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This Week You Need To Know

Dialogue With LaRouche

How Do You Determine Currency's Value?

In the concluding panel of the seminar on June 29 ([see InDepth for Lyndon LaRouche's keynote speech](#)), LaRouche responded to a lengthy question from Prof. Stanislav Menshikov of Russia, asking how nations would come to a determination of the values of their currencies and relative exchange rates. The exchange here has been edited for publication.

LaRouche: I just want to focus on one particular point, which is crucial, which is one which has to be—the least likely to be understood, and the most important to be understood: On setting the rates of relative values of currencies in an emergency, new monetary agreement.

Now, the problem here, is a problem of method. It's a problem, the distinction between the Aristotelean method of astronomy, that of Claudius Ptolemy, which is fraudulent, and the method of Kepler. Now, this is a very ancient issue. It's the same issue which is raised by Leibniz. In the Ptolemaic model, it's the mind of the accountant. And the first thing you have to do, in dealing with economics, is get rid of the accountants. It's like getting rid of Claudius Ptolemy on the way to understand astronomy.

The value of a currency is not its statistical average value today, based on exchanges. The value of a currency is its *power*. Now the power of a currency is expressed, how? It's expressed by the rate of growth of the economy. If you invest, you're talking about investing in a currency. Now, there is such a thing as an interest rate. But the question is, what is the real *earned* interest rate? What is the real *earned* rate of gain, of a currency? And that determines its relative value.

Now, you're dealing with, today, if you take the statistics of today of any part of the world economy, and you try to negotiate on the basis of that, you are worse than Claudius Ptolemy, who committed a deliberate fraud. It wasn't just a mistake or backwardness. The guy was a hoaxster. He was a Roman. And all Romans lie. So, you don't start from there....

InDepth Coverage

Links to articles from

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Feature:

LAROCHE ADDRESSES BERLIN SEMINAR

U.S. Must Lead the Way to New World Monetary System

by Jonathan Tennenbaum

On June 28-29, representatives of 15 nations gathered in Berlin to discuss, with Lyndon LaRouche, a strategy for revolutionary change in the strategic, economic, financial, and moral-cultural conditions on our planet. Thanks to the May 23 defeat, by bipartisan forces in the U.S. Senate, of an attempted White House coup against the U.S. Constitution, and the prospect of near-term removal of President Bush and Vice President Cheney from office, the possibility of a positive revolution in world affairs has come within reaching distance. On the table are LaRouche's policies for preventing an uncontrolled collapse of the dollar, creating a new world monetary system, and launching the greatest physical-economic expansion in history.

Keynote Address

America's Indispensable Role in Securing the Future of Civilization

Here is Lyndon LaRouche's keynote from the morning panel of the June 28 EIR Berlin Seminar. It was moderated by Michael Liebig.

Berlin Dialogue for A New World Order

by Jonathan Tennenbaum

The following report, excerpted for public use, covers most of the crucial issues raised at the seminar, although not in the order of the presentations.

Dialogue With LaRouche

How Do You Determine A Currency's Value?

In the concluding panel of the seminar on June 29, LaRouche responded to a lengthy question from Prof. Stanislav Menshikov of Russia, asking how nations would come to a determination of the values of their currencies and relative exchange rates. The discussion here has been edited for publication.

Money Is a Question Of Physical Economy

Here are LaRouche's closing remarks to the seminar.

National:

Undercutting Veterans' Care Backfires on Bush/Cheney

by Marcia Merry Baker and Anita Gallagher

Late on June 30, the House of Representatives voted unanimously for a rush-measure to provide supplemental funding of \$975 million to the Department of Veterans Affairs healthcare system for FY 2005; this followed a unanimous vote the day before by the Senate for supplemental authorization of \$1.5 billion. With these votes, it was hoped that by the end of the Fourth of July week, a conference group of the two chambers would resolve the \$500 million difference, and get the money flowing as a stop-gap for the current VA healthcare budget hole, revealed on June 23 to be \$1.2 billion or likely more. Acrimony at the emergency hearings in both Houses showed the White House sharply discredited by its exposed 'chiselling' of vets' health care, and Republicans furious that they had been misled, and made to defend that chiselling.

Rumsfeld's Base-Closing Plan Attacks American Military Tradition

by Carl Osgood

So far, the arguments against Secretary of Defense Donald Rumsfeld's base-closing plan have focussed on the fate of particular bases, without considering whether or not the entire plan makes any sense. To some degree, therefore, the hearings of the Defense Base Realignment and Closure (BRAC) Commission have been 'begging and pleading sessions,' where witnesses—backed by hundreds or thousands of demonstrating

supporters—are asking the commission to save their particular bases.

Interview: Dr. Robert Glickman

'Manhattan VA Medical Center Is Irreplaceable'

Dr. Glickman is the Dean of New York University School of Medicine, of NYU Medical Center in New York. He is serving as a member of the New York City Local Advisory Panel of CARES, a several-year Veterans' Affairs (VA) study. CARES is supposed to be developing criteria for the closing or consolidation of some VA medical centers around the country. Dr. Glickman, who is opposing any shutdown of the Manhattan center, was interviewed by phone on June 29 by Patricia Salisbury.

Can the Nation Really Afford To Close Walter Reed Army Medical Center?

by Pam Lowry

11:50 p.m. Dec. 31, 1900.

Only ten minutes of the old century remain, lovie, dear. Here I have been sitting, reading that most wonderful book—La Roche on Yellow Fever written in 1853. Forty-seven years later it has been permitted to me and my assistants to lift the impenetrable veil that has surrounded the causation of this most dreadful pest of humanity and to put it on a rational and scientific basis. I thank God that this has been accomplished during the latter days of the old century. May its cure be wrought in the early days of the new century! The prayer that has been mine for twenty or more years, that I might be permitted in some way or sometime to do something to alleviate human suffering has been answered!

Ohio Corruption Scandal Smells A Lot Like Rove and Delay's Texas

by Richard Freeman and Edward Spannaus

The stink of Karl Rove/Tom DeLay-style corruption is getting worse, as more dirt emerges around the Ohio 'Coingate,' or 'pay to play' scandal (see last week's EIR). Ohio is beginning to look more and more like Texas, as run by Bush political guru Karl Rove and House Majority Leader Tom DeLay on behalf of the George Shultz-directed Bush machine. It also bears strong similarities to the way DeLay runs the U.S. House of Representatives as a one-party dictatorship, and how he threatens lobbyists that they also have to 'pay to play'—by forking over large campaign contributions to Republicans, while cutting off contributions to Democrats.

Economics:

Know Where Your Food Is Grown?

Globalization Destroys Farming

by Marcia Merry Baker

Globalization—a proven disaster—will be presented as the first priority on July 7 in Nashville, Tenn., when the U.S. Department of Agriculture starts its first in a months-long series of public-comment 'Farm Forums' on the policy for a new five-year U.S. farm bill, to take effect in 2007. The first of six discussion topics, released in June by the USDA, asks: 'How should farm policy be designed to maximize U.S. competitiveness and our country's ability to effectively compete in global markets?'

- **'Fresh' Tomatoes: Over 30% Are Now Imported**

by Marcia Merry Baker

By volume, more than 30%—and that share is rising—of fresh tomatoes consumed in America are imported, mostly from Mexico and two provinces in Canada. This results from the past 15 years of increasing 'global sourcing,' in which a network of international financial interests has dominated decisions about location of farm commodity production, labor rates of pay, technology, trade, transportation, and what people do or do not eat.

G-8 Meet To 'Manage' Hedge-Fund Crisis

by Lothar Komp and Nancy Spannaus

The meeting of the Group of Eight industrialized nations, to be held in Scotland July 6 to 8, is reported as dealing with issues like debt forgiveness for the world's poorest nations, and global warming. But just a week before the scheduled meeting, the Bank for International Settlements (BIS) released its annual report, indicating that a very different set of topics is likely to be on the agenda: how to manage the barrage of risks that could

devastate the global financial system.

U.S. States Slash Medicaid Spending

by Linda Everett

Over 2001-05, as the U.S. economy has drastically declined during the Bush Administration years, enrollment in the joint Federal-state Medicaid program, which provides health care to indigent, elderly, and the most disabled citizens, has shot up from the range of 33 million to over 53 million today. At the same time, those without insurance have also increased.

State Rep. Harold James

Expand Health Care; No Cuts in Medicaid

The following statement, entitled 'No to Any Cuts in Medicaid, Vets Care, or Other Medical Services: Expand Health Care Infrastructure,' was released by the office of Pennsylvania State Rep. Harold James (D-Philadelphia) on June 27.

Will Privatization Derail Pension Crisis Action?

by Paul Gallagher

A June 24 vote by the U.S. House of Representatives surprised the GOP leadership, and showed that the bipartisan membership of the Congress is becoming serious about tackling the worsening collapse of pensions and retiree health insurance, which is hitting millions of older and retired workers.

- **Documentation**

'The United Decision Was Not PBGC's Only Choice'

Excerpts from the testimony of Dr. Teresa Ghilarucci, Ph.D., Associate Professor of Economics and Director of the Monsignor Higgins Labor Research Center, at the University of Notre Dame, Indiana, to the e-hearing held June 13 by California Democrat Rep. George Miller on the United Airlines Pension Crisis.

International:

India-U.S. Strategic Ties: Fool's Gold?

by Ramtanu Maitra

Indian Prime Minister Manmohan Singh will be in Washington on July 18 for a several-day visit to the United States. Preparations are afoot to use the Indian Head of State's trip to strengthen the Indo-U.S. strategic partnership. Perhaps the prudent questions to ask are: What are the objectives of setting up such a partnership? And what mutual benefits will be derived from this partnership?

Political, Financial Crisis Rocks Brazil

With the global economy hanging by a thread, international financial sharks are panicking over how quickly IberoAmerica—particularly the debt-laden giant Brazil—could explode. In presenting their annual report on June 27, executives at the Bank for International Settlements fretted about the size of Brazil's debt and its vulnerability to 'external shocks,' while the International Monetary Fund's renewed bludgeoning of Argentina reflects fear that President Néstor Kirchner's continued defiance of IMF austerity demands will have international as well as regional repercussions.

Helga Zepp-LaRouche: The Chancellor Candidate for Germany's Future

Chancellor Gerhard Schröder, as expected, lost a 'vote of confidence' in the German national parliament on July 1. Failing to get the required absolute majority of 301 votes for a continuation of his government, Schröder was hit by 296 votes against him (almost all from the opposition Christian Democrats and Free Democrats), demanding an end of his government.

This Week in History

July 5 — 11, 1754

The Albany Plan of Union

An Attempt To Unite the American Colonies Around a Plan for Westward Development

On July 10, 1754, delegates from the New England colonies, New York, Pennsylvania, and Maryland, who had convened in Albany to finalize a treaty with the Iroquois Indians, also approved a "Plan of Union" presented and largely written by Benjamin Franklin. This early attempt at uniting the American colonies was aimed against the British colonial policy which prevented the Americans from crossing the eastern mountain chain and developing the Ohio Valley.

The mechanism used for this containment was the French Army, posted in Canada, and its Indian allies. It was a money-saving method, too: Whenever war erupted between England and France on the European continent, the British saw to it that any expedition to defeat the French in Canada always turned back or failed due to lack of supplies. When the French-allied Indians ravaged the American frontier settlements between wars, the British did absolutely nothing, for their policy of containing the American colonists was being carried out by the French for free. The Americans soon caught on to this trick, and in 1745, New England's militia captured the supposedly impregnable French fortress of Louisburg on Cape Breton Island.

When Britain gave the fortress back to France, the Americans knew they had to act, and act quickly. The Washington family and its circles in Virginia set up the Ohio Company to settle the land around the forks of the Ohio River, which was to become Pittsburgh. While preliminary plans were being carried out, the British Parliament passed the Iron Act, which forbade the American colonists to produce anything but raw bar iron in their foundries, and these, of course, would be sent back to England for British ironworkers to fashion into finished items such as guns, horseshoes, and nails. The iron implements which the Americans would need to cross the mountains and equip frontier settlements, therefore, could not be made in America.

While the British were tightening the screws on their American colonies, the French, who had previously only occupied a thin line of forts from Quebec and Montreal through the Great Lakes to the Illinois Country, now began burying metal plates in the Ohio Valley, claiming it for France. Virginia, whose original charter covered the land all the way to the Mississippi, decided to act. Governor Dinwiddie sent the young George Washington on a mission to the French forts on the Allegheny River. Although he almost lost his life, Washington succeeded in returning to Williamsburg and reporting that the French were planning to establish even more forts down the Allegheny and then west along the Ohio River.

Plans for the new Ohio settlement were stepped up, and colonists journeyed out to a new town built near the Monongahela. Construction of a fort began at the site of Pittsburgh, and George Washington was dispatched with a small force to protect the fort and settlement. In this context, Benjamin Franklin drew up a plan for a union of the colonies which would create a united defense against France's Indian allies and have the power to establish new settlements beyond the mountains. He planned to present it at the meeting of colony delegates which would take place in Albany during the coming summer.

The French, hearing from their scouts that the Ohio Company was building a fort and settlement, gathered their forces and moved down the Allegheny River. What happened next was reported by Franklin in the *Pennsylvania Gazette* of May 9, 1754: "Friday last an Express arrived here from Major Washington, with Advice, that Mr. Ward, Ensign of Capt. Trent's company, was compelled to surrender his small Fort in the Forks of Monongahela to the French, on the 17th past; who fell down from Venango with a Fleet of 360 batteaux and canoes, upwards of 1000 Men, and 18 pieces of Artillery, which they planted against the Fort; and Mr. Ward having but 44 Men, and no Cannon to make a proper Defence, was obliged to surrender on Summons.

"'Tis farther said, that besides the French that came down from Venango, another Body of near 400, is coming up the Ohio; and that 600 French Indians, of the Chippaways and Ottaways, are coming down Siota River, from the Lake, to join them; and many more French are expected from Canada; the design being to establish themselves, settle their Indians, and build Forts just on the Back of our Settlements in all our Colonies; from which Forts, as they did from Crown-Point, they may send out their Parties to kill and scalp the Inhabitants, and ruin the Frontier Counties.

"The Confidence of the French in this Undertaking seems well-grounded on the present disunited State of the British Colonies, and the extreme Difficulty of bringing so many different Governments and Assemblies to agree in any speedy and effectual Measures for our common Defence and Security; while our Enemies have the very great Advantage of being under one Direction, with one Council, and one Purse." Added to this news item was the drawing of a dismembered snake, with each part labelled for a colony, with the motto, "Join, or Die."

As the delegates met in Albany and successfully concluded a treaty of peace with the Iroquois, news came of more fearful developments on the frontier. George Washington's small force had successfully fought a small French reconnaissance group, but just as they had partially completed a small fort at the Great Meadows, the major body of French and Indian troops bore down upon them. The small arms of the colonists were no match for the French cannon, and Washington had to sign a capitulation on the night of July 3, in order to save the rest of his men. On the morning of the fourth, Washington and his militia marched out of the rude fort and were allowed to make their way back to Virginia, for France and Britain were still ostensibly at peace.

This intelligence hit the Albany delegates like a bombshell, and they set to work in earnest on the plan of union. Franklin wrote a paper titled "The Reasons and Motives for the Albany Plan of Union," in which he stated that "the assemblies of six (out of seven) colonies applied to, had granted no assistance to Virginia, when lately invaded by the French, though purposely convened, and the importance of the occasion earnestly urged upon them." Therefore, "the said Commissioners came to an unanimous resolution,—That an union of the colonies is absolutely necessary for their preservation." The Commissioners also concluded, "That it was necessary the union should be established by act of Parliament."

The plan which was passed by the delegates proposed a union of Massachusetts Bay, New Hampshire, Connecticut, Rhode Island, New York, New Jersey, Pennsylvania, Maryland, Virginia, North Carolina, and South Carolina, "for their mutual Defence and Security, and for extending the British Settlements in North America." The general government was to be administered by a President General, to be appointed and supported by the British Crown, and "a Grand Council to be chosen by the representatives of the people of the several colonies met in their respective assemblies." The colonies would have proportional representation in the Grand Council, but the greatest colony would not have more than seven members, and the least would not have less than two members.

The Council would meet in Philadelphia, because it was near the center of the colonies, and the Council members would be elected every three years. The President General, "with the advice of the Grand Council," would hold or direct all Indian treaties and make peace or declare war with Indian nations. The President and Grand Council would also make land purchases from the Indians and make new settlements on such purchases. The Union Government would also make laws for governing such settlements until the Crown saw fit to form them into particular governments.

Now followed provisions which challenged British rule to the core: "That they raise and pay soldiers and build forts for the defence of any of the colonies, and equip vessels of force to guard the coasts and protect the trade on the ocean, lakes, or great rivers; but they shall not impress men in any colony without the consent of the legislature. That for these purposes they have power to make laws, and lay and levy such general duties, imports, or taxes, as to them shall appear most equal and just, (considering the ability and other circumstances of the inhabitants in the several colonies,) and such as may be collected with the least inconvenience to the people; rather discouraging luxury, than loading industry with unnecessary

burthens."

The Plan of Union also stated that the laws passed would be "as near as may be," agreeable to the laws of England, and would be transmitted to the King in council. If not disapproved within three years, they would remain in force. In the case of the death of the President General, the speaker of the Grand Council would succeed for the time being, until "the King's pleasure be known." It was also suggested that the King appoint a Vice President to function as President General in case of the death or absence of the chief executive.

Although Franklin and his allies organized for the adoption of the plan both in America and Great Britain, it was not adopted. Said Franklin: "But the Fate of this Plan was singular. For tho' after many Days thorough Discussion of all its Parts in Congress it was unanimously agreed to, and Copies ordered to be sent to the Assembly of each Province for Concurrence, and one to the Ministry in England for the Approbation of the Crown. The Crown disapprov'd it, as having plac'd too much Weight in the democratic Part of the Constitution; and every Assembly as having allow'd too much to prerogative. So it was totally rejected."

But not completely. When it came time to write the Articles of Confederation, and again before the debates in the Constitutional Convention, the Albany Plan of Union was carefully studied.

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