

# EIR

Executive Intelligence Review

September 23, 2011 Vol. 38, No. 37 [www.larouchepub.com](http://www.larouchepub.com) \$10.00

Will Narcissist Obama's Fall Bring Down the U.S.?  
Issue Hamiltonian Credit for National Projects  
Farmers Tell Congress: U.S. Food Shortages Are Here

**The Remedy: U.S.-Russia-China  
Agreement for Global Recovery**



Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

Editorial Board: Lyndon H. LaRouche, Jr.,

Antony Papert, Gerald Rose, Dennis Small,

Edward Spannaus, Nancy Spannaus, Jeffrey

Steinberg, William Wertz

Editor: Nancy Spannaus

Managing Editors: Bonnie James, Susan Welsh

Science Editor: Marjorie Mazel Hecht

Technology Editor: Marsha Freeman

Book Editor: Katherine Notley

Graphics Editor: Alan Yue

Photo Editor: Stuart Lewis

Circulation Manager: Stanley Ezrol

#### INTELLIGENCE DIRECTORS

Counterintelligence: Jeffrey Steinberg, Michele Steinberg

Economics: John Hoefle, Marcia Merry Baker, Paul Gallagher

History: Anton Chaitkin

Ibero-America: Dennis Small

Law: Edward Spannaus

Russia and Eastern Europe: Rachel Douglas

United States: Debra Freeman

#### INTERNATIONAL BUREAUS

Bogotá: Javier Almaro

Berlin: Rainer Apel

Copenhagen: Tom Gillesberg

Houston: Harley Schlanger

Lima: Sara Madueño

Melbourne: Robert Barwick

Mexico City: Gerardo Castilleja Chávez

New Delhi: Ramtanu Maitra

Paris: Christine Bierre

Stockholm: Hussein Askary

United Nations, N.Y.C.: Leni Rubinstein

Washington, D.C.: William Jones

Wiesbaden: Göran Haglund

#### ON THE WEB

e-mail: eirns@larouche.pub.com

www.larouche.pub.com

www.larouche.pub.com/ei

Webmaster: John Sigerson

Assistant Webmaster: George Hollis

Editor, Arabic-language edition: Hussein Askary

EIR (ISSN 0273-6314) is published weekly (50 issues), by EIR News Service, Inc., 709-A 8th St. SE, Washington, D.C. 20003. (703) 777-9451

#### European Headquarters: E.I.R. GmbH, Postfach

1611, D-65006 Wiesbaden, Germany;

Bahnstrasse 9a, D-65205, Wiesbaden, Germany

Tel: 49-611-73650

Homepage: <http://www.eirna.com>

e-mail: [eirna@eirna.com](mailto:eirna@eirna.com)

Director: Georg Neudekker

Montreal, Canada: 514-461-1557

Denmark: EIR - Danmark, Sankt Knuds Vej 11,

basement left, DK-1903 Frederiksberg, Denmark.

Tel.: +45 35 43 60 40, Fax: +45 35 43 87 57. e-mail:

[eirdk@hotmail.com](mailto:eirdk@hotmail.com).

Mexico City: EIR, Ave Morelos #60-A, Col Barrio de San Andres, Del. Azcapotzalco, CP 02240, Mexico, DF. Tel: 5318-2301, 1163-9734, 1163-9735.

Copyright: ©2011 EIR News Service. All rights reserved. Reproduction in whole or in part without permission strictly prohibited.

Canada Post Publication Sales Agreement #40683579

Postmaster: Send all address changes to EIR, P.O. Box 17390, Washington, D.C. 20041-0390.

# EIR

## From the Managing Editor

“It’s time to panic!” The exclamation by James Carville, which has now “gone viral,” although meant for the Democratic Party, and presumably, the doomed Obama reelection campaign, also sums up the situation facing the United States and the rest of the world at this precarious moment in time. As this week’s issue makes clear, there is reason for panic, but also, reason for hope.

Lyndon LaRouche’s discussion with colleagues on the Sept. 14 LPAC Weekly Report in this week’s *Feature*, “The Remedy: U.S.-Russia-China Agreement for Global Recovery,” focuses on promising developments in Eurasia, especially those between China and Russia, as signaling the potential for a Three-Power alliance, including a post-Obama United States, as the only alternative to the otherwise unstoppable descent into a new dark age. “This will be a preliminary step, if enacted, which will be the unique solution for preventing the world from going into the deepest depression you ever saw.” And, “Russia’s Putin Prepares for Another Landmark Visit to China,” documents the growing ties between the two great Eurasian powers around mutual economic and infrastructure development.

But, as LaRouche warns, unless we remove Obama from the Presidency, and adopt a Hamiltonian credit system, none of this will work. (See *Economics*, for “Step Three: Issue Hamiltonian Credit for National Projects.”) These two requirements are further developed in “Will Narcissist Obama’s Fall Bring Down the U.S. as Well?” (*National*), in which narcissism expert Sam Vaknin’s warnings, in an interview with LPAC-TV, bring into sharp focus the danger that Obama’s narcissistic personality disorder represents for the nation and the world.

Why is western Europe not part of the emerging Eurasia combination? The answer is made clear in *International*: Helga Zepp-LaRouche writes that the EU has adopted the same hyperinflationary policy that led to the collapse of Weimar Germany in 1923; and Italy is now the poster-child for the loss of national sovereignty among EU member-nations, as even Germany and France join the race to the bottom.

Finally, do you like to eat? Then, read: “‘Unavailability’ of Live-stock Feed Signals: U.S. Food Shortages Are Here”: The crisis in the U.S. food supply is already causing hunger in the United States, and could soon reach African proportions.



## Cover This Week

*The Baikonur Cosmodrome in Kazakhstan; Russia's Vostochny Cosmodrome is under construction.*



NASA/Bill Ingalls

### **4 LPAC-TV Weekly Report: The Remedy: U.S.-Russia-China Agreement for Global Recovery**

Lyndon LaRouche appeared on the Sept. 14 Weekly Report with Alicia Cerretani and Sky Shields for a discussion of his proposal for a three-way alliance among the U.S., Russia, and China, as the fulcrum for a global economic recovery, focusing on the Eurasian Land-Bridge, the Bering Strait bridge-tunnel, and NAWAPA. This combination, he said, would be a preliminary step, and would ultimately bring in other significant Asian and European powers. But, the precondition for this to happen, is that the current President of the United States must be thrown out of office.

### **14 Russia's Putin Prepares for Another Landmark Visit to China**

Russian Prime Minister Vladimir Putin will visit China in October, he confirmed at a Sept. 14 meeting in Moscow with China's Wu Bangguo. The Chinese-Russian meeting promises to be crucial in the process LaRouche has identified as "the unique solution" for preventing the deepest depression the world has ever seen.

## National

### **18 Will Narcissist Obama's Fall Bring Down the U.S. As Well?**

Obama's recent setbacks, including a clobbering in a special election in New York, signal that the President's narcissistic personality disorder may push him to a near-term explosion, as warned of by Sam Vaknin, author of *Malignant Self-Love*, in an LPAC-TV video.

### **21 More Explosive Evidence of Saudi Support for 9/11 Hijackers**

Former Sen. Bob Graham is calling on President Obama to investigate dramatic new evidence of Saudi involvement in the 9/11 attacks. "The key umbrella question," he stated, "is: What was the full extent of Saudi involvement prior to 9/11 and why did the U.S. administration cover this up?"

### **24 FEMA Disastrously Short of Cash? Blame Obama's Malign Neglect**

For many locations affected by disasters, this year, and over the past few years, FEMA has, in effect, already run out of money for them. Obama mouths platitudes while withholding funding for disaster relief, leaving victims in the lurch.

### **26 Operation Fast and Furious: Part of a Deal with the Sinaloa Cartel?**

**International****29 What Comes After the End of the Euro System? It's High Time To Panic, Chancellor Merkel!**

By Helga Zepp-LaRouche. The five most important central banks in the world are following precisely the policy of the Reichsbank in Weimar Germany in the second half of 1923: hyperinflationary money-printing! The only difference is that this time it is not just for one country, but the whole trans-Atlantic region.

**32 WWF at 50: Genocide Is the Top Priority**

The World Wildlife Fund and its ghoulish protagonists, such as Prince Philip and Sir David Attenborough, demand that the world's population be to 1-2 billion.

**34 Will Italy Lead the Way Out of the Euro?****35 Interview: Loretta Napoleoni: 'The Euro Is a Straitjacket'****38 U.S.-Sudan Relations: Development or Military Intervention?****39 Interview: Mahdi Ibrahim Mohammad: Peace Is Our Strategic Goal****Economics****42 LaRouche's Seven Necessary Steps: Step Three: Issue Hamiltonian Credit for National Projects**

Lyndon LaRouche's Step Three of his seven-point program for economic recovery, is for a bankruptcy reorganization, according to the principles of the credit system laid out by the first Treasury Secretary of the United States, Alexander Hamilton.

**47 Alexander Hamilton's Credit Principle****48 'Unavailability' of Livestock Feed Signals: U.S. Food Shortages Are Here**

Food shortages have now hit the United States, in addition to the crisis in the international supply chain, which is now consigning millions in Africa to hunger and starvation. U.S. production of wheat, corn, and rice in 2011, are all down from last year. Levels of grain stocks are plunging, and the prospects for next year are grim.

**50 Cattle, Hog Operations Shutting Down****52 Feed Hyperinflation Wiping Out Dairies****53 Poultry: 'Feed Unavailability'****Editorial****56 Who Has Credibility Now?**

LPAC-TV WEEKLY REPORT

## The Remedy: U.S.-Russia-China Agreement for Global Recovery

*Lyndon LaRouche was the featured guest on the Sept. 14 [LPAC-TV Weekly Report](#),<sup>1</sup> hosted by John Hoefle; joining the discussion were LPAC-TV editor Alicia Cerretani and Sky Shields of the LPAC Basement team. This transcript has been edited for EIR.*

**Lyndon LaRouche:** Well, we have an interesting situation. We covered this in some internal discussion, and we thought we could make some of it public, as well. We are now approaching the point that the general crash of the entire financial system is coming about. And how it will work out—that's still in debate; but the fact is, we're coming to the limiting condition of a breakdown crisis, which does have remedies.

Now, the remedy largely will consist of an agreement reached, as we presented this internally, an agreement reached among the United States, Russia, and China. This will be a preliminary step, if enacted, which will be the unique solution for preventing the world from going into the deepest depression you ever saw. And we're talking about early times; we're talking about the remainder of this year, at the most, in which it has to go.

1. <http://larouchepac.com/node/19427>



LPAC-TV

*Once Obama is out of the White House—which must happen quickly—we can begin immediately to rebuild the world economy, in partnership with Russia and China, LaRouche said.*

What it means is this: First of all, the current President of the United States must be thrown out of office. There are two principal grounds for doing so right now: One, he is mentally incompetent, according to the standards of the 25th Amendment of the Constitution. He also has violated the Constitution in terms which demand his expulsion, as in his involvement in the Libya operation that was conducted in violation of our Constitution.

We have to get him out, and that has to be soon. He's



eligible for it. As a matter of fact, he's presently in a mode of crack-up. This man is no longer going to conceal the fact, to anybody, that he's clinically disqualified for being President, and he's going to crack up, worse and worse, as time goes on. He's finished. The point is, will the United States be finished first?

Now, presuming that we are going to get him out—and don't talk about negotiating this—this bum has to be thrown out of office. Otherwise, you're not going to be able to save the United States. And you're going to choose between throwing the bum out, on a perfectly legal basis with no fakery involved: He's violated the Constitution. And secondly, he's mentally incapable. On both of these grounds, very specifically, he's out of office under any reasonable government procedure.

Once that happens, then that means we are now in a position to reenact the original, Franklin Roosevelt Glass-Steagall law. Now, that law's enactment, again, will not be sufficient to save the nation, but it's a necessary step without which you can not save the nation. In other words, it is not in itself a guaranteed solution for our problem; but if you don't do it, there is a guaranteed collapse of the United States, probably the existence of the United States as an entity as it exists today. So that has to happen.

### A Three-Power Agreement

Once that happens, then I have proposed two other measures: First of all, that the United States enter into a treaty agreement with Russia, the relevant type of treaty agreement, which I will explain. Secondly, that that agreement with Russia has to be extended immediately to China.

The reason I've done that, and made that kind of draft proposal for diplomatic processes, or preparatory to diplomatic processes, is because, in the case of the United States, Russia, and China, there is a basis for a rather quick agreement, relatively speaking. In other words, if we tried to bring in more nations at the same time, it wouldn't work; it would be jammed up in the negotiations.

But, Russia's situation is moving in readiness. For example, we have an active Putin as a Presidential can-



cosmodromegovernment.ru

*With Vladimir Putin headed for the Russian Presidency again, development of Russia's Far East, in collaboration with China, is back on the agenda. Shown: Putin (second from right), inspects a model of the planned Vostochny Cosmodrome, August 2010.*

didate again, coming up. So therefore, we're in that context now. In the case of China, if the world system were to collapse, then China would also go through a collapse, because China now depends upon its foreign market for goods, produced goods and things of that sort. And therefore, a crash of the world system as a whole, would have a tragic effect in the long term, even the medium term, for China.

So China doesn't need much more than that. Among the things it needs, in the case of Russia, the northern part of Russia, Siberia, and so forth, is a source of riches in terms of mineral riches, which China as a developing nation needs. There's an advanced development process in China; we want to extend that. But you need the mineral resources available in the northern part of Asia. The United States, of course, needs the market too. So for Russia, that is also a solution.

So therefore, the three nations, once they agree on setting up a fixed-exchange-rate credit-system among the three—the kind of thing that Franklin Roosevelt had intended for the immediate postwar period, was to set up with Russia and China, among other countries, an agreement which would in effect create an international fixed-exchange-rate credit-system among these nations.

So the world needs that. And that will go.

Now, at that point, once three nations have reached an agreement, it would be very easy to get the same conditions accepted by other nations, a large number of

other nations, because they're all in a desperate state of affairs. They all need this.

So that's where we're going; that's where we have to go. It's a dramatic change, it has to occur as a dramatic change. It's the reason I've listed other nations to join the three as an initial process; because the other nations, like India, which certainly is qualified otherwise, would have to go through a negotiation of their own internal processes, which would jam up the reaching of an agreement in a timely fashion. But I know that once we had an agreement among the United States, Russia, and China, we would be able to get a global agreement, or large global agreement among other nations.

This is going to be a tough fight. I shall be involved in things which are not yet on the table, but which will pertain to my role in this process. And I think it's obvious that the time has come, that the general public in the United States ought to know what I'm up to, on this account. So we'll give them, I think, a discussion which will indicate what direction we're going in, and help make this clear to people, exactly what we're up to.

It's the *only* solution: There is, as far as I know—and I'm an expert in this thing—there's no other option. The United States: Get rid of this President. Throw him out for perfectly legal reasons. You've got two options: He's violated the Constitution, flagrantly; and he's also not exactly mentally sound. And that will become obvious, more and more obvious. He's cracking up right now. So he's not really much respected, shall we say, among circles that used to be intimidated by his presence. That's cracked now; he's cracking up; he's gone.

So this has to be done. It's the only available solution. It will have immediate effects.

One thing that should be added: Even if the United States were to enact Glass-Steagall, minus any agreement with Russia or China, it would still be necessary: The problem is, we've gone so long. Remember, it was 2007, when I first proposed the Homeowners and Bank Protection Act, which was about to be voted up by a lot of people, a lot of states. It wasn't done. Since that time,

especially since the beginning of 2008, when the bailout process started, the United States has been so wrecked by the looting, by the British and by others, and especially under this Obama Presidency, that we could no longer save the United States from Hell, even by Glass-Steagall, because we wouldn't have enough margin of credit in a monetary system, left over from the looting, to cover all the things that have to be fixed, real fast.

Only by going to a fixed-exchange-rate credit-system, could we just generate the credit, specifically earmarked, under Roosevelt kind of intentions, to get a large enough volume of credit, going into large-scale processes.

Now, for example, in the medium to long term, we can not save the United States, presently, without a process of putting into effect not only Glass-Steagall, but also NAWAPA.

Without NAWAPA, there is no long-term solution, for the United States. The establishment of the NAWAPA program could be done immediately, because the thing has all been drafted; there are some changes that have been made, technically, over the years, since the original drafting, but the very fact of putting it into effect, will give such a massive injection

of productivity into the U.S. economy, that the existence of Glass-Steagall, as well as this NAWAPA program, combined, and with a credit-system, means we can, immediately, pull the United States back into a rapid, accelerating recovery. And that's an integral part of the same thing that goes together with a Russia-China-U.S. arrangement.

That's where we are. There's a lot more to say about it, but that's the outline of what it is.

## NAWAPA and the Eurasian Land-Bridge

**Sky Shields:** It's good. To underscore three things that you've said: One is the need for NAWAPA; two, is the willingness for Russia, particularly Russia, to come along with us, if we were to make a major change here in the U.S.; and then three, the fact that this won't get done unless we remove Obama and install a credit-system.

People can take a look at the recent developments over the last few months in Russia: I think some view-



LPAC-TV

*Things are moving quickly to develop the eastern end of the Eurasian Land-Bridge, Sky Shields pointed out. This includes the Baikal-Amur Mainline and the launch facility at the Vostochny Cosmodrome.*



FIGURE 1  
The Eurasian Land-Bridge Main Routes



ers of this website are familiar with our Eurasian Land-Bridge map. And I think some people looking at that, you realize that this is an amazing project, but it seems

almost outside the realm of the imagination of most people who would look at this sort of thing. There's a map (**Figure 1**), essentially with rail lines and corridors

FIGURE 2  
The Extended NAWAPA



LPAC

of development, including various other types of transportation, communication lines, different routes for resource transportation, that would link up everything from the southern tip of Africa, up through the Middle East, through Europe, through Asia, across the Bering Strait, down through North America, into South America.

Now, obviously, on the North American side, a large chunk of that is covered by NAWAPA (**Figure 2**), the developments we're talking about with the NAWAPA project. But



now, if you take a look—and this is what we’re pushing here, on the U.S. end—at what’s happening on the Russia side of things, just over the recent period: You’ve seen an incredible push, both in terms of stated intent, but then also in terms of actual development, to move into the Far East region of Russia, for development (**Figure 3**).

One of the major events, for which I think they’re going to plan to get “shovels in the ground” either this month or next month, is on the new Vostochny Cosmodrome, which is going to be, really, Russia’s first launch facility. The Soviet Union’s launch facility was located in what is now Kazakstan.

Up until now, they’ve been renting time to use that facility there. Russia’s now pushing to make their own domestic launch capability. This is going to be the Vostochny Cosmodrome. By itself, that’s simply exciting. But if you look at what that means from the standpoint of a development map, and you get an idea of what some of the thinking is inside Russia, right now, and then also, circles around Putin in particular, the Vostochny Cosmodrome is going to end up here, in the Amur region (**Figure 4**).

Now, this is currently in a rather underdeveloped area of the Far East of Russia. It is, though, right on one of the main routes of the Eurasian Land-Bridge, the Baikal-Amur Mainline (BAM), which is sort of the second route—it’s a route of the Eurasian Land-Bridge that exists so that Russia has a second route, aside from the one that borders China, to reach its Far East region. Now, our plans for development have called for upgrading it: taking the rail line there, and double-tracking it. There’s plenty of space to double-track it, and make that a major trunk line for communications, power, and other kinds of development along that route. With the development of the Vostochny Cosmodrome there, suddenly the ability to dump the needed resources there, exists.

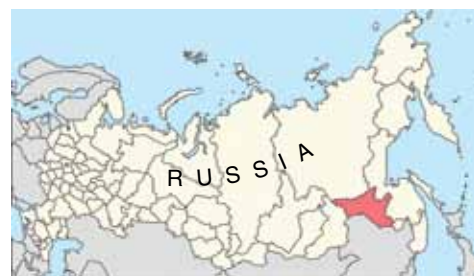
I think this is a nice case study (**Figure 5**). What they’re talking

FIGURE 3  
**Russia’s Far East**



LPAC-TV

FIGURE 4



*Shaded area indicates the Amur region.*

FIGURE 5  
**Planned Vostochny Cosmodrome (animation)**



LPAC-TV

about is not simply building a launch facility, or whatever people normally think a launch facility is. It's not simply a place to launch rockets from. It was already, in Soviet times, something that was used for missile launches, and had been retooled briefly, in order to launch certain, smaller, civilian space capabilities, from the same launch site.

Now, they're talking about upgrading this, making it a full-on space facility, capable of its own domestic production of rockets, capable of the production of rocket fuel, the development of essentially a large city there, to employ and educate the people who are going to be working there: This is really city-building in the Far East of Russia, the same sort of thing we want to talk about along the whole route of NAWAPA.

Part of that, of course, is going to be building an airport, but then refurbishing this whole route, to connect this region of Russia with everything, with the rest of the nation, and then the rest of Europe, along what was formally called the Trans-Siberian Railroad, and then connecting things to the Silk Road into Europe.

If you connect that with the fact that construction is already under way, on the rail line up to Yakutsk, you've got a major branch of this development route, leading up to the Bering Strait and the Eurasian Land-Bridge, which is planned right now.

**LaRouche:** Yes.

**Shields:** Now, you were invited, this past month—you weren't able to attend—to a conference that occurred in Yakutsk, addressing exactly this kind of development, addressing the fact that this city right here, which is now tiny, has no overland connection with the rest of Russia, currently, is going to be transformed under these economic plans into a major trade city, on *the* major trade route for the world.

To give people an idea of how this transforms something that's in the middle of almost "Nowhere," Siberia, right now, once you begin this connection—again, the southern portion of it is already under way—once you



Creative Commons/isado

*The economic and industrial might of Japan and Korea will quickly be joined with that of the "Three Powers." Shown: Shipbuilding in Onoda, Japan.*

develop that, you've completely transformed the geometry and you transform the significance of the value of all these locations. This is the intent already coming out of Russia.

Now, some of the problems, the major problem is exactly what you've been addressing: which is, there are huge battles right now, on the ground, about questions of funding. Because it doesn't exist. You're not just going to pull funding out of nowhere for this project. Certain aspects of this are being launched now. The rest of it is not going to be done, unless you've got a global credit-system in place. Unless you've got an ability, a real collaboration among nations—you know, China is one of the major investors in this region right now, for Russia; the U.S. also, when you talk about the development around the Sakhalin Islands, we've got some minor involvement there, but not on the scale we could have it we could dump Obama, not on the scale you're talking about.

## Japan's Potential

**LaRouche:** Look at, for example, what Japan's potential is in this area; Japan's destiny and potential coincide with having neighbors, China and Russia, both together; and Japan always likes to have two big powers, rather than one, on its border—this sort of thing, it's

very complicated. So this would work quite well. And this is what I've been working on for some time; and I think what I've said on how to do this, in terms of economic policy, has been circulated widely in relevant Russian circles, so they're not ignorant of what I'm talking about.

I've looked very carefully at some of the Russia-China discussions which have gone on in past years—and there's a lot of discussion about this. But if you look at this whole area: You've got China, Japan—key; Korea is key. For example, you've got a railroad system which does exist, which is divided in northern Korea (Figure 2): One line goes into China, the other line goes into Siberia. So this was also a well-developed line in former times.

Which means, we've really got rail, water, air and so forth, all in this one area. Mongolia is also a key part of this process. It's practically untapped in relative terms.

So this is where we are. And therefore, this combination, and our determination: to link U.S. West Coast lines to the Siberian and China and Japan operations combined, going from the Arctic Ocean down (Figure 1).

We have to look at this: Take the Arctic Ocean as your center point of reference. Your strategic lines are defined, based on radiating from the Arctic downward. When you look at things that way, on that kind of map, rather than from the Equator or something, you get a completely different picture of what the options are here.

And we have a similar thing we have developed in terms of Mexico-South America, we have a similar challenge there, which we can get to once we get this thing started.

But the key thing I would say, is: Look, this has to be done *first*, because it's feasible, it's ready. You look at the development of rails in China; watch that very carefully: They're preparing for this kind of development; what Russia's doing, preparing for this development, because it's *strategically essential*. And we're riding a winning horse there. All we have to do is get the first

step in there: We get this treaty agreement among the United States, Russia, and China, and the world is going to come right to the gate, and we're going to reach an international agreement, which ends the threat of war and similar conflicts throughout this planet.

**Shields:** That's significant. You see they're hungry for this.

**LaRouche:** Yes! Anyone who is sensible is thinking in these terms.

## Obama: America's Qaddafi

**Alicia Cerretani:** Well, I think it's also significant to think about what we published on this website this past weekend: We published a feature called "[9/11: Ten Years Later](http://larouchepac.com/node/19398),"<sup>2</sup> and it went through what has functioned really as a blocking mechanism, a system, a really barbaric system, that has kept this development hostage. These proposals have been on the books for many, many decades, but what has held this development hostage is this little nest, which involves the development of the poppy fields in Afghanistan over the last 20 years; that money laundered into many of the insolvent banks owned by the British, the Inter-Alpha Group banks, and how the British Empire has deployed terror-

ism to stop the development of much of our undeveloped territories on the continent, Africa and Eurasia included.

And we put this feature out this weekend, and it brings together, in no uncertain terms, what the enemy is of all nations who wish to have a future, and all developing nations. Which also implicates our President, because he is really just a patsy for this barbaric, oligarchical nest, located in and around London, in and around Wall Street. They've had deployments, as in Afghanistan, around the world.

And it's failing, but we run the risk of that system bringing everything down with it.



LPAC-TV

*The "9/11 generation" can become the "NAWAPA generation," a development generation, as outlined by Alicia Cerretani, referring to the recent LPAC-TV video, "The New Presidency" (<http://larouchepac.com/node/19398>).*

2. <http://larouchepac.com/10yearslater>



**LaRouche:** You're referring to our President as the "Qaddafi of the United States"!

**Cerratani:** Yes! Yes, exactly! That's exactly how his controllers see him. That's exactly how the people who give him his orders see him—as the "Qaddafi of the United States." That's how many people in the United States look at him as well!

And so, it's very interesting, because we have published, in the last segment on this website the last week, "The New Presidency," and that is—it's a very exciting perspective, because it is the only thing that will work. This isn't a matter of opinion; this is a very viable option, and we can take what is considered the 9/11 generation, and turn them into a NAWAPA generation, a development generation.

**LaRouche:** Well, speaking of your function here, specifically, this is exactly what we must get out, effectively, to the American population now. We must add the things that I presented today, and that are presented today as included features of that. We should have a real strategic thrust from here, on this, to get this out, to get it into circulation more widely, and in depth. This is crucial, because we've got to sell this to the American people, now. We have to do it with our limited resources, we have to get it out to the American people: "This is the news! Here's the good news, friends!" And that's what we have to do.

**Shields:** I think people know they're only hearing this from us. They get an idea, there's no other organization in the world right now, that has the overview that we do! Even just reviewing the developments in Russia, the developments in Europe, the developments here in the U.S., this is clearly a mission for our movement, and the people who are going to support us and you.

**LaRouche:** We've got to get this idea, of the new system, across to the American people, now. We've got to explain this to them, *now*, what we're doing, why we're doing it. Even most economists have no idea of what an economic system is, really. They have assumptions, they accept the doctrine, they really don't know what they're talking about. And this is made very clear by the forecasting we see done by most so-called economists! They have been intrinsically incompetent.

For example, my forecasting record goes back to 1956—well, it goes back quite a bit more than that. But anyway, that's been my problem with economists, and

even economists who are in many respects competent, when it comes to forecasting, and particularly long-range forecasting, the record of most economists, even leading economists, is incompetent; they may be competent in certain details, certain other things, certain specialties, but on this thing, the general point is, the typical American or European economist has failed. And will probably continue to fail.

So we've got to give the American population at least some jolt, an indication of what it is that is competent economics, because they don't know today.

## A Scientific Question

**Shields:** Right. The most fundamental principle is just what you got at, Alicia, just a second ago, saying, there's not some other option. This is not some kind of political "option." This is the next step in the evolutionary development of the species; this is a scientific question. It's not a question of what side of the map are you on politically. And it seems like that's what we want to communicate to people. You've got to understand what the human individual is, as the *singular manifestation of willful creativity in the universe*.

**LaRouche:** And you've got to use the Franklin Roosevelt image in the United States and elsewhere: You've got to bring the image of Franklin Roosevelt back into focus. Because the American people are going to want to know what went wrong. Well, we can give them a total map of what went wrong. What were the mistakes that were made with the death of Franklin Roosevelt, that led into the mess we have today? And that's where the American people—even though most of them my age are already dead, already, unfortunately—but that's the story. And it's that story that's got to be delivered. Because, on that basis, people who remember, maybe not from my generation, but from a somewhat younger one, remember something about Franklin Roosevelt, what they used to hear about Franklin Roosevelt and his policies. *That's the weapon*, the intellectual weapon, to show the American people, *there is an American solution*, not only to the U.S. problems, but to the world problems. There *is* an American solution, not as an empire, but as a leading partner, among the leading nations of the world, which can bring this planet into some kind of order, out of the mess it's in now.

**Cerratani:** Well, we have the story, and in just a couple of weeks, we'll be presenting the story of Frank



NASA

*With the removal of Obama from the Presidency, adoption of a Glass-Steagall credit system, and development of NAWAPA and the World Land-Bridge, we will pick up where we left off when President Kennedy was assassinated. Shown: the liftoff of Apollo 11, July 20, 1969, taking the first astronauts to the Moon.*

Moss, who was one of the original organizers, when the NAWAPA project was first introduced; and the collection of correspondences that he had had, with not just elected officials, but a number of different institutions, I think even abroad, in different countries—in Mexico and in China. And what you see is that, a proposal like NAWAPA was sort of a natural flow of things to do, coming out of the Apollo Project. The American people were ready for it, they had the imagination for it.

Then, with the assassination of Kennedy and his brother, we were set back; a number of things were set back. What we're going to show with this—just a snapshot with this Frank Moss correspondence—is we're going to revive: We're just going to pick up where we

left off, and we're going to keep the United States moving forward where we left off. Because what Kennedy was doing, largely with NAWAPA, was continuing the legacy of Franklin Roosevelt. So people alive today, have a sense of that.

But, what we can provide for people, as we did in this feature this past weekend, is an overview of what happened, why things were held hostage, what systems were put in place to stop the development, both financial and culturally. And with that system at its end, we can pick up now, where we left off, around when the Kennedys were assassinated. And we're prepared to do that, and so are many other relevant parts of the world prepared to do that, to move with us.

**LaRouche:** I think so. I think that is one of the essential things we have to do.

**Cerratani:** Yes, and the American people deserve to be told what has happened to them.

In the unemployment situation, many people—we're doing some preliminary work, interviewing people and getting people's stories—it's 40 years of attrition. It's the imposition of an empire on a great republic, and if people don't have that story, if people don't understand what has happened to them, many people take it personally. They think that it's their own shortcomings. You know, they cannot feed their family, they cannot pay their bills. You don't put a population through that, if you want to build a nation. If you want to destroy a nation, that's

what you do. If you want to build the nation, you don't subject your people to that.

## A Brand New Nation

**LaRouche:** This came up in our discussion yesterday, in this manner: That people think that when you have a change in the U.S. government's composition, like a new Presidency coming in, they think you're going to limit yourself to the forces that controlled the previous Presidency. Well, that's not true, never really true. There have been periods like that, mostly from bad Presidents, and they continue from one to the other, like the ones we've had recently: The past two are real mis-erables!

But, in this case, we have to actually get people to

understand what the principles are of real economy, which means, a change in the composition of the voters' roster. Look, how many people really support the Democratic Party and the Republican Party, actively, as party members, today? Well, look at the results! The polls show you: That a tiny minority of the registered Republicans *and* Democrats, alike!—they really don't have much support from the American people! The American people have contempt for them, because of what they've done!

Now, a new Presidency in the United States, brought in, on this kind of practice—in other words, we would hope to change the composition of the Presidential leadership structure in this Autumn period, with this election coming up, and with the ouster of Obama, which must be earlier than that. Under those conditions, the American people are going to come back in to the roster; they're going to come back into politics, into mainstream politics. Which means there's going to be a revolutionary change in American policymaking, precisely because of this crisis, and precisely because of the change in attitude among the active membership of the electorate.

You'll have a tough time with those under 25, because they're so demoralized by what's happened to them, the lack of jobs—absolute lack of jobs, and so forth. But the older generations, those who are over 25 and so forth, especially, are going to look at this thing with wide-open eyes, if they get a new Presidency, or the prospect of one. And you get a completely new constituency, a popular constituency, organized behind the Presidency, in the nation at that point.

So we're going for, actually, the equivalent of a revolution. It will not be a bloody revolution. It will be a revolution where a section of the American population which has played a limited role, as a minority in politics, will now play a more important role. And those others will be running away with their tails between their legs—at least I hope so.

And we're going for a fundamental change in outlook in the nation, a change, more or less like what happened with Franklin Roosevelt's replacement of Hoover. You're going to have an emotional change, an intellectual change in the outlook of the population. So we're going to have, in a sense, a *brand new nation*, reborn, the United States, the Franklin Roosevelt United States, in some approximation. And therefore, we will have the means to do what we have to do.

**Shields:** I think it's worth driving that home: that outside a revolution, there's no way to make a change, right now. Nothing gradual is going to work. Anything gradual is going to be a gradual step downwards. But to get the shift, we need to move forward, you're going to need to leap, like what you had with Roosevelt.

**LaRouche:** The throwing of this bum out of office, now, will be sufficient to produce that effect. The American people are in a rage fit. The problem is that what's uncertain to them is the alternative: We can define the alternative. We have the program that will work. We have international partners ready to join us.

We've come to the point that warfare among nations is no longer an acceptable option. Therefore, you have to make revolutions without war. And they have to be revolutions which are an enhancement of the human race: And this is it. We've come to that time. This is our option. Let's do it. Get rid of a headache for mankind, send Obama into retirement, where he has the headache instead of us.

## THE EURASIAN LAND-BRIDGE

An *EIR* Special Report

**'The New Silk Road'—  
locomotive for worldwide  
economic development**

(1997) 260 pages \$100  
(EIR 96-007)

Available from

**EIR News Service**

P.O. Box 17390 Washington, D.C. 20041-0390

Phone: 1-800-278-3135

or [www.larouchepub.com](http://www.larouchepub.com)



# Russia's Putin Prepares for Another Landmark Visit to China

by Rachel Douglas

Sept. 19—Russian Prime Minister Vladimir Putin will visit China in October, he confirmed at a Sept. 14 meeting in Moscow with Wu Bangguo, chairman of the Chinese National People's Congress Standing Committee. The Chinese-Russian governmental meeting promises to be crucial in the process Lyndon LaRouche has identified as “the unique solution for preventing the world from going into the deepest depression you ever saw” (LPAC-TV Weekly Report, Sept. 14, 2011): namely, agreement among the United States, Russia, and China on an economic cooperation policy to conquer new scientific, as well as geographical frontiers.

In October 2009, Putin made a breakthrough visit to China, signing bilateral agreements on long-term railroad development (including high-speed rail), nuclear energy, space exploration, and other advanced technology areas, as well as oil and gas. At the time, LaRouche said that if China were to use its huge (and endangered) U.S. dollar reserves for real-economy international development projects, this could become a key step in creating a new world credit system, led by the United States, Russia, and China, and oriented to promoting physical economic development (*EIR*,<sup>1</sup> Oct. 30, 2009.)

Now the same potential is on the agenda in an even more dire phase of the worldwide general breakdown crisis, in which leading governments and other institutions of the trans-Atlantic region have utterly failed to take any measures other than those leading to hyperinflation and genocide.

Putin's China trip also comes as he intensifies his political activity within Russia, in connection with the December 2011 State Duma elections and his own possible candidacy for a return to the Presidency in 2012. Putin and several of his close allies have focused much attention in the recent period on development of Siberia and the Russian Far East.

## Chinese Investment in Russia

This year is the tenth anniversary of the Russian-Chinese Good-Neighbor Friendship Treaty, which then-President Putin signed in July 2001 with China's then-President Jiang Zemin. At their Sept. 14 talks this year, Wu emphasized the respect Putin has gained in China, first as President and then as Prime Minister, telling him: “You will chair the 16th meeting between the heads of government of China and Russia. You are very well known in China as a politician and a big friend of our people. Russia has progressed considerably in its development over the past ten years when you were Russia's President and Prime Minister, which has won you the love of the Russian people and respect among the Chinese people.

“As we have noticed, you have formulated new objectives for Russia, in particular to become one of the world's top five economies by 2020. . . . You said that by that time Russia should firmly stand on two pillars: the traditional pillar of the energy and defense industries, and the pillar of innovation. I am confident that Russia will achieve these impressive results under your guidance.”

Days after the Putin-Wu meeting, it was announced that Putin is a leading candidate for China's Confucius Peace Prize this year.

A Chinese Ministry of Foreign Affairs press release on Wu's visit outlined his proposals for deepening Chinese-Russian relations. Wu put forward cooperation on major industrial projects and expanding trade, especially in machinery and high-tech products, to reach \$100 billion by 2015, and \$200 billion by 2020. China and Russia should speed up natural gas pipeline construction and other energy cooperation, including on nuclear power, coal, and trade in electricity.

Another initiative to promote joint infrastructure investment was highlighted by Wang Huajiang, a senior Chinese National Development Commission official responsible for Northeast China, on Sept. 12 at the

1. [http://www.larouche.pub.com/other/2009/3642lar\\_ru\\_china\\_coop.html](http://www.larouche.pub.com/other/2009/3642lar_ru_china_coop.html)



premier.gov.ru

*Prime Minister Putin welcomes Wu Bangguo, chairman of the Chinese National People's Congress Standing Committee, in Moscow on Sept. 14. Putin confirmed that he will visit China in October.*

opening of the annual Baikal Economic Forum (BEF) in Irkutsk, Russia. He said that China, which last year invested more in the Russian Far East region than Russia's own federal government did, is planning to establish a special fund to support investment in Russia. It will be a joint undertaking with Russia, to support small and medium-sized Chinese businesses investing in Russia.

At the Baikal Forum, the two sides also discussed large-scale infrastructure. Russian Railways Senior Vice-President Valeri Reshetnikov told the BEF audience about plans to restore the Russia-China border crossing at Makhalin Hunchun (China), and in the future, to build a new bridge over the Amur (Heilongjiang) River, which demarcates the border in this area, connecting Nizhneleninskoye on the Russian side to Tongjiang in China. Russian Railways has prepared a feasibility study on the Nizhneleninskoye-Tongjiang bridge and on reconstructing the Russian Birobidzhan-Leninsk line, in the Jewish Autonomous Region north of the Amur.

The Amur bridge will service a mining and metallurgical development cluster in the Amur Region, Regional Development Minister Viktor Basargin told the Baikal Forum. One major project there is to develop a huge coal field, planned to produce coal for export to China. The bridge will shorten the cargo route by 1,400

km. Giving an idea of the dearth of infrastructure in this vast region, Basargin said that this "will be the only permanent railway bridge across the Amur River in 3,000 kilometers of the Russian-Chinese border."

The Amur Region is also the location of Russia's new Cosmodrome Vostochny, the full-service national space launch center for which Putin gave the go-ahead in 2007. It is currently under construction, with a set of related industries and a town to house 30,000 people.

This past April, Xinhua news agency reported that Chinese investors already put \$3 billion into special zones along the China-Russia border in 2010, although Moscow had allocated less than \$1 billion to the Amur, Maritime, Khabarovsk, and Jewish Autonomous Regions in the same

period. Moscow is, however, proposing to invest a hundred times that much in the region over the next five years, with China as a key partner in building roads, railways, and ports. This shift will address a strategic problem identified by Basargin in Irkutsk: without concerted efforts to develop and repopulate the region, foreign investment in Siberia and the Far East would continue to look like a "vacuum cleaner," with investors sucking out raw materials, but leaving the region undeveloped and desolate.

Xinhua reported from the Baikal Forum that Russian and Chinese delegates addressed these difficult issues openly. Russia is a rough place to invest, according to the Chinese side, while the Russian side complained that the Chinese were only interested in big projects, not small or medium-sized ones. Zhang Guobao, former head of China's National Administration of Energy, told Xinhua that this was a rare "open and frank" discussion. The real issue of economic cooperation is not money, but real trust and coordination, he said.

Delegates to this year's BEF, from 28 countries and 15 Russian regions, included high-level attendance from the U.S.-Russia Business Council. The gathering was followed by a three-day forum titled "Europe-Russia-Asia Pacific Region: the Development of Transport Infrastructure." Thus, the BEF followed the August Ya-

kutsk conference on Northeast Russia's infrastructure development (see *EIR*, Sept. 2, 2011) as a venue for exploration of this essential area of international cooperation.

## Railroads and Floating Nuclear Plants

*World Nuclear News* reported Sept. 18 that a high-level meeting of Chinese and Russian nuclear leaders resulted in an agreement to develop cooperation on floating nuclear power plants. "Our Chinese partners have shown great interest in the Russian project," said Rosatom chief Sergei Kiriyenko, referring to the first floating plant, called the Academician Lomonosov, being built in Saint Petersburg. The Lomonosov, whose hull was completed last year, will host two 35 MW reactors.

The floating NPP project was announced in 2006 under the administration of then-President Putin. Within a year there were discussions between Russia and China on the technology. Early plans for the plant had foreseen the Russian marine power reactors being fitted to a Chinese-built barge.

The countries are also discussing cooperation for space nuclear power systems, and from mid-2012 Russia will supply radioisotope thermal generators to the Chinese space program. Further nuclear cooperation should be on the table during Putin's upcoming visit.

Another element of Russian-Chinese rail cooperation intersects efforts to cool out tensions on the Korean peninsula. At the BEF, Reshetnikov described the planned demonstration rail freight transport project among Russia and North and South Korea, planned for next year. *China Daily*, meanwhile, hailed the recent motion toward Russian-North Korea-South Korea natural gas and rail links as a potential spur for the long-delayed Tumen River development project (featured in *EIR*'s 1996 *Special Report: The Eurasian Land-Bridge*).

The newspaper reported that China sees the development breakthroughs around the North Korea Rajin area, near the border with Russia, as vital to the resurrection of the Tumen River Area Development Project, an ambitious project by China, North Korea, South Korea, Russia, Mongolia, and Japan, to create a new transportation and trade hub for Northeast Asia. Sidetracked for decades by political sabotage, the Chinese-North Korean development project to give Jilin province a Pacific Ocean outlet at Rajin, as well

as the plans of Russia, North Korea, and South Korea for natural gas pipeline and railroad connections down the peninsula, have brought new life to the Tumen idea.

"We are stepping up efforts to establish the infrastructure and transportation network, aiming to develop Hunchun [in China] and Rajin-Sonbong [in North Korea] into a trade hub for several Northeast Asian countries," said Wang Xiaoping, head of the Tumen River Area Cooperation Division of the Jilin provincial government. "Trade and investment in Rajin-Sonbong and Hunchun are at the heart of our ambitions to develop the Tumen River area," Wang said.

## Traditional Approaches Don't Work

On Sept. 16, Putin gave a major speech on the global economic crisis and his perspective for transforming the Russian economy, at the Tenth International Investment Forum Sochi-2011, held on the Russian Black Sea coast. He emphasized that "traditional approaches" are not working, either internationally or within Russia, and insisted on Russia's commitment—no matter what happens internationally—to creating a new generation of leaders, committed to growth of the real economy. He called on Russians who share this view to run for the State Duma in December's elections, on the United Russia party slate.

Citing the U.S. credit downgrade, the 10% drop of European stock indexes in August, and the ongoing sovereign debt crisis, Putin said that "the global economy is still feeling the shock waves of the economic crisis that hit in 2008." Putin, who, during the Summer, referred to the U.S. Federal Reserve's "quantitative easing" money-production as a form of "hooliganism," emphasized that what people thought worked, doesn't work: "The sovereign debt crisis in developed countries is requiring politicians, economists, and investors to rethink their traditional approaches. Last Summer's global economic shocks were yet further proof that development models relying on growing debt are no longer working. It's clear that those who were leaders not long ago, are now yielding their positions and cannot serve as an example of the carefully worked-out macroeconomic policies, in which they were instructing us so recently."

As for a recovery, Putin warned that there simply might not be one, under current policy: "The debt crisis in Europe and the United States is compounded by the fact that their economies are teetering on the



brink of recession. Unfortunately, it is still unclear when they will recover, if at all, and this goes for Russia as well.”

While ticking off a number of conventional monetary maneuvers that Russia employs, praising the Russian Finance Ministry’s interventions this Summer to support banking system liquidity, rebuild the country’s gold and foreign currency reserves, curb the federal deficit, and prevent another state or corporate foreign debt build-up, Putin placed the main emphasis on how to go forward in a more substantial way. He said that the national objective must be not only “growth” in conventional terms, but “improving the efficiency of our economy through developing real output and promoting innovation.”

Addressing an audience that included representatives of major London-based investment funds, Putin said bluntly: “I would like to state that our overall objective is not to become a safe haven for speculative capital. . . . Russia needs to create conditions for smart investment, both in production and in high-tech development, so we have to expand the range of freedom for honest businesses, and help people who propose sensible, useful initiatives, aimed not at immediate profit-taking, but at changing the quality of life of whole cities and other settled areas, and entire regions, while, of course, profiting from their economic engagement.”

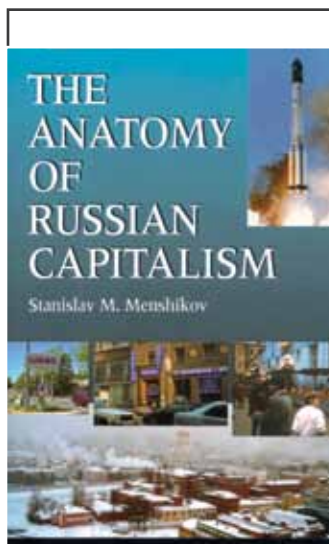
For this purpose, Putin said, he personally initiated the new Agency for Strategic Initiatives (ASI), whose head, A.S. Nikitin, was another keynote speaker in Sochi. Commissioned just last month, the ASI is separate from the much ballyhooed Skolkovo project, launched by President Dmitri Medvedev’s Kremlin staff to emulate Silicon Valley. Putin listed Skolkovo as merely one part of a network of economic development centers and zones. For the ASI, Putin said, “We had a national competition to select talented young people who have started their own businesses from scratch; and those who have done significant social projects and are willing to continue in that area. Now they are assigned to propose solutions for our systemic problems, and the administrative and other barriers that fuel corruption and impede business.”

Sounding distinctly like someone who intends to be involved in national policymaking beyond the Duma elections and next year’s Presidential election, Putin stated: “Today one of our key objectives is to bring new personnel into Russian officialdom and change the phi-

losophy of state service. We intend to bring new people into government, the economy, politics, and the social sector, people who have already demonstrated that they can pursue constructive transformations and are willing to work for the welfare of the citizens and the entire country.” He said that the recently instituted process of party primaries, currently being held to form electoral slates for the Duma, was designed to find such people and get them to run for the State Duma.

Putin touched on many other economic policy areas, from utility rates, to the need for government involvement in projects or industries which are too large for private entrepreneurs to handle. Following his speech, Putin had an extended discussion with participants, highlighted by his politely rejecting a British investment fund manager’s recommendation that Russian should snap up toxic assets which the European banks are trying to unload.

*Mary Burdman, Ron Castonguay, and William C. Jones contributed reporting for this article.*



*This English translation of the work of Russia’s authoritative economist, Stanislav Menshikov presents a critical analysis of the complex economic processes in Russia over the last 15 years.*

**Available through EIR**

Order by calling 1-800-278-3135, or at the EIR online store, at [www.larouchepub.com](http://www.larouchepub.com).

\$30 plus \$4.00 for shipping and handling

# Will Narcissist Obama's Fall Bring Down the U.S. as Well?

by Nancy Spannaus

Sept. 19—Two events last week serve to both reflect, and accelerate, the political downfall of President Barack Obama, whose malignant, narcissistic personality disorder represents a clear and present danger for the nation and the world. The first was the smashing defeat for the Democratic Party in the overwhelmingly Democratic 9th Congressional District in New York, in a special election held Sept. 13. The second was the release on Sept. 16 of LaRouchePAC-TV's second interview with narcissism expert Sam Vaknin, which honed in on the highly alarming potential consequences of narcissist Obama losing his popularity "fix."

Obama was already running scared before these developments. His total devotion to feeding his own diseased ego has led him to betray virtually every section of the U.S. population, except for Wall Street, which he has served with continuous bailouts. And certain constituency groups have begun to let him know just how angry they are. His repeated re-election campaign junkets, despite being stocked with all the manic cheering audiences that money can buy, have not been sufficient to prevent him from realizing that the American people hate and fear him, or just have contempt for him, in huge numbers.

Attempts by leading institutional players, especially Democrats, to raise the alarm have resulted in some extraordinary revelations, most notably an item leaked Sept. 12 by John Cook at [gawker.com](http://gawker.com), that the *New*

*York Times* is developing a story on signs of Obama's clinical depression. Cook says the story may be watered-down before it appears, but there *are* people at the *Times* who "believe Obama is depressed—the kind of depression where, if he weren't the president of the United States, he wouldn't be getting out of bed in the morning." The *Times* refused comment, as a matter of policy.

In reality, as Lyndon LaRouche has emphatically pointed out, Obama's mental impairment has potentially fatal consequences for the United States—requiring that he be removed from office immediately for the sake of the nation. Only cowardice actually prevents many prominent political leaders from echoing him. Thus they put their country at peril.

## **Vaknin: I Have Trouble Sleeping**

Narcissism expert Sam Vaknin, author of *Malignant Self-Love* and the first to raise the possibility that Barack Obama was a narcissist (Summer of 2008), is one of the few who have no qualms about exposing the dangerous illness suffered by the President. Vaknin's interview with LPAC-TV's Brent Bedford in early September updates the picture he painted in an interview given in November 2010,<sup>1</sup> and raises the alarm that Obama's reaction to being denied what Vaknin

---

1. <http://www.larouchepac.com/node/16344>



LPAC-TV

*Sam Vaknin, author of **Malignant Self-Love: Narcissism Revisited**, foresees a dangerous explosion coming from the narcissistic President.*

calls his “narcissistic supply” (adulation), puts our republic in danger.

Vaknin and Bedford devote the better part of an hour to discussing “What happens when the narcissist can’t get his fix anymore?” Vaknin reminds the audience that the narcissistic personality is a rigid one, whereby the person creates a fake persona in order to cover up his inner sense of worthlessness, and insists on constant positive reinforcement for that fake personality. If that positive reinforcement is lacking, the narcissist uses various mechanisms to try to prevent being exposed for what he is.

The three mechanisms that Obama has chosen, in order to cope with the undeniable reduction in support from the population and political colleagues, in Vaknin’s view, are 1) passive-aggressive behavior, 2) paranoid/schizoid behavior, and 3) compensatory self-pity. These can be expected to be superseded very soon by a process Vaknin calls “decompensation,” in which a narcissistic personality begins to disintegrate, and reacts in a manner commonly referred to as “acting out”—i.e., aggressive behavior.

Vaknin usefully compares Obama’s case with that of President Richard Nixon, who, he says, certainly shared some of Obama’s malignant qualities. However, Vaknin emphasized, the fact that Nixon was *not* a malignant narcissist is underscored by the fact that he was able to differentiate between himself, and the government. He even continued to permit useful government

activity to go on, while he was carrying out his paranoid, even criminal behavior. To the contrary, Vaknin said, Obama believes he *is* the government, something equivalent to the second coming of Jesus Christ!

It is for this reason, Vaknin concludes, that he fears the consequences of Obama’s personality collapse. I think he will try to bring the nation, even the world, down in flames, if he sees himself being rejected and destroyed, Vaknin said. This is why I have trouble sleeping at night, because people just don’t want to

face the danger of having a malignant narcissistic personality in the Presidency of the United States.

Obama, who, according to multiple reports, reads or watches everything uttered about him, positive or negative, and is already obsessed about LaRouche’s activities as his chief opponent, will definitely take notice of this interview. You can almost see the meltdown in progress.

## Massive Rejection

Meanwhile, the signs that the American population is overwhelmingly rejecting Obama are becoming impossible to ignore.

Start with the Sept. 13 elections in New York. Despite the fact that the elections were called to replace the disgraced Democratic Congressman Anthony Weiner, a Democrat, everyone expected a Democratic win in an area of Brooklyn and Queens which has been in Democratic Party hands since the 1920s, and has an overwhelming Democratic registration. The area is also heavily Jewish, and the Democratic candidate to replace Weiner, David Weprin, is an Orthodox Jew, who was running against a non-Jewish Republican businessman, Bob Turner, and massively outspending him.

There were some warning signs all would not go well. Weprin, aware of Obama’s unpopularity, tried to keep his distance from the President, even refusing to endorse him for re-election. He also had to notice that



one of the pillars of most Democratic campaigns, the labor movement, declined to get involved this time—just as some AFL-CIO leaders had been threatening in recent months. There was also the vocal opposition of former New York Mayor Ed Koch, who campaigned against Weprin explicitly as a protest against Obama (for his allegedly anti-Israel policies).

But the result was stunning. Turner, who had lost by 28% to Weiner in 2010, defeated Democrat Weprin by 8 percentage points!

On the same day, the Democrats also lost a special election in Nevada, where the resignation of disgraced Republican Sen. John Ensign had left a vacancy. The Democrats, up against Obama's unpopularity, were unable to reap the advantage, and lost, 36 to 58%.

The results overall, coming in the context of national polls showing Obama with approval ratings in the range of 40%, and showing overwhelming disapproval of the direction of the country and the economy, put a point on the judgment of pollsters and party consultants, who are now forecasting the virtual impossibility that Obama can overcome the trend to win re-election. It was also an ominous sign for the Democratic Party as a whole.

### **Carville Blows the Whistle**

Just how far gone the situation in the party is was shown by Democratic political strategist James Carville, in a CNN column he wrote Sept. 14, which was picked up by the widely read Capitol Hill gossip sheet *Politico*. Carville wrote that while he was mulling over Tuesday's special-election results of GOP victories, he had some advice for the White House. "One word came to mind: Panic."

He continued, "We are far past sending out talking points. Do not attempt to dumb it down. We cannot stand any more explanations. Have you talked to any Democratic senators lately? I have. It's pretty damn clear they are not happy campers. This is what I would say to President Barack Obama: The time has come to demand a plan of action that requires a complete change from the direction you are headed." Carville elaborated four points for Obama to follow, which we excerpt:

"1. Fire somebody. No—fire a lot of people. . . . For God's sake, why are we still looking at the same political and economic advisers that got us into this mess? It's not working. . . .

"2. Indict people. There are certain people in Amer-

ican finance who haven't been held responsible for utterly ruining the economic fabric of our country. Demand from the attorney general a clear status of the state of investigation concerning these extraordinary injustices imposed upon the American people. I know Attorney General Eric Holder is a close friend of yours, but if his explanations aren't good, fire him too. Demand answers to why no one has been indicted. . . .

"3. Make a case like a Democrat. While we are going along with the Republican austerity garbage, who is making the case against it? It's not the Democrats! . . .

"4. Hold fast to an explanation. Stick to your rationale for what has happened and what is going to happen under your leadership. You must carry this through until the election (never say that things are improving because evidently they are not). . . ."

Carville concluded: "The hour is late, and the need is great. Fire. Indict. Fight."

Carville's warnings have been amplified manyfold by individuals such as black radio host Tavis Smiley.

### **Obama Will Not Change**

The problem with Carville's "advice," is that Obama cannot, and will not, change. He is a wholly owned commodity of the British Empire, which controls him through money and his diseased personality disorder.

Recall, for example, Obama's performance during last Spring's trip to London to see the Queen. In his May 25 address to the U.K. Parliament, which he referred to as "the Mother of Parliaments," Obama showed his true British colors, saying: "I come here today to reaffirm one of the oldest and strongest alliances the world has ever known. It has long been said that the United States and the United Kingdom share a special relationship. . . . Of course, all relationships have their ups and downs. Admittedly, ours got off on the wrong foot with a small scrape about tea and taxes. There may have also been some hurt feelings when the White House was set on fire during the War of 1812. But fortunately, it's been smooth sailing ever since!"

Even given Obama's propensity to be a pathological liar, this statement should cause every patriot to sit up and take notice. This President has no loyalty to the United States; would he hesitate to see it destroyed on his watch?

There is no time to waste. Obama must be removed from the Presidency now.

# More Explosive Evidence of Saudi Support for 9/11 Hijackers

by Edward Spannaus and Jeffrey Steinberg

Sept. 19—Calling it “the most important thing about 9/11 to surface in the last seven or eight years,” former Sen. Bob Graham of Florida, who chaired the Congressional Joint Inquiry into the 9/11 terrorist attacks, is calling on President Obama to investigate new disclosures linking Saudi nationals living in Sarasota, Fla., to the 9/11 hijackers.

“It’s very important for the White House to take control of this situation,” Graham told the *St. Petersburg Times* on Sept. 10. “The key umbrella question is: What was the full extent of Saudi involvement prior to 9/11 and why did the U.S. administration cover this up?”

While the Sarasota story may not be *the* most important element of 9/11 to surface in recent years—that honor must go to the exposure of the British-BAE-Saudi slush fund for financing terrorism known as “Al-Yamamah” (see “9/11 Secrets Partially Revealed,” *EIR*, Sept. 16, 2011 and references therein)—it nonetheless ranks very high on the list.

## Sarasota House Linked to Hijackers

The disclosures to which Graham is referring, were published in the *Miami Herald* on Sept. 7, revealing that two weeks before the 9/11 hijackings, a wealthy Saudi family which had been in contact with 9/11 hijackers Mohamed Atta and others, abruptly fled from their luxury home near Sarasota.

The house was owned by Saudi financier Esam Ghazzawi, and occupied by his daughter Anoud, her husband Abdulazzi al-Hijjii, and their young children. According to the story written by author Anthony Summers and local reporter Dan Christensen, law enforcement agents found records of telephone calls with a number of the hijackers, including Atta; security re-

cords of the gated community also showed visits by vehicles owned by Atta and by another hijacker, Zaid Jarrah.

Atta, Jarrah, and Marwan al-Shehhi were all living within 10 miles of Ghazzawi’s house, and were taking flying lessons in nearby Venice. Analysis of phone records from Ghazzawi’s house showed contact with 11 other terrorism suspects, including Walid al-Shehhi, who was with Atta on the first plane to hit the World Trade Center on Sept. 11.

Neighbors said that Ghazzawi’s family bragged of his ties to the Saudi royal family. This appears to be no

The Miami Herald • News • Florida

## Florida

Tuesday, 09.20.11 Welcome Guest • Login • Register

HOME NEWS SPORTS ENTERTAINMENT BUSINESS LIVING OPINION JOBS CARS REAL ESTATE

Miami-Dade | Broward | Keys | Florida | Nation | World | Americas | Cuba | Haiti | Politics | Schools

Posted on Wednesday, 09.07.11

### Link to 9/11 hijackers found in Sarasota

FBI found ties between hijackers and Saudis in Sarasota but never revealed the findings

BY ANTHONY SUMMERS AND DAN CHRISTENSEN  
SPECIAL TO THE MIAMI HERALD

Just two weeks before the 9/11 hijackers slammed into the Pentagon and World Trade Center, members of a Saudi family abruptly vacated their luxury home near Sarasota, leaving a brand new car in the driveway, a refrigerator full of food, fruit on the counter — and an open safe in a master bedroom.

In the weeks to follow, law enforcement agents not only discovered the home was visited by vehicles used by the hijackers, but phone calls were linked between the home and those who carried out the death flights — including leader Mohamed Atta — in discoveries never before revealed to the public.

Ten years after the deadliest attack of terrorism on U.S. soil, new information has emerged that shows the FBI found troubling ties between the hijackers and residents in the upscale community in southwest



Mohamed Atta is shown in an undated State of Florida Division of Motor Vehicles photograph. AP

Miami Herald

Recent revelations in the *Miami Herald* linking a wealthy Saudi family with the 9/11 hijackers were characterized by former Sen. Bob Graham as “the most important thing about 9/11 to surface in the last seven or eight years.” Here is the paper’s online edition, showing 9/11 terrorist leader Mohamed Atta.

idle boast: During the 1990s, British court documents pertaining to the investigations of BCCI (Bank of Credit and Commerce International) revealed that Ghazzawi held funds for Saudi Prince Fahd bin Salman, a nephew of the late King Fahd. Fahd's father, Prince Salman bin Abdel Azziz, governor of Riyadh Province, was also the co-director of the Saudi intelligence service, along with Prince Turki bin Faisal. Turki abruptly resigned (or was sacked) 10 days before the 9/11 attacks—around the same time that the Ghazzawi family abruptly fled Florida—and Turki left Washington on Sept. 4, 2001.

### **Saudi Support Network**

In a Sept. 15 interview on “Democracy Now,” Graham described the Saudi “support network” for the 9/11 terrorists that the Congressional Inquiry uncovered in San Diego, Calif., adding that, “We’ve just learned about another pod of this network in Sarasota.”

“What we know to date is that there was a wealthy Saudi family living in a gated community near Sarasota, which had numerous contacts with Atta, the leader of the hijackers, and two others who were doing their pilot training near Sarasota. We also know that this family left the United States under what appear to be very urgent circumstances on Aug. 30, 2001, just before 9/11.”

Graham stressed that the FBI did not tell the Congressional Inquiry about the Saudi contacts in either San Diego or Sarasota. Graham also cited the suppression of the final 28-page section of the Joint Inquiry's report, which was entirely blanked out and kept secret from the public, on the orders of former President George W. Bush, and which is still being withheld by the Obama Administration.

The Sarasota revelations parallel earlier information about a Saudi government employee who had lived in California for years, Graham said. As *EIR* has reported since 2007, that man, Omar al-Bayoumi, had paid for a San Diego apartment for two of the hijackers, funneled money to them, and then left the United States in July 2011. Graham thinks Bayoumi and the Sarasota husband and wife, as well as her wealthy father, could have helped form a shadow support system for the hijackers.

“These 19 people did not play out this plot as lone wolves,” Graham said. “The chances that 19 people, most of whom had never been in the U.S., who did not speak English, and most of whom did not know each

other, could have completed training, practiced and executed such a complicated plot, defies common sense.

“My assumption had been that they had some support system that was already in place in the United States, which facilitated their activities. We learned a lot about such a facilitation in San Diego. Now we're beginning to learn about Sarasota. The question in my mind is, what happened in places like Arlington, Va.; Paterson, N.J.; Phoenix, Ariz.; Delray Beach, Fla., where we know hijackers lived for a considerable period of time? Were there similar facilitators in those communities?”

Graham believes that the intelligence networks that were used to support the 9/11 hijackers, were created by the Saudis after the first Gulf War, to monitor the activities of Saudi students who were studying in the U.S., to ensure that Saudi leaders did not suffer the same fate as the Shah of Iran. This is consistent with what *EIR* reported as far back as 2007: that Bayoumi was suspected by the Arab community in San Diego of being an agent for Saudi intelligence, who was keeping tabs on Saudis in the area, especially Saudi students attending college in southern California.

### **More Calls for Investigation**

The *Miami Herald*, which first published the Sarasota revelations along with the *Broward Bulldog*, has also called for a full investigation, saying in a Sept. 15 editorial, “There are simply too many unanswered questions ... to sweep this matter under the rug.” The *Herald* notes that the FBI has issued a statement saying that it had followed up the information and found “no connection” to the 9/11 plot. “That should not be the end of it,” says the *Herald*, insisting that the public deserves answers to questions about the connections between the hijackers and the Saudis who lived in the Sarasota house, including an explanation for the many phone calls and visits. The *Herald* reports that, in addition to Graham's calls for the White House to investigate, Rep. Kathy Castor (D-Fla.), has called on the House Intelligence Committee to investigate.

### **Lloyds Sues Saudis for 9/11**

In a further, ironic development which may shed additional light on the 9/11 events, Lloyds Syndicate 3500, a Lloyds of London insurance portfolio, filed suit in the Federal District Court for Western Pennsylvania in Johnstown on Sept. 8, against the Kingdom of Saudi Arabia, three Saudi government-run charities, two

major Saudi banks, and three individuals. One of the individual defendants is Prince Salman bin Abdul Azziz, mentioned above as the father of the Prince Fahd bin Salman, for whom Ghazzawi was holding funds in a BCCI account. Salman is cited in the lawsuit as having headed the Saudi High Commission for Relief of Bosnia and Herzegovina, accused of providing funding and logistical support for al-Qaeda. He is also shown to have given large personal donations to “charities” and other organizations supporting al-Qaeda.

One of the banks named as a defendant is the Saudi-based National Commercial Bank, whose close relationship with BCCI is well documented. In a 1992 U.S. Senate report, BCCI was cited for its financing and support of terrorism, and for its funding of the Afghan War against the Soviet Union.

Lloyds is demanding at least \$215 million in compensation for insurance payments that the syndicate made to victims of the 9/11 attacks on behalf of airlines and others. The 150-page suit charges and documents that, without the financial and logistical support of the Saudi government and government-controlled charities, the 9/11 attacks could not have occurred.

The suit is premised on the argument that, while the costs of the 9/11 attacks *per se* were limited, al-Qaeda had a \$35 million-a-year budget that was largely covered by payments from the Saudi royal family and allied circles. The suit provides very detailed allegations about the role of the Saudi regime in sponsoring, financing, and supporting al-Qaeda over the 13-year period from 1988 through the Sept. 11, 2001 attacks. The evidence compiled for the lawsuit was based almost exclusively on U.S. and Saudi government documents, including publicly available evidence provided by scores of Guantanamo Bay detainees, who were picked up as “enemy combatants,” and who were affiliated with either al-Qaeda or the Saudi charities named in the suit.

Among the nominally private charities named in the suit were: the World Muslim League, the Saudi Red Crescent, and a variety of Saudi charities, such as the Al-Harmain Foundation, that funded the wars in Afghanistan, Bosnia, Kosovo, and Chechnya. All of these organizations were controlled by the Saudi Ministry of Religious Affairs and by Saudi Interior Minister Prince Nayef, who is now second in line to become King, and who chaired the government committee overseeing all of the named charities.

Although the funding channels which are docu-

mented in the lawsuit no doubt closely overlap those used by the Al-Yamamah slush funds (estimated at \$80-100 billion) used for financing the Afghan mujahideen and what later emerged as al-Qaeda, the suit makes no mention of the British hand in Saudi-sponsored terrorism. Despite that shortcoming, the suit presents a damning case against the Saudi royal family and some of the most prominent Saudi bankers and businessmen, all of whom were part of the “Golden Chain,” a group of wealthy Saudi princes and millionaires whose names appeared on a document, captured in Bosnia, detailing the financing of the worldwide jihadi movements.

The Western District of Pennsylvania, where the suit was filed, is near the site where one of the four 9/11 hijacked commercial airliners crashed. Days after the suit was filed, Vice President Joe Biden and former President Bill Clinton presided over the 9/11 commemoration just miles from Johnstown.

Along with the fight to declassify the suppressed 28 pages from the Congressional Joint Inquiry, the Lloyds suit potentially provides another fruitful avenue for uncovering the truth about 9/11.

## 10 Years Later

An LPAC-TV Feature Film

Eight months before the September 11, 2001 attacks, Lyndon LaRouche forecast that the United States was at high risk for a Reichstag Fire event, an event that would allow those in power to manage, through dictatorial means, an economic and social crisis that they were otherwise incompetent to handle. We are presently living in the wake of that history.

<http://larouchepac.com/10yearslater>





# FEMA Disastrously Short of Cash? Blame Obama's Malign Neglect

by Carl Osgood

Sept. 19-The fact Federal Emergency Management Agency's disaster relief fund is about to run out of money can be laid squarely at the feet of President Obama. Obama waited until Sept. 9 to ask for a supplemental appropriation to replenish the fund, even though he was warned, as far back as last February, that FEMA was going to run short of cash.

Sen. Mary Landrieu (D-La.) knows this, having written to Obama three times between Feb. 16 and May 2, calling on the President to request supplemental funding for the relief fund, so that FEMA would not put disaster recovery projects on hold because of lack of funds. Yet, she said nothing about this during last week's debate on a Senate supplemental bill to provide \$6.9 billion in additional disaster funding, including \$5.1 billion into the disaster relief fund. Instead, she blamed the Republicans for "politicizing" disaster relief. And while some Republicans have certainly been stupid on the matter, it has been Obama, as President, who has been giving Americans the Haiti treatment.

In her May 2 letter, Landrieu indicated that FEMA already was facing a \$1.2 billion shortfall in its disaster relief accounts because of past Presidentially declared disasters, including Hurricanes Katrina, Rita, Gustav, and Ike; the Midwest floods of 2008; and the Tennessee floods of 2010. That didn't take into account the rash of killer tornadoes that had just devastated the Southern states, even striking as far away as Minnesota and Massachusetts, in the preceding few weeks, and certainly not the Mississippi-Missouri River flooding, and other disasters to come. "Regretably," Landrieu noted, "no request was submitted to



U.S. Senate

*Sen. Mary Landrieu (D-La.) has written to President Obama three times this year, calling for supplemental relief funding. There has been no response from the White House.*

Congress," to make up the shortfall.

Obama's malign negligence of the disaster relief fund is further compounded by the underlying crime of his defense of the Wall Street-based financial system. The ongoing bailouts of the Wall Street banks and hedge funds that caused the economic crisis not only are to be paid for by austerity forced onto the general population, but they also guarantee that, even if money is made available to FEMA for short-term disaster relief, the long-term infrastructural development necessary to mitigate future disasters will never occur.

As for the supplemental request, it finally passed the Senate on Sept. 16, by a vote of 62 to 37, eight Republicans joining with all the Democrats to push the bill over the 60-vote threshold that had been agreed to earlier, but not before two GOP amendments to

offset the disaster funding by making cuts elsewhere in the budget were rejected. Besides the \$5.1 billion for the disaster relief fund, the bill also includes about \$1.3 billion for the U.S. Army Corps of Engineers to repair infrastructure damage, and for dredging of navigation channels and other destruction resulting from the disastrous flooding this Summer, as well as smaller amounts for disaster relief programs of other agencies.

During the debate on Sept. 15, Landrieu told the Senate that FEMA has put \$387 million worth of projects in 42 states and the U.S. Virgin Islands on hold, just since Sept. 1, because of the lack of funds. "Every day this list is going to get bigger and bigger," she said. "All this is a pink slip to someone unrelated to the current emergency. They are working emergencies



FEMA/George Armstrong

*The devastation caused by Hurricane Katrina in 2005 (shown here), followed by six years of neglect, and the wave of hurricanes, tornadoes, flooding, and drought in years after, have left hundreds of thousands of American families with nowhere to go. The President could care less.*

from three years ago, and now they are being put out of work” because of the failure of the Senate to act.

Sen. Barbara Boxer (D-Calif.) reported that counties in southern California are unable to repair roads that were damaged by mudslides in January and February of 2010 because they can’t get the \$3.5 million promised by FEMA to rebuild them. Sen. Bernie Sanders (I-Vt.) told the Senate that preliminary estimates for damage to Vermont’s Federal highway system, as a result of flooding from Hurricane Irene, are now in excess of \$500 million, and will likely wind up being much more than that, not to mention other damage to the state.

The House plans a different approach than the Senate, however. House leaders are planning to bring a continuing resolution to the floor either on Sept. 20 or 21, which has attached to it \$3.4 billion for FEMA and another \$225 million for the Army Corps of Engineers. The House bill partially offsets the disaster funding by taking \$1.5 billion out of a loan program for developing electric cars, most of which has not been spent.

It is not yet known how the two Houses will reconcile their differences. Meanwhile, as of Sept. 17, the balance in FEMA’s disaster fund has fallen to \$351 million, according to FEMA spokeswoman Rachel Racusen. FEMA officials are warning that the fund could be exhausted by Sept. 26. Even if the full \$6.9 billion were

to be approved, however, it is by no means enough to cover a deficit that has been building since Hurricane Katrina in 2005.

### **FEMA Already Out of Money**

For many locations affected by disasters, this year, and over the past few years, FEMA has, in effect, already run out of money for them. FEMA informed Illinois Gov. Pat Quinn last week, that it has denied assistance to three counties, Stephenson, Jo Daviess, and Carroll counties, which suffered heavy damage from severe storms and flooding on July 27 and 28. The agency said that the state did not meet the dollar thresholds for damage for Public Assistance. The three counties suffered some \$7 million in damages, with Jo Daviess getting the worst of it. Colin Fulrath, the

county’s emergency manager, told the *Freeport Journal Standard* on Sept. 13 that the county still has 16 roads and 6 bridges closed. Two of the bridges were washed out completely. “I don’t know what we’ll do,” he said. “We are already scraping for money.”

In Louisiana, Jefferson Parish has been forced to put street repairs, still needed after Hurricane Katrina in 2005, on indefinite hold, because of the lack of money from FEMA. FEMA promised to pay \$100 million to the parish in March of 2010 as part of an out-of-court settlement, but the money has stopped flowing because of the rundown of the disaster relief fund. Parish officials estimate that the cost to fix all of the damaged roads could be as much as \$400 million.

FEMA owes Iowa \$1.2 billion and Nebraska \$40 million for disasters going back to 2007, according to a Sept. 9 report in the *Omaha World Herald*. Among the disasters FEMA has yet to make reimbursement payments for in those two states are the 2007 New Year’s Day ice storm in Nebraska, and the 2008 flooding that devastated Cedar Rapids and other communities in Iowa. “It’s really no different than it was before, because we never know when the money is going to come,” Faythe Peterson, the emergency management director for Madison, Antelope, and Pierce Counties in northeast Nebraska, told the *World Herald*. Communities in her region are still waiting for several hundred

thousand dollars in assistance for the Elkhorn River flood of 2010.

### Infrastructure Needs Unmet

The negligence of the Obama Administration is not limited to failure to properly fund FEMA. Other agencies that have disaster recovery responsibilities, such as the U.S. Army Corps of Engineers, the Agriculture Department, the National Oceanic and Atmospheric Administration, and the Federal Highway Administration, among others, have also been stiffed. The result is an accelerated collapse of an already decrepit national infrastructure base. A few examples make the case.

Since Hurricane Katrina in 2005, there are significant rebuilding projects for the City of New Orleans and other parts of the Gulf Coast, to which FEMA made commitments, but the aid has been suspended. In the one shining case of a completed project—the world's largest flood-surge barrier gates, built on-budget and on-time, under the direction of the Army Corps to protect New Orleans, the Obama Administration refuses to come across with operational funding to man the gate system. The local levee district is trying to fundraise to do it, instead!

The Corps has been denied sufficient resources to conduct all the dredging required after the floods in the lower Mississippi River, and elsewhere. In the Missouri River system, the Corps estimates that the cost to repair its levees and the ladder of dams from Montana to Nebraska will cost over \$1 billion. But the Obama Administration has proposed a *cut* in the Corps' already paltry budget, from \$4.9 billion to \$4.4 billion!

The interstate highway system requires urgent restoration at several points. For example, Interstate 29, going north-south from Canada to Kansas City, has had closures for two months. In the east, Interstate 81, from Canada to southern Virginia, has several sections washed out in New York and Pennsylvania. In Vermont and New England, Interstates 89 and 91 from Canada south, and several other arteries, have broken links. Secondary roads are damaged or destroyed in many states. Small towns, especially in Vermont, remain cut off, or accessible only by the most round-about routes.

Rail routes in New England, and along the Missouri River, have extensive damage. The busy Burlington Northern/Santa Fe (BNSF) rail corridor through St. Joseph, Missouri was severed by flooding. BNSF repair work was done, with hopes of being open by now. But nearby, routes in Omaha will not reopen until late September or even into October.

---

## Operation Fast and Furious

---

# Part of a Deal with The Sinaloa Cartel?

by William F. Wertz

Sept. 14—According to a Memorandum of Law submitted by attorneys for Vicente Jesus Zambada-Nielba, the son of the second-in-command of the Sinaloa cartel, in an ongoing case in Chicago, Operation Fast and Furious<sup>1</sup> was an integral part of a larger deal between U.S. agencies, approved by the Department of Justice, to grant the leadership of the Sinaloa cartel immunity in exchange for information on rival Mexican drug cartels.

Zambada-Niebla, who was head of logistics for the cartel, is basing his defense on the claim that he was acting as a U.S. agent (public authority) in carrying out the crimes he is now charged with, on behalf of the U.S. Department of Justice, Drug Enforcement Administration, the Department of Homeland Security, Immigration and Customs Enforcement (ICE), and the FBI.

The U.S. does not claim that he was not a U.S. government asset, but denies that any agent of the U.S. government bestowed upon the defendant public authority to conduct any illegal activity. It argues that such an agreement, if it existed, could not be communicated through a third party such as lawyer Humberto Loya-Castro; and that a meeting the defendant had with DEA officials in March 2009 occurred after the defendant's crimes were committed. It argues that Operation Fast and Furious also occurred after his crimes were committed. Therefore, the U.S. government has moved *in limine* to bar any such defenses at trial.

The government has additionally initiated CIPA (Classified Information Procedures Act) proceedings to protect classified information requested by the defendant to prove his case.

In the memorandum, Zambada-Niebla charges that Mexican lawyer Humberto Loya-Castro, the advisor to

---

1. Operation Fast and Furious was a sting run by the U.S. Bureau of Alcohol, Tobacco, and Firearms (ATF) between 2009 and 2010, ostensibly to investigate gun trafficking. At least 2,000 gun sales were facilitated by the ATF, and some of these guns have been linked to at least 200 crime scenes in Mexico.

the leaders of the Sinaloa cartel, Joaquin Guzman Loera (Chapo) and Ismael Zambada-Garcia (Mayo), the defendant's father, was indicted in San Diego in 1995, and the case was then dismissed by the prosecution in 2008, because Loya-Castro had become an informant for the U.S., and provided information for a period of over 10 years. (The U.S. government has produced records of Loya-Castro's cooperation agreement, which it admits led to a decision to dismiss Loya-Castro's pre-existing indictment.)

One of Loya Castro's jobs for the Sinaloa organization, according to the San Diego indictment against him, was to secure the release of incarcerated Sinaloa narco-leaders, which undoubtedly also included the later escape of Chapo in 2001.



*Vicente Jesus Zambada-Nielba, son of the second-in-command of the Sinaloa drug cartel, was part of a deal, approved by the U.S. DOJ, to grant immunity to the leadership of the Mexican cartel, in exchange for information on its rivals.*

## The Agreement

Prior to 2004, and continuing through the period covered in Zambada-Niebla's indictment, Zambada-Niebla claims there was an agreement between the U.S. and the Sinaloa cartel that the cartel would provide information on rivals, in exchange for the U.S. dismissing the case against Loya, not interfering with his drug-trafficking activities and those of the cartel, and not actively prosecuting and apprehending them.

Loya told U.S. agents when he was going to meet Chapo and Mayo, and was assured he would not be followed. He was permitted to sit in on discussions that the DEA was having regarding the Sinaloa cartel. The DEA also informed the cartel through Loya when the U.S. and/or Mexican authorities were conducting investigations near their home territories, so that they could evade investigators.

In a meeting in Mexico City with agents of the DEA in March 2009, Zambada-Niebla was told that the arrangement with him had been approved at the highest levels of the U.S. government.

Zambada-Niebla maintains that the strategy of the U.S. in Mexico is the same as that it employed in Colombia by supporting the Cali cartel against the Medellín cartel. Under the agreement, the Sinaloa cartel was given carte blanche to continue to smuggle tons of il-

licit drugs into Chicago and other locations in the United States, and was also protected by the government from arrest and prosecution, in return for providing information against rival cartels. According to the memorandum, "United States government agents aided the leaders of the Sinaloa cartel."

Zambada-Niebla claims that in the March 17, 2009 meeting at the Sheraton Hotel in Mexico City, he was told that with the approval and authorization of the U.S. Justice Department, a Washington, D.C. indictment against him would be dismissed, and he would have immunity from arrest, prosecution, and any further charges.

Citing the Joint Staff Report prepared for Rep. Darrell R. Issa (R-Calif.) and Sen. Charles E. Grassley (R-Iowa) on Fast and Furious, the memorandum argues that the "guns were placed in the hands of violent criminals whom the Department of Justice not only was aware of, but sponsored and supported. Several of the requests in Mr. Zambada-Niebla's request for discovery re public authority defense are focused on obtaining government information to determine whether leaders and/or members of the Sinaloa cartel were among the individuals who received the weapons and to determine whether their receiving of the weapons was pursuant to the agreement that was originally entered into between



the United States government and Mr. Loya-Castro and the leaders of the Sinaloa cartel, which is still in effect.”

These claims by Zambada-Niebla cohere with several aspects of the Joint Staff Report on Operation Fast and Furious, launched after Zambada-Niebla’s arrest, which states that the weapons allowed to walk into Mexico, went primarily to the Sinaloa cartel, and helped to tip the balance among the cartels in its favor.

For example, the report states that weapons seized on Jan. 13, 2010 connected Fast and Furious suspects with a specific high-level “plaza boss” in the Sinaloa drug-trafficking organization (DTO). “Additionally, this seizure may have represented a shift in the movement of Operation Fast and Furious weapons in order to provide the necessary firearms to Sinaloa cartel’s battle for control of the Juarez drug smuggling corridor. This possible shift of Operation Fast and Furious weapons may have been a result of the death of Arturo Beltran-Leyva in December 2009. Mexican authorities killed Beltran-Leyva, the leader of the Beltran-Leyva DTO, effectively crippling his family’s DTO. The resulting decreased competition in Sonora between the Sinaloa DTO and the Beltran-Leyva DTO may have contrib-

uted to the shift in Operation Fast and Furious weapons transported to Juarez.”

These weapons included Barrett .50 caliber weapons. One ATF agent testified: “My opinion was that these many (34) .50 caliber rifles in the hands of one of these cartels is going to change the outcome of a battle.”

### The Case of Wachovia Bank

Although not mentioned explicitly in the memorandum, the other aspect of this case which needs to be investigated is the earlier case of Wachovia Bank. The bank was charged with money-laundering on behalf of the Sinaloa cartel through a chain of Mexican currency-exchange houses overseen by Sinaloa operative Pedro Alfonso Alatorre Dany. On Sept. 24, 2007, a Gulfstream II corporate jet purchased with these laundered funds crashed in Mexico’s Yucatan region. Onboard was an estimated four tons of cocaine loaded onto the jet in Colombia. The tail number, N987SA, of the Gulfstream II has been linked by European investigators to past CIA rendition operations. The plane was sold only weeks before its crash landing. An individual named Greg Smith is listed on the bill of sale. He also shows up in public documents that indicate that he worked as a pilot in the past for an operation involving the FBI, DEA, and CIA that targeted narco-traffickers in Colombia.

In March 2010, the Justice Department let Wachovia Bank off with a fine of \$160 million for failing to monitor over \$400 billion in such transactions.

Lanny Breuer, the Assistant Attorney General, DOJ Criminal Division, who announced the deal with Wachovia, is also known, according to the Joint Staff Report, to have been involved in Operation Fast and Furious. Between 2004 and 2007, nearly \$13 million went thorough correspondent bank accounts of Wachovia for the purchase of aircraft to be used in the illegal narcotics trade. From these aircraft, more than 20,000 kilograms of cocaine were seized, according to the Mexican government.

If Zambada-Niebla’s charges are correct, the arrangement with the Sinaloa cartel would have been initiated under the Bush Administration and continues to this day under the Obama Administration.

At the very least, Zambada-Niebla’s charges, in the context of what has already emerged in the investigation being carried out by Issa and Grassley into Operation Fast and Furious, demand a thorough investigation.

## Finish Off the Speculators Now: Cap Food Prices!



The approaching food crisis demands that the U.S. government heed the warnings of Lyndon LaRouche and follow in the steps of Franklin Roosevelt. Shut out the speculators and fix food prices now.

<http://larouchepac.com/node/18381>

WHAT COMES AFTER THE END OF THE EURO SYSTEM?

## It's High Time To Panic, Chancellor Merkel!

by Helga Zepp-LaRouche

Sept. 16—In response to the imminent meltdown of the global financial system, manifested in recent weeks by the 32% decline of the DAX, dramatic losses in bank stocks, wild fluctuations on the stock markets, and the threatened fall of the Damocles sword—the insolvency of Greece—the U.S. Federal Reserve decided to drown all these problems in a vast flood of dollar bills. Along with the European Central Bank (ECB) and the central banks of Britain, Japan, and Switzerland, the Fed is promising to provide all banks with unlimited (!) dollar loans, initially until March 2012.

Thus, the five most important central banks in the world are following precisely the policy of the Reichsbank in Weimar Germany in the second half of 1923: hyperinflationary money-printing! The only difference is that this time it is not just for one country, but the whole trans-Atlantic region.

As if this policy were not hyperinflationary enough, Reuters reports that U.S. Treasury Secretary Tim Geithner proposed to the EU finance ministers that they leverage the European Financial Stability Facility's (EFSF) EU440 billion in funds by a 10:1 ratio, making available EU4.4 trillion to rescue insolvent states or their creditor banks. The model for this would be the U.S. TALF program (Term Asset-Backed Securities Loan Facility), which was established in 2008 by the U.S. Treasury and the Fed to resuscitate the se-

curities market, and which officially issued a trillion dollars in loans; it may have been much more, as suggested by Neil Barofsky, the former inspector general of the Troubled Asset Relief Program (TARP). This miraculous multiplication of money is also supposed to “save” countries such as Spain, Italy, Belgium, and even France, if necessary.

Statements at press time by Austrian Finance Minister Maria Fekter and Luxembourg Prime Minister Jean-Claude Juncker indicate that there was a considerable clash between Geithner and the EU representatives over the new stimulus program, which they rejected. In any case there are significant legal obstacles to a bailout plan on the TALF model for expanding the EFSF; but in view of the unprecedented violations of law and breaches of contract by European governments since the outbreak of the financial crisis in 2007, unfortunately legal obstacles do not constitute an ironclad guarantee.

At least Juncker said, concerning Geithner's proposal that the EFSF use bond purchases as a lever, that the Eurogroup does not discuss expansion of the EFSF with non-member states. It remains to be seen whether these are just two overinflated egos clashing, or whether Juncker is admitting that the European policies, including his own openly admitted policy of deliberate deception of the population, have failed.

## Fear and Foolishness

The Merkel government still does not seem to have noticed this, but the German population is responding to events that are perceived by many as an existential threat, with a mixture of fear, anger, depression, and sudden political awakening. A survey conducted by the YouGov Institute for the DPA press agency found that 82% (!) of respondents evaluate the Merkel government's crisis management as "rather bad," and two thirds oppose more rescue packages for Greece or another country. Given the daily-growing revolt in the parties of the governing coalition and the possibility of an imminent end to the Merkel era, the only answer to the Chancellor is to quote James Carville. Bill Clinton's former strategic advisor recently answered the question of what the White House should do in the face of poor poll results, with the laconic reply: "It's time to panic!... Fire somebody. No—fire a lot of people. This may be news to you, but this is not going well.... Why are we still looking at the same political and economic advisers that got us into this mess?"

Whether Merkel is intelligent enough to do that remains to be seen. Given the growing opposition to continuing the emergency parachutes, the EFSF and ESM (European Stability Mechanism), the vote in the Bundestag will not occur in September as planned, but probably not until October, or perhaps not at all, depending on how the membership vote goes in the FDP, or how the revolt in the Union parties shapes up, or the general failure of the euro in the context of sudden shocks caused by the systemic crisis.

Supporters of the EU Empire will try every possible type of intimidation to get the population to accept an EU super-state, from repeating the phrase "nervousness of the markets" *ad nauseam*, to presenting the absurd notion that the alternative to the euro would be new wars in Europe, as the Polish Finance Minister has just now proclaimed. Who, pray tell, would wage war against whom in Europe? Neither the Swiss Army nor the Engineer Corps have any reason to fear Steinbrück's cavalry.<sup>1</sup>

The most one has to fear is the blockheaded refusal of the euro advocates to listen to reason, culminating recently in the utopian idea that only a European eco-

nomic government and euro bonds (Social Democratic Party [SPD] and Greens), or a United States of Europe (Obama), could solve the problem. The proposals from the SPD and the Greens threaten to transform Europe into a transfer union, in which a dramatically impoverished population, in a deindustrialized Germany, is supposed to play the role of paymaster for the rest of Europe—a population which, this coming Winter at the latest, will also be living in the dark, if, because of the "energy transition" to "renewable" energy sources," there are blackouts lasting for days on end, shutting down economic and social life.

## Get Out of the Monetarist System

As long as European governments continue to try to muddle along within a thoroughly bankrupt monetarist system, the pace of collapse will increase. Already the rating agencies are circling like vultures over Italy, and they will devalue the Italian debt just as they have done with some of the largest French banks. The insolvency of Greece and other nations is by no means a question of "whether," but only of "when" and "how."

All the scenarios currently being published about Greece leaving the euro or Germany's return to the D-Mark, which come to the conclusion that this would be the most expensive and worst solution, reflect only that the scenarios' authors are stuck in monetarist thinking. It is certain that the inability of the political establishment to treat the general welfare as a priority, and especially to solve the problem of huge youth unemployment in many countries, while instead making themselves the lackeys of unscrupulous financial capital, represents the greatest threat to social peace. Even New York Mayor Michael Bloomberg has recently warned that there will be riots if the Obama Administration does not immediately do something to create jobs.

As long as the European countries, deprived of their sovereignty, languish under the imperial diktat of the EU, no initiative can be expected from Europe to solve its own problems, let alone those of the world. The situation is quite different in the U.S., where the momentum for reinstatement of the Glass-Steagall standard is growing daily. Rep. Marcy Kaptur's (D-Ohio) bill H.R. 1489 has 40 co-sponsors so far, and the support of dozens of national, regional, and local organizations. The tradition of Franklin D. Roosevelt, who got the United States out of the Depression of the 1930s with the combination of Glass-Steagall, the

1. Then-German Finance Minister Peer Steinbrück (Social Democratic Party) in 2009 created a diplomatic uproar when he accused the Swiss of being like "Indians" who were intimidated by the financial cavalry into loosening their bank secrecy laws.

Pecora Commission, the New Deal, the TVA infrastructure program, and Bretton Woods, is today more alive than most people in Europe, who are deliberately kept in ignorance by the media, can imagine. A sudden, swift enactment of the Glass-Steagall Act in America is a realistic possibility, and Europe's only chance is to prepare to introduce a similar, two-tier banking system.

### **The Alternative: Build!**

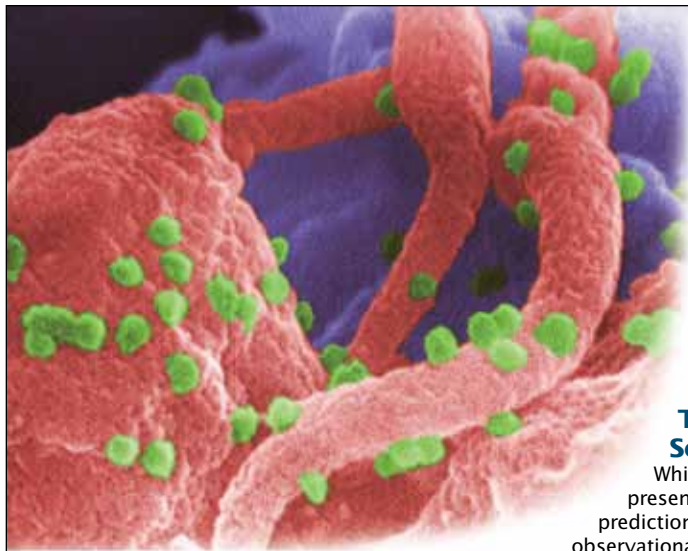
There are currently ongoing discussions among patriotic forces in the United States, Russia, and China about how the 21st Century should be shaped, which are characterized by a spirit very different than the petty haggling about debt brakes, burden sharing, or raising the retirement age—i.e., the administration of a shrinking pie. The issues at stake in the future are those such as how to secure the raw material and energy security of mankind for the next hundred years, by developing the infrastructure of Russia's Far East and Arctic regions in the context of building of NAWAPA (the proposed North American Water and Power Alliance), the construction of the tunnel under

the Bering Strait between Alaska and Siberia, as well as the construction of new cities under permafrost conditions, and Cosmodromes, and space stations for manned space flight in the 21st Century.

Germany has no future in a collapsing Eurozone, nor as paymaster of the rest of Europe, which threatens to sink into chaos. In a world, however, in which the banks play their proper role again in the service of industry, agriculture, and trade; in which long-term—i.e., 25- or 50-year—development projects are being financed; in which Germany resumes its identity as the land of poets, thinkers, and inventors, then Germany has a bright future ahead.

The time for decision is here: either a descent into a new dark age, or a new world of equal, sovereign republics, which are joined to one another by the common aims of mankind. That is the question that the movement associated worldwide with Lyndon LaRouche has been grappling with for 40 years, and which can now be seen by every thinking person. No one should remain an onlooker at this moment in history.

*This article was translated from German.*



## **21<sup>st</sup> CENTURY SCIENCE & TECHNOLOGY**

**In the Winter issue**

LUC MONTAGNIER'S REVOLUTION IN BIOLOGY

### **New Evidence for a Non-Particle View of Life**

France's leading virologist, Luc Montagnier, demonstrates the emission of low-frequency electromagnetic waves from bacterial DNA sequences, and the apparent ability of these waves to organize

THE GREAT SEA-LEVEL HUMBUG

### **There Is No Alarming Sea Level Rise!**

While the IPCC and its boy scouts present wilder and wilder sea level predictions for the near future, the real observational facts demonstrate that sea level has remained virtually stable for the last 40-50 years.



RUDOLF SCHULTEN'S HIGH TEMPERATURE REACTOR:

### **A Technology Ready for Today**

**Let's Tell the Truth About Plutonium and Hanford**

**Space Technology Can Transform Africa**

INTERVIEW: DR. MOHAMED ARGOUN

**'Bring the Benefits of Space to Developing Countries'**

**Subscribe!** Electronic subscriptions are

**\$25 for 6 issues, \$48 for 12 issues**

Single electronic copy is \$5.

Available at [www.21stcenturysciencetech.com](http://www.21stcenturysciencetech.com)  
or send check/money order to

**21st Century**

P.O. Box 16285, Washington, D.C. 20041



# WWF at 50: Genocide Is the Top Priority

by Nancy Spannaus

Sept. 16—The British oligarchy’s plan for exterminating a large portion of the human race in the name of “overpopulation,” is just as alive and well as it was when that oligarchy sponsored a young Austrian by the name of Adolf Hitler in the 1920s. Their intentions remain on display in one of their favorite institutions, the satanic World Wildlife Fund.

The WWF is virtually the private plantation of the British royal family, which carries forward the tradition of rabid genocidalists Julian Huxley, Bertrand Russell, and Thomas Malthus. Their basic belief, repeated *ad nauseam* for the last 200-plus years, is that man is just another animal, which must be managed and culled like any other herd of beasts, by (as Bertrand Russell put it) “methods which are disgusting even if they are necessary.”

The latest estimate by these Satanists, put forward explicitly by such entities as Optimum Population Trust, and other groups less so, is that the “carrying capacity” of the Earth requires that mankind’s numbers be reduced from the current 7 billion or so, to between 1 and 2 billion. They demand that we forget the most fundamental truth of human existence in the Biosphere—our increasing mastery over nature through revolutions in energy-flux density, leading to progress—and that we reduce our numbers, especially among the more numerous “non-white” races (Russell, again).

You don’t believe it? Look at a recent (March 2011) event at the British Royal Society for Arts and Science (RSA), presided over by WWF co-founder and international president emeritus, Prince Philip, consort to Queen Elizabeth II of England, and keynoted by Sir David Attenborough, a leading “naturalist” in this milieu.

Attenborough’s speech was a lying diatribe against human population growth—allegedly in defense of endangered species (other than human beings. He apparently has never heard of previous mass extinctions, or has ignored them.) Declaring himself a full believer in the totally discredited genocidal calculus of British



Creative Commons/Foreign and Commonwealth Office

*Sir David Attenborough follows in the footsteps of earlier British imperial genocidalists, including Thomas Malthus and Bertrand Russell, who rail against “overpopulation”—especially of the “inferior races.”*

East India Company employee Thomas Malthus, Attenborough proceeded to paraphrase genocidalist Bertrand Russell, saying that if we can’t get people to reduce their numbers “voluntarily” (by birth control or abortion), they will die en masse through famine, war, and disease. (Such death is of course a matter of willful design, since as the means to prevent such deaths are readily available, and being suppressed.)

Attenborough, the “naturalist,” stated: “We now realize that the disasters that continue increasingly to afflict the natural world have one element that connects them all—the unprecedented increase in the number of human beings on this planet,” as Malthus warned. But no one proposes the necessary measures to curb human population, which makes every problem worse.

“Why this strange silence?... There seems to be some bizarre taboo around the subject [Perhaps he forgets that Hitler made “population control” a rather touchy subject?—ed.].... There are over 100 countries whose combinations of numbers and affluence have already pushed them past the sustainable level.... It is tragic that the only current population policies in developed countries are, perversely, attempting to increase their birth rate, in order to look after the grow-

ing number of old people. The notion of ever more old people needing ever more young people, who will in turn grow old and need even more young people, and so on, ad infinitum, is an obvious ecological Ponzi scheme.”

Attenborough calls “the one glimmer of hope,” that “wherever women have the vote, are literate, and can control the number of children they bear, the birth rate falls. In Kerala, India, all these factors come together to produce 1.7 births per woman; in India as a whole, the fertility rate is 2.8 births per woman. But compare that with the Catholic Philippines, where it is 3.3...”

Each of us must “break the taboo, in private and in public... Wherever and whenever we speak of the environment—add a few words to ensure that the population element is not ignored. If you are a member of a relevant NGO, invite them to acknowledge it. If you belong to a church—and especially if you are a Catholic—because its doctrine on contraception is a major factor in this problem, suggest they consider the *ethical* issues involved... If you have contacts in government, ask why the growth of our population which affects every department is yet no one’s responsibility. Big, empty Australia has appointed a Sustainable Population Minister, so why can’t small, crowded Britain?”

Prince Philip, the president of the RSA for 59 years, corrected Attenborough, to the effect that the first major environmentalist organization was *not* the WWF; it was the IUCN (International Union for the Conservation of Nature). The scientific side of it knew the population problem, but didn’t have money and an organizing capability. “They came by to see me,” Philip explained, and we decided to form the WWF. Would I lead it?

I said no, because “I was already president of another international organization,” Philip explained, “and I told them to go see Prince Bernhard of the Netherlands.” (Prince Bernhard, the co-founder with Philip of the WWF, was a member of the Nazi Party who was forced to resign from it, in order to hold onto his title. How appropriate.)

Philip then recounted a revealing anecdote. “I had only one argument with Peter Scott [the naturalist who nominally headed the WWF—ed.]. He said to me, ‘We must promote conservation for the benefit of people. We must get people interested.’” I said to him, “I don’t think you’re right. We must look after animals for their own sake, not for our sake, so that people can have parks and go to look at them. If that happens, people

will put their own interests first.’”

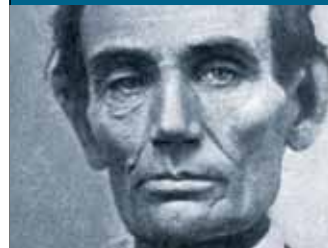
Philip himself, who spilled the beans to Deutsche Presse Agentur in August 1988, declaring, “In the event I am reborn, I would like to return as a deadly virus, in order to contribute something to solve overpopulation,” has contributed his share to populating the Earth. One of his offspring, Prince Charles, has thrown himself whole-hog into the campaign for genocide, attacking modern agricultural methods, the demand for economic growth and progress, and population growth.

On Sept. 8, Charles took over his father’s original position as president of the World Wildlife Fund UK. He took the occasion to pick up the issue recently featured by LaRouchePAC, warning of a “sixth great extinction event.” His solution to this danger, of course, is quite the opposite of a human one: reduce “demands” on the planet by reducing the number of human beings.

More to the point was Charles’ quip that he felt attracted to the WWF because he felt that he himself was part of an “endangered species.” As the heir to the British Royal Pestilence, out to decimate the human race, he should be.

An LPAC-TV Video

## Life, Liberty, And the Pursuit of Happiness



*In honor of  
Abraham Lincoln  
on the  
150th anniversary  
of the beginning of  
the Civil War.*

Before the the American Declaration of Independence and the U.S. Constitution, there was the brilliant project of the 15th-Century genius Nicholas of Cusa to found a new world, away from the imperial oppression of the European oligarchy. The result was the founding of the American Republic and its long struggle against British Empire, through the victory in the Civil War under Lincoln, and today’s battle to defeat the Empire and its puppet President Obama.

[www.larouchepac.com/node/18653](http://www.larouchepac.com/node/18653)

# Will Italy Lead the Way Out of the Euro?

by Claudio Celani

While all nations in the world are suffering under the continued bailout of the financial system, European nations are a special case. Within the straitjacket of the Eurosystem, the nations of Europe are engaged in a cannibalistic race for the survival of the fittest. The situation is comparable to persons left without food in a cage, who start to eat each other in order to survive.

The food is the “money” needed to refinance government debts which have ballooned through bank bailouts. On one side, EU member states have been forced to adopt brutal “slim-fast” programs in order to make their debts “sustainable,” but this has had a minimal effect in reducing the global refinancing needs of the Eurozone. Whereas weaker states such as Greece are excluded from capital markets, stronger countries such as Germany, France, and Italy are now in a beggars’ competition to find money to refinance their budgets.

So, while on the surface, Eurozone member-states pledge unity behind the sacred mission of saving the euro, under the surface they are engaged in a brutal competition to save themselves—and who cares for the others.

In this race, Italy is the weakest link, due to its high government debt, amounting to EU1.9 trillion, i.e., 120% of GDP. Under conditions of monetary and economic sovereignty, such a huge debt would not be a problem—as the case of Japan demonstrates. However, Italy not only has lost monetary sovereignty under the euro, but thanks to free-market reforms of the last decades, has turned what was a 100% domestic debt into a 50% foreign debt. Italy is now vulnerable because over EU900 billion of its debt is held abroad. More important, one half of that 50% is owned by French banks alone.

As a result of the cannibalistic dynamic described above, a run on the Italian debt began at the beginning of this year, with Deutsche Bank, a primary dealer in Italian bonds, selling 90% of its Italian debt. Then, in May, Moody’s suddenly announced that the Italian debt was put on a 90-day

watch, with the perspective of a possible downgrading.

Moody’s announcement unleashed a sell-off on the markets, so that in one month, yields on Italian bonds rose by one full percentage point. Five-year bonds went over the 5% mark, approaching the level that would make Italy’s debt, the second-largest in Europe, unsustainable. Since Italy’s debt is so large, there is no way that the Eurozone could bail it out, and therefore a default of Italy, in itself not a disaster, would however be the end of the Eurozone and trigger a global chain-reaction collapse.

Panicked by this perspective, the City of London and the European Central Bank (ECB) ordered Italy to implement a second austerity package, after the first one of last March, in order to “calm down” the markets. The ECB, backed by France and Germany, put this as condition for purchases of Italian bonds on the market, in order to support their price.

That is what Italy did, implementing an EU131 billion package of deeper cuts and new taxes with the idea of reducing the deficit to zero by 2013. Furthermore, the government committed itself to introducing a balanced budget provision to the Constitution, as demanded by the “Euro Plus” treaty agreed upon in March by Eurozone leaders.

## ‘In the Hands of the Usurers’

Like similar cases in the past, Italian leaders and Italian public opinion were thrown into a state of psychosis and fear by the British-controlled media, so that such actions were taken without thinking twice about



*Italian Prime Minister Berlusconi (right) isn't smiling so broadly these days: He's been put on a short leash by the British-run President Napolitano; Finance Minister Tremonti (left), meanwhile, has waged a rearguard fight against draconian pension and health-care cuts.*

them. State President Giorgio Napolitano, a supranationalist and a British agent of influence, went beyond his constitutionally ceremonial role, and literally put Prime Minister Silvio Berlusconi under his direction, dictating policy on behalf of the ECB.

Finance Minister Giulio Tremonti waged a rearguard fight, refusing to introduce so-called “structural reforms” such as pension and health cuts. Such reforms were explicitly demanded in a confidential letter sent by the ECB at the beginning of August, signed by current ECB chairman Jean-Claude Trichet and by future chairman Mario Draghi (now, head of the Bank of Italy).

Speaking at an international forum in Cernobbio, Italy, on Sept. 3-4, Tremonti said: “We are in the hands of the users.”

So far, only the LaRouche movement in Italy, and very few other prominent people have dared to call for Italy to stop “pleasing the markets.” The head of the LaRouche movement in Italy, Liliana Gorini, issued a call Aug. 15, for Italy to reject the “balanced budget” constitutional law, leave the euro, and implement a Glass-Steagall reform to restore national credit. A similar call in this direction came from economist Loretta Napoleoni (see interview, below).

On the surface, such patriotic calls are isolated. Italian policymakers swear allegiance to the euro, as Berlusconi said in Brussels on Sept. 13: “The Euro is our flag.”

However, privately they tell you another story. As Martin Wolff wrote in the *Financial Times*, “The extent of the [euro] breakdown was not brought home to me by the resignation of Germany’s Jürgen Stark from the board of the European Central Bank, nor by the looming Greek default, nor by new constraints imposed by the German constitutional court. What brought it home to me was a visit to Rome.

“This is what I heard from an Italian policymaker: ‘We gave up the old safety valves of inflation and devaluation in return for lower interest rates, but now we do not even have the low interest rates.’ Then: ‘Some people seem to think we have joined a currency board, but Italy is not Latvia.’ And, not least: ‘It would be better to leave than endure 30 years of pain.’ These remarks speak of a loss of faith in both the project and the partners.”

The economic, political, and social situation in Italy is loaded and ready to explode. The question is whether the current elite is ready to provide leadership, or whether it will be swept away by the coming revolution.

---

## Interview: Loretta Napoleoni

---

# ‘The Euro Is a Straitjacket’

*Dr. Napoleoni is an economics professor in London, and an advisor to several international agencies. She was interviewed by EIR’s Claudio Celani on Sept. 16.*

**EIR:** You have just published a book, *Contagion*, in which you say that Italy is going to be bankrupt in six months, and you call for a solution, namely an orderly default procedure. Can you tell us how this is going to happen?

**Napoleoni:** Yes. What I am doing is actually analyzing the situation of the euro at the moment, and judging from the policies which have been applied by the EU in the last 16 months in Greece, we have seen that these policies are not working. On the contrary, the austerity imposed by countries like Greece or Spain is contracting the growth, actually decreasing the GDP over the last 12 months: The GDP of Greece has contracted 7.3%. So, against this background, it is not feasible to think that we would be able to repay the debt.

So, what is happening is that countries are using the debt of the so-called bailout, to sustain the economy, to pay pensions, salaries, because the economy is not growing.

The alternative to this policy, is to use the example of Iceland, and follow a voluntary or controlled default, where the country splits the debt into two parts: the part that is owed to the national banks is guaranteed, while the other part, which is owed to foreign banks, is restructured; this means that a percentage is repaid over a certain period of time. That has the advantage of allowing the economy to grow again, but also has the advantage of getting out of the euro. The euro is a sort of straitjacket which is preventing these countries from having a currency that can be weaker vis-à-vis the currency of richer countries—Germany for example, or Holland. So, it prevents these countries from increasing competitiveness through devaluation.

**EIR:** What is the prospect that your proposal would



be accepted? What are the reactions, and what is the political situation?

**Napoleoni:** The reaction in Italy is very negative indeed. Nobody, either on the right or on the left, wants to consider the return to a national currency, to the lira. This is primarily because the Italians are afraid of a wild devaluation policy, which is basically what the Italians have done in the 1970s, the 1980s, and in part of the 1990s, and this policy, of course, brought inflation.

People do not understand that as the international economy is in a deep deflation, the danger of inflation is actually not that high. And in terms of alternatives: Between an alternative which, for sure, will push down growth to negative rates, and the risk of a mild inflation, the second one is a better option.

### Limitations of the Euro

**EIR:** But it seems that in other places, for instance in Germany, the idea of introducing an orderly default for a member of the Eurozone is going to be accepted. The deputy Chancellor of Germany has proposed this for Greece, and maybe the Italians would sooner or later realize that that is good for them too—

**Napoleoni:** I think that the orderly default that has been proposed by the Germans is a vague idea. This is a tremendous limitation of the euro: When the euro was created, there was a discussion on what a country should do if it needs to get out of the euro; but, we don't have a protocol with a set of rules. So, this is one of the most important technical problems.... There are immense ramifications in the economy about getting out of the euro.

For example, if a company in Italy has a contract denominated in euros with a company in Austria, and all of a sudden Italy decided to default and follow the example of Iceland, what happens to this debt? Is this debt going to be redenominated in lire, or is it going to stay in euros? These are the technical problems that are preventing the European Union from putting forward a sort of program for an orderly default that could be applied to Greece and to other European countries in order to get out of the euro, and start to

grow again. I think these are limitations that show how little we have thought about this union; we got into this union without thinking about all the possible developments.

**EIR:** Don't you think that the origin of the current mess is that we have a bankrupt state of the entire banking system, which has now affected the governments, and that it comes all from the mistakes of 2008, when they decided to bail out all banks, regardless of what their activities were?

**Napoleoni:** You mean the links between the crisis of 2008, and what is happening today?

**EIR:** Yes, that we are today in such a mess because of that decision.

**Napoleoni:** Yes, you know, this is the theory of pass the bucket or hold the can.... It means we have a problem, which is the problem of debt, which has been accumulating through 20 years of a policy of low interest rates, in order to facilitate the process of globalization.... And of course that did not work; as you see emerging markets are doing much better than we are; we are now asking for money

from emerging markets!

In 2008, in order to avoid a big recession, they simply moved the debt from the banks to the states, and this debt has not been reduced since 2008; on the contrary, it has been growing. Now, the case of Italy is different.... One of the reasons why a default of Italy may cause a major disaster in Europe is that French banks are overly exposed to Italian debt, and so are German banks.

So, anyway it is the same problem. Why are the banks so exposed? Because banks lent money that, in reality, they did not have, and they have been saved by their own states, so that they are still operational, but the hole that was dug during the '90s and part of the 2000s, is still there. So, it is all interlinked.

A possible solution? I think a possible solution is a major, major shrinkage of the financial system. We have to go back to the level of the early 1990s....

**EIR:** One way to do this large shrinkage without cost to the people would be to reintroduce a Glass-Stea-



lorettanapoleoni.net

Loretta Napoleoni

gall sort of separation, because in that way we would separate the commercial sector of the banking system from the trading sector, and insulate the commercial sector. What do you think about it?

**Napoleoni:** Yes, yes, I agree. I think we should go back to the Glass-Steagall legislation which was introduced after 1929; we need a separation, we need to backtrack globalization—I have been saying this for years—but in order to backtrack globalization, we need to have a political class that is no longer pursuing the interests of a very small elite. We need a political class that would represent the interests of the nation and of the population, which is clearly not the political class we have at the moment, all over the Western world.

So, the only way to get to a regeneration of this sort, is through a major, major economic crisis. That is terrible, but I do not see today any of the politicians actually promoting this kind of legislation.

### Hope in a New Generation

**EIR:** Do you see a hope in the young people who are now protesting, like in Spain, the Indignados, and other parts of the world?

**Napoleoni:** Yes, I think that this new generation is a very strong generation; it is actually a generation that is not easily impressed by money, by consumption; on the contrary, it is a generation seeking the true value of life, especially in human relations. This generation is rebelling against an economy which is really giving them no chances whatsoever; is not giving any opportunities to these young people. On top of that, these young people are constantly humiliated . . . which forces them to ask their parents for financial help, because they cannot survive without that.

I think that we are witnessing major changes, and it is interesting that these changes are taking place in the outside world; it is the outside world teaching us a lesson.

If some years ago somebody had told us that the Egyptians would get rid of Mubarak, demonstrating peacefully in the squares of Cairo, we would have said, this is impossible; but it has happened. So, anything is possible, also in the Western world . . . from these young people. But these young people have to make their voice heard *now*, meaning that we need this movement *now*, because the momentum is there.

#### LPAC Video

An Interview with  
Lyndon LaRouche

## QEIII and The Fate of Mankind



The latest run on Italian state bonds and the downgrading of the bonds of Greece and Ireland have signaled the final days of the Trans-Atlantic monetary-financial system. The problem is that cowards on both sides of the Atlantic are accepting the continuing bailout of the Inter-Alpha banks, at the expense of the lives of ordinary people and the existence of nations. There is only one remedy: Glass-Steagall.

<http://larouchepac.com/node/18767>

# U.S.-Sudan Relations: Development or Military Intervention?

by Lawrence K. Freeman

Sept. 16—Mahdi Ibrahim Mohamed (interviewed below) was the last ambassador from Sudan to the United States, having been recalled in 1998 following the U.S. bombing of a harmless pharmaceutical plant north of Khartoum. A year earlier, the U.S. decided not to replace its departing ambassador to Sudan. Thus, for over a dozen years, diplomatic relations between the two countries have suffered.

In 1998, there was one Sudan; now Sudan has been divided in two. Then, it was Susan Rice, as Assistant Secretary of State for Africa, who, with her cohorts, led the campaign for regime change against Sudanese President Omar al-Bashir. Today it is the same Susan Rice, now President Barack Obama's ambassador to the United Nations, who has continued the campaign to overthrow the government of Sudan. The new twist is, that today, the drums for NATO intervention against Sudan are being beat under the cover of the new doctrine called Responsibility to Protect or R2P, which allows Western military forces to violate national sovereignty, solely by their military authority. Citing the "success" of NATO deployments under the rubric of R2P, in two African countries this year, anti-Khartoum extremists are now calling for the establishment of a no-fly zone, and/or bombing of selective military targets in Sudan.

Britain's former Prime Minister Tony Blair first publicly advocated R2P in a speech in the United States in 1999, as a globalist doctrine of preemptive intervention, in an explicit effort to eradicate the 1648 Westphalian principle of the nation-state. Drug-legalizer George Soros, who serves the City of London's financial empire, has campaigned for R2P to become the international law of the UN, and championed the creation of the International Criminal Court (ICC) for the same purpose.

## Development Is the Alternative

In his interview, Ambassador Ibrahim mentions his constructive discussion with Johnnie Carson, the cur-

rent Assistant Secretary of State. While it is important to have open diplomatic channels between the United States and Sudan, much, much, more is needed.

Both Sudan and the new republic of South Sudan have been severely injured, albeit in different ways, from the division of the country on July 9, 2011. The wrenching separation has led to continued armed conflicts, in both the North and the South, which should not have been astonishing to any observer who knows Sudan. In fact, one can even suspect that these conflicts along the newly drawn border were anticipated, as an excuse to stymie any improved U.S.-Sudanese relations.

U.S. economic sanctions have been destructive, and did nothing but weaken both North and South Sudan. All sanctions should be lifted immediately; there is absolutely no justification for any further delay, except if one desires to see the Sudanese people suffer more hardship.

The decades of refusal by the West to actually assist the people of Sudan by building necessary infrastructure in water, power, and rail transportation, as part of a regional approach to increase food production, have left Sudan, especially South Sudan, vastly underdeveloped. With the effects of the collapse of the global monetarist system being felt in both Khartoum and Juba, and the growing worldwide food shortage, the economies of both Sudans will further decline unless the global system is changed. Since the trans-Atlantic nations are disintegrating by the hour, little, if any significant help from the U.S. and the West can be expected under these conditions.

The spirit of cooperation that led to the peaceful division of Sudan, referred to by Ambassador Ibrahim, must become substantive. But without the U.S. breaking from the British monetarist policy that is responsible for the genocide in Africa, and Khartoum giving up any illusions about adapting to free-trade-dictated austerity economics, there will be no real progress. Recognizing that the self-interest of each nation lies in the development of the other, a new joint mission in the self-interest of both Sudan and South Sudan must be adopted. If their combined untapped agriculture and water potential were developed to produce food at a rate that can feed all the Sudanese people and export surpluses to the nations of the Horn and the Maghreb, then at least a pathway to peace will have been established.

Support for such an effort is the only sane policy for the United States to pursue.

## Peace Is Our Strategic Goal

*Mahdi Ibrahim Mohammad is chairman of the Foreign Affairs Committee of the National Assembly of the Republic of Sudan. He was interviewed by Lawrence Freeman in Washington on Aug. 26, 2011. Here are excerpts of their discussion.*

**EIR:** It is now approaching the second month since the separation of Sudan into Sudan and South Sudan, and I would like to get your evaluation of how things are proceeding, and what the future looks like for the two Sudans.

**Ibrahim:** Thank you. Well, at the outset, I would like to say that secession is not an everyday occurrence; it's the kind of thing that comes after so many years, maybe in a century even. And it's not an easy matter, dividing a country, for whatever reason. It's an extremely costly enterprise, and it wouldn't have come easily unless Sudan had a very clear vision about the significance of peace, stability, development, and progress for its people. And as you know, we suffered five decades of instability and conflicts, which impeded the welfare of the entire country, North and South.

President Bashir and his government worked very hard, from the beginning, to bring an end to this conflict between North and South, and peace was a strategic goal. We maintained our very clear vision that unity is a better deal for all the people of Sudan: You have a bigger country, huge resources, an enormous population. You have all the valuable natural resources and the human resources; sharing them together with a plan, or strategy, certainly would give the country a better future.

But yet, we gave our brothers in Southern Sudan the right to secede, if they chose to, after six years of transition, in which we would experience a united country, and work together in that direction.

When they finally made this choice, because of our

clear vision that peace is strategy, we implemented the peace agreement, and accepted the result of the referendum and recognized the new government. This was an unprecedented event, that President Bashir went to the South, and recognized a new state. We established the first embassy there, an unprecedented step. The world needs to recognize that Sudan has done something extremely remarkable—not only for Africa, but worldwide.



Since then, we have focused our attention on trying to build the mother Sudan, and this is one of the fundamental ideas: to reconstruct the country, after making sure that peace prevails all over the territory of the North. And to manage the human resources, and the natural vast untapped resources of the country, on the basis of a strategy which we already developed in consultation with all the parties, and with all the technical people, to marshal all these resources in the direction of rebuilding the country.

We need massive infrastructure. Even after secession, Sudan has 1.8 million square kilometers, and 33 million people spread all over this vast land. So we still need major infrastructure: roads, railways, and electrification of the country and the rural areas, beside the urban areas. We made development of the agricultural sector part of a strategic plan, on which the future of the country will be hinged.

Even after we develop agriculture, we have immediately to couple that with developing agro-industry, to give our people more opportunity for employment. That will give the country more production, meet all its needs for crops, and allow us also to develop our industry, realize domestic needs, and at the same time respond to the needs of our neighbors in Africa, the Middle East, and beyond. Certainly we are also building dams and bridges, and advancing the higher education of the country, multiplying considerably the number of schools and developing the education system.

This is all part of a strategy to move from a society that has been devastated by the war, to a society that is progressively moving forward, improving the conditions of its people. And from that perspective, we have focused tremendously on the issue of democratization....





EIRNS/Douglas DeGroot

*Sudan's Merowe Dam is the largest hydropower project in Africa, and will add more than 1 million acres of arable farmland to the region. As of 2009, when this picture was taken, two out of ten turbines had been fired up.*

## Future North-South Relations

**EIR:** Obviously, the separation had wrenching effects on the North and the South. The people are told, “Now you’re part of this section,” “Now you’re part of that section.” As a result of that, conflicts have emerged, which are, in my opinion, the result of this wrenching decision. In the news in the United States, now, there’s a great deal of concern about the conditions in the Nuba Mountains and South Kordofan.

So, I’d like you to address that from the standpoint of how you see future relations between Sudan and South Sudan. How do you see that progressing, and getting over the current difficult situation that Sudan is in?

**Ibrahim:** Before coming to that, I would like to shed some light on the serious and challenging economic problems that came to us because of secession.

Historically, Sudan is an agricultural country; it’s been like that for so many years. But ten years ago, we started extracting oil and selling to the world, after realizing that we had satisfied domestic need. With secession, 75% of the discovered and extracted oil goes to the South, and 25% to the North: Certainly that is a major challenge to the budget, and to the national financial interests of the country. . . .

We have inherited many problems because of this secession, but the government has developed a plan to absorb these challenges, and to accommodate the difficulties. The fundamental thrust is to reduce government expenditure, to increase local production in agriculture and industry, and to focus more on the production of the basic needs of the people—food, sugar, cooking oil, and flour, so we do not have to import, or at least import less.

At the same time, the government reduced the salaries of the top government officials, the parliamentary officials, all the top guys. And it’s not a small reduction—their salaries were reduced by 25%. This happened maybe four or five months ago.

**EIR:** Including your own salary?

**Ibrahim:** Yes. Before secession, we started that, in preparation for the challenges we were going to face. I assure you that the government is very serious about addressing these issues, and I hope that we’ll be able to overcome them. But certainly secession came with so many problems for us. We have to see that peace prevails.

**EIR:** Given the fighting going on inside your own country, with support that you point out is coming from the South, what kind of policy overtures do you have as a member of parliament in the North, to overcome this? Because the South is going to be your most important neighbor, and potential ally in the future. What kind of overtures are you offering to have a positive working relationship in the future, with the new country of South Sudan?

**Ibrahim:** As I mentioned earlier, from the early time we told the President of Southern Sudan that we would like to see the best of relations between North and South: peaceful, friendly, brotherly cooperation; open borders, and economic cooperation. There are issues that remain between us. We were supposed to address them before secession, but unfortunately, we didn’t succeed, because there are differences in opinion between us.

We believe very strongly that the spirit that took both parties—the SPLM/SPLA [in the South], and the National Congress/government of the North—from warring parties to negotiating partners, to signing the Comprehensive Peace Agreement (CPA) in 2005, to implementing it, to conducting the referendum, and to recognizing its results until a new government of [Southern] Sudan was established on July 9, 2011—must return. We think the spirit that created all these processes, is the spirit we need to resolve the remaining issues, so that the relations between our two countries will not be soured by such behavior, which is a gross diversion from the relationship which is supposed to characterize our relationship between North and South.

Certainly we are doing all this because we have peace as a strategic plan, in our vision. But we hope that our brothers in the South will come to their senses, and will stop aggression, and will not be encouraged by the fact that the West has always supported them. . . .

### **Relations with the U.S.**

**EIR:** I have one final question, about the relations between Khartoum and Washington. The United States has been involved in Sudan for many years, since the government of President Bashir came into power in 1989, and now there were agreements or promises made for a roadmap to normalization. This is your first trip to the United States, I believe, since the separation occurred. You could give us your evaluation of the future of U.S.-Sudan relations on these key issues for normalization?

**Ibrahim:** As former ambassador to the U.S. from Sudan, I know very well the government of Sudan, the President of Sudan, and I've always looked for better relations between Sudan and the U.S. We were very conscious there was no colonial relationship between Sudan and America, and because of that, there was no animosity against Americans in Sudan.

Also, in Sudan, we do distinguish between the government of the U.S. and the people of the U.S. And we are very conscious that the people of the U.S. are very friendly, very open-minded; they have a high sense of fairness, and they are very generous. Maybe it is the case in every part of the world. People generally are different from governments.

Certainly in the history of the governments of Sudan and the U.S., the last 20 years, we had so many difficulties. But the government of Sudan has never come to

despair. We still think there is an opportunity for the relations between our two countries to improve considerably. Historically, American governments used to say that the war between North and South [Sudan] was souring the relations; at some point they started saying that human rights violations because of the war and other things soured the relations; at some point they spoke about terrorism, and others spoke about relationships with other countries.

But in all honesty, Sudan was able to address these things adequately, because this is part of its vision, part of its responsibility toward its people: to address adequately all the challenges it faces. We were able to move from a military government, to an elected government; from a country that faced a protracted war between North and South, to end that war, in a landmark peace agreement; and finally, even to give the South a separate country. And we were able also to improve the economy, to extract oil, and, as a result, to liberalize and reform the economy, in a manner that gave us stable and steady growth, with an average of 7-8% for the last 15 consecutive years.

We were able to expand education. We were able to embrace the different shades of opinion, build parties in the country—we now have 70 of them. So, the country has moved considerably, and successfully. It's true, there are difficulties and suffering, and a price. We moved from those difficult times into a new era—with stability, with peace, with economic progress—of democratic transition.

I believe, and the government of Sudan believes, that all the issues that were part of the contention between our two governments have been resolved. Now the U.S. has to live up to its promises: its promises to end sanctions, and to stop putting Sudan on the list of countries harboring terrorism. All the American intelligence agencies know very well that this is not true; it is a political armament used to intimidate Sudan, and keep it under sanctions.

I recently had a visit with the Assistant Secretary of State, Mr. Johnnie Carson, and it was a constructive meeting. In very explicit terms, he emphasized the position of the U.S., and it was encouraging. They are committed to the roadmap, and they're working diligently in this direction. I hope that both countries will be able to reach the climax of this roadmap, by allowing the relationship between them to usher in a new era of cooperation, dialogue, and understanding, rather than confrontation.

## LAROUCHE'S SEVEN NECESSARY STEPS

# Step Three: Issue Hamiltonian Credit for National Projects

by Nancy Spannaus

On Aug. 24, 2011, Lyndon LaRouche outlined a seven-point program as the only possible solution for the present threat of a global breakdown crisis. Having presented the overview in our Sept. 2 issue, and in-depth attention to Steps One and Two—the removal of Obama from office and reenactment of Glass-Steagall, and application of the Glass-Steagall standard to our casino gambling debts (*EIR*, Sept. 9 and 16)—we now turn to Step Three: “For lack of real assets remaining, issue Hamiltonian credit for national projects.”

LaRouche stated in that LPAC-TV presentation Aug. 24:

*“Now, the key part of this, is that the amount of credit which will survive the purge of this system of debts is unfortunately rather small. Therefore, it is not possible to simply use Glass-Steagall in the simple way, by continuing the present national currency system. You have to go to a **credit system**, as implicitly defined by Alexander Hamilton when he was Treasury Secretary, and in forming that aspect of the Federal Constitution. So therefore, that division will define a section of the debts that will go to the merchant banking sector and similar sectors—the gambling sector—they are on their own; they get not a penny of bailout! All the debt is entirely assigned to them, that part of the debt.*

*“The debt, however, of the part that will be rescued from this embrace, will be a very small part, because we’ve waited much too long on this thing, and there-*

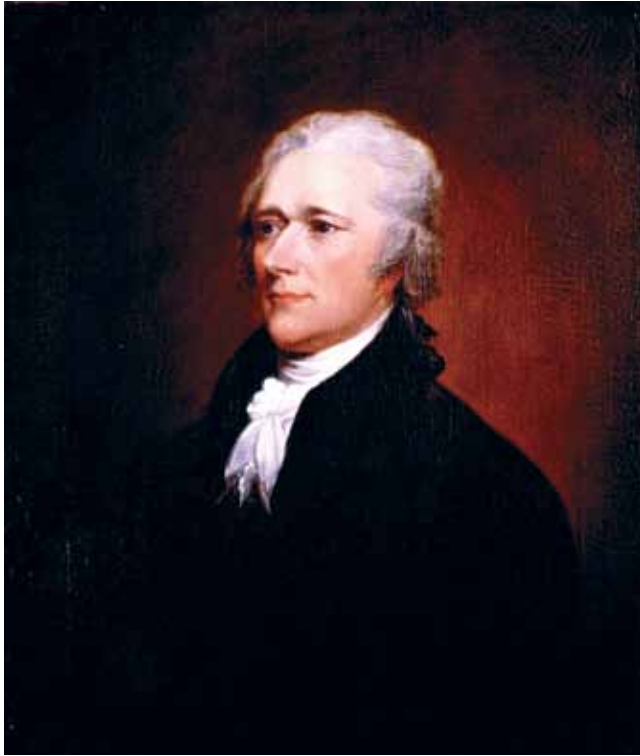
*fore, the ratio of bad money to good money has gone that way as such. So that has to be done; so we have the division of liabilities.*

*“Now, what do we do? We have to go to what Hamilton implicitly defined as a code of the Constitution: a credit system, **not a money system**. We will use money, but money will be defined as a part of a credit system, not a money system in the ordinary sense.*

*“The Federal government will, therefore, have to utter credit in excess of what survived the purging through Glass-Steagall. This means that we’re going to have to issue state credit, for states and the nation as a whole, the two categories; and therefore, Federal credit will be used, as a means of salvaging and promoting subsequent growth in the state economy, and what is called the national sector, or national government liabilities.”*

### Bankruptcy Reorganization

Another way to describe LaRouche’s Step Three would be to call it bankruptcy reorganization according to the principles of the credit system laid out by the first Treasury Secretary of the United States, Alexander Hamilton. For, what the removal of the phony or otherwise illegitimate debts from the books of the nation’s commercial banking system, and government entities, will mean, is that our financial system will reflect physical reality: We are indeed bankrupt.



*First Treasury Secretary Alexander Hamilton devised a unique policy to deal with our nation's first bankruptcy: the American credit system. It's the indispensable solution today. Painting of Hamilton by John Trumbull, 1806.*

Hamilton and the other Founding Fathers faced bankruptcy as well, when the Revolutionary War drew to a close. Much of the physical economy of the colonies had been damaged by the war and the nation was enmired in debt—\$65 million, to be precise, owed by the bankrupt Federal government and the states to both U.S. individuals and to foreign individuals and governments. Interest alone on this debt—not counting arrears—amounted to more than the income projected to be available to the Federal government. The accumulation of that debt, on top of the physical destruction, provided a grim prospect for the newly independent nation, making it a prime target for disintegration, or even reconquest.

Hamilton's solution was unique, even within the tradition of European civilization. European tradition at that time called for punishing bankruptcy—even to the point of putting the bankrupt in jail, or de facto selling him into slavery. Hamilton called for, in effect, setting aside the past debt, and turning it into a pool of capital for building up the physical economy, so that the debts of the nation could be paid in the future. The instrument

for turning that debt into credit, was the Bank of the United States.

What Hamilton understood was that the ability of the nation to pay its (legitimate) debts, depended upon investing in, and putting to work, the productive powers of labor in the economy, in order to produce the wealth required to generate sufficient profit to pay past debts. Of course, there were those, even in his time, who demanded that debt payments come first—before the general welfare. They were the balanced-budget lunatics of the age, whose successes led, among other calamities, to leaving the U.S. defenseless, going into the War of 1812. But Hamilton knew that was self-destructive, because the future ability of the nation to prosper, *and* pay its debts, required certain immediate investments, from transport infrastructure, to advanced manufacturing in certain crucial areas which would make the United States self-sufficient in the most important economic sectors.

It is this principle which we must apply today in order to get out of our bankruptcy crisis, whose implications threaten the future of all mankind.

### **Start with Sovereignty**

Before Hamilton's program could be put into effect, of course, there had to be a unified, sovereign nation. In principle, that goal was achieved with the crafting, and ratification, of the Constitution of the United States—an enterprise to which Hamilton devoted extraordinary energy in both formulating, and bringing into existence through the political process of ratification.<sup>1</sup> As Hamilton put it: "The manifest design and scope of the constitution is to vest in Congress all the powers requisite to the effectual administration of the finances of the United States."

Despite the fact that the Constitution set forth the clear principles to govern the nation in its Preamble, and elaborated specific powers of the Congress to control the currency, arrange for the payment of debts, and provide for the general welfare, not all of America's leaders were prepared to implement these principles. Specifically, the Madison-Jefferson grouping was determined to deprive the newly formed Federal government of the power over money and credit, in effect, leaving the new nation under the control of the British

1. Nancy Spannaus, "Alexander Hamilton's Economics Created Our Constitution," *EIR*, Vol. 37, No. 48 ([http://www.larouche.org/public/2010/2010\\_40-49/2010-48/pdf/04-13\\_3748.pdf](http://www.larouche.org/public/2010/2010_40-49/2010-48/pdf/04-13_3748.pdf)).





*The precondition for real economic development is national sovereignty. While the American colonies' victory in the War of Independence was essential to establish it, it would take the Constitution to consolidate the nation's powers. Here, French Admiral Rochambeau and General Washington give their last orders before the Yorktown battle. Painting by Louis-Charles-Auguste Couder, 1790.*

Empire in terms of its economy. The battle came to a climax around the question of the establishment of the Bank of the United States.

Thomas Jefferson and James Madison attempted to sabotage the creation of the Bank—which had been approved by Congress in 1791—by arguing that the U.S. government did not have the right to establish corporations, and that such a bank was unnecessary to the functioning of the nation. In response, Hamilton wrote his “Opinion on the Constitutionality of the National Bank,” in which he set forth the powers of the new sovereign nation:

“This general principle is *inherent* in the very *definition of government* and essential to every step of progress to be made by that of the U.S.—namely, that every power vested in a GOVERNMENT is in its nature *sovereign*, and includes by *force of the term*, a right to employ all the *means* requisite, and fairly *applicable* to the attainment of the *ends* of such power. . . .

“The powers of the Federal government as to its *objects* are *sovereign*. . . . The power that can create the supreme law of the land, is doubtless sovereign in this case.” It is “incident of *sovereign power*” to erect corporations “in *relation to the objects* intrusted in the management of government.”<sup>2</sup>

While Hamilton won the day over the battle for establishing the National Bank, Hamilton’s concept of sovereignty, especially as it applies to the Federal government’s responsibility to promote the economic prosperity of the nation, has been a matter of constant battle ever since. Hamilton’s idea was strongly advanced during the Presidencies of John Quincy Adams, Abraham Lincoln, William McKinley, and Franklin D. Roosevelt, the latter, despite the fact that the establishment of the Federal Reserve Bank in itself had violated sov-

eign control over credit. But since the FDR’s death, the erosion has been much, much worse.

The most egregious example is the operation of the Federal Open Market Committee (FOMC), by which the Fed creates fiat money through the private banking system—and pays the private banking system for the “privilege”! This process is a direct violation of the U.S. Constitution, and can be held directly responsible for the fact that “money” has become increasingly divorced from any physical productive process.

To restore sovereign authority over the U.S. economy today, Congress has to eliminate the Fed’s private control over money by effectively turning the Fed into a national bank consistent with the Constitution’s grant of powers to Congress to control the nation’s finances.

2. Michael Kirsch, “Hamilton Counsels Congress: Discover Your Powers,” *EIR*, Vol. 34, No. 6 ([http://www.larouchepub.com/eiw/public/2007/eirv34n06-20070209/48-70\\_706\\_stratstud.pdf](http://www.larouchepub.com/eiw/public/2007/eirv34n06-20070209/48-70_706_stratstud.pdf)).

## Hamilton's Credit Principle

The accompanying article, which is excerpted from LaRouche's January 2011 State of the Union speech, provides the most cogent, clear summary available of the fundamental principle which has to be applied in order to put the nation's economy back on track. Details aside, the core idea of the Hamilton credit principle is that it links the emission of money, or bills of credit, to creating a more productive economy (by advancing conditions of technology and labor).

Here, we indicate some of the historical background to Hamilton's application of that principle, as implemented in the Massachusetts Bay Colony, and in the thinking of Benjamin Franklin, the universal genius who provided the link between the Massachusetts colony and the American Revolution, including his collaboration with Hamilton.

As LaRouche has insisted, and historian H. Graham Lowry has elaborated in his groundbreaking book *How the Nation Was Won*,<sup>3</sup> the Massachusetts Bay Colony was the premier republican experiment on the American continent, founded by men inspired by a humanist conception of man's mission on Earth, which can be traced to the great Italian Renaissance. From the start, the colony moved toward self-government based on the rule of reason, including such innovations as printing the laws (not done in England), establishing a public system of compulsory elementary education, and a specific government commitment to economic and industrial development, including the most advanced iron mill in the world, the Saugus Iron Works.

In 1652, when the flows of currency and trade were disrupted by the English Civil War, the Massachusetts General Court (the ruling body) took another step toward economic sovereignty by establishing its own currency, the Pine Tree Shilling. The purpose of the issuance was not for international trade, or "making money," but for facilitating investment in the physical economic development of the colony—later, the Hamilton principle.



*The Massachusetts Bay Colony had a perspective for scientific and technology progress, but needed the financial basis to implement it. Their choice was the Pine Tree Shilling, depicted here.*

The coins were redeemable only within the colony, but quickly spread throughout the New England region, becoming a monetary standard, and facilitating trade and investment among the colonies. As there was no monarch in England at the time (Charles I had been beheaded in 1649), the British did not immediately challenge this act of sovereignty—and it is likely that, with this fact in view, nearly all the Pine Tree Shillings were stamped with the date 1652, even though the currency was minted all the way up to 1682.

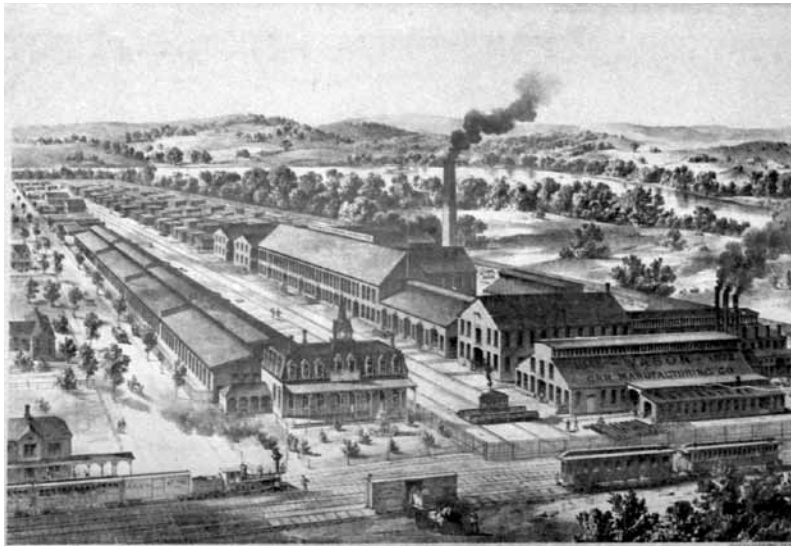
The issuance of a local currency, of course, was a bold assertion of sovereignty, and the Crown did ultimately squelch not only that power, but the Charter in its entirety. While the Commonwealth's leadership, centered heavily in the Mather and Winthrop families, continued the battle for a republican form of government, it became increasingly embattled. Ultimately, it was left to Benjamin Franklin, son of Massachusetts and intellectual heir to Cotton Mather, to carry on the fight, from his new base of operations in Pennsylvania.

The Pine Tree Shilling was a silver coin, and thus circulated alongside other gold and silver coinage from Europe, which were used in the colonies. But the colonial legislatures also issued paper currency, called bills of credit, as a means for citizens to pay taxes and carry on trade. These bills of credit were often printed under the press of emergencies, such as wartime crises, and were issued with a time frame in which they had to be redeemed through payment, with interest, and were often secured by land (mortgages). Since they were not tied to any productive activity—and the taxes which would supposedly be devoted to redeeming them were often not collected—these bills often tended to depreciate in value, to the point of worthlessness.

When Franklin arrived in Philadelphia in 1723, he immediately took up the question of colonial money. Pennsylvania had just begun to print paper currency for internal trade, since it was experiencing a shortage of foreign coin. Franklin's concern was physical-economic: The well-being of the population was suffering due to the lack of money in circulation. So, in 1729, Franklin wrote "A Modest Enquiry into the Nature and

3. H. Graham Lowry, *How the Nation Was Won: America's Untold Story Vol. 1, 1630-1754*, Executive Intelligence Review, 1988, 2004.





Library of Congress

*The purpose of the American System credit system is to invest in the leaps of technological progress which will create a more prosperous future for the entire population. To the extent it was implemented, Hamilton's system resulted in significant advances in U.S. manufacturing, as shown in this 19th-Century industrial complex.*

Necessity of a Paper-Currency,” in which he argued that circulating capital in the form of paper money is absolutely necessary in order to promote trade, increase population, reduce usury, and generally improve the prosperity of the colony. This is, of course, only true if that currency is tied to productive activity, not speculation.

Once again, the British Crown was not amused; it wanted the colonies to be economically at the mercy of the oligarchy in London, and the functioning of a strictly local currency which promoted manufacturing, in particular, ran counter to that aim. With the Treaty of Paris in 1763, the Empire began a new round of clamp-downs, including a restriction on the issuance of colonial paper money. It was left to the Revolution to resolve the issue, by establishing a new sovereign nation altogether. That new nation, under Hamilton's leadership, prohibited the states from issuing their own currencies, and established *public credit* on the national level, to be centralized through the creation of a National Bank that would emit a *national* currency for the payment of taxes, and, most importantly, for promoting the increase of agriculture

and industry to the benefit of the “general welfare” of the population. (For more, see Spannaus, cited above.)

## Practical Implications

In this step of financial reorganization, LaRouche is calling for two concrete steps to be taken. First, is the elimination of the anti-sovereign operations of the Federal Reserve, and its transformation into a National Bank that would function on Hamilton's core principle. The second is the Congressional issuance of massive amounts of credit for major national projects, which would drive the transformation of the entire economy onto a higher platform of technological development, and bring millions of unemployed Americans into the process of building a future for themselves and their posterity.

“Oh, but you'll be creating more debt!”, we can hear the monetarists say. Yes, indeed, but this will be debt attached to specific projects to build the nation, projects which will increase the productivity of the nation as a whole, and thus pay for themselves over time, with that increase in productivity. This is the Hamiltonian principle of turning debt into credit for the benefit of developing the nation, and with a national commitment to realizing the goal of a future state of progress. It has worked before (the Kennedy space program is only the most recent example), and it will work again.



Wikimedia Commons/AgnolsticPreachersKid

*The very existence of the Federal Reserve, shown here, is a violation of U.S. national sovereignty. By restoring Hamilton's system, it will be turned into a National Bank.*

# Alexander Hamilton's Credit Principle

*The following excerpt is from Lyndon LaRouche's Jan. 22, 2011 webcast, which can be found in audio and video at <http://www.larouchepac.com/node/7799>.*

The once-victorious states of the United States, once the victory over the British had been secured, found themselves buried in a war debt incurred by the respective former colonies. Hamilton's genius saved the United States, as the same principle, expressed by the re-enacted Glass-Steagall law of 1933, would save our United States, again, today—if we acted to force through that reform, whatever that requires, immediately, now.

By creating a Federal Constitution, one designed under the great guiding, inviolable principle of the present Federal Constitution's General Welfare clause, all of those elected officials who oppose that constitutional principle affirmed as the Preamble of that Constitution, are morally obliged either to change their opinion, or leave office out of a desire not to pollute our government with their unwholesome, misguided opinions.

Hamilton's turning our United States to national banking under a credit system, rather than a European type of monetarist system, provided the solution, a unique solution which sometimes influenced both European and some American states, in particular, but which rose to a more outstanding degree of durable quality than other leading nations to the present date. On that account, since 1776, the British Empire has sought to subvert and destroy us, from that time to the present day of the anglophile corruption expressed by such putative protégés of the most regrettable, lying, former Prime Minister Tony Blair, as President Barack Obama.

That principle of a credit system, emphasized by Hamilton, rather than a typically European monetarist system, is a principle directly counterposed to the monetarist principle which was established as that principle of usury of the Roman Empire which is continued by the present British empire, and tolerated,

still, among most of the nations of Europe and elsewhere, still today.

That principle is also a moral principle, enshrined against that principle of monetarist usury which has been employed to wreck our republic, as has been especially notable since President Nixon's implicitly treasonous, great criminality of August 1971.<sup>1</sup>

The principle is elementary. It is the principle of the Pine Tree Shilling of the original Massachusetts Bay Colony. *Honest debt to the future can be paid only through honest creation of future physical and equivalent wealth, including the development of the relevant creative powers of the individual citizen, and also the children and adolescents of those families.*

*Such debts of a credit system must be paid by the fruitfulness of future production, as this principle was already understood by the Winthrops and Mathers of the original Massachusetts colony. Such debts require that the government delimit such accumulations of debt to the efficient commitment to promote that production. Such debt can be lawfully incurred only by a decision premised on a reasonable expectation of the relevant creation of the increased physical wealth, and of the increased physical productivity of the nation. Debts incurred on the account of financial speculation are not legitimate debts of a government.*

This describes, in rather plain language, Alexander Hamilton's great principle, *as embedded in the summing intent of the Preamble of our Federal Constitution.*

Debts are good, when they are designed to be made good, as by a credit system based on a commitment to increase the creation of net wealth per capita, and per square kilometer of the territory of a nation. The famous Saugus Iron Works typifies the genius of successes which horrified the more backward, and often useless souls reigning jealously over England at that time.

In practice, the success of the U.S. economy has always lain, chiefly, in the production of those public works through which the increase of the physical productivity of the nation is effected, as it is measurable per capita and per square kilometer of territory. No true republic was ever a mere collection of parts; but is the summoning of diversity to the effect of an intended greater and better unity. . . .

---

1. Nixon detached the dollar from gold on Aug. 15, 1971.



# 'Unavailability' of Livestock Feed Signals: U.S. Food Shortages Are Here

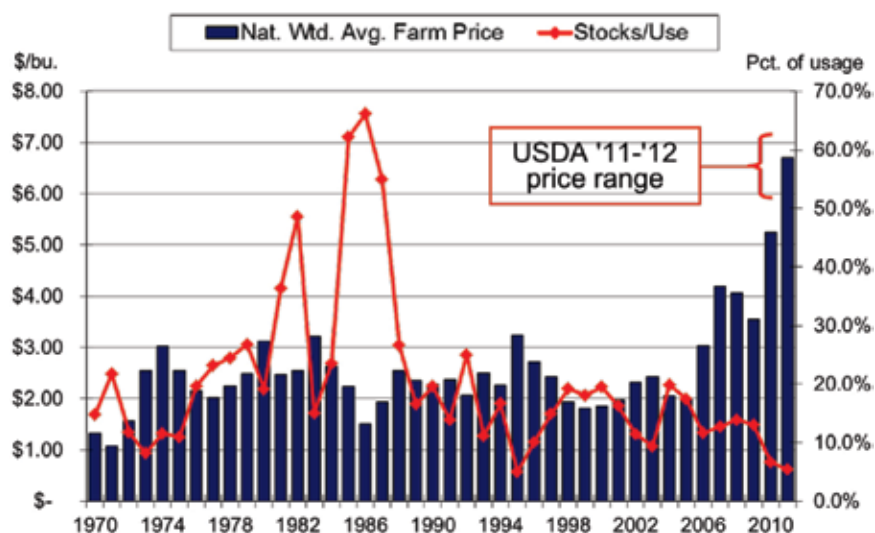
by Marcia Merry Baker

Sept. 19—Food shortages have now hit the United States, in addition to the crisis in the international supply chain, which is now consigning millions in Africa to hunger and starvation. U.S. production of wheat, corn, and rice in 2011, are all down from last year. Levels of grain stocks are plunging, and the prospects for next year are grim. This is now manifest in the corn-using livestock feed chain, which can no longer even line up sufficient, or affordable supplies for producers of beef, milk, poultry, and eggs. Thousands of farmers and ranchers are downsizing, quitting, or otherwise facing ruin, liquidating their beef cattle inventory, flocks, and milking herds.

Lyndon LaRouche warned about this contingency months ago. The time for action is now, in conjunction with imposing a shift in the United States to a Glass-Steagall credit system, and undertaking the needed emergency and long-term food and agriculture measures. Don't do this, and you'd better give up eating.

This month, the combines started rolling in the Corn Belt states—Iowa, Illinois, Nebraska, Indiana, and Ohio—but even if the harvest goes perfectly, this year's ending stocks—the volume of carryover of corn crop this year to next—will be at the minuscule level of 5% of usage. The U.S. Department of Agriculture gave a 5.3% stocks-to-use ratio as their official figure for corn carryover in their Sept. 12 monthly World Agriculture Supply and Demand Report (WASDE), but this low a ratio is just a construct, to cover for the fact that we are short of corn. As a nation, we will have on hand only 17 days supply. That is a

FIGURE 1  
U.S. Corn Price & Stocks/Use Ratio 1970-2010



polite term for shortfall (**Figure 1**).

The immediate cause is the volume of corn going into ethanol, which took off under George W. Bush, and is now backed to the hilt by Barack Obama, as a screwball go-green policy. The share of U.S. corn production used for ethanol has this year exceeded that going for livestock feed! Ethanol will use at least 40% of corn output, and maybe up to 50% or more. Corn for animal feed is down to 37%. The share of corn for other non-ethanol usages is squeezed—exports, corn products (starch, sweetener, oil, corn meal, starches, corn flakes, etc.). Historically, 55% of the annual corn crop has gone to the animal feed chain, but no longer.

On Sept. 14, six representatives of the entire spectrum of feeders of livestock (hogs, cattle, milk cows, chickens, and turkeys) testified on the crisis to the House Agriculture Committee, Subcommittee on Livestock, Dairy and Poultry, on the “issue of feed

availability and its effect on the livestock, dairy, and poultry industries” (see below).

“Permit me to suggest that a more appropriate title of the hearing would be ‘Feed Unavailability,’” is how the representative of the National Chicken Council, Michael Welch, began his presentation to the hearing. All of the witnesses recounted horror stories of the present situation. Excerpts of their statements are given below, to document the scope of the worsening crisis, and the need to intervene now.

### **Areas of Action**

There are three areas of action called for immediately.

First, stop corn-for-ethanol immediately. This will free up corn for other domestic and international feed and food usage, which is now being sucked into some 220 distilleries for ethanol, for blending into gasoline. All the details of this shift can be worked out, with the principle respected, that we will keep intact and operating the farming, shipping, and storage capacity diverted into serving ethanol, which otherwise are needed in the food sector at large. A farm floor price for corn can be mandated for the transition, on the principle of parity pricing for farmers’ commodities.

In contrast, the non-farm, non-food interests involved in ethanol distillation and distribution—hedge funds, equity funds, mega-cartel firms such as Cargill, ADM, Valero, Chevron, and others, can have their ethanol stake-holdings frozen and sorted out later.

Secondly, stop the food commodity speculation. Put price controls on food during the emergency, including on farm input commodities. Do what the Commodity Futures Trading Commission has outstandingly *not* done under the Dodd-Frank fake financial-reform bill: Bar gambling on the Chicago Board of Trade by non-food-user speculators. Limit their access and position holdings, and penalize them for any violations. At present 80% of the trading on the CBOT in corn and similar basics, is done by non-users of the commodity.

Thirdly, launch a food-production mobilization with short- and long-term actions. More area for planting can be made available, by freeing up all the land appropriate for cultivation in the 30 million acres currently in the Conservation Reserve Program; this must be done with no penalties placed on the enrolled farmers, whose land will then come back into production. This former CRP acreage will add greatly to the 320 million acres now being cropped nationally.

All other requirements for lifting short-term national production should be mustered, including credit, and availability of inputs—seeds, fertilizer, chemicals, and aid for transportation and power. To make up for some of the Winter wheat sowing that can’t be made this Fall in the Texas/Oklahoma/Kansas region, compensatory planting should be mustered wherever else possible.

Finally, reintroducing Glass-Steagall is the gateway for new conditions, under which credit can be advanced for the continental-scale North American Water and Power Alliance (NAWAPA), to create vast new agriculture potential in the Western states and Canadian Prairie Provinces. In addition, the unfinished, off-the-shelf, smaller regional projects—such as the Pick-Sloan, Missouri River Basin projects, for flood control, power, navigation, and agriculture—must be resumed and completed. Governors of the Missouri River Basin states have started meeting, to forge a new perspective on what the Army Corps of Engineers should be doing. Finish the 1940s Missouri River Basin Project!

Likewise, the 10,000-plus upper watershed dams and water management improvements undertaken after World War II by the USDA and local entities, but then neglected, must be put back on the urgent agenda for flood control and agriculture.

### **For Food Security, Remove Obama**

At the Sept. 14 Congressional hearing, several witnesses gave specifics on how they had asked the Obama Administration, specifically Agriculture Secretary Tom Vilsack, for action on ways to restore stability and adequacy in the grain supply, but have been utterly ignored. For example, the National Pork Producers (NPPC) representative, Randy Spronk, from Minnesota, said:

“NPPC has asked USDA to address potential feed-grain shortages, requesting that non-environmentally sensitive farm acres enrolled in the Conservation Reserve Program be released early and without penalty, so that they may be planted to crops. Additionally, it asked the agency to consider allowing farmers to plant crops *after* they have received ‘prevented-planting’ insurance payments [for weather-ruined crops; after which short-season crops have so far been barred from being sown—ed.]. It also has requested that a contingency plan be developed should corn demand exceed supply. USDA has yet to take action to address the potential feed-grain crisis.”

# Cattle, Hog Operations Shutting Down

*Excerpts from the testimony to the House Agriculture Committee from Dr. Steven Roger Meyer of Adel, Iowa, President of Paragon Economics, Inc., for the National Cattlemen's Beef Association; and Randy Sprong of Edgerton, Minnesota, a managing partner of Sprong Bros. and Ranger Farms, hog and grain operations. Sprong represents the National Pork Producers Council, for which he is vice president. (All emphasis in original.)*

**Dr. Steven Roger Meyer:** I address you today with grave concerns regarding the ability of U.S. livestock and poultry industries to continue to provide affordable, high-quality protein in the form of meat, poultry, eggs, and dairy products to U.S. consumers as well as customers around the world.... Though some make some interesting claims about the non-culpability of corn-based ethanol in the current record-high prices, I believe **Figure 1** speaks for itself. While U.S. corn exports and food and industrial usage other than ethanol have remained relatively constant since 2000, the amount of corn used for ethanol has increased eight-fold, with three-quarters of that increase occurring since 2005. Since 2005, the use of corn for feed has fallen by 20%....

Subsidized ethanol has meant record-high corn prices, record-high costs of production for meat and poultry, resulting in lower per capita meat and poultry output and, finally, record-high meat prices. The U.S. pork industry lost \$6 billion in equity from 2007 through 2009, but [temporarily] improved profitability did not stop the exodus of pork producers in 2010. From 2007 through 2010, 6,350 hog operations exited the industry, and 84% of them held 500 fewer hogs

in inventory. During that same five years, 30,510 cattle and calf operations, and 24,350 beef cow operations exited the industry. The vast majority of these closures, too, was among small operations....

[Now we have a feed availability shortage.] Since 2004, corn used for ethanol production increased from 1.378 billion bushels to an estimated 5.05 billion bushels in 2010-2011. That is a total increase of 382% or an average of 65% per year. During that same period, total corn usage has increased by 24.8% or 6.1% per year. *But corn production has increased by only 5.4% or 0.9% per year....*

[It is asserted that corn-ethanol byproduct, dried distillers grains with solubles (DDGS) makes up for the lack of corn and other grains for feed, but this is not truthful. **Figure 2** shows the downtrend in the volume of all grains, plus DDGS, used for feed and residuals.]

Total grains plus net DDGS availability is projected to be 166.8 million metric tons in 2011-2012, 5.4% lower than in 2007-2008.

U.S. livestock and poultry producers have met this challenge thus far by becoming more and more efficient.... *But how long can such efficient improvements continue?*

There is a concern, however, that is much more immediate: *What happens when the United States faces a year of widespread drought in major corn producing states?*

FIGURE 1  
**U.S. Corn Usage by Category**

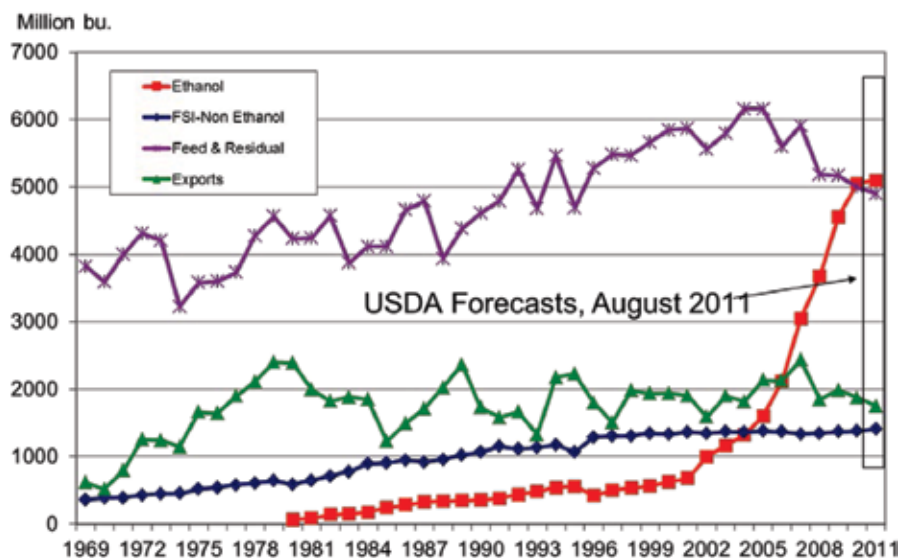
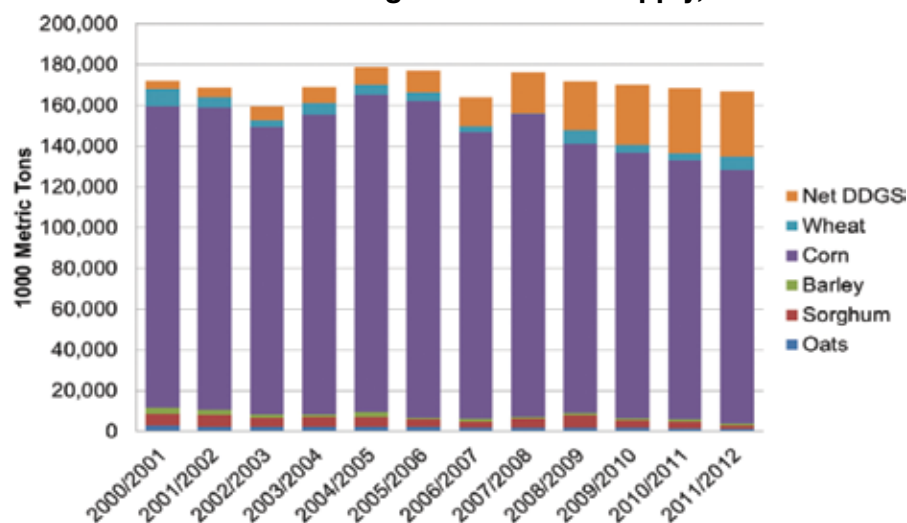


FIGURE 2

**Grain Feed & Residual Usage + Net DDGS Supply, United States**

corn could not be to corn-ethanol—under the Federal Renewable Fuel Standard (RFS). Cuts are unlikely to corn exports, under globalized sales patterns, nor to corn sweeteners, since sugars are high-priced. Livestock feed users would be hit with impossible corn scarcity and high prices.]

That leaves feed/residual and feed users with a huge problem: They cannot shut down a production system quickly.... Destroying animals runs against every fiber in a producer's being! It is wasteful and psychologically draining. Most would do about anything to avoid it....

The United States has enjoyed an almost unprecedented run of good corn-growing seasons. As can be seen in **Figure 3**, the last major drought in the Midwest occurred in 1988....

What would happen if we had a national yield 22 or 26% below the trend yield now? Frankly, I would rather not contemplate the possibility. Logically, that stretch must someday be punctuated by another drought....

[Under current policies, the cuts in usage of the scarce

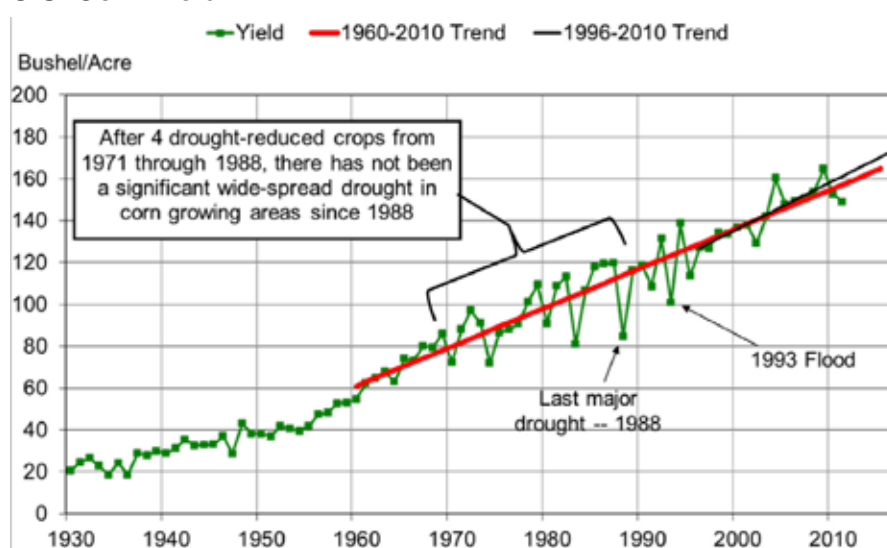
**Low Corn Supplies Hit**

**Randy Spronk:** The 2011-2012 corn numbers [declining harvest] are coming after a 2010-2011 marketing year that, while the third-largest harvest on record, saw year-end stocks of just 17 days. That's an historic low. The last time the carryover was that small—Fall 1996—corn was so scarce in Iowa—the No. 1 corn-producing state—it had to be shipped in from Texas, and other areas suffered similar shortages....

Any difficulties with the 2011-2012 U.S. corn and soybean crops could be disastrous for U.S. pork producers. *Ethical care of animals* requires producers to feed their hogs even when feed prices are high. But if there are feed shortages, livestock producers cannot simply turn a light switch to stop production and cannot stop feeding their animals....

The ethical and humane treatment of animals requires that producers maintain care even if producers are losing money, and the result is huge equity losses in pork operations that could lead to widespread bankruptcies and major disruptions in pork supply and prices.

FIGURE 3

**U.S. Corn Yield**



# Feed Hyperinflation Wiping Out Dairies

*Testimony to the Agriculture Subcommittee hearings was provided by Dr. Eric Erba, senior vice president of administrative affairs for California Dairies, Inc.; and by Philip Greene, vice president of Foster Commodities in Fresno, Calif., on behalf of the American Feed Industry Association (AFIA), Arlington, Va.*

**Dr. Eric Erba:** Our producer-members [450, located throughout California—ed.] collectively produce almost 42% of the milk supply in California and 9% of the total U.S. milk supply. . . . The basic theme for dairy producers since 2009 has been one of survivability, and a huge piece of the equation is the cost of production. Feed costs represent almost 65% of the cost of producing milk, and the skyrocketing costs of feed since 2007 have caused dairy producers to question the very manner in which they operated their dairies.

Let me explain what I mean. The hallmark of dairying in California is a Western style of dairying, in which dairy producers buy a high percentage of feed bulk quantities instead of growing the feed on or near their dairy. This model for dairying relied heavily on almost all of the grains and some of the forages being shipped into California from other states. High-priced land and lack of affordable water in California's agricultural areas represent insurmountable obstacles that prevent California dairy producers from becoming more diversified as crop farmers, in addition to being dairy producers. . . .

The California Department of Food and Agriculture collects and publishes cost of feed data obtained from California

dairy producers. The data reveals that California dairy producers' cost of production is dominated by feed costs, responsible for 65% of the cost of producing milk. Prior to 2008, the cost of feed made up less than 50% of total milk production costs. The recent price increases for rolled corn and alfalfa hay are even more dramatic. California dairy producers paid an average of \$300 per ton and \$275 per ton for rolled corn and alfalfa hay, respectively, in 2011. From 2000 to 2008, the same commodities averaged \$125 per ton and \$160 per ton, respectively, which computes to an increase of 145% in the corn price and an increase of 60% in the price for alfalfa hay. . . .

[Moreover], there truly has become an issue with the availability of hay, no matter what the price.

[In response to the argument that dried distillers grain (DDG) from corn-ethanol distillation is an alternative feed source:]

That is a hollow argument. DDG is a lower-quality feed that lacks the starch that corn contains and makes corn such an important ingredient in dairy rations. Also, the conversion rate is horrible—dairy producers give up three pounds of corn and get back one pound of DDG. Finally, current DDG prices are about the same as for corn, even though DDG must be supplemented by other starch and energy sources to be used effectively as livestock feed.



*The feed industry faces the "perfect storm," as the cost of ingredients ratchets higher, as a result of artificial inflation of feedgrain and oilseed prices. Shown: High Plains dairy cattle feed in better times.*

Texas AgriLife Extension Service/Kay Ledbetter

## Feed Industry Faces the ‘Perfect Storm’

**Philip Greene:** Today—and for the foreseeable future if Federal policies do not change—the feed industry faces the “perfect storm” of influences that will weigh heavily on ingredient availability, with the cost of ingredients ratcheting higher due to artificial inflation of feedgrain and oilseed prices based on competition with U.S. biofuel production, record export demand, adverse growing/harvesting conditions, and commodity futures markets which continue to be plagued by speculation.

More than 55% of corn produced in the U.S. historically has gone to animal feed uses for livestock and poultry—in 2012 USDA estimates, this will drop to 37%—with less than 10% of the U.S. field corn crop used for direct domestic human consumption in corn-based foods such as corn meal, corn starch, and corn flakes, USDA reports. Beef production has the greatest feed use of corn, followed by poultry and swine. However, current USDA estimates show ethanol use of corn is now taking nearly 40% of the domestic corn crop, and this increase in ethanol use shows no signs of abating. The other competitors are exports at 13.8% of use, forecast by USDA to drop to 12.9% in 2012, as well as seed, and other industrial uses....

But far and away, the biggest impact on corn availability and price is the use of corn as the feedstock of choice for ethanol, or as the industry views it, food has become fuel....

The cost of feed to livestock and poultry producers doubled from 2006 to 2008, retreated slightly in 2009, but resumed its upward march in 2009-2010 and through 2011 to date. While the Administration continues to assert only 4% of current corn price increases can be attributed to competition between feed/food use and ethanol use, independent studies show 30-40% of the spike in corn prices can be attributed to corn demand for ethanol....

What the poultry and livestock industry predicted in 2005, is now coming to pass. When the RFS [renewal fuel standards] was debated and ultimately enacted, poultry and livestock interests warned lawmakers all it would take to create market price chaos, herd/flock liquidations, and serious consumer food price inflation, going through the roof, would be “one bad crop year, one drought, one major disaster....”

## Poultry: ‘Feed Unavailability’

*This testimony to the Agriculture Subcommittee was given by Michael Welch, president and CEO of Harrison Poultry, in Bethlehem, Ga., on behalf of the National Chicken Council; and by Ted Seger, president, Farbest Foods, Inc., in Huntingburg, Ind., on behalf of the National Turkey Federation.*

### Chicken Production ‘Precarious’

**Michael Welch:** Permit me to suggest that a more appropriate title of the hearing would be, “Feed Unavailability.” [There is a] precarious position of feed supplies confronting the chicken industry....

More than 95% of the young meat chicken (broilers) produced and processed in the United States come from the Council’s members.... It is becoming much more difficult to secure an adequate and dependable supply of feed ingredients that can be procured at a cost that is both manageable and predictable. The more than 40 vertically integrated chicken companies that comprise the broiler industry have financially struggled for the past four calendar quarters.... A number of companies have succumbed to the severe cost/price squeeze by ceasing operations or having to sell their assets at fire-sale values....

Broiler companies, since last October when the sudden, unexpected run-up in corn and other feed ingredient costs occurred, have tried to weather the storm of very high, very volatile corn prices. Companies, however, can no longer withstand the storms....

[Companies are cutting production, laying off workers, and confronting farmers with financial ruin.]

A broiler company in Georgia this Summer announced 300 workers will no longer be needed. Also, this Summer, a fourth-generation family broiler company in Delaware filed for bankruptcy, and its assets have been purchased by a foreign company. Further, another company in Arkansas has consolidated two processing plant operations into one location and similarly has combined two hatcheries into a single facility. This consolidation will result in 223 jobs being eliminated....

[300 jobs at the same plant were done away with

earlier in the year].

In May this year, a third-generation broiler company with a complex in North Carolina and another complex in Arkansas succumbed to the financial stress of high feed costs. The result in this case is that its complex in North Carolina is now owned by a foreign company, and the Arkansas complex is now owned by another broiler company that not only had the borrowing capacity to purchase the assets, but the reserves that will undoubtedly be necessary to carry financial losses until the broiler market improves to at least a breakeven position.

Ironically, the foreign company that purchased the North Carolina complex is ceasing operations at the end of this month. . . .

As a result, not only will hundreds of workers lose their jobs, but contract growers are in jeopardy of losing their poultry farming income, which they use to repay mortgages on their grow-out houses. Undoubtedly, banks and other lending institutions will move to foreclose on these farmers. A third-generation company in Mississippi closed its doors earlier this year as the corn cost/chicken price squeeze became intolerable. . . .

The average cost of chicken feed before the corn price began to rapidly escalate in mid-October 2006, was \$139.20 per ton. This month [September 2011], the same ton of feed is costing over \$325 per ton, more than a doubling of cost since the second Renewable Fuels Standard became mandatory. The vast majority of the run-up in feed costs was the result of corn more than tripling in price since 2006. . . .

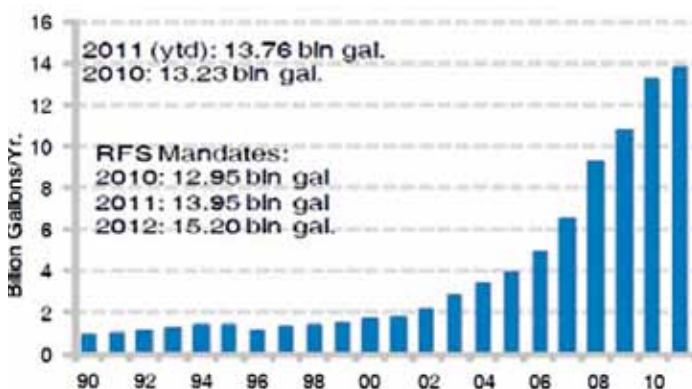
Some supporters of ethanol point to dried distillers grains with solubles (DDGS) as a feed ingredient that can provide relief from high corn prices. The facts are, however, that the majority of the feed energy has been removed by the ethanol-manufacturing process. The co-product (DDGS) is low in energy and high in fiber. It does have reasonable protein value and competes in the feed ration more with soybean meal than with corn. The broiler industry does use some DDGS, but it is not a preferred ingredient due to the nature of its composition. Inclusion of DDGS in a broiler feed ration is usually limited to 5% of the total ration. . . .

Mandating the use of ethanol, subsidizing its cost, and protecting ethanol from competition is triple overkill **Figure 1**. . . .

Consumers who have sufficient incomes to devote to cover the higher costs of food will reach deeper into their pocketbooks and pay the higher food prices. Con-

FIGURE 1

## U.S. Ethanol Production 1990-2011



Source: EIA-DOE

sumers in this country and around the world who do not have an adequate income, and therefore, cannot continue to afford animal protein in their diets will have to shift to other foods, and in some cases, no food. . . .

## Turkey Production Down 11 % in Two Years

**Ted Seger:** Feed accounts for 70% of the cost of raising a turkey, and corn is the major ingredient in most turkey feed rations. For the average turkey, it takes about 2.5 pounds of feed to produce one pound of turkey live weight. Therefore, increases in the price of corn have a significant impact on the price of raising a turkey. . . .

[We said in 2005, that] creating an RFS would begin tightening the corn supply and forcing feed prices up. . . . By 2007 . . . corn prices already were more than 20% higher than their pre-RFS level. . . . Since earlier this year, corn prices have continued to skyrocket, ultimately topping out at \$8 per bushel, while corn stock levels plummeted to record lows, below 5% carry-over. . . .

Turkey production cannot be turned off with the flick of a switch or the shutting of a valve. Once a poult—baby turkey—is placed in a grow-out facility, it takes as long as 20 weeks to bring it to market weight. Factoring the time it takes to incubate the eggs and the lead time necessary to place orders for eggs, it generally takes six months or longer for a company to implement a major cutback in production. So while production overall increased by about 2.5% from 2007 to 2008, original economic indicators had been for a larger expansion.

Meanwhile, 2008 saw consumer purchasing of meat

and poultry plummet and significant losses ensued in the turkey business as a result of the higher corn prices. Since then, turkey production has declined by 11% to about 244 million turkeys raised in 2010. Effectively, the industry wiped out three years of production increases in an 18-month period and reduced production to the lowest levels in more than 20 years...

The current situation for corn is unlike any other in the history of this commodity. Usually, high prices are a result of poor weather that limits production for just one year, and the next year, production rebounds. However, the current dilemma is that the demand side [from corn ethanol] of the equation for corn is far outstripping the supply side, and the demand side is continuing to grow at a rapid pace.



*Skyrocketing corn prices—the major ingredient in turkey feed—could have a significant impact at the American dinner table.*

Meanwhile, there is limited opportunity for continued growth in supply, and no one knows what Mother Nature might do to the potential crop. The reality for my company and many other turkey companies is that there is no economically feasible substitute for a grain-based diet. Feeding more wheat, barley, sorghum, milo or soybean meal is no advantage, because wheat and soybeans trade at energy equivalent values similar to corn. All the commodities eventually find their economic value based on the strongest commodity, which is corn...

Just a couple months ago, our company purchased a large quantity of wheat to replace corn, simply because we were worried that the local supply of corn may not even be enough to sustain us until this year's later-than-usual harvest...

## Lyndon LaRouche On Glass-Steagall and NAWAPA

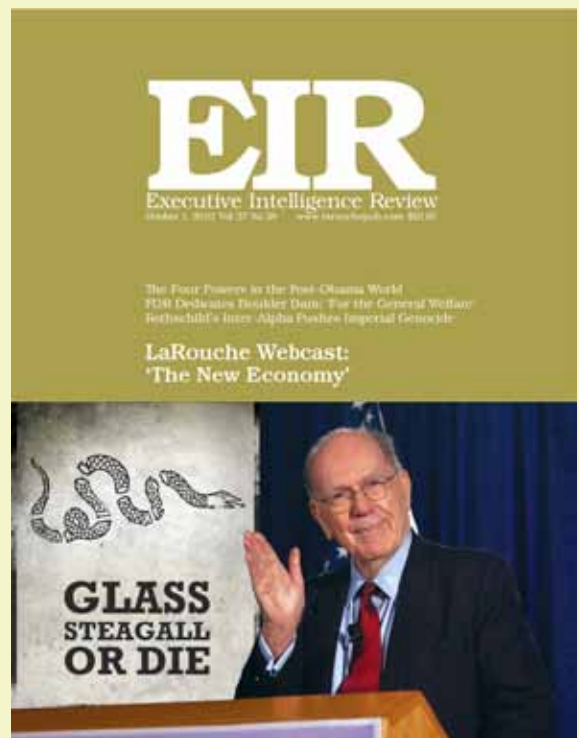
The North American  
Water and Power Alliance

"The greatest project that mankind has ever undertaken on this planet, as an economic project, now stands before us, as the opportunity which can be set into motion by the United States now launching the NAWAPA project, with the preliminary step of reorganizing the banking system through Glass-Steagall, and then moving on from there."

"Put Glass-Steagall through now, and I know how to deliver a victory to you."

Subscribe to **EIR Online** [www.larouchepub.com/eiw](http://www.larouchepub.com/eiw)  
1-800-278-3135

For subscription rates: <http://tiny.cc/9odpr>





### *Who Has Credibility Now?*

Some of the world's most "prestigious" institutions took huge hits last week, and increasingly, it is obvious that there is only one locus of credibility left on the major questions affecting life and death on this planet: Lyndon LaRouche and his political movement.

Among the most stunning examples was the Sept. 16-17 meeting of European finance ministers in Poland, convened to discuss the out-of-control bankruptcy crisis affecting the trans-Atlantic region. Acting in the tradition of the arrogant gods of Olympus, U.S. Treasury Secretary Timothy Geithner—with the backing of British puppet Obama—decided to crash that meeting, to deliver orders for the Europeans to follow the U.S. example, and adopt a massive hyperinflationary bailout plan, which the U.S. Fed (ultimately the U.S. taxpayer) would be glad to fund. The result? Geithner was, figuratively, thrown out on his ear!

For all their problems of monetarist ideology, the European leaders were not about to agree to commit economic and political suicide, despite the fact that top financial institutions from London to Japan had allegedly backed up the plan.

Then there's the situation within the United States, where the Obama Administration—backed by virtually every "reputable" think tank and economist in the country—is trying to ram through massive cuts in programs upon which the elderly and the sick depend (they call them "entitlements"), while continuing the ongoing bailouts and free money to the bankrupt major financial institutions. The result? Obama's popularity is sinking like a stone, and, with him as a symbol for the party, the Democrats have just lost a Congressional seat which they had held for 88 years!

In fact, as the organizing by LaRouchePAC and now even some polls are showing, approximately 80% of the U.S. population has no confidence, and

even hates, the Obama Administration's approach on the economy, but heartily embraces a program of embarking on huge infrastructure projects, as a means of getting out of the current depression.

It should not really be so surprising that most Americans and Europeans would reject the insane and murderous proposals that have been put forward by the very institutions that have brought the world economy to its current desperate and devolving condition. What should be surprising, is why it took so long.

Remember Summer 2007? That was when LaRouche responded to the first signs of the current phase of the financial breakdown by putting forward the Homeowners and Bank Protection Act, a program which would have frozen foreclosures, cut off support for mortgage-backed securities (fraud), and created the conditions for rescuing the sound sections of our banking system. LaRouche knew what was coming if we didn't do this—and he proposed a solution.

But the institutions, and you, didn't want to believe the forecast, and you didn't take the solution.

Remember April 2009? That was when LaRouche first publicly diagnosed Obama as having a Nero-like narcissistic personality, and warned that if he were not contained, or removed, the country would be sacrificed to Obama's disastrous economic policy. LaRouche knew what was coming, and continued to demand action.

But the institutions, and you, didn't want to believe it, and you failed to act.

Now, there is precious little time to correct your ways. Accept that LaRouche was right, work on figuring out why, and—most importantly—*act now* to save your country and the world by implementing his Seven Necessary Steps to Economic Recovery.

SUBSCRIBE TO

# EIR Executive Intelligence Review

## EIR Online

# EIR

Executive Intelligence Review  
August 12, 2011 Vol. 38, No. 31 www.larouchepub.com \$10.00

After Obama's Hitler Coup: The Guts To Impesch  
\$5 Trillion Wiped Out as Hyperinflation Looms  
Britain's Surrogate War Against the Union, 1861-65

An Emergency Solution to  
The Global Breakdown Crisis



**EIR Online** gives subscribers one of the most valuable publications for policymakers—the weekly journal that has established Lyndon LaRouche as the most authoritative economic forecaster in the world today. Through this publication and the sharp interventions of the LaRouche Movement, we are changing politics worldwide, day by day.

## EIR Online

EIR Online includes the entire magazine in PDF form, plus up-to-the-minute world news.

I would like to subscribe to **EIR Online**

(e-mail address must be provided.)

- ☐ **\$360** for one year  
☐ **\$180** for six months  
☐ **\$120** for four months  
☐ **\$90** for three months  
☐ **\$60** for two months
- ☐ Send information on receiving **EIR** by mail.

Name \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Country \_\_\_\_\_

Phone ( \_\_\_\_\_ ) \_\_\_\_\_

E-mail address \_\_\_\_\_

—EIR Online can be reached at:

**www.larouchepub.com/eiw**

e-mail: **fulfillment@larouchepub.com**

Call **1-800-278-3135** (toll-free)

I enclose \$ \_\_\_\_\_ check or money order

Make checks payable to

**EIR News Service Inc.**

P.O. Box 17390, Washington, D.C. 20041-0390

Please charge my ☐ MasterCard ☐ Visa

Card Number \_\_\_\_\_

Signature \_\_\_\_\_

Expiration Date \_\_\_\_\_