006 Presidential candidate, Andrés Manuel López Obrador, welcomed Calderón's gambit, ignoring the fact that PEMEX is about to be thrown to the wolves.

## **LYM Serenades Argentina's President**

Oct. 10 (EIRNS)—On Oct. 8, two members of the LaRouche Youth Movement serenaded Argentine President Cristina Fernández de Kirchner on the reality of the global financial crash and the need for a New Bretton Woods.

The two young women approached the President at the closing of the "Vital Voices of the Americas" conference in Buenos Aires, and in a song sung to the tune of Mozart's "Alleluja" canon, emphasized the historic change taking place in the world due to the global financial collapse.

Recalling that the LYM had also sung to her last year in Mexico before she became President, Fernández was delighted to hear the young women sing, although she nervously laughed upon hearing the words "the crisis is systemic," and "LaRouche was right!" This past week, Fernández called for a New Bretton Woods, which the LYM told her was very important, but added that "it has to be the Bretton Woods of Franklin Roosevelt and LaRouche, not of Keynes." Keynes "was a monetarist," the LYM told her.

## **Chile's Private Pension Funds Evaporate**

Oct. 9 (EIRNS)—Chile's private pension system lost a whopping \$20 billion between July 25, 2007 and Sept. 30, 2008, according to an Oct. 4 report by Chilean pension expert Manuel Riesco. This is the private system imposed on Chile in 1981 by the fascist Pinochet dictatorship, and which George W. Bush's political godfather, Pinochet-backer George Shultz, tried unsuccessfully to ram down the throats of the American people in 2005.

Chile's private system fund is about \$120 billion. Riesco charges that the losses are due to investments in speculative financial derivatives and mortgage-backed securities, which rating agencies recommended as perfectly "safe." Such insanity was also facilitated by the Chilean government, which recently raised to 50% (from 40%) the percentage of the fund that could be invested abroad.

A political activist who collaborated with the LaRouche movement in exposing the fascist nature of the Chilean system in the 2005 fight, remarked to *EIR* on Oct. 7 that "the losses to Chilean workers are more than considerable," adding that this occurs in the context of the global financial collapse that LaRouche had long ago forecast.

## **Western European News Digest**

[Italy To Present New Bretton Woods Draft at G-20](#)

[Summit Shows Death of Maastricht](#)

[Sarkozy Moves To Prevent Panic, Stop Bank Run](#)

## Sarkozy Okays Russia Proposal, with Conditions

## German Government Desperate To Prevent Bank Run

### **Italy To Present New Bretton Woods Draft at G-20**

Oct. 11 (EIRNS)—Italian Economics Minister Giulio Tremonti announced yesterday that Italy will present a draft proposal for a "New Bretton Woods," in a press conference at the G-20 meeting following the G-7 meeting of finance ministers in Washington. (The G-20 includes finance ministers and central bank governors of 20 countries, both industrialized and developing. The G-7 includes only the top industrialized countries.)

"We will present a preliminary draft at the IMF and G-20 meetings tomorrow," Tremonti said. We must "look forward to the future system," adding, "If the crisis is a global one, then solutions cannot be local; if the crisis has been a financial crisis, then the answer must be also an institutional one." In an implicit polemic against the text of the final communique of the G-7, which speaks about saving "systemically important financial institutions," Tremonti said that "the target of the Italian government is to save all banks," because "either they are all systemic, or we will have a systemic chaos."

Tremonti also attacked the Basel II regulations, saying that they "are dead. At least, this is the impression. All failed banks were aligned with Basel II. Evidently, there is something wrong." Italian central bank governor Mario Draghi, who spoke after Tremonti, said instead that "Basel II is not dead, but must be resuscitated in other forms."

### **Summit Shows Death of Maastricht**

Oct. 5 (EIRNS)—The four leading European heads of state and government held a summit Sept. 27, together with the heads of the EU Commission, European Central Bank, and Eurogroup, to discuss the collapsing global banking system. The meeting demonstrated the reality of Helga Zepp-LaRouche's declaration that the Maastricht Treaty's dictatorship over Europe is now dead, and that there is no solution without a return to the sovereignty of nations, and forging an FDR-style solution to the bankrupt global system.

The communique by the leaders—France's President Nicolas Sarkozy, Germany's Chancellor Angela Merkel, Italy's Prime Minister Silvio Berlusconi, and a very unhappy Prime Minister Gordon Brown of Great Britain—invoked "the exceptional character of the economic and financial circumstances," to state that "the European community will have to prove itself flexible in the application of the rules defining State aid to companies, as in the principles defining the unique market." They also took a stab at the Stability and Growth Pact, the hated Amsterdam Pact (which restricts EU members to a limit of 3% of GDP on budget deficits), which "will have to reflect the exceptional circumstances in which we find ourselves, according to the dispositions written in the Pact to that effect."

They also called for "a summit, as fast as possible ... for the re-establishment of the world financial system." Among the aims of this summit: "to decide that all the actors in the financial markets will be regulated or supervised and not only commercial banks;... this concerns in particular rating agencies, investment banks and hedge funds."

### **Sarkozy Moves To Prevent Panic, Stop Bank Run**

Oct. 9 (EIRNS)—An article in today's *Le Canard enchaîné* explains why no public statement came from the Elysée Palace after French President Nicolas Sarkozy met with most of the leading bankers of the nation. During his crisis meeting with the bankers, Sarkozy gave his marching orders: In no case should people run out of cash. He then ordered the CEOs of the banking sector, with whom he met on Oct. 3: Sufficiently provision your cash distributors and banking agencies. If people

were seen lining up outside the banks on the TV news, it would cause panic. The paper adds: The President has in mind the debacle which followed at the end of last year, with the footage of the long lines of people in front of the British bank Northern Rock, as well as last week's images of lines of people in front of Fortis banks in Belgium and Luxemburg, stormed by worried clients.

## **Sarkozy Okays Russia Proposal, with Conditions**

PARIS, Oct. 9 (EIRNS)—*Le Figaro* leads its issue today with the "new entente" between Russian President Dmitri Medvedev and French President Nicolas Sarkozy, following their participation at the Evian conference organized by France's International Institute of Foreign Relations. Sarkozy said that realization of the entirety of the Aug. 12 and Sept. 8 Franco/Russian agreements on the Georgia/South Ossetia problem, has reopened the perspective of an ambitious framework agreement between the European Union and Russia.

That agreement, stated Sarkozy, will trace the road to a true common economic and human space between Russia and the European Union. To go for confrontation would be folly, he said, adding that Reason commands Europe and Russia to be strategic partners. Sarkozy also gave the green light for the convocation of a conference before the end of 2009 on security problems, which the Russians have been proposing.

Sarkozy proposed that it be held in the context of the Organization for Security and Cooperation in Europe (OSCE), and on condition that this dialogue, "in which we are able to enter with Russia, must associate our American friends and allies. Because if one talks about the security from Vladivostok to Vancouver, that also concerns our allies, as well as the definitive renunciation of the ambition of spheres of influence. We shouldn't forget," said Sarkozy, responding to attacks on the U.S. by Medvedev, that the "Near Abroad" of the Russians is also often that of the European Union. This area must be a field of cooperation, and not a terrain of rivalry.

## **German Government Desperate To Prevent Bank Run**

Oct. 6 (EIRNS)—The real intention of the announcement today in Berlin, of a government guarantee for all private savings accounts, so that not one single euro has to be paid by the savings entity, was to calm the public and prevent a panicked run on the banks. Like other governments, Berlin is no more able to give real guarantees for anything near the Eu568 billion in private savings (the figure given yesterday) or Eu1,000 billion (the figure in the media this morning). Total savings in Germany are eu1.6 trillion.

The stock market is not convinced by what Chancellor Angela Merkel and Finance Minister Peer Steinbrück announced yesterday (without allowing any press questions). Within minutes after trading opened in Frankfurt this morning, the indexes collapsed by 5-6.5%

After the collapse of the first stabilization package for Hypo Real Estate late Saturday night (Oct. 4), all-day emergency sessions finally produced a second package of Eu50 billion, of which the German government guarantees Eu26.5 billion. With real estate development deals totalling Eu124 billion in 2007, and another Eu140 billion in covered bonds, Hypo Real Estate is one of the biggest players in these two German market segments. The German covered bonds market is said to be the biggest in the world, with Eu900 billion in total.

## **Russia and the CIS News Digest**

**[Russian-Language Media: LaRouche Warned of Crisis](#)**

## Yakunin: The Agenda Is New Financial System

## Medvedev at Evian Endorses Sarkozy Proposal

## Putin Boosts Real Economy; Errs on Role of U.S.A.

## Is Soros Financing British Asset Yushchenko's Snap Election?

### **Russian-Language Media: LaRouche Warned of Crisis**

Oct. 6 (EIRNS)—Articles from many sources are appearing in Russian-language media, on the theme that Lyndon LaRouche accurately warned about the current crisis a long time ago. Among these are:

\* A dispatch from the Russian service of China's *People's Daily*, covering an Oct. 3 article in a U.S.-published Chinese-language newspaper, which said the current crisis could have been avoided. The *People's Daily* headline is, "American Paper: Financial Crisis Was Avoidable." Among other things, the dispatch says, "The well-known economist and member of the Democratic Party Lyndon LaRouche has also been forecasting the crash of the international financial system, represented by the U.S.A., for a long time." It cited LaRouche's warning of "unimaginable negative consequences," if the government did not act.

\* The news service of a North Ossetian TV and radio channel, broadcasting also into South Ossetia, quoted from a 2006 article in the Russian weekly *Zavtra*, in which writer Maxim Kalashnikov had cited LaRouche's April 20, 2006 warning that the world was on a course towards Weimar-style hyperinflation. "This forecast was stated almost three years ago by the founder of the 'physical economy' movement," writes Osradio.ru, "the well-known U.S. dissident Lyndon LaRouche: 'The world monetary system, centered around the dollar, has reached a dangerous breaking point. Without a change of policy in the U.S.A. and Europe, the world will enter the breakdown of the current monetary and financial system.'"

Citing LaRouche also on the danger of war, related to the collapse, Osradio.ru reports that "LaRouche calls on Americans to move to a non-liberal model of development, which will bring real progress for America, rather than total collapse. Only that can save the U.S.A. from chaos or a new fascism, into which it could slide as a result of the financial and economic collapse, in LaRouche's view." The dispatch notes that LaRouche has support inside the Democratic Party.

### **Yakunin: The Agenda Is New Financial System**

Oct. 10 (EIRNS)—Vladimir Yakunin, CEO of the state-owned Russian Railways and co-founder of the World Public Forum-Dialogue of Civilizations, told an Oct. 8 Moscow press conference that a new financial architecture would be front and center at this year's Rhodes Conference, which opened yesterday on the Greek island. RIA Novosti put out a wire highlighting this element of what Yakunin said.

At the top of the agenda, he said, is "finances and the economy." The financial crisis, Yakunin stressed, "derived not from financial management in any one country, but from the international financial architecture." Last month, Yakunin told the business daily *Kommersant* that American economist Lyndon LaRouche was the one who had warned him beforehand, that such a systemic financial crisis was going to break open.

Now, said Yakunin, there is "an enormous pyramid," but "the Russian leadership, the Persian Gulf countries, and Asian nations are thinking about an alternative.... In the near future, we shall see a financial system that is different from the one

we are used to," and Russia "can be a full-fledged member of this new world economic system."

## **Medvedev at Evian Endorses Sarkozy Proposal**

Oct. 8 (EIRNS)—Russian President Dmitri Medvedev took up three themes, in his address to the conference on World Politics, held in Evian, France, today. They were: the global financial crisis, the lessons of the Caucasus War, and his own initiative for a new European security pact. On the first and third topics, he presented five-point policy agendas. Most important, he endorsed French President Nicolas Sarkozy's intention to convene a conference of the Group of 8, plus China, India, Brazil, South Africa, Mexico, and possibly other nations, to address the financial crisis.

Speaking about the economic crisis, Medvedev cited his own attack on "economic egoism," back in June at the St. Petersburg Economic Forum. He noted that he had brought up the imminent crisis threat also at the G-8 summit in Japan. Now, said Medvedev, he proposes a five-point agenda: 1) reorganize international regulatory functions; 2) move away from the enormous imbalance between financial instruments and "the real yield of investment programs"; 3) improve risk management on the broadest scale, abandoning "illusions that any asset can appreciate infinitely"; 4) improve transparency; and 5) allow all countries to benefit, when trade barriers are lowered.

Medvedev said that "globalization" would henceforth entail an increased role by states, to guarantee real national development of each country. He reemphasized the importance of bringing China, India, Brazil, Mexico, and South Africa into efforts to change the international financial system, and said he was glad that some American officials now recognize that the G8 alone cannot handle it.

Medvedev denounced the push for NATO expansion, as well as Georgia's attack on South Ossetia and the U.S. ballistic-missile-defense deployments in Europe, as Cold War policies. He said that "a part" of the U.S. government evidently suffers from "Sovietological" thinking, which he called a form of paranoia, "a very dangerous illness."

Medvedev concluded by outlining his five principles for a new European security pact, emphasizing adherence to the UN Charter, commitment to the non-use of force, and equal security for all.

## **Putin Boosts Real Economy; Errs on Role of U.S.A.**

Oct. 10 (EIRNS)—In an Oct. 9 discussion with Gennadi Zyuganov, leader of the Communist Party of the Russian Federation (CPRF), Russian Prime Minister Vladimir Putin emphasized his commitment to restoring physical economic growth in Russia, and the importance of the Franklin Roosevelt precedent in that regard. At the same time, Putin risked making what Lyndon LaRouche called "a very serious mistake" in his conception of what a U.S. role in solving the current systemic financial meltdown should be.

Zyuganov gave his view of the global crisis: "The policy of monetarism has essentially suffered defeat.... My personal opinion is that the U.S.A. will not soon be able to slip out of the noose they tied themselves, when they turned their economy and finances into a big world casino. They've put out \$643 trillion of financial obligations, paper, notes. \$700 billion is not going to save them, and neither is \$2 trillion."

Zyuganov demanded that Putin get rid of Finance Minister Kudrin, in particular, and bring in a different economic team. He cited the short tenure of the Primakov-Maslyukov government in 1998-99 (CPRF member Yuri Maslyukov still heads the State Duma Committee on Industry), as having laid the basis for what Putin achieved in the past decade. Zyuganov cited the importance of abrupt changes in policy, such as Franklin Roosevelt implemented, upon replacing Herbert Hoover—"who was a lot like George Bush"—during the Great Depression. (Zyuganov ignored the American System roots

of the New Deal, instead offering an old communist analysis, that FDR's moves to defend the poor and regulate finances came chiefly from study of the Soviet system.)

In reply, Putin underscored his own remarks on monetarism, and on FDR, the real economy, and the current financial crisis, as the most important things he wanted to say.

On monetarism: "A pure monetarist policy, and even then not entirely pure, was implemented in the early-to-mid-1990s. And I think you'll agree with me, that recently we have not had some laboratory-pure monetarist policy. Otherwise, we would not have development institutions, a Development Bank, special economic zones, an investment fund, etc. We would not have our industrial sector programs, which we have formulated and to which we have allocated a level of funding never before committed by the states. To infrastructure, first and foremost."

About the current world economic situation: "You mentioned U.S. Presidents H. Hoover and F. Roosevelt, and I think you did that on purpose.... This is related to the lawful cyclical development of the world market economy. As soon as there's an economic upswing, you get a free market that's under nobody's control. In any event, it is promoted and passed off as the panacea for all ills. And when the cycle goes into minus, goes down, then everybody starts talking about the need for state regulation. What do we see today? The same thing as with Roosevelt before World War II."

"Where you are absolutely right," Putin continued, "is that confidence in the United States as leader of the free world and a free economy, confidence in Wall Street as the center of that world, has been undermined forever, I think."

Here, LaRouche responded, is where Putin risks making a serious mistake: dismissing the U.S.A.—the real, historical U.S.A. with its unique constitutional system for the generation of credit for real economic growth—as the decisive factor that it must be, for a solution to the current existential threat to humanity. Said LaRouche, "Culturally, the only thing that can save this planet, is that legacy of the United States."

## **Is Soros Financing British Asset Yushchenko's Snap Election?**

Oct. 10 (EIRNS)—Ukraine President Victor Yushchenko dissolved the parliament of Ukraine yesterday, and called "snap" elections for Dec. 7. There is every indication that George Soros will be buying this election in more of his dirty British Foreign Office-backed operations through the Open Society Institute and the Soros Fund. On Sept. 25, when Yushchenko was in New York for the UN General Assembly, he was treated like royalty, with interviews with the New York Council on Foreign Relations, the *New York Times*, and an audience with Soros, during which he asked Soros to continue to provide funding for "democracy" in Ukraine.

The following day, Yushchenko met with Georgia's President Mikheil Saakashvili, along with John McCain and Sarah Palin.

## **Southwest Asia News Digest**

**[Is Anglo-Saudi Crowd Plotting an October Surprise?](#)**

**[IAEA Votes for Nuclear-Weapons-Free Southwest Asia](#)**

**[Barak Calls for Israel To Intervene in Economic Crisis](#)**

## Is Iraq More Constitutional than the Bush Regime?

## Larijani Reveals Differences with Ahmadinejad

## Owen: Bush Should Warn Israel Against Attack on Iran

### **Is Anglo-Saudi Crowd Plotting an October Surprise?**

Oct. 9 (EIRNS)—Well-placed Washington intelligence sources have warned that Saudi Arabia and Great Britain are conspiring on a very nasty "October Surprise" involving Afghanistan: Saudi officials, in collusion with London, are trying to mediate a deal between factions of the Taliban and the Karzai government of Afghanistan, to establish a national unity government—bringing back into power some of the very Taliban dark age fanatics who were ousted after 9/11.

According to one source, the Saudis are pressing, as a precondition for the deal, that the Taliban turn over Osama bin Laden. The capture or murder of bin Laden, just days before the Nov. 4 Presidential elections in the United States, could tilt the outcome of the election, and give President George Bush the "legacy" that has been so illusive up until this point. The consequences of such a filthy deal would assure that Afghanistan would sink into another disastrous decade of civil war and chaos.

The London *Independent*, on Oct. 8, confirmed some details of the story, reporting that the Saudi monarchy recently hosted secret talks between Karzai's representatives and Gulbuddin Hekmatyar, one of the most cut-throat of the mujahideen opium warlords, who fought the Soviets in the 1980s, aligned at one time with Taliban, and is now, again, up for sale.

### **IAEA Votes for Nuclear-Weapons-Free Southwest Asia**

Oct. 6 (EIRNS)—By an 82-0 vote, with 13 countries abstaining (including the United States and Israel), the International Atomic Energy Agency on Oct. 4 voted up a resolution calling on all Southwest Asian nations to take steps towards making the region free of nuclear weapons. The resolution says that countries should not "develop, produce, test or otherwise acquire nuclear weapons."

The IAEA annual general conference called on all nations in the region to accept IAEA inspections and to adhere to the Nuclear Non-Proliferation Treaty (NPT) banning development of nuclear weapons. Israel is the only country in the region that has not signed the NPT, and accepts only limited IAEA inspections. While Israel will not admit that it has nuclear weapons, it's a universally known "secret."

Yet, Germany's DPA news agency reports, on Israel's initiative, the conference also added an indirect reference to Iran and Syria to the resolution, calling on states in the region to comply with their obligations on cooperating with IAEA inspections.

### **Barak Calls for Israel To Intervene in Economic Crisis**

Oct. 6 (EIRNS)—With the financial crisis hitting the Tel Aviv stock market, Israeli Defense Minister and Labor Party chairman Ehud Barak told the weekly Cabinet meeting that the government had to act to deal with the economic-financial crisis.

"We need intervention by the government in dealing with the crisis," Barak is quoted by the daily *Ha'aretz*. "The Finance Ministry, the Governor of the Bank of Israel, the Histadrut labor federation and the employers must all be involved in the solution." He also attacked the free-market reforms that Likud chairman Benjamin Netanyahu implemented as finance minister in 2003-05. "Today, Netanyahu's reforms look problematic."

Tzipi Livni, who is trying to put together a new government, did not respond directly, but pointed to the "need to maintain economic stability."

Earlier in the day, under the initiative of Barak, ministers met with several economists, including Dan Ben-David, who is the economic advisor to the Kadima party, Avia Spivak, Yaakov Sheinin, Avi Ben Bassat, Avi Tiomkin, and Yoram Gabai. While Livni called for not reopening the budget process, the economists called for expanding the budget, but not welfare supplements. What is needed, they said, is expanding government investment in "growth engines," including infrastructure.

On Oct. 5, Histadrut chairman Ofer Eini demanded that pensions be insured, but agreed with Minister of Finance Ronnie Bar-On that such a move would "demonstrate panic." Prof. Avi Ben-Bassat told the Israeli business daily *Globes* yesterday, that, "Insuring deposits in Israel will increase stability and certainty."

## **Is Iraq More Constitutional than the Bush Regime?**

Oct. 10 (EIRNS)—Iraqi Prime Minister Nouri al-Maliki held a crucial meeting with Shi'ite Grand Ayatollah Ali Sistani in Najaf, to ask the Shi'ite leader whether a status of forces agreement would be acceptable. Press TV reported that after the meeting, al-Maliki told reporters that Sistani "does not want anything forced or imposed on the Iraqi people. Rather he wants it to be done through the institutions. If the government and the parliament approve this, then the Seyyed [al-Sistani] will be convinced that is what the Iraqi people have decided."

Press TV reported that some Shi'ite factions claim that the U.S. is assassinating Iraqi leaders who oppose the State of Forces agreement. Saleh Auqaeili, a member of the Parliament from Moqtadar al-Sadr's Shi'ite bloc, died this week after being injured in a bomb blast near Sadr City in Baghdad.

## **Larijani Reveals Differences with Ahmadinejad**

Oct. 11 (EIRNS)—Iran's Majlis (parliament) chairman, Ali Larijani, the former Supreme National Security Council secretary and chief nuclear negotiator, gave an unusually blunt account of his differences with President Mahmoud Ahmadinejad, reported the *Tehran Times*. Asked why he had resigned, "Larijani said he had differences with President Mahmoud Ahmadinejad on how to manage the nuclear issue." Larijani was speaking to an audience of university students, whom he told to "resist pressure from Western states which ... are trying to deprive Iran of its legal rights to use nuclear technology for peaceful purposes."

But Larijani also said, "From a management point of view, I had differences with the President, and after some studies I felt that these differences would hurt the work, and therefore I proposed that another person take my place and, of course, I will help him...." He also noted that he was the representative of Supreme Leader Ayatollah Khamenei at the time.

This was not the only area where Larijani was critical of the President—he also warned against the proposal by Ahmadinejad to provide a direct subsidy to every Iranian citizen of 500,000-700,000 rials a month (\$50 to \$70). The *Tehran Times* reports that "economic experts and the Central Bank of Iran (CBI) have predicted that inflation would rise to about 60% upon the implementation of the plan," and even "more than 100%." Larijani said the Majlis is trying to slow

down the implementation because of the danger of inflation.

Ahmadinejad's economic policies are reported to be the most likely reason that he would lose the 2009 Presidential elections. Unemployment is as high as 30% for young men, and 50% for young women under 30, reported Dr. Djavad Salehi-Isfahani, professor of economics at Virginia Tech, at a briefing this Spring to U.S. Congressional staff members. A well-informed Washington intelligence source reported this week that if oil prices dropped below \$80 a barrel, Iran would begin to have a devastating budgetary collapse. Oil prices fell to that level yesterday.

## **Owen: Bush Should Warn Israel Against Attack on Iran**

Oct. 12 (EIRNS)—"In the past 40 years there have been few occasions when I have been more concerned about a specific conflict escalating to involve, economically, the whole world," writes former British Foreign Secretary David Owen (1977-79) in the *Sunday Times* of London.

"We are watching a disinformation exercise involving a number of intelligence services," Owen says, in which it is becoming ever harder to find the reality. He reviews a number of accounts, such as the story that Israeli Prime Minister Ehud Olmert had asked U.S. President George Bush, in May, for a green light to attack Iran, and that Bush had refused; the Israeli military exercises over the Mediterranean; stories about what may be happening in Iran; and a *New York Times* story claiming that the IAEA had talked about experiments being done in Iran which indicated a nuclear weapons program.

Owen notes how an Israeli attack on Iran, and the subsequent blocking of the Strait of Hormuz by Iran, would have dire economic consequences, and how such a conflict could come to involve much of the rest of the world.

The lessons of the Republic of Georgia are worth remembering, Owen states, noting that even though President Mikheil Saakashvili had been warned by U.S. Secretary of State Condoleezza Rice not to attack South Ossetia, there were other powerful voices pushing him on, with a wink and a nod. "The experience of Georgia has given an amber, if not a green, light to Israel and only Bush can switch that to red."

The way for Bush to do that, Owen recommends, is "taking dramatic diplomatic action to prevent war with Iran." He should warn Israel that the U.S. would use its air power to prevent an Israeli attack, while sending Rice to Tehran to negotiate a "grand bargain." This would be "a last act of real statesmanship from Bush, who is otherwise destined to end his term a miserable failure."

## **Asia News Digest**

[Peoples's Daily: Bailout Will Lead to Dollar Collapse](#)

[Thai Royal Mob Close To Removing Third Prime Minister](#)

[British Launch Move for Independent Kashmir](#)

[South Korean Minister Rips 'Genius' Who Invented Derivatives](#)

**Peoples's Daily: Bailout Will Lead to Dollar Collapse**

Oct. 7 (EIRNS)—The U.S. Treasury "rescue" bailout is a "double-edged sword," states a commentary in today's edition of the *People's Daily* of China. It is clear from the international reaction, that there is "no guarantee" that the bailout will work, the commentary stated, as the markets continue to crash. "After all, whatever plan is put in place at this moment cannot work as a one-step crisis fixer.... It is apparent [that] the system-wide purchase of problem assets ... is by no means a panacea for the ailing U.S economy, but more like an emergency tactic."

While there might be some "relief," the official paper of the Chinese Communist Party wrote, the problems in the U.S. economy are too profound to be solved this way, as rising unemployment and falling consumption demonstrate. The economy is "likely to go further into an economic depression," affecting the entire world.

The commentary argued that the bailout package may well *worsen* the situation. An "in-depth analysis suggested that the \$700 billion bailout plan would possibly send the entire world plunging into a fresh wave of financial crisis," by bringing down the value of the dollar. As the U.S. continues its "long-term goal to devalue its dollars," this means the "likelihood of another large-scale expansion of US dollars.... People are convinced that far more dollar liquidities will be created in the international financial market, with a level much higher than the newly issued bonds by the U.S government or fiscal deficits. These dollar liquidities would push forward the devaluation of the U.S dollars," while forcing inflation in key commodities' prices, which will be "another nightmare for those economies already bogged down in the marshes of high inflation."

The bailout might be able to ease the situation, "but it cannot cure the disease suffered by the whole financial system. The countries concerned will have to work out the emergency plans of their own in a bid to stabilize their own economy and financial market. Against the global financial fears, the governments will also have to join efforts to combat the financial crisis and push ahead with the reforms in the international financial and monetary systems in order to curb the hegemony wielded by the U.S dollars over the world economy," *People's Daily* concluded.

*People's Daily* is published worldwide with a circulation of 3 to 4 million, with editions in Chinese, English, Japanese, French, Spanish, Russian, and Arabic.

## **Thai Royal Mob Close To Removing Third Prime Minister**

Oct. 11 (EIRNS)—The fascist mob which has occupied the Government House in Bangkok for over six weeks is close to bringing down the third straight Thai government, with the royal family and the Army openly siding with the Soros-styled anarchistic "democrats," against the popularly elected governments. In the face of Asian nations' efforts to unify their response to the global financial collapse, the British are pulling out all the stops to keep Thailand—central to the unity of the ten ASEAN nations—in perpetual chaos.

On Oct. 7, Deputy Prime Minister Chavalit Yongchaiyudh, a former prime minister who was brought back into government to try to solve the crisis, deployed police to disperse the People's Alliance for Democracy (PAD) mob from the Parliament building, where it had set up barricades to prevent the meeting of Parliament. (Democracy to the PAD means appointed parliamentarians and a military free to intervene at will.) Using tear gas, the police removed the mob, with two deaths and many injuries, whose cause is disputed—there may have been bombs and weapons carried by the mob.

This was what the fascists wanted—a bloody shirt to wave, to justify a military coup against Prime Minister Somchai Wongsawat's government. The gang of mostly Baby-Boomer anarchists who make up the PAD have received open support from the Queen, who is paying the medical expenses of those injured in the melee, and from the Army. Army Chief Anupong Paochinda—who took part in the 2006 coup against Prime Minister Thaksin Shinawatra, and later refused an order from the last Prime Minister, Samak Sundaravej, to clear the mob from the Government House—has now deployed unarmed troops to the street, to defend the mob from the police!

Chavalit, a former general, resigned after the action to clear the mob from around the Parliament, but sent a challenge to the military to impose order. Incredibly, Army Chief Anupong told Chavalit and Somchai to "take responsibility" for the violence, denouncing Chavalit for his orders to clear the mob from around the Parliament, to allow the functioning of constitutional government.

Showing once again that the courts are under the control of the royal/military crowd backing the mob, when the police finally took the leaders of the PAD into custody, to face the outstanding warrants against them, the court dropped the serious charges of treason and insurrection, leaving only minor charges of "inciting unrest," and then released them on bail—to return to inciting unrest at the Government House and other sites.

Now the Constitutional Court is preparing to impose a ban on the government party over minor election charges against a few members—a repeat of their banning of Thaksin's party. The only possible intention is the classic imperial tactic of creating chaos.

### **British Launch Move for Independent Kashmir**

Oct. 8 (EIRNS)—Having destabilized Pakistan with the help of the Pakistani Inter-Services Intelligence (ISI) and a number of terrorist groups that are nurtured in what the Jamestown Foundation calls "Londonistan," the British move to weaken India by stirring up the disputed Kashmir issue has been officially launched. In recent years, because of a disastrous globalization-centered economic policy adopted by the government of Indian Prime Minister Manmohan Singh, since 2004, the country has become violence-prone and vulnerable to destabilization.

The ISI and the London-controlled terrorists have heated up the India-held part of Jammu and Kashmir in recent months. On Oct. 6, some of the British backroom operators made their appearance in Birmingham, England, at a meeting hosted by local MP Khalid Mahmud and chaired by Lord Nazir Ahmad. The British MPs who spoke represented all three major British parties.

At the meeting, the British MPs condemned the alleged human rights violations in Indian-Held Kashmir (IHK) by the Indian authorities, and urged the U.K. to bring about a political settlement in the region, saying that London had an obligation in this regard, as a divided Kashmir an unfinished business dating back to the subcontinent's partition. The MPs said that an election in both parts of Kashmir should be organized under the supervision of the United Nations, with active support of the European Union (EU) and the British Commonwealth. Such a plebiscite, long rejected by both New Delhi and Islamabad, is a ploy adopted in the 1948 UN Resolution which said the Kashmiris, in such a plebiscite, can vote to remain with India, or Pakistan, or to seek an independent Kashmir.

### **South Korean Minister Rips 'Genius' Who Invented Derivatives**

Oct. 10 (EIRNS)—South Korean Finance Minister Kang Man-Soo, before leaving Seoul for the Washington, D.C. meeting of the International Monetary Fund this weekend, told the *Washington Post*: "The United States almost forced the rest of the world to open up their financial sectors. It has been telling the world that its derivatives are an advanced technique created by some genius." He corrected that myth by explaining that "derivatives and hedge funds are like casino gambling. A lot of Koreans are asking, how can the U.S. be so weak?"

Kang also insisted that the G7 "bring emerging markets into consideration as they make plans for a solution," effectively backing up the call by French President Nicolas Sarkozy to expand the G7 to a G14, to discuss the creation of a new economic order.

[top of page](#)

[home page](#)