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Glass-Steagall Can Cripple the British Empire  
Anti-NAWAPA Water Policy Means Food Emergency  
The Mars Debate: A New Meaning for Space

**Dodd-Frank's Mass Murder  
Mandate Is Treason: Crush It!**



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# EIR

## From the Managing Editor

The central concept that animates this issue is Glass-Steagall: on one side, those who are waging the fight of their lives to make it happen; and, on the other, those who would suppress that upsurge of support and activity by *any means necessary*.

The cutting edge is identified in our *Feature*: The London/Wall Street imperial financiers are counting on the murderous Dodd-Frank program to finish off the U.S. economy, and with it, to carry out the Empire's intention to brutally reduce the number of people in the world by billions. Buried in Dodd-Frank's initial, deliberately opaque, 8,000-plus pages (thousands more are coming!), is a plan to "bail-in" the bankrupt banks, putting the wildly speculative derivatives at the top of the list to be rescued, while depositors, as per the Cyprus template, are left holding the bag. The good news is, you don't have to wade through the voluminous bureaucratic blather. We have done that for you, but prepare to be shocked, and to join the fight to defeat Dodd-Frank, after reading Leandra Bernstein's detailed exposé of the legislation: "Dodd-Frank Kills: How the U.S. Joined the International Bail-In Regime."

Jeffrey Steinberg's briefing to an expanding network of LaRouche-PAC activists identifies the introduction of Glass-Steagall (S. 985) into the U.S. Senate as "a very significant political blow to the British Empire, directly" (*Strategy*). Now, with bills in both the House and Senate—a breakthrough which could not have been made without the leadership of LaRouchePAC—the possibility exists that the Empire can be defeated, and with it, London's own President Obama.

That fight has been joined by independent thinkers and activists in the U.S., Europe, and Russia, as you will read in the *Glass-Steagall* section, which reports on the surge of activity following Senator Harkin's introduction of his Glass-Steagall bill.

But the Empire is not throwing in the towel as yet. In fact, it is moving crush the fragile peace efforts in Syria (*International*), and to carry out its population-reduction schemes by destroying food production in the U.S. (*Economics*).

Lifting our eyes to the Heavens, for a loftier perspective on all this, is Lyndon LaRouche's "The Mars Debate: A New Meaning for 'Space'" (*Science*).



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Lock them up,  
before they kill  
again!*



EIRNS/Alan Yue

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## Editorial

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# Dodd-Frank's Mass Murder Mandate Is Treason: Crush It!

May 28—As of this week, the LaRouche Political Action Committee (LPAC) escalated its campaign for reinstating Glass-Steagall with the release of a devastating new exposé of what is demonstrably a mandate for genocide against the American people—the Dodd-Frank law.

*In summary:*

- *Dodd-Frank codifies into U.S. law an international financial agreement, established no later than April 2009 in London by the G20 nations, to subordinate the banking systems of all member nations to the maintenance of the current international financial system.*

- *That international agreement prioritizes claims of the international financial institutions, including trillions or quadrillions of dollars in derivatives gambling claims, over the needs of the population of the United States and other nations.*

- *Thus, that bill should be immediately null and void, as an act of treason, i.e., “levying war against [the United States], or adhering to their enemies, giving them aid and comfort.” In this case those enemies are the international financial institutions, centered around the British Monarchy, that are pursuing the destruction of the United States through financial means.*

*LaRouchePAC is circulating the mass leaflet printed immediately below. Following that is the Documentation of what Dodd-Frank actually does.*

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## Kill Dodd-Frank Before It Literally Kills You! Reinstate Glass-Steagall; Pass H.R. 129 and S. 985!

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May 26 (LPAC)—Whether your Congressman and Senator know it or not, Wall Street and the City of London's too-big-to-fail banks have been given the keys to your savings account, and will steal every penny that you think you own, the minute they get into trouble and need another bailout. This is not some wild futuristic nightmare. This has been the reality ever since Congress passed the Dodd-Frank Act (The Wall Street Reform and Consumer Protection Act of 2010) and President Barack Obama signed it into law. This is pure treason!

Under Title II of the Dodd-Frank Act, the leveraged gambling debts of the too-big-to-fail banks are put at the front of the bail-out line. Household and business depositors are defined as unsecured creditors, and will lose all but the FDIC-insured portion of their deposits. What this means is that the “bail-in” program that looted depositors' funds in the two largest banks in Cyprus earlier this year has already been in place in the United States under Dodd-Frank.

After the 2008 Wall Street fiasco, in which the too-big-to-fail banks were given tens of trillions of dollars in taxpayers' funds in the biggest bailout in history, it was obvious that no more taxpayer bailouts were pos-

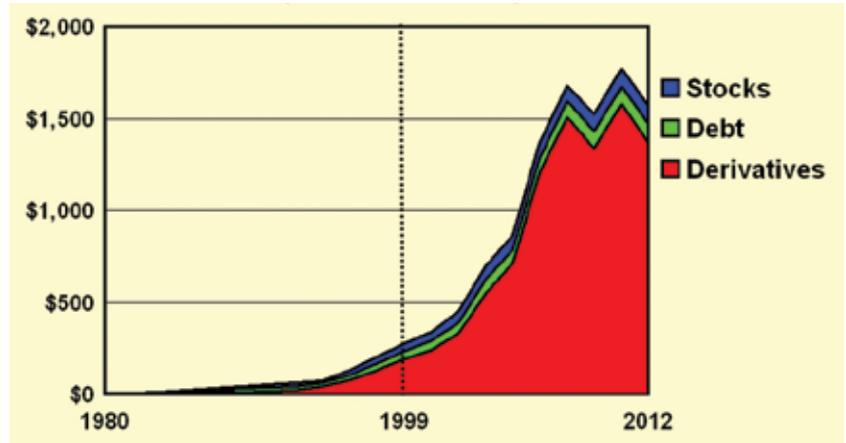
sible. Instead, the bankers and their Congressional allies opted for bail-in. If a too-big-to-fail bank gets into trouble, the FDIC steps in, in the form of an Orderly Liquidation Authority to oversee the restructuring. In the process, the bank is saved—at the expense of the depositors who will lose all but the FDIC-insured portion of their deposits.

This represents the biggest theft in history, and it is pure treason. Under the Preamble to the U.S. Constitution, the first responsibility of government is to protect the general welfare of both current and future generations. Under Dodd-Frank, that core principle of the American Republic is thrown out the window, in favor of saving the system, a system that has been hopelessly bankrupt since long before the 2008 crisis.

The Dodd-Frank Act is 848 pages long. Already, regulators have drafted 8,843 pages of rules of implementation, and they are only a third of the way through the process. Earlier this month, members of the House Financial Services Committee passed H.R. 992, the Swap Regulatory Improvement Act, with only six dissenting votes. The bill would further guarantee that derivatives contracts—pure gambling bets—would be protected even when held by foreign banks operating in the U.S. The *New York Times* reported on May 23, 2013, that H.R. 992 was written by Citigroup, and was introduced by Members of Congress on the receiving end of major Wall Street contributions. This is a further betrayal of the rights of all Americans.

Confirming what Lyndon LaRouche has warned since the 1971 breakup of the Bretton Woods System and the 1999 repeal of President Franklin Roosevelt’s Glass-Steagall Act of 1933, the entire trans-Atlantic financial system is hopelessly bankrupt and must be put through orderly bankruptcy reorganization. The only way to achieve that is to fully reinstate the original Glass-Steagall Act, which separated commercial banking from all of the gambling activities of the brokerage houses, hedge funds, and insurance companies. There are now bills before both Houses of Congress to reinstate Glass-Steagall. H.R. 129 and S. 985, the Return

FIGURE !  
**World Financial Aggregates**  
 (\$, trillions)



*The Dodd-Frank Bail-In Policy: The Intent Is Genocide. Shown is EIR’s calculation of derivatives exposure. Even the total bailout and bail-in cover no more than 1%.*

to Prudent Banking bills in both the House and the Senate, offer the only hope of survival for a United States already on the very edge of economic disintegration.

LaRouche declared May 25, “The looting has gone far enough. The Dodd-Frank bill is a piece of treachery that has already claimed the lives of too many of our citizens, through the destruction of our economy, the continuing collapse of real employment, the gutting of our health-care system. Nothing short of the full reinstatement of Glass-Steagall can save the United States at this point in time.”

LaRouche continued, “Glass-Steagall is the indispensable first step to reverse the London-Wall Street tyranny of Dodd-Frank. Once we have reinstated Glass-Steagall, we must immediately move to rebuild the collapsed U.S. economy. We need to return to the American System of Federal credit for urgently needed infrastructure projects, starting with the North American Water and Power Alliance (NAWAPA), a project that will create millions of productive jobs and revive our collapsed manufacturing base.

“My colleagues have prepared a detailed exposé of the treason of the Dodd-Frank bill. It is available on the LaRouchePAC website [and below in this *EIR Feature*]. When you study that report, you will come to the obvious patriotic conclusion: Kill Dodd-Frank before it kills you.”

# Dodd-Frank Kills: How the U.S. Joined The International Bail-In Regime

by Leandra Bernstein

May 26—Committee hearings continue in the House and Senate to review what exactly was voted into law with the 2010 Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) even as the rules for implementing the law are still being written. According to LaRouchePAC and *EIR* sources on Capitol Hill, there is little to no recognition of the key fact of Dodd-Frank. Namely, Title II of the Act, to establish an Orderly Liquidation Authority, vests the FDIC with the authority to conduct a European-style bail-in. The preamble to the Dodd-Frank Act claims “to protect the American taxpayer by ending bailouts.” This is done, however, through *bail-in*, a critical feature of the internationally established regime of what is called cross-border bank resolution.

Bail-in, in its simplest terms, is the inverse policy of what was done under Franklin D. Roosevelt’s Glass-Steagall Act and the 1933 Emergency Banking Act, generally. Under bail-in, the bank survives; the depositors do not. As is stated in an IMF review of the policy from April 2012, “The statutory bail-in power is intended to achieve a prompt recapitalization and restructuring of the distressed institution.”<sup>1</sup> In the case of resolving a distressed, globally active, systemically important, financial institution (G-SIFI), bank creditors, specifically those whose assets exceed the FDIC insurance cap, will be subject to expropriation. This is not normal bankruptcy. Accounts and assets are seized and/or converted to stock under the resolution authority. The institution is prevented from failing. Values of securities are not written down through sale on the open market. And this is done to guarantee the continued operation of the financial institution and the “stability” of the financial system.

This report provides the evidence, primarily using

the text of laws, charters, and the language of the administrators of the bail-in regime, to demonstrate that the United States of America is being subject to the premeditated scheme of an international syndicate to establish laws and treaties contrary to both the interests of the United States, and the spirit and the law of the U.S. Constitution. The Dodd-Frank Act, as currently written, has no evident provision that would prevent the overall effect of mass economic deprivation of the targeted subjects, the American citizenry. Such deprivation across the spectrum of economic activity would invariably lead to a sharp increase in the nation’s death rate, as a direct consequence of the enactment of this law. If this Act is not nullified, the result of its enactment will be the mass destruction of U.S. citizens through economic means. The fact that this has not been stated openly, other than in the following report, does not improve the arguments of those who fail to annul this law.

Before this law goes into effect, as a result of any among a vast variety of financial crises waiting to happen, Dodd-Frank must be overridden by the passage of Glass-Steagall. The 2010 Dodd-Frank Act must be nullified immediately by its repeal and the simultaneous passage of the Glass-Steagall Act as drafted in Senate Bill 985 and House of Representatives Bill 129.

## Anglo-American Resolution

As passed, Dodd-Frank took up 848 pages and contained 383,013 words. According to the financial law firm Davis Polk, as of July 2012, an additional 8,843 pages of rules were added, representing only 30% of the rules to-be-written. The estimate for the final length of the Act is 30,000 pages.<sup>2</sup> Additionally, the six largest banks in the U.S. spent \$29.4 million lobbying Congress in 2010, and flooded Capitol Hill with about 3,000 lobbyists—a ratio

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1. Jianping Zhou, Virginia Rutledge, et al., “From Bail-out to Bail-in: Mandatory Debt Restructuring of Systemic Financial Institutions,” IMF staff discussion notes: April 24, 2012.

2. <http://www.ibtimes.com/dodd-frank-rules-nearly-9000-pages-its-less-one-third-finished-726774>

of five lobbyists per Congressman.<sup>3</sup> The Dodd-Frank Wall Street Reform and Consumer Protection Act currently stands as the single longest bill ever passed by the U.S. government.<sup>4</sup> It has been argued that the length of the bill itself was intended to intimidate Members of Congress. There has been public commentary suggesting that few Congressmen even read the bill, but were cowed into voting for it strictly on the basis of party loyalty under a first-term President Barack Obama, who kept his party in line using whatever means were at his disposal.<sup>5</sup>

In the first House vote, not a single Republican voted for the bill. In the final House vote of 237-192, three Republicans joined the ayes, and only 19 Democrats voted against it. In the final Senate vote, 55 Democrats were joined by 3 Republicans and both Independents to pass the bill, which was then signed into law by President Obama on July 21, 2010.

More of the implications of Dodd-Frank have been revealed, but only after its passage. There has been an inadequate response from members of the U.S. government who presumably voted for the Act, or failed to defeat it. Even after witnessing the fallout from the resurgent European crisis, little has been done. Moreover, for freshman Members of Congress, there is a new wave of financial interests descending on Capitol Hill to scope out the best candidates for campaign contributions, as veteran members submit and pass bills literally written by financial institutions.<sup>6</sup>

However, the routine corruption of the Congress is as old as the institution itself. What was done, and can now be enacted, under the new authorities established in Dodd-Frank's Title II, is of a different class altogether.

On Dec. 10, 2012, a joint strategy paper was drafted by the Bank of England (BOE) and the Federal Deposit Insurance Corporation (FDIC), titled *Resolving Globally Active, Systemically Important, Financial Institutions*.<sup>7</sup> The paper compares the resolution regime established by Title II's Orderly Liquidation Authority

(OLA) to the Prudent Regulation Authority (PRA), a similar resolution authority in the United Kingdom. The regime in the U.K. was established April 1, 2013, following the dismantling of the Financial Services Authority. Beginning in June, the PRA will be overseen by Bank of Canada governor and former head of the Financial Stability Board, Mark Carney, when he becomes head of the Bank of England.<sup>8</sup>

The Executive Overview of the joint report states:

The financial crisis that began in 2007 has driven home the importance of an orderly resolution process for globally active, systemically important, financial institutions (G-SIFIs). . . . These strategies have been designed to enable large and complex cross-border firms to be resolved without threatening financial stability and without putting public funds at risk. . . .

In the U.S., the strategy has been developed in the context of the powers provided by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Such a strategy would apply a single receivership at the top-tier holding company, assign losses to shareholders and unsecured creditors of the holding company, and transfer sound operating subsidiaries to a new solvent entity or entities.<sup>9</sup>

Prior to resolution, a financial entity is entitled to petition the U.S. District Court of the District of Columbia if it is believed that the decision to resolve is erroneous or capricious. But, at the court level, such a decision is made, "On a strictly confidential basis, and without any prior public disclosure. . . ." This means there is to be no disclosure to unsecured creditors, or other affected parties. Under the law, premature or "reckless" disclosure can result in fines up to \$250,000, imprisonment for up to five years, or both (Title II, Sec. 202, 1, A.).

Moreover, if a creditor objects to resolution, they have a limited amount of time to petition for redress. For example, if a state government, with its state work-

3. Robert Reich, "The Shameful Murder of Dodd-Frank," July 20, 2011, <http://robertreich.org/post/7843866058>

4. <http://www.opencongress.org/bill/111-h4173/text>

5. Recent White House-linked scandals including wiretapping of AP and other news agencies, IRS targeting of conservative groups, and ongoing questions of the legality of domestic and foreign extrajudicial assassinations, raise questions regarding what tactics Obama has used to influence both his political enemies and allies.

6. Eric Lipton & Ben Protus, "Banks' Lobbyists Help in Drafting Financial Bills," *New York Times Dealbook*, May 23, 2013.

7. "Resolving Globally Active, Systemically Important, Financial Institutions," a joint paper by the Federal Deposit Insurance Corporation and the Bank of England; Dec. 10, 2012.

8. Former BOE Monetary Policy Committee member Charles Goodhart noted of the transition from the quasi-independent FSA to the PRA, "It's arguable the scope of the powers, the range of powers, is now greater than any other central bank." Scott Hamilton and Jennifer Ryan, "BOE Power Shift Takes Hold as Regulation Role Crystallizes," *Bloomberg News*, April 2, 2013.

9. This entity is likely the bridge financial company. "The term 'bridge financial company' means a new financial company organized by the Corporation in accordance with section 210(h) for the purpose of resolving a covered financial company" (Dodd-Frank, Title II, Sec. 201; 3.).

ers' pensions invested in the distressed institution, objects to the terms or the triggering of a resolution, and wishes to exempt its funds from bailing-in the institution, they have *24 hours* to petition the courts. In June 2012, a lawsuit was filed in the U.S. District Court of the District of Columbia challenging the constitutionality of the Dodd-Frank Act on a number of counts, including the failure to allow for due process of law.<sup>10</sup>

From the Introduction, *Legislative frameworks for implementing the strategy*:

Title I of the Dodd-Frank Act requires each G-SIFI to periodically submit to the FDIC and the Federal Reserve a resolution plan that must address the company's plans for its rapid and orderly resolution under the U.S. Bankruptcy Code. . . .<sup>11</sup>

Title II of the Dodd-Frank Act provides the FDIC with new powers to resolve SIFIs by establishing the Orderly Liquidation Authority (OLA). Under the OLA, the FDIC may be appointed receiver for any U.S. financial company that meets specified criteria, including being in default or in danger of default, and whose resolution under the U.S. Bankruptcy Code (or other relevant insolvency procedure) would likely create systemic instability.<sup>12</sup>

Title II requires that the losses of any financial company placed into receivership will not be borne by taxpayers, but by common and preferred stockholders, debt holders, and other unsecured creditors, and that management responsible for the condition of the financial company will be replaced. Once appointed receiver for a failed financial company, the FDIC would be required to carry out a resolution of the company in a manner that mitigates risk to financial stability and minimizes moral hazard. Any costs borne by the U.S. authorities in resolving the institution not paid from proceeds of the resolution will be recovered from the industry.

The above statement assumes that the costs of reso-

lution will be covered by those creditors slated to bear the losses as well as an Orderly Liquidation Fund, to bear the administrative costs of resolution. What is further proposed for those creditors whose claims are not liquidated, is their conversion to shareholders; the debt becomes stock acting to prop up the value of the resolved institution. What would otherwise occur in bankruptcy, meting out claims to creditors based on priority, does not happen. Rather, the liquidation of the firm does not occur, it is kept operational, and is, in that way, bailed-in by its creditors.

A crucial clarification of what constitutes a bank creditor was made in a March 28, 2013 review of the BOE-FDIC paper by chairwoman of the Public Banking Institute, Ellen Brown. In the course of explaining why the bail-in, confiscation of 40% of unsecured deposits in Cyprus, was not a one-time event, she clarifies:

Although few depositors realize it, legally the bank owns the depositor's funds as soon as they are put in the bank. Our money becomes the bank's, and we become unsecured creditors holding IOUs or promises to pay. . . . Under the FDIC-BOE plan, our IOUs will be converted into "bank equity." . . . With any luck we may be able to sell the stock to someone else, but when and at what price?<sup>13</sup>

As will be illustrated in the following section, any form of creditor with money in the bank, from \$1 to \$250,000, and everything above, can be converted from having his account immediately available to him, to becoming a stockholder. As with the triggering of OLA, this can be done quite literally overnight. To retrieve the value of what was formerly assumed to be the depositor's account balance, the stock must be sold.

For example, a former depositor with an account balance of \$250,000, who now owns that amount in bank stock, owns that amount of stock in a bank that just underwent a major, cross-border, government restructuring because it was in imminent distress. The receiver, the FDIC, determines which values in the bank must be upheld in the interest of "financial stability," and this undoubtedly includes financial derivatives, and other debt instruments, which, if sold off in the course of orderly liquidation, would cause a panic. The obvious question is, how much will the depositor be able to sell his stock for?

10. The original suit was filed by the State National Bank of Big Spring, Texas; the 60 Plus Association; and the Competitive Enterprise Institute. This suit has been joined by the attorneys general of 11 states: Michigan, Alabama, Georgia, Nebraska, Kansas, South Carolina, Oklahoma, West Virginia, Texas, Montana, and Ohio. See <http://cei.org/doddfrank>

11. The so-called "Living Will."

12. Title II, Sec. 203, a.

13. Ellen Brown, "It Can Happen Here: The Confiscation Scheme Planned for US and UK Depositors." [webofdebt.wordpress.com](http://webofdebt.wordpress.com), March 28, 2013.

## Unsecured Creditors

According to the April 24, 2012 IMF report,<sup>14</sup> conversion of bank debt to stock is an essential element of bail-in included in Dodd-Frank. “The contribution of new capital will come from debt conversion and/or issuance of new equity, with an elimination or significant dilution of the pre-bail-in shareholders. . . . Some measures might be necessary to reduce the risk of a ‘death spiral’ in share prices.” In the language of Dodd-Frank, this will “ensure that unsecured creditors bear losses.”

Such a conversion of deposits into equity already had its test-run under the terms of bankruptcy reorganization of Bankia and four other Spanish banks earlier this year. The conditions of a July 2012 Memorandum of Understanding between the Troika (European Commission, European Central Bank, and the IMF) and Spain, resulted in over 1 million small depositors becoming stockholders in Bankia when they were sold *preferentes* (preferred stock) in exchange for their deposits. Following the conversion, the *preferentes* took an initial write-down of 30-70%. Soon after, they were converted into common stock originally valued at EU 2 per share, which was further devalued to EU 0.1 after the March restructuring of Bankia.<sup>15</sup>

The likelihood of this write-down of assets is stated outright in the BOE-FDIC joint report and readily acknowledged otherwise. Following the triggering of Dodd-Frank’s Title II authorities, and the FDIC taking receivership at the top tier parent holding company of a G-SIFI, assets will be transferred to recapitalize the parent company, in its original and other incarnations, and written down.

To capitalize the new operations—one or more new private entities—the FDIC expects that it will have to look to subordinated debt or even senior unsecured debt claims as the immediate source of capital. The original debt holders can thus expect that their claims will be written down to reflect any losses in the receivership of the parent that the shareholders cannot cover. . . .

This is not simply a haircut to bond holders, creditors, and others, but a guarantee that those who are invested in the institution, with money in the depository

branch of the institution (understood as depositors), will be made responsible for the continued operation of the institution. Depositors as well as creditors become financially responsible for keeping the institution open and operating, instead of being allowed to go bankrupt, as would be the case for a non-G-SIFI. The depository and investment branches are, in this way, called upon equally to bail-in. Economist Nouriel Roubini wrote, in an online briefing, “Bank Resolution Regimes”:

Under the existing legislation, the FDIC has the power to impose losses on unsecured creditors in the process of resolving failing banks. For example, the FDIC resolved Washington Mutual under the least-cost resolution method in 2008 and imposed serious losses on the unsecured creditors and uninsured depositors (deposit amount above USD 100,000). The Orderly Liquidation Authority (OLA) established under the Dodd-Frank Act further expands the resolution authority of FDIC. Subject to certain conditions, the FDIC now also has the powers to cherry-pick which assets and liabilities to transfer to a third party and to treat similarly situated creditors differently, eg: favoring short-term creditors over long-term creditors or favoring operating creditors over lenders or bondholders.<sup>16</sup>

## International Framework in Place

The key issue taken up by Dodd-Frank in its drafting and passage was cross-border resolution of the so-called global systemically important financial institutions (also called G-SIBs, or global systemically important banks, in other locations). This obviously necessitates cooperation with other nations. Provisions of Dodd-Frank explicitly authorize this coordination with foreign authorities to take action to resolve those institutions whose collapse threatens financial stability.

As is stated in Title II, Sec. 210, N, the FDIC, acting as the receiver for such a financial institution in distress, “shall coordinate, to the maximum extent possible, with the appropriate foreign financial authorities regarding the orderly liquidation of any covered financial company that has assets or operations in a country other than the United States.”

Chairman of the FDIC Martin Gruenberg elaborated on the cross-border strategies codified under Dodd-Frank,

14. Op. cit., Zhou et al., footnote 1.

15. See LPAC-TV broadcast with *EIR* Ibero-America Intelligence Director Dennis Small, March 27, 2013. “Cyprus Template: The Case of Spain,” [larouhepac.com/node/26013](http://larouhepac.com/node/26013)

16. <http://www.roubini.com/briefings/175500.php>

in a June 9, 2012 speech in Chicago. He stated that, since the passage of Dodd-Frank, the FDIC has taken action to carry out its new resolution authorities, including increasingly coordinating cross-border resolution with foreign regulators, in particular, the United Kingdom, where “the operations of U.S. SIFIs are concentrated.”

As I mentioned earlier, the type of firm we would need to resolve will likely have significant international operations. This creates a number of challenges. . . .

The FDIC has participated in the work of the Financial Stability Board through its membership on the Resolution Steering Group, which produced the *Key Attributes of Effective Resolution Regimes for Financial Institutions*. We have also participated in the Cross-border Crisis Management Group and a number of technical working groups, and have co-chaired the Basel Committee’s Cross-border Bank Resolution Group since its inception in 2007. . . .

We conducted a heat-map exercise that determined that the operations of U.S. SIFIs are concentrated in a relatively small number of jurisdictions, particularly the United Kingdom (U.K.). Working with the authorities in the U.K., we have made substantial progress in understanding how possible U.S. resolution structures might be treated under existing U.K. legal and policy frameworks. We’ve examined potential impediments to efficient resolutions in depth, and are on a cooperative basis in the process exploring methods of resolving them.<sup>17</sup>

It is accurate to say that the first incarnation of a serious cross-border resolution regime was established at the April 2009 G20 summit in London, the first summit attended by the newly elected President Barack Obama. At that time, the Financial Stability Board (FSB) emerged as an entity “with a broadened mandate to promote financial stability.” The board currently consists of all G20 member nations’ central financial institutions, a handful of other nations, international organizations, and international financial standard-setting bodies.<sup>18</sup>

In October 2011, the FSB published a document reflecting the agreement among its participating bodies to conduct cross-border resolutions of financial institutions. That document features extensive discussion of the establishment of cross-border resolution authorities within the law of each participating nation. At the outset of the report it is recommended:

In order to facilitate the coordinated resolution of firms active in multiple countries, jurisdictions should seek convergence of their resolution regimes through the legislative changes needed to incorporate the tools and powers set out in these *Key Attributes* into their national regimes.

The report goes on to enumerate the requirements of a domestic, legal, and active authority to resolve “any financial institution that could be systemically significant if it fails.” Given the similarity of the language of Dodd-Frank and the FSB report, it would be a worthwhile venture to analyze whether all of the requirements in the FSB report are also contained explicitly in the 2010 U.S. legislation.

What is most significant in the FSB *Key Attributes* is the strict emphasis on coordinating the bail-in regimes above and beyond national borders. The report reflects a sincere dedication to establish active authorities in each jurisdiction where a parent holding company or its subsidiaries are located.

The following is quoted from Section 7, *Legal framework conditions for cross-border cooperation*:

7.1 The statutory mandate of a resolution authority should empower and strongly encourage the authority wherever possible to act to achieve a cooperative solution with foreign resolution authorities.

7.2 Legislation and regulations in jurisdictions should not contain provisions that trigger automatic action in that jurisdiction as a result of official intervention or the initiation of resolution or insolvency proceedings in another jurisdiction, while reserving the right of discretionary national action if necessary to achieve domestic stability in the absence of effective in-

17. Martin J. Gruenberg, Chairman, Federal Deposit Insurance Corporation, speech to Federal Reserve Bank of Chicago Bank Structure Conference, June 9, 2012.

18. As of April 4, 2013, membership in the FSB included the following jurisdictions: Argentina, Australia, Brazil, Canada, China, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Mexico, The Nether-

lands, Republic of Korea, Russia, Saudi Arabia, Singapore, South Africa, Spain, Switzerland, Turkey, United Kingdom, United States of America. International organizations: Bank for International Settlements, European Central Bank, European Commission, International Monetary Fund, Organization for Economic Cooperation and Development, The World Bank (full list at [www.financialstabilityboard.org](http://www.financialstabilityboard.org)).

ternational cooperation and information sharing. Where a resolution authority takes discretionary national action it should consider the impact on financial stability in other jurisdictions.

7.3 The resolution authority should have resolution powers over local branches of foreign firms and the capacity to use its powers either to support a resolution carried out by a foreign home authority (for example, by ordering a transfer of property located in its jurisdiction to a bridge institution established by the foreign home authority) or, in exceptional cases, to take measures on its own initiative where the home jurisdiction is not taking action or acts in a manner that does not take sufficient account of the need to preserve the local jurisdiction's financial stability. Where a resolution authority acting as host authority takes discretionary national action, it should give prior notification and consult the foreign home authority.

As stated in 7.3, it is entirely conceivable for resolution to be triggered by the bank holding company of a foreign nation, necessitating the steps of resolution, including bail-in, to be enacted within a host nation of that bank. In the case of the United States, for example, if resolution were to be triggered by a large British bank, such as HSBC or Barclays, or a continental European bank, such as Deutsche Bank or UBS, the United States would be obligated, based on the FSB agreements, to take part in resolution.<sup>19</sup> Under the provisions of Dodd-Frank, the resolution authorities are already established in law. Such a coordinated regime was agreed to by the Heads of State and Government of the Group of Twenty in establishing the Charter of the Financial Stability Board in April 2009, reflecting the interests of that body "to coordinate at the international level the work of national financial authorities and international standard setting bodies (SSBs) in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies."<sup>20</sup>

19. As of November 2012, the FSB published a list of G-SIFIs for which cross-border resolution would apply. The list of 28 institutions includes: Citigroup, Deutsche Bank, HSBC, JP Morgan Chase, Barclays, BNP Paribas, Bank of America, Bank of New York Mellon, Cr dit Suisse, Goldman Sachs, Mitsubishi UFJ FG, Morgan Stanley, Royal Bank of Scotland, UBS, Bank of China, BBVA, Groupe BPCE, Group Cr dit Agricole, ING Bank, Mizuho FG, Nordea, Santander, Soci t  G n rale, Standard Chartered, State Street, Sumitomo Mitsui FG, Unicredit Group, Wells Fargo.

20. Charter of the Financial Stability Board, Sept. 25, 2009. Amended

## First in Line

There have been numerous documents written comparing Dodd-Frank's Orderly Liquidation Authority to regular bankruptcy under U.S. law. What is most notable in the comparisons is who gets priority during resolution, and on what basis that is determined.

The Cornell University Legal Information Institute wrote that Title II is aimed at "ensuring that payout to claimants is at least as much as the claimants would have received under bankruptcy liquidation." Impartial as it may seem, the problem that arises from that statement is that liquidation during resolution is done at the discretion of the receiver, the FDIC, on the basis of salvaging what is, in its view, most important for financial stability. Under Title II, Sec. 9 E, it is stated that the FDIC "shall, to the greatest extent practicable, conduct its operations in a manner that . . . (iii) mitigates the potential for serious adverse effects to the financial system."

The current financial system, G-SIFIs most emphatically, are highly leveraged, hugely undercapitalized, and rely on classes of assets in the form of securities contracts, collateralized debt obligations, derivatives, and other debt instruments, to maintain the appearance of solvency. Uncertainty in the value of a category of such assets triggered by any outstanding event, for example, the announcement of bank resolution, would create an across-the-board devaluation among all holders of those assets, thereby guaranteeing "adverse effects to the financial system." Creating these effects would constitute "disorderly liquidation." Preventing these effects constitutes "orderly liquidation."

As stated in the IMF report *From Bailout to Bail-In*, disorderly liquidation can create risks to overall financial stability:

- i. through direct counterparty risks when the failing institution fails to meet its financial obligations
- ii. through liquidity risks and fire-sale effects in asset markets, when the distressed institution is forced into asset sales to obtain liquidity which further depresses asset prices (and thus raises demand for higher "margin")
- iii. through contagion risks when the panic caused by the failure of one institution spreads to other financial institutions.<sup>21</sup>

by the G20 Heads of State and Government, June 19, 2012.

21. Op. cit., Zhou et al., footnote 1.

Again, if these three risks are to be avoided effectively, the assets of the institution, regardless of their legitimacy or actual market value, would have to be bailed-in. Their values would have to be preserved, presumably within the bridge financial company, to ensure that similar assets held by other institutions do not suffer the “contagion effect” seen in the Lehman Brothers crash of 2008 and its aftermath.

Moreover, under the Bankruptcy Reform laws of 2005, securitized derivatives counterparties are given priority status in the event of bankruptcy.<sup>22</sup> This is highly consequential for G-SIFIs, as it is the case that the majority of the world’s derivatives are concentrated in those institutions. By popularly quoted estimates, as of 2010, the total world derivatives had a notional value of \$1.2 quadrillion, approximately 20 times the world GDP. Because of the opacity of the derivatives market, the exact numbers are virtually impossible to produce. However, the Bank for International Settlements quoted global OTC derivatives—derivatives that have a paper-trail—at \$632 trillion as of December 2012.<sup>23</sup>

If it is the case, as indicated by the Legal Information Institute, that payouts to claimants would be equivalent to what they would receive under liquidation in bankruptcy, despite the priority of payments listed in Dodd-Frank,<sup>24</sup> securitized derivatives counterparties would be the first to recoup their money, followed by those asset holders whose claims, if exposed to be valueless, would create a disorderly, chain-reaction collapse.

## Reasserting U.S. Law

The case has been made and put on the record, using facts that virtually every member of government did not find pressing or compelling enough to take into con-

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22. More documentation will become available on [larouhepac.com](http://larouhepac.com) and [larouhepub.com](http://larouhepub.com) on the priority status given to derivatives in resolution and bankruptcy.

Also see Ellen Brown, “Winner Takes All: The Super-priority Status of Derivatives.” [webofdebt.wordpress.com](http://webofdebt.wordpress.com), April 9, 2013.

23. *BIS Quarterly Review*, June 2013, Table 19.

24. The Cornell University Legal Information Institute summarizes these claims citing Dodd-Frank, Title II, Sec. 209 (b): “Claims are paid in the following order: (1) administrative costs; (2) the government; (3) wages, salaries, or commissions of employees; (4) contributions to employee benefit plans; (5) any other general or senior liability of the company; (6) any junior obligation; (7) salaries of executives and directors of the company; and (8) obligations to shareholders, members, general partners, and other equity holders.”

sideration, in the course of making national law. What has been presented is now available to American lawmakers and members of governments internationally. This report itself, in the days following its publication, is being distributed to the same, and is widely available to the public at large (<http://larouhepac.com/node/26726>).

The point that has been made implicitly throughout this documentation must be made explicit at this time. The consequences of enforcing the provisions of Dodd-Frank, or the agreements under the Charter of the Financial Stability Board as discussed above, amount to a violation of the spirit and the letter of the law of the United States of America. The preceding provisions of law and international agreements have been made in such a way that places the interests of “financial stability” above the interests of the people of the United States and their Government. The very definition of what is meant by financial stability has been codified by those whose present and future positions of power and authority depend upon that definition.

Moreover, what is established through this legislation will result in the mass destruction of the citizens of the United States through economic deprivation, through the collection and extraction of funds done in such a way as to leave the targeted subjects of the law desperate to the point of extermination. Within the texts cited above, there appears to be no evidence suggesting the contrary to be true.

The establishment of the United States of America, as a free and sovereign nation, was premised upon a foundation of law. What underlies the founding laws of the nation is the issue of *Right*. The right of the nation to govern itself, and to govern in such a way that upholds the right of each citizen to his or her life, that most fundamental value in law.

Enacting the resolution authority (OLA) at the holding company level of a G-SIFI in the event of a crisis, as it is written and intended in Dodd-Frank, will deprive the citizens of the United States of those rights guaranteed to them under national law, most emphatically, their right to life. They will be deprived of their right to petition their government, they will be deprived materially, and as a result, it is a certainty that many will be deprived of their lives—whether by violence, poverty, starvation, extreme want, or suicide. However, after expropriating the material wealth of the nation the aforementioned international syndicate will have financial stability.

# European Commission Readies Bail-In Law To Grab Citizens' Bank Deposits

by Helga Zepp-LaRouche

May 25—The EU Commission is currently working on a directive which, if enforced, will create conditions throughout Europe as bad or worse than those in Greece and Cyprus—mass poverty, hunger, and early death. Because in future impending bankruptcies of large banks, savings, pensions, pension funds, and working capital of businesses will be confiscated and converted into equity of the bank.

The “Cyprus model,” which will serve as a template for the whole of Europe according to Euro Group chief Jeroen Dijsselbloem—the so-called “bail-in”—is leading, in the case of the Bank of Cyprus, to a likely loss to investors of 60%, and in the case of the insolvent Bankia bank in Spain, fleeced customers were forced to accept “preferred stock” in the bank in place of 99% of their deposits.

The European Parliament is currently discussing this directive from the EU Commission for a so-called [Bail-In Law](#) to “establish a framework law for recovery and resolution of credit institutions and investment firms,” which was also up for discussion at the recent meeting of the ECOFIN<sup>1</sup> ministers. In the “explanatory memorandum” that preceded the meeting, the Commission states that it is necessary, in view of the integration of financial markets in the Union and the associated risk of infection, that “the authorities” be equipped with effective tools and authority to preemptively attack banking crises, in order to preserve financial stability, and to minimize the risk of losses to the taxpayer in cases of insolvency.

Since the so-called “bail-out tool”—the rescue packages for the ailing banks funded by the taxpayer—are no longer sufficient, and the European Stability Mechanism (ESM), with its EU700 billion, has long

since become too small (with roughly EU14 trillion in state and bank debt in Europe), we now have a new instrument: the “bail-in tool.” Depositors’ funds are to be simply expropriated and converted into equity of the banks!

## ISDA: Bankers Call the Shots

The global financial system is headed irrevocably toward collapse. Given the estimated EU700 to 2,000 trillion (!) in outstanding derivatives contracts, it is virtually impossible for deposits to be insured up to EU100,000, as governments have promised. So what is threatened is brazen expropriation. And then the Commission admits, in the aforementioned paper, whom they worked with to concoct this planned raid: experts from the banking sector, academics, and law firms. On the Commission’s website you will find all of the documentation to prove that it was primarily the London-based International Swaps and Derivatives Association, Inc. (ISDA) that advised the Commission on the impact of the Bail-In Law on the derivatives sector, as it had already done before in March 2011, and as it had advised the Financial Stability Board in September 2011. So the plans had been in the works for a long time, long before the Cyprus crisis.

The monstrous advice of these [experts](#) excludes the derivatives debt from the bail-in. “We understand that some feel that derivatives liabilities should be brought within the scope of the bail-in power as a matter of fairness,” they write, “but we think that this is based on a misunderstanding of the nature of derivatives liabilities. A derivative liability is not a form of capital.”

“In any event,” they claim, “we must emphasise that the strongest grounds for excluding derivatives liabilities are practical.” And the reason is supposedly the following: “The difficulty of applying bail-in to outstanding derivative transactions increases with the number

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1. The Council of EU economics and finance ministers; budget ministers join the meetings when budgetary issues are discussed.



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and diversity of underlying assets and reference values in the derivatives portfolio (including rates, prices and indices relating to interest rates, foreign exchange rates, equities, debt securities, credit risk, energy products and other commodities, bullion, emissions allowances, inflation and other economic statistics, weather data,

freight forward rates, bandwidth, longevity and so on).” Oh, my goodness! So the little people are supposed to bleed, but the derivatives are too complicated to be included?

What does the ISDA say about themselves in their “mission statement”? “ISDA fosters safe and efficient

derivatives markets to facilitate effective risk management for all users of derivative products.” And who is represented on the board? “Representatives of Morgan Stanley, Société Générale, JPMorgan Chase, BNP Paribas, Citi, Goldman Sachs, Pimco, HSBC, Standard Chartered Bank, RBC, Barclays, BP, Deutsche Bank, Nomura Securities, RBS, Unicredit, UBS, Bank of Tokyo.”

The EU Commission thus lets the top investment banks in the world provide the legal texts, with which they intend to stab the population in the back! The profits of the mega-speculators are to be protected, as well as the right of these predatory capitalists to push ahead with the madness of derivatives. This scheme in itself shows that the financial oligarchy is just as ruthless as it is incompetent. Although they are willing to march over the proverbial dead bodies, they are obviously so blinded by their greed that they do not stop to consider that there might be nothing more to take out of a dead man’s pocket!

The EU Commission finds itself, with its inhuman policy that has already been condemned by the UN as a human rights violation in the case of Greece, perfectly in line with the so-called Dodd-Frank Act in the U.S. Congress, which also includes the bail-in tool. Again, the experts on Wall Street write the laws, as the *New York Times* revealed on May 24 with the publication of e-mail traffic: Citigroup and other bank representatives wrote, word for word, the texts of laws that would dispossess ordinary bank customers, while entire categories of derivatives speculation would remain exempt. The only changes made by the Congress were the two words it changed from singular to plural. The nonprofit organization Maplight has just revealed that the Congressmen who voted for the special treatment of derivatives trading received twice as much in the way of campaign contributions from financial institutions as those who voted against it.

What motivates the Troika [IMF, European Commission, European Central Bank], which has brought misery and despair to the Southern European countries, or the governments that have rubber-stamped the arrangements of the financial oligarchy, is left to the imagination. The fact that can no longer be denied is that all of their previous models have failed, from the euro experiment to the chimera of the EU as a sponsor of peace in Europe, all the way to the bailout policy. We urgently need to stop falling for the swindle of “more Europe.” Most of us will not survive “more Europe” of the sort proposed by the new Bail-In Law.

## The Glass-Steagall Solution

There is a way out: the original Glass-Steagall Act, which was introduced by President Franklin Roosevelt in 1933 as a bank separation law, has been introduced in exactly in this form in the U.S. House of Representatives by Marcy Kaptur (D-Ohio) and Walter Jones (R-N.C.) and 61 other signatories under the title H.R. 129, and in the Senate by Tom Harkin (D-Iowa) under the title S. 985. It is the exact opposite of the Bail-In Law: The worthless, outstanding derivatives contracts will be canceled, while the citizens’ savings, pensions, the real economy and infrastructure, are protected. As the paper of the ISDA correctly determines, derivatives are not a form of capital in any case, so nobody loses anything if these virtual constructs are eliminated.

Close combat is presently raging in the U.S. Congress and Senate between the lobbyists of Wall Street (using the “carrot” of bribes and the “stick” of career loss), and the representatives of the people, whose lives are at stake.

An Italian member of the European Parliament, Claudio Morganti, appealed to the Europeans in a recent speech in Strasbourg to follow the example of Senator Harkin and adopt a law on the separation of banking, rather than discuss European banking union. That’s what we should do. The Eclecta blog in the U.S. reported on the fight for Glass-Steagall and called on the population to develop a “passionate obsession” with this bill. This is perhaps a somewhat unusual formulation, but it hits precisely the point at issue.

People who do not stick their heads in the sand suspect more or less clearly that the current policy, in the interests of the banks and the financial oligarchy, is about to plunge Europe into a political, economic, and social disaster of unprecedented proportions. If it comes to that, many millions of people will pay with their lives—and that is probably the intention of the forces of the Empire under which we live, which proceed from the assumption that the world is overpopulated.

It is therefore nothing but a healthy impulse for self-preservation to fight with “passionate obsession” for the realization of the Glass Steagall Act!

There is not a single reason to stay in this EU, but there are many good reasons to win back sovereignty over monetary and economic policy, and to bring human creativity and dignity back into the center of politics and social life.

*Translated from German by Daniel Platt*

## A Battle Report on the U.S. Drive for Glass-Steagall

by Nancy Spannaus

May 28—A surge of optimism swept the sentient sections of the U.S. population during the week of May 20, when the word spread that Sen. Tom Harkin (D-Iowa) had introduced a companion bill to H.R. 129, the Return to Prudent Banking Act, in the U.S. Senate. Harkin's S. 985, like the House bill that now has 63 sponsors, would implement all of the key features of Franklin Delano Roosevelt's Glass-Steagall banking measure of 1933.

LaRouchePAC organizers took to Capitol Hill to get out the word, which, true to form, was not covered in any of the major media, although the news did spread widely in some widely read Internet publications, such as the *Daily Kos*. By mid-week they had created quite a buzz—as attested to by a gratuitous attack on Glass-Steagall during a Congressional hearing by none other than Federal Reserve Chairman Ben Bernanke.

Although Congress recessed for 10 days on May 23, the mobilization for passage of this legislation in the immediate weeks ahead is continuing in state capitals and small towns around the country. In addition to the drive for the passage of memorials to Congress demanding passage of H.R. 129 and S. 985, LaRouche organizers are soliciting personal letters to Congressmen and Senators from their state legislators. Some citizens are also circulating petitions in their communities, to be submitted to their state legislators and Congressmen. Others are attending town meetings in order to raise the issue.

This is a war American patriots are determined not to lose.

### Bernanke Says 'No'

In the Q&A portion of his testimony before the Joint Economic Committee of Congress on May 22, Bernanke was not questioned on Glass-Steagall by any of the Senators. However, when Sen. Bernie Sanders (I-Vt.) began to press Bernanke on the various forms of banking regulation to deal with banks considered "too big to fail," Bernanke raised the issue that was on his mind: Glass-Steagall.

"I think that many of the suggestions to break them up have either involved relatively small changes or a form of Glass-Steagall. I think Glass-Steagall is not the solution because as we saw in the crisis, investment banks [and] commercial banks separately got into serious trouble. So I think that we are doing a lot of things which I don't have time to go through—through Dodd-Frank, through Basel III, through orderly liquidation authority and other authorities—to move in the right direction toward addressing too-big-to-fail."

Bernanke's lie about the alleged irrelevance of the elimination of Glass-Steagall to the crisis should be transparent by now. It has been refuted frequently, including by FDIC Vice Chairman Thomas Hoenig, who said, in his speech at the Bard College Levy Institute on April 17, 2013: "It is sometimes argued that the recent crisis was related more to shadow banks outside the



*LaRouchePAC organizing at the California Capitol, May 10, 2013.*

safety net than to commercial banks under the net. Lehman Brothers is cited as just such a case. However, Lehman was a commercial bank in the most important sense.” Hoenig laid out how Lehman, Bear Stearns, et al. used “repos” and related derivatives as if they were demand deposits in a commercial bank, and leveraged these “deposits” up to 40:1, borrowing from commercial banks.

Treasury Secretary Jack Lew, during Senate Banking Committee testimony the same day as Bernanke, also showed great sensitivity to the question of reregulating the banks. He opposed Congress passing any legislation to break up large banks, limit their size, or otherwise do anything other than “implement Dodd-Frank.” Lew urged Senators to delay bringing forward a measure to limit too-big-to-fail banks until after the Dodd-Frank legislation has been fully implemented. “I think this is not the time to be enacting big changes to Dodd-Frank or to the regulatory system. After the law is implemented, regulators can take stock of whether more actions are required,” Lew said.

In other words, don’t touch the banks!

### **Citizens Want Action**

Roger Johnson, the President of the National Farmers Union (NFU), issued a press release May 20 commending Senator Harkin and Rep. Marcy Kaptur (D-Ohio) “for introducing legislation to reinstate the Glass-Steagall Act, which would help protect the

U.S. economy from widespread collapse,” and urged “all members of Congress to support prudent financial protections.”

“Congress must learn from the past in order to prevent future financial crises,” said Johnson. “The Federal Government, in its deregulatory zeal of the 1990s, repealed important laws like Glass-Steagall that separated commercial banking from investment banking. Doing so helped to set up the Great Recession.”

So far, the NFU is the only national constituency organization to take note of Harkin’s move, and start to mobilize its members.

But there is a citizens’ movement in action. In Pennsylvania, for example, 20 townships have passed resolutions calling on their Senators and Congressmen to sign on to both the Federal Senate and House bills. Only two Pennsylvania Congressmen have so far co-sponsored H.R. 129 (Doyle and Brady), and neither Senator from the state has indicated support. Delegations of constituents have been setting up meetings with the Senators’ offices, in order to press the point.

Pennsylvania is also one of the 20 states where memorials demanding that Congress reinstate Glass-Steagall have been introduced. In this case, the memorial, H.R. 73, has 30 cosponsors, but has not yet been introduced into the state Senate, or come to a vote in the House.

In states where the legislative session has come to a close, before resolutions for Glass-Steagall could either be introduced or voted upon, activists are not giving up, but are seeking out their representatives to sign letters of support for Glass-Steagall to be sent to Washington.

The potential for passage of memorials for Glass-Steagall remains great in a number of the larger states, which have longer legislative sessions than the smaller ones. In all cases, the activists have to keep their eyes out for counter-operations from local banking representatives, who have taken the point for the Wall Street banks, and tried to deep-six resolutions by pressuring their sponsors.

# Patriots of Europe Prepare for Glass-Steagall

by Our European Bureau

May 25—Thanks to the efforts of the LaRouche movement in Europe, there are now patriotic leaders throughout the continent who are mobilizing to restore their national sovereignty, both by breaking from the dictatorial euro system, and by preparing to implement a Glass-Steagall banking-separation policy of their own.

The so-called banking-separation law just passed in the German Bundestag is a total fraud. It is even less restrictive of the speculative activities of the banks than the Vickers and Liikanen reports, produced by Britain and the EU respectively (see last week's *EIR*). The political party headed by Helga Zepp-LaRouche, the Civil Rights Solidarity Movement (BüSo), is waging an aggressive campaign for true separation of commercial from speculative, and a cancellation of the euro.

In other nations, political leaders are also stepping forward to fight the monetarist dictatorship. As soon as the United States takes the first step, by reinstating FDR's Glass-Steagall law, these patriots are set to move to free Europe from the process of genocide already underway.

We review some of the latest developments below.

## Italy

On May 21, Member of the European Parliament (MEP) Claudio Morganti

briefed the plenary session on U.S. Sen. Tom Harkin's Glass-Steagall bill, and called on European nations to follow the example. Morganti intervened in the debate on Banking Union reform, rejecting the scheme and calling instead for banking separation. Here is the text of his intervention:

“Mr. President, honorable colleagues,

“European banks have nowadays reached barely controllable dimensions, and the crisis of one of them can throw the entire financial market and the economy of a country into the abyss.

“Therefore, more controls and guarantees are welcome, even at the European level; however, I am still skeptical about all supervisory mechanisms, which have clamorously failed, both at the national and European level.

“In the last months in Italy we had the known case of the Monte dei Paschi bank: I doubt that a European supervisory mechanism would have been more effective—although it was surely impossible to make matters worse than that. At that time, [current European Central Bank President] Mario Draghi was at the Bank of Italy and he did nothing: I do not desire this to be repeated now in his new role at the ECB, because in that case, Europe as a whole would pay the consequences.

“I wonder what use and



*Italian Member of the European Parliament Claudio Morganti*

effectiveness the new European Banking Authority will have, because so far, it's been practically useless. It was just the umpteenth useless European agency. Maybe, bringing it again under the ECB has a logic.

“A large part of banking problems originate, in my view, from an error which I have often stressed in this room, and that is, from the wretched abrogation of banking separation, modeled on the U.S. Glass-Steagall Act. Just last week, also in the United States Senate, a bill was filed, aimed at re-introducing Glass-Steagall, similar to the bill already filed in the House of Representatives.

“Europe should follow this path, because today we talk about a Banking Union, but maybe many more benefits would come from a Banking ‘Separation.’”

Morganti's intervention can be viewed in this video, with simultaneous translation in English: <http://www.youtube.com/watch?v=tQPRpGgXDSc>

## France

Solidarité & Progrès, the political party founded by former Presidential candidate Jacques Cheminade, on May 14 released its draft bill to restore the Glass-Steagall standard. In doing so, the Solidarité & Progrès sets itself above all the other political parties in France, which, despite high-sounding Pinocchio speeches, have given up the fight against the financial oligarchy, and have submitted to the bankers' “banking reform.”

While the banking act submitted to Parliament by Finance Minister Pierre Moscovici would prevent splitting up the banks, and enforce the bail-in procedure known as the “Cyprus template,” Solidarité & Progrès's draft bill revives Charles de Gaulle's 1945 bank separation, which was key for financing “the glorious thirty” years of postwar economic renaissance by applying a public-credit distribution system for key physical-economic projects.

The draft bill is a twin of the U.S. Glass-Steagall Act, restoring a sharp separation between commercial banks and banks engaged in speculation, leading to a bankruptcy reorganization of masses of fictitious financial assets that are accumulated inside the banking system.

In its press release and website, Solidarité & Progrès



*Jacques Cheminade, head of France's Solidarité & Progrès party, in a televised interview: “Has the war against high finance begun?”*

links its draft bill to U.S. House Resolution 129, the Return to Prudent Banking Act, calling for reimposing Glass-Steagall. Solidarité & Progrès notes that a global Glass-Steagall policy is the only way out of the financial disintegration and suicidal austerity pact of the EC-ECB-IMF Troika.

The draft bill is available at: <http://www.solidarieteetprogres.org/mobilisation-glass-steagall.html>.

## Greece

The Greek anti-euro party called Plan B held its founding congress May 18, officially becoming Greece's second anti-euro party. The first, the Drachma 5 party, was founded earlier in May on the initiative of Prof. Theodore Katsanevas. The formation of the Plan B party, which has about 400 members, was announced several weeks ago by its initiator Alekos Alavanos.

“Greece is now a country with no achievement. It's a society that has lost its self-confidence and its perspective for the future,” Alavanos told EnetEnglish. “Everyone knows, everyone, even the Germans . . . that Greece cannot pay its debts. . . . So this is a reality and everyone will accept it finally even if he does not like it.”

Alavanos is the former leader of the Syriza party, who made Alexis Tsipras the leader of that party, something which Alavanos later came to regret. He left Syriza over the euro issue, and is now in a position to attract its disaffected left-wing members.

The Drachma 5 party's Five Star program calls for 1) overthrowing the Memorandum of the International Monetary Fund, the European Commission,



Wikimedia Commons/Michalis Famelis

Alekos Alvanos, initiator of Greece's Plan B party.

and the European Central Bank (a.k.a. the Troika); 2) returning to the drachma; 3) facilitating robust growth; 4) restoring national dignity; and 5) restoring social justice. It includes a call for total banking separation.

## Spain

In early May, a “Manifesto for the Recovery of Economic, Monetary and Civil Sovereignty: LEAVE THE EURO” was issued by a group led by Julio Anguita, a senior statesman from the Communist Party and United Left (IU) party who is now organizing a non-partisan Civic Front movement.

Initially signed by Anguita, leaders of the Civic Front, and some current and former leaders of the IU, 900 other leaders signed the manifesto within two days of its posting.

Economist Pedro Montes told *Cuarto poder* that the initiators had decided that the time had come to state publicly what is being discussed in Spain’s classrooms, cafés, and on the streets, to provoke the debate required to get parties and social movements to take a stand against the euro.

Spain faces an “unmanageable disaster,” catastrophic unemployment, a foreign debt impossible to pay, and public accounts heading toward state bankruptcy, the manifesto begins. The causes are complex and multiple, but “the principal reason for this destructive situation must be attributed to our country’s joining the single currency.”

The single currency created the conditions for the neoliberal doctrines of “Maastricht Europe.” It created unsustainable imbalances covered by huge foreign debts, for Greece and Portugal, as well as Spain. Until 2008, Spain “lived a dream, as if drugged, feeding the real estate bubble.” Then financial markets shut off credit, and the destructive policies of adjustment, austerity, and privatization followed.

The manifesto slams not only the ruling, neoliberal People’s Party, but also the Socialist Party, for now feigning criticism of the suicidal policies in which it was an active co-participant, while insisting that “the euro is irreversible.” Leaders of the trade unions recognize their error in giving “a critical yes” to Maastricht, and denounce the current situation, but are unable to propose effective anti-crisis measures, because they don’t question the current Europe.

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“The point is, we need Glass-Steagall immediately. We need it because that’s our only insurance to save the nation.... Get Glass-Steagall in, and we can work our way to solve the other things that need to be cleaned up. If we don’t get Glass-Steagall in first, we’re in a mess!”

—Lyndon LaRouche, Feb. 11, 2013

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

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Others on the left propose utopian changes to the “unreformable” structure of Europe today.

“It seems clear to us signers of this Manifesto,” they write, “that Maastricht Europe cannot survive under its current configuration, after the disasters and sufferings which it has caused.... We also affirm that our country cannot get out of the crisis within the framework of the euro. Without our own currency and without monetary autonomy, it is impossible to confront the social and economic drama....”

The manifesto specifies that the foreign debt is unpayable. Private interests must pay private debts, and the public debt must be radically restructured through write-downs, moratoria, and conversion to local currency.

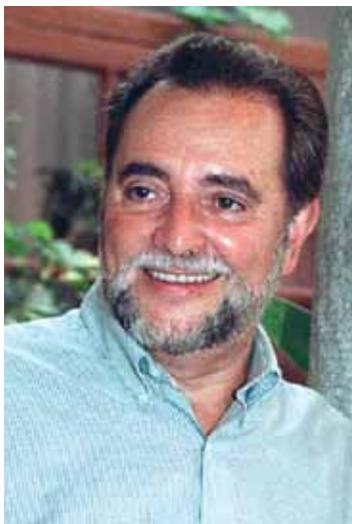
“As we see it, today, Spanish society, which has entered into a prolonged and hopeless agony, has no other option than to leave the euro, to prevent the final collapse of the country.”

## Ireland

On May 21, Deputy Thomas Pringle announced a motion to be debated in the Dáil (parliament), co-sponsored by 13 members of the Dáil Technical Group, for the establishment of a process to allow a Eurozone member state to voluntarily leave the Union. He also called for a wide-ranging public debate on the future direction of the European Union.

Pringle said, “There is no doubt that there are big changes coming down the line in terms of our relationship with the Union and what it will mean for us as a nation, and indeed, whether we will be a nation afterwards or not.”

Pringle, an independent deputy in the Dáil elected in 2011, is the leader of the Technical Group of Independents. He was active in both of the “no vote” referendum campaigns against the Lisbon Treaty.



*Spain's Julio Anguita, organizer of the non-partisan Civic Front.*

# Russians Welcome Glass-Steagall Fight

by Rachel Douglas

May 21—Illustrating how the current and historical fights for the Glass-Steagall principle find resonance in Russia, the May 17 [LaRouchePAC press release](#) on Sen. Tom Harkin's introduction of legislation in the U.S. Senate to restore Glass-Steagall banking separation was quickly republished following its release in Russian on May 19. The portal of the Institute of Higher Communitarianism, with which several anti-monetarist economists are associated, published the release in full, under the headline “Quiet Battle Against the Financial Octopus Underway in the USA.”

The release has also appeared on several blogs, on the Pravda-Info site, and in Ukraine it was issued by the press agency of Natalia Vitrenko's Progressive Socialist Party of Ukraine. The Russian release incorporated LPAC's reports on its mid-May Week of Action, and on the advocacy of Glass-Steagall by FDIC Vice Chairman Thomas Hoenig.

As in many countries, “Glass-Steagall” has become a well-known concept in Russia lately, thanks to the LaRouche movement, which, in recent years, has issued 67 Russian-language releases, speeches, resolutions, articles, and videos, discussing Glass-Steagall. The Russian-dubbed video of Lyndon LaRouche's speech at the April 13-14, 2013 Frankfurt conference of the Schiller Institute, with his central emphasis on Glass-Steagall as “the fundamental law of the United States,” has drawn over 2,300 views and downloads in the ten days since it was posted online.

In that speech LaRouche says, “And the core of what we are proposing is Glass-Steagall. Simply, the Glass-Steagall policy, if applied, will save the United States. If Europeans wish to survive, they will do the same thing. They will take a carbon copy of Glass-Steagall and bring it into Europe immediately, and eliminate any other variety of economic-policy system.”

Last November during pre-meetings for the inaugural Moscow Economic Forum, analyst Maxim Kalash-

nikov (a member both of agricultural-implements producer Konstantin Babkin's Party of the Cause, and of the Izborsk Club of intellectuals) put out video and written commentaries, calling for application of the same principle in Russia: "We have to set up a sovereign banking system, including strong specialized banks; adopt something analogous to the Glass-Steagall law to prevent the flight of investment rubles into currency speculation; and nationalize the Central Bank, subordinating it to a government of national salvation."

The Izborsk Club's economic policy white paper "Strategy for a Major Breakthrough," issued in early 2013, said: "We must learn lessons from the lamentable effects of the anti-crisis policies of 2008-2009. As soon as Russian banks received cheap, unsecured credits from the Central Bank, they immediately put them into speculative operations in the currency market. In order to secure the economic system against such practices, Russia ought to introduce legislation similar to the Glass-Steagall law, adopted in the USA in 1933 in the heat of the Great Depres-

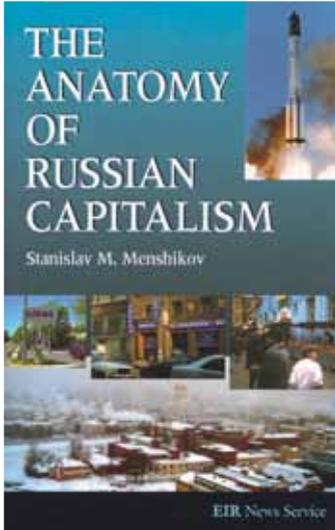
sion, restricting the banks' opportunities to speculate."

### 'Roosevelt Saved the USA'

On May 16, 2013, the day of Harkin's action, and the 80th anniversary of introduction of the original Glass-Steagall, Voice of Russia radio took note of the historical landmark in a broadcast titled "Roosevelt Saved the USA from Economic Chaos." The station interviewed Dr. Alexander Petrov, a researcher at the Russian Academy of Sciences Institute of Universal History, who underscored that two outstanding events among FDR's "first steps to overcome the hideous economic depression" took place on May 16, 1933. One was the introduction of Glass-Steagall, the other was Eleanor Roosevelt's personal visit to the Bonus Marchers' camps in Washington, which helped diffuse the still tense political situation and began to build support for the newly launched employment programs of the New Deal.

About Glass-Steagall, Petrov said, "On May 16 discussions began on the famous law, which would later become the Glass-Steagall Law. It guaranteed a certain division within banking. During the presidencies of Coolidge and Hoover, banks and investment companies ... had become entangled, and the ordinary American had no protection." Citing FDR's Fireside Chat on the banking crisis, which had been delivered in March, Petrov underscored that Roosevelt explained to the population how the banking system works, how it should work, and what banks couldn't do. The Russian historian then drew out some implications for Russia today, saying that the defense of healthy banks is crucial for the economy, and that Russia's small depositors need protection. He said that conventional wisdom "since Adam Smith" had favored government non-interference in banking, but in 1933 this would have been "very dangerous" to continue.

Petrov discussed how waves of criminality in the USA, including organized crime, had been based on the presence of large numbers of unemployed youth lacking confidence in the future. The New Deal public works projects provided productive employment in infrastructure construction as a basis for the future. Petrov outlined the positive chain of development from an increased standard of living, to population growth, to economic recovery, to scientific and technological progress. Roosevelt not only "saved the USA from chaos," he said, but became a figure of international stature in history.



*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.*

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## Anti-NAWAPA Water Policy Means Food Emergency

by Marcia Merry Baker

May 27—The huge food production concentrations west of the Mississippi River—e.g., 30%-plus of U.S. beef and dairy cattle from four High Plains states (Texas, Oklahoma, Kansas, and Nebraska); 30% of U.S. produce from California's Central Valley; 35%-plus of Winter wheat from three states (Kansas, Oklahoma, and Texas); 20% of U.S. milk from California—all came about as a result of a combination of scientific agriculture practices applied in favorable terrain, fertile soils, good sunlight, and the critical addition of water. But now, the entire region of the 17 High Plains and Far Western states is de-structuring, from the cumulative effects of *a national policy to cut water*, as well as from the effects of the continuation and breakdown of the monetarist "markets" system, which means that we have a U.S. and world food-supply emergency.

All the work of the Bureau of Reclamation, founded in 1902, to intervene (with dams, reservoirs, channels, etc.) to upgrade water and land management in these 17 states—west of the 20 inch/year rainfall longitude—has long been exceeded. The region is in crisis.

The report below gives snapshot details of the scope of the degradation of land and water in these Western agriculture zones, in terms of what it means for the loss of food production capacity.

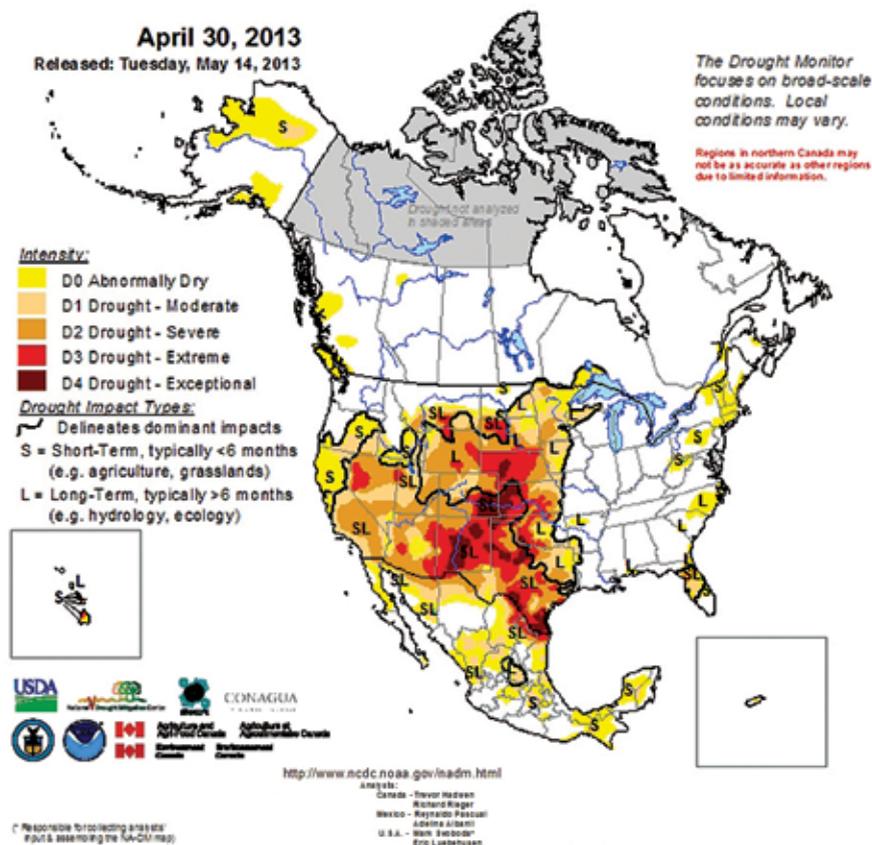
If the 1960s North American Water and Power Alliance (NAWAPA) had been initiated, as discussed in Congress at that time, it would have been built by 2000. The Western water and national food crisis would not now be unfolding. The NAWAPA concept is shown in

FIGURE 1



**Figure 1**, in which a portion of the ample rainfall in the northwestern part of the continent, would have been diverted southward, benefitting the dryland Canadian prairies, the western United States, and even into north-

FIGURE 2  
North American Drought Monitor



and by deregulation, including of banking, culminating in the 1999 repeal of the Glass-Steagall Act.

So, today, we have the extensive and severe water shortages indicated in the latest North American Drought Monitor map (Figure 2). As of this month, 47% of the U.S. Lower 48 states are in drought, with many severe zones; in Mexico, 64% of the area is in drought, centered in the Northeast and Central regions.

The enemies of NAWAPA and Glass-Steagall, then and now, are the very same: the British Empire gaggle of privileged financial and commodity houses, forcing globalization against nation-states, in furtherance of the Crown objective of depopulation and destruction.

In mortal opposition to this genocidal outlook, NAWAPA XXI—the updated project-design (<http://larouchepac.com/infrastructure>)—has now been put back on the U.S. agenda, as an integral part of the mobilization to restore sovereign Federal power for credit for survival, and to build the future by

ern Mexico.

NAWAPA was envisioned as the continental-scale successor to the regional water-management programs done in the 1930s—the Columbia River Basin, the Colorado River Basin, and improvements in the Rio Grande (Rio Bravo) River Basin—all of which included cross-border collaboration; as well as the famed Tennessee Valley Authority, and the California Water Plan.

These programs, and the agro-industrial growth to carry them through, were done in the context of the sound banking and credit regime enabled by the 1933 Glass-Steagall Act, which separated and protected commercial banking and useful credit, from speculative, predatory financial dealings.

However, NAWAPA was thwarted following the 1963 assassination of President Kennedy. In the decades which followed, the anti-development drive was conducted by an interlocking nexus of dirty operations, including the greenie assertion that infrastructure violates “the environment,” claims that “there’s no money,”

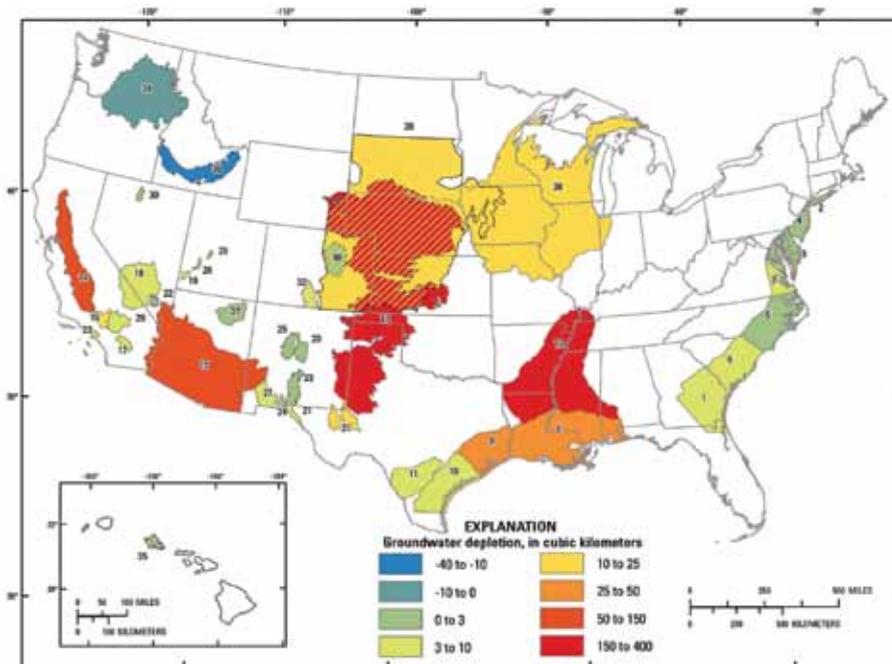
immediately re-instating the Glass-Steagall Act.

### The West: Water Scarcity, Food Crisis

Across all the major food types, the 17 Western states account for a huge share of U.S. production, resulting not only from intensive, high-yield operations on irrigated land, but also from dryland farm practices. All these farming systems are now in crisis because of the cumulative effects of decades of not having new, plentiful water supplies from NAWAPA, both for direct irrigation, and for the weather-improving impact from increased bio-mass throughout the region: trees, ground cover, direct evaporation, and plant-life transpiration.

Of all the area irrigated in the United States, over 70% of the acreage is in the 17 Western states, utilizing both surface run-off from the reservoir systems built as of the mid-20th Century, and groundwater. Now, these sources are both in crisis. The majority of the reservoirs are at low levels, insufficient not only for agriculture, but for residential and other uses. In the upper Rio

FIGURE 3  
Groundwater Depletion 1900-2008



Grande/Pecos River region, for example, the reservoirs are at an all time low. People have begun moving out.

Likewise, aquifers have been drawn down dramatically, except in certain northerly regions of the upper High Plains and a few other locations. A report on this was issued this Spring by the U.S. Department of the Interior and the U.S. Geological Survey, “Groundwater Depletion in the United States (1900-2008),” by L.F. Konikow.

The map (Figure 3), from this report, depicts the cumulative depletion (to 2008) of 40 aquifers across the United States, in which the Western states stand out as extreme—the Southern High Plains, California, and others. The report’s findings, however crude the measurements may be, note that the maximum rates of depletion have occurred “during the most recent period (2000-2008).”

The High Plains Aquifer/Ogallala Aquifer (Figure 4) is the extensive formation underlying parts of eight states, for which groundwater levels have been drawn down drastically, and water quality has deteriorated.

Overlay onto this Western groundwater map, the source-areas for key parts of the U.S. food supply, and the necessity is clear for re-instating Glass-Steagall, restoring a nation-serving credit-system, and launching NAWAPA XXI; plus taking emergency measures for

debt moratoria and aid to the agriculture regions.

**Produce:** California accounts for majority percentages of many of the fruits and vegetables grown in the U.S. As of 2011: broccoli—94%; leaf lettuce—90%; spinach—83%; canning tomatoes—95%; lemons—86%; fresh strawberries—88%; fresh plums—97%; carrots—66%, and so on.

The Central Valley in California alone provides a third of all produce grown in the U.S. Over 200 different crops are produced, from melons, grapes, berries, orchard fruits, and nuts, to salad vegetables. This one location is the largest supplier of canned tomatoes in the world.

The Central Valley, 450 miles long (from Redding to Bakersfield), and 60 miles at its widest, consists of the Sacramento River Valley in the north, and the San Joaquin Valley in the south. The entire region is now severely short of water, as indicated on the Aquifer Depletion map.

**Wheat:** The Southern High Plains region of three states—Kansas, Oklahoma and Texas—in recent years has accounted for 35% of the total of U.S. Winter wheat produced (bread wheat). This mostly dryland crop region has been parched for water, and also hit by temperature extremes. The U.S. wheat crop this year will be down significantly.

**Dairy:** California alone accounts for 20% of all the milk produced in the top 23 U.S. dairy states. California dairy-herd operations are now under severe threat, under impossible conditions from receiving prices below their costs of production, and from scarce and high-priced fodder. Over the last 18 months, 100 herds have been shut down, leaving only 1,500 total. California milk production is declining.

Of all the irrigated acreage in the 17 Western states—which is about 42 million acres (7.5% of the total crop base of the U.S.)—half of this area is irrigated for two kinds of crops for animal feed—hay, greenchop, and other fodder (26%); and corn for grain (24%), mostly for livestock rations (percentages are from 2008). Now,

water for irrigating these crops is short (with the exception of some northerly locations), at the same time as non-irrigated fodder crops have declined from drought, and pastures have dried up.

Adding to this livestock-feed crisis, is the insistence by the Obama Administration on continuing the corn-for-ethanol mandate.

**Beef:** The U.S. cattle inventory (beef, dairy cattle, and calves) has fallen to its lowest total since 1952. The decline over the last 25 years is shown in **Figure 5**.

Over recent years, the four High Plains states of Texas, Oklahoma, Kansas, and Nebraska accounted for over 30% of all the cattle and calves in the nation—mostly for beef. Texas alone accounted for more than 14%. These four states in 2008 had 32.5 million head of cattle, which was 34% of the national inventory of 96.7 million head.

Today, the number of cattle in these four states is down to 27.65 million head, a drop of 15% in just five years. The U.S. inventory is down to 92 million head. This decline comes directly from the conditions of depleting groundwater, severe heat and drought, lack of Federal aid, and diversion of food to biofuels.

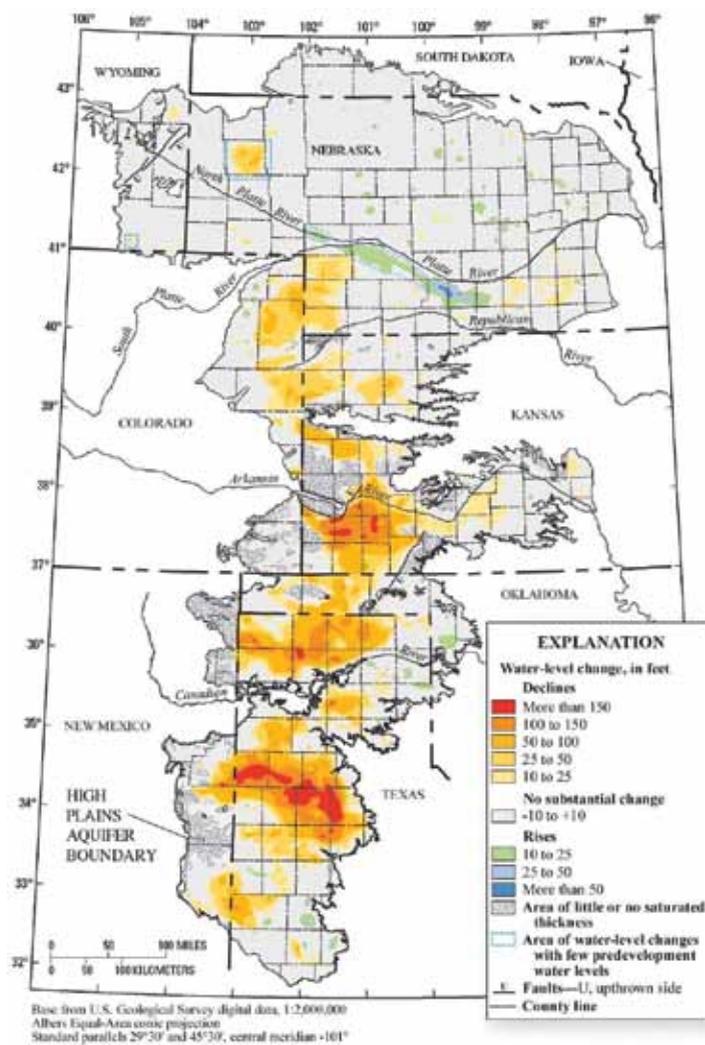
Over the last five years, the Texas cattle herd fell by 18%; the Oklahoma herd declined by 22%. Over just the last year, from January 2012 to January 2013, Texas cattle numbers fell 5%, and 7% in Oklahoma. (See “Cattle Inventory” twice yearly survey by the U.S. Department of Agriculture, National Agricultural Statistics Service.)

The same decline in numbers is taking place in the nearby states of Iowa and Missouri, which are significant cattle-producing states. Only in the northerly cattle region of Montana and South Dakota have herd numbers remained steady, which, in some counties, reflects the fact that Texas and Oklahoma animals were relocated to the north, for reasons of water and pasture.

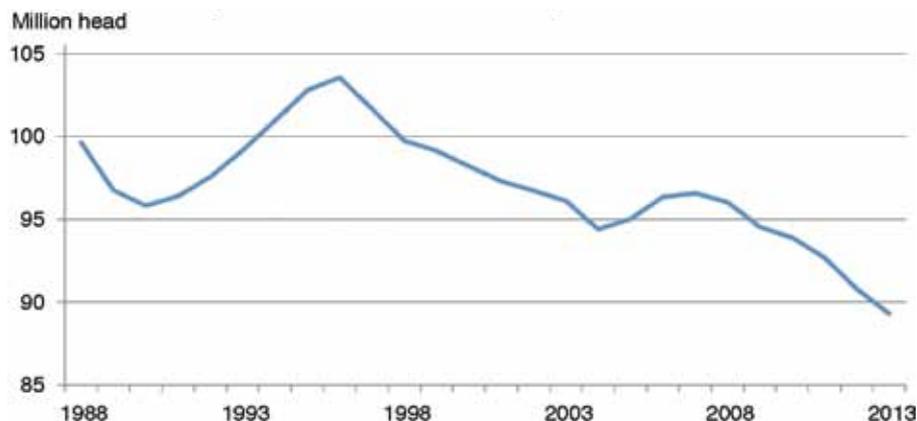
The state of California likewise ranks high nationally for beef, as well as dairy cows, but has been losing numbers year by year.

*marciabaker@larouchepub.com*

**FIGURE 4**  
**High Plains Aquifer/Ogallala Aquifer**



**FIGURE 4**  
**Cattle Inventory—United States: January 1**



# Ireland's Austerity Policy Only Makes Things Worse

by Nina Ogden

May 24—Through their many constitutional referenda on EU treaty changes, the Republic of Ireland has long been a battleground in the war between the European Union's supranational austerity policy and the effort by nations to defend their sovereign interests and living standards. This battle has heated up now, since, after public employees unions threatened to strike against a new round of draconian pay cuts, the coalition government, on orders from the "Troika" (IMF, EC, ECB) has threatened to pass legislation to cut the pay of any employee voting against their "negotiations."

In a recent tour of Ireland, I spoke to many leaders of this fight, briefing them on the LaRouche movement's effort in the United States and internationally to re-instate the Glass-Steagall Act and implement a Hamiltonian credit system. Among these leaders was Walter Cullen, the Regional Secretary of the Irish public sector trade union UNITE (see interview, below).

In 2008, the "Celtic Tiger" bubble burst. It had been the poster child of free trade globalization, touted by the Heritage Foundation as the "third most economically free country in the world." Fintan O'Toole, in his book on the crash, *Ship of Fools* (2009), said that "Ireland became the world's largest exporter of software and manufactured the world's supply of Viagra."

As the crisis was building during the Spring of 2008, the government called a referendum in support of the EU's Lisbon Treaty (June 13, 2008), which was rejected in large numbers by voters. UNITE, Ireland's second-largest union, with 60,000-plus members, played a big role in defeating the referendum.

But the ruling Fianna Fáil government panicked under EU pressure and called another referendum for October 2009, in which, because of scare tactics and fear of further economic collapse, Irish voters voted "Yes" to the superstate of Europe.

The government, after guaranteeing payments to the bankrupt banks, was pressed into signing a £67.5 billion bailout deal with the Troika in 2010. "The shame of it all," an *Irish Times* editorial wrote, "Having obtained our political independence from Britain to be masters of our own affairs, we have now surrendered our sovereignty to the European Commission, the Eu-

ropean Central Bank, and the IMF."

Fianna Fáil was thrown out of power in a 2011 "snap" election, suffering the worst defeat of any government in the history of the Irish state. The strange Fine Gael/Labour Party coalition was swept into power based on upon their opposition to the bailout deal. But those who predicted that this coalition would overthrow the deal were proven wrong, as the coalition proceeded with abject compliance with the murderous austerity demands of the Troika.

UNITE again played a major role in the campaign against the EU Fiscal Treaty referendum, known widely as the Austerity Treaty, in May 2012, when the coalition government again bullied a terrified population into a "Yes" vote.

UNITE Regional Secretary Jimmy Kelly addressed a large meeting, held shortly before that vote, saying: "The Treaty is only about austerity and does not have any provisions relating to growth. It has been rushed in as a panic measure. No less than ten Eurozone countries have now slipped back into recession. The problem with the treaty is that it enshrines the very policies that have caused that recession to get deeper and more damaging. Ireland has a chance to say 'No,' and to pull Europe back from the brink of economic self-harm it has been engaged in to disastrous effect over the past three years."

It is clear that the tide has begun to turn. The lessons of Spain, Portugal, Greece, and especially the Cyprus bail-in are obvious. The coalition is shattering, as government deputies in the Dáil (Irish Parliament) and European Parliament are breaking from their party affiliations over the budget and social policies implemented by the government.

The following interview reflects the current resistance.

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## Interview: Walter Cullen

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Cullen, the Republic of Ireland's Regional Secretary of the public-sector labor union UNITE, was interviewed by Nina Ogden of *EIR*, and Gene Douglas, editor of the LaRouche Irish Brigade website, in Dublin on May 1, 2013.

At the time of the interview, UNITE had just pulled out of the "Croke Park II" negotiations between the Irish government and the unions representing public employees. UNITE rejected the austerity measures being imposed on public sector workers.

Ogden began by describing the fight for Glass-Steagall. "Best of luck with that," said Cullen.

He went on to explain (quoting Paul Krugman), that those who are pushing austerity are not doing it because they have to, but because they want to. The attitude is, “never waste a good recession to roll back the gains of labor.” Some time ago, the public employee unions were pushed into the practice of “centralized” contract negotiation—that is, all the unions have to agree to a pay-and-benefits package at the same time. UNITE has opposed this practice, insisting that it is better for each union to negotiate on its own behalf.



Walter Cullen

The same minister who is negotiating with the public sector unions was also one of the architects of the bank bailout, Cullen pointed out. We looked at the Credit Institutions and Stabilization Act of 2010, and it showed that the debt was so large that it couldn't be paid in 20 years with austerity measures. Irish unemployment is probably over 20%, if you include emigration by those who could not find a job. The Irish Bank Resolution Corp (a merged entity of two nationalized failed banks), sold financial products based on mortgages. The government wasn't interested in actual negotiation; it made pay cuts unilaterally.

“The government said to the unions, come in and talk about taking EU1 billion off the total pay,” Cullen said. And they told us in advance, if we can't all agree to this after negotiating, we'll cut the EU1 billion anyway, unilaterally! “UNITE was the only union which said, we aren't giving up any pay.”

We *have* a solution, he stressed, but we haven't got the hearing to present it! An alliance of four unions pulled out of the talks. We and these other unions have set up meetings around the country, and we're telling people, we're not living with any of these cuts, because it's the wrong thing to do. When you cut pay, it leads to a loss of revenue, and this leads to the loss of funds for the public sector! To aid the economy, you need a stimulus which spends into the economy, and workers are the only people who can do that. IMF officials asserted, in retrospect, that

austerity is the wrong way to go.<sup>1</sup>

The negotiations are proceeding under threats! The existing protections, under the Croke Park I agreement, are being removed. The thinking in the government is, why waste a good recession? Use the opportunity to suppress the workers. And then if there is a recovery, we would have to begin all over again to achieve the rights we had won before, and then lost.

Look at the case of Wedgwood Manufacturing Company, Cullen continued. This company became insolvent, and the pensions also became insolvent. But there is an EU directive on pensions, which would protect those pensions to a degree. So we went to the European Court of Justice. There was a similar case before them brought by British workers who were employees of the same Wedgwood Manufacturing Company. While the Court was considering their case, the British government acted, and put in their own protections for the British workers. So then we initiated a suit against the Irish government. A decision by seven judges was 100% in our favor. But the Irish government had just let this case go on to completion, at great cost to the Irish taxpayers.

Ogden pointed out that UNITE's fight against austerity is “actually the same fight that is being taken up throughout the Eurozone, and if done in the right way, can give people hope.”

Cullen replied that in Ireland, the government is going even farther than the Troika is asking. The Troika says that the spending cuts must come from overall cuts, not just cuts to wages. But the Irish government wants to make all the cuts to wages alone. There is absolute inflexibility.

Gene Douglas commented, “Actually the stimulus spending in the U.S. and other places was just about bailing out the banks.”

Cullen agreed, noting that Iceland set a good example by telling the banks to get lost.

But in Ireland, the negotiations really are being conducted in bad faith. The result is being rigged, and the unions are being played against each other. If you put all the union ratification votes into one package agreement, then you can go easier on one union, to induce them to vote for an agreement that shifts the pay cuts to another union. Voting against the agreement would hurt them more, so they are overwhelmed and the agreement would pass.

1. See [EIR](#), Jan. 11, 2013.

# Why Glass-Steagall Can Cripple the British Empire

by Jeffrey Steinberg

*This is an edited transcript of a telephone presentation to LaRouchePAC organizers, given May 23. The call was moderated by John Ascher.*

It's critical, from a political-military standpoint, that everybody on this call recognize that last week, the action taken by Sen. Tom Harkin represented a very significant political blow to the British Empire, directly. The fact that we now have a Glass-Steagall bill introduced into the Senate, as well as into the House, means that this is now a very serious proposition. The strategy of the London crowd, of Wall Street (which is almost synonymous with the City of London), and the Obama Presidency, which is a wholly owned subsidiary of that apparatus—their strategy was to prevent a bill from being introduced into the Senate. And they had concentrated on a number of Senators, to put excruciating pressure on them—direct bribery, you name it—to make sure that they did not take the step of introducing Glass-Steagall.

And it was genuinely the mobilization that we have been involved in over these past months, that was the decisive factor in getting this bill introduced. There are anecdotal details that may be written up in reflective history books if we survive this crisis, but suffice it to say that this is not speculation, this is not hyperbole, this is the straightforward truth: that our efforts directly produced a major tactical defeat for the British Empire last week, and that's exactly why Mr. LaRouche said

that we've got to expect extraordinary reactions from the British, and from Wall Street, and from the Obama White House, to what we've accomplished.

John Ascher quoted from Ben Bernanke's<sup>1</sup> testimony before the Joint Economic Committee of the Congress the other day—and just bear in mind, that nobody asked him a question about Glass-Steagall. Nobody asked him what his opinion was. It was a prepared message, coming directly from the top down, of this British-controlled world financial system that's on its very last legs. And the message was, “No to Glass-Steagall.”

Now, this is not a new message. Back in the Spring of 2010, when the original work was underway to produce what became the Dodd-Frank Act, many of you who've been active for a longer period of time will remember that Sen. Maria Cantwell and Sen. John McCain introduced an amendment to the Senate version, the Dodd bill, which would have fully reinstated Glass-Steagall. There was an enormous brawl at that time over the issue, and the White House and Wall Street—Senate Majority Leader Harry Reid on the

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1. In his testimony on May 22, Federal Reserve Chairman Ben Bernanke said, with reference to a question about banks that are “too big to fail”: “I think that many of the suggestions to break them up have either involved relatively small changes or a form of Glass-Steagall. I think Glass-Steagall is not the solution, because as we saw in the crisis, investment banks [and] commercial banks separately got into serious trouble.”



Queen Elizabeth II surveys her underlings, the lords of all her dominions, at the British Commonwealth Heads of Government meeting in November 2009.

orders from the White House and Wall Street—moved Heaven and Earth to make sure that the Glass-Steagall amendment was never brought to a vote.

We were in direct contact with the people in the Senate who were counting the votes. That amendment required a simple majority of 51 votes, and we had a solid commitment from 59 members of the Senate that they would vote in favor of reinstating Glass-Steagall. And so it was only through a vicious parliamentary trick that that bill was prevented from being added as a poison pill to what became Dodd-Frank.

At that time, a senior American economist who had both ties to some of our people and was also in an advisory capacity to the Obama Administration, was in the City of London, and had a meeting with a very senior official of the British Foreign and Commonwealth Office. And this economist was given a very specific message, with the understanding that it would get back to the United States, and would not only get into the White House, but would be delivered as well to Mr. LaRouche. The message was, that if the United States moved to reinstate Glass-Steagall, this would be considered a *casus belli* by the British. In other words, it would be considered an *act of war* if the United States were to go back to Glass-Steagall.

And I think that that was quite literally the case, as was the case during the period of Franklin Roosevelt, when we had a Presidency that understood that, to defend the general welfare of the United States, and to

promote the general welfare into the future, meant to be in a state of war with the British Empire.

### What Is the Imperial System?

Now, as John said at the outset, there are many reasons why, if you simply relied on sense certainty, you would join with the vast majority of people who believe that the British Empire is some quaint relic of the past. It had a nasty history, as all empires do, but that really the British Empire no longer exists. You look at the economic data for the United Kingdom, and it's pathetic.

But the reality is something quite different. As Mr. LaRouche has emphasized for many, many years, don't think of the British Empire as the people of the British Isles, of the countries that make up the United Kingdom. The British Empire is, on the one hand, a different system, a monarchy that exerts vast reach around the globe; but at the same time, it *is* the system that dominates the world's financial system today.

When Lyn talks about the difference between monetarism, a money system, and a system of sovereign economies, the difference is between the British imperial system and the American system, which has been all but eradicated even here in the United States.

So, when you think about the British Empire, let's just take the cold hard fact of what it actually *is*, and then look at the larger implications, and a little bit of the history of what we're dealing with.

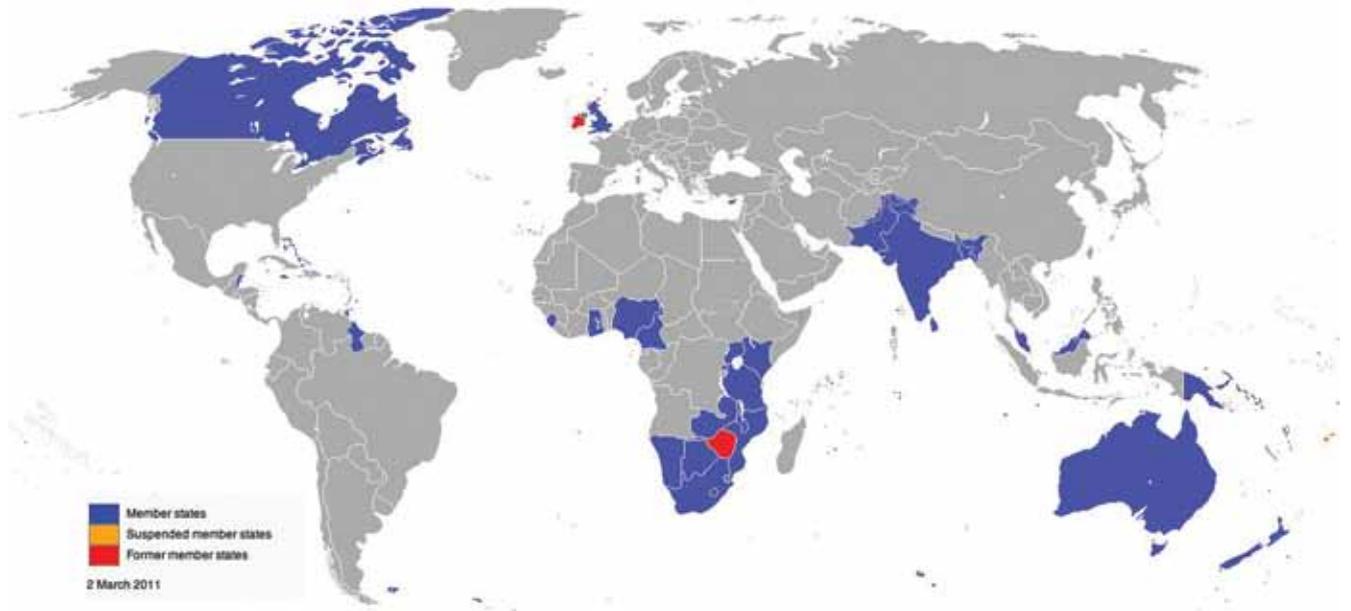
First of all, as I said, forget the United Kingdom. It's a minor piece of the Empire. And no empire in history ever acted on behalf of the general welfare of its own population. So the cultural and economic impoverishment of the British people is not some kind of an indication of a failed empire; it's a characteristic of every empire throughout history: that your own population is seen as an inventory of cattle, of chattel slaves, and not as human beings in the true sense of the word, as creative beings in the living image of God.

So, the imperial system, by its very nature, is a slave system.

At this point in time, the main visible manifestation of the British Empire, and the power of the British Crown, the British monarchy, is the British Common-

FIGURE 1

## The British Commonwealth



Creative Commons

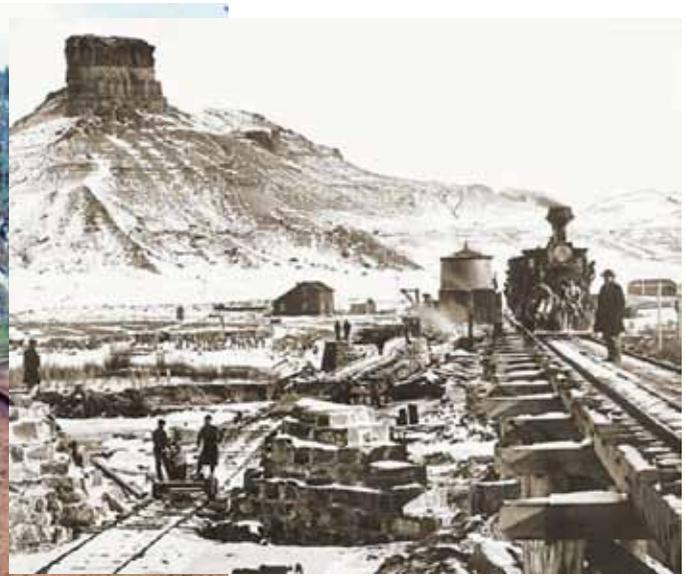
wealth of Nations. The Commonwealth is a political and economic treaty organization that is under the direct control of the British monarchy. There are 52 countries in the British Commonwealth of Nations. Those 52 countries make up 29% of the world's population, a little under one-third of the world's population. They take up 24% of the entire land area of the planet. And among those 52 governments and countries that are in varying degrees under the control of the British Crown, there are 16 countries in which the British monarchy is the absolute sovereign. That not only includes the United Kingdom, but also Canada, Australia, New Zealand, and almost all the British offshore financial centers in the Caribbean, from the Bahamas to the Cayman Islands to Antigua—these British Crown colonies are literally under the direct control of the British monarchy, the Queen.

Now, while there is a parliamentary government in Britain, I would urge anybody who has any illusions about the power of the British parliament, whether the House of Commons or the House of Lords, to catch one of their sessions with the Prime Minister, which are often broadcast on CSPAN, usually after midnight on Sunday. But it's funnier than the Gong Show or Benny Hill. You'll see that it's a travesty, it's a joke; it's not serious government. It makes the United States Congress look like a paragon of virtue in comparison.

And there's a reason for that, because the British parliament is a pathetic sideshow. It has no real power. The real sovereign power inside the United Kingdom itself rests exclusively with the monarchy. The power of the Queen includes the following.

- She has the absolute power to declare war.
  - She has the absolute power to appoint all of the military commanders of all of the British military and intelligence services.
  - She has the authority to dissolve parliament at any time she wishes, without explanation.
  - She has the authority to dismiss and replace a prime minister at her whim.
  - All judges are appointed by the Crown.
  - All of the archbishops of the Church of England are appointed by the Crown.
  - The Crown has the absolute authority to conclude all treaties; and finally,
  - Only the Queen has the authority to issue pardons.
- So, the *real*, physical power resides with the monarchy.

There have been periods when the monarchy has been weak; generally under those circumstances, it has not been the parliament that's been the center of power, but it's been the City of London. There were periods during the height of the British East India Company, when the Company, which was a Crown-licensed com-



Library of Congress

*The American Transcontinental Railroad (above), completed in 1869 was the inspiration for the Russian Trans-Siberian Railroad (left), completed in 1898 with help from U.S. engineers. The photo shows a switch operator in 1910.*

Library of Congress

pany, had its own private mercenary army; had a more advanced fleet, a more advanced navy; had greater actual power through the control of leading financial institutions, particularly the Baring Bank.

So, there's never been any kind of representative government in the U.K. And the Commonwealth was established in the early 20th Century, because it was clear that there had to be a transformation of the Empire, into something that began to look more like the modern world, particularly in the period after the U.S. Civil War, in which the United States emerged as a leading world power, and in which the Monroe Doctrine, the principle of the recognition of national sovereignty, actually had some meaning.

The British had to deal with the fact that the United States could no longer be defeated militarily—they had tried it three times and failed all three times. They tried to crush the Revolution. They tried it in the War of 1812. And they tried it using other means during the Civil War, when they organized the Southern secession, and tried to destroy the United States through a Civil War.

When they were defeated in all of those efforts, in part through the help of international allies of the United States—including Russia, in a very prominent way—the British adapted to the new reality of the emergence

of the United States as a leader of a system of sovereign nation-states around the world.

### **A Shift in Strategy**

The first thing that they did was move to crush the extension of that American System of sovereign nation-states, the American System of sovereign credit, first by crushing German Chancellor Otto von Bismarck, and the successful “American Revolution”<sup>2</sup> that had taken place in Germany during the middle of the 19th Century, in the period following the Civil War. Bismarck, who was a leading figure in Germany—his closest collaborators were Americans. There were American students, classmates of Bismarck’s at various universities in Germany, in Göttingen and Berlin, who went on to become leading American diplomats in Europe, and who were close friends and advisors to Bismarck.

So, whereas the British successfully defeated the effort to re-create the American Revolution in France, and turned France instead into a bloody mess, in Germany there was relatively greater success.

Britain’s response was to launch what ultimately

2. See Helga Zepp-LaRouche, “The American Roots of Germany’s Industrial Revolution,” *EIR*, Sept. 12, 2008.

became World War I, because the American policy at the end of the 19th Century was to establish, with the advent of the railroads, a kind of Eurasian Land-Bridge along exactly the lines that Lyn and Helga LaRouche designed in the 1990s. In the 1890s, that same American System idea was running rampant throughout Eurasia. Following the completion of the Trans-Continental Railroad, in 1869, American engineers immediately began collaborating with their Russian counterparts in building the Trans-Siberian Railroad, which was completed in 1898.

During that period, all of the potential that we're still talking about to this day, was there for a massive Eurasian and a Western hemispheric integrated rail system.

Tsar Nicholas II was the first person, in 1896, to propose the idea of a rail bridge or tunnel across the Bering Strait, to link up North America, the Western hemisphere, with Eurasia. The French, under Gabriel Hano-  
taux and Sadi Carnot, at the end of the 19th Century, were adopting American methods to build rail lines all across Africa. You had the Berlin to Baghdad rail line, the Paris to Vladivostok rail line—the whole idea was to basically adopt the American System methods to build Eurasia as a land power of sovereign nations, and to defeat the maritime powers of the British Empire. And in response to that, the British organized a series of wars ultimately leading into World War I.

### **Malthusianism and Looting**

So, back to the more current situation.

I think you've got a bit of an idea, a bit of an outline, of the fact that the British Empire still does in fact exist, as a formidable international force. Not only does the British Commonwealth encompass a significant portion of the land mass of this planet; the areas that were targeted by the British Empire historically were areas that are rich in strategic raw materials.

So, if you look at Africa, for example, and look at major British cartels—the Anglo American Corporation, the LonRho Corporation, Rio Tinto Zinc—these are among the leading strategic raw material cartels on the planet today. And the British monarchy, by the way, is the largest single shareholder in most of these big raw material cartels, from BP and Royal Dutch Shell, to Rio Tinto Zinc and Anglo American Corporation.

In fact, the world's wealthiest family, by far, in terms of actual physical assets owned, is the British royal family. Their assets are estimated at well over \$1 trillion, between real estate, shares in these raw mate-

rial cartels, the jewelry and art works; and all of these things are the possession of the British Crown. This is not some quaint little backwater factor in world history.

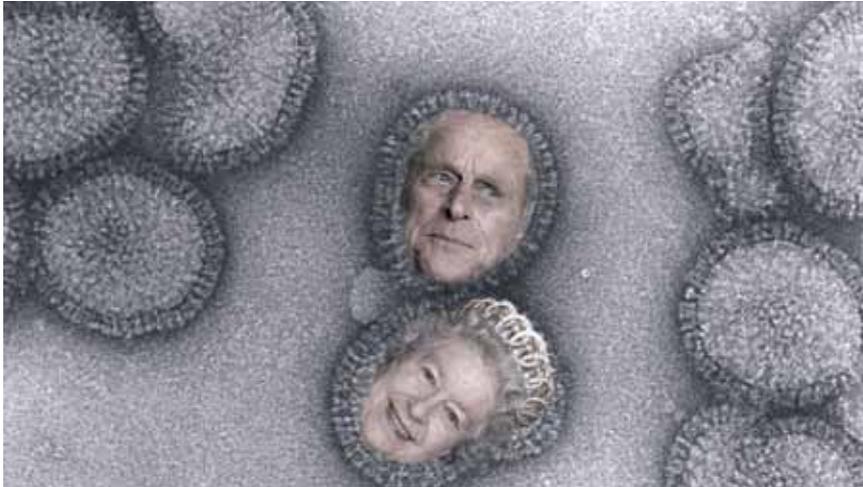
They also have a policy. And their policy, particularly since the end of World War II, has been to resume and revive the policy of eugenics, and radical Malthusianism. Many of you who have heard the famous quote by Prince Philip, the Royal Consort, the husband of Queen Elizabeth, who was interviewed in August 1988 by the German Press Agency, and said, "In the event that I am reincarnated, I would like to return as a deadly virus, in order to contribute something to solve overpopulation."

This is not just sort of whimsical comment from a psychotic oligarch. This is the core policy of the British Empire throughout its history, and particularly today.

You have leading representatives of this Empire who have made the point even more explicitly than Prince Philip, about the importance to them of population reduction, of population genocide, in order to maintain the power of the system of Empire. If you have a large and expanding human population, then you must necessarily have modern science, modern infrastructure, vast capacities for food production, scientific exploration—all of the things that destroy the principle of oligarchical power.

In 1953, one of the leading spokesmen for the British Empire, Lord Bertrand Russell, who many people again are deluded into thinking was somehow or other a peacemaker, because of his Ban the Bomb movement—well, Russell was a leading member of one of the old British oligarchical families. His grandfather, who raised him, had been the Foreign Secretary during the 19th-Century heyday of the British Empire. And in 1953, Russell wrote a book with the alluring title *The Impact of Science on Society*. But here's what he means by science. He means the social science to conduct genocide:

"But bad times, you say, are exceptions, and can be dealt with by exceptional methods. This has been more or less true during the honeymoon period of industrialism. But it will not remain true *unless the increase of population of the world is enormously diminished*. War, so far, has had no very great effect upon this increase, which continued throughout each of the world wars. . . . War . . . has been disappointing in this respect . . . but perhaps bacteriological war may prove more effective. If a Black Death could spread throughout the world once in every generation, survivors could procreate



LaRouchePAC

Prince Philip: “I would like to return as a deadly virus....”

freely without making the world too full. . . . The state of affairs might be somewhat unpleasant, but what of it? Really high-minded people are indifferent to happiness, especially other people’s” (emphasis added).

So, this is the mindset, this is the mentality of the Empire.

People today, a vast majority of people around you, every day, spit out foolishness from their mouths about this or that aspect of environmentalism, global warming, all of these things, when in fact, the whole idea of environmentalism, as distinct from, obviously, scientific principles for advancing technology and avoiding pollution and things like that—but the whole ideology of the green movement, was developed, coming out of World War II, as a revival of eugenics, by people like Julian and Aldous Huxley. Look at their writings from the 1940s, when they founded organizations like the International Union for the Conservation of Nature, and the Nature Conservancy. What they said at that time was, Hitler gave eugenics a bad name, and therefore, to revive eugenics, we’re going to have to simply use different terminology. We will call it conservation.

And so all of the environmental movements that you think of today began as elite, oligarchical organizations devoted to population genocide, and to reviving the principles of eugenics. Julian Huxley was the president of the International Eugenics Society at the time that he was involved in founding the Nature Conservancy, and later when Prince Philip and Prince Bernhard were involved in 1961 in launching the World Wildlife Fund, and the 1001 Club. The policy all along has been radical Malthusian genocide.

Now, how do you take a society—just take the United States, for example—how do you take a nation which has a history of having waged a successful revolution against the British Empire, and turn the majority of people of that country into people who are unwilling to fight against those principles?

Remember the famous quote from Benjamin Franklin. In the midst of the final drafting of the U.S. Constitution, he was approached on the streets of Philadelphia by a woman who came up to him and said, Dr. Franklin, what have you given us? And Franklin’s answer was, “A re-

public, if you can keep it.”

Now, we understand that. We understand what it takes to revive a republic when it’s on its last legs, as we’re facing that situation today in the United States. The British understood it as well, all too well, and beginning in the aftermath of the Lincoln revolution, the second American Revolution, which again defeated the British Empire in their last frontal assault against the United States to overturn the Revolution in the Civil War—from that point on, the British decided that they had to adapt and coopt, and destroy the United States by different means.

## Destroying Minds

And so, a whole series of initiatives were launched from the Rhodes Trust, to recruit elite elements from within the United States to become effectively agents of the British Empire, by recruiting them to the system of imperial power, through seduction and other means. But the problem they had to deal with, with the United States, was the general population: to turn the American people into mush. And so, one of the things that I think is indicative of the British method—this is by no means the whole story, I could take a week to discuss this issue, and still not really complete the discussion—but let’s just look, as a good example, at the Baby Boomer generation.

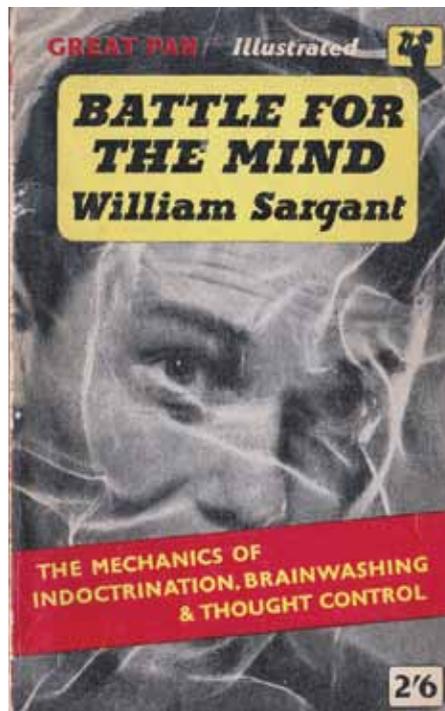
One of the projects that came out World War I, and especially out of World War II, was the British development of war-time psychological warfare. And the critical question was, how to apply those same methods to peacetime. And one of the seminal institutions in Britain that was established in the 1920s, but really, coming out of

World War II, was critical to the British Empire's ability to maintain its global power—particularly in the United States, at the point that they genuinely were facing diminishing resources—was the Tavistock Institute in London, which produced a continuous series of psychological profile studies. We published extensively on this way back in the 1970s.

The post-war director of the Tavistock Institute, a man named Dr. John Rawlings Rees, gave a series of lectures in New York City in the late 1940s that were published in a book called *The Shaping of Psychiatry by War*, reflecting on how to manipulate people under periods of enormous stress. In 1957, one of the leading figures in Tavistock, Dr. William Sargant, came to the United States, and was involved in the LSD experimental secret programs run by the CIA and other agencies. He produced a book in 1957 called *The Battle for the Mind*. And based on the wartime Tavistock studies, what Sargant said was that you can drive an entire society into a state of temporary insanity, by subjecting them to a rapid succession of collective shock-traumas. If you can throw people collectively into a traumatic state of mind, then you can introduce irrational ideas that people would never accept if they were in their right minds, but will accept in this moment of psychological turmoil and crisis, and will become attached to, and cling to those ideas.

What did we have in the 1960s? You had the Baby Boomer generation growing up, going through the late-1950s recession. An awful lot of people were terrified by that. Boomers' parents were terrified of the prospect of losing their livelihoods. And then along came President Kennedy. And there was suddenly a resurgence of optimism, particularly among young people. The commitment to go to the Moon, the Apollo Project, all of these things, were creating a degree of inspiration and excitement.

And then what happened? The British killed Kennedy. He was assassinated. Martin Luther King was assassinated. Robert Kennedy was assassinated. There were riots. After the Kennedy assassination, Johnson



*William Sargant's book (1957) was based on the wartime studies by Britain's Tavistock Institute.*

knew that he had a gun pointed to his head, and he therefore capitulated and brought the United States into a lose-lose war in Southeast Asia. The entire 1960s was a decade of one successive shock-trauma after another. And coming out the other end, you got a young generation that was transformed from an enthusiastic, science-driven, optimistic generation, during those early Kennedy years, into a bunch of drug-rock-sex counterculture freaks, and raving environmentalists.

The environmentalist movement, as a mass movement, was launched top-down by Prince Philip and his Dutch Nazi counterpart Prince Bernhard, in 1961, but it took off in the late 1960s, because you had mass shock-trauma hitting the United States, Europe, and other parts of the world.

## A Global System

So, you've got an imperial force. Does it all simply reside in the City of London or in Windsor Castle? Of course not. But this is the epicenter of a global system that has increasingly come to dominate the thinking among leading governments around the world. It's become the dominant factor shaping the thinking of a majority of people around you. The City of London is the world of speculative finance; Wall Street is an appendage of the City of London; Paris and Frankfurt are appendages of the City of London.

Go back to 1985, when two critical things happened simultaneously. Number one, Prime Minister Margaret Thatcher launched the so-called Big Bang, which was a total deregulation of the City of London's finances. Anything you wanted to do—exotic derivatives contracts, drug-money laundering, any kind of speculative activity you wanted to engage in—you could do in London. And so every international bank, every big Wall Street bank, set up operations in the City of London, to bypass their own laws. And so London became a financial magnet for all of these criminal operations that have destroyed the world economy in the intervening 40 or so years.



EIRNS/Natalie Lovegren

*LaRouchePAC organizing in Austin, Tex., April 11, 2013.*

The second thing that happened the same year is that the British monarchy merged effectively with the Saudi monarchy, through the al-Yamamah deal that we've written about extensively, which created an offshore slush fund of hundreds of millions of dollars, a revolving fund that's constantly being replenished through drug money, weapons-smuggling money, and other things. And we know those funds are the single source of international terrorism on a global scale today.

Now, this is literally the same year that JP Morgan, which was the flagship British bank that relocated to the United States, launched the project to end Glass-Steagall. It was JP Morgan, under then-JP Morgan director Alan Greenspan, and a taskforce of people, that prepared the paper called "Rethinking Glass-Steagall," which was actually a war plan for destroying Glass-Steagall. And when Greenspan, three years later, became chairman of the Fed, that plan went into full-scale implementation.

It took from 1985 to 1999 to complete the process of overhauling and destroying Glass-Steagall. That process really began in 1971, when Nixon, under the influence of self-confessed British agent Henry Kissinger and George Shultz, brought an end to the Bretton Woods/FDR system of fixed exchange rates among the world's currencies. So that currencies themselves, from that point on, became commodities for speculation on futures markets, and that was when monetarism became

the vise-grip factor of control over the world economy.

So, let's go back to what I said right at the beginning: that what we accomplished in these last several weeks, with the introduction of Glass-Steagall into the Senate, means that Glass-Steagall is now a serious proposition in the Congress. You've got a crisis in the Obama Presidency, as Lyn has said repeatedly, in recent weeks. Obama is going down. You don't get a proliferation of scandals like those that have hit the Obama Presidency in the last two weeks, in such rapid-fire succession, unless there has been a larger decision that this guy's got to go.

And again, in April of 2009, Lyndon LaRouche was the first person to say that Obama is not only a British tool, but he is a dangerous narcissist, who will destroy the United States if he's not brought under control.

So, the Glass-Steagall fight has got to be understood as a fight to *destroy*, once and for all, the real British Empire. You break up the power of monetarism, by going back to Glass-Steagall, and implementing NAWAPA [the proposed North American Water and Power Alliance], and re-establishing the American System of national banking and sovereign credit, and this British Empire will be defeated. But right now, that Empire is very much alive and well, and to ignore its existence, is the greatest danger to all of our survival.

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## Questions and Answers

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*The first question was on the relationship between the British and the Muslim Brotherhood.*

Let me first mention that in September of 1997, *EIR* published a Special Report called "The True Story Behind the Fall of the House of Windsor." This was largely based on three very extensive cover stories that we published in *EIR* earlier that year. It happened to coincide with the death of Princess Diana, which put a certain very big spotlight on the British Empire.

Those three *EIR* cover stories are accessible through the *EIR* website, [larouchepub.com](http://larouchepub.com), and the Special Report is available. We wrote it as an order of battle, to give people a sense of how this British Empire works. The report is 218 pages, and so it has obviously a great deal more documentation than I have time to go over today.

We have done a number of videos, but it's probably a convenient time to put something new together.

## **The Muslim Brotherhood**

Now, on the Muslim Brotherhood. The answer is yes, the Muslim Brotherhood was basically created by the British. The founder of it in the late 1920s, Hassan al-Banna, was operating from the British center of control over Egypt, which was in the Suez Canal area. This was all a British protectorate from the breakup of the Ottoman Empire at the end of World War I, when Britain and France signed the Sykes-Picot Treaty, effectively dividing up the entire territory of the former Ottoman Empire into artificial countries, controlled entities; and the British were expert at creating political and religious movements that could be used as mechanisms of control.

There are a number of books, fairly well documented, that go through the history of how the British created the Muslim Brotherhood, how the British used some of these Islamist networks, particularly during the Cold War, as major instruments against the Soviet Union, under the dynamics of this perpetual war situation.

There's a paper that was produced very recently, in April of this year, by one of the leading imperial think-tanks in Britain, called the Royal United Services Institute, and this briefing paper is called "A Return to East of Suez? UK Military Deployment for the Gulf." What they talk about is that, because Obama is carrying out this so-called Asia Pivot, shifting certain U.S. military resources into the Asia-Pacific area, basically Britain is going to move back to the Persian Gulf, and integrate with the United States, and fill the gap.

What they say in this paper is quite extraordinary. They say that Britain really never left the region. You should know that back during the period of the British East India Company, in the 1700s and 1800s, the Persian Gulf region, long before there was any oil discovery, or even any use for petroleum, was critical to the British Empire, because it was the half-way point to India, a major refueling and resupplying depot, and was

crucial to the British. So that by 1819, the British had established control over all of the emirates in the Persian Gulf, including Saudi Arabia.

In fact, all of the current ruling families of the United Arab Emirates and of all of the other countries of the region—Oman, Bahrain, Qatar, Saudi Arabia—those royal families were installed by the British in the 18th and 19th centuries. And in return for British protection against rival tribes and other groupings, they agreed that all of their foreign policy, and all of their national defense policy, would be directly controlled by the British. That treaty agreement was established formally in 1819, and was abrogated in December 1971; but it was only abrogated in a formal sense. No longer were the British the guarantors of the security of the countries of the Persian Gulf.

By this point, the Brits had gotten the United States to assume that responsibility, passing the financial buck onto the U.S. But in the meantime, the British maintained tight control over all of those monarchies and military dictatorships throughout the Persian Gulf region. And now they're announcing, as the U.S. is moving into an Asia Pivot, that they're coming back with a vengeance. They are intent on controlling the flow of petrodollars, and they're urgently in need of sales of military equipment to prop up what little is left of the British economy, and so they're dependent upon \$20 to 50 billion a year in arms sales to the emirates of the Persian Gulf.

This is why the British have a strategic interest in promoting a policy of what they call permanent managed chaos.

So what do they want? They want permanent conflict within Islam between Sunnis and Shi'ites. They created and promoted groups like the Muslim Brotherhood, like al-Qaeda as an offshoot of it, as a way of maintaining permanent asymmetric warfare, permanent conflict. Terrorism is really a form of asymmetric warfare, and it's a form of imperial warfare. And so, groups like the Muslim Brotherhood were created by the British, and have been closely controlled by the British ever since. Not necessarily by having this, that, and the other person in the leadership as a British agent, or carrying some secret MI-6 identity badge, but because they created the ideology. They created the organizational structures, and when someone threatens to drive in a different direction, they're eliminated.

That's one of the reasons that the British maintain a certain special relationship with the Israelis. The Israelis

are always willing to carry out an assassination of a leading figure in one of these Muslim organizations, if the person is getting out of control of this whole British apparatus.

So, this Middle East region—the United States is really, really a newcomer to it. And that’s why the United States is constantly making egregious mistakes in this part of the world. Because this is a British colonial, imperial playground, and the ideology of oligarchism is all over the place. It’s the dominant factor, which makes it very, very difficult to change things there, unless you’re going to come in top-down with a revolution in economic policy.

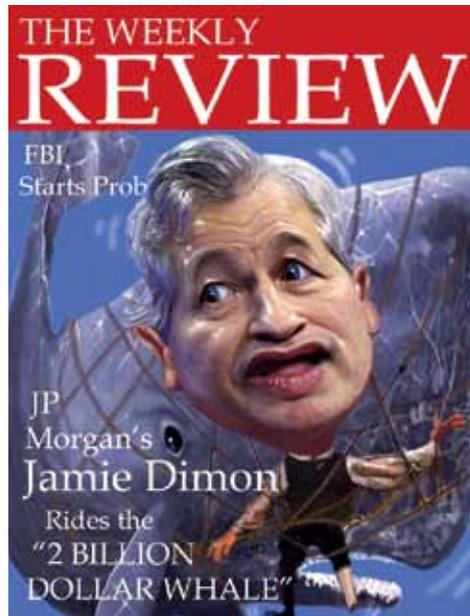
### Glass-Steagall and the British

**Q:** What does the passage of S. 985 have to do with British economy?

**Steinberg:** Let’s look at what happens if you pass Glass-Steagall. Pass it in the Senate, pass it in the House, either force it down President Obama’s throat to where he’s got to sign it, or perhaps he’ll be gone from office by impeachment, or perhaps the support for Glass-Steagall will be so overwhelming that it will pass with a veto-proof majority. So, let’s just say that Glass-Steagall is passed into law a month from now.

What happens immediately, is that the major banks, the too-big-to-fail banks, are going to be broken up, and government forensic auditors will go into those banks, will audit the books, and will determine which bank assets are commercial banking obligations, depositors’ funds, loans that have been made to businesses, home mortgages, things like that, traditional vanilla-flavored banking activity of commercial banks.

All of the other stuff, all the gambling activity, the derivatives, the asset-backed securities, the insurance, all of that will be separated out, and, without government backing to bail them out, anybody looking at those books separated, from the ability to loot from the depositors’ base of the commercial banks, will realize that these entities are hopelessly bankrupt; they’re finished.



*JPMorgan’s “London Whale,” a.k.a. Bruno Iksell, lost billions on a bad derivatives debt: the kind of gambling operations that Glass-Steagall will wipe out.*

So, what you’re talking about is, in a very short period of time, all of that speculative debt will be wiped out, in what will be the biggest margin-call in history. And with the wiping-out of all of that gambling debt, you wipe out the political power of the gamblers—those people on Wall Street who operated on the basis of stealing depositors’ funds, using those funds to gamble with, knowing that if they made good bets and won money, they could keep it, and if they made bad bets and lost money, the taxpayers would bail them out. That’s the system of oligarchical power which has brought this trans-Atlantic economy to a point of total disintegration.

So, by wiping out that system of speculative looting, you wipe out the power of the system that was built on that approach. We’ll have undercapitalized commercial banks in the United States that will be FDIC-protected. Depositors’ funds will be protected and sacrosanct.

Remember, we’re in a transition now from bailout to bail-in, and what bail-in means is that if a bank gets in trouble, the funds in the bank, put there by depositors, will be stolen to bail out the bank’s debt. In other words, if your banker gambled and lost on a derivatives bet, in the past, under the Bush-Paulson-Geithner-Bernanke system, taxpayers took on liabilities of up to \$23.7 trillion to bail out the banks on their gambling debts, and created a total economic mess. With the separation of commercial banking from all of the gambling activity, the gamblers lose, and the gamblers are the power base of the City of London oligarchy.

Think about the announcement that was made last December: that JPMorgan suddenly had to admit that they had lost \$12 billion, \$22 billion on a bad derivatives debt. Remember the name of the guy who made that bet, so-called? He was called the London Whale. Why? I don’t know where the whale part comes from, but he was based in London. All of these gambling activities, for all of the American banks, all the other international banks, all run through the City of London. In effect, you’re talking about bankrupting the entire

financial power base of the system of the British Empire, the imperial system of money power, versus the power of sovereign governments to institute credit for real development, real growth.

We implement Glass-Steagall, we bankrupt the power of the British Empire. It's going to take them decades to sort out their debts. And in the meantime, we go back to a sovereign credit system. We launch NAWAPA and other great projects, and once the United States does that, the rest of the world will follow. There are even factions in Britain that are hedging their bets, and they're saying, if it really looks like the United States is going to go for Glass-Steagall, then we'd better get in on it, and position ourselves and come back to fight another day for the empire system.

### Conclusion

We're in a position to give the Empire the biggest shock, the biggest blow, that they've ever experienced in the history of empire, going back to Rome, and even earlier. That's what we're going for, and it's only possible because the United States indeed was the only successful republican revolution in modern history. If

we can go back and remember our history, we can realize that Glass-Steagall is not just a piece of legislation—it's a founding, cardinal principle of our republic. It says that we are a sovereign credit system, and that the government exists to promote the general welfare. That means building infrastructure, providing education, providing a decent standard of living, driving for scientific breakthroughs, and then disseminating those breakthroughs as widely as possible.

That system of republicanism has never existed in a pure form. The idea was there with our Founders, from the Massachusetts Bay Colony through the Constitutional Convention, through the Lincoln greenback policy, through FDR and Glass-Steagall, and so, when we say Glass-Steagall, we're talking about a revolutionary concept embedded in the very nature of the American republic. And that's a force today in this world, that can defeat the forces of empire as they've never been defeated before.

So, the bad guys will have a choice: If we win, their power is finished, and maybe they'll go back to get some remedial education and get an honest job for a change.

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# Hopes for Syria Peace Hanging by a Thread

by Jeffrey Steinberg

May 26—The world is entering a decisive week that may very well determine whether the ongoing Syria crisis will be the trigger for global war, or will be resolved through a superpower diplomatic effort that leads to greater cooperation on a whole range of strategic issues.

Both the United States and Russia face significant obstacles to the success of the scheduled June 10-11 Geneva II conference, aimed at reaching a diplomatic solution to the two-year conflict in Syria, which has emerged as a full-scale surrogate war between regional and global powers. Several pre-meetings have recently taken place, ostensibly aimed at settling the composition of the delegations, and the key issues to be taken up at the Geneva meeting.

As of now, the Istanbul gathering of Syrian opposition groups and their regional sponsors is deadlocked. A split within the Friends of Syria rebel camp, pitting Saudi Arabia and the United States against Qatar and France over the issue of who will lead the rebel delegation, has blocked any agreement. The Russian Foreign Ministry announced on May 25 that the Syrian government has formally agreed to participate in the conference, but there is nothing on that subject from the rebels, who, so far, have not even met their objective of choosing a new leadership.

There are also disputes between France and Russia over whether to invite the Iranian government to participate. Russia insists that, as an active party to the conflict, Iran must be included, along with Saudi Arabia,

which has been the largest supplier of money and arms to the rebels, since the outset of the crisis in early 2011. French Foreign Minister Laurent Fabius told reporters, en route to the U.A.E. on May 25, that France would block any participation by Iran.

## **U.S. and Russia at Odds?**

More decisive, however, would be a split between Russia and the U.S. on the conference project, as seems to have occurred at the latest meeting between Russian Foreign Minister Sergei Lavrov and U.S. Secretary of State John Kerry, held in Paris May 27-28.

That meeting occurred in the immediate aftermath of a gathering of the European Union foreign ministers May 27, where they declined to renew an arms embargo against sending military hardware to the Syrian rebels. Pushed by the British, the measure allegedly provides for delaying any shipments that individual countries might decide to make until after the upcoming international conference, so as not to sabotage it. Meanwhile, British Foreign Minister William Hague preposterously claimed that the supplying of arms to the rebels will be carried out in accordance with international law. Of course, international, and even EU, law prohibits arming opposition forces to a legitimately elected government.

Following the Lavrov-Kerry meeting in Paris, Kerry reiterated that what is being called Geneva II should go ahead “without any preconditions,” while Lavrov immediately condemned the violation of international law represented by the EU decision.

According to Ria Novosti, Lavrov said, “Discussing at an official level whether or not to supply arms to non-state subjects [i.e., the rebels] is in conflict with all norms of international law, including the principles of non-interference in states’ internal affairs, not to mention military intervention.”

EU foreign policy chief Catherine Ashton confirmed on May 27 that from now on, every EU member country has the right to make its own decision on arms exports to Syria, meaning that EU countries could now supply the Syrian opposition with weapons. She affirmed that any arms sent to Syria would be “intended for the protection of civilians,” and added that the EU governments would review the position on sanctions on Syria before Aug. 1.

But Russian Deputy Foreign Minister Sergei Ryabkov said earlier in the day that the EU’s failure to extend the arms embargo on Syria may directly harm the Geneva II conference on Syria.

“This is a reflection of double standards and a direct blow to the international conference on Syria proposed by Russian Foreign Minister Sergei Lavrov and U.S. Secretary of State John Kerry on May 7,” Ryabkov told journalists, as reported by Ria Novosti.

### **On-the-Ground Realities**

The Geneva II conference represents the last, best possibility of settling the Syria crisis through diplomacy. If the conference fails, according to senior U.S. intelligence officials, the United States will join with France, Britain, Saudi Arabia, Qatar, and Turkey in opening the floodgates of more sophisticated weapons to the Syrian opposition. This, the source emphasized, would shift the military balance on the ground over time—but would mean that the Syrian conflict would almost certainly spill over into a full-scale regional war, that could trigger a global confrontation.

In the meantime, it is fully confirmed by reliable diplomatic and military sources that the U.S. has Special Forces on the ground inside Syria.

Already, Syrian rebel groups, including the radical jihadist al-Nusra Front, have announced plans to launch military operations inside Lebanon, targeting Hezbollah, an ally of the Assad government. On May 26, three rockets hit targets in the southern suburbs of the Lebanese capital Beirut, a Hezbollah stronghold.

In recent weeks, the Syrian Army has been making significant advances on the ground, retaking strategic transportation corridors to the Lebanese and Jordanian

borders. The rebel stronghold of Homs is on the verge of falling to government troops, and many military analysts now forecast that the Assad government will survive for the foreseeable future.

### **The Iran Front**

In another clear indication that the regional situation has reached a make-or-break point, 99 members of the U.S. Senate, on May 22, kowtowed before the AIPAC lobby, and passed new sanctions against Iran, which effectively shut the Islamic Republic out of the world energy market, and pose punishing sanctions against any countries or businesses that continue to purchase Iranian oil. The clear intent of the Senate action, sponsored by Robert Menendez (D-N.J.), Chairman of the Foreign Relations Committee, was to sabotage any possibility that Tehran might cooperate with Moscow and Washington in bringing the Syrian debacle to a diplomatic conclusion.

Next month, Iran will hold presidential elections, whose outcome will have a significant impact on the ongoing negotiations between Iran and the P5+1 (UN Security Council Permanent Five plus Germany) nations, over Iran’s nuclear program. The Senate actions will strengthen the hands of hardline factions inside the Islamic Republic.

It is clear that both Iran and Syria are targets in the British Empire faction’s drive for global confrontation with Russia, but this faction faces strong opposition from the Joint Chiefs of Staff and other war-avoidance groupings within the Washington diplomatic and intelligence institutions. The anti-war grouping continues to oppose U.S. military action in Syria, and to push for U.S.-Russia diplomatic initiatives.

U.S.-Russian relations have been frozen for more than a year over a range of disputes, including the European ABM deployments, which Russia views as a direct threat to the existing mutually-assured-destruction balance of power. In addition to the Geneva II meeting, there are other crucial diplomatic events scheduled for early June, including meetings between President Barack Obama and Russian President Vladimir Putin, and between Obama and China’s new President Xi Jinping.

The Obama-Xi meeting was announced last week. The two leaders will meet in southern California June 7-8. China has strongly backed Russia’s position that the Syria crisis must be resolved through diplomatic means, and that the use of foreign-backed rebels to overthrow a sovereign government is a violation of international law.

THE MARS DEBATE:

## A New Meaning for ‘Space’

by Lyndon H. LaRouche, Jr.

May 11, 2013

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Heretofore, for a relatively long time, the teaching of the mere name of “science” had often meant, for many, an actually mistaken devotion to a notion of what had been merely “sense-certainty.” That presumed “certainty” has been a widely habituated fallacy, but has also meant a habit which had prevailed in nominally senior ranks of what was wrongly presumed to have been “scientific” practice. This has been a habit which had dominated the relevant forms of practiced opinions. That same notion from the past, still lingers in the ranks of popular practice; but, the difference is, that we should now soon recognize the fact, that the ostensibly traditional doctrine of “sense-certainty,” had never been an actually truthful one. Such presumptions as “sense certainty,” have persisted, that much too long, even among what was considered to have been a relic of a certain “childhood of science,” a kind of likeness of “childhood infancy” from which society had often attempted to escape, but still remained, rather, one whose very soul had simply failed to have been born.

The pivotal point which I present for consideration here, is conveniently illustrated by the use of a quality of attention directed in the following way, that is to say, in effect, in support of what had been a certain type of arbitrary, and essentially empty, false presumption. Such a mistaken presumption, is the same as that which I place as the central issue here; that issue is the same presumption, which is the obstacle to man’s progress in

dealing with the actualities of the planet Mars. That progress does not depend upon a certain leading orientation to the actually living as a prospective inhabitant of Mars, but upon a commitment toward mankind’s developing of control *over the effect of Mars’ existence* within the Solar system. The most commonplace expression of a pseudo-scientific presumption respecting Mars, is the notion that the human species’ effective relationship to progress on Mars (this far), has depended upon acknowledging the ultimately mistaken choice of a presently leading role of human sense-perception respecting the subject of prospective future human effects of quasi-residences on Mars; it were likely, from present standpoints, that nothing need ever deter man’s naturally growing influence on the development of Mars within this present century—with, or without man’s personal, explicit residence on that planet. We can better develop control over Mars’ development without placing human beings in residence on Mars, at least not for a fair estimation of the remainder of this century. We can control Mars, and what man effects directly on Mars’ development, without asking mankind to take up any personal residence there.

Errors of presumption typical of such as that relatively popular, but, nonetheless, inherently failed set of conceptions, are to be diagnosed, clinically, as by-products of the erroneous, but stubbornly popular delusion of heretofore common classroom and related practice.

It has been a delusion which had taught, and still teaches, in a systemically wrongful way, the presump-



NASA/JPL

*“We can better develop control over Mars’ development,” LaRouche writes, “without placing human beings as residents on Mars, at least for a fair estimation of the remainder of this century.” We can, however, continue to go beyond man’s own sense-perceptual capabilities, through technology such as NASA’s Mars Science Laboratory, Curiosity, shown here in an artist’s concept.*

tion that it is human sense-perception, as such, which defines the foundations of a true physical science. The essential fact is, that it is not human sense-perception, which enables us to define a science of Mars; it is the exploration of the composition of the functions of the Solar system, when treated, not as parts, but as no less than a “unit,” which supplies the needed corrective for those seeking knowledge of the efficient physical-scientific principles of experiment in space more broadly; it is that, which can enable mankind on Earth to discover, and to correct the errors which tend to inhere in belief in what have been, essentially, systemic deductions respecting mere sense-perception as such.

The necessary correction is to be derived from the combination of Nicholas of Cusa’s crucial **De Docta Ignorantia**, and the outcome of that work of Cusa, Johannes Kepler’s still little-comprehended, fundamental ontological principle, a principle which has supplied the basis for all competent modern physical science, that of *vicarious hypothesis*.

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## I. Your Senses: Are These a Matter of Shadows, or Substance?

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There could be no plausible doubt, that the use of human sense-perceptions (in particular), has even often been, nonetheless, useful means, even indispensable

means, for human use, and that in very large degree. Despite that, the usual opinions on that subject have been, nonetheless, profoundly in error; but, mostly, so far, without understanding the nature of that error, the most essential fact of modern physical science could not be properly identified in practice.

For example, the mere notion of the effect of the individual’s lack of those capabilities presented, in effect, by the work of Cusa and Kepler can be terrifying, but, has been also foolishness. For example, the loss of both sight and hearing, creates an almost impossible situation. In the extreme, the effects are worse. Such considerations typify a matter of highly relevant facts; but mere sense-perceptions fail to define the basis for the proper functions. Nor do they suffice for the purposes of that kind of approximate insight into that proper definition of the human mind, a notion which had been shared between, in particular, the collaborators Max Planck and Wolfgang Köhler, in their time.

What Planck and Köhler, for example, achieved in this respect, is best appreciated in such types of experiences which are to be derived from Nicholas of Cusa’s **De Docta Ignorantia**, as from the great and ominously brilliant, and properly thrilling experience of appropriate insight, which is implicit in the rarely comprehended discovery of what is the physically efficient principle of the *vicarious hypothesis* presented



Bundesbildstelle



Max Planck (left, 1858-1947) and Wolfgang Köhler (1887-1967) shared a concept of the human mind, which, LaRouche writes, is best appreciated from the standpoint of Cusa follower Johannes Kepler's (1571-1630) insight, expressed as his "vicarious hypothesis."

by Cusa's follower Johannes Kepler.<sup>1</sup>

What follows here now, will be *consistent*, "consistent" with what Max Planck and Wolfgang Köhler, for example, actually accomplished in merely practical terms, which was excellent in what it achieved as discovery, but here, that will be accomplished only in an elementary way of seeking to express the essential, far more developed approach. Scientists such as Planck,

1. Note, on this account, that Kepler, following the most essential principle of Cusa's **De Docta Ignorantia**, presents us with a rigorous distinction of *that shadow* which is the principle of *vicarious hypothesis*: as it appears as a cast "shadow" reflecting the mere shadows which are of *sense-perception as such*. The same principle of the distinction of the substance of the "real unseen" from mere sense-perception, is the efficient meaning of William Shakespeare's, then revolutionary, assigned function of "*Chorus*" in his **King Henry V**. "*Chorus*," thus, in that degree, is to be compared, rigorously, with the significance of Kepler's distinctive, special notion of a general principle of *irony* in his use of *vicarious hypothesis*. Note, also, that the principle of composition expressed by Johann Sebastian Bach's set of *Preludes and Fugues*, have the same essential quality of distinctions from the banalities of "Romanticism." The same intellectual-moral failure represented by "Romanticism" and "Populism," would have to be noted in a lately attempted, "simplified" performance of the actual script of Friedrich Schiller's great **Wallenstein** trilogy. Such is the exact distinction, in principle, which I have intended to convey, here, as the distinction of human sense-perception from reality.

Einstein, and Köhler, had already presented a principle, but it approaches fulfillment only with the statement of certain deeper isolatable principles. We must now go more deeply, and into a revolutionary view of the Solar system defined in more comprehensive and more profound notions of principle.

My particular point of emphasis, at this presently opening stage of this report, is the urgent need for liberating the practice of science from the chronic "great sucking-sound" which is so often created by a reliance on sense-certainty,

as, similarly, by the so-called "practical mind." Neither Johannes Kepler, nor Nicholas of Cusa, either committed, or intended such errors of ontological presumptions; nor had Friedrich Schiller.

Here, however, I must now turn your attention to more comprehensive challenges to be applied to certain great issues of scientific comprehension: the question of the validity of mankind's presently achieved notions respecting phenomena attributed to what is still presently accepted, as practical notions of an empirical basis for what are more or less popularized, but naïve, notions of "physical space-time," or the misleading effects of that which is the fruit of the vine of confidence in more or less conventional notions of a sensed "physical space-time."

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## II. Space, Time, and Matter

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The systemically, and viciously intrinsic error of virtually all commonly taught so-called "physical science" (*and even less trustworthy qualities* of related and adopted popular and other common human knowledge so far), is to be traced in a failed practice which has to be considered as having been rooted in the practice of an

errant opinion which measures all scientific or related notions of opinion in elementary, “blind faith” terms of sense-perceptual objects/subjects as such. *Contrast* “conventional physical-science” measurements, with such exemplary qualities as *life per se* and *human creativity per se*. The latter two fall under the categorical qualities of notions of the relevant impact of qualities of ideas which exist independently of customary sense-perceptual measures of quantity (such as the case for *life per se, love per se, beauty per se, ... et al.*).

The effects of accepting only elements which meet only the standard for “conventional *physical-scientific*” measurements, have been a dominant factor in permitting the incompetence of the actually fraudulent exclusion of subject-matters such as *life per se* and *human creativity per se*. Such corruptions are to be associated with the effects of tolerating subject-matters of practice such as the product of Franz Liszt, Richard Wagner, and worse for categories of Classical artistic composition such as Classical musical composition, Classical poetry, and Classical drama such as that of William Shakespeare and Friedrich Schiller, and the incompetence in economics practice of, and among nations.

In general, such evils as those just mentioned above, are a reflection of the influence of such modern expressions of moral and related degenerations experienced in ancient Roman history, the Venetian system generally, and such outcomes of the Venetian system as the “new Venetian system” and of the imperialism of the House of Orange, and of the latter imperial house of Orange and “Windsor” presently. Compare the current British monarchy’s schemes for both the human population and the systemically accelerated degeneration of the quality and quantity of the planet’s economic and other culture and population-size under the present “green,” mass-extinction campaigns. All of those systemic failures reflect the failures inherent in reliance on a system which refuses to take into account the role of principles which lie in a domain of origin beyond the roots of mere sense-perceptions.

The intrinsic criminality of those past and continuing imperialist practices of retrogression of the human population of the planet, could not have emerged as it continues to do, had the practice of societies not been permitted to degenerate both physically and morally as has occurred through injury of, and resistance to the essential function of the inter-dependency

of life and human creativity per se as being the uniquely cardinal distinction of creativity of species in the universe.

There is no basis for permitting exclusion of devotion to such transcendental qualities of universal principles as the set of *life per se, love per se, and beauty per se*. *These are the exemplary purpose of the existence of the human species in the universe, whether in the past, present, or, above all else, the distant future*. Our proper existence as mankind, in particular, is dependent upon creative qualities within us, creative because the causes lie beyond the reach of those deductions associated with the notions of sense-certainties.

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### III. The Creative Principle Itself

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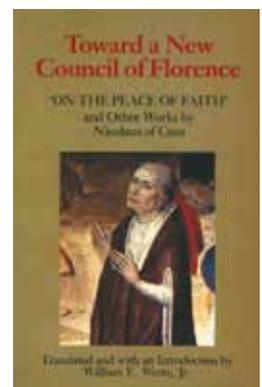
In a proper general notion of theology, we have the notion of an existent principle of *Creation*, a notion of *Creation* which is located intrinsically *outside* what might be considered “universal physical” principles as

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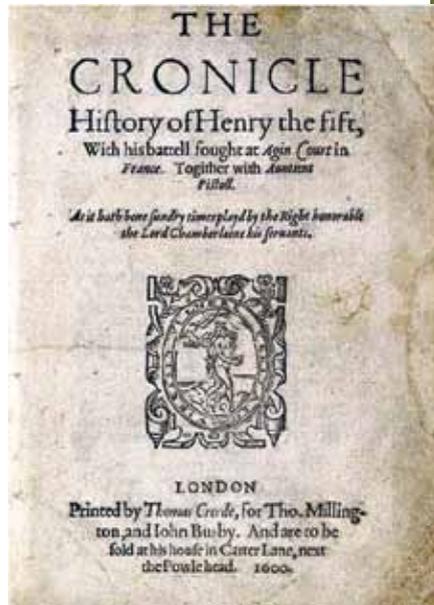
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such. From the vantage-point of theology, nothing of importance *effectively exists* outside Creation so defined: hence, a certain specific distinction of a “practical” meaning of the distinction of a “*functional notion*” of good, from evil. It is not mankind which has failed us on this account; it is the in-human which has been a destructive influence: a kind of Satan, if you will, an influence which operates as if human beings have failed to rule to advance their own potential for a “genetically” specific quality of endless progress in development. Practically, this specificity is according to the observable effect of the actions of an ever-

impatient progress to the higher states of existence of that which Kepler’s principle of vicarious hypothesis expresses.<sup>2</sup>

Indeed, any literate use of a term of speech represents a reference to a quality of idea which is a mere shadow cast, as a surrogate for the sensed shadow of reality, on the human sense-perceptual usages. It is not the nominal experience of the sense-perception which “contains” the efficient reality of the nominally experienced matter presented by sense-perception, which is the efficient content of the notion. It is the efficient action of the universe which is the efficient truth of the experience to which the “sense-impression,” or the like corresponds. The notion of the “Chorus” specific to the Shakespeare’s **King Henry V** must be considered in the sense that the part presented in the name of



*The Chorus in Shakespeare’s Henry V “is the actual reality of the drama; whereas, the sense-objects are merely the footprints of the subject. . . . To the actually literate human soul, all that is real ‘lies between the notes’ in a similar fashion.”*



EIRNS/Bonnie James

“Chorus,” is the actual reality of the drama; whereas, the sense-objects are merely the foot-prints in the sand. As in J.S. Bach’s two sets of **Preludes and Fugues**: the substance of the music lies “between the notes” of the songs.

To the actually literate human soul, all that is real “lies between the notes” in a similar fashion. It is the process which “appears to connect the notes,” which expresses the reality of the action in all serious expressions of art, true science, and human life in action.

The same issues of “interpretation” are the reality of the processes which we actually express in the substance (the “action”) of the existent experience. It is the attempt to define the action by the objects-in-motion, which is the prevalent great error in the functions of the “unfortunately all-too-literate” surrogate for “mind.” We are, thus, compelled, to shift the subject from objects, to processes, that in the same sense as I have just summarized the point.

2. The specific meaning of Kepler’s “physical ontology” which Kepler assigns to “vicarious” in “vicarious hypothesis” is specific to the intention of Nicholas of Cusa in his **De Docta Ignorantia**; any contrary view on either or both the meanings of “vicarious hypothesis,” is not that of Cusa’s writings.

# Nicholas of Cusa Shows Us the Path To Creating a New Renaissance

*Zepp-LaRouche delivered these remarks (by videoconference) at the conclusion of her [keynote address](#) to the 25th Anniversary Conference of the Citizens Electoral Council (CEC), the LaRouche-associated organization in Australia, on May 17.*

I'm very happy that you decided to make Nicholas of Cusa such an important factor in your conference, because I've been convinced, since I found his ideas many years ago, that his ideas are the best foundation to lead the world out of this existential crisis. Nicholas was very conscious that he was writing something, especially from the *De Docta Ignorantia* onward, so revolutionary, which had never been thought before, that he was, with his writings, beginning a new era. And if you look back at what the effect of his works was, you can actually see that he was absolutely on the mark; that his writings, indeed, marked the difference between the dark Middle Ages, and modern times.

He consciously broke with scholasticism, which dominated the universities at that time, which was the debate over how many angels could sit on the head of a pin, and also the stupid mechanistic views of the Peripatetics, which also was the leading ideology of the time. And he very consciously introduced a completely different method of thinking. The most famous idea of it, is the *coincidentia oppositorum*, which is the principle that the One has a higher power than the Many, in a way which I will specify immediately.

Also, in *De Docta Ignorantia*, and also in the dialogues of *The Layman* and many of the sermons, he very much rejected the idea of man being able to achieve knowledge through sensuous experience. In the famous Trinity sermon of 1444, he developed the idea that the conception of the goal of the human intellect deter-



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*Nicholas of Cusa (1401-64), said Zepp-LaRouche, had “the beautiful idea” that mankind, at each point in his development, can, “with scientific rigor, define what is the next necessary breakthrough in knowledge.”*

mines the road on which the mind travels to that goal; he called that the *praesupponit*—the future defines the present. It is that which the mind and faith defines as a goal, which defines the way how you achieve it, and which road you take. Knowledge, therefore, is not a logical extension of the addition of all existing knowledge of the past, but it is what we aim at, which is already in our faith and in our intention.

He arrived at a deep conception of the creation of the physical universe, which was the basis for Kepler, later on, to discover gravitation. He believed in the complete unity of faith and science, and that view allowed Kepler to come to his discovery overturning Copernicus and Ptolemy. And Cusa already had the same wonderful idea: that the more you study the universe, the laws of Creation, the more you become clear that this must all be the work of a tremendously loving Creator.

## Concordantia

Nicholas already had the idea that the universe is totally determined by change, that this change has an upward development, and that neither the Earth nor the Sun is the center of the universe—and this was really the beginning of modern science. He also had the idea of *concordantia* in the universe and among mankind: that there is a cohesion between the laws of the macrocosm—the universe at large—and the laws of the microcosm, which is the cognitive powers of man; and that *concordantia* is only possible if all microcosms develop in the best possible way, and not in a linear way; but all unity in multitude, is based on the higher principle whereby the entire process of the totality is developing in a complex way, as in a fugal development, whereby the development of the one is necessary to facilitate the development of the other.

Cusa presumes the idea of a concordance in the universe, and for mankind, based on the development principle which must also be the basis for a better world order today. It must be absolute sovereign nations as developing microcosms, and this is the idea of the *Concordantia Catholica*, based on the representative system, that the government and the governed must relate to each other in a reciprocal relationship, whereby the government takes care of the best possible common good of the governed, and the representatives take care of the interests of the governed, and also represent the common good of the government.

This is a very important idea, because that conception of the representative system was really for the first time realized in the American Constitution in a full way. Each microcosm, therefore, only can fulfill its full potential by supporting the best possible development of the other microcosm. If you apply that to politics—and that was done in the Peace of Westphalia [1648], where



*Cusa's concept of concordance—“Concordantia Catholica”—in the universe, and for mankind, is based on the principle of development, which is also the basis for the establishment of the common good, the keystone of the sovereign nation-state.*

the principle of the “interest of the other” comes exactly from this Cusan idea—and that brought about the end of the 150 years of religious war in Europe. If you apply that to politics today, then the best possible development of one nation must include the best possible development of all other nations.

## The ‘Common Aims of Mankind

What that means concretely for Australia, is that Australia must have as its self-interest, that China develop in the best way; also, Japan and all the countries in Southeast Asia, and vice versa. Obviously, this is only possible, if all of these nations are united through the common aims of mankind.

What are the “common aims of mankind”? Obviously, it means that this miserable, unworthy condition in which a majority of civilization finds itself, as a result of the policies of the Empire, must be overcome. That poverty must be eliminated, hunger must be eliminated, and this would be eminently possible and feasible, through the realization of all the different projects of the World Land-Bridge, which can also be the basis for peace, in relations with Russia, with China, with Japan, with many other countries.

This is only possible, because the One has a higher power than the Many. And mankind as a whole, is a higher idea than the many different cultures and religions. This was already the basic idea of another writing of Nicholas, which he wrote after the fall of Constantinople, the *De Pace Fidei*, where he has 17 wise men from different nations, and cultures, and religions, asking God for advice; and while others were talking about a clash of civilizations, in the pre-mature form, he had the idea that there was only one God, one Truth, and one Religion, and he already talked about *uno religio in rituum varietate*, “one religion with different rites,” which was an incredibly

progressive idea for a Cardinal of the 15th Century!

The creation of the physical universe, according to Nicholas, occurs through the creativity of man, and he even goes so far as to say—and again, this was in the 15th Century—that after the emergence of mankind, the continuous process of Creation, *only* occurred through the creative acts of man, which is unbelievably important.

He also had the notion of *manuductio*, which is basically a pedagogical, explaining how this method of development occurs. And he had an image, as if it were the metamorphosis of a plant, where the mind starts with a seed, and then through a multiple process of cognition, reaches the full dimension of the development of a tree with rich fruits, which then produces many more seeds and many more trees.

### A New Philosophical Method

Nicholas was conscious that he had developed an epochal new philosophical method, and he also, in the *De Docta Ignorantia*, especially in the second book, developed what you could call an ontology of the universe. He even said that the fulfillment of the universe *is* the cognition and the creativity of man, that it is the *vis creatrix*, the “power of creation” expressed in man acting as *imago viva Dei*, as the “living image of God,” which drives the universe.

In the *De Docta Ignorantia*, he says, “All our great attention asserts in unity, that the faith is the longing of cognition. Because in every faculty, in the meaning of every scientific discipline, there are made certain presuppositions, the *quaedam praesupponuntur*, the first principle which can only come from faith and out of which the insight into that which needs to be investigated can be gained.”

This a very interesting idea, because it is the idea that if science and faith are the same, and if you have a belief in what has to be part of the divine order of Creation, then your mind will seek that, and in your investigation, you will fly like a bird toward the goal, where the bird does it sort of instinctively; where the goal is defined, but the road follows from that.

You find in these thoughts, for the first time in all of written history and literature, a discussion of how the method of hypothesis really functions, how you develop the thinking of a flank, how you create a poetical or a musical idea, by having this higher idea, which is the goal which can then be developed, in the same way that a great composer has a musical idea before he de-

velops the composition; as a poet has a poetical idea before he composes the poem. This is a very important method, which must be the basis of putting the political and economic order of our present world into cohesion.

Therefore, I think that in Nicholas of Cusa, you find all the crucial ideas, all the beautiful ideas; for example, the proof about the immortality of the soul, in which Nicholas argues that the fact that the soul creates all the arts—the sciences, geography, music—and that these remain forever, means that that which creates these things obviously has to have a higher power than the things created, and since the created things are immortal, the soul, the creator, has to be immortal, too.

Nicholas also had the beautiful idea that man, at each point of the development of mankind, can, with scientific rigor, define the next necessary breakthrough in knowledge. Now, is that not what we know today, when we say that the future of mankind has to become mankind in his identity as mankind in space? That with all the knowledge we have about the dangers from space, from asteroids, the dangers of our Solar System in a couple of billion years from now—that we have to have the idea of the goal, where the next scientific breakthrough has to be, in order to guarantee the existence of mankind? Nicholas already had that idea in the 15th Century, and I think therefore, the more you study him, the more you become happy and enlightened.

If the British Empire were to prevail, both financially, and in the sense of military doctrine, it is very likely that mankind will be extinct, and that we will prove to have been no more intelligent than the dinosaurs. But I have fundamental optimism that the universe is too beautiful, the laws of Creation are too powerful, that the plan of the Creator is too beautiful and strong, for this to happen, if we do our job.

So therefore, let's move with all powers we have, to use this epochal change, where we are right now,<sup>1</sup> to put the political and economic order in cohesion with the laws of the universe. If we do that, I think the future of civilization will be the brightest possible one, and I think we are in the middle of the fight. Glass-Steagall is now a realistic proposition, so let's move with all our power to get the whole Glass-Steagall globally, and then move on, to implement a Renaissance.

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1. In opening her speech, Zepp-LaRouche mentioned the introduction on May 17, by Sen. Tom Harkin, of a Glass-Steagall bill into the U.S. Senate, as representing “a major step toward saving civilization from the bring of the abyss.”

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## Editorial

### *Are You a Slave of the Empire?*

Tell an individual in the industrialized world today, especially in the United States, that he or she is a slave of the British Empire, and he or she will loudly protest: “No, I’m an individual making my own free decisions. I don’t believe in ‘conspiracy theories.’ Maybe things are bad, but they’re not *that* bad.”

Ah, but when you watch our fellow citizens go through their daily lives, accommodating to the “practical” alternatives put before them, the reality should be obvious. The proud citizens of yesteryear are truly the slaves of the British financial empire that has condemned their nations to devolution and death.

As the world’s greatest freedom fighters—Frederick Douglass, for example—knew, the worst slavery does not come with shackles on the limbs. Rather it comes with blinders on the mind which the individual often embraces: the acceptance of a pre-set array of choices, without any sense of responsibility for defining the direction of society as a whole. This slavery can be imposed by denial of education, but most viciously, by the destruction of the mind’s powers of creative concentration, by means of the cultivation of the animal instincts of greed and lust (not to overlook mind-destroying drugs, an Empire trademark).

Thus the British Empire today, centered in the Emperor Queen, finds itself “invisible” to the majority of the world’s people, who are obsessed with the “here and now” of living. Caught up in the immediate day-to-day pursuit of pleasure, or even mere survival, people do not want to look at the institutions that are setting the environment in which they live, and determining the choices before them. They won’t look at the chain of causality hidden just beneath the surface.

Yet that global financial empire, whose face is the Queen, is omnipresent. It sets the “markets” which today dictate that nations submit to money power, rather than invest in supporting their citizens. Its cartels determine that food production will be reduced, and infrastructure projects canceled. Its “environmentalist” organizations, Prince Philip’s WWF in the lead, infiltrate governments and international organizations, in order to enforce the murder of life-saving technologies, from nuclear fission and fusion, to medical research and space science, in order to reduce the world’s population.

This state of slavery is most obvious, of course, in former imperial colonies such as those in Africa, which, despite nominal independence, continue to be condemned to the underdevelopment which brings mass starvation, rampant disease, and wars. Increasingly, the same subservience is being openly imposed on continental Europe, as treaty agreements rammed through national parliaments strip governments of any power to challenge the supranational European Union—which is itself ruled by the financial markets controlled from the City of London.

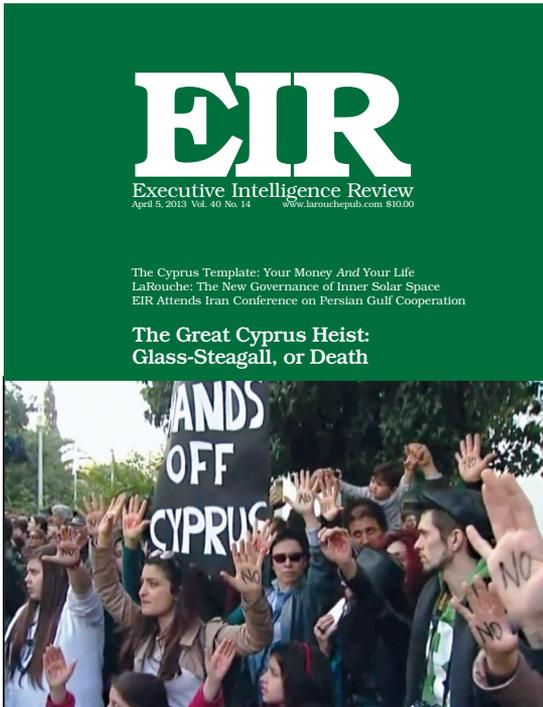
Today, the British Empire is closing in on its prime target, the United States.

Will U.S. patriots wake up and throw off this slavery? Will we recognize, along with our heroes like Alexander Hamilton and Franklin Delano Roosevelt, that the British Empire’s financial control, with its commitment to genocide, *is* a mortal threat to the dignity and survival of mankind, which must be fought at all costs. Hamilton defined the American Revolution as a revolt against the slavery being imposed on *all* Americans—and so is the liberation war we must fight and win today.

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