

# LaRouche in Dialogue With the U.S. Senate

*Here is Lyndon LaRouche's discussion with Senate sources who sent questions following his webcast address on June 16. A few additional questions and answers have been included, where they pertain to issues of immediate concern to the Senate. Other questions came in from labor leaders, state representatives, youth, and others, and can be viewed in the archive at [www.larouhepac.com](http://www.larouhepac.com). The dialogue was moderated by Debra Hanania-Freeman, LaRouche's spokeswoman.*

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## Recognize the Synarchist Enemy

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**Freeman:** We have a great number of institutional questions that are coming in either by phone or by Internet, and I will read those and Mr. LaRouche will answer them. . . .

Lyn, the first question, similar to the webcast in April, has come from the Democratic leadership of the United States Senate. And the question is as follows:

“Mr. LaRouche, as I think you know, we were very relieved on May 23, and consider that to be a great victory, not for one party or another, but for the nation. We were extremely hopeful that with the so-called ‘nuclear option’ behind us, that we could move forward with the nation’s business, because, to be sure, there is no shortage of issues that require urgent attention.

“Unfortunately, that has not occurred. And, in fact, it may be the case, that the situation has worsened. Because the GOP leadership in the Senate has not been able to deliver on what the White House was demanding, they’ve been largely rolled over. And what most Americans don’t know, is that the Senate’s agenda is now being largely dictated directly from the Vice President’s office. The spirit of bipartisanship is on the way to being completely squelched.

“I don’t know if you’re familiar with the President’s remarks in Washington two days ago, at a Republican fundraiser.<sup>1</sup> Those remarks were not only extreme, but they were reiterated and emphasized by the White House the following day. From where we sit, those remarks made clear that there is absolutely no interest on the part of this White House in working out any mutually agreeable solutions to the grave and urgent problems that we face. And although we do have some very specific questions on matters of policy, that hopefully will be addressed during the course of the question and

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1. Speech to 2005 President’s Dinner, June 14, 2005.  
See [www.whitehouse.gov](http://www.whitehouse.gov).

answer period, this is really a very specific question, in terms of overall strategy or tactics, because, from here, I’m beginning to have some doubts as to whether we really did succeed on May 23.

“Very specifically, I understand what you’re saying in terms of the approach we have to take to policy. But how do we approach this very immediate problem that we face, with a White House that seems to have no desire to work anything at all out?”

**LaRouche:** Well, I told people, you have to think like the great military commanders of modern history, and older history also. You’re in a war. The war is not with Cheney as such, though he’s a figure on the field. I think you’d probably ask his wife who’s running him, because I don’t think he knows.

But in any case, I know where the problem comes from: We all *should* recognize where the problem comes from. If we don’t recognize what the real authorship of the problem is, we’re going to make mistakes. And I think one of the problems you have in politics is, you know what I do, those of you in the Senate, who’ve had a good chance to see what I do and how I’ve acted recently in this matter: That I say things you would never consider saying publicly—and I say them publicly. And I speak like a commander in warfare, because I think I should have been President anyway: We wouldn’t have had this mess to begin with. But, times being what they are, pay-in being what it is, that’s past. Now, I’ve got to get you guys, in positions of leadership, to do what I would have been willing to do, earlier.

And therefore, I use the language of a commander in warfare. Because, if we have to think that way, then we put ourselves in the right frame of mind for dealing with a situation of the type that we face. We don’t face an issue: We face an existentialist threat, of the type otherwise associated with major war. It’s a situation like World War II.

We’ve come into a time, in which the planet has been increasingly dominated by groups of financier interests, of a certain type. These are the people who you were warned against by President Eisenhower, going out of office, who warned you against a “military-industrial complex.” Now, at the time, that was an appropriate term for describing the situation, appropriate term by him. But it didn’t capture the essence of the situation.

What happened was this—let me just go through this, and I’ve said it before; I’ve written it before. But I think in answer to this general question, that by my answering it again, here, on this occasion, with this questioning from this source, I will make clear what the general problem is. And I think if we have it clear about the general problem, the other problems become manageable, at least, conceptually so.

## Orchestrating Two World Wars

What happened in Versailles, was, a group of people who were called the Synarchist International—which is actually a



EIRNS/Claudio Celani

group of bankers, some of whom still exist today, as private banking interests—decided on a scheme for destroying Europe, and eliminating the factor of the United States in the time to come. What they did at Versailles—the bankers did—is, they created a system called the Versailles system. And you had a Secretary of State of the United States, who worked for a mental case, called Woodrow Wilson. Remember Woodrow Wilson? He reminds us of Laura Bush and George—that his wife was out there talking for him. George is hiding somewhere in the Oval Office, probably tricycling around there, and she’s out there around the world, Egypt and someplace, representing him as she did at this recent correspondents’ dinner, where she told a lot of jokes about George; I think sort of put the situation in perspective.

But so, the Woodrow Wilson of then, as opposed to George Bush today in his second term, had a Secretary of State, Lansing. And Lansing declared, in the Versailles proceedings, that from the standpoint of the United States, that Germany, and Germany alone, was the sole aggressor in World War I. Which is a lie. The sole aggressor in World War I was actually the then-deceased King of England, Edward VII; who got a war going between his two nephews, the Czar of Russia, and the Kaiser of Germany! These were his nephews. And they had a 1905 meeting on a yacht in the Baltic Sea, where this discussion came up, where the two nephews said, “Our uncle wants to get us to kill each other.” And what this uncle did, which was a repeat of something that happened earlier, in the 18th Century, called the Seven Years’ War, is that, what the British did—the British monarchy—put the crowned heads and others of Europe against each others’ throats in what was called World War I.

So, the principal guilt for World War I, was a man who was already dead, Edward VII, the Lord of the Isles, who pre-orchestrated the war, which his suckers followed, and we

were drawn into it later.

But Germany was *not* responsible for World War I. The Kaiser was an idiot; but the Austrian Kaiser was a bigger idiot; and the Czar was a weakling. And they all went down, as a result of being fools. And the French suffered far greater casualties in World War I than they suffered in World War II, as a result of this.

So, at this point, Lansing says this. Why does he say this? By getting Germany assigned a war debt, which was far greater than Germany could ever pay under those conditions, and then using that war debt to fund the war debt of France and Britain, which in turn funded the bankers of New

York, who were the creditors of the British and French!

They set up a system. The system resulted in the collapse of Germany in 1923, and so forth and so on. And in the period they came into 1931, they established a new banking system, which resolved some of these debts, and these bankers put Adolf Hitler into power in Germany, just as the British monarchy had put Mussolini into power in Italy back in 1922. In Germany, Hitler came into power, strictly as a result *on orders from the Bank of England, from the head of the Bank of England*, through his friend Schacht and other people. This was intentional. The original intention, was to have Germany, under Hitler, march east against the Soviet Union. And then the French and British would pile on the tail of Germany and destroy it all over again, and thus, change the map of Europe.

What happened was, in the process during the 1930s, that Stalin, through Molotov, his diplomat, and Ribbentrop, the German Foreign Minister, held a series of meetings. There were negotiations between the French and the Russians and so forth, under the so-called Tukahchevsky Plan. When the French and British refused to accept the Tukahchevsky Plan, Stalin proceeded to have Tukahchevsky killed; because Tukahchevsky wanted a preventive attack on Germany. Then, Stalin, knowing that the British and French were coming after him, negotiated with Ribbentrop, an agreement that Germany would strike west first—against France and Britain, when the war broke out. So, the war was organized, that Germany invaded Poland, for the purpose of forcing Britain into a war against Germany. The French, the Belgians, and the Germans then went into the war.

Now, at that point, the bankers of New York, including the grandfather of President Bush, Prescott Bush and others, who had *funded Hitler*—as a matter of fact, Prescott Bush was key in putting Hitler into power, through funding—these



Bundesarchiv

*Adolf Hitler and his banker Hjalmar Schacht in 1934, at the laying of the foundation stone for the new Reichsbank building. Schacht's synarchist sponsors included Bank of England Governor Montagu Norman and Prescott Bush, the grandfather of the present U.S. President.*

bankers then changed sides. Or some of them, over the period. And the British, they changed sides too. And decided, at the last minute *not* to make a pact with Hitler, but to support Roosevelt to defeat Hitler.

So, Roosevelt was supported by Winston Churchill, among others—a very important action by Winston Churchill in 1940, in promising to send the British fleet to Canada, if Britain were invaded, and then the British fleet would fight on the side of the United States. That decision resulted in Hitler losing, in effect, the possibility of winning World War II.

So we fought the war, with American power. Aid to Russia; aid to other countries. We, in the United States, particularly with the Battle of Stalingrad and the Battle of Midway—we in the United States and other countries, opened up a two-front war against the Hitler machine, and we won that war, with American logistics and Franklin Roosevelt's guts.

## Right-Wing Turn After FDR's Death

At the end of the war, the same bankers who had supported Hitler before, but had turned against him because he wanted to go westward instead of eastward for his initial attack, went back to becoming fascists again. Because the issue for them, was *not* fascism. The issue was Hitler's policy. And they had been prepared to support Hitler if he'd accepted the policy they had intended for him.

They went back to the same policy. Truman, who was no good, when he became President discovered that we had two nuclear weapons, prototype weapons in the arsenal. And he was urged to drop them on Japan, in order to start a new conflict immediately, especially with the Soviet Union. So, he did that. What he did—there was a peace treaty negotiated with the Emperor Hirohito, under Roosevelt; it was negotiated through the Extraordinary Affairs section of the Vatican, by a man there who was later Pope Paul VI. The treaty involved, that the offer of surrender would be presented to Emperor Hirohito as the Emperor of Japan. And that Hirohito would accept it on that basis. As a matter of fact, the terms of surrender of Japan were the same, in principle, which were negotiated through the Roosevelt Administration, with the aid of a man who was a personal friend of mine who was involved in that negotiation at that time. So, they suspended and withheld proceeding with the peace treaty with Japan, in order to have an opportunity to drop the two nuclear bombs on Hiroshima and Nagasaki. That was the reason for it. To start the war.

The policy, under which Truman was operating, with Bertrand Russell as the author of the policy—the great peacenik, Bertrand Russell. He authored the policy, and he broadcast his authorship of the policy, in a publication he published in September 1946: To use preventive nuclear war against the Soviet Union, to establish world government. An empire of world government.

Now, *this is what we faced in the United States*, what I returned from war to the United States, then. That policy. The same banking circles, which had initially committed themselves to a coup against Roosevelt—a military coup against Roosevelt was planned in the 1930s: These same guys, who had changed sides, only because of this Hitler-going-westward question, now were going back on the right-wing policy, aimed for a policy of world government through our having a monopoly—the British and the United States—having a monopoly on nuclear weapons. And they were going to attack the Soviet Union with nuclear weapons as soon as we had an arsenal to deliver it. To make those weapons, and deliver them. That was the business.

However, in the meantime, the Soviet Union had developed its own nuclear weapons. And also in the meantime, developed a thermonuclear weapon, when we didn't have one.

So, we called off preventive nuclear war. Truman was told to quit, not run again. And Eisenhower stepped in, and



Harry S Truman Library

*Gen. Dwight D. Eisenhower with President Harry S Truman in 1945, before the Potsdam Conference. Eisenhower's warning later, on his way out of office after his own service as President, was to beware of the "military-industrial complex." It was apt as far as it went, but it missed the broader dimension of the problem.*

for two terms of Eisenhower in office, he saved us probably from nuclear war. And what he was warning against on his way out of office, was, "Watch out for these guys!" It was a good warning.

But then, we had what happened to us, with the Vietnam War, which was completely orchestrated. It was done the same way, for the same thing. It was a no-good war, with no-good purpose: It was to change the United States—and it gave us Nixon.

The problem we have, which we see with Karl Rove, who was part of the attempted fascist coup in the United States by Nixon! It didn't work. But, it was an attempted fascist coup. The things you heard about, were only the tip of the iceberg, of what the Nixon Administration was doing. And this is the Administration that gave us Rumsfeld, later in his career; that gave us Cheney. This gave us the new monetary system! We destroyed the Roosevelt monetary system—done by George Shultz, Henry Kissinger and Company. We started a war in the Middle East: It was done by getting rid of William Rogers, the Secretary of State, an Eisenhower man, and putting Kissinger in there. That's how it happened.

So, we have been under the domination, for this period of time, by a bunch of right-wing characters, who are actually the authors of fascism, and similar kinds of enterprises during the 1920s, 1930s, and afterward.

This is the right wing in the United States. *It is not* some meathead out there with crazy slogans or swastikas. *It is the*

*people who buy these, and trade them in, and throw them away, and use them when they want to.* What you have here, is the attempt to set up a dictatorship, in the interest of that kind of banking interest, that financier interest. And some of the banks are the same private bankers, who were involved behind Hitler, back then: The Synarchist International. That's the enemy!

### **What's Needed Is a Positive Counter-Policy**

Now, the question here, is *not* stopping bad activities. We have to stop them. But we have to understand, we're engaged in a war, as Roosevelt was—which was not just the shooting war. It was a war on the chessboard of grand politics, to try to save this nation, and save civilization, *by defeating this crowd.* Not to eliminate them—we're not killers. But to take the *power* away from them, by creating a new kind of power, which would *protect the nation and the world against such enterprises.*

We are, once again, engaged in that war. The war, the whole fight, is around financial-monetary issues. The present monetary system, which was launched officially in 1971-72, is now collapsing. It's collapsing, because the collapse was inevitable if we continued the system. It was *rotten*—it wasn't a mistake made here, a mistake made there: *The whole system was wrong!* It was part of the right-wing system. We may have defeated Nixon, but we didn't defeat the system. Cheney is still coming. This is the problem.



Nixon Library/National Archive

President Nixon (right) with Henry Kissinger, August 1971. Nixon's Administration gave us Karl Rove, Donald Rumsfeld, and Dick Cheney—as well as its destruction of the Bretton Woods monetary system.

So therefore, the question is, we have to have a policy, which is based on a positive counter-policy: *a declared and avowed counter-policy*. Because, as you know, in the Senate, you know that most people in the United States and most people in the world—even people in government—*do not understand these issues*. They're a bunch of amateurs, trying to play at government. The American people don't really understand these issues, either.

The problem is, is how do you get the American people to mobilize in their own defense, as Roosevelt did back in the 1930s and so forth after that? *You have to tell them the truth!* You try to say, "Let's limit ourselves to the issues, these specific issues," They don't understand what you're talking about! They say, "What difference does it make? They [Bush's team] got the majority, haven't they? Let them have the vote." They don't understand that the fate of civilization depends upon their *not winning the vote!* And when the issue is not civilization, you don't fight. When the issue is civilization: You fight! You don't go to war unless you have to—any kind of war.

And this time, the problem is, we are not doing two things: We are not telling the American people, and the people of the world, and the politicians, who don't understand this—we're not explaining to them what the problem is. We're not identi-

fying what the enemy is. It's not Cheney—Cheney's just a hired gun, and a fool. He's easily dispensable. He's not the problem. The problem is this Synarchist International, this current in history, which keeps coming back at us. It's come back at us again. It's responsible for the genocide in Africa—these guys are!

Everybody's afraid of them. They're afraid of the bankers; they're afraid of the financiers. I'm not afraid of them. I understand their power. I understand they could have killed me a number of times. Sometimes they tried. It didn't work.

But, you're in a war. And the war is, to take a stand, to say, "What are we going to do?" And the issue is, as President Clinton came close to making that decision once, back in September 1998 on a similar issue, on the LTCM crisis. And this present hedge-fund crisis is an echo of that crisis then. And he told the New York crowd: We need some new financial architecture. And then he backed off, and they tried to kill him, with the impeachment effort—they might have tried further. But that's what happened.

*These* are the issues. This is where you have to stand. That's why I said what I said, today: You have to say, "We are going to create a new monetary system, under which we are able to pledge, with the consent of other countries, that the monetary system will not collapse. The U.S. dollar *will not fall*. We are going to *save* the banking system, by taking it into receivership, where needed. We're going to *save* the world economy. We're going to give the world two generations to fix itself, and hope that those who come after us will do the rest."

We've got to make that the issue of war. We've got to make *winning* the war, winning the cause, the issue, and then people will mobilize. And what the problem in the Senate is, they don't have the support that they need from the people. The reason they don't have the support they need from the people, is because the people don't understand the issue. Maybe some of the Senators don't understand the issue fully. We have to make the issue clear. If we know what the war is about, and we're going to stick to this war until we win it, in this case in terms of the Senate, save our country, and take some countermeasures.

Take the case of the GM crisis. If GM and Ford go down, the United States loses a vital part of our machine-tool capability, in which case we're no longer a serious nation, economically. Therefore, we have to put through measures immediately, to make sure that the labor force, led by the machine-tool component of General Motors, Ford, and the auxiliary companies, that this labor force *stays in production*, and produces mass transit systems, alternatives to automobiles as well as automobiles. So that we maintain this labor force *in production*.

We have to give the American people the sense that somebody is behind them. We've got to give especially the lower 80% of our population the sense that the United States will fight to protect them, and to protect their interests. And

they don't now.

People say, people don't believe me. I laugh at it. I say, it's not important. They should believe me. The reason they don't believe me, is because they don't believe other people, the politicians. Because they think they have to kiss the butt of the politicians to get by. And therefore, they will say what they want to have those politicians, and other authorities—their prospective employers—overhear them saying. They don't want to know the truth. They want to know what they have to do, to get what they want, personally.

And only when political leaders stand up on their hind legs and make the issues *clear* to the people, then as Roosevelt did, will the people of the United States support you. The people of the world, in general, will support you, if you make the issues clear to them in terms they understand. And it's going to take a lot of work by a lot of us to do that. But once we do that, we're in this thing *to win*. We're on the march. *We are going to win this war to save this nation, and save civilization.*

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## Putting the People Before the Banks

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**Freeman:** There are several other questions that came in from Senate sources, that ask about the very question you just addressed. I may, because of the stature of the people who have asked the questions, I may read some of these questions in the course of the event that may seem to repeat things a bit. But if I do, it's because I don't want those guys to yell at me. I'll let you deal with it.

Okay, this is another question from the United States Senate. "Mr. LaRouche, popular wisdom tells us to put the people before the banks, especially if you're a politician. But the fact is that you can't run a modern economy without a functioning banking system. If all current indicators are accurate, and certainly your predictions are more dire than even those indicators, we're facing a banking crisis of unprecedented dimensions. 'Save the people, not the banks,' is a great slogan at a rally, but in order to save the people, we may have to save the banks. My question to you is, how do we approach this? What are your overall thoughts? And specifically, are there things we should be doing pre-emptively?"

**LaRouche:** Yes, there are. There are people who know me, who are in key positions in government and banking, and all that's required, which is what I have on my agenda, is for them to talk with me. Not to get me support, because I don't need any support. I'm right, therefore I don't need to be proven right.

What we have to do, is, I need them. Now, many of them are wrong. They've been wrong on the record on many issues. *But:* They're not useless people. They're the kind of people who can be assigned, or delegated, in various ways, to move

in on the banking situation, as an institutional force, and to craft the specific, concrete policies needed *for an overnight-type of operation to deal with any bankruptcy in the banking system.*

We have people that we know—and you, Debbie, know some of them, and some people we know, know others of them. We have enough skilled people in this country, in the United States, who know how to run banking operations, and who know economics, at least from the technical side, if not always on the theoretical side. Therefore, we have to create a strike-force in effect, which is largely to be a voluntary force of people who simply discuss with one another, because they know each other. And we're going to have to delegate some hands to take certain roles. And say, "We have a taskforce which is prepared to move in."

## Strategic Bankruptcy

You know, the principle is not that difficult. The principle is the same principle as a bankruptcy. Now, I call this question a "strategic bankruptcy." You have two kinds of bankruptcy, in which an institution may come in as bankrupt, and you may decide the best thing is to let it go, and just put it through an orderly dissolution. But, there are certain kinds of institutions or combinations of banks you *can't* let go! Because there are too many people who have got their savings involved in it, and other things of that sort. So therefore, you're going to have to put them into receivership, or some similar type of reorganization.

Now, my action, and the action we all should think about, is, we're going to put whatever has to be put into reorganization, into reorganization. We are going to mobilize people of the type I was alluding to, as part of this force which will actually craft—they're knowledgeable in these areas—will craft the detailed policies which need to be applied, to deal with the situation.

We'll have to create a structure—which I think the Senate should sponsor in large degree—a structure, for dealing with what I call "strategic bankruptcy." And this takes in all aspects of it, including the banking system: In other words, if Citibank, or Chase Manhattan (or whatever it is now), goes down tomorrow, we need somebody in place, and an institutional capability in place, which is going to keep that place functioning.

We're going to have to—say, categories. We're going to have to say things like, "If it's derivatives, it gets nothing." We simply *cancel* derivatives obligations. They're side-bets. We're going to go at the things that are not side-bets. We're going to deal with the question of how we reorganize mortgages that can not be sustained. We're going to kill people because they can't maintain a million-dollar mortgage on a shack they need to live in? We're *not* going to kill them, we're not going to throw them out in the street! We're going to do something to take care of that situation. It may not be what everybody wants, but it's going to be fair.

So therefore, we have to make those kinds of decisions. We have people, I'm sure, that I know of in this country, skilled people, experts, who know how to do that. But, we're going to have to make the policies. We're going to need policies, through the Senate, which provide for this kind of emergency. So that when a case happens, or we know a case is about to happen, or somebody knows their institution's about to go into that kind of pit, that we *move in*, right away—as a preventive measure, to prevent a chain-reaction collapse. The thing we must deal with, is the danger of a *chain-reaction collapse of the banking system*, a disorderly collapse. We must keep this thing functioning. We must use everything we know from the past on how to do that.

And, if we don't give that assurance, that we're going to do that, I guarantee you we won't get the agreements. If we can give that assurance, as it's largely—we have to use the authority of law. We need a special law for an emergency. Not a dictatorship, but a special law, to enable the existing institutions of government, as duly constituted, in their present form, to do the job, by bringing in whatever else we need to assist them in doing that job.

Our purpose is to keep our system functioning, to keep the dollar at parity, to prevent a collapse, and to go immediately into a role of expansion.

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## Preparing People for the Crisis

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**Freeman:** . . . Lyn, this is another question from the Senate: “Mr. LaRouche, the issues that it seems have to be addressed on an emergency basis, are truly overwhelming at times. The population has absolutely no idea as to the severity of the crisis, and they usually don't, until some particular problem bites them on the leg.

“My question to you is, how to proceed? Because obviously, one aspect that has to be addressed, is the adoption of the policies themselves, and trying to decide on policies that prepare to manage a crisis that could really cause tremendous chaos. But then, another aspect is actually to try to prepare the people themselves.

“My question to you is, what do you think becomes the priority? What has to be done to prepare the United States to manage this crisis? How do we prepare our people? Do we define an approach first? What's the order in which we address things? I know that the question is not as specific as it might be, but the overall situation just seems to be so vast, that I'm not sure whether to approach it specifically or generally.”

**LaRouche:** All right, let's talk about the Senate. Because the Senate is—. We don't have a President. We have a lame duck. Very lame. And he became lame real quick. And I knew he was going to be lame, the minute that somebody said he'd been elected, particularly after Nov. 9, when I did the webcast on Nov. 9 of last year, and I said we could turn this guy into a lame duck. And we did! We, Democrats and others, turned

him into a lame duck. And he's losing feathers all the time. Now, he doesn't mean a hill of beans right now, as a positive factor. He might say something nice, and it might be useful, and I would hope that would happen. But I don't expect to find a brain inside the Oval Office. I'm looking for Mrs. Wilson's husband there, on his second term.

What we have, therefore, by elimination—Cheney is less than nothing. You've got a zero as President, you've got a minus sign as Vice President.

What has been demonstrated, as on the 23rd of May, is that what we have, as a real focal point of government, for purposes of crisis now, is, we have a growing bipartisan association, of people in the Senate, in particular; or, other people in Congress and so forth, gathered about a bipartisan assembly in the Senate—a group of Senators who stand up, representing the majority of the Senate, who with the special powers of the Senate—of advice and consent, and with the support of institutions—can move the institutions, at least of the Legislative branch of government, can move those institutions in ways which are needed at this time. If the American people see a bipartisan coalition of the Senate assuming its responsibility, which is implicit in the design of the Constitution for this kind of crisis—a crisis where you have a President that's a zero, a Vice President—both of whom are impeachable under the intent of impeachment. I mean, impeachment is not just for a crime. It's for when the President's *not competent*. And the President's not competent, and the Vice President is terribly *incompetent*, or *anti-competent*.

So therefore, the question is, we've got to preserve Constitutional government. Constitutional government in this circumstance, can only be preserved in the short term—in the long term, the Federal court can do something—but in the short term, *only by the Senate, taking its role of leadership in the agency which is Constitutionally responsible for providing advice and consent*. And if the Senate takes resolutions, which are pertinent to the situation, and makes statements which are pertinent to the reality of the situation, the American people will listen. The American people will support.

And you have the election campaign coming up for next year. Commitments are already made. Support this, and that, and so forth. But, if the politicians who are running for office, see the American people going against what George Bush typifies, those politicians are going to run the other way. And there you will begin to create the mood, in government as a whole, under pressure of emergency, to do the things that have to be done.

This is a question of leadership. Under all happy circumstances, the leader should be the President of the United States, who uses the Executive power of the United States as the key fulcrum for dealing with a crisis of this type. We don't *have* a functioning President of the United States. The man is a mental cripple, at best. His putative successor is a vicious character, who's more of a disease than he is a cure.

Therefore, what do you have left? You've got the relation-



snowe.senate.gov

*Since May 23, a bipartisan association has come into being in the Senate, which can move the institutions of the Legislative branch in ways which are needed at this time. Sen. Olympia Snowe (R-Me.), a signer of the May 23 bipartisan accord which averted the “nuclear option,” speaks here at a press conference on May 26 in favor of delaying the closing of military bases.*

ship of the other institutions of government to the American people. Under our Constitution, implicitly, that authority lies with the Senate. A coalition in the Senate, to save the nation—without changing anything, just that coalition—will mobilize the American people, and you can say, “Scat!” to Cheney, because he no longer has any power. The power lies with consent. And if he no longer has consent for his antics that he pulls, he won’t be able to pull them. People will just laugh at him. And he’ll go away. The bankers behind him are still dangerous.

But I say, the point is, if we can get a coalition, a majority in the Senate, to begin to take systematic leadership, of everything it can exert leadership on, now, and if it says the things that have to be said—because the people are going to say, “Is it true?” If a coalition of Senators say, “Yes, ladies and gentlemen, it is *true!*” the people will have confidence in them. Because they certainly are losing confidence in the Bush Administration, *rapidly*, now.

And then we have to do the right things.

### **This Is No Ordinary Circumstance**

But the questions I’m getting, are all in this direction. “What do we do, in an ordinary way?” This is not an ordinary circumstance.

Now, how do you use our Constitutional system, under these circumstances, in a crisis of this type? We already have seen the first step in that direction, on May 23, publicly: Where a bipartisan grouping in the Senate said “No!” to an attempted coup d’état against our system of government.

The same principle applies now. We need Senators and

others to stand up, as a coalition, which may not agree with each other on every issue, but we have to get the dialogue going. We have to get a dialogue going among a coalition—that is different than a dialogue of individuals who just run into each other. When the dialogue represents a commitment to come to an agreement, not based on who’s got the loudest voice, but agreement on the basis of *reason* and a sense of actuality; and when the people out there know that that’s what’s going on, then I think that our problem, is—while it’s still dangerous, our situation’s still dangerous—I think our problems are soluble. And I think we’ll keep coming back to that.

The question is: When are the members of the Senate, and others, going to realize that we don’t have a functioning President, and we have an extremely dysfunctional Vice President? Under those conditions, the Senate is the institution of government, through its powers of advice and consent, which must shape the environment, and appeal to the American people for support. Under those conditions, we don’t have to do a thing against our Constitution, to do what has to be done.

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### **Health Care vs. Shareholder Value**

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**Freeman:** Another question from the Senate. “Mr. LaRouche, I’m sure you’re well aware that GM’s management has already received assurances that they will be let off the hook on their pension obligations. At the moment, they have also delivered an ultimatum to the union on the question of contractually agreed-upon health-care benefits.

“There’s probably no more compelling issue for most Americans, than that of health care. It’s a question that has concerned this office for more than a decade, but past efforts that we’ve made to address it have failed miserably. Now, it has come to a point of crisis that it seems it must be addressed. The crisis in Medicare and Medicaid is far more compelling and immediate, than any anticipated crisis in the Social Security Trust Fund. Yes, we must begin to adopt policies of economic reconstruction in the United States. But it seems that the question of health care has such an immediate impact on people’s survival, that that has to be addressed too, and it has to be addressed now. The question is how to approach it.

“Additionally, one very special feature of the crisis is reflected in a recent report that over 1 million Americans are currently suffering from HIV. A disproportionate number of those individuals are located in the State of New York. The number, which I personally believe is a gross underestimate, is nevertheless staggering. Do we address this in the context of overall health care? Or do we need some special provisions, and if we do, what sort? But it seems these are questions that really can not wait.”

**LaRouche:** You’re dealing with the same thing, the right-wing problem. It’s the right-wing bankers, the Synarchists, the same thing that gave you Adolf Hitler. That’s what your problem is. A key problem is, you have Confederate members of the Supreme Court, who have laid down a policy, which is called “shareholder value.” And most of the fascist-tending law, including that which is used to destroy the health-care system and so forth, has come out of that kind of mentality, which is expressed by what is sometimes a majority of the Supreme Court: the support of the concept of shareholder value.

Now, shareholder value is unconstitutional. And this was a case in which those judges should never have been confirmed by the Senate. Never. Because that did more than anything else, to destroy our system of government.

*But:* The Constitution, especially its Preamble, still stands. Now, this becomes a big issue, a big legal issue. How? What happens is, the fascist tells you, or his dupe tells you that the Preamble to the Constitution is not law. It’s just an introduction to the Constitution. Whereas if you know history, and the history of modern law and statecraft, you know the Preamble to the Constitution is the *most important part of the Constitution, and is the highest authority of the Constitution!* And the principle of the Constitution which is most central, except for the defense of the nation, and our national sovereignty, as such, is the promotion of the general welfare: That prior to the adoption of that policy, even though this was actually argued as law by Plato and others in ancient Greece, it was actually the foundation of the Christian policy as laid down by Paul in 1 Corinthians 13—the concept of *agapē*, the concept of the general welfare. This is the principle on which the modern nation-state was established during the 15th Century for the first time: the responsibility of the government to

*promote the general welfare of all of the people.*

The first time we had a government of such a form was in France under Louis XI. You had someone at the court of Louis XI, called Richmond, who went from the experience with Louis XI’s court, and went over and overthrew a bastard—Richard III of England—and established the first form of commonwealth government in England! It was from this idea of commonwealth government, that the modern nation-state and modern society was formed.

This was the difference between feudalism in the medieval period, and modern society—this issue! Of the fact that the state is responsible *not to treat people as animals!* That all human beings have certain inherent rights. These rights are associated with the notion of general welfare, which is not simply taking care of them, but it’s also thinking about their children and grandchildren, and those who are coming after them. To promote the improvement, the betterment of the condition of mankind, is the first obligation of government, and the care for every individual.

The same principle stopped religious war. Europe was being destroyed by religious war from 1492, with the Expulsion of the Jews from Spain, continuing through 1648 until the Treaty of Westphalia. The first thing in the Treaty of Westphalia, the first principle that stopped religious war—the thing on which modern civilized society and European civilization depend, is the Treaty of Westphalia. And the first condition is that the individual state and the person must promote the advantage of the other. That we are responsible, each of us, to the others, as the others are responsible for us. It is our mutual responsibility for the well-being of others—among which, we are one of the others—which is the basis, the foundation, of our Constitutional system of government.

Now the same law, the so-called law of the general welfare or the common good, is also law, in particular, in the constitutions of various governments of the world, its intention. Shareholder value says that if you are slave, you are property, and you shall never be released from slavery; because you are *property*. And your children, being children of you, are also property. This is the law of slavery. This is John Locke! This is the law of the Confederate Constitution! As opposed to the U.S. Federal Constitution.

Now, the way we have to approach this thing, is on the question of Social Security, which is obviously not in the Constitution, but the principle under which it was established in the Constitution, and the *need* for it, was well defined by the conditions of the 1930s. And the success of it, is that. The only reason we stopped funding it—why? Because George Bush stole the money! His Daddy stole the money! And he stole the money. But he didn’t steal it, because he got the government to authorize a bond, a U.S. bond, to cover that money as returnable to the Social Security Fund. George Bush says it’s “just IOUs.” The idea of shareholder value.

So therefore, we’re in a situation in which we have everything—health care’s been systematically destroyed. We’ve

FIGURE 1.1

**1969: 15 States Had Federal Legislated Minimum Hospital Beds Per 1,000**



FIGURE 1.2

**1980: 21 States Had Federal Legislated Minimum Hospital Beds Per 1,000**

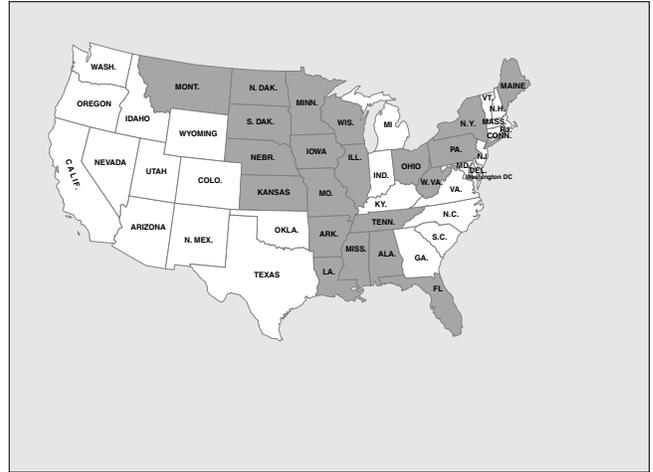


FIGURE 1.3

**1990: 14 States Had Federal Legislated Minimum Hospital Beds Per 1,000**



FIGURE 1.4

**2000: 5 States Had Federal Legislated Minimum Hospital Beds Per 1,000**



*The Federal Hill-Burton law of 1946, "The Hospital Survey and Construction Act," mandated a minimum standard of hospital beds per 1,000 people. The system has been dismantled.*

destroyed it. Why? To cheapen the cost of labor. We sank the economy. We said, "We don't have money." We stopped paying the doctors. We put whole categories of medical professionals out of work! They couldn't afford the insurance fees. And similar kinds of things.

Therefore, we have to put it back. We need a comprehensive conception of law, the law of the general welfare, as it applies to persons and to communities. Health care is part of that. We had a health-care system that worked. Nixon destroyed it, with the help of a Democrat who helped him in that

process. We had the postwar health-care policy of improving the health care, year by year, in every county in the United States. The New York City health system under that law, is an example of how it worked. Other states applied it more or less effectively. We destroyed that. We destroyed the Hill-Burton law, in 1973, under Nixon. We introduced this system, which is a system of *looting* our health-care system. Part of the Nixon policy, part of the neo-conservative policy.

Therefore, we have to recognize that the idea of shareholder value is a violation of the Constitution. It's a violation

of moral law. No one can call himself a Christian, who accepts the idea of shareholder value. And those who accept shareholder value should stop calling themselves Christians. Please, may we make a law about that? Will you please stop calling yourselves Christians, if you believe in shareholder value? You've got to choose. one of the two.

But, we need a general package, a general philosophy, stated clearly: policy on health care. Again, this has to come out of some kind of majority in the Senate. Because we have to have a statement of what the *intention* is, and then fight to get the laws adopted.

And I agree with you on your concern on this, I fully agree with you. But I think what we need is a strategic approach to the question: *We need to overturn the concept of shareholder value.* We can do it in the Senate. We can do it in the Congress. But we have to declare our intention to do so. Once we've declared open season on these kinds of things, then they become vulnerable. If we sit back and complain about them, they'll go on. You have to declare open season on bad things, and then people will mobilize to get rid of them.

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## Should Bush Be Impeached?

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**Freeman:** Lyn, we have a bunch more questions from the Senate, but I'm going to move to another segment of the population, and that is the questions that are coming in from labor leaders. We can come back to the Senate.

This is a question that was submitted by Scott Pulliam, who is the president of the IBEW in Louisville, Kentucky. He says: "Mr. LaRouche, since the emergence of the Downing Street memo,<sup>2</sup> it seems that more and more online political action sites are jumping on the bandwagon, demanding inquiries and hearings. Even more surprising, though, it seems that, now, some mainstream elected officials, including some Democrats, are joining the chorus. Do you think it's likely that we will see an effort in Congress to impeach this Administration for its high crimes? And do you think that that is a useful thing to pursue?"

**LaRouche:** I think that's too narrow. I'm not against it, because—that's not because I have some particular malice against poor George W. Bush. I mean, I think the guy's a wreck, and he may need medical attention, or something. But, I don't believe in lynching people.

But I think we should get rid of him, in a very nice way, by retiring him. Retiring him, because he's mentally incompe-

tent. I think he's shown that mental incompetence: A man who says, as President of the United States, in a time that the national credit of the United States is in jeopardy, saying that the U.S. government bonds are worthless, are worthless IOUs, that man is obviously mentally ill. And I think that mental illness is sufficient cause to remove him from office. The only problem about removing George from office is that, you've got to get rid of Cheney, too! Because Cheney is a sociopath, a killer! And you can't have that guy in the White House.

So therefore, I think what we need is a policy, stating what the problem is. It's not just the policy of an individual.

I don't think a single issue works. I don't think there is a single-issue victory in warfare. There's no place for single issues in politics. You have to have an issue of *principle*. And you do what you do on the basis of a statement of *principle*, which is adequate to cover the situation you're dealing with, and maybe some other ones as well. And win people to the principle.

Look, in the final analysis, we, the people, *are* the government. We delegate our power, as a people, *to our government*. We don't have total control of it, because we have people who came before us, who have a trust in this. We have people coming after us. We can not jeopardize them, simply because of our passions and will. But we are, as much as anything, we are government. Therefore, we have to have a principled response, to our problems and our opportunities.

What I think in this case is, we have to have a coalition that stands up, and tells the truth about the condition of our elected and associated government. We have to mobilize public opinion, of our citizens, to think about this, to participate: We've got to draw people into government. You know, what's happened to the citizen, the lower 80%, over the past period since 1971-72—especially since 1980-81—the American citizen of the lower 80% of family-income brackets, does not believe that he's really a citizen. He believes he's somebody who was given the right to beg and nag, and threaten, if he doesn't get his way. And it's usually on a single issue. "I'm going to go out and I'm going to burn down City Hall, if I don't get my wages on time." Single-issue stuff. Instead of having a conception of government, of what are the *principles* of government.

And what we need, are laws and principles which provide a structure, within which we can function: like the law of the general welfare. General welfare is a principle of law. And we have to make sure we are vigilant in enforcing the principle of the general welfare. We don't need some collection of this law and that law, single-issue. We don't need that.

So, what I think on this thing: Yes, we do need to put a merciful disposition, to get this President out of office. He's a danger to the environment. Resolve to get Cheney away with him, too. And I think we can find some kindly way to do that without abusing him.

But, what we need is some alternative. What's your alternative? You go to Canada to replace him? Anyone? Or, do

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2. The London *Times* on May 1, 2005 published a secret document reporting on a meeting of British Prime Minister Tony Blair and his top security advisors on July 23, 2002, on the subject of Iraq. The memo shows that the United States and Britain had secretly agreed to attack Iraq well before Bush sought Congressional authority for military action. Rep. John Conyers (D-Mich.) and other Congressmen are circulating an open letter to the President, asking for full disclosure of the facts of the case. See *EIR*, May 20, 2005, pp. 19-20.

you have a group of people who express the concern that we have a problem with this President? With his mental capabilities?

We should have raised it in the election campaign—people backed off from doing that. They came close to it, Kerry came close a couple of times, and Edwards did a couple of times. But they never stuck to it!

This man has got mental problems. He shouldn't be President, because he's got mental problems. He's not *capable* of doing the job. Under the intent of our Constitution, he shouldn't be President, because he's *mentally incapable* of the job! Do you want a six-year-old child flying a large airplane? There's nothing against the child, he's just not capable of doing that job (though I think he'd probably do a better job than George Bush would do).

So, I think that's the answer. We do have to have a policy on this. We do have to have an expression of opinion from leading people, who say, that's the case. I will say it any day; I have often said it. I will say it again. People like to have me say it, because that means they don't have to say it. They don't want to take the risk of incurring the displeasure of the President of the United States or his admirers, such as Karl Rove.

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## An Election Strategy for 2006

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**Freeman:** Lyn'll like this question. This is a question from someone here in Washington, Lyn, who you know well.

He says, "Mr. LaRouche, now that you've scared the crap out of everybody, I'd be interested in whether you think we should actually be working on a 2006 strategy? It's my business, of course, to do that. But it seems like it's an excellent way, and maybe the only way, to actually mobilize people to deliver a swift kick, so that we can get some of these policies acted on."

**LaRouche:** I agree with you totally. I think that we should have, in the D.C. area, in particular, as the national center, we should have some serious Democratic Party, and also outreach to the other side of the fence, the Republicans, the good ones—you'll find a good one here and there—we should actually be engaging in the politics of 2006, on the streets, *now*. The issues, now, are the ones which I referred to here today. Do we have the guts to take the truth about the present situation out to the hustings? Do we have a bunch of politicians, who will stand up and say, they want to hear this discussion? So the people have a reference point, among people they see as having *power*, who are responding on these issues. So we can get some people to start turning out and getting hot about the issues.

Yeah, you know, some people are talking about getting *money* now for the campaign! Well, I suppose that's fine. I see that's often needed. I've had some experience with that myself.

*But:* The key thing is, have you got the people, not the money? If you've got the people, you can win the election. And we are not, as a nation, we are not, politically, seriously, going after the people. My youth are going to the people. People working with me, are going to the people. I know other people around the country, are going to the people. You see it in these resolutions like Wayne County and Detroit City Council, and so forth. They're going to the people.

*We have to get organization out there going to the people.* In two directions: We need affirmation of support for the issue from a concert of leading politicians. We need, as much as possible, bipartisan support, because the party structure is changing in the country today. You're not going to have the same Republican Party you had before. Some people are going to go in the other direction, some people are going to join the human race and still be Republicans. And we have to have that kind of cooperation, that kind of dialogue, among rivals—but a commonality in the dialogue.

We have to carry that to the street, now. We have to bypass a national leading press which refuses—because it is controlled by financiers—refuses to face the issues. We can not sit back and complain about the press. You can complain about the press by denouncing it, because it doesn't do its job, it doesn't tell the truth; because it's controlled by financier and related kinds of considerations.

But that doesn't excuse *us* from telling the truth. And if we think about it, we have enough power to bypass the press. We have the ability to bypass the press, and get these issues out now, among the people, and don't wait for permission from the *Washington Post* to discuss something.

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## The Home Mortgage Crisis

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**Freeman:** Lyn, I've got three more questions I'm going to ask you to answer. . . . The more particular question comes from the Senate in the United States. It says: "Mr. LaRouche, there is no real precedent in the United States for the regulation and management of home mortgage financing, and very importantly, of refinancing. Programs like the FmHA and others, were designed for a different purpose, mainly to allow young families without sufficient capital or established credit, to engage in home ownership. But the fact is that right now, if you look at the American real estate market, we're looking at a catastrophe that's waiting to happen. It seems to me that we have a responsibility to find some way to pre-empt it.

"Some members of the Senate are talking about regulating the industry. But the fact is, that even regulation of future lending, will do little to address the problem that we have already allowed to be created. Greenspan's babbling about frothing versus some other thing aside, the fact is that if this real estate bubble pops, we're going to have to deal with, not only a possible chain reaction of bank failures, but we're going to be looking at the total ruin of countless American



EIRNS/Dan Sturman

*“Do we have the guts to take the truth about the present situation out to the hustings?” Here, the LaRouche Youth Movement organizes and sings in the streets of Washington, D.C., June 1, 2005.*

families. How do we address this?

“I’m not talking about what we do in terms of legislation for the future. I’m talking about how do we deal with the problem that already exists.”

**LaRouche:** Well, it’s obvious to me it’s going to happen. I can see it in Northern Virginia. It’s clear. We have Loudoun County, which is going to be a center of this catastrophe, because it’s been one of the areas that has been the most heavily built, with the least infrastructure, built up around this operation; as other parts of the whole area.

It’s going to happen. The collapse is inevitable. Therefore, what do we do to prevent the collapse from becoming mortal? Rather than merely painful? Obviously, the thing is, you are going to have to have people who are working and living in houses, continue to work and live generally in those same houses.

Now, how you sort the thing out financially is, shall we say, a third question down the line. . . .

Look, you’ve got a situation where you’ve got these \$600,000-\$1-million shacks; they’re really not worth that. This was done on the basis of a speculative boom. And, a lot of it, of course, involves this area of second homes, where somebody has bought a home of questionable conditions, to try to make money on it, the capital gain, through the renting out of it, or something of that sort.

This catastrophe *is going to happen*. It’s going to happen; it’s just a question of when, and when is soon. Therefore, what do you do? Well, we can’t have social chaos. We can

not have social disorder. Those people are going to stay in those same houses, in general, for the time being. We’re going to find some way to sort this thing out, which is equitable.

And, we’re going to have to do it anyway, because the banks, which are ultimately involved in this, are going to threaten to go belly up. So, the banker is also in trouble anyway. And, the fact that these mortgages are not redeemable at their present price, is a fact of the matter. We are going to have to put the thing into order. And, it’s going to take a long time to sort the thing out financially.

What we need is the ability to freeze the situation, to continue the normal functioning of life in the meantime, and *sort it all out later*. But, in the process of sorting it out, we have to make sure that essential institutions, including the functioning of essential financial institutions—which are also our savings institutions, and so forth, as well as being lending institutions—that these institutions continue to function, under a strategic doctrine.

We’ve had this kind of emergency earlier. We haven’t had this particular *form* of this kind of emergency, but in principle, we’ve had this before. And we are going to have to deal with it. The principle of the general welfare is pre-eminent: *We must protect the people*. And, we must protect them in a just way. Shareholder value is not a primary consideration. If somebody invested, even in issuing a mortgage, as a gamble—they gambled. If they gambled on somebody’s ability to pay a certain amount for a place to live—they gambled. The person who took a place to live, was not gambling.

They needed a place to live. So therefore, the general welfare comes first.

Maintenance of good order in the general welfare, is the primary concern. Government must intervene, with this sense of law, to protect good order, and to postpone what can not be solved today. And we have to have good order on all sides. We provide protection to the person, to the householder; we provide protection to the banking institution, to continue that function; we provide protection to others, who are performing an essential function in the community, if they become financially embarrassed: *Because it's in our interest to do so.*

And, we can all agree that it is in our interest to do so. You think of the consequences. Do you want Joe thrown out in the dump? Do you want to close down a bank which you depend upon for a certain function, even though it is bankrupt? No. You are going to intervene, to say, "Hold it, boys. Let's freeze a few things here, for the time being. Let's keep good order. Let's get this economy going again, and *then we will sort it out.*"

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*These additional questions were submitted during the webcast discussion, but for reasons of time, LaRouche was unable to answer them orally, and instead replied by e-mail. The first four questions are from the Senate (the first being from the Banking Committee), and the last is from the Economic Policy Institute. See [www.larouchepac.com](http://www.larouchepac.com) for other written questions and answers.*

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## A Tax on Derivatives?

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**Q:** Democratic Senators on several committees have recently undertaken a renewed study of the efficacy of adopting a Tobin tax. My recollection is that you've favored such measures in the past, but do you think such measures are still effective? Or, is it a case of "too little, too late"?

**LaRouche:** Presently, the only actual utility of a "Tobin tax," or kindred measure, would be to afford relevant public and private institutions a degree of oversight which is of crucial importance, but not otherwise available currently. Government and prospective and other investors must have the advantage of the financial transparency this affords—without the implicit frauds of "Enron Accounting" and kindred "Snow jobs." It may be too late for the prospective victim; but, it is not too late to convict the violator. Hopefully, the victim will be forewarned, and the prospective violator, too.

The principal purpose of such a tax as the Tobin tax, should be as an aid to much-needed regulation of what are presently unregulated practices which have been repeatedly demonstrated, since the relevant 1997-98 international crises, to represent a grave threat to international monetary stability. In many cases, the mere existence of a properly crafted form of such a tax would forewarn entire categories of prospective

investors of the highly dubious, characteristic features of the kinds of schemes which are coming to the surface in such a menacing way today.

Otherwise, taxation is not an available source of revenue for promoting a reversal of the presently onrushing general economic collapse. We require sufficient margins of new volumes of increased medium- to long-term new capital formation to bring the collapsing U.S. economy back above breakeven. The aftermath of the 2000 collapse of the Y2K financial bubble, and the consistently ruinous effects of the net measures taken under President George W. Bush's terms thus far, are reflections of the fact that only the application of public credit to sound long-term capital investments could produce increases in employment which would be sufficient to bring the economy of the nation and its states back above annual breakeven levels again. Any other general approach would be worse than regressive under recent national and global trends.

Under the needed use of public credit, the use of the form of gamblers' side-bets known as financial derivatives must be effectively outlawed, in any case. If we are to recover from what is already an accelerating, deep plunge into a worldwide economic depression of the world's present world monetary-financial system, we must protect public credit from the ruinous pollution inherent in such use of side-bets. We will require an added surtax in corporate incomes and the upper levels of personal income, but we must offset those higher rates by use of tax-investment credits in those categories of investment deemed essential to promoting the needed economic recovery.

The success of any attempted recovery measures requires the return to a fixed-exchange-rate monetary system akin to the successful post-World War II Bretton Woods system.

We must manage such urgently needed changes with an accompanying understanding of the deep fears and associated wishful delusions gripping a population which wishes to be in the relative comfort-zone of a state of denial of the reality of the present world economic and monetary-financial crisis. The U.S. citizens, broadly, especially those of the "middle class" strata of the "Baby Boomer" and "Tweener" generations, have, generally, not yet come out of the form of denial which had been promoted by the belief in the "Santa Claus" associated with the mythical features of their experience with the world of the Y2K bubble.

Politically, this means that we must do what must be done, but we must not lose sight of the difficulties of comprehension which the majority of the citizens suffer when faced with a reality which demands that they give up certain consoling delusions accumulated during the period of a past generation.

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## The Loss of Manufacturing

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**Q:** As I'm sure you know, we now have a bipartisan Manufacturing Caucus in the U.S. Senate which seeks to address

the overall crisis in U.S. manufacturing. The most frequent explanation for the enormous loss of manufacturing jobs in the U.S. has been 1) changing demand patterns, and 2) rapid productivity growth. Arguing against this view, a recent policy document by the Economic Policy Institute argues that the blame is, in fact, the rising trade deficit and the inflated value of the dollar. I don't find either explanation particularly useful. It would be helpful to hear your views on what, specifically, you believe is the cause of the dramatic loss of not only jobs, but also our manufacturing infrastructure.

**LaRouche:** The presently rather widespread attempt by propagandists, to explain the crisis in manufacturing on "changing demand patterns," is a reflection of a state of psychological denial of actual economic reality worldwide today.

The delusion has been spread, that we are living worldwide in the success of a new, "globalized," "post-industrial" model of economy. The fact of the matter is, that all of the leading economic problems of, most prominently, the Americas and Europe, are a product of a presently disastrous blunder, that blunder of the post-1971 "cultural paradigm shift" of the economies of the U.S. and Europe, from the previously relatively successful model of an economy based upon a balanced investment in basic economic infrastructure, agriculture, and industry, to what has been presented by propagandists as the virtually utopian model of a post-industrial, "globalized," "end of history" paradise.

In fact, "globalization," as it began in the form of export of production from previously developed, successful economies of Europe, and the U.S.A., Australia, New Zealand, and Canada, has produced the present global catastrophe now coming down upon the world as a whole.

"Globalization," as it is often labelled today, was essentially a post-1971 shift of world agricultural and industrial employment and output, from nations which had the highest standard of living, to cheaper production from "second-" and "third-world" nations, whose infrastructural development was vastly inferior to those of the developed economies from which production had been transferred. The apologists for "globalization" proceeded in ignorance of the well-established lessons of European civilization's rise to global preeminence during the period since the great, shaping developments of the Fifteenth-Century Renaissance, the aftermath of the 1648 Treaty of Westphalia, and the worldwide impact of the success of the American System of political-economy: especially since the transformation which occurred during the 1861-76 interval culminating in our first, Philadelphia, Centennial exposition, the point at which Europe and Japan, and others, began to adopt the American System model.

The success of that cumulative experience of the modern European "model" was rooted largely in the role of basic economic infrastructure in creating the essential preconditions for net national-economic productivity in agriculture and manufacturing.

What we, in North America and Europe (chiefly), did,

in emigrating from success, to the so-called "globalization" model of today, was to export the act of production of items for our consumption at home, to cheap-labor markets abroad. The cheapness of that production abroad depended upon the lack of basic economic infrastructure in the nations to which the production of those products was exported. Meanwhile, by exporting that production, we reduced the level of income from such production within North America, Europe, and Australia-New Zealand. We compensated for that loss of income here at home, by reducing our maintenance of the basic economic infrastructure on which our national income and productivity had depended. Thus, as a result of our foolishness in transferring production of our consumption-goods at home, from developed to underdeveloped regions, there was a net loss of global physical income produced in the world as a whole abroad, we ruined both our economy and the world economy, taken as a dynamic whole process.

That catastrophic, self-inflicted decline in U.S. productivity, is the principal source of the growing inflation of the U.S. dollar. That commitment to "outsourcing" in a "globalized" world economy, is the principal cause of the inflation of the U.S. dollar.

It is the ideological commitment to presume, a priori, that "globalization" through a change to a "floating-exchange-rate" system was right, which prompts ideologues infected with the delusory axiomatic presumption, to attempt to explain away the reality of today's crises, by praising the causes of the catastrophe, and blaming the neglected, needed remedies for the disease. They need not be picked out for abuse on this account; every systemic crisis of social systems has always seen the result of the popularity of the currently leading beliefs of the society.

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## The Disaster of 'Free Trade'

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**Q:** The Administration's current drive to force the enactment of CAFTA has moved the "free trade" question to the fore once again. A cursory view of the effect of the earlier NAFTA agreement, when assessed honestly, would seem to prove that the agreement has done the opposite of what it promised to do. We've suffered job losses in every state—in fact, a recent report shows that 13 million American jobs in many different sectors of the economy have been eliminated as a result of "free trade" agreements. We have also seen an accelerating rise in the trade deficit since NAFTA's enactment. During the fight against NAFTA, many argued that it was bad for American workers. However, in retrospect, it seems that it has been just as bad for American corporations. First, do you agree? And, second, what drives a continued commitment to a policy that doesn't seem to have helped anyone? Who, in your opinion, actually benefits from these arrangements?

**LaRouche:** As I have just written, in concluding a reply

to a preceding question from Senate sources, systemic crises in society occur only as the result of the persistence of false, but axiomatic presumptions.

In this case, the motive for the folly underlying our nation's, and the world's, presently erupting crisis, has been an ideological commitment of certain influential ideologues to the kind of world-outlook associated with the proposals for "world government" by H.G. Wells, Bertrand Russell, and other ideologues sharing that or similar presumptions. The Marxist varieties of ideologues were tame creatures compared with those who shared Bertrand Russell's frankly stated hatred, as a British oligarch, against the idea that the U.S.A. should have become a more influential force in world affairs than the Liberalism of Lord Shelburne's imperial British East India Company. The circles of the protégés of the Nashville Agrarians' and Harvard University's Professor William Yandell Elliott are merely typical, in today's world, of such proponents of the liquidation of the institution of the sovereign nation-state.

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## Who Should Finance Great Projects?

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**Q:** There were numerous instances during Bill Clinton's two terms in office that, although he favored certain bilateral development and/or reconstruction projects, there seemed to be little hope that he could win Congressional approval for them. Especially during Ron Brown's tenure as Commerce Secretary, the Administration attempted to get around the problem by bringing certain private interests together to craft such projects. The two that I am most familiar with are 1) Ron Brown's attempt to enlist the help of American companies to build nuclear power plants in China; and 2) his efforts to not only win the interest of American companies in a Balkan reconstruction effort, but also to persuade American financial institutions to bankroll it. As we all know, the plane crash that took his life occurred while he was pursuing this project.

Viewing the short clip you showed featuring the Shanghai high-speed rail line, questions that have been hotly debated here on the Hill came to mind. There has been strong bipartisan support on both coasts for various similar projects. But, in your little clip, your narrator talks about rebuilding the U.S. economy via the construction of these rail lines. The heart of the debate among people who actually support such projects is whether they are appropriately publicly or privately financed. Some have argued that many of FDR's greatest domestic projects were, in fact, financed by private financial institutions as opposed to by the Federal government. On the other hand, JFK's quest to put a man on the Moon was, I believe, largely government financed. Could you talk a little about this? It is extremely hard to explain to a population that suffers with no health care, declining schools, etc., that their government is

going to invest millions in high-speed rail, as opposed to meeting their most immediate needs.

**LaRouche:** The most frequent problem in official policy-shaping today, is the lack of understanding of the fact, that the special historical achievements of the U.S.A., as contrasted with the much poorer record of European economies, are that our constitutional system of self-government was not a variety of "capitalist" or "socialist" society, but the American System of political-economy, as identified by such most notable economists as our first Secretary of the Treasury, Alexander Hamilton, and by such leading, most influential exponents of the American System as Mathew Carey, his son Henry C. Carey, and the German-American Friedrich List.

Otherwise, the most notable of the principled differences in functioning between our system and the usual European systems since 1763-1848, is our Constitutional commitment to resistance to financial usury, and to control over our currency as a government-controlled instrument of creation of public credit, as through national-banking methods: versus the subversion of European parliamentary governments by the superimposed authority of so-called "independent" central banking systems which have been actually controlled by an intrinsically usurious, Venetian style of Europe-wide financier oligarchy.

Thus, whereas, until the effects of the 1964 launching of the official U.S. War in Indo-China, we were, despite all other among the mistakes of our policy, the leading power behind the postwar, fixed-exchange-rate, Bretton Woods monetary system, we were taken over by what became the wrecking of the Bretton Woods system, that in favor of a floating-exchange-rate monetary system which is based axiomatically on the financier-oligarchical principle of Venetian-style usury prevalent in most of Europe throughout its medieval history, and in the implicitly imperial power of the Anglo-Dutch Liberal system of finance since the February 1763 Treaty of Paris and our nation's enemies' gathering at Prince Metternich's and Castlereagh's 1815 Congress of Vienna.

The fight between the two contrasted world-outlooks, has been an ongoing one during most of our nation's pre-history and history on this continent since the 1688-89 suppression of the relative independence of the Massachusetts Bay Colony, and, since the "American Tory" opposition to our independence since 1763-89. This was precisely the same axiomatic point of difference, as in the opposition of Alexander Hamilton and Isaac Roosevelt to the Aaron Burr who was an intellectual property of the British Foreign Office's Jeremy Bentham. This is the difference echoed in the contrast of the policies of the Presidencies of Coolidge and Hoover, which caused the U.S. side of the Great Depression of the 1930s, and those of the President Franklin Roosevelt whose leadership lifted us from despair to emerge by 1945 as the greatest economic power the world had ever known.

In today's circumstances, approximately half of the annual net output of the economy should be supplied under



Transrapid



Transrapid

Preceding the webcast dialogue with LaRouche, EIR's John Hoefle narrated a short video using the economic animations commissioned by LaRouche ([www.larouche.com/animations](http://www.larouche.com/animations)) and a promotional video of the world's only commercial magnetic levitation transportation system (shown here), which runs between Shanghai and its airport.

government supervision by Federal, state, and local creation and/or regulation of basic economic infrastructure. The rest of the economy should be based on a protected form of private entrepreneurship based on the notion of "fair trade" protection of all forms of private enterprise which are essential to the national interest. This system should be supported, as a matter of principle, by judicious use of that power to create public credit which is embedded in our Federal Constitution.

I add the cautionary observation, that the worst of the systemic blunders embedded axiomatically in virtually all currently accredited academic programs in political-economy, is the error of defining economic processes as mechanical, rather than dynamic systems. I have addressed this problem in various published locations, including a comparison of my own approach to that of scientist V.I. Vernadsky's systemic definition of the functional characteristics of the Biosphere (cf. "Vernadsky and Dirichlet's Principle," *EIR*, June 3, 2005).

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## What Kind of 'New Bretton Woods'?

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**Q:** During the Clinton Administration-initiated debate about the need for a new financial architecture, the Congress agreed to funding for the IMF after an intense fight, but mandated an ongoing study, etc., etc. That led to the formation of a Commission, and later the issuance of a report. That report, the Meltzer Report, looked pretty good on paper. It called for debt forgiveness for the most indebted nations, capital

controls, and a change in development policies. However, a closer look at the Report raised issues that seemed to contradict their own recommendations. For instance, although Meltzer made a strong argument for debt relief, the relief was with conditions that included mandatory fiscal restraint, capital account liberalization, and flexible exchange-rate arrangements. In short, it seemed that the report actually favored greater financial market deregulation. I already know your view of such proposals, but, is it your view that this is what Clinton and Rubin were advocating when they talked about a new financial architecture? I'm asking because there are various proposals in addition to your own being floated for new Bretton Woods-style arrangements, and I know that at least one of them is directly based on the Meltzer recommendations.

**LaRouche:** I concur with your description of the difficulties implicitly posed by what you identified as the qualifying features of the Meltzer Report. The weakness of the Meltzer Report, or similar proposals, is that none of them could actually work. In fact, many of these have been concocted as explicit efforts to sidetrack my relatively successful proposals for adoption of a New Bretton Woods perspective by Italy's Parliament, and others. The price of submitting to such conditionalities as those typified by the Meltzer Report, would be a plunge of the planet into a virtually inevitable prolonged new dark age.

We have entered into a time, when the future of humanity will be determined by men and women who think like great leaders, not nasty, simpering sophists. Always, the truth is the best cause; in times of great crisis, it is often, as now, the only remedy which could prevent the greatest kind of disaster.