

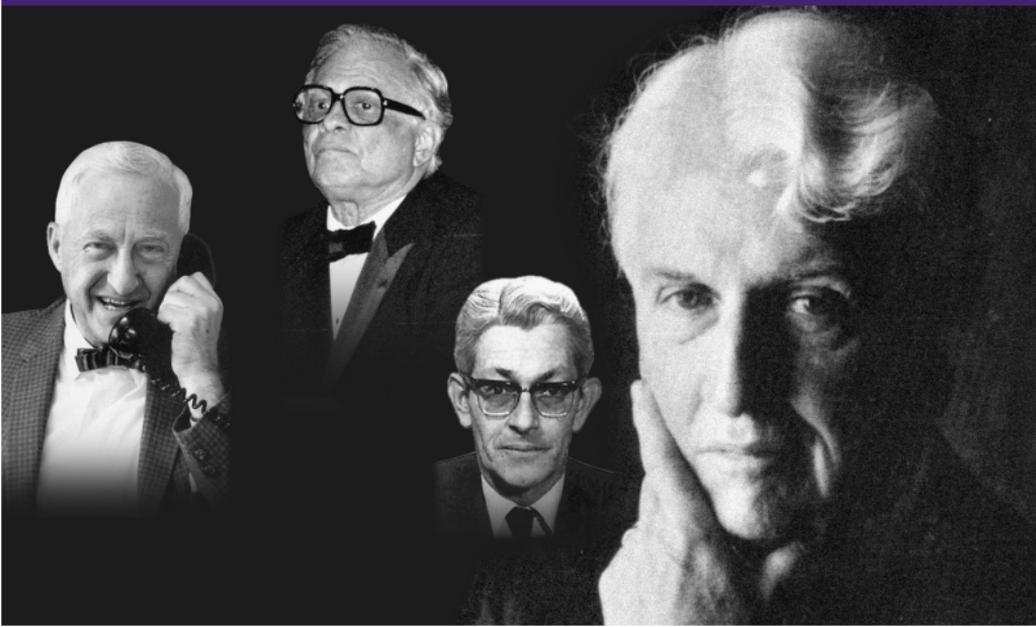
# EIR

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'Western Europe Hangs by a Thread,' Warns LaRouche  
Threat to Pope: Britain's Bernard Lewis and His Crimes  
LaRouche in Dialogue with Chinese Economists

## John Train and the Bankers' Secret Government



# EIR

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## From the Associate Editor

The staff of *EIR*—including notably Contributing Editor Lyndon LaRouche—have burned a lot of midnight oil to bring you a “thoroughly composed” issue, with explosive stories about the most crucial developments in the world today. Of course, these are not the stories you find on the front page of your daily newspaper!

The overarching theme is that the world has now reached the end of what LaRouche calls “The Truman Era”—for better or worse.

This idea is spelled out in historical depth in his dialogue with three distinguished Chinese economists, who had participated in LaRouche PAC’s Sept. 6 Berlin-Washington webcast. Their further questions on the New Bretton Woods concept are answered by LaRouche in this issue. LaRouche explains the crucial importance of the Franklin D. Roosevelt Presidency, in reversing the disastrous Anglo-Dutch Liberal policies of his predecessors, reviving the American System of political-economy, and making possible both recovery from the Depression and victory over Fascism. But the day that FDR died, his successor, Harry S Truman, backed by Wall Street and its assets in the intelligence community, began to destroy everything that Roosevelt had achieved. For most of the past 51 years, we have lived in Truman’s shadow.

Our *Feature* presents exclusive revelations about the political side of this process, exposing the extended networks of investment banker John Train. LaRouche described this grouping as “a bankers’ secret government [that] has penetrated and subverted the legitimate government of the U.S.A. and of many other nations around the world.” These “Truman men”—people like Train, Allen Dulles, James Jesus Angleton, Leo Cherne, and Jay Lovestone—created the neo-conservatives that run the Bush-Cheney Administration today.

But their financial-economic system is inching closer and closer to the abyss. See *Economics* for the collapse of the giant Amaranth hedge fund, and the blowout of the U.S. real estate bubble.

The up-to-the-minute strategic overview from which to look at these developments is presented in LaRouche’s two articles which lead this issue: “Western Europe Hangs by a Thread” and “Press Hoax Against the Pope: Bernard Lewis and His Crimes.”

*Susan Welsh*

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*Left to right: Jay Lovestone, Leo Cherne, James Jesus Angleton, John Train.*



Design, Alan Yue.

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FRANCE & GERMANY NOW

## Western Europe Hangs by a Thread

by Lyndon H. LaRouche, Jr.

September 19, 2006

The recent crisis in France's oncoming Presidential elections exposes the fragility of all western and central Europe in face of the onrushing, global strategic crises caused, chiefly, by the failure of the U.S.A., so far, to rid itself of the succubus of the current Bush-Cheney Administration. Germany hangs by a thread; Italy's economy is sitting, rocking on the porch, waiting for the arrival of the economic undertaker with the right prices; the former Comecon regions of eastern Europe are dying on the vine; Germany's potential role in resistance to the catastrophe menacing it from current U.S. policy, de-



European Commission

*French Interior Minister Nicolas Sarkozy, a 2007 Presidential hopeful, visited Washington Sept. 10-13, meeting with President Bush and other top officials. He was at pains to back Bush Administration policy, especially toward Israel.*

pends upon partnership with a government of France, a combination which can say a definite "No!" to the pressures of both the U.S. Bush Administration and London.

Therefore, France's outgoing, but still incumbent President Jacques Chirac has reacted understandably to the menace which a Bush-linked successor to his office would mean, not only for France itself, but all of western and central Europe. The continuing reverberations of Israel's war against Lebanon have triggered France's concern, as expressed by President Chirac, but are otherwise only the trigger of a larger and deeper issue of existential implications: the behavior of Presidential candidate Nicolas Sarkozy in Washington, which was truly ominous.

The significance of those aspects of the crisis in France is underlined by the implications of the re-election of Berlin Social-Democratic Mayor Klaus Wowereit. Wowereit's avowed anti-industrial policy means a bankrupt Berlin which is not, and will not be able to balance its budget in a morally acceptable way as long as the anti-reindustrialization policy is continued. Indeed, Germany as a whole is faced with a rapidly worsening, already impossible internal economic situation. If both France and Germany go under, there is virtually no economy in western and central Europe which will not collapse soon into a kind of prolonged, deep economic depression with existential implications for each and all of those nations as a whole.

It is no secret that Margaret Thatcher's Britain and François Mitterrand's France made it a demand of ominously strategic implications, that the reunification of Germany would be allowed only if Berlin were "de-industrialized." At the time, George H.W. Bush's Administration acceded to that set

of conditionalities imposed upon Germany. The assassination of Germany's last great banker in the tradition of Abs and Ponto, Herrhausen, and the assassination of Rohwedder, made the threat a tangible one for leading German institutions to the present day. However, were France and Germany to unite, and gain support from the U.S.A. and other partners on the issue of the legacy of the regrettable pair of Thatcher and Mitterrand, that economically imbecilic conditionality could be efficiently removed.

For some time now, most notably since the U.S. internal downturn of 2000, the Transatlantic community and Japan have dangled at the brink of what threatens to become the greatest monetary-financial collapse in modern history, a collapse comparable to that triggered by the Fourteenth-Century bankruptcy of one of the great "hedge funds" of that time, the Lucca-based Lombard banking house of Bardi. Six years after the contested 2001 inauguration of the babbling George W. Bush, Jr., the response of the U.S. Bush-Cheney Administration has been consistently the worst possible response to that long-term threat of global monetary-financial disaster. Since a monetary-financial system is "only paper" in the final analysis, the greatest problem threatening the world's economy today, is not the onrushing general financial collapse, but the effects of an effort to hold up what are merely vastly inflated paper values, that at the price of destroying the physical-economic values on which human life and its necessary environment depend. Poor foolish President Bush's impeachable negligence in the matter of Katrina is typical.

The debt associated with sundry categories of so-called "financial derivatives," has reached proportions far, far beyond the material life of existing physical capital assets. The



EIRNS/James Rea

*Berlin's Social Democratic Mayor Klaus Wowereit ran his successful campaign for re-election on a platform of even further deindustrialization of Germany's devastated capital city.*

issue today is whether we shall destroy the physical economies of the nations, in the hopeless effort to defend the nominal values of what are largely, intrinsically worthless financial assets, or we shall debride the mass of what are intrinsically worthless gambling debts, in order to establish a sustainable long-term relationship between legitimate financial capital holdings, such as retirement funds, and a physical-growth-redirected process of investment and employment in the increase of per capita real wealth world-wide.

For that reform, Europe requires U.S. cooperation; however, if the U.S. does not provide that cooperation, the U.S.A. itself is doomed to a horrid, self-inflicted disaster.

## World Crisis on Eve of U.S. General Election

*This announcement was released by LaRouche PAC on Sept. 22.*

The second of a continuing series of LPAC-sponsored international webcasts, is now confirmed to occur on Oct. 31, 2006. The principal events will be convened simultaneously in the keystone national capitals of Berlin, Germany, and Washington, D.C.

The timing of this broadcast was chosen to conform to the crucially significant period of the last days preceding the U.S. national mid-term elections. That election already represents a crucial turning-point in current world history, as the threat of a massive U.S. aerial attack on Iran coincides with an onrushing general crisis of the U.S. and world monetary-financial systems, and a political upsurge within

significant parts of the U.S. population, expressed growing popular disgust with the "politics as usual" currents within the Democratic as well as Republican Party.

There are readily available real opportunities to bring together nations which will be willing to respond to the presently escalating world economic and other crises, and to unite them around support for implementable real alternatives to a new world economic depression.

The webcast will begin promptly at 16:00 hours Berlin time, and 10:00 a.m. Washington, D.C. time. Access through the Internet will be available at other national locations. The session including the principal address by Lyndon H. LaRouche, Jr., will continue for three hours. Discussion and other communications from relevant institutions and notable individuals will be featured during the webcast. Spillover from the proceedings will be presented on the LPAC Internet site.

The webcast can be accessed live through [www.larouchepac.com](http://www.larouchepac.com). For more information, call 1-800-929-7566.

## **‘The End of the Truman Era’**

The tell-tale praise for former President Harry Truman by Vice-President (as in “vicious”) Dick Cheney, points to the fact of the long wave in U.S. policy established by Harry Truman’s prompt and savage reversal of some among the most crucial strategic elements of the policies of his predecessor, Franklin D. Roosevelt. Notably, the President who seriously challenged that Truman legacy at a crucial turning-point in history, John F. Kennedy, was assassinated, and the case closed before investigation could actually begin. The Vietnam War which the assassination of Kennedy made possible, set the stage for the wrecking of the U.S. physical-economy, which was launched by the Nixon Administration, and continued by the increasing role of the anti-industrial 68ers.

Behind all that wicked conniving of Anglo-Dutch and U.S. financier circles which steered the Truman Administration’s shifts in policy away from FDR’s, there was not only intended malice against the U.S.A., but also a quality of “honest stupidity” which persists among leading financier circles and most university professors of economics still today. That problem is, that the doctrines of political-economy which were established for the newly founded empire of Lord Shelburne’s British East India Company, were made by men passionately ignorant of the ABCs of the existence of an actually physical economy, when they adopted the revival of the medieval Venetian tradition in defining the value of money as such. The Karl Marx whose entire education in the rudiments of economy was conducted by the British Haileybury establishment, made the same mistake, if with his own “spin.”

The global economic crisis of today, is centered in a policy which deliberately wrecks the essential ingredients of science-and-technology-driven production of real wealth, on the working assumption that the deep, increasingly fatal impoverishment of the many, especially the ageing, is the “necessary price” to be paid for the pleasure of the few. In reality, real growth is sustained in no other way than by the increase of the productive powers of labor through promotion of fundamental scientific progress, and by capital-intensive investment in a rising ration of basic economic infrastructure per capita and per square kilometer of total territory.

Desperately hungry people represent the actually physical-scientific view on the subject of economy. Economics is essentially a matter of physical values, first and foremost. Production of wealth is physical. The productivity of production is shaped by advances in science and technology, and by the rising ratio of basic economic (physical) infrastructure to production.

Unfortunately, it is more often ideology, than the power of human reason, which determines what people, even entire institutions, such as governments, believe today. As we of the Americas and Europe should have come to understand, whereas virtually all the past achievements in economy of the nations of the Americas have been based on the adoption of

the leading force of the modern European culture introduced by the influence of the mid-Fifteenth-Century great ecumenical Council of Florence, the realization of that benefit had tended to be greater in the states of the Americas which have followed the U.S. constitutional model, until 1971, than in Europe itself. The principal reason for what had been the relative advantage of the U.S. over Europe, from 1863 through 1945 and slightly beyond, was that “Old Europe” was dominated by the residual influence of oligarchical ideologies left over from earlier Habsburg, and current Anglo-Dutch-Liberal perversions.

In the case of the Truman devolution, it was the painful experience of those who came to be my valued friends and acquaintances among the veterans of the O.S.S. and their like, that the moral decadence which took over the U.S.A. after the death of FDR, was rooted in rather closely related oligarchical cultural traditions: the legendary descendant of the pre-1865 slaveholder and the northern, “Oh so social” Anglo-Dutch oligarchy in the Essex Junto and Aaron Burr Bank of Manhattan tradition from which President George H.W. Bush and his awful son have descended. Although a residue of patriots of my inclinations is found in such notable instances as President Dwight Eisenhower, and Kennedy’s attempted role in the tradition of FDR, the prevalent trends in U.S.A. economic policy, since the death of FDR, have always remained, axiomatically, so far, the oligarchical standpoint of Truman’s British and American oligarchical controllers.

Now, the presently onrushing world-crisis confronts the world as a whole, but especially the U.S.A., with the following crisis. Dump the oligarchical tradition in policy-shaping which was revived under Truman and unleashed in Europe and the U.S.A. with the ousters of Adenauer and Erhard in Germany, the attempted assassinations by fascists of President Charles de Gaulle, the assassination of John F. Kennedy, and the dumbing-down of young Germans through the cancelling of the Humboldt reforms. Or, accept the otherwise inevitably early doom of civilization as a whole.

Freedom of choice is no blessing when the choice taken is a march into Hell. That is the lesson of the culture of Sophistry which reigned over Pericles’ Athens all the way to the Hell of the Peloponnesian War. That is the lesson of the culture of Sophistry which was unleashed by such instruments as the Congress for Cultural Freedom, in impelling the U.S.A. and western and central Europe toward the virtual plunge into Hell today.

The issue for the U.S. political parties is that the majority of the U.S. population is represented by the lower eighty-percentile of family-income brackets. This does not mean, necessarily, that the current opinions of the lower eighty percentile are invariably correct; it means that a political party which now rejects the just economic claims of the lower eighty percentile is morally unfit to lead. In Europe, as in the Americas, if the nation accepts the leadership of the unfit, the loss of the nation itself could very well be the price soon to be paid for that mistake.

## Britain's Bernard Lewis And His Crimes

by Lyndon H. LaRouche, Jr.

September 17, 2006

Let the faithful of Islam hear my warning words, before it is too late for us to prevent a terrible consequence for all humanity!

The founder of Christianity, Jesus Christ, was born during the reign of the evil Roman Emperor Augustus, and was murdered, through crucifixion, by the order of the Pontius Pilate who was the personal agent of the frankly satanic Emperor Tiberius, who was resident, with his retinue of Mithra-cultists, at his headquarters at the truly capriolic Isle of Capri. The chronicle of these events was supplied by the four accounts of the Christian Apostles Matthew, Mark, Luke, and John; a deeper insight into the chronicled events was supplied by the Apostle John. The deeper understanding of the Christian mission, as I share presently relevant elements of this knowledge, was supplied, to the present day, by the Testament and Letters of the Apostle John and the Letters of the Apostle Paul.

The writings of the Apostles John and Paul represent the Classical Greek science which was the highest form of scientific and related knowledge of that time, in opposition to the pro-Satanic legacy of the worship of the Olympian Zeus and other pro-reductionist excretions of that wicked Pythian cult of the Delphi Apollo from which the evil of imperial Rome had sprung in that time.

So, the Apostles Peter and Paul, among legions of other Apostles and ordinary Christians, were murdered in their martyrdom by a Roman Empire which has been intrinsically evil from the time of its conception to its present incarnation in such forms as British intelligence's agent Bernard Lewis's view of the goals of the British Empire today.

So, when Rome's prolonged policy of mass murder of Christians failed to destroy Christianity, the evil Emperor Diocletian gave up the tactic of mass-murder, not because he was humane, but because he was a smart and infinitely corrupt tyrant who was shrewd enough to abandon what had been proven to be a hopeless quest. Nonetheless, despite that lesson from Roman history, a similar mass-murder against Jews was done by the German heir of the Roman Empire's tradition, Adolf Hitler. Thus, when all earlier efforts by the Roman Emperors to exterminate Christianity by Hitler-like methods

had failed, Diocletian's faithful follower Constantine sought to accomplish, by corruption, what Rome had failed to effect by mass-murderous, overtly repressive force. Indeed, the current reality is that neither Christianity, nor Islam, could be extinguished from this planet, except by the destruction of the planet itself.

Thus, a would-be new Roman Empire, the heritage of Lord Shelburne's British Empire, reacted to U.S. President Abraham Lincoln's victory over Lord Palmerston's puppet, the slaveowner's Confederacy. Britain reacted to the defeat of its Confederacy puppet, by reliance on corruption deployed within, through the New York financial center's leading tools of British financier interests within the U.S.A. Where mere force had failed, Constantine's strategy for destroying Christianity was by corruption, by legalizing it as a cult of the heathen Roman Imperial Pantheon. The corruption was expressed through Constantine's effort to control the selection of the bishops of an imperially legalized church. A similar, implicitly treasonous factor within London-linked U.S. financier circles has been used, repeatedly, in the use of corruption, as against the Franklin Roosevelt tradition by President Harry Truman, as a weapon to destroy the U.S.A., by corruption, from within.

Alexander the Great and his counselors of the Platonic Academy, defeated the design for such an oligarchical "world empire" at that time; but, with the close of the Second Punic War, and the fall of Syracuse and the deaths of Eratosthenes and his collaborator Archimedes, the emergence of the Roman Empire of the Mediterranean and adjoining regions was merely a matter of time.

Since that time, the tradition of the Roman Empire has persisted in various guises, as an earlier Rome was superseded by Diocletian's adoption of what had been the post-Peloponnesian War, Babylonian design for intended oligarchical world-rule: this time, by dividing the Roman Empire between its failing Western branch, Rome, and its Eastern branch, Byzantium.

So, the decline of Byzantium was exploited by Venice's financier oligarchy, to create the medieval system of Europe, in partnership with the brutish Norman chivalry.

So, the rise of modern European civilization was corrupted and nearly destroyed by the replacement of the failed Norman chivalry by the bestiality of the religious warfare launched by that satanic figure, Grand Inquisitor Tomás de Torquemada, who sparked a 1492-1648 wave of Venice-steered religious warfare against modern European civilization.

This was the Torquemada who was the model chosen for crafting the synthetic personality of the Emperor Napoleon Bonaparte, by the leader of Martinist freemasonry, Count Joseph de Maistre. This same model of Torquemada as "The Executioner," which de Maistre crafted directly for the creation of the personality of Napoleon as Emperor, was that copied for the creation of the same type of personality in the morally putrid flesh of Adolf Hitler.

The mass murder of Jews by Hitler, was and is the legacy of Torquemada and his nominally Christian, synarchist and kindred followers of Europe and throughout the Americas to the present day.

The legacy of the Norman and Torquemada's crusades, is the root of the present-day Anglo-Dutch Liberal system's intentions to stage a global religious warfare against Islam, the religious warfare which the British Arab Bureau's Bernard Lewis has done so much to foment today.

### Why the Press Fraud Against the Pope

Jesus Christ was born a Jew, and was murdered as what Rome viewed as a threat of reestablishment of a Jewish state. Christ's principal Apostles were Jews, as this is typified by the close association of the Apostle Peter with the great Jewish teacher Philo of Alexandria. The exemplary relation of Jew and Christian, alike, to Islam, is that typified by the collaboration of Christian, Muslim, and Jew which was expressed in the collaboration between Charlemagne and the Baghdad Caliphate. It should have been always, as the great theologian of Europe's Fifteenth-Century Renaissance, Cardinal Nicholas of Cusa, presented this fact in his *De Pace Fidei*.

However, ever since Charlemagne's leadership in ecumenicism among Christian, Jew, and Islam, the legacy of the imperial Rome which perpetrated the judicial murder of Jesus Christ and masses of Christians, has repeatedly sought to reaffirm the oligarchical system of imperial reign, through putting Christians, Jews, and Muslims against one another's throats, as we see in the press orchestration of today's widespread, fraudulent representation of the implications of an excerpt from Pope Benedict's address. The history of the British Empire, to the present day of the British Arab Bureau's Bernard Lewis, is exemplary of this use of religious warfare as an instrument of attempted global imperial reign by Venetian-style financier-oligarchy, the same attempt expressed today by the use of "globalization" to eradicate the institution of the sovereign nation-state.

The corrupt action of the international press, in this matter, has the ominous character of an effort to arrange the assassination of a Pope Benedict not much liked among Lynne Cheney's friends in Liz Symons' London, and have the Islamic world blamed for the attempt.

Indeed, the widespread, fraudulent representation of the recent address on the subject of ecumenicism, by Pope Benedict, can not be competently understood, except as a fresh expression of the malicious propaganda-effort of the British Arab Bureau's Bernard Lewis (the assigned controller of Harvard-trained British agents Henry Kissinger, Zbigniew Brzezinski, and Samuel P. Huntington's "Clash of Civilizations"). So, as the Roman Empire sought to destroy Charlemagne's ecumenical collaboration among Christians, Jews, and Islam, through the Venetian-directed Norman Crusaders, the con-



EIRNS/Stuart Lewis

*British Arab Bureau agent Bernard Lewis is stoking the flames of religious warfare. LaRouche underlines that "neither Christianity, nor Islam, could be extinguished from this planet, except by the destruction of the planet itself."*

temporary Anglo-Dutch-Liberal faction of today's imperial finance has created and deployed Bernard Lewis's pro-satanic dogma of "Clash of Civilizations," using not only corrupt U.S. creatures such as Kissinger, Huntington, and their ilk, but also Bush-loving fanatics whose adopted beliefs are close to the essentials of a Satanic cult.

Meanwhile, elements in the ranks of nominal Moslems who have been traditionally assets spun out of London's puppet Al-Afghani, are used by Anglo-Dutch-Liberal intelligence organizations, as creatures from a drama written and directed by Bernard Lewis, to seek, thus, to bring Islam to self-destruction of its peoples from within.

Witness those abysmally immoral degenerates, the fanatical backers of a lunatic President George W. Bush, Jr., whose very presence in office defiles the name of Christianity. Witness nominal Catholics who continue the tradition of the Habsburgs and Coudenhove-Kalergi in frankly fascist guise still today, the continuing tradition of the religious warfare of 1492-1648. *See the fraudulent mass-media treatment of Benedict's proffer of a dialogue of religions, as being a part of the preparations for Vice-President Dick Cheney's intended launching of a probably nuclear-armed attack on Iran at some moment of orchestrated opportunity prior to the November U.S. mid-term elections.*

*Such an attack on Iran would be the detonator of an unquenchable global holocaust which would not end until it had burned out the combustible material of our planet as a whole. Such an attack on Iran is the goal of those behind the fraudulent operation against Pope Benedict run on Vice-President Cheney's behalf, through a complicit European and other corrupt, and usually lying mass media, on whose rotten moral character I have remarkably expert personal experience.*

Any political leader of any nation, who is not a fool, will quickly see this matter as I do. Anyone foolish enough to play into the game which an orchestrated press has played through the fraudulent treatment of an excerpt taken from the Pope's remarks, will be guilty of any Hell on Earth which continued promotion of the press-hoax is clearly intended to facilitate.

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## 1. What Must You Believe?

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The common conception of the nature of man and woman, shared among Jew, Christian, and Muslim, is that distinction emphasized in the conclusion of the first Chapter of the Book of *Genesis*. I can attest to the absolute, scientific validity of those verses from my personal knowledge. I can attest, on a related subject, to the absolute validity of that denunciation which was presented by Philo of Alexandria against the philosophically reductionist misconception of Creation. This is what we, all three, should believe.

The Creator of the universe must be recognized as a living personality, whose nature, as distinguished from that of all of the beasts, is reflected in the essential nature of the immortal essence of the creative powers, absent among the beasts, but which is the essential distinction of the human personality. On that account, the lives of all human individuals are sacred under the natural law of this eternal universe. So, we must see the relationship among Christian, Jew, and Muslim as Nicholas of Cusa portrays this principle in his famous dialogue *De Pace Fidei*. In this configuration of the social process, the individual's belief must be primarily accountable to this specific kind of personal relationship, as emphasized by Cusa, to the living Creator existing as the actively willful power within a finite, but boundlessly self-bounded universe.

So, as nations must be sovereign in their lawmaking, the community of sovereign peoples must seek constantly to come to a less imperfect common understanding of the natural law implicit in the Creator's governance of that universe. We must never overestimate the perfection of what we might consider to be our established belief. We shall always have much which is essential yet to discover, and a task of which we had not dreamed to do.

However, this needed understanding, by any person, or by any nation, or any body of religious belief, is necessarily imperfect in two ways. Firstly, we know the universe as it exists until now only imperfectly, as the Apostle Paul insists in his *I Corinthians* 13. Secondly, as Philo warns the Aristoteleans of his time, God the Creator never surrendered His power to change the universe which He had created. Philo's argument implies the question: Would any sane person pray to a Creator which they believed to be impotent? A wise Jewish Rabbi would say, therefore, and some whom I have known, have done, that the Messiah will not return according to some time-table, but only when the Creator chooses.



Giuseppe Guggirello

*"The corrupt action of the international press . . . has the ominous character of an effort to arrange the assassination of a Pope Benedict not much liked among Lynne Cheney's friends in Liz Symons' London, and have the Islamic world blamed for the attempt."*

On the matter of the higher implications of the Creator's nature: The best evidence of scientific knowledge is, that as the Solar planetary system was generated, as a higher form of existence, by a young, fast-spinning Sun, God's universe is not fixed, is never entropic, but always *anti-entropic*, always working to develop and expand into higher states of existence. Mankind's essential mission is to act in the likeness of the Creator, and companion of that Creator, in this way.

Accordingly, we must approach the management of the affairs of the universe in a manner which is governed by a careful blending of certainties and humilities.

### **An Example: Modern European Science**

Modern European science emerged out of the influence of the history of ancient Egypt, as in the form of what the ancient Classical Greeks, such as the Pythagoreans and Plato, knew as the scientific method of *Sphaerics*. Although this knowledge, as typified by the circles of Plato, was sustained by the Platonic Academy until about B.C. 212, until the deaths of Eratosthenes and Archimedes, it was largely suppressed by the influence of the Delphi Apollo cult on the ideology of ancient Rome, both before and after the imperial

phase. Much of the knowledge was kept on record, in Greek, under Byzantium, and was echoed in the collected work of the Baghdad Caliphate, but this knowledge was not revived as a leading, active feature of culture until the Venetian-Norman ultramontane system of tyranny had collapsed, and the subsequent rise of the influence of the great ecumenical Council of Florence.

Modern science, and its beneficial effects on shaping mankind's conception of itself, was founded as experimental physical science by Cardinal Nicholas of Cusa, beginning with his *De Docta Ignorantia*. All of the valid currents of modern science are traced from that point through such students of Cusa as Luca Pacioli and Leonardo da Vinci. However, a systematic view of physical science as a whole was first established by Cusa follower Johannes Kepler's uniquely original discovery of universal gravitation. From that point on, science progressed along the lines marked chiefly by Fermat, Leibniz, Gauss, and Riemann, in opposition to the reductionists typified by such house-lackeys and followers of Venice's Paolo Sarpi as the scurrilous Galileo Galilei, the wicked René Descartes, the morally perverted John Locke, and the Eighteenth-Century radical reductionists de Moivre, d'Alembert, Euler, Lagrange, and the Nineteenth-Century followers of Laplace, Cauchy, Kelvin, Helmholtz, et al.

The relevant point to be emphasized here, is that the differences between the two, principally opposing currents in modern European physical science, between the followers of Cusa and Kepler, and the reductionist schools of empiricism, positivism, and existentialism, are essentially theological, that in the specific sense that the science of the followers of Cusa, Kepler, Leibniz, and Riemann, is emphatically a Christian view of the universe consistent with the referenced identification of man and woman in *Genesis* 1, whereas the reductionist schools in science find their roots in the tradition of the implicitly pro-Satanic school of the Delphi Apollo and Roman imperial Pantheon.

These same issues, which appear in such forms in the domain of European physical science since ancient Classical Greece, are related to the ugly fact that organized Christianity itself is dying in North America and Western and Central Europe, this as a result of the induced cultural paradigm-shift which was launched by such frankly Satanic cults as the Congress for Cultural Freedom led by such deceased and still living creatures of the U.S.A. as the late Professor Sidney Hook and currently active John Train.

This decadence spread within the Christian churches, including the Catholic Church, is typified by the accelerated shrinking of the clergy, through the combined effects of aging and death of the older ranks, and the lack of renewal of those ranks from younger volunteers. This decadence is also expressed, in appropriate forms, by the wild-eyed lunatic cults associated with the political base of increasingly demented U.S. President George W. Bush, Jr. Fewer and



*Jamal al-Din al-Afghani (1838-97) was a British puppet, and those who follow in his footsteps today are being used by British intelligence, including in the current fraudulent attacks on the Pope, "to bring Islam to self-destruction of its peoples from within."*

fewer serve, because fewer and fewer believe, a fault which lies not in the belief, but in the believer.

The most important, common, practical issue of religion and science, is the issue of truth. In both cases, the issue is essentially the same. No living person has ever seen a universal physical principle with the human senses, nor has he seen the Creator. Both objects exist, but since each encompasses the entire universe, neither is an object of sense-perception. Sense-perception perceives no more than the footprints of each. So, just as we are enabled, as Cusa, Kepler, and Leibniz were, to discover universal physical principles, we are enabled, by the same quality unique to the human mind, to recognize the proof of the existence of the Creator.

The problem behind this phenomenon of decadence today, is that the alternative to truth is what is often called "democracy," but is better recognized as Sophistry. The standard here is the same which Plato's dialogues present as the evidence against the Sophistry through which a formerly triumphant Athens destroyed itself through the adoption of

that Sophistry associated with that Democratic Party of Athens which perpetrated the judicial murder of the saintly Socrates.

The characteristic of Sophistry is the substitution of belief in popular opinion of some group in society for scientific evidence, just as the idea of “democracy” associated with the Athens of Pericles induced Athens to destroy itself in the Peloponnesian War. The decline and fall of European civilization now, especially since the time of the official cover-up of the assassination of U.S. President John F. Kennedy, and the earlier replacement of the policies of President Franklin Roosevelt by the corruption embodied in the Harry Truman Administration, has led into the virtual bankruptcy of the U.S.A. and Western and Central Europe today.

Powerful cultures are never destroyed except as global civilization is being destroyed today, by the decadence spreading from the U.S.A. and Europe, the decadence typified by the role of pro-British U.S. President Harry Truman and the rise of the so-called “68ers” of Europe and the Americas today.

The problem now is that advocacy of what is induced as widely accepted mass opinion, is used as a substitute for, and even a vicious opponent of truth. That is what the term “Sophistry” means. That is what the terms “rhetoric,” or “spin,” mean. “You can’t go against popular opinion,” is the sound of the death-rattle of whole civilizations.

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## 2. Truth Is Love of All Mankind

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*Do you love mankind? Is love of all mankind your highest priority in all matters, including religious belief?*

Take the case of the Netherlands today. One of the ugliest problems of moral corruption seen anywhere on this planet today, is the notorious Dutch policy toward persons past the age of seventy years. Euthanasia is cheaper than Nazi death-camps as a way of ridding a nation of an unwanted population. A nation which tolerates such practice of so-called “euthanasia” should be regarded as an outlaw nation until such time as it might mend its ways.

Of course, this policy of mass murder in the name of “euthanasia,” was begun by my wealthy enemies inside the U.S.A., not Nazi Germany. The Dutch gave us the Elm disease; the U.S.A. gave Hitler and today’s Dutch government the euthanasia disease.

This illustrates the point, that the worst crimes against humanity are those practiced in the name of adopted policies of governments, or, simply, the spread of a certain strain of popular opinion. Thus, the greatest of all crimes is lack of a primary emphasis on love for all mankind. Religious and racial hatred, such as anti-Semitism, or hatred against Islam, or, hatred of Christians, is, on record of known history, the most evil expression of criminality to be seen on the planet today.

Return attention to Nicholas of Cusa’s *De Pace Fidei* on this account. If you love the Creator, you must view all branches of the human family in that light, as Cusa presents that argument there. This was the stroke of genius expressed by the role of Cardinal Mazarin, in bringing the warring people of Europe to the commitment to “love one another,” in the 1648 Peace of Westphalia. The great danger to all humanity today, is the attempts, on the one side, of pitifully deranged minds like that of President George W. Bush, Jr., or the brutally pro-Satanic Vice-President Dick Cheney, to launch a war against Islam, and the danger that forces within Islam would tend to react in kind. In either case, especially in the case of such responses from both sides, civilization throughout this planet would be doomed to effects to be suffered for generations yet to come.

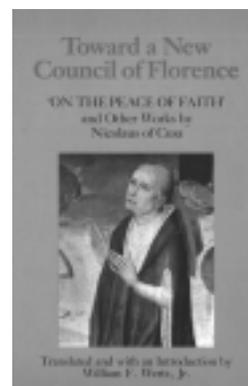
The same forces behind the fraudulent campaigns of a corrupt international press, in using a willfully lying fallacy of composition to stir up Islamic hatreds against a Pope Benedict, are the forces behind the intention of having Vice-President Cheney launch a terrible aerial attack of about a month’s duration against Iran and other targets. If you wish a session in Hell for yourself and also for your descendants, if any actually live, continue the kind of pattern of action and reaction which the widespread press-hoax against Pope Benedict unleashed during this past week.

## Toward a New Council of Florence

### ‘On the Peace of Faith’ and Other Works by Nicolaus of Cusa

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## John Train and The Bankers' Secret Government

by Jeffrey Steinberg

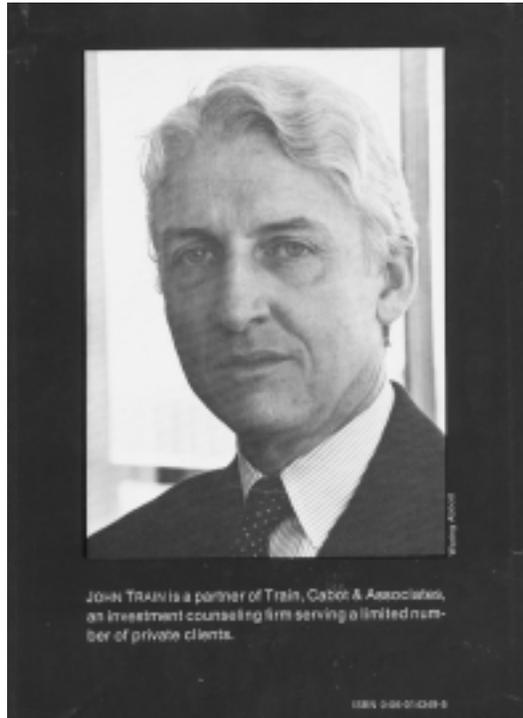
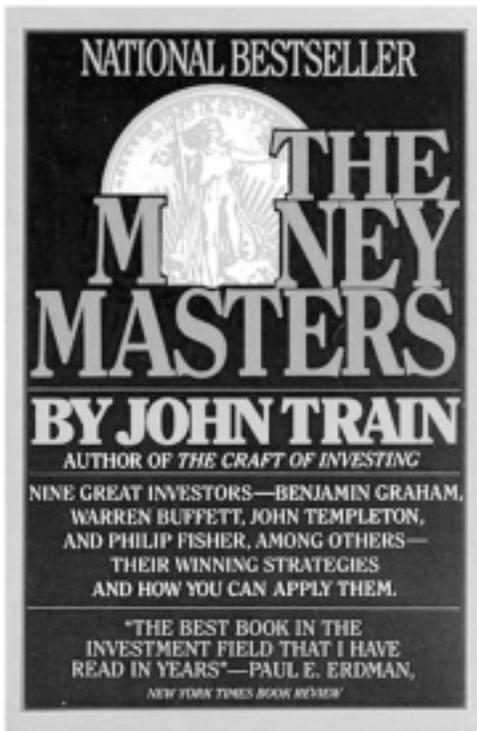
On April 23, 1983, an unlikely collection of government agents, journalists, and right-wing money-bags gathered at the Manhattan East Side home of investment banker and self-styled Anglophile literati “spook” John Train. The purpose of the “salon” session, and two subsequent gatherings at the same venue in the Autumn of 1983 and the Spring of 1984, was to execute a black propaganda “hit” campaign against Lyndon LaRouche, in conjunction with an already-ongoing bogus government “national security” probe into LaRouche, which had been launched in January 1983. The effort would lead, by 1986, to a massive para-military police raid on LaRouche publishing offices and on LaRouche’s home in Leesburg, Virginia—intended to provoke a shootout, in which LaRouche could be murdered; a string of Federal and state frame-up prosecutions, leading to jail sentences of up to 86 years for LaRouche and colleagues; and the illegal bankrupting of a string of LaRouche publications and companies, including a tax-exempt science foundation.

While the “Get LaRouche” campaign had been pushed by the likes of Henry Kissinger, James Jesus Angleton, Jay Lovestone, Sidney Hook, and Leo Cherne for many months, an event, exactly one month to the day before the first Train salon gathering, had added sudden urgency and kicked the criminal “Get LaRouche” effort into high-gear.

### **The Strategic Defense Initiative**

On March 23, 1983, President Ronald Reagan, in a nationwide television address, had announced his Strategic Defense Initiative (SDI), later to be caricatured as “Star Wars” by an hysterical Anglo-American and Soviet odd-couple media alliance, and sabotaged from inside the U.S. right wing by circles of the Heritage Foundation, Gen. Danny Graham, and Angleton.

From the very moment that President Reagan uttered his fateful words (see box, p. 14) and extended an offer to the Soviet Union to collaborate in the development of a global defensive shield against nuclear weapons, the Kissinger-Angleton appa-



*Investment banker John Train, author of countless books on making money, is best described as an “American Tory”—a term used by President Franklin D. Roosevelt to describe the Wall Street treason faction. Train coordinates a web of private intelligence operatives—a bankers’ “secret government”—who have deployed, and are still deploying, against Lyndon LaRouche.*

tus knew that the unthinkable had happened: An idea devised by LaRouche back in the mid-1970s, and promoted as a cornerstone of LaRouche’s 1980 bid for the Democratic Party Presidential nomination, had been fully embraced by the President of the United States. Suddenly, the entire post-Franklin Roosevelt structure of Mutually Assured Destruction (MAD), the anchor of the reign of terror known as the Cold War, had come unhinged in one brief, concluding segment of President Reagan’s TV speech.

According to one eyewitness account, until the President made his televised SDI announcement, not even his White House Chief of Staff, James Baker III, had known that the President would actually go ahead with the ballistic-missile defense plan, which had been under review at the White House for well over a year—despite vehement opposition from the vast majority of Presidential advisors, including Baker, Vice President George H.W. Bush, and Secretary of State George Shultz. Baker had thought that he had excised the ballistic-missile defense paragraphs from the speech before it was presented to the President for final approval. He was unaware that National Security Advisor William Clark had gone to President Reagan, and that the two men had reinstated the section—behind Baker’s back. The praetorian guard was outflanked, and history was made.

The backdrop is even more revealing. Under the sponsorship first of the CIA, and then the National Security Council, Lyndon LaRouche had been conducting secret back-channel negotiations with Soviet officials, over the prospect of Soviet-

American collaboration in the development of defensive systems based on “new physical principles”—beam weapons—capable of “killing” ballistic missiles carrying nuclear warheads, once they were launched. The detection systems and advanced lasers deployed to destroy the incoming missiles in flight would tax the existing scientific capacities of the United States, the Soviet Union, and other advanced sector nations, but the prospect of bringing an end to the era of “thermonuclear terror” was so promising, and the science and technologies so clearly within reach, that LaRouche’s plan had an immediate impact on President Reagan, who, for decades, had deplored the fact that the human race was held hostage to the ultimate weapons of mass destruction.

From late 1981 through the Spring of 1983, LaRouche traveled between New York City and Washington for frequent meetings with a senior Soviet diplomat, Yevgeni Shershnev, who was posted to the Embassy. Following each discussion with Shershnev, LaRouche would meet with Richard Morris, the special assistant to President Reagan’s then-National Security Advisor Judge William Clark, to report back on the exchanges.

In court testimony at LaRouche’s railroad trial in Federal Court in Alexandria, Virginia in November 1988, Morris described LaRouche’s collaboration with the Reagan White House on seven still-classified national security projects. The U.S.-Soviet back-channel talks, leading to President Reagan’s March 23, 1983 SDI announcement, topped the list.

It was a history-altering intervention, and even though the

Soviet government of President Yuri Andropov suicidally rejected President Reagan's offer of collaboration, thus triggering a "beam defense arms race," the events set in motion by the Reagan-LaRouche SDI collaboration, led, by the end of the decade, to the collapse of the Soviet Union and the Warsaw Pact. LaRouche had warned, from the moment that Andropov rejected Reagan's offer of collaboration, that if the Soviets did not reverse course, and if the United States went ahead with research and development of beam weapons based upon new physical principles, the Soviet system would collapse, under the economic strains brought about by its own go-it-alone ballistic missile defense crash effort, and the long-term cultural and economic flaws in the Soviet Communist system. With the fall of the Berlin Wall in 1989, LaRouche proved right on that score as well.

### The Anglo-Americans React

The reaction of Kissinger, Angleton, and their Anglo-American Establishment bosses was instantaneous: LaRouche must be destroyed by whatever means necessary. To set LaRouche up for the kill—both literally and figuratively—a massive media onslaught was launched, to soften the population for the brutal attacks on LaRouche and his colleagues that would follow. Furthermore, the vicious and massive slander campaign, ignited at the Train salon, would

be critical in forcing the Justice Department to indict LaRouche and scores of his colleagues on patently bogus charges. As the 400-plus-person Federal, state, and local police raid on the LaRouche publishing offices and his home on Oct. 6, 1986 attested, some among the leading figures in the "Get LaRouche" Task Force had murder on their minds—not a lengthy process of trials and appeals.

The man to whom the Wall Street-City of London right wing turned to lead the onslaught against LaRouche, was John Train. By the time he convened the first of the three "Get LaRouche" salon meetings, a month (to the day) after Reagan's SDI speech, Train already had a more than 30-year track record of black propaganda and cultural warfare, on behalf of the right wing of the Anglo-American establishment.

In the early 1950s, Train had been the founding managing editor of *Paris Review*, one of the flagship literary journals of the British intelligence and CIA-sponsored Congress for Cultural Freedom. As you will read in an accompanying article by Tony Papert, *Paris Review* was part of an onslaught against Classical European culture, promoting the most perverse existentialist literature, degenerate post-modernist art, and expressions of music and dance right out of the pit of Weimar *Kulturkampf*. It was the cultural side of the post-World War II "re-Nazification" of Europe and the Ameri-

## Reagan on the SDI

*The following are excerpts from President Ronald Reagan's historic speech of March 23, 1983, announcing the program for a Strategic Defense Initiative.*

In recent months, . . . my advisors . . . have underscored the necessity to break out of a future that relies solely on offensive retaliation for our security. Over the course of these discussions I have become more and more deeply convinced that the human spirit must be capable of rising above dealing with other nations and human beings by threatening their existence. . . . Wouldn't it be better to save lives than to avenge them? Are we not capable of demonstrating our peaceful intentions by applying all our abilities and our ingenuity to achieving a truly lasting stability? I think we are—indeed we must!

After careful consultation with my advisors, including the Joint Chiefs of Staff, I believe there is a way. Let me share with you a vision of the future which offers hope. It is that we embark on a program to counter the awesome Soviet missile threat with measures that are defensive. Let us turn to the very strengths in technology that spawned

our great industrial base. . . . What if free people could live secure in the knowledge that their security did not rest upon the threat of instant U.S. retaliation to deter a Soviet attack, that we could intercept and destroy strategic ballistic missiles before they reach our own soil or that of our allies? . . . Isn't it worth every investment necessary to free the world from the threat of nuclear war? We know it is! . . .

I clearly recognize that defensive systems have limitations and raise certain problems and ambiguities. If paired with offensive systems, they can be viewed as fostering an aggressive policy and no one wants that. But with these considerations firmly in mind, I call upon the scientific community in our country, those who gave us nuclear weapons, to turn their great talents now to the cause of mankind and world peace; to give us the means of rendering these nuclear weapons impotent and obsolete. . . . We seek neither military superiority nor political advantage. Our only purpose—one all people share—is to search for ways to reduce the danger of nuclear war.

My fellow Americans, tonight we are launching an effort that holds the promise of changing the course of human history. There will be risks, and results take time, but I believe we can do it. As we cross this threshold, I ask for your prayers and your support.



*Lyndon LaRouche and Ronald Reagan at a debate in New Hampshire during the 1980 Presidential primaries. During that election campaign, LaRouche promoted the idea of changing U.S. military doctrine from Mutually Assured Destruction (MAD) to strategic defense, developing beam-weapons based on “new physical principles.” This would be done jointly by the United States and the Soviet Union. Reagan welcomed the idea, and issued it as policy on March 23, 1983.*

EIRNS/Stuart Lewis

cas—under which many former top Nazi and Fascist bankers and regime figures, were rehabilitated by the Anglo-Americans, recast as “Cold War anti-Communists.”

### A Cautionary Note

While most of Train’s skulduggery over the past 50 years was conducted in close collusion with CIA and British intelligence figures, including the CIA’s longtime Counterintelligence Director James Jesus Angleton, it would be a grave error to categorize Train as a “CIA asset” or even a deep cover CIA officer. Train salon participant Sol Sanders, a *Business Week* senior writer, described Train as “the last of the CIA Old Boys on Wall Street,” but, in fact, Train far more perfectly fits the term “American Tory,” coined by the late President Franklin Roosevelt, to describe the treason faction of Wall Street, which was loyal only to the Anglo-American financial oligarchy, hated the American Revolution and the U.S. Federal Constitution, and generally saw governments as useful tools for the pursuit of power on behalf of “the Families.”

One telling anecdote about Train, during his college days at Harvard, has the Anglophilic undergrad staging a takeover of a commemoration of Paul Revere’s ride, dressed in British Red Coat uniform, sputtering insults against the American Revolutionaries, with a crew of Harvard mates cheering him on.

Train’s intimate ties to the CIA and other intelligence agencies stemmed from the fact that, upon the death of FDR, a massive purge was conducted within the Office of Strategic Services (OSS), the forerunner to the CIA, in which the vast majority of the “ethnic” Americans (Italian-Americans and

others) and unswerving patriots were cleaned out and black-balled from ever playing a leading role in the U.S. intelligence community.

This is the legacy of Allen Dulles, James Jesus Angleton, and a host of lesser-known Anglo-ophile intelligence mandarins, who were committed to oligarchical power. In the cases of both Dulles and Angleton, their pre-World War II ties to European fascism and the more insidious and powerful Synarchist International would define them as leading assets of the Anglo-American oligarchy *within* the governing institutions and intelligence services of the U.S.A. As LaRouche described it, “A bankers’ secret government has penetrated and subverted the legitimate government of the U.S.A. and of many other nations around the world.”



*James Jesus Angleton*

Train’s “American Tory” family pedigree traces back generations, and centers around the family’s Enoch Train and Co. New England opium trading during the 19th Century, and the early phases of the emergence of the J.P. Morgan Wall Street/London banking cartel. Train’s maternal grandfather was a founding Morgan partner and a close personal ally of J.P. Morgan, in charge of Drexel Morgan’s railroad speculation. A great-uncle, Charles Francis Train, was a leading financial swindler, founder of *Crédit Mobilier*, who later

showed up on the barricades of the Paris Commune in the 1870s, after looting and speculating on the Trans-Continental Railroad project of the 1860s.

In 1961, John Train married Maria Teresa Cini di Pianzana of Florence, Italy. According to one of her intimate family friends, she was an unabashed booster of Prince Valerio Borghese (the “Black Prince”), who led a string of unsuccessful neo-Fascist coup plots against the Italian government in the late 1960s and ’70s. Borghese had been a naval officer and hard-core Mussolini man during World War II, and had joined the Nazi puppet Salò Republic at the close of the war in Europe, fighting alongside Nazi Gen. Karl Wolff against the Allies and partisans. Wolff would be the partner of Berne, Switzerland OSS station chief Allen Dulles in the treacherous “Separate Peace” deal, under which a flock of top Nazis escaped postwar prosecution, many making their way, via the Dulles-Angleton “rat lines,” to South America, where they would play pivotal roles in a string of right-wing coups, death squads, and dictatorships up through the 1970s.

Borghese was arrested by Italian partisans after the Allied liberation of Italy, but was then personally saved from certain execution by OSS officer Angleton, who dressed the prince in a U.S. Army uniform and secreted him to Rome, where he was interrogated by Allied officials, jailed, and then released in 1949, to resume his earlier pro-Fascist intrigues.

### From Paris to Wall Street

Train returned to New York from Paris and became a partner in the boutique Wall Street investment firm of Train Cabot. Train established his own investment house, Smith Train Counsel, which specialized in the management of old family money—and its funneling into a plethora of right-wing projects.

Along the way, Train also became a devotee and collaborator of the British economist Cyril Northcote Parkinson, who was a radical advocate of the bust-up of nation-states and the restoration of monarchies. In one of his more widely exposed ventures into the breakup of nations, Northcote Parkinson collaborated with Alfred Heineken, the Dutch beer magnate, to devise a “Eurotopia” scheme for European federation, based on splitting up the existing nation-states of Europe into 75 mini-states, each eligible to be led by a restored monarchic house. In a glossy pamphlet that Heineken produced in 1992, the beer baron reported, “Professor Parkinson has his doubts about one united Europe consisting of the present nations, since these nations would be of entirely different size, population and economic importance. He therefore favoured splitting up these existing nations into much smaller states of equal size and importance, which could thus form a more balanced federal unity.”

Three years after the publication of Heineken’s “Eurotopia” pamphlet, the ultra-right separatist Italian Northern League advocated a scheme for the break-up of Italy into a



*British economist Sir Cyril Northcote Parkinson advocated the break-up of nation-states and the nullification of the U.S. Constitution.*

string of separate mini-states, which conformed precisely to the Parkinson-Heineken map.

According to his protégé Train, Northcote Parkinson’s reform plans for the United States were no less radical. He called the duties of the President of the United States “impossible,” equating the post with the combined workload of both the English Queen and the prime minister. His call for the restructuring of the Presidency is suggestive of the current Bush-Cheney White House, in which the Vice President has served as the equivalent to prime minister. Northcote Parkinson also demanded that Congress cast secret votes, to disenfranchise voters from influencing their elected representatives; and that the United States be decentralized into mini-states, similar to his schemes for a feudalist form of European federalism.

Northcote Parkinson’s greatest public gaffe was his 1969 visit to Spandau Prison outside of Berlin, where he dined with one of the last living captured war criminals of World War II, Hitler’s Minister of Arms Production, Albert Speer. “Speer claimed he discovered my principles before I did,” Northcote Parkinson was quoted, in describing their encounter. Perhaps he was right.

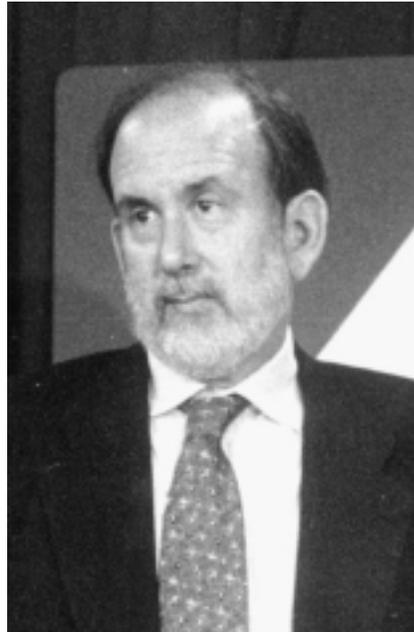
In 1987, in the midst of his involvement in the “Get LaRouche” Task Force, Train established the Northcote Parkinson Fund, a tax-exempt entity, run out of his Smith Train Counsel offices. For the first decade of the fund’s existence, the treasurer was neo-conservative “grand dame” Midge Decter, the wife of Norman Podhoretz and the mother-in-law of Iran-Contra criminal and current Bush Administration NSC Middle East director, Elliott Abrams. While serving as treasurer of Northcote Parkinson Fund, Decter was also executive director of the Committee for a Free World, a member of the Committee on the Present Danger, a trustee of the Heritage Foundation, and an Overseer of the Hoover Institution.

Another leading neo-con figure, Jeane Kirkpatrick, has



uscc.gov

*Stephen Bryen, of the consulting firm ISI Enterprises, was the former director of the Jewish Institute for National Security Affairs. ISI makes annual donations to Train's Northcote Parkinson Fund.*



EIRNS/Stuart Lewis

*Michael Ledeen is a proprietor of ISI Enterprises, and self-professed promoter of "universal fascism." He is currently pressing for a U.S. attack against Iran.*

been a Fund advisor. The seed money to launch the Northcote Parkinson Fund came from the Bradley Foundation, which is one of the leading sources of cash for the entire neo-conservative movement, and which has bankrolled a revival of the teachings of Nazi jurist Carl Schmitt within American law schools.

The Northcote Parkinson Fund serves more as a pass-through of cash for an array of dirty operations—including the ongoing “Get LaRouche” efforts, as Anton Chaitkin documents in his contribution to this *Feature*.

Curiously, in addition to the Bradley Foundation, the Olin Foundation, and the Ford Foundation, Train's Northcote Parkinson Fund has been the recipient of annual donations from a curious Chevy Chase, Maryland consulting company, ISI Enterprises. The sole proprietors of ISI are Michael and Barbara Ledeen. The only other principal of the firm is Dr. Stephen Bryen, the former director of the Jewish Institute for National Security Affairs, who was accused but never prosecuted as an Israeli spy in the late 1970s, and later served as an aide to Richard Perle in the Reagan Pentagon. Michael Ledeen, another leading Iran-Contra figure, is a self-professed promoter of “universal fascism,” and is presently one of the leading neo-cons pressing for a U.S. military confrontation with Iran.

The Northcote Parkinson Fund otherwise puts seed money into international destabilization efforts, almost always coordinated with the International Rescue Committee (IRC) and Freedom House—both projects launched and directed by longtime Train ally Leo Cherne, a veteran, along with Angleton and Train colleague Jay Lovestone, of the 1920s and '30s Communist International. Indeed, Train—along with Lazard Bank synarchist Felix Rohatyn—is a longtime member of the International Rescue Committee's advisory board.

Train has his own network of private “Project Democracy” operations, particularly targeted at the nations of the former Soviet bloc. The Russian writer Aleksandr Solzhenitsyn is listed as a Prize Advisor of Northcote Parkinson Fund, the group that chooses the winner of the annual \$50,000 Civil Courage Prize. The Northcote Parkinson Fund advertises itself as the home of the Free and Democratic Bulgaria Foundation, headed by John Dimitri Panitza, who is also a Prize Advisor.

Other Prize Advisors and directors showcase the deep ties that Train enjoys with the upper echelons of the British imperial establishment—including Dr. John Chipman, the director of the International Institute for Strategic Studies (IISS) in London. Edward J. Streater, a board member of the Northcote Parkinson Fund and a former Minister in the U.S. Embassy in London, is both a director of the Ditchley Foundation—the British-American-Canadian elite think-tank, dedicated to the reintegration of the United States into the British Commonwealth fold—and a member of the IISS Executive Committee. He is also the chairman of the New Atlantic Initiative (NAI), a project housed at the American Enterprise Institute, which also coordinates trans-Atlantic right-wing political operations. Former British Prime Minister Margaret Thatcher, Kissinger, and Shultz are all “patron luminaries” of the NAI, and Midge Decter and Jeane Kirkpatrick are active with the group.

John Train is also one of six directors of the Paul Klebnikov Fund, which was established following the assassination in Moscow in July 2004 of Train's son-in-law. Paul Klebnikov had been the Moscow editor of *Forbes* magazine, and had published a book exposing Russian “Mafiya” boss Boris



EIRNS/Dan Sturman

*Synarchist banker Felix Rohatyn intersects the Train networks through his membership on the advisory board of the International Rescue Committee, which coordinates destabilization ("regime change") efforts abroad.*

Berezovsky as a major funder of the Chechen separatists. Among the other members of the board of directors of the fund, which promotes "independent" media in Russia and the former Soviet Union, is Boris Jordan, one of the most successful oligarchs of the early post-Soviet Boris Yeltsin-led Russia. Through his Renaissance Capital Group, the American-born Russian bought up millions of "vouchers," individual shares in the privatized Russian state-sector companies, which were disbursed to every Russian citizen, enabling Jordan to grab up some of the most lucrative former state-sector firms at a fraction of their value. Jordan today heads the Sputnik Group of companies in Moscow.

Both Jordan and Train's son-in-law Paul Klebnikov were part of a circle of "White Russian" exiles in New York City, who were longtime social contacts of the Train family, according to one insider in the tightly knit community. The New York City "White Russians" were also assets of James Angleton, during his long tenure as CIA Counterintelligence Director.

In addition to his activities inside the former Soviet bloc, at the time of the "Get LaRouche" salons, Train was also the chief money-bags for the Afghan Relief Committee, another part of the vast privatized intelligence apparatus that ran the Reagan-era clandestine wars, and was a project of the International Rescue Committee. The ARC, under Train's leadership (it was run out of a single desk in Smith Train Counsel's Manhattan East Side offices), backed the most notorious of the Afghan "mujahideen" drug lords, Gulbuddin Hekmatyar,

later an ally of the Taliban, and still one of Afghanistan's most ruthless heroin barons.

### **'Get LaRouche' Salon Revisited**

An *EIR* investigation, spanning 20 years, has reconstructed, through eyewitness accounts and court records, much of what took place at the three Train salon sessions targeting the LaRouche movement. According to a 1986 interview with Midge Decter, the "Get LaRouche" gatherings were among a large number of such programs, run by Train over several decades. Given Train's strong ties to Angleton, the paranoid CIA Counterintelligence chief, it is no surprise that almost all of the Train salons promoted the idea that the targets were "KGB agents" or otherwise subversives with Communist roots. The "Get LaRouche" sessions were no exception.

John Rees, a participant in all three of the "Get LaRouche" salon sessions and a longtime operative of the Angleton-Train apparatus, described the LaRouche sessions to an interviewer as a continuation of an earlier project of the Train salon, which labeled the Institute for Policy Studies (IPS), a left-leaning think-tank in Washington, as a Soviet front. A 1987 book, *Covert Cadre: Inside the Institute for Policy Studies* by S. Steven Powell, was a product of the Train salon, and the author credited John Train and an unpublished manuscript on IPS by Train as key sources for his effort.

John Rees also personified the gray area between illegal government frame-up operations and "private" intelligence activities. Rees's Maldon Institute was bankrolled by Richard Mellon Scaife and the Anti-Defamation League of B'nai B'rith, according to IRS records and the Institute's own brochures, but Rees was also, according to court records, an informant for the FBI's Washington, D.C. Field Office (No. WF-5728-S).

Who were the other participants in the Train "Get LaRouche" salon? Among the journalists from major "establishment" news organizations were: Sol Sanders, a writer for *Business Week* and a co-founder with Midge Decter of the Committee for the Free World; NBC-TV producer Pat Lynch; *Wall Street Journal* reporter Ellen Hume; *Reader's Digest* editor Eugene Methvin; and Peter Spiro of *The New Republic*.

Also in attendance at the "Get LaRouche" sessions were Chip Berlet, a onetime Washington bureau chief of *High Times* magazine, who had already famously slandered LaRouche in an article for that publication titled "He Wants To Take Your Drugs Away!"; Dennis King, a paid hack writer for the infamous New York City mob lawyer and former general counsel to Sen. Joe McCarthy, Roy M. Cohn; and Russell Bellant, a writer for the ostensibly left-wing anti-CIA publication *Counterspy*. King, Berlet, and Bellant had already established themselves as a team, targeting LaRouche and even lobbying the U.S. Department of Justice to open a criminal probe of LaRouche a year prior to the



EIRNS/Stuart Lewis

Dennis King (left) and Chip Berlet smile for the camera, at the Alexandria, Virginia Courthouse, at the sentencing of Lyndon LaRouche on trumped-up charges, Jan. 27, 1989. King once worked for the late mob lawyer and counsel to Sen. Joe McCarthy, Roy Cohn; Berlet is infamous for his attack on LaRouche in High Times magazine, titled “He Wants To Take Your Drugs Away!”

first Train gathering. At the salon, according to several eyewitness accounts, King was tasked to write a book about LaRouche, with the promise of funding (King’s hack-job was eventually published, with credits to John Train, and with funding from the League for Industrial Democracy and the Smith Richardson Foundation).

According to several participants in the Train meetings, a number of “gentlemen with government connections” were present. At least one of the government men was Roy Godson, then a consultant to the President’s Foreign Intelligence Advisory Board (PFIAB), the National Security Council, and the United States Information Agency. Godson was a self-professed “expert” on “Soviet active measures,” and he repeatedly, in league with former CIA official Donald Jamieson and USIA analyst Herbert Romerstein, attempted to smear *Executive Intelligence Review* as a Soviet “active measures” project.

The ADL’s Mira Lansky Boland and Leonard Sussman both attended the Train “Get LaRouche” sessions, along with right-wing writer Rael Jean Isaac and Mellon family heir and right-wing money-bags Richard Mellon Scaife. The foundations under the control of Richard Mellon Scaife would regularly bankroll Train projects, as well as the “Get Bill Clinton” campaign, which ultimately led to the President’s impeachment by the House of Representatives. If Hillary Clinton was right when she charged that a “vast right-wing conspiracy” had targeted her husband’s Presidency, then Mellon Scaife was the chief financial officer of the plot.

A pair of flow-charts, prepared by Virginia Armat, John Train’s longtime editor and a former *Reader’s Digest* editor, portrayed the LaRouche organization, as per instructions, as a Soviet front, which “believes in the establishment of an American dictatorship, a purge of Jews and all British influences, and the militarization of society.”

Between the date of the first Train salon session and the late 1980s, every “journalist” participant in the sessions had issued at least one major slander piece against LaRouche—in a major newspaper, magazine, or TV news show. Even Dennis King, the Roy Cohn poison pen, had been given space on the opinion page of the *Wall Street Journal*, to publish leaks from the Federal grand jury that had been convened to railroad LaRouche and colleagues within a little more than a year after the first Train salon session.

The “LaRouche as a Soviet active measures agent” line, coming out of the Train salons, had both an ideological as

well as a practical dimension. At the outset of the Reagan Administration, the President had signed Executive Orders 12333 and 12334, which, in effect, authorized the Federal intelligence and law enforcement agencies to “deputize” private citizens and organizations, to conduct activities against deemed enemies of the state. Under the rubric of 12333 and 12334, a multitude of sins were carried out, including the Iran-Contra scandal, that nearly brought down the Reagan Presidency. The “Get LaRouche” operation was another of the 12333 and 12334 programs.

Indeed, on Oct. 6, 1986, as swarms of Federal, state and local police, backed up by military units with armored personnel carriers and fixed-wing aircraft, surrounded the farm outside of Leesburg, Virginia where Lyndon and Helga LaRouche were living, it would only be a telegram from



Right-wing money-bags Richard Mellon Scaife funded the “Get Bill Clinton” campaign.

LaRouche to President Reagan, that would thwart the assassination plan, and force a fall-back to the frameup prosecutions that would take up the better part of the next six years.

President Reagan, who collaborated with LaRouche on the SDI and a number of other programs of vital benefit to the national security of the United States, was clearly “out of the loop” on the Get LaRouche campaign—underscoring the fact that the effort was launched and conducted from outside the government, utilizing assets within the Federal law enforcement and intelligence community, who could be tapped by Train, Angleton, Kissinger, Cherne, Lovestone, et al.

Author Ted Morgan, who published a 1999 biography of the infamous Soviet Comintern agent-turned Angleton CIA asset, Jay Lovestone, revealed that, during the 1980s, Lovestone had joined with Angleton and Kissinger in their own private conspiracy against LaRouche. Soon after the book’s publication, Morgan told an investigator that his source on the vignette was none other than John Train.

### All in the Family

A sub-theme of the Train salon’s smear campaign against LaRouche was that the “fanatical Communist agent,” LaRouche, had turned his organization into a cult, which indoctrinated new recruits using clever Soviet psychological tricks.

To spread the “LaRouche cult” fabrication, Train would turn to another segment of the extended apparatus of public/private Anglo-American intelligence operations—the American Family Foundation, now renamed, in more academically correct lingo, the International Cultic Studies Association (ICSA).

AFF was a late-1970s redeployment of a nexus of CIA and Pentagon-financed psychiatrists, sociologists, and spooks, who all worked in secret government programs on mind-control and the uses of mind-altering psychedelic drugs. Following CIA Director (1973-76) William Colby’s clean-out of some of the Agency’s most egregiously criminal operations and operatives—starting with James Angleton—such intelligence community “black programs” in mind-control as “MK-Ultra” and “Artichoke” were ostensibly shut down. In reality, they were merely relocated into the “private sector,” under the rubric of agencies like the American Family Foundation and the Cult Awareness Network. The Jonestown mass suicides of 1978, in which nearly a thousand members of Rev. Jimmy Jones’ Peoples Temple committed suicide or were



EIRNS/Stuart Lewis

*Henry Kissinger was one of the top controllers of the “Get LaRouche” Task Force. He immediately perceived President Reagan’s 1983 adoption of LaRouche’s strategic defense initiative as a threat to his own power and his conception of strategic manipulation.*

murdered in their remote Guyana village, created a mass outcry over the danger of cults.

Soon MK-Ultra veterans like Dr. Louis Jolyon West and Margaret Singer were passing themselves off as “experts” on dangerous cults, and proffering their services as “deprogrammers.”

The AFF was heavily funded by a network of small, tax-exempt foundations with intimate ties to John Train. The Achelis and Bodman Foundations, both tax-exempt trusts of the Bodman family, are run by John N. Irwin III, the son of John Irwin II, a top aide to Henry Kissinger at the State Department, and Walter J.P. Curley, a former U.S. Ambassador to France. John Irwin is also a blood relative of Thomas “Pop” Watson, the founder of IBM and the author of the Truman-era proposal to constitute the postwar CIA as a private agency, run through Wall Street and the American multinational corporations.

Achelis and Bodman also are funders of Train’s Northcote Parkinson Fund, along with SPES Trust, the London-based funding arm of the Argentine branch of the AFF, Servicio Para el Esclarecimiento en Sectas.

Train, John Irwin II, and Walter Curley are also all leading figures in the French American Foundation, an elite organization of French and American diplomats and financiers, through which Train has maintained his “French Connection” since his Paris days with the Congress for Cultural Freedom’s *Paris Review*. Edward Hallam Tuck, a Northcote Parkinson Fund trustee, as of 2001, was president of the French American Foundation from 1988-95.

And Northcote Parkinson Fund director Edward Streator

shares a seat on the Ditchley Foundation board of governors with Baroness Liz Symons of Vernham Dean, a former Tony Blair Minister of State for International Trade and Investment, friend of Mrs. Lynne Cheney, and an active player in recent AFF-steered filthy slander operations against Lyndon LaRouche.

### ‘Mother’ England

Above all else, John Train is a particular species of rabid Anglophile (“American Tory”), whose attachments to the City of London financial oligarchy and the intelligence and policy institutions of the British Commonwealth are primary. A source familiar with Train’s operations bluntly described him as an appendage of the London IISS.

Furthermore, Train’s personal financial empire is, in fact, centered more in Britain and continental Europe than in the United States. In 1984, Train Smith Counsel, the Wall Street firm 75% owned by John Train, went through a financial restructuring, with English Association Trust (EAT) of London purchasing 50% controlling interest. EAT, a 100-year old firm and a wholly owned subsidiary of English Association Group PLC, specializes in British takeovers of American businesses. English Association Group PLC, in turn, was, at the time, a wholly owned subsidiary of PK Banken of Sweden, a state-owned bank.

With the buy-in to Train Smith Counsel, two directors of EAT were added to the board of the New York firm, and Train was put on the board of EAT. The two British directors were Richard Cox-Johnson and Roderick Macleod. Cox-Johnson, the chairman of EAG and EAT, and a director of PK Banken, was formerly a merchant banker with NM Rothschild. Macleod was a senior partner at Carr Seabag and Co.

In 1993, Train Smith Counsel, renamed Train Babcock Advisors, went through another metamorphosis, when a majority stake in the firm was bought by another financial institution with deep ties into the upper echelons of the City of London. Concord International Investment Group, a 50/50 joint venture of Mohamed Saleh Younes and Baring Brothers, bought into the Train firm. At the time of the purchase, Younes was chairman and CEO of Baring Brothers and Co., Inc., the New York City affiliate of the London bank, and was a director of Baring Brothers and Co., London. Baring Brothers and Co. was subsequently taken over by the Dutch banking and insurance conglomerate, ING.

The Egyptian-born Younes got his MBA from Harvard Business School in 1963, and worked for a number of banks in Europe, before becoming the head of Kidder Peabody International—a J.P. Morgan-affiliated firm, and then founding Concord in 1986 with Baring.

*The following people contributed invaluable research to this article: Pierre Beaudry, Mark Bender, Claudio Celani, Anton Chaitkin, Roger Moore, Michele Steinberg, and Scott Thompson.*

# John Train’s Fascist Capture of Television

by Anton Chaitkin

John Train’s mentor, Sir Cyril Northcote Parkinson, told him to “capture television” for the right wing, because it was more important than the schools, and that’s exactly what Train set out to do. In 1987, four years after Train met with representatives of the bankers’ CIA faction, U.S. Justice Department, private foundation moguls, and selected media outlets in his “Get LaRouche” salon, Train created the Northcote Parkinson Fund to use those same forces to gain the control Sir Cyril had mandated.

Train referred to the takeover project in a 1993 article eulogizing the imperial Northcote Parkinson (1909-1993), after whom the Fund is named:

One of [Parkinson’s] observations to me, which must be recognized as generally true, is this: In America all professors of economics tend to be leftists. Why? Because if an able youngster has an interest in economics, in figures, and has conservative views, he goes into business. Whereas if he has left-wing views, he becomes a professor. So academic economists tend to be left-wingers. Business should never have let that come about. You let the case go by default. The only answer is for business, in turn—having let the left wing capture the schools—to capture television. It’s essential that this be done. Television is far more important than the schools. People get their ideas from television. . . .”<sup>1</sup>

The correlation of political forces in 1987 was ripe for Train’s project. Mrs. Lynne Cheney, the previous year, had become chairman of the National Endowment for the Humanities (NEH), the U.S. government’s funding agency for media and culture. Chairman Cheney began attacking previous and ongoing funding by the NEH, including the Corporation for Public Broadcasting. She demanded a right-wing agenda for Public Television and Public Radio.

John Train’s Fund took off under Mrs. Cheney’s neo-con umbrella. The neo-conservatives were then on a rampage in the Reagan-Bush Administration, and Lynne Cheney idolized neo-conservative Mrs. Irving Kristol (Gertrude Himmelfarb) for having restored the ideas of Queen Victoria’s British empire into U.S. thinking. Train also had on board neo-con cul-

1. John Train, “C. Northcote Parkinson—An Appreciation,” June 1, 1993, in the neo-conservative magazine, *The American Spectator*.



*Sir Cyril Northcote Parkinson, John Train's mentor, gave him marching orders to "capture television" for the right wing.*

ture warrior Midge Decter Podhoretz, who served as a director and the founding treasurer of his Northcote Parkinson Fund.

The Fund's initial financial sponsorship came from the Lynde and Harry Bradley Foundation.<sup>2</sup> Using the money of a dead midwestern industrialist, the Bradley Foundation had suddenly become the leading funding source for the American right wing after **Michael Joyce** took over its presidency in 1985. An apostle of fascist philosopher Leo Strauss, Joyce personally led the crusade to revive the work of German jurist Carl Schmitt, who is infamous for having crafted the legal rationale for Adolf Hitler's emergency decrees.

Michael Joyce's Bradley Foundation would finance every aspect of the campaign of Train and his friends for right-wing control of the media.

In its first year, 1987, the Northcote Parkinson Fund reported no public activities.<sup>3</sup> Privately, the new fund's first venture was a red-baiting attack by Train and the right-wing faction of the intelligence community, against the leftist Institute for Policy Studies (IPS). The next year, a book reporting the fruit of this new Train "salon,"<sup>4</sup> acknowledged that the unpublished notes of John Train were the prime source used for the book's cover-up account of the 1976 Washington, D.C. bombing assassination of IPS Fellow and Chilean exile Orlando Letelier, at the hands of the secret police of Chilean fascist dictator Augusto Pinochet.

That book's introduction was written by **David Horowitz**, who indicted his own parents as communists, and described his personal journey to collaboration with the far right. In 1988, when this Train/Horowitz book came out, David Horowitz founded the **Center for the Study of Popular Culture**, with initial funding from Michael Joyce's Bradley

Foundation. It was as a project of this Center for the Study of Popular Culture that Horowitz founded the Committee for Media Integrity, to campaign against leftist control of the Corporation for Public Broadcasting.

The first officially reported grant of the Northcote Parkinson Fund was in 1988, a \$150,000 pass-through from the Bradley Foundation to Stornoway Productions in Canada, for producing a propaganda film for Canadian public television that justified the covert operations in Africa of the Reagan/Bush Administration and the fascist underground (the "World Anti-Communist League") as a proxy war against Cuba and the Soviets.<sup>5</sup>

When the George H.W. Bush Administration took office in 1989, Mrs. Lynne Cheney stayed in as NEH chairman, her status enhanced by her brutish husband, former Congressman Dick Cheney, who was now the Secretary of Defense. In the same year, Train's Northcote Parkinson Fund began sponsoring **Michael Pack** and his **Manifold Productions, Inc.** for rightist propaganda films; the Fund gave Manifold Productions a grant of \$69,000 in 1989 for future distribution.

### **The March of Train's Front Groups**

After Bill Clinton's 1992 election, Train ally David Horowitz and British-born filmmaker Lionel Chetwynd formed the **Wednesday Morning Club**, to contest for hegemony in Hollywood. In tandem with John Train in New York, Horowitz became the West Coast pole of the culture war prescribed by the imperial Parkinson, for the campuses as well as television.

In 1995, Lynne Cheney (whose husband was then CEO of Halliburton) and Senator Joseph Lieberman, the Democratic Leadership Council's senator from Connecticut, created the **American Council of Trustees and Alumni**. This group launched a witch-hunt against non-fascist professors who, in the Council's words, are "short on patriotism," the "weak link" in U.S. security. This act was followed in 2003, by David Horowitz's founding of **Students for Academic Freedom** to join Lynne Cheney and Joe Lieberman in hunting academic critics of the Bush-Cheney Administration.

David Horowitz and his Center for the Study of Popular Culture would now form the covering structure for the penetration of campuses, and of Hollywood, by the Cunningham family's Youth With A Mission (YWAM), part of the zombie Buchman enterprise. (This is the operation reported in *EIR* Sept. 15 and 22, 2006 as the group that cooked up the ABC-TV fraudulent docudrama, "Path to 9/11."<sup>6</sup>) From his tax-

2. Donation of \$150,000 from Lynde and Harry Bradley Foundation, reported in the Northcote Parkinson Fund 990 tax return for 1988.

3. Northcote Parkinson Fund's 990 report to the IRS for 1987.

4. S. Steven Powell, *Covert Cadre: Inside the Institute for Policy Studies* (Ottawa, Ill.: Green Hill Publishers, 1988).

5. Northcote Parkinson Fund made additional grants of \$150,000 for this Canadian caper in each of 1989, 1990, and 1991, and \$25,000 in 1992. There was an initial grant (Nov. 6, 1987) of \$150,000 for the "Production of Cuba segment of documentary: 'The New Liberation Wars'" from the Lynde and Harry Bradley Foundation.

6. See Anton Chaitkin, "The Axis of WYAM," *EIR*, Sept. 22, 2006, and Tony Papert, "John Train and Corruption of Public Television," *EIR*, Sept 15, 2006.



DoD/PH2 Julianne F. Metzger

*Mr. Brute and Mrs. Culture: Dick and Lynne Cheney aboard USS Iwo Jima. As head of the National Endowment for the Humanities, Lynne Cheney worked closely with John Train and his friends to move public broadcasting to the right.*

exempt Center (which paid chairman Horowitz himself \$317,000 for the year 2003), Horowitz issued incitements to global war and academic purges, for his own student operation and for neo-con Daniel Pipes's Campus Watch group. Horowitz's guest speakers have included Dick Cheney, Tom DeLay, Sen. Sam Brownback (R-Kan.), House Speaker Newt Gingrich, *Weekly Standard* editor Bill Kristol, Sen. Joe Lieberman, and Sen. Rick Santorum (R-Pa.)

The Horowitz Center became the flagship rightist culture-coup operation nationwide. From 1989 through 2005, the Center received 147 grants totalling \$15,134,000, the bulk of them from the Lynde and Harry Bradley Foundation (including three grants in 1995-96 to support the "Dark Ages Weekend"); foundations of Richard Mellon Scaife and his family; the John M. Olin Foundation; and the Randolph Foundation (formerly Smith Richardson Foundation).

In 2006, the Horowitz Center bulldozed through to broadcast the ABC hoax "Path to 9/11," concocted by the YWAM "Film Institute," blaming the 2001 terrorist attacks on the Bill Clinton Administration. Today, the Center—still tax exempt after having been renamed the "David Horowitz Freedom Center"—is in the forefront of the Cheneys' war drive.

Horowitz Center sub-entity *Front Page* magazine, ran an Aug. 3 interview with one of its stars, Rep. Tom Tancredo (R-Colo), head of the anti-immigrant caucus, aiming at a U.S.-

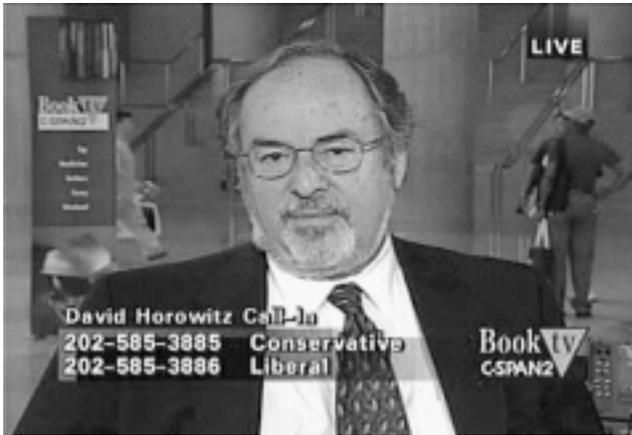
Israel attack on Iran. Regular columnists include Ann Coulter, Frank Gaffney, Daniel Pipes, and dozens of other war-mad writers. The Center's urgent task at the moment is to build support for an October military attack on Iran, to submerge the November elections in panic and submission to the current U.S. regime.

### **Moving the Media Right**

Back in 1994, Train's Michael Pack and rightist film critic Michael Medved co-produced *Hollywood vs. Religion*, starring Medved and religious intriguer Charles Colson demanding a shift to the right in media power. Medved later went on the board of David Horowitz's Center.

In the same spirit, Train's Northcote Parkinson Fund poured out grants for Michael Pack during the 1990s:

- \$110,000 in 1995;
- \$128,395 in 1997, for a film defending the Los Angeles police beating of Rodney King.
- \$300,000 in 1998 passed through the Northcote Parkinson Fund for Michael Pack, \$150,000 of it from Michael Joyce's Bradley Foundation.
- \$100,000 in 1999 was put through Train by the Bradley Foundation to pay for Michael Pack's documentary, *God and the Inner City* (on "faith-based" programs);
- Another \$40,000 for the same Pack project was passed



David Horowitz, John Train's man in Hollywood, consolidated the campus right-wing campaigning.

from Olin Foundation's Michael Joyce, board member, in 2000.

The Hollywood project churned along.

Then, Texas Governor George W. Bush, running for President, made his first public speech in California at the Horowitz Wednesday Morning Club. When W. became President in 2001, with Mrs. Cheney's husband as Vice President/controller/enforcer, the sponsorship of Michael Pack became almost the sole endeavor of Train's Fund.

- In 2001, Pack got \$200,000 out of a total Northcote Parkinson distribution of \$215,585.

- In 2003, \$114,500 went to Pack out of \$131,850 in total grants.

A far-right coup was now in progress in the control over public broadcasting.

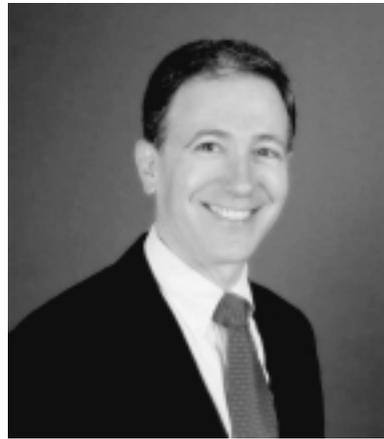
As *EIR* reported Sept. 15:

Pat Mitchell, president of the . . . Public Broadcasting System (PBS), accepted an invitation to tea with Lynne Cheney in her residence in Washington's Naval Observatory. . . . [T]here with Mrs. Cheney to greet Mitchell was Michael Pack, who proposed that the Vice President's wife host a series of one-hour television programs aimed at middle-school students. . . . But within weeks, Pack had to recuse himself from the project when he was appointed senior vice president and head of all television programming at the Corporation for Public Broadcasting (CPB), which rations PBS's Federal funding and that of local stations. The Lynne Cheney Hour project was put on ice.<sup>7</sup>

Michael Pack later said that in 2003,

I was given the mandate to restructure the TV programming department, make CPB more proactive in program development, and launch major new initiatives in

7. See Footnote 6.



Michael Pack, John Train and Lynne Cheney's favored filmmaker, raked in Train funding for his right-wing projects.

public affairs and education, which I am happy to have accomplished during my time at CPB.<sup>8</sup>

John Train's fund continued sponsoring Michael Pack's company, Manifold Productions, even while Pack was now the U.S. government's television production czar. Northcote Parkinson granted \$58,750 to Pack in 2004 (out of \$81,180 in total grants).

### Money, Train, and the Godfather

In his day job, John Train runs **Train, Babcock**, an investment company managing the fortunes of wealthy clients. The chairman of the Board of Advisors for Train's company is **Neal B. Freeman**, who is otherwise a chief strategist in the attempted fascist takeover of the U.S. media.

Freeman entered U.S. politics as the young "fair-haired boy" and "right-hand man" of William F. Buckley, according to sources close to Buckley. Freeman himself says he set up the Washington bureau of Buckley's *National Review* in the late 1960s. Freeman was Washington editor of *National Review* from 1978 to 1981, the heady days following the Pinochet coup and the Letelier assassination, when the Buckley organization was running global public relations for Pinochet by direct assignment of the Chilean secret service.

Neal B. Freeman, board chairman of the Train firm, is currently a director and writer for *National Review*. His day job is producer of rightist television documentaries. Years earlier, Richard Nixon appointed Freeman as director of the Corporation for Public Broadcasting, along with co-director Irving Kristol. With Buckley's entree to the Reagan-Bush White House, Freeman filmed a show on "the real Ronald Reagan."

Freeman is otherwise chairman of the **Foundation Management Institute**. There he counsels rightist think-tanks and the Anglo-American spook community on how to ensure

8. Corporation for Public Broadcasting press release, Feb. 9, 2006, announcing the departure of Michael Pack from CPB leadership, mission accomplished.

that money bequeathed by the wealthy stays on track in right-wing projects.

Freeman lavishly praises Michael Joyce, the special pleader for Hitler's jurist Carl Schmitt. It was Joyce's Bradley Foundation that financed Freeman's own career, and the work of David Horowitz, Michael Pack, and John Train's Northcote Parkinson Fund. Upon Joyce's retirement in 2001, Freeman wrote,

For the past 15 years, Michael Joyce has run the Lynde and Harry Bradley Foundation, the largest conservative foundation in the country. This position, or more correctly, the way in which Joyce maximized this position, made him the chief operating officer of the conservative movement. . . . Over the period of his Bradley service, it's difficult to recall a single, serious thrust against incumbent liberalism that did not begin or end with Mike Joyce. . . . Joyce became what one of his mentors, Irving Kristol, was often called—"The Godfather." . . . Thanks Mike."<sup>9</sup>

9. Neal B. Freeman, "The Godfather Retires," *National Review Online*, April 18, 2001.

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## Profile: 'Get LaRouche' Taskforce

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# Train Salon's Cold War Propaganda Apparatus

by Barbara Boyd

As Jeffrey Steinberg's article in this section recounts, 30 days after Lyndon LaRouche's proposal for what became the Strategic Defense Initiative was endorsed by President Ronald Reagan, John Train convened his salon of hack journalists and dirty-tricks operatives on April 23, 1983, with the goal of destroying Lyndon LaRouche. Train's campaign drew on the oligarchy's most experienced agents both within and without government—individuals who had been at the center of controlling public opinion in the United States from the Truman Presidency forward. Reagan's endorsement of LaRouche's proposal represented a potential break in control of U.S. policy, and the Anglo-American establishment was frantic.

This article provides a summary profile of the relationship among John Train, James Jesus Angleton, Jay Lovestone, and Leo Cherne, key operational participants in the "Get LaRouche" project.

At the time of the Train salon, Angleton, the infamous and disgraced former chief of CIA counterintelligence, was chairman of an entity called the Security and Intelligence Fund, which he ran with Brig. Gen. Robert C. Richardson III, the co-founder of Gen. Daniel Graham's High Frontier and a life-long collaborator of Graham. Graham's incompetent High Frontier had been promoted by the oligarchy as the alternative to LaRouche's SDI proposal, and Graham himself actively participated in John Train's defamatory campaign against LaRouche. The Security and Intelligence Fund campaigned, with its sponsors, the American Security Council and American Foreign Policy Institute, to roll back all of the legal curbs on domestic espionage imposed in the wake of the widespread abuses exposed during the Nixon and Ford Administrations—abuses which led CIA director William Colby to summarily fire Angleton.

In his last days, Jay Lovestone was, according to biographer Ted Morgan, still so enmeshed in Washington affairs that Henry Kissinger called him in December of 1982 to solicit help in a campaign against LaRouche. Kissinger called Angleton at the same time for the same purpose. Lovestone, according to Morgan, was still a two-day-a-week consultant to the AFL-CIO International Division in Washington, D.C., and his primary collaborators were like-minded "cold warriors"—Fritz Kraemer, Sen. Henry "Scoop" Jackson, James Angleton, and Edward L. Rowny.

Ted Morgan cites John Train as his source concerning Kissinger's solicitation of Angleton and Lovestone for operations against LaRouche. Morgan notes that John Train had long known Louise Page Morris, an OSS veteran who was personally deployed by Angleton as a spy, beginning in 1949, with a cover as an employee of Lovestone's Free Trade Union Committee. Morris became Lovestone's mistress and handled the passing of CIA funds from Angleton to Lovestone. According to Morgan, Train's daughter bought Morris's house after Lovestone's death.

Finally, Leo Cherne was vice-chairman of the President's Foreign Intelligence Advisory Board (PFIAB) at the time of the Train meetings, and chairman of the Board of Directors of the International Rescue Committee. In a 1989 interview with *EIR*, Cherne stated that he chaired a task-force on Third World debt at PFIAB, and that Mexican President José López



James Jesus Angleton



John Train



*The founding of the Congress for Cultural Freedom in West Berlin, June 1950. The CCF assembled a substantial apparatus to terrorize any possible American opposition to its Cold War policies. Step out of line, and the propaganda machine could brand you as a KGB sympathizer, liable to be targeted, as was LaRouche, “under the guidelines or otherwise.”*

Portillo’s 1982 repudiation of Mexico’s debt, in coordination with LaRouche, had sent a “shock wave through Washington.” According to Walter Raymond, the architect of the Reagan Administration’s “black propaganda” campaigns on behalf of its Central American policies, in May of 1983 Cherne was working directly with Roy Godson, who was then a consultant to PFIAB and the National Security Council, to raise funds from private sources to support Raymond’s efforts.

Since the early 1980s, Train had worked with Freedom House, an organization which Cherne founded in 1946, and the International Rescue Committee, in covert support operations of the Afghan mujahideen through the Afghan Rescue Committee, an entity which was housed in Train’s investment house in New York.

Kissinger’s request for operations against LaRouche received immediate attention from Angleton, Lovestone, and Cherne. On Jan. 12, 1983, according to the official PFIAB document, David Abshire, Edward Bennett Williams, and “others” discussed Kissinger’s request and called for an investigation by the FBI, “under the guidelines or otherwise,” concerning whether LaRouche was funded by “hostile intelligence agencies.”



*Leo Cherne*

### **The Truman-Era Genesis of the Train Salon**

The decades-long relationship of John Train, Leo Cherne, Jay Lovestone, and James Angleton in black operations on behalf of the oligarchy begins at the close of World War II and with the death of Franklin Roosevelt.

Leo Cherne, an economist and lawyer, was a dean of post-war Anglo-American intelligence. His close ties to both Daniel Patrick Moynihan and William Casey began when he provided them their first jobs at his Research Institute of America. However, Cherne’s most significant role was his chairmanship, from 1953 forward, of the International Rescue Committee. The IRC received private funds through the Ford Foundation and other foundations, and from American’s Anglophilic first families, as well as government funding through the influence of the CIA, to perform covert propaganda and relief activities against the Soviet Union and its allies during the Cold War. Following the Cold War, it continued these activities on behalf of synarchy’s globalist agenda. During the formative 1950s, Cherne was assisted in running the IRC by Angier Biddle Duke, heir to the American tobacco fortune.

Daniel Patrick Moynihan, who was IRC’s director of public relations in 1954, stressed that the Rescue Committee’s relief and progaganda activities on behalf of refugees and defectors from the Soviet system, represented the ideal instrument of “psychological warfare.”

In its official history, the IRC cites Jay Lovestone as its original creator. In 1933, according to the IRC, Lovestone advanced the idea of a privately run relief agency with the ability to function behind enemy lines, in support of U.S. foreign policy goals. When Lovestone made his proposal, he was in the process of re-creating himself as a social democrat, having been fired by Joseph Stalin five years previously as general secretary of the Communist Party U.S.A. Lovestone’s re-emergence in American labor was sponsored by the International Ladies Garment Workers Union’s (ILGWU’s) David Dubinsky and Wall Street, and his initial assignment was to run a campaign to rid U.S. trade unions of undesirable influences, starting with the United Auto Workers (UAW).

During World War II, the International Rescue Committee worked with the ILGWU and Lovestone’s Free Trade Union Committee, to funnel aid to social democratic leaders

and trade unionists in exile. In the post-war period, Lovestone ran the AFL-CIO's international division with his lieutenant Irving Brown. Angleton controlled this operation and "ran" Lovestone for the bankers' faction of the CIA, with the aim of subverting the Soviet bloc from within, while controlling "free" trade union movements throughout the world and domestically. The misogynist and openly fascist Angleton was sponsored by Allen Dulles, the first CIA director, and supported by CIA director Richard Helms during his halcyon days in the Agency. The individuals he and Lovestone used in their operations were social democrats who, like Lovestone, came to this synthetic religion after abandoning communism.

John Train's entry into this circle appears to begin with the *Paris Review*, a literary publication founded in 1953 and run by Anglo-American intelligence in conjunction with the Congress for Cultural Freedom, as a "cultural warfare" and public opinion-molding project in the U.S. and abroad. Train managed the *Paris Review*. Both Richard Cummings, author of *Pied Piper: Allard K. Lowenstein and the Liberal Dream*, and Frances Stonor Saunders, the historian of the Congress for Cultural Freedom, emphasize that the *Paris Review* was entirely funded by the CIA. Cummings states that it was a personal project of James J. Angleton.

In his 1995 book *Covert Network: Progressives, the International Rescue Committee, and the CIA*, Eric T. Chester documents the continuous interface among the Congress for Cultural Freedom, Lovestone's FTUC, the AFL-CIO International Division, and Cherne's Freedom House and International Rescue Committee, in various covert operations against the Soviet bloc, funded by the Ford Foundation, private donors, and the CIA.

During the 1960s and early 1970s, the alumni of the Congress for Cultural Freedom and individuals otherwise in the orbit of Angleton, Cherne, and Lovestone became the center of the so-called neo-conservative movement, forming and participating in such organizations as the Committee on the Present Danger, the Coalition for a Democratic Majority, and the Committee for a Free World, with funding provided by captive foundations, such as the Scaife Foundations, the Lynde and Harry Bradley Fund, Smith Richardson Foundation, and wealthy members of the Anglo-American elite. Cherne, for example, founded and led the "Democrats for Nixon." It is also noteworthy that Train sits today on the Board of Overseers of the International Rescue Committee together with Henry Kissinger and Felix Rohatyn.

### **Tar Him With the KGB Brush**

Those familiar with the Train meetings have wondered about Train's insistence that Lyndon LaRouche be portrayed in the ensuing media campaign as a KGB disinformation agent. This specious defamation of LaRouche was an old one, having been thoroughly investigated and dismissed by the FBI after Lovestone operatives Roy Godson and Thomas Kahn in 1976 insisted that the FBI investigate it, together



*Roy Godson, a Lovestone operative who demanded an FBI probe of LaRouche in 1976, and continued to play a leading role in the "Get LaRouche" Taskforce.*

with their bizarre allegation that LaRouche was involved in harassing the AFL-CIO's Irving Brown, following the disclosure that year that Brown was a long-time agent of the CIA.

Following the signing of Executive Order 12333 at the behest of Vice President George H.W. Bush during the Reagan Administration, black propaganda operations and other covert illegal operations conducted by the intelligence community domestically were given a new life, under the rubric of combatting Soviet disinformation or "active measures." Branding LaRouche as involved in KGB disinformation operations allowed operations against him which would otherwise be banned under U.S. law.

It is noteworthy that the Train salon's activities against LaRouche followed a similar round of covert activities directed against the Institute for Policy Studies in Washington, D.C., based on allegations of Soviet agency. The "Get IPS" round of salons followed the 1976 assassination of Orlando Letelier, former Chilean Ambassador to the United States, in Washington, D.C. by elements of Pinochet's Chilean secret police. Letelier headed IPS's Transnational Institute, and his assassination in broad daylight on the streets of Washington created serious problems for George Shultz, Felix Rohatyn, and others involved in Pinochet's fascist regime.

Train's anti-IPS salons resulted in a book by S. Steven Powell titled *Covert Cadre, Inside the Institute for Policy Studies*. The introduction to this book was written by David Horowitz. Powell acknowledges "unpublished" manuscripts by John Train, held in the archives of the Northcote Parkinson Foundation, as critical to the book. He states that the book would not have been possible without the assistance of Train's personal editor, Virginia Armat Hurt of *Reader's Digest*, and Rael Jean Isaac. He also cites several Soviet "disinformation" specialists known to be in the orbit of Roy Godson, John Rees, and Herbert Romerstein, including Joachim Maitre, Joshua Muravchik, and Ladislav Bittman, as participants in the salon. A central feature of the book is an effort to discredit the assassinated Letelier as an East German or KGB agent.

*The author wishes to thank Neil B. Martin for research assistance on this article.*

# Paris Review: Train's Dirty Secret

by Tony Papert

Art serves to celebrate the divine within us, the distinctly human but also God-like capacity for intellectual creativity. But most Americans alive today have never experienced art in that sense, and, if the worst is allowed to come to the worst, they never will. Why not?

Ever since the beginning of what LaRouche has dubbed the present "Truman Era," the Truman cycle of history, popular culture, mass culture so-called, has continually plumbed new depths of flatulence and insanity.

But "high culture," the culture of the presumably literate, has ultimately been as bad or worse. Even today, after more than a century, it is still buried in the shadow of the fin-de-siècle of the 1890s. It is still trapped in the suitcase carried all over Europe by the Russian impresario Diaghilev, who had concocted his version of "art for art's sake" in explicit opposition to the humanism of the Russian writer Chernyshevsky.

Around the sun of Diaghilev circled his sometime lover, the dancer and sexual exhibitionist Nijinsky; painters Pablo Picasso and Fernand Leger; composer Igor Stravinsky; and others less renowned today. And Diaghilev "spent immense energy on getting the right people to come to his exhibitions and performances and to meet the performers."

"In 1911, the coronation year of George V, he came to London, where his ballets made as immense an impression as they had in Paris. Osbert Sitwell says that the company's performance of *The Firebird* changed his life. 'Now I knew where I stood. I would be, for so long as I lived, on the side of the arts.' Harold Acton says that for many an artist then young, *Scheherazade* was an inspiration equivalent to that of Gothic architecture for the Romantics, or Quattrocento frescoes for the Pre-Raphaelites. But it was not only esthetes who so reacted. *The Times* in its very first reviews was both enthusiastic and perceptive, seeing, for instance, the superiority of what Diaghilev was doing to what Pavlova did as an impresario of ballet. It said of *Carnaval*: 'It is immensely serious as Art, but never for a moment serious as Life.' This was a distinction that it took much longer to make prevail in literature. In some sense all British artistic life seems to have capitulated to the Ballets Russes immediately. Rupert Brooke said: 'They, if anything can, justify our civilization. I'd give anything to be a ballet-designer.' " [Martin Green, *Children of the Sun*, p. 30]

But within a few years, World War I had plunged Europe into an ocean of slaughter from which it has yet to recover; a

devastation unparalleled since the Thirty Years War; only the immolation of the Soviet Union in World War II offers any more recent comparison. Martin Green, the author I quoted above, tries, British-style, to make all this understandable in two laconic sentences: "On July 1, 1916, an attack began on the Somme front in which 100,000 men were lost, on the Allied side alone, on the first day. It took the Allied armies three months to advance three miles, and England alone lost 500,000 men in those months." It was as though a generation of English men had gone missing "in Flanders field," as the song goes.

It was in these circumstances of dumb hopelessness, that Diaghilev's revolution was made to "prevail in literature" as it already had in music and painting. (One of the bearers of this literary revolution, the British-Russian Vladimir Nabokov, from the same circles as Diaghilev, wrote a savagely mocking biography of the same Chernyshevsky mentioned earlier.)

The poets included the embittered emigré Americans, fascist Ezra Pound and pro-fascist T.S. Eliot, along with the Irish fascist W.B. Yeats, and the British sometime communist W.H. Auden with his disciples Christopher Isherwood and Stephen Spender. This "Dandy" school readily extended itself to Anglophile snobs at Harvard and Yale, and then to American "Dandies" of the old Confederacy, like John Crowe Ransom, along with many Southerners discovered later by the *Paris Review*.

Since then, the canon has been somewhat enlarged. In painting, an entire new genre, "Abstract Expressionism," appeared suddenly and swept all before it. Elsewhere, some boundaries have become fuzzy. But in the main, the definition of "art," or "contemporary art" if you prefer, has remained as it was left us by Diaghilev and his corybants after World War I. Equally important, this is what "art" is for the whole Baby Boomer generation, honeycombed through the key positions in our institutions.

It is as though Diaghilev's little conspiracy with Stravinsky and Picasso, along with his literary followers of slightly later vintage, all of them perfectly preserved in formaldehyde, are still bringing down the house today, just as in 1911.

But how is this even possible?

For readers of Frances Stonor Saunders' *Who Paid the Piper*, a history of the Congress for Cultural Freedom (CCF), or of the 1967 exposés by *Ramparts* and then by Tom Braden, the answer is unavoidable: Beginning in the early 1950s, an avalanche of U.S. taxpayers' money "covertly" subsidized this particular school, to the exclusion of all else. *EIR* and others have described the long and lavish arts festivals put on in Paris and other war-ruined European cities, but it is equally true, - even if it is illegal, - that the "CIA" massively funded its chosen artistic styles in the United States as well. Think of the Museum of Modern Art continually on world tour, courtesy of the CCF, with the works of its chosen abstract expressionist painters; the Boston Symphony Orchestra likewise, with its chosen composers, and so on.



*Diaghilev's Ballets Russes of the early 20th Century epitomize the degenerate "culture" promoted by John Train's Paris Review still today.*

If writers, painters, or other artists would not dance for Diaghilev's ballet, the networks of subsidized publications and "witting" participants routinely denied them both livelihood and audience. If they persisted anyway, their reputations would be "trashed," by devastating reviews planted simultaneously across multiple publications. This in the Free World, in the name, apparently, of "fighting communism."

Although it is well-known that the "CIA" has always controlled and subsidized *Paris Review*, whose first managing editor was John Train in 1951, this fact is not yet freely admitted, as it is for the CCF. Author Richard Cummings explains this by the circumstance that *Paris Review*, unlike the CCF, is an *ongoing* CIA operation,—i.e., the magazine is still publishing. [[www.literaryrevolution.com/mr-cummings-52305.html](http://www.literaryrevolution.com/mr-cummings-52305.html)] Another contributing factor may be that *Paris Review*, despite its name and its off-again, on-again association with the city of Paris, is and always was an American magazine written by and for Americans, whose CIA funding is therefore arguably illegal.

Cummings discloses the CIA subsidy, otherwise obvious from the luxurious entertainments *Paris Review* provides, and the fact that the whole crew of John Train, Peter Matthiessen, George Plimpton, and company were "CIA." The reason I have placed these letters in quotation marks, is that there are two "CIAs." Intelligence, including covert intelligence, is a necessity for our nation, and the great majority of CIA operatives are patriotic Americans. But at the same time, Tory-minded leaders of the New York financial community like John Train, have long employed CIA "cover" to cloak their own, un-American activities with governmental secrecy, im-

munity, and legitimacy.

Confusion between these "two CIAs" has dogged all efforts to explain why so many millions of taxpayer dollars have secretly been dumped into the promotion of the 1890s' fads sometimes called "avant-garde art." Stonor Saunders quotes one confused U.S. intelligence agent's obviously post-hoc explanation that the Communists labelled this art "degenerate,"—therefore we promoted it. So they did, but does that explain anything?

Saunders also notes that the program for promotion of this school of art, shared its CIA command structure with that for the control and promotion of the "non-communist left" (NCL), such as the French Socialist Party-affiliated unions and the British Labor Party faction of Hugh Gaitskell and his descendants. This operation was run from 1955 by Train's close associate James Jesus Angleton, through former Communist leader and double agent Jay Lovestone, who in turn ran honcho Irving Brown. Not only did the subsidized NCL compete with the Communist Parties' influence;

massive presence in the NCL orbit provided advance notice of their intentions, and an ability to control them, should the need arise. But "avant-garde" art? Surely that could be of no help on the docks of Marseilles.

Puzzling over this riddle, Richard Elman wrote, "It's my contention that the CIA not only engaged in a cultural cold war in the abstract and purely pragmatic way, but that they had very definite aims in view, and they had a very definite aesthetic: they stood for High Culture." He is aware of the problem. But the reality is that it was this CIA campaign which created a situation where at the start of the 21st Century, the label "High Culture" would be applied to this detritus of the 1890s.

Although it is not the complete answer, it would be fairer to say, that, not the CIA, but the bankers' CIA, that is, John Train's Wall Street, has given us a fascist culture for the Truman Era just now ending, an era which began with the rehabilitation of old Nazis and other fascists, as "the best anti-communists"; an era that is ending with the threat of a new, if very short-lived, world fascist empire. Compare the following: Like innumerable of her contemporaries, Lynne Ann (Vincent) Cheney, the wife and controller of the Vice President, wrote her Master's thesis on the Irish poet W.B. Yeats, a top exemplar of the artistic school we have been discussing. But how many of them did as she did, and praise Yeats as a "fascist," using precisely that word; and not only as a literary apologist for fascism, but as a man who struggled, albeit unsuccessfully, to form a fascist party in Ireland?

It is this which makes *Paris Review* John Train's dirty secret.

## LaRouche, Chinese Experts in Dialogue on New Bretton Woods

*Lyndon H. LaRouche, Jr. addressed a Berlin webcast on Sept. 6, in which a Washington, D.C. audience also took part by videoconference. As we reported in our previous two issues, the discussion focussed around a 50-year program for Eurasian and world development—and how to overcome the obstacles to that program. Scholars, political leaders, and others from many countries participated, in person or by written communication, including e-mail. In last week's issue, we published the paper presented by Prof. Dai Lunzhang, and former chief economist of the Central Bank of China, first vice president of the China International Economic Relations Society. Coauthors of his paper were Dr. Zhang Yun and Dai Jun, M.A. in international relations.*

*Following the webcast, those authors sent to Mr. LaRouche a detailed series of follow-up questions, which he answers here in depth. First is an overview presentation by LaRouche, and then the comments and questions of his interlocutors, followed by his replies. As an Appendix, we publish excerpts from the speech to the UN General Assembly by Argentine President Néstor Kirchner, which bears on the topic of constructing a new world financial system.*

To: Prof. Dai Lunzhang and his associates

An adequate response to these important questions requires a summary of the conditions leading into the adoption of the original Bretton Woods system. The five questions and accompanying observations presented in your communication have deep-going implications, and require corresponding attention to details in framing my reply.

The questions which you have presented could be addressed properly, only through study of the long wave of 1945-2006 international economic-financial processes to date; but, we must also take into account, the crucially relevant aspects of preceding history of European civilization since the beginning of Europe's Fifteenth Century. Unfortunately, only a handful of known professed economists of Eu-

rope and the Americas, have developed an actually scientific understanding of the presently relevant, principled features of that history and its content. Therefore, my reply here must reflect my obligation to take certain relevant features of that history of modern world economy into account.

Nonetheless, on condition that I take those relevant complexities into account, my remarks here shall stay as closely as feasible to the organization of your division of the question into five parts; I believe that it will become obvious to you why I must deviate somewhat from that division in composing my reply.

The determining feature of the history of world economy since the death of U.S. President Franklin Roosevelt, is what I have identified, in my conference presentation-in-chief, as the policy which has brought the world as a whole now to "The End of the Truman Era." That is to point to certain crucial, qualitative changes for the worse, changes which were introduced to the global economic system, under President Franklin Roosevelt's immediate successor, Harry S Truman. Those changes, away from Franklin Roosevelt's policy, have been the single most important of the "hereditary" factors in shaping the long-wave course of world history over the course of time from that date, April 13, 1945, to the present instant. It would have been impossible to account competently for crucial developments of the 1945-2006 period to date, without focussing on the implications of that indicated notion of a 1945-2006 "Truman Era."

I explain that point as follows.

The fact, against which the most vigorous complaints are sometimes made today, is that the dollar system, which was established as the implied world system by the conditions at the close of the 1939-1945 general war, hangs around the neck of all nations, as a comparative standard of value, still today. It must be clear, that it hangs there by inescapable necessity, not merely by choice. In point of fact, that link to the dollar could not be changed in the foreseeable future,



*President Franklin D. Roosevelt in 1936, touring North Dakota. His orientation to “the forgotten man” was a sharp break from his predecessors. The changes introduced to the global economic system under his successor, Harry Truman, “have been the single most important of the ‘hereditary’ factors in shaping the long-wave course of world history” since FDR’s death, LaRouche writes.*

except at risk of a general catastrophe which would sink the entire economy of the world into a virtual dark age. The only acceptable remedies would be changes within the U.S. system itself. *It is the system presently associated with the dollar which must now be radically changed. There is presently no other visible solution.*

Were the U.S. dollar to be sharply and deeply devalued, an immediate chain-reaction of world-wide collapse would hit international markets. This would cause a deep collapse in all economies whose trade is presently conducted in U.S. dollar-denominated payments. On this account, the demands for a forced up-valuation of China’s currency, from some influential U.S. officials ignorant of the rudiments of economic systems design, if supported, would trigger such a global catastrophe.

Nonetheless, among various nations, many leading circles doubt that needed changes, back to the Franklin Roosevelt orientation, within the current U.S. system are foreseeable. I assure you that the needed changes are not only possible, but that the preconditions for those changes are presently maturing at a rapid rate. However, it must always be taken into account that hope must not spring from a gambling table, but from a well-advised, and sometimes very muscular, concerted action by the arm and willful mind of mankind.

It is my intention, in the course of this reply, to provide you with some useful insights, from the inside of the U.S.A. and its history, as to how the happy result, that change, might be brought about.

The crucial fact remains the reality, that without contrasting Franklin Roosevelt’s policies to the changes made during the present, Truman Era, there could be no competent understanding of the highly problematic situation confronting the world as a whole today.

The differences between Roosevelt’s and Truman’s policies, are to be considered as like samplings of the interiors of different universes, each with entirely different ultimate outcomes. Since the world has already reached the proximity of a general breakdown-crisis of the financial-monetary system of our planet as a whole, it is urgent that we understand the recent economic history of our planet, from the death of Roosevelt, until today, as a single long process, with an outcome which has been inevitably far different than had Roosevelt’s actual policy-shaping outlook been maintained as the overall controlling feature of U.S. policy. Thus, in that view, what might seem to be almost infinitesimal differences in points of the

respective policies of the U.S.A. and Europe, before and after April 1945, have gradually revealed themselves, over the several recent generations since 1945, as virtually a matter of different universes.

In speaking of that 1945-2006 planetary process as an indivisible whole, I am emphasizing a fundamental principle of economy which is, most unfortunately, little understood among economists and their governments today. As it may be readily seen, the general practice of economists within and among nations today, relies on what are, in fact, practices in the inherently incompetent, mechanistic, Cartesian tradition, of statistical projections, rather than the appropriately competent, dynamic methods emphasized by Gottfried Leibniz, and which are associated with scientist Bernhard Riemann’s development of the concept of the tensor. This is the same *specifically dynamic* method emphasized by the Russian, Ukrainian and Soviet Academy of Science’s V.I. Vernadsky for the physical chemistry of a biogeochemical process: a Vernadsky whose living legacy today is crucial for the satisfactory development of the natural resources needed to sustain a growing population of Asia.

In a competent view of reality, the planet as a whole is not only a process of dynamic interaction among nations, but our planet is, dynamically, in interaction with, and dependent upon the processes within that more immediate portion of universal reality which is our Solar system as a whole. What distinguishes society from a mere Biosphere of animal life, is the creative mental powers of the individual member of the

human species. It is the individual creative human mind which generates valid *discoveries of universal physical principle*; it is that quality of the human mind which places the human species absolutely above all lower species of living processes. It is this distinction which places mankind in a higher order of existence, Vernadsky's Noösphere, rather than the lower order of existence of the animals, the Biosphere.

Therefore, as the members of societies are unified functionally by the development of their specific culture, so the way in which individual persons are bound together in their society's culture, and the way in which cultures may cooperate through the relations among the nations of the planet, is predetermined. In this way, the practice of civilized humanity is set above the animals by the need for cooperation in common goals of development among sovereign nation-states. So, relations among states must be brought functionally into a system of developing harmony, and so we must cooperate, in this way, in meeting the challenges which confront us as inhabitants of this Solar system.

It is for this reason, that I have emphasized that *we nations must now adopt a span of not less than two generations, fifty years, the usual "life-span" which includes the span of the initial financial investment of most basic investments in essential economic infrastructure, as the unit of long-term capital development of Eurasia as a whole*. Two generations of combined capital technological improvements in infrastructure and production of traded goods, will be required to bring the present masses of the poor of Asia (in particular) up to a level of parity throughout most of the continent.

That said, it is most unfortunate, that the world is presently at the point of a general, chain-reaction-like breakdown of the system which is defined by the interaction between the Truman doctrine's underlying assumptions, and the reaction of the rest of the world to the effects of that doctrine. Those assumptions expressed by the Truman policy, which I shall identify in my response here, have been operational throughout the entire span of the time between the day President Roosevelt died, and today.

The conceptual problem this history poses, is a problem which arises in the case that the believer in a system is unaware, as the followers of Euclid have been, of the fallacious axiomatic assumptions which are embedded in that system. The kinds of assumptions to which I refer, are typified by those which were overturned by Johannes Kepler's uniquely original discovery of the universal principle of gravitation. The principle of gravitation, as that discovery can be re-experienced from a careful study of the pages of Kepler's *The New Astronomy*, existed throughout the universe's existence, but its efficiency was not recognized until the discovery was made by Kepler.

In the case of the cycle to which I refer, in speaking of a "Truman Era" here, the needed, violated principles have not been entirely unknown, but they have been usually ignored in most attempted explanations of economic and other aspects

of history. They could be generally known, if people could, and would see inside their own minds more clearly, and if our numerous poor had the conditions of life needed for pursuing such studies.

*The chief error in most long-term trans-Atlantic modes of economic analysis and forecasting today, is the error of reliance on the mechanistic-statistical methods of empiricism*; whereas, the long-wave behavior of living and social processes is not mechanistic, but dynamic in the sense of the hypergeometric system of the Nineteenth-Century scientist and successor of Carl Gauss, Bernhard Riemann. (The relevant lack of such needed scientific competence in most current academic studies of economic processes, explains why most of the present mass of the world's hedge-funds, which are based on mechanistic-statistical methods, are doomed to collapse, probably very much sooner than later.) In study of social processes, it is of crucial importance, for the sake of the needed cooperation within and among nations now, that we make a critical, deeper examination of the practical implications, and origins, of the hidden, mistaken assumptions which people, even many notable academic specialists, and also governments, share unwittingly, in relying upon mechanistic-statistical methods of analysis and forecasting of economic developments.

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## 1. The Present Long Wave in History

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**Prof. Dai et al., Observation 1:** The world we live in today is undergoing complex and profound changes. Steady economic growth, rapid progress in science and technology, the accelerated relocation of industries and the movement of production factors world-wide have created a dynamical international market. However, such a widening gap between the rich and the poor underscores the cause for the increasing imbalance in global development, and therefore incurs two dangers, as Mr. LaRouche stated. *They are: 1) the danger of uncontrolled conflicts and wars; 2) the danger of a general breakdown of the world financial and monetary system*. Those two dangers are the biggest threats to human society. So, I believe his point of view is accurate and significant.

**Question 1:** Mr. LaRouche mentioned many times on various occasions, that a new round of the Bretton Woods meeting should be held to establish a fresh international currency system. In my opinion, going back to a fixed-rate system is surely not a feasible solution. We may enhance the function of IMF Special Drawing Rights, which could finally be a dominant currency at the international monetary market.

So my question is, what's your concrete thought of this "new Bretton Woods System"? And how could a new international economic system be established?

**LaRouche:** From approximately the time of the British



World Bank

*The Bretton Woods conference, July 4, 1944. Professor Dai and his associates wonder whether the principles of Bretton Woods could still be implemented today—notably the fixed-exchange-rate system.*

celebration of victory over the combatants in the so-called “Seven Years War,” at the February 1763 Paris conference, the Anglo-Dutch Liberal system, that of the East India Company of Britain’s Lord Shelburne, achieved relatively global domination of the world’s monetary-financial systems, through general acceptance of the teachings of the East India Company’s Haileybury School of the followers of John Locke, Bernard Mandeville, the physiocrats Dr. François Quesnay and A. Turgot, and the follower of Mandeville and the Physiocrats Adam Smith. The Haileybury School, which was developed under the direction of Shelburne’s Jeremy Bentham, also featured such persons as David Ricardo, Malthus, and the British East India Company’s James and John Stuart Mill.

That Anglo-Dutch Liberal system was not entirely original at those times. The system had its axiomatic roots in the domination of the medieval *ultramontane* system’s Venetian financier-oligarchy, and that oligarchy’s chief enforcement-tools, the Norman crusading chivalry. There were differences, but the essential, underlying distinctions which are to be considered as bridging medieval and modern times, are ultimately expressions of the same implicitly imperialist species.

After the temporary collapse of the Venetian system into what is identified as a “new dark age” of Europe’s Fourteenth Century, a genuinely new system was established as the new form of modern European society, a new form of society established by the influence of the great ecumenical Council of Florence. That reform produced the first modern European nation-states according to the so-called commonwealth principle, which was already characteristic of Louis XI’s France and Henry VII’s England, and was responsible for initiating all of the special achievements which have occurred within modern European civilization.

However with the crushing of Constantinople, which was arranged by Venetian interests, the Venetian financier-oligar-

chy and its old system regained much of their former power, largely through Venice’s organizing the waves of religious warfare of the 1492-1648 interval. In the meantime, Venice itself had undergone a systemic reform, led by the central figure of Paolo Sarpi, a reform which produced modern Anglo-Dutch Liberalism and French Cartesianism among its notable products. Sarpi’s system allowed some degree of unavoidable toleration of scientific and technological progress, but also concentrated on mystifying the principles of scientific discovery.

The intent of the Roman Empire, like Sparta before it, and the pervasive intent of the feudal system, had been to hold the mass of the population to the life-style of herded human cattle; the emergence of the European commonwealth form of society, in the Fifteenth Century, established the right of all of the people to share in shaping the ideas of society, rather than just the rich and powerful few. When faced with the effects of the Fifteenth-Century establishment of representative government of the commonwealth type, the feudal Venetian oligarchy saw itself as forced to adapt to that strong impulse for scientific and technological progress which the Fifteenth-Century Renaissance had set into motion. So, Sarpi et al. chose to accept the fact of technological progress, but created a system which was designed in the tradition of the legendary Olympian Zeus, to cripple the ability of even the educated, even scientists, to understand science. Sarpi’s corrupt, anti-humanistic system became known as Anglo-Dutch and Cartesian Seventeenth and Eighteenth centuries’ *Liberalism*. *This led to the creation of the modern Sophist cult of stupidity, called “Malthusianism,” and sometimes called “environmentalism” today, by means of which Europe and the U.S.A. have largely destroyed themselves during the recent four decades.*

With the 1688-1689 triumph of the tyrant William of Orange, and the latter accession of King George I to the newly established British throne, the progress of European civilization, while only seriously damaged, was held back by the influence of Anglo-Dutch Liberalism according to the model of Venice’s Sarpi, a model which acquired global imperialist hegemony during the course of Europe’s Eighteenth Century. The so-called “Seven Years War” which concluded with the Paris Treaty of February 1763 was of crucial significance in this development which has contained to shape world history to the present day.

The repressive measures which post-February 1763 Britain imposed upon its English colonies in North America, coinciding with the adoption of that treaty, sparked the resistance movement leading into American Declaration of Independence of 1776 and the subsequent establishment of the U.S.A. as a constitutional Federal Republic, in 1789. The French Revolution and its consequences, including the role of a Napoleon Bonaparte modeled upon the Grand Inquisitor Torquemada as the predecessor of Adolf Hitler, made possible the awful Treaty of Vienna, and temporarily prevented any sig-

nificant expansion of the “American model” into Europe, until the U.S. victory over Britain’s Confederacy puppets in 1865. At that latter point, the American System of political-economy, the world’s leading alternative to the Anglo-Dutch Liberal system and its ideas, emerged as a great challenge to the global imperial reach of the British system. From that point on, the U.S. could never be conquered by foreign armies, but only, as we have seen since, as now, by foreign ideological corruption, chiefly that of imported Anglo-Dutch Liberalism.

The characteristic of the *specifically anti-Anglo-Dutch*, American System of political-economy, as defined by Preamble of the U.S. Federal Constitution and by U.S. Treasury Secretary Alexander Hamilton’s policies of economy and finance, expresses the influence of the great scientist Gottfried Wilhelm Leibniz in shaping the philosophical-scientific outlook of great European thinkers, and American scientists and political leaders such as Benjamin Franklin and Alexander Hamilton. On this account, the American System of political-economy, as implicitly defined by the Preamble of the U.S. Federal Constitution, is pitted against the broad sweep of the Anglo-Dutch Liberalism which has dominated Europe and much of the rest of the world during most of the ebbs and flows of Liberalism’s power since the relevant Paris Treaty of 1763.

In fact, since 1763-1865, the most crucial struggle within globally extended European civilization, over the issues of social and economic policy, has been the conflict between the American and Anglo-Dutch (e.g., British) systems of leading political-economic and social philosophy.

*Today, this long wave of historic struggle between those two leading systems of modern European civilization, is that also expressed as the internal virtual-life-and-death conflict between the heirs of the American System, such as Franklin Roosevelt, and the modern Roosevelt-haters among Truman-admirers and others who are ideologically “colonials” echoing the inherent corruption of the Anglo-Dutch Liberal system.*

*Thus, the replacement of President Franklin Roosevelt by President Harry Truman, was an earthquake-like change in the ruling system of the United States, a change which came as a form of moral corruption which has led, across intervening decades, to our present arrival at the brink of the awful, global monetary-financial collapse which is no longer avoidable today.*

With the successful assassination of U.S. President McKinley, in 1901, a British asset, Theodore Roosevelt, a scion of the Confederacy, assumed the Presidency. After that Roosevelt’s term in office, came the traditionalist Taft, but, then, after Taft, came another Confederate fanatic, the pro-Ku Klux Klan fanatic, Woodrow Wilson, who mobilized a wide rebirth of the Ku Klux Klan while he was President. 1920s U.S. Presidents Coolidge and Hoover, were also effectively agents of the influence of the Anglo-Dutch Liberal financier forces operating from inside, and, in fact, against the U.S.A.

## **Franklin Roosevelt on Stage**

In 1931, the British Empire was struck by the collapse of the British gold standard. In this situation, the patriotic faction of the U.S., those in the tradition of President Abraham Lincoln, regained control of the Presidency through the election of President Franklin Roosevelt. Had this not occurred, then, Adolf Hitler would have surely secured a nuclear-weapon-armed world empire under whose aftermath the world would probably be living still today.

The close of World War II left the world outside the Americas in ruins. Franklin Roosevelt’s organization of the Bretton Woods fixed-exchange-rate system made possible the economic recovery of Europe at that juncture.

Suddenly, with Roosevelt’s death, Harry Truman, a President who was virtually a British puppet, replaced Roosevelt. Essential features of U.S. and world policy changed, suddenly, and radically, away from Roosevelt’s intentions. However, happily, there were some things that Roosevelt’s enemies were temporarily unable to change at that time.

Since the U.S. dollar was the only viable currency on the world market, no rebuilding of Europe or Japan would have been possible without the credit system provided by the U.S.-based Bretton Woods system. That Bretton Woods system lasted in name, until President Nixon and his George P. Shultz destroyed it, in 1971-1972. It lasted in fact until the successive British sterling and U.S. dollar crises of 1967-1968. The crippled Bretton Woods system, was killed by the inveterate totalitarian George P. Shultz, et al. under the administration of President Richard Nixon.

These step-by-step changes from Franklin Roosevelt’s policies, are best understood by grouping the sundry features of those changes under a single title: The Churchill-Truman “Cold War” policy. On the surface, it was an anti-Soviet policy; in reality, and more importantly, as we should recognize more readily, in hindsight, today, it was also an anti-U.S.A., pro-Anglo-Dutch Liberal policy; the arranged conflicts with the Soviet Union and China were used as levers against the legacy of President Franklin Roosevelt, to bring about the destruction of the system of the modern sovereign nation-state: to bring about what is called “globalization” today, a “globalization” which is a modern copy of the medieval empire of the Venetian financier-oligarchy’s so-called *ultramontane* imperial system.

## **How the U.S.A. Was Corrupted**

As students of the history of China may appreciate more readily than most in the U.S.A. and Europe, great changes in policy unfold over successive generations. To change a generation, begin with corruption, as ancient Athens was corrupted by Sophism, by corrupting a new-born generation; in this present case in today’s United States, it was the infants and children of families associated with today’s upper twenty percentile of family income brackets. To bring about a general, top-down corruption of the society as a whole, direct the



National Archives/Oliver

*President Nixon meets with Cabinet members on May 4, 1971, prior to floating the dollar—and thereby collapsing the Bretton Woods system—in August of that year. George Shultz is on the right.*

development of these targeted children and adolescents, as from the age-brackets born between 1945-1957, as the Congress for Cultural Freedom and similar Truman-Era institutions created the moral and intellectual degeneration of today's upper twenty percentile of family-income brackets, the so-called "Baby Boomer" generation of influence over the operation of leading institutions today.

As long as people think in the short term of a decade or so, or in terms of their more or less immediate personal experience, they remain ignorant of the long-wave processes which are already shaping their future lives' conditions. The individual who is a victim of that influence, thinks that the impulses which he or she finds welling up from within him are "my interests, my opinion"; therefore, he does not recognize that this was the way he or she was conditioned—or, should we say "programmed"—sometimes from the day of his birth; this is the conditioning which causes him, or her, to act and react as they do.

So, people speak of the authority of a so-called "popular opinion" which is actually a product of the kind of "brainwashing" which the London Tavistock Clinic, the Congress for Cultural Freedom, and kindred enterprises performed on the targeted generation of the university-bound stratum of U.S. children born between the death of President Franklin Roosevelt and the shock of the 1957 U.S. economic recession. So, the moral and economic degeneration of the post-1963-1968 U.S.A., was launched with the inauguration of that traitor to Franklin Roosevelt's patriotic cause, Harry S Truman.

In that way, an entire influential stratum of a generation, may be conditioned, however unwittingly, to destroy its society, as the so-called "environmentalist" generation of the 68ers of the U.S.A., and Europe have done. Those dupes of the U.S.A. and Europe today, will deny that fact to themselves,

because they are responding to the conditioning of their social stratum's generation, a conditioning by the pernicious, existentialist dogmas of institutions such as the Congress for Cultural Freedom (CCF). The technical term used by the relevant technicians of psychological mass-manipulation to identify this "brainwashing," is "a cultural-paradigm shift." It became a shift away from science-driven, capital-intensive modes of scientific-technological progress, to the culturally suicidal dogma of "post-industrial society," "free trade," and the imperialist ideology of "globalization."

Those changes are the principal factors which have plunged the U.S. economy, which was still the world's leader into 1964, into the economic and cultural cesspool which it has become under President George W. Bush, Jr., today.

Wiser people, *who are not* brainwashed as many influential Americans and Europeans from the upper ranks of the "Baby Boomer" generation have been, think at least two generations ahead, and many generations back. Wiser people gain a scientific quality of control over their own opinions, rather than letting their opinions control them, almost as Pavlovian conditioning might have done, as a shepherd might control sheep.

The actions which have led the world at large into the presently onrushing state of global existential danger, have not been free-will choices of behavior; they have been choices expressed as a conditioned form of merely apparent "free will." Once that is understood, the long-wave character of the span from the death of Franklin Roosevelt, to today's threatened terminal crises of the present global civilization, can begin to become visible, conceptually, to the mind. A glance at the internal history of Brigadier John Rawlings Rees's London Tavistock Clinic, should point out some of the ways the mass-manipulation of social layers has been conducted during the recent eighty-odd years.

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## 2. The Original Bretton Woods System

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**Prof. Dai et al., Observation 2:** Thanks to its exploration and practice, the international community has arrived at a deeper understanding that it must secure peace and promote development through cooperation, which is the tendency of world growth. As for China, Foreign Minister Mr. Li Zhaoxing stated last year, "China's period of strategic opportunities as we talk about is nothing but an international environment and evolutionary process where world peace is maintained and common development promoted. It is only under this strategic premise can we achieve the grand goal of building a moderately prosperous society in an all-round way."

Peace and development conform to the human being's wish. Wars and armed conflicts are just contradictory to the mainstream, disturbing and undermining these basic values.

**Question 2:** It is well known that the political bases for the Bretton Woods system are to be found in the confluence of several key conditions: the shared experiences of the Great Depression, the concentration of power in a small number of states, and the presence of a dominant power willing and able to assume a leadership role. Unfortunately, these conditions are hardly true in today's world.

Do you think a new international economic system could be founded on the different political bases comparing with those for Bretton Woods system?

**LaRouche:** Actually, the conception of the Bretton Woods system was not the product of some special conditions of that local part of history. Admittedly, there were many necessary improvisations in the Franklin Roosevelt Administration's launching the recovery of a nation which, in March 1933, had fallen to half the level of real product which had been produced at the time of the famous 1929 stock-market collapse. However, it was not the stock-market crash which caused this collapse of production and employment; it was policies of the Hoover Administration, policies akin to the austerity policies in Europe which had paved the way for the February 1933 award of dictatorial powers to Adolf Hitler.

Had Hoover adopted Franklin Roosevelt's policies, the 1929 crash would not have caused a deep collapse of the U.S. physical economy. Roosevelt's recovery measures thus demonstrate, more fully, the savage incompetence of Hoover and his austerity policies. Roosevelt's successes also demonstrate the lack of any justification for the cruelty which the current George W. Bush, Jr. Administration has inflicted on the lower eighty percentile of U.S. family-income brackets.

However, the characteristic, underlying principle of these reforms was shaped by the Roosevelt Administration's knowledge of those principles of the American System of policy-economy which had been the original intention of the adoption of the U.S. Federal Constitution, and which were in direct opposition to the Anglo-Dutch Liberal ideologies of the U.S.A.'s traditional enemy, the British Empire. The economic growth and technological progress of the U.S. economy under President Abraham Lincoln's leadership is an appropriate precedent for understanding the outlook of the Franklin Roosevelt Administration's economic policies.

It must be emphasized, on this account, that from the assassination of U.S. President McKinley to the inauguration of Franklin Roosevelt, the U.S. policy-shaping had been shifted away from the implicit recognition of the Anglo-Dutch Liberal oligarchy as our traditional adversary, since no later than 1688, to a pro-British orientation under most of the Presidents from Theodore Roosevelt through Herbert Hoover. The power which the Franklin Roosevelt Presidency used to reverse those pro-British policies, was as a response to both the massive failure of the British world system, and the effect of the public recognition of this failure of Anglo-Dutch Lib-



National Archives

*"The moral and economic degeneration of the post-1963-1968 U.S.A.," writes LaRouche "was launched with the inauguration of that traitor to Franklin Roosevelt's patriotic cause, Harry S Truman." Here, President Truman at the Potsdam Conference, 1945.*

eral ideology on U.S. consciousness. This recognition is typified by the wave of 1932-1942 popular hatred of the memories of the Coolidge and Hoover Presidencies, combined with the fact that President Roosevelt's administration acted quickly and dramatically to bring a wrecked U.S. economy on the road to recovery.

By the time of Roosevelt's death in April 1945, the U.S. was the greatest economic power the world had ever known, a power far beyond the imagination of the 1920s, or any time prior to the inauguration of Franklin Roosevelt. The death of President Roosevelt was seized as the opportunity taken by the financier class, to conduct a virtual "palace coup" against the institutions of the FDR legacy.

The most common, and vicious mistake among economists today, in their review of the economic reforms under Franklin Roosevelt, is the widespread adoption of the superstition known as the Anglo-Dutch Liberal ideology respecting money and value. The genius embedded in the revitalization of the U.S. economy under FDR's leadership, in contrast to the previously dying economy, was the way in which FDR used the concept of a system of regulation of trade, tariffs, and prices to correct for the fact, that, contrary to the Anglo-Dutch Liberal system, there is no natural "economic value" expressed by "free trade."

There is no actual, defensible notion of a "law of value" in any currency system. It is the regulation of tariffs and trade by government, directly or indirectly, in one fashion or another, which defends a wise economy against the inevitably self-feeding process of increasing general lunacy, and probable bankruptcy, which is inherent in "free trade." Similarly, the idea of "profit" associated with the American System, is entirely opposed to the lunatic notion of the origin of profit under the Anglo-Dutch Liberal system.

The characteristic, systemic fallacy permeating virtually all notions of economic value adopted among nations of the world today, is associated with *the false assumption, that*

*economic value is implicitly located in the exchange-value of money as such.* This is key for understanding the difference between the economic cycle of U.S. history under President Franklin Roosevelt, and that change to the beginning of a new, contrary quality of cycle, beginning with the Truman Presidency, which is characteristic of the planetary monetary-financial system today. The extremely radical measures by the U.S. government of the 1970s, in tearing down both the Bretton Woods monetary system and the protectionist measures on which the FDR recovery had been premised, are key to understanding how such measures, promoted in parallel by the British and U.S. governments, unleashed the process leading into the imminent, general, global breakdown crisis of the world economy today.

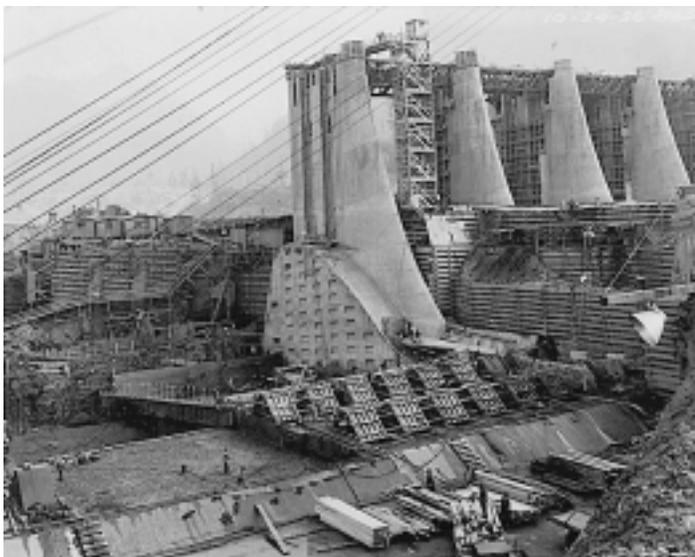
### **The Present Crisis of the U.S. Dollar**

First, in reply to one of the questions posed: it were virtually impossible, in practice, to secure a successful reorganization of the present world monetary order without the participation of the U.S. dollar in a role, admittedly different than that provided by President Franklin Roosevelt's Bretton Woods initiative, but through measures which efficiently pledge the U.S.A. efficiently to agreement to meet the proper core of its pledge to defend the dollar's value in the world system. This will require a profound and very early change in the U.S. Executive branch's and related policies of the U.S. government; but, when confronted with a crisis as devastating as the presently onrushing global crisis will be, the U.S. government under sane chief executives and relevant others, will have no credible choice of alternative to meeting such a fifty-year agreement.

The present international monetary-financial structure of the world as a whole depends upon the stability of the accumulation of either directly or indirectly dollar-denominated obligations, including those on international markets, which are in total, chiefly the hereditary product of the accumulation of obligations of virtually all parts of the world during the recent period of approximately two generations.

Much of that nominal obligation denominated directly, and indirectly in dollar denominations, is of the form of gambling debts, such as financial derivatives; those debts can not be honored, and no attempt should be made to do so. We must, however, defend the core of non-speculative investments and the obligations rightly associated with them, including pensions, especially government-related pensions. We must defend the efficient continuity of society and its productive and related functions, and accomplish this at levels of physical and related output which are substantially higher than present levels of socially essential and other economically useful activity.

On the condition that the U.S. is pledged to honor all its dollar-denominated obligations on those terms, the U.S. dollar becomes what it is not under the present Bush Adminis-



National Archives

*The Bonneville Power and Navigation Dam in Oregon, a Roosevelt-era Public Works Administration Project, in 1936. The underlying principle of Roosevelt's reforms was shaped by his understanding of the American System of political-economy—in opposition to Anglo-Dutch Liberalism.*

tration and its associated policies. Those obligations become fungible, as long-term securities which can then be used as the basis, at between 1-2% simple interest-rates, for extending long-term credit, at reasonable rates, for development and expansion, and increase of the net productivity of the national and world economy per capita and per square kilometer of territory.

This urgently needed reorganization of the presently hopelessly bankrupt world monetary-financial system, when that system is considered as a whole, will require a financial reorganization of relevant so-called "independent central banking systems." These must be placed in government receivership for their protection under conditions of ongoing reorganization of their financial affairs. The objective of such measures is to maintain the continuity of functioning of the economy and its nation-state functions, "without missing a step between," as President Franklin Roosevelt treated a much less threatening, but otherwise comparable need for a "bank holiday."

However, if the U.S. dollar were not defended at par, the effect of neglecting that obligation would be a rapid and very step plunge into a world depression, which would, for example, hit China's export levels very, very deeply, and very, very quickly.

In this matter, it must taken into account, that the greatest economic liability of China is also its greatest asset: its mass of presently poor people. The transformation of the quality of development of land-areas, as through long-range improvements in infrastructure, and cooperation with other nations, especially those of Eurasia, in developing the improved qualities and quantities of needed raw materials for an expanded and more productive total population of China, will be one of



Treasury Department

*Secretary of the Treasury Henry Paulson provides his signature for use on U.S. paper currency—which will soon be worthless, if his policies continue.*

the most fruitful investments of the coming half-century, if it is carried forward. This is a very, very good long-term investment, and typical of the spirit and science of investment policy planet-wide over generations to come.

The immediately foregoing remarks lead directly to the most crucial of all of the policy issues of the economy today.

Compare the potential populations of the planet in which, in one hypothetical case, apes, rather than men and women, sought to occupy environments naturally suited to the requirements of either primitive men or apes; and, in the other case, men and women, instead of apes. In the language of Russia's great V.I. Vernadsky, apes belong to the domain of the *Biosphere*, whereas man belongs to the higher domain of the *Noösphere*. The dogs we prefer as house pets may be clever and loyal, but neither they, nor apes, could make a fundamental discovery of science. It is the human individual which made possible the rise of the human population to more than six billions living individuals today; no species of ape could climb so high. It is those sovereign creative powers of the human individual, whose development, and whose applied expression are the source of the creative innovations on which the increase of the relative potential population-density of the human species depends.

The essence of economy, is physical economy, not monetary-financial systems. It is to the degree, that human beings are freed to develop their creative scientific potentials, as poor drudges of a peasant are not, but a modern skilled, science-conscious farmer, or machine-tool designer, is, that the productive powers of society are increased per capita and per square kilometer of territory. The development of the human individual, all the human individuals, in this way, is the only true source of a true margin of gain of real income to a society

as a whole.

Thus, the current trend of globalization, toward moving production from places where infrastructure is lacking, and standards of living are poorer, is driving the planet toward a point, that the potential relative population-density of the planet would continue to fall, as it is already doing, and would fall to levels which would be billions less than the level of the human population today. It is the combined development of a science-driven physical economy, with higher standards of basic economic infrastructure and higher physical and cultural standards of life, which is the only honest source of a sustainable margin of physically real profit.

Furthermore, although the development of peoples demands respect for cultures, such that national cultures are endowed with the right to political sovereignty, the interdependency among peoples in the matter of the management of the planet as a whole, requires means of cooperation among sovereign nations to common ends. On this account, the essential thing is that each nation must regard the benefit of the other, reciprocally, as an essential part of its own obligation.

Although the right to defense is obligatory, the moral authority for subjugation of the other does not exist. The essential task of every nation is not to seek competitive advantage through war, or the bestiality of so-called "regime change," but cooperation among sovereign nations to common planetary ends.

Presently, the planet is afflicted with great injustice. The most cruel is typified by the case of policies of major powers toward sub-Saharan Africa, including the policies of the Nixon, Ford, and Carter Administrations, during the mid-1970s, and the worse, so-called "Christian" policies of the mentally disturbed George W. Bush, Jr. Administration today. The direct opposite is the true self-interested policy of all sovereign nations: to treat the weakness, and the relative underdevelopment of the poorest parts of the planet, as the concern of those of greater advantage.

So, in the case of the Eurasian continent, the mobilization of the often latent potential of western and central Europe, to assist the internal development of technology and infrastructure among the nations of Asia, and of Africa, is in the vital long-term interest of all Europe. In this, it is most urgent, above all else, that we each foster the development of those artistic and scientific creative powers which distinguish every human individual from the beasts.

### **In Summary: The Policy**

Future generations will judge how each of the nations and peoples of today have behaved, by considering the kinds of improvements, or lack of improvements, we the living will have made possible for the two or three generations yet to reach the maturity of retirement-age. If we do not behave and think as mere animals, we are each assured of our ultimate death, and distinguish ourselves from the beasts by that quality of immortality which is realized by the benefits, especially

the benefits of ideas, which we the living bequeath to our posterity. It is the perceived urgent interest of the sane living adult individual of today, to seize that tangible sense of immortality for himself or herself, as did the soldier who gave his life for the future of his family, his community, and his nation.

If we are human, and not greedy, silly monkeys, or baboons, it is not what we possess, or might gain, which is essentially important for each of us, but what we require to perform our service to future mankind.

On this account, the essential interest of nations, as of individuals, is the welfare of the other, especially the people of other nations generally, which is our sense of immortality, our pride in living, our deepest sense of self-interest in being a human being, rather than like a silly, greedy monkey.

The time has passed, when nations could substitute greed and hate of neighbor for the imperatives of preserving a future meaning in having served the cause of humanity generally, even as by making a simple innovation which enhances the power of a section of mankind, or by reciting a classical poem which enriches the soul of a child.

To bring that goal into general practice, we must organize the sovereign nations of this planet around such a common goal, and, as the famous 1648 Treaty of Westphalia showed, make "the advantage of the other" the primary article of agreement among cooperating sets of nations, and among those sets. The point in history has been reached, between the extremes of nuclear warfare and asymmetric resistance, that there is no change for humanity until we, at last, now take that step toward a productive system of cooperation among the nations and regions of our planet.

Since the intervention of U.S. President Franklin D. Roosevelt saved the world from the doom which the combined nations of western and central Europe were bringing down upon this planet as a whole, the institution established under that President Roosevelt, has provided the foundation on which the existence of the world economy has depended for as much success as it has enjoyed since that time. It is upon the dollar established as the instrument of the Bretton Woods fixed-exchange-rate system, that the mass of monetary credit and debt of the entire world rests today. Disturb that foundation, and the edifice beneath crumbles, as the superstructure topples. The heavily indebted U.S. dollar, is the rock on which the debts of the world repose. Weaken that rock, and an immediate chain-reaction collapse of the world system as a whole ensues.

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### 3. Eurasian Cooperation and the U.S.A.

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**Prof. Dai et al., Observation 3:** Therefore, human beings should utilize their wisdom to restrain wars and economic crises to maintain the tendency of peace and development.

From my view, the dispute between countries should be resolved through diplomatic methods such as contact and negotiation. At the same time, we should distinguish the resolution of bilateral disputes from the fight against terrorism. As we can see, terrorism is the most destructive factor in the 21st Century, and it should be eliminated to the core.

However, the disputes between countries could not be resolved simply by means of war. For example, Palestine and Israel have not reached a peace agreement through four rounds of the Middle East war. So I believe the only way to settle the conflicts is diplomatic means, which requires disputing parties to take calm and reasonable position.

**Question 3:** Eurasian cooperation includes Western and Central Europe, Russia, China, India, and other nations. It is a good proposal, but I think this new cooperation should not exclude the U.S.A., the only superpower today and in the future, and the U.S.A. should play a critical role in the reform of international politics, economics and currency system.

How do you think of this view? Would you please give some comments on it? If your comments are positive, then how could the U.S.A. play a constructive role in this regard?

**LaRouche:** I agree with that approach, as I have emphasized this within my extended responses to the preceding two questions.

I would only emphasize that the crucial thing is a sudden change in the composition of the current U.S. Presidency. Even some leading people in the U.S.A. itself think that such an early change were impossible. I can not guarantee that the needed change will now occur; but, I have the highest possible authority for reporting that the needed change could be caused to occur soon, given the impact of the shocks about to be delivered to the world system as a whole.

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## 4. U.S. Political Potentials

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**Prof. Dai et al., Observation 4:** Nowadays, the ongoing economic globalization has increased the level of economic interdependence on the one hand and aggravated the unevenness of development on the other hand. So it's time to reform the timeworn international economic systems and members of international society should fully cooperate to correct the unreasonable parts of the current system. As Mr. LaRouche mentioned many times, a new round of the Bretton Woods meeting should be held, and a new international economic system should be established.

As a saying goes, "Reducing pressure could avoid crash," so the best way to prevent a particular currency from collapse is to avoid it being an internationally core currency.

**Question 4:** Mr. LaRouche mentioned the necessity for the United States to change its present destructive policies, and to support such a development perspective. We know the forthcoming mid-term election of the U.S.A. in November is an important one.

So, my question is, how much will it affect the prospect of a political change in the U.S.A.? And furthermore, what impact will the 2008 Presidential election have on the political landscape of the U.S.A.?

**LaRouche:** The U.S.A. is caught within a political-economic vortex. The striking of the Twin Towers of the Port Authority building in New York City struck the population of the U.S.A. with an effect, as I had stated my fears publicly at the beginning of that year: my fear that the combination of the economic downturn which had struck during the preceding year, and the intrinsic incompetence to govern of George W. Bush, Jr., created a situation in which we must expect an event comparable to Hermann Göring's setting fire to Germany's Reichstag in February 1933. The terror of the strike against the Twin Towers had the same type of effect as Göring's securing Hitler's dictatorship by setting fire to the Reichstag. Indeed, Cheney's puppet Bush did come close to gaining dictatorial powers during the events of the evening following that attack. However, actual dictatorial powers were never gained, but the political effects of the incident on the political system as a whole have brought the U.S. very close to the possibility that a dictatorship might be established even prior to the coming November general mid-term election.

In the meantime, the Sept. 11, 2001 incident has produced a certain weakness in the perceived authority of the U.S. Constitution. Yet, one of the factors which increases the risk of a U.S. top-down coup d'état, is the collapsing confidence of the population and political system in the Bush-Cheney Administration. This loss of confidence in the Administration, makes Cheney and his controllers among the circles of George P. Shultz increasingly inclined to early desperate measures. It would be no surprise if Cheney were to launch a months-long aerial attack on Iran prior to the November mid-term elections.

In the meantime, the general collapse of the world's present monetary-financial system is onrushing. The international real-estate-speculation bubble, which was created by former Federal Reserve Chairman Alan Greenspan, is more than ready to implode. The collapse of that mortgage-based real-estate bubble could be sufficient to have the effect on the present world monetary system that the collapse of the Lombard banking house of Bardi had in precipitating Fourteenth-Century Europe into a new dark age.

The current world situation is like a state of war. The existence of the war is certain, and the principal factors determining victory or defeat are generally known, but the exact outcome remains uncertain. In such a situation, one must think like a Franklin Roosevelt, or any other great war-time commander.

As I have warned my friends and others in leading circles of the U.S. Democratic Party, and also others, the immediate future of politics belongs to the cause of the lower eighty percentile of the income-brackets of the U.S. citizens. In the

pattern of results from Democratic primary elections so far, the trend is toward voter preference for the anti-Bush candidates, and for the candidates who are sensitive to the concerns of the voters from the lower eighty-percentile of family-income brackets. The economic and other political shocks to the population are arriving at an accelerating rate. Given the inherent uncertainties which I see clearly as an insider of the political process, unless what I am supporting wins, the situation for humanity as a whole would not be encouraging. However, like a commander, I must fight the battle which is set before me, on which I must act. That is the best that anyone can do at this moment. I estimate that our chances of success are good, but no one can offer guarantees of success at this moment.

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## 5. Shanghai Cooperation Organization's Role

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**Prof. Dai et al., Question 5:** Mr. LaRouche talked about the role of the Shanghai Cooperation Organization (SCO) in Eurasian cooperation. The SCO just celebrated its 5th anniversary in Shanghai this year. I believe its role and influence will continue to grow.

How to handle the relationship between the SCO and the U.S.A. remains very subtle and essential to further cooperation. So, what is your suggestion? Would you comment on this topic?

**LaRouche:** China is more vulnerable, because of the characteristics of its dependency on the U.S. market, than India, which has a strong base of resistance to externally induced economic crisis in the upper 35% of its family-income base. In other words, China's need for a sane response to the crisis from the U.S.A., is greater in the very short term, than that of India. However, if China is thrown into crisis, all of Eurasia is thrown into an economic meltdown, which would not be good for India, either.

My intervention with the Berlin LPAC webcast, and the new one now scheduled for October 31st, was launched with these considerations in view. The potential for cooperation from Berlin, through Moscow, to Beijing, the port of Shanghai, and Delhi, and so on, is sufficient to prompt immediate steps of Eurasian continental and other cooperation of the type I have promoted with the LPAC webcast. However, there is a certain vacillation among crucially relevant leaders on proceeding to preemptive measures on this urgent matter. My view is that a rallying of intelligent and influential patriots of the respective nations, is what is urgently needed to push through the initial steps of agreement on which the founding of a new world order of cooperation among sovereign nations can be achieved in time to save the planet from a threatened new dark age.

—Lyndon

## Argentina's Kirchner Calls at UN for 'New Financial Architecture'

*Following are excerpts from the Sept. 21, 2006 speech given by Argentine President Néstor Kirchner before the United Nations General Assembly, New York. In his speech, President Kirchner insists that the International Monetary Fund and similar institutions have failed in promoting development, and "in many cases, with their conditionalities, have acted in a contrary sense, preventing development." He says that what is now required is "a reform of the international financial architecture" and new financial instruments, to guarantee development for all nations.*

*Kirchner also denounced the Bush Administration's so-called war on terror, by insisting that international humanitarian law must be respected, and that economic development of the poor nations of the world is a far more effective weapon in fighting terrorism than the unilateral use of brute force.*

Five years after the attacks that touched [the United States] and the world, we want to firmly condemn the grave threat of global terrorism. Argentina believes that all acts of terrorism are criminal and unjustifiable, and accepts no argument that tries to justify such a methodology. . . . We believe that to successfully confront this criminal threat, we must carry out multilateral action sustained over time, and respond with legitimacy. . . . If in confronting global terrorism, we resort to global violation of human rights, the only victor in that fight will be terrorism. . . .

Progress will only be made if it is located in respect for local laws and the norms of international conventions, without allowing any complicating factors to serve as an excuse to combat terrorism by illegal means.

Peace is built and protected with an understanding of the true concept of solidarity among nations, from a standpoint that is far broader than the purely military or predominantly unilateral one. All nations, large and small, will lie exposed to tremendous vulnerability, if it is not understood that anti-



*President Néstor Kirchner*

terrorist action requires a multilateral, intelligent action sustained in time and strongly based on legitimacy, respect for essential rights, proportionality in response and backed by international public opinion. . . .

The world will only achieve peace to the extent that it promotes equality and fights to eradicate poverty and exclusion. This is as valid for the global system as it is for each individual country. Argentina supports the building of more just, more equitable societies, with a better system for distributing the benefits of economic growth. We also believe that each nation has the right to seek its own model of development, without foreign conditionalities.

We not only aspire to generate sustained development, but we also want this to reach everyone. There must be harmonious growth translated into balanced income distribution, because we know that development for a few, rather than for a country as a whole, simply doesn't work. . . .

The economic situation in the [Argentine] Republic is very different from what it was when we began our administration. . . . Uninterrupted high rates of growth at between 8-9%; growing participation of investment in the GNP; record local rates of savings; resurrection of local industry; a fiscal surplus at historic levels; unimpeded access of our industrial exports to the world; systematic reduction of the domestic and foreign public debt; preventive accumulation of reserves; less foreign exposure; strong reduction of unemployment; strengthening of wage-earners' and retirees' incomes; an important decline in poverty. . . .

### 'The World Has Changed'

I am forced to emphasize that these achievements have not been supported by the International Monetary Fund, which has denied us any assistance, and—I feel compelled to say this—in many cases, we have achieved this progress by ignoring, if not completely opposing, its recommendations and conditionalities.

There is sufficient empirical evidence to demonstrate that the participation of the international financial organizations in the promotion of development of poorer nations has not been successful, and in many cases, with their conditionalities, they have acted in a contrary sense, preventing development.

The world has changed, but these organizations have not. With their ill-conceived intervention, they insist on jeopardizing progress. That is why, together with the majority of countries, we support the reform of the international financial architecture, such that it will lead to the progress of the poorest nations. In noting the scant willingness of these international financial organizations to produce a real change in their policies, we deem it necessary to make this change, and to consider the creation of new international financial instruments that will permit the building of development projects to combat poverty and hunger in the world and to provide real options for advancement.

## Who Is President of Mexico: The Banks, or the Street?

by Gretchen Small

Two diametrically opposed projects are contending for power in Mexico today, each with a President-elect at its head. One, led by Andrés Manuel López Obrador, claims its legitimacy from natural law, the right of all peoples to a government dedicated to protecting life, liberty, and the pursuit of happiness. The other, led by Felipe Calderón, was “elected” with vote fraud orchestrated by international synarchist bankers who are intent on looting Mexico to the bone.

Which shall prevail? That simple issue facing Mexico is a microcosm of the dilemma confronting the entire planet.

After a trembling electoral court on Sept. 5 declared Calderón to be the winner of the July 2 Presidential elections, international financier interests pronounced the electoral contest closed, and began issuing public orders that Calderón prepare to impose austerity reforms immediately upon taking office on Dec. 1.

But whether or not he will be able to do so, is much in doubt. On Sept. 16, Mexico’s Independence Day, more than a million people from across the nation came as delegates to a National Democratic Convention held in the central Zócalo plaza and surrounding streets of Mexico City. They acclaimed López Obrador as the “legitimate President” of Mexico, empowered him to constitute a cabinet, and voted to inaugurate him on Nov. 20, Mexican Revolution Day, also in the streets of Mexico City.

Prior to that, the delegates voted up plans for several days of national mobilization: on Sept. 27, the anniversary of the 1960 nationalization of the electricity sector, a mobilization against the privatization of energy and for lowering electricity rates; on Oct. 2-12, a mobilization against the privatization of public education; and on Dec. 1, demonstrations against the inauguration of the “usurper” Calderón. Then, on March 21,

2007—the birthday of Mexico’s most beloved President and Lincoln ally, Benito Juárez—the convention will reconvene in the Zócalo, to deliberate on the next steps.

The convention delegates vowed that behind the leadership of López Obrador, they would continue their peaceful civil resistance until they succeed in returning Mexico to a policy of development and progress.

And so, a great power struggle over the principles which will determine the future of Mexico has just begun. That struggle will not remain confined within Mexico’s borders. The peaceful resistance movements led by Dr. Martin Luther King and Mahatma Gandhi, which López Obrador holds up as model for his supporters, have demonstrated such movements’ power to change history. And while the battle in Mexico is being followed closely by its Ibero-American neighbors, it is in Mexico’s neighbor to the north, the United States, which itself is plunging into an economic abyss, and where more than 10 million Mexicans live in de facto economic exile, that the greatest strategic impact of that contest will likely be felt.

### How Many Must Die?

Speaking from the annual meeting of the International Monetary Fund in mid-September, the Secretary General of the Organization for Economic Cooperation and Development, Mexican technocrat José Angel Gurría, declared that the incoming President of Mexico must ram through economic reforms within the first six months of taking office, specifying that of all the reforms, “fiscal reform is number one, number two, and number three.”

Bankers have been screaming for 12 years that the key to fiscal reform in Mexico is “to broaden the tax base,” by

which they mean clamping a value-added tax on food and medicine, so Mexico's starving poor do their part in paying the debt.

The demand is nothing less than an order to kill. Nearly one-fifth of all Mexicans at this time cannot meet basic food needs, yet the tax reform which the financiers wanted in the last round would have imposed an 8% VAT on food and medicines, upped the VAT on other basic necessities (public transportation, tuition, books, social benefits, etc.), and imposed a 25% tax on all workers' income (whether from pensions, retirement benefits, overtime, the Christmas extra-month bonus, loans, etc.), while *lowering* the corporate tax rate from 34% to 30%, and the income tax on the country's wealthiest, from 30% to 25%—a program so retrograde that it is worthy of George Shultz's Bush-Cheney regime.

Yet, President Vicente Fox was unable to force a politically divided Congress to impose such a genocide program during his six years in office. And the unpopular Fox can almost be considered a folk hero compared to the pathetic Calderón, who is now ordered by the bankers to impose that same program in six months. Lacking political talent in the first place, Calderón has hardly been seen in public since he was declared the official President-elect. As newspaper columnists are commenting, by and large, Calderón is hiding out in his office, afraid to go out on the street, where he runs into López Obrador supporters denouncing him as a "usurper."

### The Right to the Pursuit of Happiness

"I accept the post of President of Mexico," López Obrador told those gathered peacefully in the Zócalo on Sept. 16, because we cannot continue to accept that our government be run as a committee on behalf of bankers, big business, and speculators who put their private desires above the public interest. Mexico's governments have been run by white-collar criminals since the government of Carlos Salinas de Gortari (1988-1994), he charged. Look at the \$120 billion-plus bank bailout known as FOBAPROA, the worst case of looting since the colonial days of Mexico. Under FOBAPROA, initiated in 1995, the state assumed the bad debts of the private banks, issued interest-bearing public bonds to the banks in return for those bad debts, and then handed the cleaned-up banks over to foreign interests. To this day, Mexico's banks, all but 10% foreign-owned, make their profits almost entirely from those government bonds, without lending a penny to the Mexican economy.

These financial interests went to such lengths to stop us, because they are afraid of us, López Obrador pointed out, as he was interrupted by repeated chants of *Es un honor, estar con Obrador* ("It's an honor, to be with Obrador"). "Do they really think" that Calderón will bring tranquility and political normalcy to Mexico, that they will get their hands on the nation's oil and natural gas, that we will capitulate or make a deal? "They are mistaken; they shall not succeed!"

We are embarking on building the "New Republic," whose central purpose is to "promote the welfare, happiness, and culture of all Mexicans," López Obrador said, one in which the welfare state will be enshrined as a constitutional principle.

The movement invoked Article 39 of the Mexican Constitution, which establishes the right of the people to change their government, if so desired, as the constitutional basis for their actions today. That principle is enshrined in all of Mexico's Constitutions, but the formulation he prefers, is that expressed in Article 4 of its first Constitution, that of 1814, López Obrador reported in a speech at the Zócalo on Sept. 11. Because "that formulation provides the basis for what we are going to do at the National Democratic Convention," he read it for his people:

"Because Government is not instituted on behalf of the particular honor or interest of any family, or for any man or class of men, but rather for the protection and security of all citizens, voluntarily united in society; these—the people—have the unquestionable right to establish the government most advantageous to them, and to alter it, modify, or abolish it completely when their happiness so requires."

"That is what we are going to do," López Obrador declared. " 'When the happiness of the people so requires.' You know that the word, the concept, the term, of 'happiness' has been abandoned in political discourse. We have to revive the word 'happiness,' because at the end of the day, everything we do is in order to bring about the happiness of our people. This is the essence of everything we do."

Although López Obrador did not elaborate it further, many in Mexico are aware of the fact that the Apatzingán Constitution's emphasis on the people's "happiness" directly reflects the influence of the guiding concepts behind the U.S. Declaration of Independence and Constitution. It was Gottfried Leibniz's development of this concept of "happiness"—in polemical opposition to the British Aristotelean John Locke and his defense of "property"—that guided the American Founding Fathers. This historical continuity and community of interest between the fledgling U.S. and Mexican republics was emphasized in a 16-page pamphlet issued by the LaRouche Youth Movement (LYM) in Mexico as a "Conceptual Contribution to the National Democratic Convention" (see *EIR*, Sept. 22, 2006).

This and forthcoming "Conceptual Contributions" by the LYM may prove the decisive element in shaping the outcome of the battle in Mexico, as to whether the banks or "the street"—i.e., the general welfare of the people—will rule in that country. That is because the López Obrador movement has thus far mobilized precious little youth involvement, for a variety of historical and cultural reasons. Yet, if that movement is to succeed, it will not only have to recruit the country's youth to that cause; it must make the youth the *heart* of the movement, because only the youth represent and speak for the country's future.

# López Obrador: Why I Accept the Presidency

*Here are excerpts from the address of Andrés Manuel López Obrador to the Mexican National Democratic Convention, held in Mexico City's central plaza on Sept. 16, 2006. Subheads have been added.*

Friends and delegates from all the neighborhoods, towns, regions, and states of our country. Today is an historic day. This National Democratic Convention has proclaimed the abolition of the current regime of corruption and privilege, and the establishment of a New republic.

Before anything else, it is important to be clear why we have taken this path. It is obvious that we are not acting out of whim or personal interest. Our decision, and that of the millions of Mexicans represented here, is the firm and dignified response to those who turned the electorate's will into mere appearance, and who have turned the political institutions into a grotesque farce.

How did this political crisis occur and who are those truly responsible?

From our viewpoint, the decomposition of the regime dates from some time back, was accentuated in the recent period, and was precipitated and exposed by the electoral fraud. This political crisis stems from the Salinista project, which turned the government into a committee at the service of a minority of bankers, government-tied businessmen, speculators, influence traffickers, and corrupt politicians. From the moment this network of interests and complicities was created, national politics was subordinated to the purpose of maintaining and increasing the privileges of a few, without concern for the destiny of the country and the fate of the majority of Mexicans.

Since then, the principal feature of the regime has been to favor financial interests over social demands, and over the public interest. Within this framework of complicities and deals between economic powers and political authorities, the privatizations were carried out during the Salinas government.

It is also within this context that one must see the matter of FOBAPROA [the bailout of the private banks], the worst looting to take place in the history of Mexico since the colonial era. Remember that [former President Ernesto] Zedillo, with the backing of the PRI and the PAN parties—the PRIAN—decided to convert the private debts of a few into public debt.

With the arrival of Vicente Fox, this network of complicities strengthened and became more vulgar, to the extent that

an employee of banker Roberto Hernández was made head of the public treasury.

But worst of all, is that Fox became a traitor to democracy, and dedicated himself stubbornly and obsessively, with all the resources at his disposal, to trying to destroy us politically. . . . A band of white-collar criminals and corrupt politicians was formed against us. So, it is worthwhile to ask ourselves why this group was capable of unleashing such hatred, why did they go so far as to shamelessly promote intolerance, classism, and use racism to set themselves apart and to dismiss what we worthily represent?

The answer is simple: They are afraid of losing their privileges; they are dominated by greed.

That is why they don't accept the Alternative National Project that we stand for and defend. That's why they don't care about trampling the popular will and shattering the constitutional order, to be able to continue to hold onto the Presidency of the republic.

But let's get to the core of the matter. What have they really gained? Do they really believe that the puppet they have imposed is going to bring tranquility and political normalcy? Do they really believe that nothing can stop them from stealing the gas, the electrical industry, and the oil? Do they really believe that they can continue with impunity to make profitable deals under the protection of the public authorities, while enjoying their tax privileges? Do they really believe they can continue to humiliate the Mexican people?

## What We Will Not Accept

They are mistaken. This will not happen. They are wrong because, fortunately, there exists a collective will in our country prepared to stop them, and because millions of Mexicans do not want the power of money to supplant public government, which should be the real political power.

For all these reasons, this Convention, in conformity with Article 39\* of the present Constitution, has decided to break with them, to recover our sovereignty, and to embark on the path of building a new republic.

They can keep their pirate institutions and their spurious President, but they will not be able to keep the patrimony of the nation, nor our convictions, nor our dignity.

Friends: We are here to tell those of the old regime that we will not surrender. We will never yield. We are here to cry out to the four winds that we will defend our people's right to hope, and that we will not accept opprobrium as the destiny of our people. Let them listen well, and let it be heard far and wide:

We don't accept that there are millions of malnourished and sick children with no future.

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\* Article 39: "The national sovereignty resides essentially and originally in the people. All public power originates in the people and is instituted for their benefit. The people at all times have the inalienable right to alter or modify their form of government."

We don't accept that youth, born under the mark of neoliberalism, are being deprived of the right to study and being condemned to social marginalization.

We don't accept that there is no budget for public education nor campaigns that discredit it. . . .

We don't accept that the majority of this country's elderly live in a state of abandonment, and that those who have retired after a lifetime of work, should receive a trifle as pension. . . .

We don't accept a minimum wage that doesn't allow the worker to live and support his family with dignity. . . .

We don't accept child labor.

We don't accept that millions of Mexicans are forced to abandon their families and their homes, to seek work on the other side of the border.

We don't accept farmers and producers being forced to sell their produce cheap while buying what they need dear.

We don't accept privatization of the electrical industry nor of the oil industry in any form. . . .

We don't accept the abandonment of the countryside. We don't accept the clause of the Free Trade Agreement under which imports of foreign corn and beans are freed of tariffs by 2008.

We don't accept the unfair competition that national producers suffer, to the benefit of foreign producers. . . .

Much less do we accept that all these great injustices are the product of fatalism and our country's destiny.

## The New Republic

No, . . . this is the sorry legacy of the anti-popular and sell-out regime that has been ruling, and which we have today decided to abolish. That is why this is an historic day.

How do we envision a new republic?

The new republic will have, as its higher goal, the promotion of the general welfare, happiness, and culture of all Mexicans. We aspire to a truly just society, raised on the basis of democracy and on the defense of national sovereignty. . . .

We will enshrine the concept of the welfare state as a constitutional principle, to effectively guarantee the right to food, jobs, health, social security, education, and housing. . . .

In the process of building the new republic, we must keep in mind and cultivate three fundamental aspects:

First: Not to be provoked into violence, avoid harassment, and always keep our movement within the framework of peaceful civil resistance.

Second: No deals, no sellouts, no falling into the old trap of the purchase of loyalties and consciences in the guise of negotiations.

Third: We must fight with imagination and talent to break the media stranglehold, and to create alternative means of communication. We must do everything possible for the truth to get out and reach the farthest corners of our nation. . . .

This Convention has also decided to create a new government, which is founded to exercise and defend the rights of the people. The government that emerges will be necessarily

national. It will be headquartered in the capital of the republic and, at the same time, will be itinerant, so that the sentiment of all sectors and regions of the country can be observed, heard, and gathered together.

There will be a cabinet, that is, a team which pulls together analyses, proposes solutions, and examines possibilities in each and every case. Resources are obviously scarce, but the work of the team, the integrity, the interaction with society, will be able to turn scarcity into efficiency.

Why do I accept the job of President of Mexico?

I offer you and all the people of Mexico my explanation. In the face of the fraudulent operation that damaged electoral democracy and tried to stop economic, social, and cultural democratization; in the face of the partisan use of the Executive Branch and of the public resources of a candidate and of a political party . . . in the face of the kidnapping of the institutions . . . and in the face of the accumulated proof that we have presented and which was dishonestly thrown out, we have one certainty: we won the Presidential election.

I accept the job of President of Mexico because we reject the imposition and rupture of the constitutional order. To accept the electoral fraud, as some are proposing, and to recognize a usurping government, would imply the indefinite postponement of democratic change in the country. It would mean playing their game. . . .

Our adversaries impose themselves with money, conservative prejudice, injustice, illegality, with ownership of a multitude of media. We have millions of people's will for change. Their political regime is at an end; whereas, from our standpoint, the Presidency, *this* Presidency, symbolizes the hopes, the efforts, and the desire for social justice of the Mexican people.

Furthermore, the job of President of Mexico is conferred upon me within the framework of a movement bent on transforming the institutions and legalizing the republic. . . . The Presidency, in a genuine democracy, is the just and daily interpretation of the sentiments, of the desires of the people and the community.

Obviously, I accept this honorable charge, not out of boastfulness or ambition for power. I accept it, despite knowing that I am going to be attacked for it. But I do so, convinced that thus, I will be able to continue to contribute, together with many other Mexicans, men and women like yourselves, to the transformation of the country, for ourselves and for the coming generations, for those who come after, for our children, so that we can look them in the eye and they will not reproach us, because, at this moment of decision, we were equal to the occasion.

Moreover, under the present circumstances, accepting this job is an act of peaceful civil resistance, and it is what our movement most needs. It is a "take that," so that they learn, a "take that" so they learn to respect the popular will. . . .

*Viva México!*

# Israeli Generals Revolt Against War Policy

by Dean Andromidas

The manifest failures of Israel's war in Lebanon have created a revolt within the Israeli military establishment, especially among some of the country's most respected retired officers. There have been calls for the resignation of Chief of Staff Gen. Dan Halutz, along with Prime Minister Ehud Olmert and Defense Minister Amir Peretz. While much of the criticism has focussed on the failings of the management of the war, the more astute of these officers are questioning whether Israel should have launched it in the first place.

But the underlying question, which few Israelis are prepared to ask publicly, is: Was Israel dragged into this war by U.S. Vice President Dick Cheney and the synarchist forces that stand behind him, and will it be dragged into yet another, far more dangerous one, if Cheney orders an attack on Iran?

## Ya'alon: Corruption Is Biggest Threat

Former Chief of Staff Gen. Moshe Ya'alon, Halutz's immediate predecessor, gave an interview to the Sept. 15 edition of the daily *Ha'aretz*, much of which expressed the views within a broad swath of the Israeli military establishment. One senior military source described it to *EIR* as a "bombshell."

Disputing the justification for the war, Ya'alon said that during his term as Chief of Staff he had proposed to "act politically and in a limited military fashion so that in the end Hezbollah would disarm. I understood there was no military action which would smash or pulverize Hezbollah. I understood that there is no way to uproot Hezbollah from the hearts of the Shi'ites in Lebanon. I also understood that there is no gimmick that will remove the Katyusha threat instantly. . . ."

When asked if he would support negotiations with Syria, he said: "Yes. In the summer of 2003 I suggested to Prime Minister [Ariel] Sharon that he accede to the requests of [Syrian President] Bashar Assad and enter into negotiations with him. . . . Sharon rejected my suggestion outright. . . ."

Questioning the whole notion of using military force against Hezbollah, he said: "You have to understand the limitations of power. Those who do not understand them must not be in command of power. . . . You have to understand that the use of military force is a last resort. . . . And in order to use military force a legitimate strategic context is required. There was no such context regarding Hezbollah. . . . It was clear to me that Hezbollah is a rooted phenomenon and will not be

eradicated by military action."

He then said that the war actually could have ended after the first week, but instead, more force was used, "and instead of coordinating with the Americans for them to stop us when the operation was at its height, and setting into motion a political process. . . . We asked the Americans for more time. We let the Americans think that we have some sort of gimmick that will vanquish Hezbollah militarily. . . ."

While calling for the resignation of Olmert, Halutz, and Peretz because they are all responsible, Ya'alon's strongest attack was on the general political corruption, the use of "spin" as a replacement for truth, which led to launching military operations. He referred directly to the last offensive ground operation that was launched, just at the point when the ceasefire agreement was being finalized, and which led to the death of 33 Israeli soldiers. He said the tragedy now is that this corruption has spread into the highest echelon of the military. He specifically blamed Sharon, who politicized the military by placing his favorites in position. "The connection of officers to politics is undesirable. It is a corrupt connection," he said, and, "Corruption is the real threat to Israel. It is more dangerous than the Iranian threat and the Palestinian threat."

A few weeks before Ya'alon's interview, while the war was still raging, a similar assessment was issued by the Israeli peace organization Gush Shalom, in a paid advertisement which declared: "Starting this war was a scandal. . . . It was possible to solve the problem of the missiles in south Lebanon by diplomatic means. The offensive in the last two days of the war, in which 33 soldiers were killed after the ceasefire resolution had been accepted, was a spin of the prime minister. . . ."

Gush Shalom is led by Uri Avnery, and some Israelis had accused the group of treason when the ad was first published. Commenting on the Ya'alon interview, Avnery wrote in his newsletter, "Ya'alon is the very opposite of Gush Shalom. . . . He comes from the very center of the establishment. He is a rightist. He was responsible for some of the most cruel acts of the occupation. . . . Ya'alon's motives are unimportant. What is important is that things have been said by a person with supreme military credentials." When such a person makes these statements, "these things carry weight."

*Ha'aretz*, on Sept. 14, revealed that Israeli military intelligence had had information indicating that Hezbollah was planning a kidnapping of soldiers, before July 12, the date of the abduction, but the information was not passed on to the appropriate command. The same daily noted that over the last year, four other Hezbollah kidnapping attempts had failed, because Israeli military intelligence had information beforehand and passed it on to the ground commanders, who took appropriate action. The revelation begged the question of whether this was an example of incompetence—or evidence pointing to someone allowing the kidnapping to proceed, to provide the pretext for a war.

## It's the Bush Administration, Stupid

What Ya'alon failed to say in his interview, was that the Israeli leaders' most serious failure was to follow the policies of Dick Cheney and his backers, which promise to put Israel into the vortex of a clash of civilizations, where war is asymmetric and therefore unwinnable through military means.

While no one in the Israeli security establishment is prepared to say that Olmert's government colluded with Cheney, many retired officers told *EIR* something along these lines: "I don't agree with you: We Israelis are stupid enough to have made such a decision ourselves, we've always make the same mistake. But you are absolutely correct to say that Cheney was very happy with it and did everything to help us on the road to this disaster."

With Cheney and his fellow neo-cons planning a new war with Iran, Israeli military officers are now openly expressing their serious doubts with the Bush Administration. Gen. Giora Eiland (res.), former director of Israel's National Security Council, in an interview appearing in the *Jerusalem Post* on Sept. 15, criticized U.S. policy towards Iran. On the one hand, he said, the United States has not made any credible military threats against Iran. "On the other hand it is not prepared to offer a bigger carrot—in the form of a dramatic change in policy on Iran, to say that, 'We'll speak directly to you.'" Direct U.S. engagement "might make an impression on the Iranians. But the U.S. is ideologically opposed to doing this."

He said Israel had always been unwilling to so much as suggest to Washington that it change its policy when it is tougher than Israel's, on matters relating to "Iran, the Palestinians, the Syrians, whoever. We don't dare to suggest to them that perhaps something else would be better. . . . If we think the U.S. is making a mistake, we should say so. We don't. We do go to the Americans with complaints when we think they're not being tough enough, but never in the other direction." He went even further to say that the whole policy of not talking to Iran was wrong. The United States says, " 'Don't talk to them.' But that doesn't work. Neither Iran, nor Hezbollah, nor anybody else, surrendered. We're through with the era of the ultimatum."

## Madrid II or Netanyahu and Lieberman

The latest opinion polls give Olmert an approval rating of no more than 7%, far lower even than those of George Bush and Dick Cheney. Peretz's rating stood at 1%! In fact, the highest rating given to a member of Olmert's government was achieved by Foreign Minister Tzipi Livni, who reached only 14%. The big winner in the poll was Likud party chairman and Cheney agent Benjamin Netanyahu, who reached 27%. Israeli fascist Avigdor Lieberman achieved 15%. According to the poll, the Likud would double its Knesset seats and reach 24, and Lieberman's Yisrael Beitenue party could win at least 15, which could lead to a Lieberman-Netanyahu alliance that would form the core of a new government, putting Netanyahu into the Prime Minister's office, and bring



EIRNS/Dan Sturman

*Israeli former Chief of Staff Moshe Ya'alon: "Corruption is the real threat to Israel. It is more dangerous than the Iranian threat and the Palestinian threat."*

Israel into a new war.

According to Israeli political observers, the only thing keeping Netanyahu out of the Prime Minister's office is the fact that the most recent elections were held less than five months ago, and the electorate would be loath to go to new elections so soon—the fourth general election in six years. The other reason is the fear of the alternative, Netanyahu and Lieberman.

As one intelligence source said, Olmert and his coalition partners know one thing, "We either hang together or hang separately," so they will do everything to keep the coalition from collapsing.

The coalition might survive, but will Israel? The only thing that could save Israel from another disaster is a Madrid II international peace conference or other regional peace initiative.

In a Sept. 12 column in *Yediot Ahronot*, Israel's largest-circulation daily, Yossi Beilin, who first called for a Madrid II at the end of the Lebanon war, called for a "September surprise," which would be a joint Arab-Israeli peace initiative. Beilin, whose call has been endorsed by Lyndon LaRouche, came out in support of moves by the Arab League to reintroduce the Arab Peace initiative of 2002. Beilin pointed out that when it was initiated by Saudi Arabia in 2002, the proposal received the support of 41% of the Israeli population.

"This is how Israel could create the September surprise," Beilin wrote. "It could come to the United Nations with a joint Israeli-Arab proposal that would assist in reviving the diplomatic process—whether by means of a second Madrid Conference or by some other less dramatic means. . . ."

"The abasement of the initiative was typical during Sharon's tenure," Beilin stated. "Today, we are paying the price. In light of the madness of fundamentalist threats, this is the time to create a coalition of sanity between Israelis and Arabs who wish to live. This can still become a reality in September 2006, but the window of opportunity will not be open for long."

# LaRouche Organizes Dialogue For a New World Economic Order

by Helga Zepp-LaRouche

*The chairwoman of the Civil Rights Movement Solidarity (BüSo) in Germany issued this statement evaluating the situation in the country following the Sept. 17 election in Berlin. It has been translated for EIR from German.*

“We have lied in the morning, in the evening, and at night, but at least we have thus won the election! . . . I almost died, when for one and a half years we had to pretend to govern! . . .” These internal party confessions of Hungarian Prime Minister Ferenc Gyurcsany, of how he has systematically lied to the population about the state of the economy, led to a government crisis, when a tape recording of them became public. One can dare to presume that quite similar statements have been made in the meetings of the different party executives in Berlin. But the case of Hungary shows that lies, which have “short legs,” often catch up with you, and in times like these, the truth very soon places itself thunderously on the agenda.

After the disappearance of the Iron Curtain, the U.S.A. and the EU had imposed the so-called “reform policy” on Hungary and the other eastern European states—i.e., privatization of the previously state-owned companies, liberalization, service instead of production, and economy measures in the social domain. The relevant governments told their respective populations, that one only had to push through these “reforms,” and then somehow the “upswing” would arise. As the Budapest scandal reveals, at least the Hungarian government knew that this was all a lie, and that the national economy was sacrificed to the profit of a few.

## Berlin After the Elections

One does not need a tape recording to know that with the just concluded elections to the Berlin House of Representatives and in [the state of] Mecklenburg-Prepomerania, the established parties have lied to the population about the financial state of Berlin, Germany, and the world financial system. Berlin has at least 500,000 unemployed, many poor people, and massive social problems, but also, profiteers of the banking and service city, which Berlin has become. The re-elected Mayor has also lied through his teeth with the assessment of the election results. For the electoral victory of Klaus Wowereit, who came in with 30% less than half of earlier SPD [Social Democratic Party] results, is not so great as he wants to make

the population believe; and 30%, with 58% voter participation, is less than 18% of the eligible voters. That even his anti-industrial program received the most votes, unfortunately means that the bankruptcy of Berlin will only be aggravated, and Berlin will be defenselessly exposed to the oncoming great crash, as long as Wowereit remains Mayor. The situation in the CDU [Christian Democratic Union] is no better: With 21% (and about 13% of the potential voters), it fell to an all-time low.

With 42%, the strongest party by far was the “party” of non-voters, and this reflects the increased loss of confidence of the people in politics. It is not good for the liberal constitutional order, that they have voluntarily given up their right to be “first-class citizens,” as the American Civil Rights activist Amelia Boynton Robinson has expressed it. The Left Party/PDS had to register substantial losses due to the policy of social cutbacks which they carried out above all—in the East, but also overall; and a final specious advancement of the Greens in Berlin cannot hide the fact that the paradigm of the Greens is an obsolescent model on a world scale.

The BüSo, with its lead candidate Daniel Buchmann, was assuredly not the victor according to the number of votes, but did very well in respect to the ideas it put forward, which represent the way out of the crisis. Accordingly, the resonance among the voters of the program of the BüSo, to create 1 million new productive jobs in Berlin through comprehensive reindustrialization, was much, much greater than was reflected in the election results. Five hundred thousand brochures, with a reindustrialization program for the future of Berlin as the gateway to Eurasia for the next 50 years, generated a clearly visible resonance. In many circles, the BüSo’s program was discussed as the only reasonable alternative. The election result was also not all bad; as with the first vote, the BüSo received up to 2.8% for its direct candidates.\*

Even though most citizens are not aware of it, or would never admit it, the primary reason why many potential voters did not vote for the BüSo, despite greater appreciation of it than the last election, coheres with the fact that the German

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\* In the German system, a party requires 5% of the votes to enter Parliament. Therefore 2.8% for the BüSo, a party which has been given very little coverage by the media, is much better than this would seem in the United States—ed.



EIRNS/James Rea

*The Civil Rights Movement Solidarity (BüSo) campaigns in Berlin, backing mayoral candidate Daniel Buchmann, with a banner that reads, "Reindustrialize Berlin—A Million Jobs—Vote BüSo."*

population has stuck to the rules of the game of the oligarchical system longer than most people on this planet. Somehow the conception is still dominant with most citizens, that only the talking heads that are always to be seen *ad nauseam* on the talk shows, and only the parties that already have seats in the Parliament, belong to the democracy. And while the Hungarians go out on the street and, predominantly peacefully, demand the resignation of the government, because the government has been caught lying, the Germans stay at home as non-voters and demonstrate thereby the German national credo inculcated by the oligarchy: "But you can't do anything!"

But the BüSo will demonstrate, that precisely this alleged truism is false. For the state of the international financial system will manifest itself in the shortest possible time as the greatest crash in the history of the financial markets. And precisely for this reason, Lyndon LaRouche and the BüSo are now organizing an international alliance for the establishment of a new world financial system. An intensive dialogue between LaRouche and leading institutions of Eurasia, the American continent, and Africa concerning the principles on which a new world order must be based, is in full process and will be intensified in the coming weeks.

### **Financial System Before the Great Crash**

The only unsettled question at present is whether international financial interests and the U.S. Federal Reserve will succeed in keeping the greatest financial casino of all time afloat, through a massive infusion of liquidity, until after the American elections in November, in which the entire House of Representatives and a third of the Senate will be elected.

For a Democratic victory, even in one of the two Houses, would place on the agenda the question of impeachment proceedings against Bush and Cheney, due to their deliberate lies as the pretext for the Iraq war.

But it may also be that all the manipulations of the financial system will not suffice to delay the crash until November. With the "accident" of the Amaranth hedge fund, which lost 65% of its capital, or \$5 billion, in one week, according to the *Neue Zürcher Zeitung*, we are on the verge of the greatest hedge-fund bankruptcy since the nearly worst-case scenario of the financial system through the LTCM crisis in September 1998 [see article in *Economics*]. But even the potential effects of involuntary liquidation of Amaranth would be only "peanuts" in comparison to the crash which has already begun in the U.S. real estate and mortgage market.

For this market was developed after the crash of the so-called "New Economy" in 2001, when \$16 trillion vanished into thin air, into one of the riskiest bubbles of the system. The so-called "nightmare-mortgages," with which "exotic financial instruments" have created an ever more insane system of expanding electronic values, are beginning to burst. For many purchasers of these mortgages, in the meantime, blithely spend the presumed (inflationary) increase in the value of their houses for their current consumption, only then to realize that the mortgages were sold by their bank long ago to other funds and investment companies. Now these mortgages must be serviced at much higher rates, which is often no longer possible. The victims of these operations are increasingly left without a home, and under a gigantic mountain of debt. But we are still only at the

beginning of this development.

As a consequence of the bursting of the real estate and mortgage bubble, the dollar—and with it the whole world financial system—will collapse, the exports of Asia and Europe into the U.S. will shut down. The effects on the Chinese economy, the European Monetary Union, the living standards of the population in the developing nations, to name only a few aspects, would be catastrophic. The breakdown could only be compared to a worldwide avalanche. A New Dark Age would be the result.

### Dialogue on the Grand Solution

The most urgent strategic task consists therefore in putting the issue of a new international financial architecture on the agenda. Since at least the governments of the G-7 states are known up to now to have no intention of undertaking the urgent reorganization of the financial system, Lyndon LaRouche has put into motion an international discussion process about this necessity, which received its first expression in a webcast conference on Sept. 6, which was accessible worldwide on the Internet. The participants included leading institutions in Russia, China, India, and the Arab world, people who have become familiar with LaRouche's economic ideas over a long time and who, with questions and their own contributions, discussed the principles upon which the new

world order must be built.

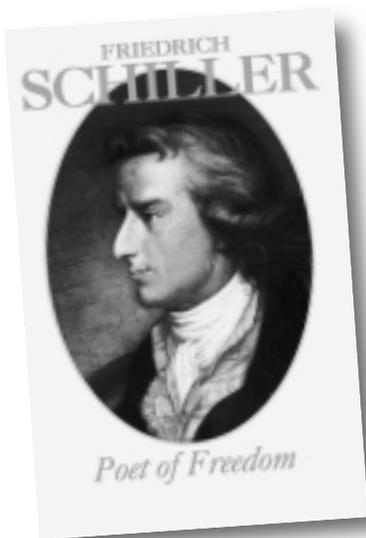
This international dialogue, which will be continued intensively in the coming weeks and which will be elevated to a still more intense level in a subsequent international webcast on Oct. 31, brings the indispensable conceptual dimension into the discussion. Various measures will be taken to attenuate the consequences of the looming crash or to demand a new financial architecture. For example, this would include the decision of the "ASEAN plus three" group to introduce mechanisms for joint crisis management, whereby, for example, the agreement between China and Japan represents a breakthrough.

Last but not the least, this also includes the momentous speech of the Argentine President Nestor Kirchner before the General Assembly of the United Nations in New York [see *Economics*], in which he demanded the immediate realization of a new international financial architecture. Kirchner called the IMF a washed-up institution, which instead of helping developing nations, has actually prevented their development. Therefore, new financial instruments are necessary to overcome hunger and poverty in these nations and achieve actual progress.

The dialogue begun by LaRouche with scientific and economic institutions, especially from the nations of Eurasia, should, among other things, influence the process in the

*"There is a limit to the tyrant's power."*

—Friedrich Schiller,  
Wilhelm Tell.



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U.S.A., which, in this important time period before the November elections, will decide for the whole world whether there will be war. For only if we succeed in strengthening the institutional opposition in the U.S.A. to the danger of what, this time, would probably be a nuclear attack on Iran, can the descent of the world into an asymmetrical global war be prevented. And only if we succeed in getting the Democratic Party to commit itself once again to the tradition of Franklin D. Roosevelt, can the issue of a new world financial architecture be successfully resolved.

The high esteem, which LaRouche enjoys with many academies of science and scientific institutes of Eurasia, is the result of the fact that the theory of physical economy developed by him (which goes back to Leibniz, who formed this concept), and a scientific tradition based on Nicholas of Cusa, Kepler, Leibniz, Gauss, and Riemann, is highly valued by these scientists. Unfortunately, up to now, there has been nothing comparable in western Europe. Here, people in the economics faculties and institutes are instead still occupied with mechanistic formulae, according to which the casino economy of globalization allegedly functions—or just doesn't function, as was just emphasized.

All the more important, is the debate that LaRouche has initiated with his Internet conferences. For if the human species is to get out of this potentially existential crisis, it will only be possible if the new economic order is based on a completely different scale of values. Any conception of a "quick solution," with which, after the reorganization of the bankrupt financial system, everything proceeds just as it had before, and the wild hunt for profit maximization for a small privileged power elite begins afresh, while the masses of people fritter away their lives with unproductive jobs or unemployment and senseless entertainment, must be shelved.

### **The Renaissance as a Model**

The new world economic order can only function, if it is organized according to scientific principles of physical economy—i.e., that the labor force must be educated accordingly. And it will only be successful, if mankind thinks about those periods in which we have already succeeded, a few times in the past, to overcome a dark age through a cultural and moral renaissance, as for example the Abbasid Dynasty in the 8th Century A.D., the Andalusian Renaissance in Spain, the Golden Renaissance of the 15th Century, the German Classic, and, on the political level, the American Revolution.

Because the long-term development of universal history absolutely gives us reason for optimism, that we can overcome severe crises very well, if we think about the humanistic image of man, and orient the political order based on the general welfare and the laws of the order of creation, the BüSo also repudiates the current German national credo: "But you can't do anything." Instead, we are organizing an alliance for a new world order and a new Renaissance, and we hope that every thinking citizen will help us in doing so.

# **El Salvador: Toward A New Dark Age?**

by Christine Bierre

For over 30 years, Lyndon LaRouche and his associates have warned that the policies of deregulation and financial globalization will lead the world to a new dark age. How often have people accused us of exaggerating?

And yet, this is happening every day before our very eyes. Only a few stable, even though extremely poor countries remain in black Africa. Many others, like Somalia, Ethiopia, Liberia, Sierra Leone, and Central Africa have nearly broken down entirely; others such as the Congo Republic, Congo Brazzaville, and Ivory Coast are struggling to survive. In the last 30 years, African states weakened by the International Monetary Fund policies, have sold out their infrastructure (trains, ports, public companies) and ceased all subsidies to essential national production. As a result, epidemics are rampant, reducing age expectancy to 46 years (vs. 80 in Europe); insecurity is widespread; groups of gangs or unpaid soldiers live by attacking private citizens or charging them fees for crossing their property; roads are impassable; schools no longer function; and the jungle is taking over the cities.

### **Gangs Run Rampant**

Similar destruction of civilization is now threatening some countries of Ibero-America, such as El Salvador. Developing rapidly in the 1950s, when a Central American market created the conditions for rapid economic growth throughout the isthmus, El Salvador went rapidly downhill. First there was the elimination of the common market, following a United Fruit-manipulated "football war" between El Salvador and neighboring Honduras. Then there was the protracted civil war opposing the left wing to a right-wing reaction which ripped the country apart for nearly 15 years, between 1975 and 1990.

The problems of survival of that country today are the sequels to that war, which ravaged the countryside, while nearly 1 million Salvadorans migrated illegally to the United States. Many went to California, where, imprisoned for petty or other crimes, they soon learned the lessons of the California gangs: Human life is worth nothing, not even \$10. Repatriated from the United States to their countries of origin, these extraordinarily violent youth gangs, having lost all sense of humanity, have invaded not only El Salvador, but many of the other Central American nations. Known as the Mara Salvatrucha, these youth gangs, their skin covered by tattoos, impose terror on their communities. Estimated at more than



EIRNS/Karel Vereycken

*In Ataco, El Salvador, people typically have to live behind bars to protect themselves from youth gangs.*

100,000 in El Salvador, and coming back from the United States at the rate of five airplane loads per month, these youths are imposing protection rackets on businessmen, school-teachers, bus drivers, students, and citizens, and are prepared to kill for \$10 or less.

The state of San Miguel in the eastern part of the country is in a state of near-revolt against the central government, which is accused of being unable to deal with the violence of the Maras. Pressured by local businessmen subjected to protection racket by the Mara Salvatrucha, the governor of the state and the private sector are threatening to boycott payments of taxes unless strong measures are taken to deal with the problem. In the past, some had gone as far as financing anti-delinquency death squads! In the capital city of San Salvador, pharmacies and other businesses are being hit by the racketeers.

In the suburbs of San Salvador, youth gangs have been targeting bus drivers. On several occasions, when the drivers refused to hand over their revenues, these gangs killed the drivers and burned the buses with all passengers inside! Teachers are subject to extortion, and more than 80 have requested this year to be transferred to other cities, after having been threatened in their local areas. The residential areas of San Salvador are being targeted by the gangs, who get inside houses using false pretexts, rob, rape the women, and kill whoever gets in their way and refuses to pay.

With the government unable to deal with this existential crisis, more and more exasperated voices are calling for the adoption of emergency measures—martial law or curfew—with the danger that the issue of delinquency will be used by emerging *caudillos* (honchos) as a pretext to bring back the dictatorial military regimes which have sometimes run these countries. While strong and competent law-and-order measures are necessary today to curb barbarism which is totally out of control and threatening society as a whole, equally strong measures need to be taken in the economic domain to deal with the causes of this problem: poverty, illiteracy, loss of human values, and destruction of protective family ties by

the war, which forced many family members into exile in order to make a living. Conditions must be created for members of the gangs who want to leave the gang, to get rid of their tattoos, a precondition for them to be able to get jobs.

In addition, some people estimate that 40% of El Salvadoran youth grow up without a parent, because their parent(s) is/are working outside the country, the El Salvadoran daily *El Diario de Hoy* reported in April 2006. The figure is credible, as it is estimated that one-quarter of the population has left the country to find work. Financiers hail the steadily increasing remittances sent back home by these expatriates—El Salvador's Central Bank reported a 13.3% increase in remittances in the first quarter of 2006, over the year before—but how can a nation survive where nearly half its children grow up without seeing their parents for years on end?

While President Tony Saca is refusing to take the road leading to extraordinary measures, his austerity policies and recent calls for tax increases cannot contribute to the necessary pacification of the country. Juridical reforms will also be necessary to protect witnesses, juries, and other personnel involved in dealing with this criminality, and whose lives are endangered by the Maras.

## Poverty and Disease

Too weak to deal with delinquencies, the deregulated state is also too weak to deal with epidemics, provoked also by poverty and misery. In recent weeks, dengue fever in both its classic and hemorrhagic variants has reached a peak. In the third week of August, more than 400 cases were registered in the hospitals, the majority being of the classical variety, but highly lethal hemorrhagic cases have been steadily growing. Dealing with that disease carried by mosquitoes, is foremost an economic problem. Hundreds of thousands of citizens have migrated from the poor countryside to the cities, living in shacks built on the soil in areas with no clean water. Under those conditions, the heavy rains in this tropical country create the conditions where stagnant bodies of water are everywhere, and mosquitoes carrying the disease reproduce massively. Small groups of military brigades can be seen fumigating those spots in the areas most concerned by the disease, but ultimately it is only the creation of adequate housing and water management that will solve the problem, something the present government cannot do with its present budget and economic policies.

Beautiful El Salvador, with its five volcanoes and luxurious vegetation, its beaches of black sand, and its industrious population of 6 million, is thus turning into an inferno for its citizens, with many wondering whether they should not migrate to safer lands. Number two on the list of criminality after Haiti, high on the list of mortal epidemics, shaken often by earthquakes against which the population has no way to defend itself, El Salvador is a good example of how the entire world will go, if we don't act now to stop the decline of civilization.

# John Bolton Subverts The UN Charter

by Mike Billington

Yet another crime against international law was committed by the Bush Administration on Sept. 15 at the United Nations, when John Bolton, the U.S. Ambassador to the UN, succeeded in coercing enough members of the Security Council, by one means or another, to pass a motion placing the nation of Myanmar on the Security Council agenda. Bolton acknowledged in his press conference announcing his victory that “the Charter of the UN makes it clear that the jurisdictional threshold for the Security Council to take action is that it must deal with threats to international peace and security, or breaches of international peace and security, or acts of aggression.” The idea that Myanmar is a “threat to international peace and security” is so patently absurd, that the nine nations which voted with Bolton (the vote was 10-4, with one abstention) should be considered accomplices to the crime.

Not only is Myanmar a poor nation with no capacity to threaten any of its neighbors; the fact is that all of its neighbors have recently strengthened their relations with Myanmar, both economically and strategically. This move by Bolton and the Bush/Cheney Administration is not aimed at Myanmar *per se*, but at the United Nations Charter itself. The notion of national sovereignty, based on the principles developed in the Peace of Westphalia of 1648, embedded in the Constitution of the United States, and inscribed in the Charter of the United Nations, is the target of Bolton’s manipulations. The powers of the Security Council, established by the UN Charter, were carefully delineated to defend the principle of the sovereign nation-state, and it is this concept which is targeted for destruction by the financial institutions which control the current regime in Washington, through the process of “globalization” and unilateral “regime change.”

Bolton’s Myanmar gambit is but a subsumed piece of that broader attack on the world’s *actual* peace and security. Although Russia and China, both permanent members of the Security Council with veto power, voted “no” on the Bolton motion, there is no veto in procedural votes. Thus, Bolton won his maneuver, knowing that no motion for sanctions against Myanmar could ever be implemented, because of opposition from veto-wielding Russia and China in any substantive vote.

China, in particular, was outraged by the fraud. China’s permanent representative to the United Nations, Wang Guangya, demanded an “objective evaluation of the relations between Myanmar’s internal situation and international peace and security,” noting that “neither Myanmar’s neighbors nor

the member states of the Association of Southeast Asian Nations (ASEAN) consider Myanmar’s situation a threat to peace and security in the region.”

## Regime Change

It is no secret that the reason for the Bolton’s strong-arm tactics is the fact that Myanmar is on the neo-conservative target list for regime change, a list whose purpose is to maintain the division of the world into “us and them.” Although Myanmar wasn’t included in Bush’s “Axis of Evil” (Iraq, Iran, and North Korea), Secretary of State Condoleezza Rice did include Myanmar in her “outposts of tyranny.”

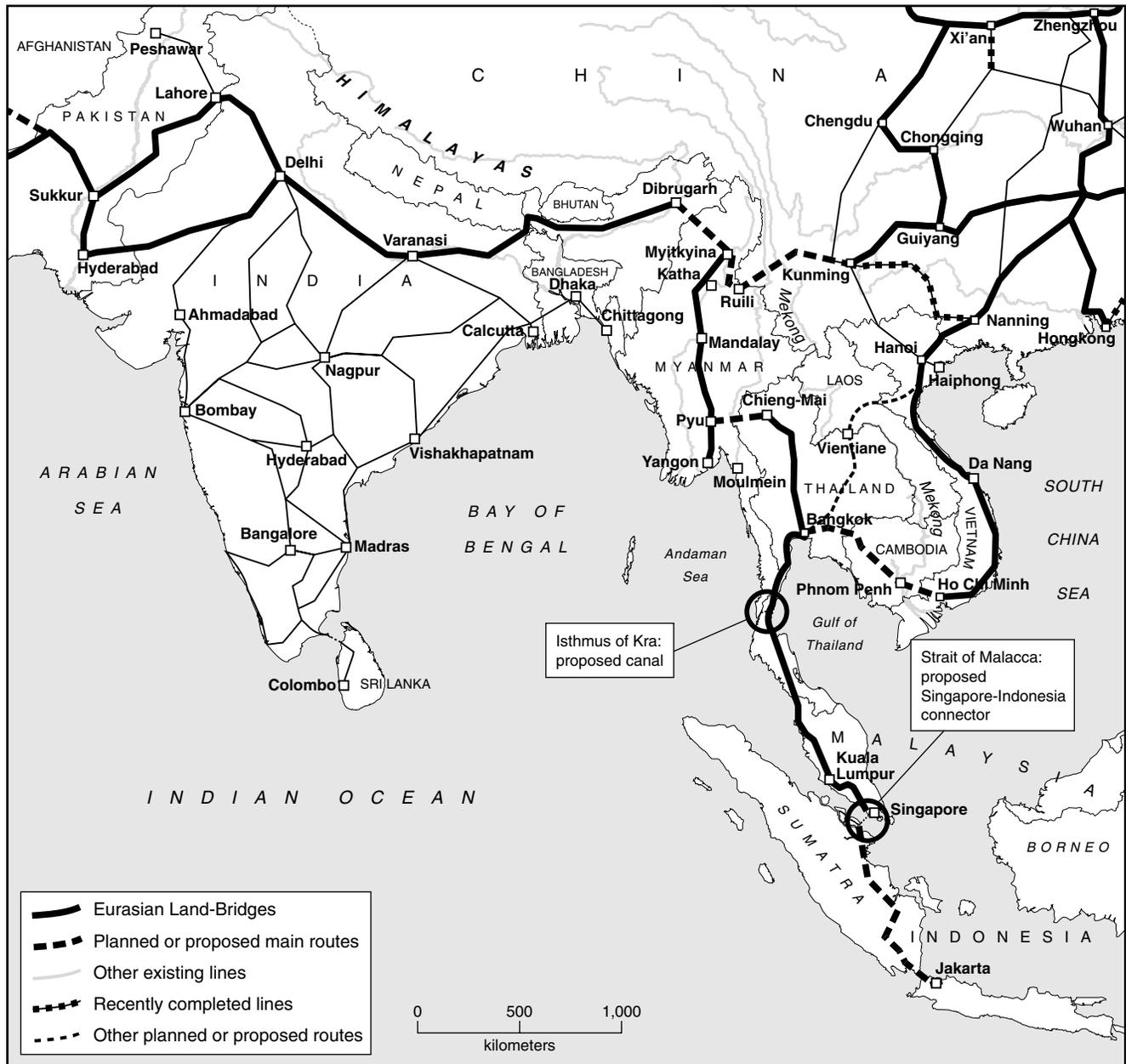
The reasons used by Bolton for subverting the UN Charter in the Myanmar case expose the ironies of the imperial outlook of the Bush-Cheney Administration. Bolton argues that Myanmar (which he insists on calling by its previous name “Burma,” as an insult to the Myanmar government) constitutes a “threat to international peace and security, because of the flows of refugees, illicit narcotics, HIV/AIDS, and the human rights situation inside Burma.” The refugee problem affects primarily Myanmar’s eastern neighbor Thailand, which has not only established close relations with Myanmar, but is grateful for the fact that the Myanmar government has nearly eliminated the rebellions among the many ethnic tribes on the border. Even more important, the pacification of the ethnic rebellions has allowed the massive reduction in the drug trafficking which sustained those insurgencies—with much more than a “wink and a nod” from the rebels’ sponsors in London and New York. Compare Myanmar’s largely successful drug control to that of Afghanistan, a nation occupied by the United States, which now produces 95% of the world’s opium, mostly by the druglords placed in power under U.S. aegis.

As to the internal political problems, Myanmar’s policy to implement a seven-point road map toward civilian rule has been in place for several years, and is acknowledged by its neighbors in China, India, Bangladesh, and Thailand, but has been totally rejected by the U.S., which holds up the convenient banner of the human rights of dissident Aung San Suu Kyi. For Myanmar, it is not Aung San Suu Kyi who represents a threat, but her Anglo-American controllers, who would like to reimpose imperial power with Suu Kyi as their puppet.

The imperial target is geostrategic, as Myanmar is the strategic hub between South Asia, East Asia, and Southeast Asia. What worries Washington is the growing collaboration between Myanmar and the three powers of the Eurasian continent. China is by far the closest ally of Myanmar, with extensive trade and transportation links along the old Burma Road, and extensive investment throughout the country. But Russia, and especially India, are also becoming more engaged in developing the huge potential in Myanmar.

On the very day that Bolton was playing the thug at the UN, Myanmar Oil and Gas was signing contracts for exploration and development of the Mottama offshore field with Russia’s Itera Oil and Gas and India’s Sun Group. India is building

## Infrastructure in Myanmar and Its Neighbors



a road from Myanmar's northwest border to the old capital of Yangon, which will essentially complete road transport from Vietnam's coast through India to Europe, with rail development to follow. India also signed a counterinsurgency agreement with Myanmar, to clean up the border region of drug traffickers and the insurgent organization they support.

Thailand is also deeply committed to the development of roads, hydroelectric and oil and gas projects, and security cooperation with Myanmar. The recent military coup in Thailand is not likely to disrupt their relationship, as Thai Army

Chief Boonyaratglin visited Myanmar recently, and Myanmar's number two leader Maung Aye announced immediately after the Bangkok coup that he will visit Thailand soon.

Russia, China, India, and Southeast Asia, of course, represent nearly half the world's population. The era in which Bolton's demand that Myanmar, or any nation, must accept the demands of the "world community," when that means is the dictates of the small and shrinking number of supporters of the criminal Bush-Cheney cabal, is rapidly coming to an end. *Contact the author at mobeir@aol.com*

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# International Intelligence

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## ***British Expert Debunks Liquid Explosive Scare***

Lt.-Col. Nigel Wylde (ret.), a former senior British Army Intelligence Officer, who was awarded the Queen's Gallantry Medal for his command of the Belfast Explosive Ordnance Disposal Unit in 1974, recently said the liquid explosives threat featured in the August "terror plot" in Great Britain is a "fiction" and part of a "pattern of lies and deceit, according to a report originally posted on rawstory.com.

According to Wylde, the idea that people could sit in the plane lavatory and simply mix together these normal household fluids to create an explosive capable of blowing up the aircraft is untenable. So who came up with the idea that a bomb could be made on board? Not al-Qaeda, for sure. It would not work. Bin Laden is interested in success, not deterrence by failure.

"This story has been blown out of all proportion. The liquids would need to be carefully distilled at freezing temperatures to extract the required chemicals, which are very difficult to obtain in the purities needed," said Wylde. Once the fluids have been extracted, the process of mixing them produces significant amounts of heat and vile fumes. "The resulting liquid then needs some hours at room temperature for the white crystals that are the explosive to develop." The whole process, which can take between 12 and 36 hours, is "very dangerous, even in a lab, and can lead to premature detonation."

If there was a conspiracy, he added, "it did not involve manufacturing the explosives in the loo," as this simply "could not have worked." The fumes would also inevitably "cause the alarms in the toilet and in the air-change system in the aircraft to be triggered. The pilot has the ability to dump all the air from the aircraft as a fire-fighting measure, leaving people to use oxygen masks."

Even if it were possible for the explosive to have been made on the aircraft, the quantity involved would be small, and would not endanger the aircraft, the report stated.

"Why were the public delicately in-

formed of an alleged conspiracy which the authorities knew, or should have known, could not have worked?" Wylde asked.

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## ***For Egypt, Energy Policy To Include Nuclear***

Gamel Mubarak, the son of Egyptian President Hosni Mubarak, in a speech delivered during the fourth annual convention of the ruling party on Sept. 19, said, "It is time for Egypt to put forth, and the party will put forth, this proposal for discussion about its future energy policies, the issue of alternative energy, including nuclear energy, as one of the alternatives," according to the *New York Times*. He is an assistant secretary general of the governing National Democratic Party, and head of its policies committee.

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## ***President Mbeki Targets Poverty as Threat***

In his speech to the UN General Assembly on Sept. 19, South African President Thabo Mbeki stated that poverty and underdevelopment are the biggest threats to progress. He further "wished that if the wishes of the poorest people of the world could be turned into reality, this would be a century free of wars, free of hunger, and free of preventable diseases, and that it would be a century with great hopes for the better, peaceful and humane world."

He noted "that the global partnership for development is impossible . . . when the rich countries demand the right unilaterally to set the agenda and conditions for the implementation of commonly agreed programs."

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## ***Mideast 'Quartet' Meets at the UN***

A high-level meeting of the so-called diplomatic Quartet group, which focusses on Israel and Palestine, and comprises the United Nations, the United States, the European Union, and Russia, took place on Sept. 20 in

New York. The meeting was hosted by UN Secretary-General Kofi Annan, to discuss developments in the Middle East since its last meeting on May 9. Also attending were: U.S. Secretary of State Condoleezza Rice, Russian Foreign Minister Sergei Lavrov, the EU's High Representative for a Common Foreign and Security Policy Javier Solana, Foreign Minister Erkki Tuomioja of Finland, which currently holds the EU Council presidency, and European Commissioner for External Relations Benita Ferrero-Waldner.

After the meeting, the following key points were made in a communiqué:

- The urgent need to make progress toward a just, lasting, and comprehensive peace in the Middle East, concern about the grave crisis in Gaza, and the continued stalemate between Israel and the Palestinians, was noted;

- Palestinian President Mahmoud Abbas's efforts to form a Government of National Unity were welcomed;

- It emphasized the urgent need for the parties to implement fully all aspects of the Agreement on Movement and Access. Rafah and all other passages out of the Palestinian territories should remain open;

- Greater donor support should be encouraged, to meet the needs of the Palestinians, with particular emphasis on security-sector reform, reconstruction of damaged infrastructure, and economic development, and commended the Temporary International Mechanism (TIM) devised by the EU and the World Bank to facilitate the channeling of aid directly to the Palestinian people;

- Israel and the Palestinian Authority should be encouraged to consider resumption of transfers of tax and customs revenues collected by Israel via TIM, noting, that such transfers would have a significant impact on the Palestinian economy and would improve the economic and humanitarian conditions in the West Bank and Gaza;

- The Quartet reaffirmed its commitment to the "Road Map" as the means to realize the goal of two states, Israel and Palestine, living side by side in peace and security, and welcomed the prospect of a meeting between Israeli Prime Minister Ehud Olmert and President Abbas soon.

## Largest Hedge Fund Collapse Since the LTCM Case of 1998

by Lothar Komp

Amaranth is an ornamental and useful plant frequently found in tropical regions. It is almost indestructible and can survive for a long time without water. Its spinach-like leaves, and especially its flowers, are extremely nourishing, and served as the chief source of nourishment for the Incas. In Greek mythology, amaranth is a plant dedicated to the goddess Artemis and a symbol of immortality. The Greek word *amarantos* means “always blooming.” In light of its contrast with the quickly fading rose, Aesop dedicated one fable entirely to the two plants. Milton also designated it in his *Paradise Lost* as the “immortal amaranth,” which was once nourished in Paradise by the “tree of life.”

Is there a better name to call a hedge fund, in order to lead investors to believe in minimal risk and ever higher returns? For a while, everything went for the best with this hedge fund. But in September 2006, the plant suddenly withered. Amaranth Advisors LLC, a \$9 billion-strong hedge fund, within two weeks, suffered the loss of 65% of its investment capital, because of bets on natural gas futures, and now stands at the brink of total collapse.

Measured in lost capital, about \$6 billion, this is the greatest collapse of a hedge fund internationally since the collapse of Long-Term Capital Management (LTCM) in September 1998, which collapse at the time brought the world financial system to the edge of the abyss. As was LTCM, Amaranth is also headquartered in Greenwich, Connecticut.

And, as in the case of LTCM, the managers of Amaranth believed that they had uncovered the formula for risk-free earnings from speculation, making use of the extreme swings of the closing prices for natural gas on the New York Mercantile Exchange, which occur almost daily. However, the closing prices for the contracts, differentiated according to months of future deliveries, rise or fall more or less in tandem. And the one thing one could always depend upon in the past: If

the hurricane season has just ended and Spring is setting in, natural gas rates begin to fall in the United States. The prices of natural gas then follow lawfully.

In past years, the price of natural gas was always less in April than in March. Therefore, the March natural gas is properly more expensive than April natural gas. And on this empirical situation, Amaranth bet billions of dollars, which it had collected from banks, insurance companies and, not the least, pension funds. The bets went bad.

One can conceive of the special derivatives contracts of Amaranth for the present as a double set of futures: the purchase of a considerable volume of natural gas for delivery in April 2007, and a simultaneous short sale of exactly the same amount of natural gas for delivery in March 2007. A short sale is the term for when one sells something which one doesn't own, but which one buys after the conclusion of the sale. In other words: In anticipation of the falling price, one buys in April and sells everything in March.

Now, in the real world, unfortunately, the fact that March 2007 occurs before April 2007, and that in March, one really owns nothing to sell, is a limitation from which one frees one's self on the derivatives markets. Through trade with the paper version of natural gas, such a distortion of causality presents no basic problem.

In order to dramatically raise the earnings on its risked capital yet again, Amaranth had added a further variant to this double set of futures. The difference between the price in March 2007 and the price in April 2007 was separated from the double set of futures, and Amaranth invested in this difference. This would mean enormous profits, if the natural gas price in March 2007 were two or three dollars more than the natural gas price in April 2007; but if the opposite case were true, if both prices coincide, it would be a total loss. And this is exactly what happened.



*The almost indestructible amaranth plant. Unfortunately, its hedge-fund namesake doesn't share the plant's ever-blooming characteristic.*

The other speculators on the NYMEX are proceeding on the basis of the current hurricane projections for the Fall and Winter, that the yearly price break this time will occur in December (not March). And since the difference in the natural gas price futures for March and April 2007 has therefore been lost, Amaranth is now bankrupt, totally independently of what the actual natural gas price should turn out to be in Spring of next year—*rien ne va plus*.

### **JP Morgan Chase and Citadel Step In**

Almost exactly eight years after the LTCM disaster, once again an immediate intervention by the “Plunge Protection Team,” comprised of the Federal Reserve, the U.S. Treasury, and the leading banks, was demanded, in order to save a huge hedge fund from collapse. But this time, as opposed to what happened in September 1998, it was considered advisable to arrange no melodramatic and publicized *Nacht-und-Nebel* action, and thus to raise no unnecessary dust. In 1998, the heads of the 16 largest banks in the world, including Deutsche Bank, were snatched on short notice out of offices, beds, and golf courses, and dragged to an emergency meeting on the premises of the New York Federal Reserve, in order to agree on a common “bailout” plan, whether or not they were directly entangled with LTCM.

On approximately Sept. 20, 2006, Amaranth chairman Nicholas Maounis put out the news. In his letter to the funds' investors, he shared the fact that, unfortunately, between Sept. 1 and Sept. 19, more than \$6 billion, or 65% of the investors' capital, had evaporated. But, there was still \$3 billion on hand, and there would not be any more losses caused by the natural gas contracts, because they had sold these contracts to a “third party.” This step, according to Maounis, was necessary, “in order to prevent the termination of our credit facilities, and to

avoid the risk of a subsequent, forced liquidation by our creditors.”

At the same time, the news was handed to the media about “two persons participating in the transactions,” namely, that the “third party” involved two financially powerful enterprises: the investment bank JP Morgan Chase, and the \$12 billion Citadel Investment Group, a hedge fund with headquarters in Chicago. This had been prearranged. This leads one to speculate whether, and in what way, JP Morgan and Citadel were compensated for their good deed on behalf of the continuation of the derivatives casino, through the Federal Reserve or the U.S. Treasury.

Although it was possible to save the derivatives contracts of Amaranth without creating a great furor, there was nevertheless a long list of victims. To begin with, there were the investors in Amaranth: the pension funds of San Diego, the 3M enterprise, and the Caisse de Depot et Placement of Quebec, the largest pension fund in Canada.

There is, for the moment, no comment from the current, affable Amaranth member, who worked out the natural gas bets, one Brian Hunter, a 32-year-old Canadian, with a university degree in applied mathematics. He left behind in his office only a half-empty bottle of whiskey.

The most important creditors of Amaranth were JP Morgan and Merrill Lynch. They must have written off some of the debt. Other victims are presumably those enterprises whose credits had been supported by Amaranth. In addition to the natural gas contracts, Amaranth had been involved with high-risk loans, probably loans for financing of private equity negotiations. These loans have now been sold at lightning speed to other investors. The new owners will be changed shortly into actual debtors and place certain demands. Counted among these debtors are the German cable company TeleColumbus, the German mobile phone company Debitel, the British auto subcontractor TI Automotove, and the English football club Manchester United.

### **Regulating the Speculators**

Even if the Amaranth bankruptcy is not comparable in its dimensions with the impending implosion of the American real estate market—the latter has a thousand times greater amount of bonded credits and corresponding derivatives in play—the case raises anew the question of regulation of the speculative funds. In the United States, the Bush government has lifted the previous ban on pension funds investing in hedge funds.

In Germany, on the contrary, the head of the financial oversight group BaFin, Jochen Sanio, had made a strong case for worldwide regulation of hedge funds, pointing out that these were like “black holes” of the financial system. Sanio has since come under heavy pressure, with people demanding his head. First there was a fraud case in BaFin's computer division, followed by a fierce confrontation between Sanio and the personnel board.

## What Bankers Really Fear in Housing Crash

by L. Wolfe

After months of attempting to deny that there was any real problem in the U.S. housing market, the world's leading bankers and speculators are expressing alarm at the size of the bubble they have created—the largest in financial history. With huge numbers of unsold new homes colliding with an even larger number of existing homes that have been thrust onto the market in recent weeks by panicky homeowners, the concern in Wall Street, the City of London, and in other financial capitals is not with a crash in home equity values, which many so-called experts have now conceded is inevitable, but with the effect that this blowout will have on the financial system.

That system, as the world's leading economist, Lyndon LaRouche, has repeatedly warned, is hopelessly bankrupt; it has been kept on life support through the speculative flows, drained from the real, physical economy, into financial speculation, including on housing assets. The hyperinflated housing bubble was financed by huge flows of credit in mortgages, the which have penetrated every pore of the financial and banking system, and are on the books of those institutions. As these mortgages go up in smoke, and as the physical assets (homes, townhomes, condos, etc.) that ostensibly back them up are liquidated in foreclosure or other "fire-sales" for losses, those mortgages blow up the institutions that hold them, and the whole rickety financial system goes down the tubes.

It was this knowledge that made the U.S. housing bubble a major concern, especially in those away-from-the-public corridor discussions of the global stewards of the financial system at the recent International Monetary Fund meeting in Singapore. In the "Risks" section of the IMF *World Economic Outlook* report, released before the conference, the collapsing U.S. housing bubble was discussed in the standard hushed tones of IMF-speak: "Growth in the United States is expected to slow from 3.4 percent in 2006 to 2.9 percent in 2007, amid a cooling housing market." At its Aug. 23 IMF Board meeting, the directors noted, "Risks to the [economic] outlook appear to be slanted to the downside, with a more abrupt cooling of the housing market being a particular concern."

While public statements on the matter were muted, the U.S. housing crash and related crises among the hedge funds reportedly cast a dark shadow over the meeting.

Where LaRouche's warnings on the bubble could be dis-

missed by foolish people in the past, the visible signs of the ongoing crash, including warnings by public figures from the housing and financial industry itself, have brought the problem front and center.

### The Numbers Don't Lie—For a Change

In Loudoun County, Virginia, the hottest of the white-hot speculative housing "boom" markets, and the place which LaRouche identified as "ground zero" of the great housing bubble crash, there is a running joke that the county's official flower is the real estate "for sale" signs that dot almost every street and byway in this ex-burb of Washington, D.C. With more than 20,000 new homes coming on-line in the next several months, and with an existing housing stock that, at the current reduced rates of sales, could suffice for several years, Loudoun is now an example of national trends, *in extremis*. In the course of one year, the average length of time a property offered for sale stays on the market has risen from less than a month to more than three months. Realtors say that even that figure understates the problem since there have been many properties that could not be sold at any price, and have been withdrawn from the market.

The Loudoun market had been driven in large part by speculators who bought homes with the expectation that they

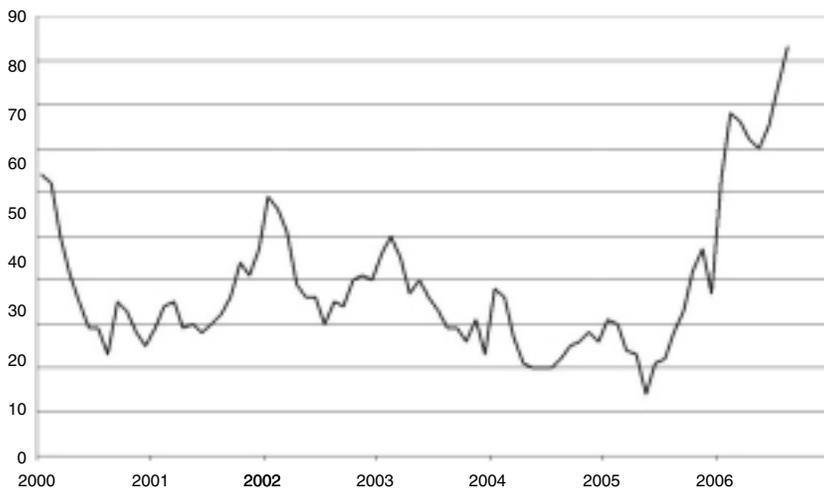


EIRNS/Stuart Lewis

The end of the real estate bubble at "Ground Zero," Virginia's Loudoun County.

## Loudoun County, Virginia Average Days Houses Stay on the Market

(By Month, January 2000 through August 2006)



Source: Dulles Area Association of Realtors

could flip them in a few months for great profits. Those speculators have now basically left the market, having dumped their properties, in many cases for losses. Many homeowners themselves got caught up in this speculative frenzy, buying homes, not so much to live in, but to flip in a year or so: Those homeowners now find themselves stuck in expensive houses that they can't afford and never thought that they would have to pay for. According to local realtors, it is this segment of the market that is breeding a panic, as they dump homes, and when the homes don't sell, owners lower their prices.

As one local realtor reported, the panic is beginning to spread to other homeowners, who now fear that they will be caught in an equity collapse. "When you see one, two, then three and four of your neighbors putting their homes up for sale, you begin to think that you had better get out as well," said the realtor, who also commented that, although he might normally welcome such business, too many buyers "means that everyone will lose money."

The "official" line, backed up by statistics provided by realtors, is that housing prices, as measured by the median price, have *not yet* started to decline, absolutely in Loudoun; that prices have only dropped against expectations and are still rising, albeit more modestly than at the height of the bubble. But as anyone familiar with the market realizes, in a bubble economy, such expectations are what drives—and either pumps up the bubble—or causes it to go bust.

"I don't care any more what the numbers say," said the realtor. "The life's gone out of this bubble, period. We're headed down."

This sentiment is also being driven nationally by a spate of new figures that show the broad decline of the market. For

example, the index of builder confidence, as reported by the National Association of Home Builders/Wells Fargo Bank, dropped from 33 to 30, from August to September. According to this widely watched index, any reading under 50 means that builders view conditions as "poor." An economist at Countrywide Financial Corp. in California warns that the decline is "very precipitous. . . . Residential construction is becoming a headwind for the economy instead of a tailwind."

Nationally, the growth in home prices, once soaring by double digits, slowed to a mere 1.7% in the second quarter, while the national inventory of unsold homes soared to a record of more than 4.4 million. Meanwhile, Lombard Street Research economist Gabriel Stein expects the median U.S. home price to fall next year for the first time since the Great Depression.

### The ARM Time Bomb

In Northern Virginia, well more than half of all mortgages, including refinancings, are of the risky "zero interest" adjustable-rate types and similar non-traditional mortgages, reflecting a dangerous national trend. These mortgage instruments were designed to fuel the speculative frenzy, and gave buyers short-term low payments, with a time bomb fused over the longer term, when the interest rates and payments jump. As long as there was a rapid turnover, and as long as the housing-price growth covered the borrowing, the buyers and the lenders, which included every stripe of financial institution, appeared to be all right.

Now, with the market in a tailspin, the homeowners find themselves trapped in their homes, when the time-bomb increase in financing costs explodes. This is pushing many homeowners over the edge, into default, and precipitating a sharp rise nationally in home foreclosures.

Not surprisingly, this increase in foreclosures, the worst since the Great Depression, has hit the so-called auto-wreck states of the Midwest the hardest. Foreclosures in the Metro Detroit area jumped a whopping 137%—more than double—in the first eight months of 2006, compared to last year. A mass foreclosed-home auction in the state will take place in late September, with more than 250 bank-owned single-family homes, condos, and duplexes on the auction block. The majority of the properties, about 150 in all, lie within 60 miles of Detroit.

Nationwide, 115,292 properties entered some stage of foreclosure in August, RealtyTrac reported, up 24% from July, and 53% higher than a year ago.

The ARM time bomb and related spurious methods that have financed the bubble have drawn the finger-pointing scru-

tiny of both Congress and the so-called financial industry. While many Senators and regulators have expressed alarm at the extent of the problem and the lax regulation of these loans, these gentlemen either knew of this before and did not speak up, or should have known, and looked the other way. No matter. Such protestations and proposals are now, in effect, well after all the horses are out of the barn, and the barn has burned to the ground!

At a Sept. 20 Senate Banking Committee hearing, there was a push to put tighter restrictions on “non-traditional mortgage lending.” Such mortgages put both borrowers and lenders at increased financial risk. “It seems to me there’s been a race to the bottom,” noted Sen. Jim Bunning (R-Ky.), referring to lending standards. He said that if real estate values continue to fall, the market pullback could become a prelude to a crash. Whereas the risky mortgages were originally designed for those with very strong financial records, according to the GAO, 75% of those with such mortgages packaged into securities in the first half of 2005 were not required to fully document their income.

Even more worrisome is that the Federally created mortgage re-lender, Fannie Mae, which former Federal Reserve chairman Alan Greenspan turned into a cash cow to finance his housing bubble, is ready to blow up from the glut of worthless mortgages it holds. Fannie Mae could lose more than half its capital on sub-prime mortgage blowouts, warns Gilchrist Berg, founder of the \$2 billion hedge-fund firm Water Street Capital. Berg said that Fannie could lose \$22 billion to \$29 billion of its \$46 billion capital, if, as he expects, the housing bubble bursts and foreclosures increase. “We are not sure the folks running the show fully embrace the risk of declining house prices,” Berg wrote in a letter to investors. Berg also said most that analysts and investors are underestimating the impact of the end of the “historic housing and mortgage bubble.”

Fannie is involved in financing one-fifth of U.S. mortgages through bundling into mortgage-backed securities (MBS), and it has increased its exposure to sub-prime mortgages in recent years. In 2004, it bought 44% of all sub-prime MBSs; in 2005 it bought 35%, and in the first half of 2006, it bought 25%. Berg says that sub-primes could be 15% of Fannie’s portfolio.

### **Saving Themselves**

The financial fools who created the bubble that is now collapsing are desperately trying to manage the coming financial shipwreck. No longer able to keep the collapse of the bubble “secret,” they are attempting to give it an air of “inevitability,” while trying to limit the panic within the general population. That is what is behind the explosion of press reportage, which attempts to tell people, that while they will lose money, and most certainly the function of their home as a cash-producing ATM machine, the worst effects can be contained.

Meanwhile, several banking sources have reported that Treasury Secretary Henry Paulsen, the former head of Goldman Sachs, may be cooking up a scheme to try to save the banks and their financial books. According to these sources, Treasury, along with the Fed, is trying to come up with a Federally funded mechanism that would take the explosive short-term and ARM debt off the books of lenders, and reissue it at longer-term debt—a scheme that sounds strikingly similar to Felix Rohatyn’s Big MAC debt recycling operation that “handled” the New York City debt crisis three decades ago. (Fannie Mae might have been a possibility for this role—but, Fannie Mae is itself hopelessly bankrupt and may have to be bailed out.)

As LaRouche has warned, such taxpayer-financed bailouts cannot save the housing market or the bankrupt financial system. The only solution to the housing crisis is the global solution proposed by LaRouche—the one that makes the speculators and financiers pay for their incompetence, taking away their power to control financial policy. And, nothing can save the hyperinflated equity values of residential real estate.

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## **Documentation**

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### **Senate Hearings on Home Mortgage Bubble**

*During September, two hearings were held in the United States Senate on the U.S. home mortgage bubble by the Committee on Banking, Housing and Urban Affairs. “The Housing Bubble and Its Implications for the Economy,” was the topic on Sept. 13; and on Sept. 20, “Calculated Risk: Assessing Non-Traditional Mortgage Products.” Whatever partisan or policy differences prevail in Washington, D.C., there was no disputing the facts presented at the hearing on the dangerous features of today’s U.S. speculative home mortgage crisis.*

*We here provide excerpts from the Sept. 20 session, which was a joint hearing of the Subcommittee on Housing and Transportation, and the Subcommittee on Economic Policy, chaired by Sen. Jim Bunning (R-Ky.). Along with statements by 18 Senators, there were ten witnesses, ranging from the Government Accountability Office and Office of the Comptroller of the Currency, to the Federal Reserve Bank, various mortgage brokers associations, and consumer advocates.*

### **Defaults Rising on ‘Non-Traditional’ Mortgages**

**Sen. Jack Reed (D-R.I.)** provided a summary of the situation:

Two of the most commonly utilized non-traditional mort-

gage products are interest-only and payment-option loans [where not only no principal, but only partial payment on interest is paid, thus creating more debt]. According to the First American Real Estate Solution, I.O. [interest only] and payment option loans comprised only 1.9% of the mortgage market in 2000 but represented 36.6% of the market by 2005.

These loans pose significant dangers to the sustainability of home ownership for many American households. A recent *Business Week* article reported that 80% of the borrowers are making the minimum payment on their payment option loans, eroding their home equity with every payment.

At a time where prices are leveling or even declining in many parts of the country, many borrowers with option adjustable-rate mortgages, ARMs, may, in fact, soon be left with few options.

Borrowers with other non-traditional products also may soon be facing significantly higher payments in the near future, leading Goldman Sachs to estimate that non-traditional mortgage products are at a, “very high risk of default.”

In fact, foreclosure rates are escalating. Indeed, non-traditional mortgages default at a higher rate than fixed-rate mortgages. In Rhode Island, for example, defaults on prime ARMs are 21% higher than prime fixed-rate loans.

Sub-prime ARMs have almost a 40% higher default rate than fixed-rate loans. As a result, according to Fitch Ratings’ 2006 finance outlook, mortgage delinquencies, which have increased by 53% over the last year, are expected to rise by an additional 10% to 15% in 2006.

### **Sub-Prime Loans and Payment Shock**

**Michael Calhoun**, *president, Center for Responsible Lending*, testified that though home ownership has been the “traditional ladder to the middle class for Americans,” their involvement now in “many of these non-traditional mortgages has created a trap door to financial ruin for these families”:

Much of the discussion about non-traditional mortgages is focussed on the prime market. However, today in the sub-prime market, which is nearly one-fourth of the overall mortgage market, the dominant product in that market is a non-traditional product. And it will inflict, in our view, far more harm than the other types of non-traditional mortgages that you’ve heard about today.

These so-called sub-prime hybrid ARMs, with low teaser rates, are the leading product in the sub-prime market, and that is where I’ll direct my testimony today.

I’m going to first describe the nature of this product. . . . A sub-prime hybrid ARM has an initial short fixed-rate period—the typical one is two years—and then for the remaining [of the 30] years of the mortgage it’s an adjustable rate, so they’re often called 2/28 mortgages.

The key factor is that the initial payment is set far below the fully indexed payment. To give you an example of what typical rates would be in the market today, the initial payment

would be based on an interest rate of maybe 7.5% or 8%.

However, after the end of that initial two-year fixed-rate period, the fully adjusted rate would be in the range of 11.5% to 12%, even with interest remaining the same, the market rates remain the same. This produces a payment shock typically of 40% to 50% for the borrower.

And perhaps, it’s most dramatic that even if you take a very favorable scenario, if interest rates are reduced, market rates, by 200 basis points, these borrowers still would typically face a 20% to 25% payment shock.

And that, I would think—the testimony today is [that] one of the common themes of the risks of the non-traditional mortgages has been payment shock and how most families are very ill-equipped to handle that.

In the sub-prime market, this payment shock is exacerbated by several factors. First of all, the underwriting on these loans is done at a very high debt ratio, up to 50% to 55%, which means that that mortgage payment can be 50% to 55% the total debt of the borrower, 50% to 55% of the borrower’s gross income, before-tax income.

Second, the standard underwriting practice in the sub-prime market is to underwrite only the initial payment, so they allow the initial payment to be 50% or 55% of the borrower’s income. When you add a payment shock of 20% or 40%, you end up with loans where the mortgage burden is more than the borrower’s take-home pay.

Third, in the sub-prime market, the practice is in the majority of loans not to escrow for insurance and taxes, and the reason for that is, it’s a way to artificially depress that monthly payment, make it look lower, but you leave another financial shock out there for these borrowers.

The impact of this is that many borrowers are threatened with losing their homes. And this impact is especially felt in minority communities. Recent HMDA [Home Mortgage Disclosure Act] showed that the majority of African-Americans have high-interest sub-prime loans. More than one-third of Hispanic borrowers have high-interest sub-prime loans. . . .

### **Millions at Risk From ‘Lending Boom’**

**Allen Fishbein**, *director of Housing and Credit Policy, Consumer Federal of America*, described the impact on families swept up into the home mortgage “lending boom.” The “resets” of adjustable rate mortgages to higher monthly payments “are likely to mean that more than one in eight or more of these loans will end up in default:

A recent study by First American Real Estate Solutions has reported that \$368 billion in adjustable-rate mortgages originated in ’04 and ’05 are sensitive to interest rate adjustments that would lead to default, and \$110 billion of these are expected to go into foreclosure.

Now, this translates into numbers of 1.8 million families that are at risk as a result of the possibility of default and another 500,000 that are likely to go into foreclosure. So the numbers are quite large.

# WHO Backs DDT Use To Stop Malaria

by Marjorie Mazel Hecht

The World Health Organization's announcement Sept. 15 that it will back DDT spraying on the inside walls of houses to kill or repel malaria-carrying mosquitoes is very good news. The reversal of WHO's 30-year policy against DDT brings the hope that the relentless disease, which now kills one African child every 30 seconds, can be brought under control. Malaria sickens and debilitates 500 million people a year, killing about 1 million of them; the majority of the dead are women and children on the African continent.

Indoor residual spraying, or IRS, involves spraying minute amounts of insecticides on the inside walls and roof of houses once or twice a year. DDT is the most effective of the approved insecticides. It is also long-lasting (it can be sprayed just once a year) and relatively inexpensive (about \$5 per average five-person household). It either kills mosquitoes resting on the walls, or repels them from the dwelling. The malaria-bearing mosquitoes bite mostly at night.

For many African countries now debating the use of DDT, the WHO decision will be a lifesaver. Just days after the WHO announcement, Uganda said that it will go forward with its indoor spraying program in 2007. Uganda's Health Ministry reported on Sept. 20 that spraying with DDT would help reduce infant mortality from the current 88 out of 1,000 births to 10. Opponents had complained that use of DDT will cut into their agricultural exports to the European Union, which is notoriously frightened of pesticides. Meanwhile, 800 Ugandan children die a day from malaria.

Studies have shown that malaria incidence drops dramatically after an indoor spraying campaign. South Africa, for example, resumed the use of DDT in 2003, and within one year, the incidence of malaria in the worst-hit province, Kwa-Zulu Natal, fell by 80%. In two years, the number of malaria cases and deaths dropped by 93%. As the WHO has stressed, there are no environmental effects when small amounts of DDT are sprayed on inside house walls.

## WHO's Policy Turnabout

WHO appointed Dr. Arata Kochi as head of its Global Malaria Program in late 2005, with the task of assessing the WHO program and making proposals for its future work. Kochi was blunt in his criticism of WHO's past effort and in what was needed to combat malaria. As he announced at a Washington, D.C. press conference Sept. 15, "We must take

a position based on the science and the data." Anticipating a reaction from a public brainwashed into demonizing DDT, he issued an appeal: "Help save African babies, as you help save the environment."

The new WHO malaria campaign has three aims: 1) prompt and effective treatment of the infected; 2) indoor residual spraying, with DDT as the most effective insecticide of those allowed; and 3) the use of bednets treated with a long-lasting insecticide.

Dr. Pierre Guillet, a medical entomologist who coordinates the WHO Vector Control and Prevention Team, acknowledged in an interview with this reporter Sept. 21, that DDT had been out of the picture for many years, under pressure from environmentalists, who wanted an end to all pesticides. But the alternative approaches—such as "case management," "integrated vector control," and more recently, insecticide-treated bednets—did not work to control the spread of malaria.

Guillet has spent 17 years working on malaria control, 10 in Africa, and the past 7 years at WHO headquarters in Geneva. He stressed that WHO's policy now is to focus on areas of high malaria transmission to achieve at least 80% coverage of the population with indoor house spraying and bednets. "We need a very fast scale-up of these efforts," Guillet said.

"The change that has been made by Dr. Kochi is to say that if we want to seriously talk about malaria control, we have to control transmission, and to do that we need high coverage. To reach high coverage, we have to use the interventions that we know are effective, which are IRS and long-lasting bednets. They are not exclusive . . . it is the combination of the the two with the main objective to scale up rapidly coverage, in order to be effective in terms of transmission control."

## 'It Is Bloody Safe'

Was the motivation for the ban on DDT at the WHO because of Malthusian views? Guillet said that he could not speak for the WHO as an institution. "For me, DDT is a non-issue. The issue is the intervention and the objective. . . . Today, we have to admit that DDT is the most effective and the cheapest insecticide. And when recognizing that, at a time when the genome of the parasite has been sequenced, and the genome of the major vector has been sequenced, still relying on a compound is more than 60 years old, and that has damaging effects when used indiscriminately, is a shame. And I see that, to a certain extent, as a failure of our international community to develop safe alternatives—not that DDT is not safe, but DDT is an emblematic product. . . . You cannot swim against the stream too long."

Guillet noted that the Stockholm Convention on pesticides had put DDT on the phase-out list, but with no time limit imposed. "Fine," he said, "but if we ban DDT right now, it will have more damaging effects on human health

than using it. . . .”

In response to my assertion that there had been no damage to human health from DDT, Guillet said that he wasn't a toxicologist, but he agreed that "There is no direct evidence of toxic effects of DDT on human health." If we haven't found any such evidence after 60 years, "It is bloody safe," he said. However, WHO will conduct studies on the effects of IRS on human health and will monitor potential side effects of DDT and other insecticides.

Guillet strongly recommended that an international partnership work on the development of new insecticides, and said that the Gates Foundation has begun to do this, to improve the formulation of current insecticides and their application in vector control.

### A Deadly Ban

While the fine points of previous anti-malaria policies can be endlessly debated, the bottom line is that millions of people have died of malaria as a result of the ban on DDT, most of them in Africa, and hundreds of millions more have severely suffered from the disease.

DDT was banned in the United States in 1972 on the basis of a big lie, not science. In fact, the U.S. Environmental Protection Agency held seven months of hearings on the issue, producing 9,000 pages of testimony. The EPA hearing examiner, Edmund Sweeney, ruled, on the basis of the scientific evidence presented, that DDT should not be banned. "DDT is not carcinogenic, mutagenic, or teratogenic to man [and] these uses of DDT do not have a deleterious effect on fish, birds, wildlife, or estuarine organisms," Sweeney concluded.

But two months later, without even reading the testimony or attending the hearings, EPA administrator William Ruckelshaus overruled the EPA hearing officer and banned DDT.

He later admitted that he made the decision for "political" reasons.

Although other nations continued to use DDT after 1972, the U.S. State Department mandated that no U.S. aid could go to any foreign program that made use of a pesticide banned in the United States. As a result, malaria rates in tropical countries began to climb, turning around DDT's initial success in either eliminating or lessening the impact of the disease. Former Secretary of State George Shultz reinforced the State Department anti-DDT policy in a 1986 telegram to all U.S. embassies abroad. But in the last year, in response to Congressional hearings on the science, and pressure from constituent groups like the Congress for Racial Equality, the U.S. Agency for International Development did an about-face on DDT, permitting use of DDT.

DDT is not a panacea for malaria. Africa desperately requires economic development, including adequate public health programs and health infrastructure to keep malaria under control. This is not just a question of Africa or other tropical countries: In the rest of the world, including the industrialized West, the takedown of public health infrastructure has begun to leave even privileged populations vulnerable to insect-borne diseases like West Nile. Policy has been determined by the views of those environmentalists who foolishly leave human health out of their schemes to protect a mythical Mother Nature—and mosquitoes are allowed to breed freely.

*For background information on DDT, see Dr. J. Gordon Edwards, "The Ugly Truth about Rachel Carson," 21st Century Science & Technology, Summer 1992, and "Malaria: The Killer That Could Have Been Conquered," 21st Century Science & Technology, Summer 1993, both at [www.21stcenturysciencetech.com](http://www.21stcenturysciencetech.com).*

## The Malaria Cycle

There are three types of malaria, all caused by a genus of protozoans called *Plasmodium*, the most lethal being *Plasmodium falciparum*. In brief, the *plasmodium* is picked up by a biting female *Anopheles* mosquito, when she sucks the blood of a person with malaria. The plasmodia in the blood mate in the mosquito's stomach and produce hundreds or thousands of young plasmodia, which travel through the mosquito's body, including to the salivary glands. When the mosquito bites again, it injects young plasmodia (called sporozoites) into the human victim.

These plasmodia reach the human liver where they

reproduce, forming a new phase of plasmodia (merozoites), which enter the blood stream, burrow into red blood cells, reproduce, and in 48 hours, burst out to enter new blood cells, repeating the process in 48 hours.

When the number of merozoites reaches about 150 million in a 140-pound person, the victim has a typical malaria attack every 48 hours. As Dr. Gordon Edwards describes it, "When millions of red blood cells are simultaneously destroyed, the victim suffers a chill. As the cells are ruptured, toxins are released, resulting in alternating chills and fevers. If a large number of plasmodia invade the brain, death quickly follows."

The malaria cycle is most effectively stopped, when the *Anopheles* mosquito is prevented from biting people who already have malaria in their blood. This vastly reduces the incidence of new cases of malaria.

## There Can Be No Compromise With White House Lawlessness

by Nancy Spannaus

Upon news of the “compromise” between leading military-connected Senators and the White House on legislation which would regulate the interrogation and trial of so-called terrorists, Lyndon LaRouche insisted that there shouldn’t be a bill on this issue at all. The Supreme Court has ruled that the Bush Administration has to abide by the Geneva Conventions and the Uniform Code of Military Justice, LaRouche said, and that spells out what is required in clear language. The only reason Cheney and Bush want a bill is in order to try to again sanction torture and get immunity for their past crimes. There should be no bill at all.

While there is no agreed-upon compromise text as a result of negotiations among Senators John Warner, John McCain, and Lindsey Graham, there is every indication that the Senators were compromising on the torture issue, against which they had made such correct, and eloquent, arguments only days before. On Sept. 21, the Republican Senate leadership was holed up in the Senate office of Vice President Cheney, the leading advocate for torture, from morning until about 2:00 in the afternoon. Informed sources consulted by *EIR* agreed that the “compromise,” which was announced after that torture session, involved the White House giving up its demand that secret evidence be used in trials, and that the adherence to the Geneva Conventions be upheld, but holding on to its right to torture.

Add to this the fact that the law proposed by McCain, Warner, and Graham additionally denies prisoners the right to habeas corpus, and it’s clear that the Constitution is best protected by no law whatsoever. New York Congressman Jerold Nadler hit the nail on the head, in fact, when he said during his opening statement for the Democrats to the House Judiciary Committee on Sept. 20, that the reason the Adminis-

tration wants a law is because they are worried they will be found liable under the War Crimes Act. They want to change the law, “so that the President doesn’t have to issue pardons to himself and half of the Administration,” Nadler said. “That’s what this debate is really about.”

### Clear and Present Danger

The panic of the Administration to protect itself from being brought to justice, especially if the November midterm elections are won by the Democrats, is more than matched by its insanity in the strategic arena, specifically its determination to launch a military confrontation against Iran in the run-up to the November election. Over the period of Sept. 19-22, a number of high-level military experts in Washington have spoken out and expressed tremendous alarm about this danger.

Lyndon LaRouche has consistently warned about this threat. He argues that, if it is not prevented by decisive political action, the Bush Administration will move against Iran “without warning,” without going to Congress, or the United States, or its “allies.” The most likely scenario is that Bush gives an order for strikes against Iran from Offutt Airforce Base in Nebraska.

A lengthy article in the Sept. 21 issue of *The Nation*, called “War Signals,” reports that the Bush Administration and the Pentagon have issued orders for a major ‘strike group’ of ships . . . to head for the Persian Gulf, just off Iran’s Western coast.” The strike group includes the aircraft carrier *Eisenhower*, as well as a submarine escort. The *Nation* quotes retired Air Force Colonel Sam Gardiner and a number of other military and intelligence officials, saying “This is very serious.”

Gardiner has also written a 25-page report, called "The End of the 'Summer of Diplomacy,'" for The Century Foundation, which contains similar warnings. Gardiner says that some in the Bush Administration are undeterred by the concerns of active duty military leaders, who have drawn the lessons of the utter disaster in Iraq, and are pushing forward for air strikes, not only against Iran's nuclear program, but also against the government itself, to "decapitate" the regime.

The *American Conservative*, which issued a warning in the Summer of 2005 about Cheney's push for war against Iran, has also featured another article by former CIA official Phil Giraldi, in which he quotes a number of active military and policy sources as warning that the White House is pushing hard for war against Iran.

The official line of the Bush Administration, of course, has been that it is currently pursuing "diplomacy" with Iran. There is clearly no prospect for pushing through sanctions, much less military action, through the United Nations Security Council. The opposition to launching military action comes not only from Russia and China, but from Europe, and even from Israel. *EIR* has access to sources within the U.S. military that it has also weighed in unequivocally against expanding the war by hitting Iran.

"There is no military option against Iran" is the uniform argument of competent military personnel, ranging from retired Gen. Barry MacCaffrey to a multitude of others.

## Cheney on the Warpath

But, just as the Bush Administration pushed through the Iraq war over the objections of competent military opposition, so Vice President Cheney, in particular, on behalf of his Synarchist controllers, is determined to do so again. As shown once again by his recent performance on "Face the Nation," Cheney cares neither for the facts or the law. In that vintage lying performance, Cheney dispensed with the torture question by simply saying that he "disagreed" with the Supreme Court. On the matter of the false intelligence, and the disastrous results of the strategy in Iraq, Cheney simply insisted that the current course had to be maintained, no matter how bloody the "progress" might appear.

While Cheney just doesn't care about the hideous reality his policies are creating, his puppet G.W. Bush doesn't really appear to notice. The President's lunacy has been increasingly flagrant recently, in both press conferences and speeches. Exemplary was a press interview he gave a couple weeks ago in which he bumbled on about how he "felt" the world was in the midst of a new "Great Awakening," as shown by the fact that people want to pray for him. "I can feel it," he repeated. Nor was he any saner at his United Nations presentation on Sept. 19, where he took the occasion to lecture every nation in Southwest Asia on how they should move toward "democracy."

Cheney's performance is more calculating, but telling. For example, speaking Sept. 19 to the National Auto Dealers

Association in Washington, D.C., Cheney closed by comparing the current situation to the Cold War. He said he had the "honor" of being the Secretary of Defense at the time the Cold War ended. "I worked for or with a number of Cold War Presidents," he said, "and I am a great admirer of the man who lived in the White House when that struggle began, Harry Truman." Cheney then cited Truman's calling the "Cold War" a "war of nerves," and said that he thought that an apt description of the Bush Administration's own "war on terror."

## Where Are the Democrats?

The institutional stumbling blocks to Cheney and Bush going ahead with their full program—war and dictatorship—have, up until this point, been primarily members of what Lyndon LaRouche has called the institution of the Presidency, including the uniformed military, current and retired intelligence and diplomatic personnel, former Presidents, and the Supreme Court itself. Recently, former President Bill Clinton appears to have joined the fray, with straightforward and outspoken attacks on Bush Administration policy, including on torture, and the threatened war against Iran.

It is no exaggeration to say that this institutional fight has depended crucially, upon the input of Lyndon LaRouche and his political movement, particularly the LaRouche Youth Movement. It is also no exaggeration to say that the actions taken so far are woefully insufficient. Without the weighing-in of a U.S. electorate, energized to force the Democratic Party back into the principled policy commitment of Franklin Delano Roosevelt, and toward *getting rid* of both Bush and Cheney immediately, there is little doubt that the worst will happen.

Despite crucial exceptions, one can say that the silence of the Democratic Party leadership on the crucial issues is almost deafening. Where is the mobilization to condemn a Cheney-Bush duo openly embracing the torture tactics of Stalin and Hitler against prisoners? Where is the mobilization to defend the machine-tool capacity of the United States, and the hundreds of thousands of skilled industrial workers, centered in the auto industry, who are losing their jobs through "downsizing?" True, there has been increased sharpness among Democrats on the gross failure, and obscene crimes, committed through the war in Iraq—but all too often, this hard-hitting message is corrupted by a sophistic appeal to go after the "real enemy," Iran.

What needs to be said is what Lyndon LaRouche has said: The President is nuts and his sociopathic controller is worse. Every informed person in the world knows that, and by looking at Iraq, has an idea of the horrors which will result by letting the United States continue to be ruled by such a creature. If political leaders have the guts to tell the truth, and to fight for a return to FDR's policies on the fundamental issues of economic and foreign policy, Bush and Cheney and their henchmen can be smashed. No "compromise" with this evil is acceptable.

# Primary Election Results Build Toward End of the ‘Truman Era’

by Patricia Salisbury

Election results in primaries held in a number of states in the final election round prior to the Nov. 2, 2006 midterm elections bear out Lyndon LaRouche’s message to the Democratic Party leadership and base: The critical issue in determining the future of the nation and its institutions is to end the “Truman Era” and return to the axioms and orientation of President Franklin D. Roosevelt. LaRouche has cautioned again and again that if Democrats turn their backs on the lower 80% of income brackets in the population, because they’re looking for the big bucks from the wealthiest 3%, then they are not only acting like fools, but ensuring that they will continue to lose elections. He noted that some Democrats would rather get money from the Democratic Leadership Council than win.

Then on Tuesday, Sept. 12, the results in primary elections in a number of states saw several candidates supported and funded by the DNC (Democratic National Committee) and DCCC (Democratic Congressional Campaign Committee) lose, and one longtime Democratic incumbent almost lose, primaries to political neophytes who campaigned on getting out of Iraq, impeaching Bush and Cheney, or other issues of

concern to the lower 80%. Among the candidates not endorsed by the Democratic national bureaucracy, who won surprise victories on Sept. 12 were:

- New Hampshire social worker Carol Shea-Porter won the Democratic primary for Congress against a candidate endorsed by the Party. Porter wants a deadline for withdrawal from Iraq, and won without institutional fundraising, instead using volunteers.

- In Maryland, Rep. Albert Wynn (D), who never received less than 80% in any primary since 1992, was barely holding on to his seat after a primary challenge by newcomer Donna Edwards, who attacked Wynn for having voted for the Iraq war. Ten days after the election the votes in this Congressional District were still being counted.

- In Florida, former Air Force fighter pilot Bob Bowman, who campaigned on the charge that every dirty policy of the Bush Administration “marches through Cheney’s office,” that 9/11 was a conspiracy by the government, and that Cheney and Bush should be impeached, won the 15th District Democratic primary with 54% of the vote.

## Underdog Wins Upset in Massachusetts

On Sept. 19, the trend continued, when a leading DLC-associated candidate was smashed in the Massachusetts Democratic gubernatorial primary by political underdog Deval Patrick. *Blueprint Magazine*/DLC advisory board member Chris Gabrieli lost to Patrick, who polled 50% of the vote, and astonished political and media commentators by carrying every county in the state. Gabrieli, who sits on the DLC advisory board along with synarchist banker Felix Rohatyn, and who reportedly spent \$8-10 million on his campaign, polled 27%. The third candidate in the race, State Attorney General Patrick Reilly, who was backed by labor and political figures such as Boston Mayor Thomas Merino, in defiance of Patrick’s official endorsement by the state party at its convention, polled 23%.

Patrick, an African American who headed the Civil Rights Division of the Clinton Justice Department, won a victory characterized by the *Boston Globe* as spanning the state, “from the mountains to the seas.” He began the campaign with a narrow following among well-to-do liberals, and expanded his base to include virtually every possible geographic and demographic grouping through both door-to-door grass



*Patrick Deval won his upset victory in the Massachusetts Democratic primary for Governor by campaigning door-to-door, against the Bush Administration’s “catastrophic military and political miscalculation” in Iraq.*

campaign photo/©2005 Marilyn Humphries

roots and Internet campaigning techniques.

Although the campaign focussed on state and local issues, Patrick was unambiguous about his opposition to the Iraq war, terming it “a catastrophic military and political miscalculation,” and calling for withdrawal of the troops “as promptly as we can safely do so.” Patrick told audiences that he did not believe that the invasion of Iraq was ever about terrorism, and pledged that as governor, he will urge a policy of prompt withdrawal from Iraq upon the President and Congress.

While Patrick failed to acknowledge the systemic economic-financial breakdown crisis the nation and world face, he made clear that, as Governor of Massachusetts, he intends to represent the lower 80% of income brackets on issues such as health care, taxation, and education.

### **Kerry-Backed Veterans Running Strong Challenges**

In other races, a number of seasoned military veterans, associated with 2004 Democratic Party Presidential candidate Sen. John Kerry (D-Mass.), are running strong challenges to incumbent Republican Congressmen—three in Pennsylvania, and one in upstate New York. Kerry stressed, in a press statement, that in addition to attacking the Bush Iraq policy, the candidates are orienting to the lower 80% of income brackets, have won the support of organized labor, and back “fair trade.” The candidates are:

- Patrick Murphy, a former Army captain, Iraq war veteran, and former teacher of Constitutional law at West Point, is running against freshman Rep. Mike Fitzpatrick in Pennsylvania’s 8th District (northeastern Philadelphia and adjacent suburban counties). Republican Fitzpatrick had supported the war—until beginning to backpeddle and move in the other direction recently.

- Chris Carney, a former Pentagon intelligence analyst, and now a teacher at Penn State University, is challenging GOP Rep. Don Sherwood in Pennsylvania’s 10th District (far northeastern Pennsylvania). On Sept. 18, Vice President Dick Cheney held a private fundraiser for the embattled Sherwood, who has been tainted by a scandal in which his former mistress has sued him for allegedly choking her.

- Joe Sestak, a retired three-star admiral and 31-year Navy veteran, is running against Rep. Curt Weldon in Pennsylvania’s 7th District (southeast of Philadelphia). Weldon is doing some fancy footwork, in trying to put some distance between himself and Bush. Labor had previously backed Weldon, but Sestak is so highly regarded by them, that the Pennsylvania AFL-CIO endorsed him—the first Democrat they have backed in that district in 18 years.

- Eric Massa, a 24-year Navy veteran, is challenging Republican freshman Rep. John R. Kuhl in New York’s 29th District (Rochester). In what may be the kiss of death for Kuhl’s campaign, Dick Cheney is flying in for a private fundraiser. Massa is a strong FDR Democrat and wears a 1944 FDR lapel pin. He takes no corporate money, and has the



Carol Shea-Porter for Congress

*New Hampshire social worker Carol Shea-Porter won the Democratic primary for Congress against a candidate who had been endorsed by the Party.*

support of every conceivable labor interest. He is against free trade, and told *EIR* that his opponent had cast the tie-breaking vote in favor of the Central America Free Trade agreement. He says, “Dick Cheney seems to have had a neo-con epiphany driven by Paul Wolfowitz and PNAC.” He calls the Iraq war “the greatest strategic disaster in our history.” He stressed that both Democrats and Republicans are deeply worried by the current policy.

### **Republicans Break With Bush-Cheney**

On the Republican side, a small but growing number of Republican Congressmen are breaking with the Bush-Cheney cabal, and calling for Iraq withdrawal deadlines. In an ironic turnabout, the RNC (Republican National Committee) is, in fact, supporting some of these candidates now, rather than those who align with Bush-Cheney, because it figures that these saner Republicans have a better chance of holding onto their seats in Congress! From Svengali Karl Rove’s standpoint, everything depends on ensuring that Republicans hang on to control of the House in January, to prevent the Democrats from going forward with the totally justified impeachments, and other investigations and prosecutions, which would surely begin should they become the majority. Among the Republican moves:

- Rep. Christopher Shays (Conn.) will offer a timetable for the withdrawal of U.S. troops from Iraq this week.
- Rep. Curt Weldon (Pa.) is preparing a non-binding resolution to determine the criteria for an Iraq withdrawal.
- Tom Kean, challenging New Jersey’s Democratic Sen. Robert Menendez, says Rumsfeld should resign.
- Rep. Pat Tiberi (Ohio) can’t defend Bush’s reasons for going to war with Iraq, and wants new leadership at the Pentagon.

In comments on the strategic significance of the Sept. 12 primary results and related developments Lyndon LaRouche declared, “We won big last Tuesday,” He explained he was referring not so much to the specific voting results, but to what these results demonstrate about the state of mind of the population, and what the Democrats must do to take the country back from the lunatics currently running it on behalf of the synarchist bankers.

# Schwarzenegger Gets a New Script, As Shultz, Rohatyn Outflank the Dems

by Harley Schlanger

The beginning of the end for the campaign of Democratic gubernatorial nominee Phil Angelides came back on Jan. 6, 2006—five months before he won the Democratic primary—when the controllers behind Gov. Arnold Schwarzenegger outflanked the Democrats, by getting Arnie to announce, in his State of the State address, that he had decided to promote a bogus plan of infrastructure projects for the state.

From the moment Schwarzenegger gave that address, the Democrats have been in disarray, and Arnie appears to be headed for reelection, a prospect that few would have believed possible, only a week before he delivered that speech.

The year 2005 had been a bad one for the man George Shultz had chosen to force through the dismantling of representative government in California. Schwarzenegger's approval rating had crashed, falling from 62% in January 2005, to 35% by December. Throughout 2004, he had been unable to deliver on the promises he had made to an enraged electorate during the 2003 Recall campaign against Democratic Gov. Gray Davis, to reform state government, to "blow up the boxes," to "cut the fat" in the budget, and to eliminate the power of "special interests"—by which he meant nurses, teachers, police, and firefighters. His efforts to move the legislature either by Hollywood schmoozing, or through thuggish attacks on those he demeaned as "girlie men," had flopped.

This failure to club the legislature into submission convinced the puppet-masters behind Arnie to write a new script for 2005. He would spurn the politics of Sacramento, and "go to the people," promoting a series of ballot initiatives which would give him the power to act, as a virtual dictator, over the heads of the elected representatives, to dismantle what remained of California's once-productive physical economy, and the social services and public educational system which supported it. This, he would do, he said, in the name of the "people."

Only the "people" did not buy it. In November 2005, the voters decisively defeated the four ballot initiatives he backed, as the Democratic Party base, fired up by the hard-charging organizing of the growing LaRouche Youth Movement, rallied to stop Arnie from "terminating" representative government. With Shultz's Schwarzenegger Project thus left in a shambles, there was only one option left: Produce yet another new script for 2006, with a new role for the Governor, this time as the champion of infrastructure.

## California Needs Infrastructure

There is no question that California needs massive investment in updating and improving infrastructure. Highways and roads are old, crumbling, and overcrowded. With the exception of the Bay Area, mass transit is virtually nonexistent. The major water projects, which facilitated unprecedented urban and agricultural development, are a half-century old, or more, and the levees on the river systems are disasters waiting to happen. Schools are in disrepair, the classrooms overcrowded. The recent debacle caused by electricity deregulation, which allowed Enron and other energy pirates to loot the state, highlighted the acute power shortage facing industrial firms, businesses, and consumers.

Despite much chatter from a succession of Republican governors about the need for new infrastructure, there has been little real investment since Pat Brown, a Democrat, initiated major projects during his two terms as governor, from 1959 to 1967. Brown's infrastructure investments continued the development which had been fostered by President Franklin D. Roosevelt in the 1930s. Brown's plan complemented FDR's New Deal projects, such as the Hoover Dam, insuring there would be both water and power, to make the desert of Southern California bloom. However, since 1967, even the inadequate proposals for new investment have been cut, due to annual revenue shortfalls, leaving in the budget only a small amount of discretionary funds which could be channeled into patching a few cracks and filling some potholes.

The problem for Democrats, who would ordinarily support infrastructure programs, was how to pay for them. Years of howling right-wing demagoguery against "big government," which has continued under the supposedly "moderate" Republican Schwarzenegger, combined with the fearful pragmatism of the "new" Democrats associated with the Democratic Leadership Council (DLC), has convinced most Democrats that fighting for funding major public infrastructure projects was a losing proposition.

## The Rohatyn/Shultz 'Infrastructure' Swindle

A leading figure pushing this line has been Synarchist financier Felix Rohatyn, who is now playing a key role in the DLC. Rohatyn, who publicly denounces the FDR New Deal model, of Federal programs which create credit to fund infra-



house.gov

Governor Arnie Schwarzenegger (at podium) with Los Angeles Mayor Antonio Villaraigosa (left), at a ceremony opening a construction project. Key Democrats in the state, such as Villaraigosa, are touring with Arnie to back his infrastructure initiatives, thereby weakening the gubernatorial campaign of their own candidate, Phil Angelides.



Angelides for Governor

*Between a rock and a hard place: Democratic gubernatorial candidate Phil Angelides is being out-maneuvered by Schwarzenegger, even as he himself has his own ties to the rotten Felix Rohatyn interests.*

structure, as inappropriate and outdated, is instead pushing a swindle: a “partnership” between the public and private sectors, in which states assume the responsibility to pay back loans, which come not from Federal credit, but from private financial funds, including unregulated hedge funds.

This is essentially what Schwarzenegger has proposed for California. If the voters pass a package of four initiatives Arnie has placed on the November ballot, with the backing of Democratic leaders in the legislature, then the state will borrow more than \$37 billion—a totally inadequate amount, given the real needs of the state—which will add more than \$75 billion in long-term debt to the people of California by the time it is retired.

(Schwarzenegger originally spoke of a nearly \$230 billion fund, to be raised by selling bonds issued by the state. While such an amount would begin to make a dent in the state’s infrastructure needs, there is no way voters ever would—or should—impose such a huge long-term obligation on future taxpayers. As with so many things from the Governor, this was just more of the usual hype and bluster.)

What will happen if the state’s ability to repay the annual debt, plus interest, is threatened, due to falling revenues? For example, nearly 40% of the new jobs created since Schwarzenegger became governor was produced by the unsustainable level of construction due to the real estate bubble. As this bubble implodes, as it has begun to do, state revenues, which have been inflated by the bubble, will crash. There are warnings from the nonpartisan legislative budget office that the state will face a \$7 billion shortfall in revenue in 2007. With this deficit, how will the state pay back the debt from the

infrastructure bonds?

A Democrat who had been, until recently, a leader in the Assembly, confirmed to *EIR* that, under these circumstances, the state has a legal obligation to pay the bonded debt first. Therefore, to balance the budget, cuts will have to come from other areas, such as medical care, education, and infrastructure spending! In other words, the mandatory cuts in state spending required to balance the budget will ultimately result in brutal austerity against the poor, the disabled, the unemployed, and the elderly, while the door would be opened for the state’s infrastructure to be privatized!

This is precisely what Rohatyn and his long-time partner George Shultz intend. Their anti-FDR, anti-nation-state partnership goes back to their collaboration in installing the fascist military regime of Gen. Augusto Pinochet in Chile in 1973. Under Pinochet, everything was privatized. Rohatyn was on the scene, coordinating the destruction of that nation through his role with ITT, while Shultz provided the economic hit team from the University of Chicago, which was trained by the Schachtian fascist, Milton Friedman—Arnie’s hero.

Their partnership did not end with Pinochet. On Oct. 9, 2004, Rohatyn and Shultz were together again, as the moving forces behind a conference at Middlebury (Vermont) College, on “The Privatization of National Security” (*EIR*, March 31, 2006). This conference promoted the creation of a private military, run by global corporations: Do the names Bechtel and Halliburton ring a bell?

### Will California Dems Wake Up?

In California, Shultz and Rohatyn are playing both sides. While Arnie, the front man for their infrastructure swindle, has been under Shultz’s sway from the beginning of his first campaign, Angelides, the state treasurer, has his own Rohatyn connection. In 2001-02, he was roped into supporting an infra-

structure plan with Rohatyn and then-New York State Comptroller H. Carl McCall, under the guise of “Public-Private Partnerships.” While Angelides seems to have believed that this was really a plan for public infrastructure, it is clear that he never understood that Rohatyn is operating from an anti-FDR bias, and has no intention to build infrastructure for the benefit of the people.

Unfortunately for Angelides today, while he has not endorsed the Shultz/Rohatyn/Schwarzenegger swindle, key Democrats—including Mayor Antonio Villaraigosa of Los Angeles and the top Democrats in the California State Assembly and Senate—are backing the infrastructure bond initiatives and touring with Arnie to get them passed. This has seriously undercut Angelides’ campaign, and helped Schwarzenegger to resurrect his political fortunes, as he now claims to be an effective compromiser who can work with Democrats. With just seven weeks until Election Day, the latest polls show him with a 13% lead.

Thus, Angelides is facing the same problem that Democrats are confronted with nationally: The policies associated with globalization—which economist Lyndon LaRouche has described as the present version of the fascist policies imposed by London-Wall Street bankers in the 1920s-30s, through their open support of Hitler and Mussolini—have reached the point that further application is plunging the world into a financial crisis worse than that of the 1930s Great Depression.

Yet, Shultz and Rohatyn, working through political front men such as the fanatical idiot President Bush, the sociopath Vice President Cheney, and the clownish actor Schwarzenegger, are proceeding aggressively, with their stated goal of destroying the nation-state and the system of representative government unique to the United States, with its commitment to promote the general welfare.

This is no time for the Democrats to “go along to get along.” In his Sept. 6 webcast, LaRouche gave Democratic Party leaders a well-deserved tongue-lashing for their efforts to compete with the Bush-league Republicans for support from those in the upper 20% of family-income brackets. The future of California, and the nation, depends on Democrats overcoming their submission to Shultz and Rohatyn, who have ordered them to accept the brave new world of fascist globalization and give up the “old” paradigm of FDR, or be cut off from funds from Wall Street and its allied corporate cartels.

There is still time for Angelides. He should campaign for a real infrastructure plan for California, pledging to lead a fight, as governor of the nation’s largest state, for a return the policies of FDR: the issuance of Federal credit, to create jobs in rebuilding infrastructure, along with measures to regulate the cartels. It was this approach which enabled the state to prosper in the past. This approach is the only one which can rally voters among the lower 80% of family income brackets to come out to the polls, and send Arnie back to Hollywood.

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## California Democrats

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# Axioms Split at FDR Legacy Club Meeting

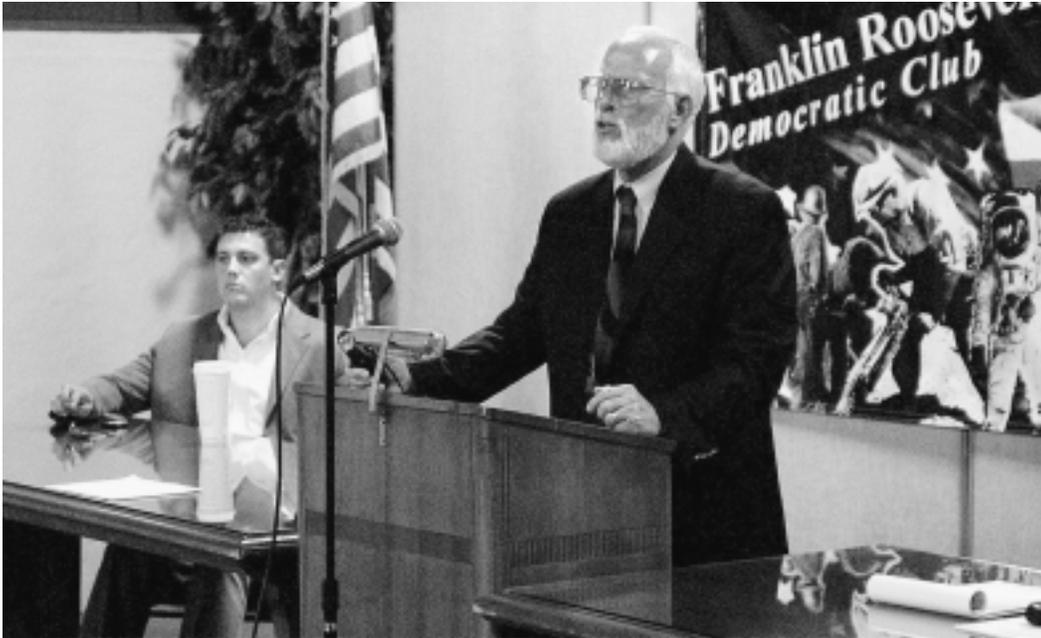
by Nick Walsh,  
LaRouche Youth Movement

The third meeting of the Franklin Roosevelt Legacy Democratic Club in Los Angeles was principled and powerful the night of Sept. 14, as a total of 90 people arrived, about 60 of those being full-time members of the LaRouche Youth Movement (LYM), and another 20 being new youth political contacts. The audience listened to Harley Schlanger, Western States spokesman for LaRouche PAC; Sky Shields of the LYM; guest speaker Ken Schultz, Director of Operations for the energy department at General Atomics technology firm; and guest speaker Terrence Montgomery, vice chair of the Los Angeles County Democratic Party Central Committee, speak on their views of today’s crisis-wracked world. The audience was feisty and attentive, and upon adjournment of the meeting, dialogue broke out everywhere.

Founded by members of the California LYM, and chartered by the Los Angeles County Democratic Party Central Committee earlier this year, the Franklin Roosevelt Legacy Club is a powerful example of the LYM’s methods in reorganizing the Democratic Party around its FDR tradition—and against the idolization of Harry Truman that pervades certain circles of the party nationally. While some Democrats advocate victimized, feeling-state reactions to right-wing Republican policy, and others insist on lining their pockets with worthless money from Felix Rohatyn and his synarchist networks, Lyndon LaRouche and the LYM are reviving FDR’s approach of mobilizing the lower 80% of family income-brackets, spearheaded by an ongoing recruitment of 18-25 year-olds. The Legacy Club is a “shot across the bow” of the capsized Democratic Party ship, that this is how a real political machine, which can create landslide election victories, is built. As will be apparent from what follows, this strategy is having success.

### Science vs. Insane Environmentalism

Harley Schlanger opened the meeting with a sharp political focus and attack on the modern world’s anti-science, perversely “Green” outlook. He identified the danger of nuclear war (such as the one Vice President Dick Cheney and company are gunning for against Iran), globalization, and the Ludite culture of today as having originated by means of conspiracies by people such as Bertrand Russell and H.G. Wells. He



*General Atomics nuclear engineer Ken Schultz addresses the Franklin Roosevelt Legacy Democratic Club on Sept. 14. He emphasized that nuclear energy is the power source of the future, and refuted Greenie arguments about its alleged safety hazard.*

Lucas Deming/Brooks Institute of Photography, ©2006

poked at the outsourcing of engineering jobs, and the aging of the scientific community, by asking, “What if we need a nuclear power plant built sometime in the future, will we have to ask Iran to do it for us?”

Sky Shields followed with a brief but thorough discussion of the type of process a real science-driver infrastructure program entails, including the crucial cultural upgrades required to introduce any fundamentally new technology in a nation. This highlighted the type of re-education of laborers to upgrade their skill levels, and retooling of machines which members of firms such as General Atomics, based in San Diego, would play a role in.

The featured guest speaker, Ken Schultz of General Atomics, then gave a power-point presentation on the uses, efficiency, environmental benefits, and need for a transfer of the U.S. economy to a nuclear fission-based system. The key points he emphasized were 1) the ability to use fission to most easily create hydrogen fuels; 2) that uranium resources, if fast-breeder reactors were used nationally, could last mankind thousands of years, thereby replacing oil and coal; and 3) that weapons-grade plutonium, abundant in the United States and Russia, could be used as reactor fuel at the General Atomics-designed fission plant, in its high-temperature gas-cooled reactor (HTGR).

The second portion of his presentation was a refutation of every myth known to man concerning nuclear energy. One example was a chart showing that, contrary to the widely held beliefs about the danger to workers at nuclear plants, the historical rate of injury, not only at manufacturing jobs, but also at white-collar paper-shuffling jobs, has been much higher than at nuclear plants!

Schultz’s presentation provoked nearly 30 questions,

such as whether global warming really exists, and how General Atomics will play a role in retooling the U.S. auto sector.

### **Can Democrats Do Something Potent?**

The next and final panel was a raucous question-and-answer discussion with Terrence Montgomery, vice chair of the Los Angeles County Democratic Party Central Committee. Questions included:

“Why don’t you make the Democrats fight to impeach Cheney now, as a campaign for November?”

“What good is money if you can’t win elections?”

“The only way to get people to the polls is to lead now, not wait until after November!”

Also discussed was the need to revolutionize the form of the Central Committee meetings, away from the sterile bureaucratic structure, and toward the open, idea content-driven form of the FDR Legacy meetings.

And, “Can’t we get the L.A. Central Committee to, as a unified group, kick gubernatorial candidate Phil Angelides in the ass to say something potent?”

Montgomery did his best to field all of these questions, and surely was given a ton to think about politically.

Political dialogues continued as the meeting closed. It was clear, in reflecting on the process as a whole, that the direction of LaRouche’s Youth Movement is to use its growing numbers, and revolutionary epistemological insight, to revive the American System of political-economy as policy in the United States. If the Democrats are to win in November, they would be wise to sacrifice their love of Rohatyn-funded TV ads, and, instead, hit the streets with the LYM, mobilizing the lower 80% of voters—what FDR called “the forgotten man.”

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## Editorial

### *You Could Call It Treason*

The loss of tens of thousands of jobs in the U.S. auto sector, and the devastation which this is beginning to cause in the five-state area centered on Michigan and Ohio, has finally begun to hit the front pages of the U.S. press. Republicans and Democrats alike are screaming for attention from the Federal government, from the President on down, to what is an existential question for millions of Americans.

In reality, of course, the crisis is much worse than the immediate victims perceive. As economist and former Presidential candidate Lyndon LaRouche pungently pointed out in March of 2005, what is at stake is the survival of the U.S. auto industry itself, and thereby, the survival of the United States as an industrial nation. At a time when nearly all political leaders, and even prominent auto unionists, were denying the danger, LaRouche insisted that, without the adoption of an FDR-style approach of Federal action to save the industry's physical capacity, and put it to work rebuilding vital infrastructure for the nation, the auto industry faced bankruptcy, and the United States a total collapse.

What the auto industry represents is the machine-tool heart of our industry, LaRouche said. Without such a machine-tool capacity, and the skilled manpower which it represents, we will lack the capability to build ourselves out of utter disaster.

It can't happen here, many leading politicians and unionists said. In fact, it has.

Nor should anyone delude him or herself that this is somehow the natural result of "market forces." As *EIR* uncovered in the Summer of this year, the architects of the destruction of our vital machine-tool sector are a group of financiers who can only be honestly described as *fascists*, including many with a direct pedigree from the banking institutions which funded the Nazis. Among them is none other than Felix Rohatyn, himself the protégé of a known Synarchist-fascist agent, André Meyer of the Lazard Frères bank. One would have to be as lunatic as George Bush to believe that the likes of Rohatyn, or his colleagues at Rothschild, do not know what they are doing when they cut the wages, and the jobs, and the physical capacity of the heart of the U.S.

physical economy. They are deliberately, step by step, destroying the vital interests, and ultimately the physical existence, of the United States.

You could call it treason.

But what do you say about those in Washington, D.C. who permit such destruction to proceed?

There has been pressure put on the U.S. Congress to act to save the auto industry, plenty of pressure. It began in the Spring of 2005, when local activists began to pass resolutions in their City Councils and state legislatures, which called on Congress to act. The LaRouche Political Action Committee issued mass pamphlet outlining the FDR approach of "Strategic Bankruptcy," which can and must be used to save the industry. Lobby days were held, sometimes with trade unionists joining the LaRouche Youth in heated educational sessions with the Congressmen.

There was some interest, but no action. So, in May of 2006, Lyndon LaRouche decided to produce a plan of action, entitled The U.S. Economic Recovery Act of 2006, which proposed the formation of a Federal Public Corporation, by Act of Congress, to save the auto industry, and put the capacity being discarded by the automobile corporations to work, building railroads, bridges, nuclear plants, and other vital infrastructure. Throughout the Summer of 2006, the LaRouche Youth Movement ensured that *every* Congressman was familiar with this legislation. Even more, very thorough educationals were held with many offices, including on the crucial issue of *financing*, which, due to the concerted attack on the legacy of FDR over recent decades, has become a mystery to most.

Yet, there is no action. Some, the best, say "after the election." Others simply turn the other way, or seek small palliative measures they think appropriate to deal with the suffering caused by the "inevitable."

In the 1930s, Franklin Roosevelt proved that economic disaster was not a matter of market forces, but subject to the will of a government dedicated to preserving the General Welfare. That can be done again, and must be done again. Any action to prevent such a recovery, or, worse, to dismantle vital industry, could, and should, be called treason.