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## **This Week You Need To Know**

### **Dollar Faces Early Collapse-Threat: A Narrow Band of Decision**

**by Lyndon H. LaRouche, Jr.**

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So far, the prevailing mood in the U.S. Congress is a grimly hysterical, Chamberlainesque mood of wishful confidence, the wish-driven obsession with the hope that no great financial collapse will actually happen "in our time."

Since economic processes are reflections of human voluntary choices of actions, or inactions, the exact timing of the onrushing threat of a global, general breakdown-crisis of the present world monetary-financial system is not to be found in the statistical sediment of any Cartesian tea-cup. Nonetheless, the characteristic of any current form of global monetary-financial system predetermines the destiny of that system; delays which do not radically change the axiomatic rules of the existing system, may delay the onset of the crash slightly, but only by making the slightly postponed crash more deadly, less susceptible of correction, than had the systemic issues been faced earlier.

There are cures for this onrushing collapse. The problem is, that time is running out for that opportunity. We must act soon, as President Franklin Roosevelt would have acted, or our ability to act, our ability to launch a recovery would be taken out of our hands.

The current state of the U.S.A.'s mortgage-based securities crisis illustrates the point.

1. The market for growth of the accumulation of new volumes of mortgages has been in a state of collapse for months. This is true not only in the U.S.A., England, and Spain, but is a radiating global trend within the present world system as a whole.
2. Nonetheless, the pressure to bring new mortgaged properties on line for sale is growing, since this is the only way in which the chains of stages of investment, between "beginning a development" to the bail-out of the investors by the creation of permanent owners' mortgages, can be brought off. This is the present threatening the U.S. banking system already rotted-out by a massive margin of excess real-estate paper in the banking system as a whole. Given the general state of the monetary-financial system as a whole, this state of affairs means increasingly strong "bearish" pressures through the later phases of the relevant investment cycle; the trend is toward an accelerating rate of decline of nominal values of mortgaged real-estate properties.
3. This situation is complicated by recent years' increase of the ration of absolutely freakish varieties of mortgage-agreements within the system. Thus, as the market descends, that descent intersects the point at which nominal home-

owners and the like have less than zero-equity in those holdings.

4. One of the recently significant trends which have emerged, quite logically, amid this general financial mess, is the hysterical nominal home-owner who must sell to gain a slight margin of equity out of the sale of housing in a declining level of market-price of properties. The poor fellow, like the old Boston Braves baseball team of yore ("Spahn, Sain, and pray for rain"), keeps his for-sale house off the market, in desperate hope that he might receive a better offer "in case the market should turn up"; in the meantime, his net equity plunges toward somewhere below zero, while the level of actual collapse, and of rate of collapse of the market, by statistical reports which overlook this not-really-hidden, soaring mortgage-bubble within the general mortgage-bubble.

In the U.S.A., for example, former Federal Reserve Chairman Alan Greenspan's Fountainhead of speculation in mortgage-based securities, a trick he used in his attempt to hide the actual net performance failure of his post-1987 Federal Reserve policies, became a drug on the market. The drug, like Colombian cocaine or Afghanistan's opium, makes some people rich, by destroying the economic productivity of the population of consumers of the stuff, and thus pushing the economy as a whole more and more toward long-time ruin. The ratiion of the total Greenspan bubble dependent upon the real-estate speculation promoted through channels such as "Y2K" and Fannie Mae, created the present situation, in which the onrushing collapse of the mortgage-based-securities system has become a major threat of collapse of the entire present world system as a whole.

That case of mortgage-based real-estate speculation, is only an important, typical example of the reasons why a general collapse of the entire world monetary-financial system, is headed toward a general physical-economic, as well as financial collapse, during the early future. The result is the all too typical member of Congress, or others, who says: "But, the Wall Street market is up!" just as many like those gripped by the current epidemic of gambling manias, said on the verge of the 1929 collapse, against which wiser minds had warned.

## **Out of the Past**

Read an illustrative page from my past. During 1957 I spent the better part of a week in Havana, Cuba, in the company of another consulting executive visiting to advise the Banco di Fomento on the matter of physical capital improvement of Cuba's shoe manufacturing industry. The doom of the Batista regime was written everywhere, even in Havana itself. The moral rot was beyond belief. My concern was to promote action to save the relevant industry of Cuba, on the assumption that Cuba would exist as a U.S. neighbor once Batista were soon gone. My problem was to help the industry gain needed capital improvements, without letting Batista's gang simply steal any financial capital provided for the intended purpose.

To sense the situation, I walked around the core of the city, and included a part of an evening observing the behavior at Clark's gambling operations. I also visited the Copacabana, where I studied mature, bejeweled senior ladies in "basic black," helped to a position facing a one-armed bandit by liveried men, a lady who suddenly sprang into action, like a leopard at its prey, on that one-armed bandit. Such energy, the woman showed. The speed with which she attacked the machine, repeatedly, was astonishing in a person of her apparent age.

When I recall that experience there, then, I think of many of the elected officials of our political parties in a U.S. economy and political system, both steeped in an orgy of gambling psychosis, a gambling mania, called "the market," reigning where our farms and industries once stood.

Today, I recall my published general warning to the citizens of Virginia's Loudoun County. I warned against what was being called "development" even then. Without farms and industries to provide the generation of real income within the county, speculative real-estate speculation would create a terrible financial-economic catastrophe for the county and its inhabitants. Without emphasis on basic economic infrastructure, including a restoration of an efficient commuter transport

system, and build-up of nuclear power, agriculture and industry could not thrive. Speculative "development" would leave the county at the point of becoming a hopelessly bankrupt hulk, at some point during the generation just ahead.

We have reached that shore today.

They call it a "real estate" boom. I call it gambling mania, lacking only those floating bordellos called gamblers' riverboats, sliding along the Potomac.

Problems of this type can be fixed. President Franklin Roosevelt set a precedent for the kinds of remedies needed, again, today.

## **'The Prospect Before Us'**

With rare exceptions, the bankers who knew how to organize a successful form of economy are nearly all gone, for reasons of age, today. The generation of senior political and economic leaders in the U.S.A., for example, today, is limited to those who are willing to recognize two facts. First, that every change in U.S.A. policies since about 1967 was a crucially contributing cause for the economic disasters of the U.S.A., the American Hemisphere, and western and central Europe today. Second, that by going back to rebuilding the infrastructural basis for a return from the awfully failed, so-called "post-industrial paradise," to a capital-intensive, high-technology-driven agro-industrial, infrastructural basis, and adding "crash program" emphasis on nuclear and thermonuclear-fusion technologies, we can proceed, Franklin Roosevelt-style, to build the healthy economy of tomorrow.

The crucial obstacle in the pathway of such now desperately needed changes in direction of policy-shaping, is induced habits of the type associated, principally, with the "68er" variety of "white collar" generation. For them, their "68er" and related cultural legacy, provides the Cartesian-like set of definitions, axioms, and postulates upon which their ideological way of thinking is grounded. Concerned strata of this "White Collar Baby-Boomer" generation, are willing to introduce humane reforms, but they remain unwilling to overturn the "definitions, axioms, and postulates" of what they "feel" to be the work of their generation.

Because this stratum operates on that generational set of "definitions, axioms, and postulates," they have neither the knowledge, nor desire for any actual comprehension of the way in which a successful economic process has actually worked in the past. Only their active perception of imminent doom would open their minds to the real options available for halting a global collapse at this time.

There is nothing as urgent today, as getting across that point which I have just made. Our nation, and the world besides, has a very, very narrow band of options open to us to escaping the onrushing threat of a global new dark age of all humanity. The needed options exist, but those options will not save us, unless those options are both recognized, and then, rather promptly, adopted.

## **A Political Revolution Requires the Aesthetic Education of Man**

**by Helga Zepp-LaRouche**

*Helga Zepp-LaRouche, president of Germany's Civil Rights Solidarity Movement (BüSo), gave the following speech on Nov. 18, to the annual congress of the Solidarity and Progress party in France, which is backing the Presidential candidacy of party president Jacques Cheminade. She spoke in English.*

I think we are actually in a very good moment of history, because when Lyn [Lyndon LaRouche] said that it would be the youth who would be the revolutionary difference in bringing change in the world at this moment, I think this was just very powerfully demonstrated by the American part of the LaRouche Youth Movement. As you know, only two months ago, during the period of the primaries, which had the lowest turnout for a long time, most Democrats were actually convinced that they would not be able to win this election. And then Lyn has this really brilliant idea to catalyze an intervention into the campuses, into the universities in the United States. And basically we realized that the political block of most of the youth, the failure to react, of students and graduate students, was due to mind control by the Lynne Cheney/John Train apparatus,[\[1\]](#) and the Ayn Rand Institute; and basically, that you had a real mind-Gestapo preventing people from engaging in political discussions.

And then, when we intervened with the pamphlet "Is Joseph Goebbels On Your Campus?" and so forth, we had a real explosion. We then concentrated on those election districts which we thought were the most decisive ones, and the youth vote—especially of the age between 18 and 35 years—had the largest increase in turnout in these states where we were deployed. This catalyzed them, but also, obviously, other political forces got mobilized, so that the youth vote in general really picked up tremendously, where it had been completely apolitical and not mobilized just a very brief period before.

I think that this is really a very important reference, because the situation, I would say, before Nov. 7, was almost hopeless. Just think, what a universe we would be in, if we would still have a Republican majority for four more years or who knows what—it would be completely depressing, it would be a nightmare; there would be almost no hope. But when Lyn said that the situation had to be changed in the United States, to then create other options elsewhere, I think he really has been proven to be right, and now we have a fighting chance.

I spoke briefly with Lyn earlier in the day, and he said that the response to his webcast on Thursday [Nov. 16] was absolutely fantastic, that the right people in the Democratic Party got it, and they were completely excited. And these are also people who know that the crash is on. I don't need to name who these people are, but I think Jacques probably has told you, these are people who do know something about Wall Street, they do know something about the global financial system.

Therefore, I think we are going into a period where, between now and the end of the year, the beginning of the new year, you will see *dramatic* changes. You probably will see the meltdown of the system. You have now, almost every day, the *Financial Times*, or Robert Rubin, or other such people warning of an imminent crash—this is not supposed to be the "psychology of the markets." Because, according to the psychology of the markets, you are supposed to talk very nicely about the financial system, and not give an alert warning that it's about to crash.

Now, you all know the situation in Iraq is absolutely out of control. And if there is not an immediate reversal of the policy, in the direction of the "LaRouche Doctrine for Southwest Asia,"[\[2\]](#) there is right now, the danger—even if they don't make an attack on Iran, which is not off the table until we have Bush and Cheney impeached—the dynamic right now, is towards a broader war and civil wars, involving Turkey, involving other countries in the region, because this thing is just exploding on a Shi'ite-Sunni-Kurdish basis.

## A Turning-Point in History

So, if the crash comes, Lyn is the only person—and he has stated this many times—who can effect the necessary change in a reform of the monetary system. But, I'm pretty sure, that when this happens—and it will happen, as we say in Germany, "as surely as the 'Amen' in church"—then there will come a period which will be the most challenging in world history. I'm sure that that is not an exaggeration. Because, either Lyn can catalyze the Democratic Party and hopefully some moderate Republicans, to immediately go for the proposals of a New Bretton Woods—a new monetary, emergency conference—or there will be chaos.

We will come to a moment when the American Revolution or any other great moment of change will look relatively small, compared to what we have to effect. So, that is why, in a certain sense, I wanted to discuss this question tonight of what is required subjectively.

Now, obviously, when the American Revolution happened, the best European minds all hoped that this could be replicated in Europe. And the biggest hope obviously was placed on the French Revolution, with Jean Sylvain Bailly and the idea to have a National Convention until a Constitution could be debated, representing the closest approximation to going in the direction of an American Revolution.<sup>[3]</sup> But we all know what happened: the storming of the Bastille; shortly afterwards the Jacobins; Robespierre said, "The Revolution doesn't need any scientists"; the guillotine started to be used; Thermidor came as a response to that; Napoleon crowned himself Emperor, and started to establish a global empire, by plunging all of Europe into wars. And at that point, all the humanists in all of Europe, who had looked to France to be the first example to follow the American Revolution, were completely shocked, and only some strange Jacobins stayed on the course of the French Revolution after that.

## Schiller and Aesthetic Education

One person who was very much in favor of the French Revolution in the beginning—as a matter of fact, he, in 1789, thought that the Age of Reason was about to start—was Friedrich Schiller. In 1789, he gave his famous lecture on universal history in Jena, and he was convinced that the possibility to establish true political freedom, republics all over the place, was extremely close. He was made an honorary citizen of France in 1792, by the National Convention. But when Schiller heard that Louis XVI had been executed, he was completely disgusted, and he rejected this honorary citizenship, because he didn't want to have anything to do with such a policy.

Schiller at that point wrote the famous *Aesthetical Letters*. He starts these *Aesthetical Letters* by saying about the French Revolution, that "a great moment had found a little people." That the objective condition was there, for political change, but that the subjective, moral condition was lacking. And he wrote his *Letters on the Aesthetical Education of Man* to try to find a means to make sure, that in the future, such great moments would find, not a little people, but a great people, who would be capable of using the objective opportunity and making the kind of political change which was required.

If people remain the same, he said, nothing will change. So the only possibility you have is to change the people, to make them better people. And how do you make people better? By aesthetical education. And since most people today have almost no idea of what that actually is, how do you aesthetically educate somebody? Does that mean that you go to the theater every evening? Does that mean you read a lot of books? Or, what does it mean? I want to actually go a little bit into the evolution of the idea of aesthetical education, how this occurred.

## Origins of the Weimar Classic

Now, you probably know that the two persons who were more important to lay the foundation for the German Classical period than anybody else, were Gotthold Lessing and Moses Mendelssohn. And I will talk about them in a little while. Lessing was actually the first German tragedian in the real sense, writing real tragedies, after the Seven Years' War, and after the Thirty Years' War in particular, reviving Shakespeare and going back to the Greek Classics, laying the foundation for the Weimar Classic, which was Schiller, Goethe, Wilhelm von Humboldt, and several others; but Lessing was one of the founders. And he was actually the first one to say: Tragedy means ennobling the audience by evoking its compassion—*Mitleid*. And he said: Who makes us compassionate, makes us better and more virtuous.

Actually, one can say the real founding of aesthetical education was in a letter exchange—which, when your German has progressed enough so that you can all read this fluently, I advise you to read it—a letter exchange among Lessing, Moses

Mendelssohn, and Friedrich Nicolai (Nicolai was the publisher) from Aug. 31, 1756 to May 14, 1757.

In this letter exchange, Lessing develops the essential conception of his theory of the ennoblement of man. He starts with questions such as: Which passions are provoked by tragedy, and which faculties of the soul are responsible for moral cognition? Which power of the soul guides moral behavior? I think that is a very worthwhile question, and I will come to it in a second. He says: The most compassionate man is the best man, more open to all social virtues and all kinds of generosity.

You can believe that or not, but it's something I put on the table tonight as a thesis, and as I keep talking, I want you to think, is that sentence true? Is it true that the most compassionate person is the best human being? Well, I think so, and I hope that you will debate me and refute it, make arguments and so forth, but I want to come to this.

## Aristotelian Manipulation

But let me first give you the prehistory of how we came to this point. Now, in the period since Aristotle, everybody would talk about the *affect* of tragedy, of drama; they refer normally to Aristotle and his *Poetics*. And in this work, Aristotle says that you need tragedy for *catharsis*. Now, what he means by *catharsis*, is that you need a lot of emotions—fear, compassion, and many others—so that the emotions get purified by fear and compassion. He also says, just in parenthesis, that an actor should go on the stage and feel anger, when the main character feels anger; or feel love, when he kisses Juliet, if he's Romeo. And so forth and so on. (Schiller by the way, later completely rejected this. Concerning the idea that you have to go on stage and pull out your hair when you're upset, he wrote a very nice article, called "About Bürger's Poems," which I advise you very strongly to read, because it's full of gems.)

So, Aristotle says: Also people should cultivate their emotions very well, because you need that for rhetoric. He says, the objective of speech, of rhetoric, of oratory, is to influence the judgment of the audience; and therefore the orator must get himself and the person who judges, into a certain attitude. The same subject appears differently to the person who loves, from the person who hates; it appears differently to the person who is angry, or who is mild—the same subject will be judged by people in a different mood, in a completely different way. So therefore, truth is not what counts, but that you (I would say) manipulate people to believe, through rhetorical skills, you put them in the mind-set so that they judge the matter according to the mood you put them into.

He says, therefore, for him, affect—and I use the old word "affect," which is the same as passion or emotion, but since Lessing and all of these people talk about it in terms of "affect," I use it this way, because it's simply more accurate; it's more to the point. So, Aristotle says: There are two other means of persuasion. One is the character of the speaker, and the speech itself. And also, the proofs and the supposed proofs. It doesn't matter if it's true or not, as long as I make it appear that the proof is true.

Now, that thinking of Aristotle's influenced the debate for a very long time. Rudolph Agricola wrote, in 1515, that it is of no importance for the affect, for the emotions, whether the matter is true, as it only appears that way; every affect is unreflected and heated, and mostly in a heated argument one affect grows out of another. You know, in a heated debate, where everyone is talking with high emotions, one emotion catalyzes the other, and it doesn't really matter then what the reality is. So, the judgment, he says, does not occur on the basis of reality, but on the basis of the delusion of another affect, which a person has accepted because of another even minimal and unimportant influence. So, it's all about manipulation.

He says, an affect is a certain motion of the mind, which causes us to desire or reject something more than if we were in a state of calmness of the mind. In other words, all you have to do, is whip up emotions, and you can influence people, change their views and so forth.

Then another writer in this line was Gerhard Johannes Facius, who in 1630, wrote about rhetoric, that what counts is a change of the state of the soul, or the mind, for that matter, which is excited through the affects; and then, the person judges differently than the calm person or the appeased person before. He describes the persuasive effect of affect, and he says, it can be made so strong, that it can even be deployed against the truth.

I unfortunately have recently seen such examples, in my immediate environment.

Aristotle, who was the founder of the rhetorical school, actually said the reason the speaker has to learn the characteristics of affect, is to manipulate the result, so that he can consciously cause a certain result. Antonio Sebastiano Minturno wrote a piece, *De poeta*, in 1559, also on the line of Aristotle, and he says: "Compassion and fear can be very well used to break anger, to destroy greed, to reduce ambition, to suppress lust for power, and to contain every unbridled raving of the mind." So, this was the common view of all poets, at least the ones I encounter, in the 16th and 17th centuries; this was the opinion of Facius, the so-called Gneisenau poetic group; Gruphius, who wrote during the Thirty Years' War, very emotional, really powerful poems, which you should also look at at some point. And all believed that this was the Aristotelian view of compassion and fear.

Aristotle, by the way, called compassion, "*eleos*" and fear, "*phobos*"; you find this word still in "phobia," and so forth. Behind that, is the idea that you need a *catharsis*, a cleansing of the emotion.

## Enter, the Leibnizians

Then Lessing appeared in the middle of the 18th Century for the first time, with this idea that tragedy only creates one passion, not many, and that that passion is compassion, *Mitleid*: that you feel with the suffering of the other person. Also, he's the first one to ever say that there is a moral effect of compassion. Now, he did not completely invent this on his own. He goes back on the one side to Leibniz, and on the other side he was in this dialogue with Mendelssohn. But, he nevertheless made a clear break with the Aristotelians.

Leibniz had written *Meditationes de Cognitione, Veritate et Ideis* [*Reflections on Knowledge, Truth and Ideas*]. (Unfortunately he wrote most of the time in French or Latin, which makes it very difficult to read him, because he writes with three languages in one sentence.) He describes also, in a certain sense, the different kinds of cognition. He says, the key is the activity of the soul, because it is the soul which defines cognition. If a soul cannot recognize the perceived matter, or the subject that you are trying to understand, he calls it "*cognitio obscura*," dark cognition. If you recognize it clearly, he calls it "*cognitio clara*." If you can differentiate the matter from other things, he calls it "*cognitio distincta*"; or if you cannot do it, "*cognitio confusa*." (Now, that is also something I have recognized recently a lot.)

Leibniz was the first to investigate the subjective condition of the process of cognition, namely that it is occurring in the human soul. That is not self-evident, because most people, when they talk about reason, understand it as an objective process of the mind.

Another person who was following Leibniz in this tradition, was Alexander Gottlieb Baumgarten, who wrote *The Theoretical Aesthetic*. He developed it for the first time, and he goes even a step beyond this, and says: It is the sensuous part of the soul which is also capable of independent cognition. That you have the mind, reason, which does the cognition; but you also have the soul, which is the part which is responsible for the sensuous part of cognition. So he developed the first scientific definition of the instruments for an investigation of this power. He develops these different powers of the soul, which are involved in the sensuous part of cognition. He differentiates between *imaginatio*, which is the power of imagination; the *facultas fingendi*, the power of poetry; the *perspicacia*, the power of analysis; *memoria*, memory; *previsio*, the power of anticipation; the *judicium*, the power of judgment; the *praesaegitio*, the power of inkling, or what Lyn would call "prescience"; and the *facultas characteristica*, the power of conceptualization. The area of cognition, he says, is

exclusively the realm of the sensuous part of the soul, or that part with which you understand poems. The power of the soul in respect to cognition is sensuous. But, he says, absolutely clearly, it is not feeling for feelings' sake, but it is the question of how do you educate your emotions so that they play a better part in the role of cognition?

So aesthetics, in that sense, as an independent science of sensuous cognition, was really developed in the course of the 18th Century.

## Moses Mendelssohn on 'the Sensations'

Mendelssohn, referring to Leibniz and to Baumgarten in 1755, wrote "Letters About the Sensations," in which he investigates the nature of pleasure; and what he means by that, is to look at the processes which occur in the soul when a person experiences pleasure. Now, Mendelssohn discusses compassion and love for an object, or a person, who is associated with a misfortune or a physical evil, which happens to him without his own doing. The love part is based on the perfectness of the person you love; you think the person you love has some very good qualities, otherwise you wouldn't love this person, and that obviously gives you pleasure. And if a misfortune happens to this person, for which the beloved person is not to blame, then the innocent beloved who is in such a misfortune is even more lovable, and it increases the value of his excellence.

Mendelssohn says: This is the nature of our sensations. If some bitter drops are mixed in the honey-sweet cup of pleasure, they increase the taste of pleasure and double its sweetness.

That is the essence of tragedy: Why do you feel pleasure in something which is horrible? Why do you bother to see Sophocles, or Euripides, or Shakespeare, or Schiller? Well, because obviously, the misfortune of the noble person increases the "fun," so to speak. I'll come to this in a second.

So, then Mendelssohn, in the tradition of Leibniz and Baumgarten, insists that the perception of a matter is constituted by the processes of the soul in the subject who does the cognition. And he then writes about the *Main Principles of the Beautiful Art and Sciences*, and this is the title of a book in 1757: In the rules of beauty lie the deepest secrets of our soul. In each rule of beauty, lies at the same time, the discovery of knowledge about the soul. He calls this *Seelenlehre* or *Seelenkunde*, which nowadays you would call psychology. The point he's making, is that each rule about beauty, when you discover it, tells you something about how your mind works. Since the rule specifies which condition a beautiful object has the best effect on our mind or soul, it is possible to explain it by the nature of the human mind and its attributes. One has to investigate the appearances, which are the mainspring, the motives of our soul, and when the soul is in the heaviest turmoil, the most upset, very carefully compare it with the theory, to shed new light on it and to expand its limits through new discoveries.

Now, that is a similar idea to what you find in Nicolaus of Cusa, about the laws of the microcosm and laws of the macrocosm being the same. It is the same idea that you find in Leibniz, that you have to understand the human soul as a Monad, which contains in germ form, all the laws of the physical universe at large. It is the same idea, that in the laws of beauty, you find the key to the inner secrets of your own soul. So, he says further, that, in respect to the appearances of the mainsprings of the soul, emotion, then what causes the mainsprings of the soul to be most activated, is beautiful art.

Now, the notion of the affect, of the passion, for Mendelssohn is completely different than for Aristotle. And this group of people, especially Mendelssohn and Lessing, consciously broke with all the theories about poetry, about rhetoric, derived from Aristotle. Because, for Aristotle and the school of rhetoric, affect, passions, are only a means for persuasion and manipulation. While for Mendelssohn, he's talking about the psychology, the *Seelenkunde*—I have not found a good [English] word for it: the knowledge of the soul. And he has given it a new sharpness in this notion.

## The Mendelssohn-Lessing-Nicolai Dialogue

Now, the question was asked, what kind of passion is evoked by tragedy? On stage, all kinds of passions happen; the main actors are sometimes joyful, they fall in love, they become angry, they become vengeful. So now, Lessing asks: Do these people in the audience experience these emotions that are shown on the stage? I'm not asking the question, do they accept that the actors have these emotions in the play; but rather, does the poet get the person in the audience to feel these passions himself? Does the person who is sitting in the audience feel like Juliet, or Romeo, or like Iago, or these people? And here Lessing answers: No. No passion or emotion is evoked by tragedy in the audience but one: compassion. Because the person in the audience does not get really furious or afraid, even in a horror movie! When you switch off the TV set or leave the movie hall, the horror goes away, because you remember, it was just a movie. So you're not really experiencing this emotion, because, as Lessing says, the uncomfortable object is missing.

Lessing says this is totally different concerning compassion. Because here, the affect, the passion, has an object, the misfortune of the tragic hero, and compassion is a specific form of cognition.

Now, Nicolai, who participated in this dialogue with Mendelssohn and Lessing, says: No, the tragedy is only effective when the observer feels the emotion himself, in his soul. Lessing disagrees with that, and explicitly says: I disagree with this whole Aristotelian school. And then he starts this letter exchange on Aug. 31, 1756, and in the letter, he says, "I'm going to dispute and disprove the argument of Aristotle, that the aim of tragedy is to purify the emotions."

That is the main reason why so many dramas which were written in Germany are bad dramas. Because if the purpose of a drama is to achieve the moral improvement of the audience, you end up with these terribly moralistic, didactic plays. And Nicolai says: I say the best play is that which evokes the passions the most. Therefore, he says, the most important thing is the plot in a drama, because the plot is what evokes the emotions the most. And then he goes through different categories of plays, Greek tragedies and so forth, and says: Look, don't you see? In these tragedies all kinds of emotions are evoked: fear, compassion, admiration, and so forth.

And then Lessing writes to Moses Mendelssohn in October 1756—I'll just give you a little anecdote, because some people these days complain that Lyn is polemical, and I wanted to tell you through this story, that Lessing was also quite polemical.

In one of these letters to Mendelssohn, he says: "I read your message about Naumann's metaphysical discussion with a noble lady." He wanted to issue philosophy for ladies, which was never published. Naumann—I'll tell you at the end who he was—said: "After I heard that from you, I couldn't help shouting out, 'Why did he not rather drown?' This thought is, according to your own system, by the way, not so malicious as it appears, because what is best for a single person must always be secondary to the general welfare. And it would be better even for his own honor. Would it not be better to drown as a bad poet, than as a bad philosopher? By the way, I don't predict or wish such a fate for him—God, no! I'm not doing that. I would even save him at the risk of my own life, pulling him out of the waters if he had fallen into them. But the point is simply, Naumann is not smart."

The background of this story, is that Naumann was a lousy poet, who at the same time wanted to make a lot of money. He tried to sell a shipment of ladies' stockings to America, but the ship went down and he lost all his money. And then on top of that, he wrote a poem about this story, and sent the poem to Lessing, and that is what he refers to—better to drown as a bad poet, than as a bad philosopher.

I just wanted to tell you, because Lessing is full of such humorous things, which are very difficult to capture in translation.

So, finally, in November 1756, Lessing answers Nicolai's first letter from Aug. 31. He says: We both agree that the

principle, that tragedy must make people better, resulted in many well-meaning but bad dramas. But the second principle you mentioned, that the more passions a drama arouses, the better—well, let's look at what passions are aroused by a drama.

And then he goes through these questions again, and says: Do you actually become more joyful? Do you fall in love? Or, is it something else? And he says, "No," and he repeats, the only passion which is evoked is compassion. Because horror and admiration are not really passions. Horror, he says, is nothing but the surprise of the compassion; for example, when a ghost appears, as in *Hamlet*, it is the anticipation that this ghost has something to do with the misfortune of a person. Because you would not be afraid of a ghost as such. So, he calls "horror," *Schrecken*, a "surprise compassion." Or, admiration, if the hero is unfortunate, but he's so sublime that the compassion turns into admiration. So, he says, horror and fright, and admiration, are only steps on a ladder, where the middle is compassion, and if it comes too soon, then he calls it *Schreck*, and if it goes too far, it becomes the Sublime, it turns into admiration. He says: The purpose of the tragedy is to increase the feeling of compassion. It is not supposed to teach us to feel compassion for this or that unfortunate person, in the concrete situation in the play, but to educate our emotions to feel compassion for all unfortunates at all times, in all situations, to move us to engage ourselves for them.

Now, this is very important, because Lessing says at another point that the reason people should study tragedy and great plays, also comedies, is that they teach you, in looking at the stage, how to deal with a problem you may meet in real life, but which comes so suddenly that you have no time to rehearse it. And Schiller says, for example in the introduction to *The Bride of Messina*, which was one of the plays which he wrote completely in the Greek style, that great tragedy or great Classical art evokes in us an emotional power, which stays within us even after we have long left the theater.

Now, I believe this is absolutely true, both positively, but also unfortunately, negatively. I twice made the mistake that I went to a good play by Schiller and one by Shakespeare, which had these horrible, modern *Regietheater* performances, and it really caused *terrible* emotions in me, and I could not switch them off. They stayed with me for days to come. And, at the same time, when you experience a very elevated performance, and you are ennobled, it stays with you. You have learned emotionally something which will not go away. With great music, it's similar, but he says this for great tragedy.

So, he says, the aim of this whole thing, is to make us feel compassion for all unfortunates at all times in all situations, and cause us to engage ourselves for them.

Now, this is the main problem we have to deal with. Because, you see, the problem is, why do people not immediately say, "The world is in terrible shape: Africa is dying, the culture stinks, most people are suffering terrible lives. I have to devote my life to changing that." No. People don't react like that. They say, "Oh... I don't go there." "To look at the misery in Africa? I don't let that get to me. It would ruin my evening." We have many people who say, "I haven't watched the news for a long time, because all you see is bad news, and I don't want to ruin my day with all of this reality."

Schiller, in the *Aesthetical Letters*, which are all based on these earlier writings, especially of Lessing and Mendelssohn, he says: The main problem of our time, is the lack of *Empfindungsvermögen*, development of sensuous faculties, of the emotional side of cognition. And most people neglect that completely. They say, "Oh, I need to study, I need to know all of these things," but they pay very little attention to the fact that their emotions have to be educated to be on the same level as reason, that there should not be a contradiction. So the *Aesthetical Education* is addressing exactly this problem.

Then, Lessing says: The most compassionate person is, therefore, the best human being, ready to act on the basis of all civil virtues, to demonstrate all kinds of generosity. And therefore, one who makes us compassionate, makes us better and more virtuous.

And then he says, the same thing is also true for comedy, because it enables us to recognize all sorts of absurdities, and a

person, who has, in a playful way, studied these absurdities, will not repeat these in his own behavior, and therefore eventually will become the best-educated person.

So, both tragedy and comedy, at the same time, naturally, are inseparable from having fun.

## The Essential Nature of Tragedy

Now, they go into how to make a drama, such that this effect is brought about. The person who suffers misfortune in the play, must have good qualities and accomplishments, and the misfortune must remain in a balanced relation to accomplishment. You must have a good person, and a good misfortune, but not a big accomplishment and a small misfortune, or vice versa; they have to be approximately equal to have this effect. Therefore, the poet must not put a completely evil person on the stage, because you will not feel compassion for a totally evil person. And you should not put God on the stage, because He is so perfect that there is no tragedy involved—there is only admiration.

So therefore, the question is, how do you write a tragedy in such a way that such compassion is evoked in the maximal way? Lessing does not refer to the outcome of the play—whether the tragedy ends badly, and therefore you call it a tragedy—but he says, it has to be sustained for the entire duration of the play. Then, in the letter to Nicolai on Nov. 29, he writes: The aim is to cause the audience to be moved, even to tears.

Take, for example, a beggar. I go to the beggar and I ask him why he is in this situation, and he says, "I lost my job three years ago. My wife is sick. My children are too small to take care of themselves. I just overcame a severe illness yesterday." Then the person asks the beggar, "Who are you?" and he replies, "Well, I worked for a minister, and I could get my job back immediately, if I would agree to be the creature of this evil minister." And then Lessing says: Well, that's a story, but nobody would be moved to tears about it. But if the beggar says, "I lost my job because I was honest, and I made myself hated by the minister, and therefore I'm now suffering hunger, and my sick wife and my small children go hungry and would rather beg, than have to see me become evil, and they cannot bear having me become evil." In this case, the compassionate person may weep, because here you have a story where accomplishment and misfortune are in a balanced relationship.

Take a balance-scale, and place misfortunate on one side, and compassion on the other. Let's put a little bit more emphasis on the one or the other, and then see what it does to the emotional reaction of the audience.

Let's have the same beggar, the unfortunate, who continues his story, and says: "But, if only my wife recovers from her illness, everything will get better, because we are brave people and we are not ashamed to earn our money with the work of our hands. We can cut wood, or do something else practical. The only thing that counts is not whether we work with our hands or we work in the ministry, but that we aspire to the Good."

And then, Lessing says: At this moment, our tears dry and admiration takes over, with all of this noble behavior. But we are no longer moved.

Okay, let's emphasize the other side of the scale: The misfortune becomes too big. So, the story continues; the beggar does not get any donations; everyone rejects him and says, "Go away!" His hunger becomes worse, his mind becomes confused, and his anger increases. And then, at the height of it, he murders his wife, his children, and finally kills himself.

So, then Lessing asks: Can I still cry? Obviously not, because here the pain has overtaken the compassion, and the compassion stops.

He has more elaborated examples from the Greek tragedies and so forth, which would take too much explaining, so I took a relatively simple story. But he applies the same principle to *Oedipus*, to *Hecuba*, to other Greek tragedies, and it's a very useful mental exercise; if you want to write tragedies, or comedies, it's useful to read this. Because it gives you a sense of what kind of thinking people had to use to create their characters, to assess the scientific effect on the audience. And we come to this in a second, with Schiller.

So, the whole point, what Lessing is trying to do, is to develop as many people as possible into self-thinking people who are capable of individual compassion, a personality which is developing harmoniously as an individual. And compassion is the most important. Now, remember, when Lessing and Mendelssohn wrote these things, Mendelssohn was called the "Socrates of the 18th Century"; he continued the *Phaedon* of Plato, and he was really the outstanding, towering mind, and was regarded as such in the 18th Century in Germany.

## Against the Enlightenment—and Popular Culture

They all did that, against what? Against the French Enlightenment, against the English Enlightenment, against the ideas of Locke, Hobbes, the idea that the only interest is egoism, self-interest. Basically, personal benefit, that that would motivate people to do things.

Now obviously, you can see already, that by this theory you have to have, not self-interest, but you have to organize people so that they feel compassionate toward each other. It is obviously the opposite of the Enlightenment, and a total attack on the Enlightenment.

And Lessing and Mendelssohn were very much against everything which was [debased popular culture]. For example, they did not go to soccer games, obviously; but they would be horrified if they had seen the World Cup soccer games in Berlin last Summer, when you had these people in a rave. And they would be completely horrified if they were to go to a modern pop or rock festival, where you have 10,000 young people all in very strange, Dionysian, orgiastic motions. As a matter of fact, mobs and crowds are actually the opposite of what this aesthetical education is all about. Nobody will ever be aesthetically educated by going to any kind of mass event of that kind.

Just yesterday morning, there was a TV program about video-games, and you know, they actually did a study which completely confirmed what I said several years ago, when I worked on Pokémon and video-games and so forth. They have now found—not surprisingly, it's not new, but I just want to repeat it in this context: At a rock concert, people have wild, crazy emotions. But what happens in the video-game is totally the opposite: People become autistic. They develop a certain faculty of the mind, and when they play video-games for hours and hours, you can even say that they develop a certain skill, like having quick reactions. But it is almost like a dead part of the mind, because it's based on pure logic, almost like a digital reaction in your mind. And people have *no emotions*. In video-games you cannot have emotions, you become autistic. Because you're not developing—Lessing would say, how can you be compassionate with a video-game?

But the researchers took students, or children, or whatever—young people who do this for hours and years, and then they expose them to family fights, to political disaster, to natural catastrophe, to certain scenes that are in the video-game, they have almost no reaction. But when the video-game is tested, they have very big emotions. Now, I think this is really a very interesting thing.

## Schiller: The Sublime Aim of Poetry

Now, let's look at Schiller, because in a certain sense, the idea that man can be aesthetically educated, as I tried to point out, came out of a long struggle, until people really had the right idea. Schiller wrote the *Aesthetical Education of Man*, and

many other aesthetical writings. Why do people feel joy at tragic subjects? He wrote two very beautiful articles about the Sublime—which is really unique to Schiller: The notion of the Sublime, is something which I think nobody else has in a play. Schiller made a special kind of different universe of tragedy, by inventing this idea of the Sublime. But he was very clearly influenced by Lessing and Mendelssohn, and one should know that the Humboldts, for example, Alexander and Wilhelm von Humboldt, used to go to Mendelssohn's family home all the time.

So, what I said so far, was the fertile ground out of which then the German Classics came. In Schiller, concerning pleasure about tragic subjects, he actually said almost the same thing that Lessing had said earlier: that the well-meant desire to have the morally good in art, as the aim, has produced so much mediocrity, and also in theory has caused similar damage.

So, what is the aim? The main idea of the *Aesthetical Letters* is the following: He asks, why did the French Revolution collapse? (That's one reason why you should read it, by the way!) He says, because the subjective condition was not there. That's what we have been talking about the whole time. So, then he asks, what should one do, where should the ennoblement come from, when the masses are degenerate, and the governments are corrupt? Then he comes to the surprising—or not so surprising—answer: It has to come from great Classical art. Why? Because in the case of great Classical art, when it has the true principles of this art, the tyrant can contain it, he can forbid it, but he cannot rule in it.

A great poet, he says, only deserves to be called a great poet, if he idealizes himself at the moment when he creates great art, at the moment when he writes a tragedy or a poem; he has to ennoble himself, to be an ideal man, or he should not dare to move his audience. Because the poet, or the artist in general, or the composer—but especially the poet, because he has such power, that he can touch the emotions and he can change people—should not go in front of the audience if, when he composes his great art, he has not ennobled himself to be an ideal man, *and*, he should not talk about a subject which is not a universal one. Because if he fulfills these two conditions, he has a scientifically knowable effect on the audience. A poet or an artist who says something and then produces chaos, what Aristotle was talking about before—where some people hate, others love, and so forth—Schiller says: No, the effect on the audience must be scientifically known by the poet beforehand. And the only way you can accomplish that, is by having these two conditions fulfilled.

**Q:** Can you repeat the two conditions?

**Zepp-LaRouche:** Well, the first one is that any artist who dares to touch the audience should ennoble himself to be an ideal man, at least at the moment when he writes the poem. Then later he can have a little pause—but I'm saying that's the condition of Schiller, that a person may be irrational or may be a gourmand, or something else—but when he is a poet, he should stop eating at least while writing the poem! No, I'm making fun of a very poignant subject. But it's true! Beethoven, Bach, Schiller—they would never have written what they wrote, if they had not done that! They ennobled themselves to the highest ideal of man, when they composed. Bach's *Jesu, meine Freude*—you cannot write that, when you're having a freak-out!

You have to ennoble yourself, with what Lyn calls the "lunge principle" of a conductor—you have to mobilize the highest ideal. When you write a poem at home, don't write a poem just because you have eaten beans, and your stomach is full, and you have to get it out somehow! The subject you write about should be of universal interest for mankind. This is why most poems which are like opportunity poems—"the air is so blue, and the leaves are so green"—that is generally bad poetry. Because according to Schiller's demand, the subject you discuss must be a universally interesting and truthful subject for mankind. Only then can you call it great.

And if you fulfill these two conditions, then you can have a scientific effect, a knowable effect on the audience.

## The Beautiful Soul

Schiller also writes in a critique of the poems of Bürger. So, Schiller says:

"It is inconceivable that a man whose knowledge has matured will seek refreshment for heart and mind from an immature youth; nor will he desire to encounter in a poem the very same prejudices, brutish customs, and vacuousness which plague him in his daily life. Such an individual is fully justified in demanding that the poet be as Horace was for the Romans, a trusted guide through life, and that the latter be on his own moral and intellectual level—since he desires never to sink below himself, not even in the hours he sets aside for recreation. It is therefore not enough to merely depict sentiments with elevated colors; our sentiments must themselves be elevated. Enthusiasm alone is not enough; we demand the enthusiasm of a matured mind. All that the poet can give us, is his own personality; it must therefore be worthy of being presented to the scrutiny of society and posterity. The task of ennobling that personality to the highest degree, of refining it into the purest, most splendid humanity, is the first and most important business he must address, before he may venture to stir members of the elite. There can be no greater value to his poetry, than that it is the perfect imprint of a truly interesting disposition of a truly interesting, perfected mind....

"One of the poet's indispensable functions is to idealize his object; failing this, he deserves not the name. It is his office, to free all that is excellent about his object (whether this be a physical shape, a sentiment, or an action, whether internal or external) from coarser, and even from merely extraneous substances; to gather the beams of perfection scattered among many objects, into a single beam; to subordinate asymmetrical features to the harmony of the whole; to elevate what is individual and local, into what is universal. All particular ideals which he develops in this fashion, are, as it were, outpourings of an inner ideal of perfection abiding within the poet's soul."[\[4\]](#)

In other words, when you write a poem, you can see the soul of the poet. So you'd better watch out, because everyone can read the innermost secret of your soul, when you write a poem! Which is why I personally find it very difficult to write poems, when not surrounded by friends. Lyn said the same thing: Lyn wrote poems when he was a younger man, and he said he stopped because there was no culture which would allow him to write these poems in an appropriate environment. And I have had the same experience, when I wrote some poems, and I was not in the right environment. Then you stop, because you expose your soul. When you write an article or a leaflet, or a book, or whatever, it's still sort of objective—compared to a poem. But when you write a poem, you reveal something of your innermost secrets, they're totally exposed. I think those of you who have written operas recently, probably can say the same thing for operas, or other compositions. If you didn't do it last week, you will do it next week—it's okay!

Okay, so what is now required for the poet to become such an idealized person? How do you manage to fulfill this ideal? How do you become an ideal man, at least temporarily? Better, you should be that all the time, but—.

Well, the whole purpose of what Schiller wrote, was exactly like for Lessing and for Mendelssohn, to ennoble mankind. Anybody who tells you anything different, forget it. They don't know what they're talking about.

And the highest ideal of the image of man which Schiller had, was what he called the "beautiful soul." Now, I give you a quote from a writing by Schiller, which is called, "On Grace and Dignity." He says:

"We call it a beautiful soul, when moral sentiment has assured itself of all emotions of a person ultimately to that degree, that it may abandon the guidance of the will to the affect, and never run the danger of being in contradiction with its own decisions. Hence, in a beautiful soul, individual deeds are not properly moral; rather, the entire character is. Nor can one add any individual deed to its account of merit, because the satisfaction of an impulse can never be called meritorious. The beautiful soul has no other merit, than that it is."[\[5\]](#)

And then, at another point, he says: "A beautiful soul is a person for whom freedom and necessity, passion and duty, are the same thing." Which follows all of what I just said: because, if you have educated all your emotions to this high level, then

you have to do what is necessary, which is a duty, but you're not doing it *against* emotions. Most people say, "Ugh! I have this terrible thing to do, but because I'm moral, I suppress my emotions and I do the moral thing." And then they become Kantians, because they have to use the moral imperative, about which Schiller says, Kant must have had a terrible childhood, because he was not a beautiful soul; he didn't write for us, he only wrote for slaves. If you have to rip out your emotions because they go against what you should do, you have to make a categorical imperative like Kant; so Schiller says, this categorical imperative may be useful in moments when you are not quite yet a beautiful soul, and before you let the "inner swine" run out, so to speak—let your passions gallop in a different direction—then he says, rather than allowing that to happen, you should use Kant's categorical imperative to remain relatively moral. But he says, this is not a condition.

Schiller's aesthetical writings are a complete attack on Kant. Kant started to write his *Critiques* only at the moment that Moses Mendelssohn was dead. Because if he had written this crap when Mendelssohn was still alive, he would have taken him apart, because Mendelssohn was the Socrates of the 18th Century. But after Mendelssohn was dead, then Kant wrote the *Critique of Judgment*, the *Critique of Reason*, the *Critique of Practical Reason*. And especially the *Critique of Judgment*, which had this crazy idea that you can have reason, and that's lawful; but then you have taste and art, which should not follow any laws. He even goes so far as to say that an arabesque which a painter throws on the wall, where you see no meaning and no plan, is more beautiful than a painting where you would see the Golden Mean, or some other intention or plan of the painter. And then, naturally, Kant attacked the unity of beauty, truth, and knowledge.

So therefore, the aim of Schiller is to have the beautiful soul. And, this beautiful soul is also a person who is not just looking at himself to be all of these things, but again, is a compassionate person. Here he says, in the same "On Grace and Dignity": "A beautiful soul does not know a sweeter happiness, than to see the sacred which he has in himself, repeated and imitated outside, and realized, and also embraced in the world of senses as their immortal friend.

"Love is at the same time, the most general and the most selfish in nature: the first because she receives nothing of its subjective, but gives everything back, because the pure mind can only give and not receive; and the second, because it's always only her own self, which she sees in the other, and loves."

So, in other words, the beautiful soul is the happiest when other people become beautiful souls, when other people are creative, when other people accomplish all the things the beautiful soul wants to accomplish for him- or herself.

## **Without Beauty, We Are Not Human**

In a certain sense, it is that idea which Schiller also means as eminently political. That is what he means, when he says that the highest work of art, *das grösste Kunstwerk*, is the building of political freedom.

Here's another quote, in the 10th Letter of the *Aesthetical Letters*: "The pure notion of the reason of beauty, if one could demonstrate one—because it cannot be deduced from a concrete example, but rather guides our judgment about each concrete case—can only be looked for by way of abstraction, and must be concluded from the possibility of the sensuous, reasonable nature of man. In a word, beauty should be demonstrable as a necessary condition of mankind."

Now, I believe that this is absolutely true: that without beauty, we are not human. And without beauty in art, without beauty in social relations, without beauty of our soul, we are not doing the right thing.

So, to come back to the question posed from the beginning: What we have to do, in order to be capable of dealing with the upcoming challenges, I think each of us should have the aim to quickly become a beautiful soul. I think that it's much more important that people have this as an ideal, than to have a beautiful body, or to go to the fitness center, or to go the beauty salon! Most people spend an enormous amount on beauty! But they pay almost no attention to the beautification of their souls. So, I think that the best thing to do is to really work on that, and to really make it an ideal, if you still have certain

things that need to be ironed out, which prevent you from doing passionately what is necessary.

Or, Schiller in his *Kallias* letters, uses the image of the Good Samaritan, where he takes five examples: A wounded man lies by the wayside, and other men come, and then he uses these examples, to ask, what is the motive for them to help him? The first guy says, "What do I receive in terms of honor, if I do that?" The second one says, "I first have to take care about what I will get from it." And so on. Only in the fifth case, the Good Samaritan puts his bag to the side, not even paying attention to whether he might lose it; he puts the wounded man on his horse, takes him to the next city so that he gets cared for, without even thinking about it.

And I think it's that attitude, that, when you are needed, you do what you have to do, that is a quality which signifies leadership; it is at the same time the route to genius—you will not become a genius by studying everything which is on the curriculum, if you are not compassionate. You will not become a genius, even if you read everything of Lyn's and you just "know it," but you're not in it with total determination and compassion, as a beautiful soul.

So, I just wanted to say this, because, the problem with the youth culture—and the Boomers on top of it, and the Tweeners, I don't need to go into—but the problem is that the idea of emotional development, of taking care that your soul becomes beautiful, I think it's something worth thinking about, because it's not self-evident. And it is also, unfortunately, not the total *praxis* of everybody, every day. Otherwise, you would never have fits, you would never have shouting sessions, we would never have screaming matches. We would never have people sitting in the corner, but people would be much more creative, and much more lively. And this question of the soul, I think, is worthy. And I think these people—Lessing, Mendelssohn, and Schiller, and also some others, but these are the main ones—have written the best about it, in my view.

1. See Anton Chaitkin and Jeffrey Steinberg, et al., "[John Train's Press Sewer: Is Goebbels on Your Campus?](#)" *EIR*, [Oct. 13, 2006](#).

2. Reprinted in [EIR, Dec. 15, 2006](#).

3. Pierre Beaudry, "Jean Sylvain Bailly: The French Revolution's Benjamin Franklin," *EIR*, Jan. 26, 2001, and "Why France Did Not Have an American Revolution," [EIR, Jan. 18, 2002](#).

4. "On Bürger's Poems," in *Friedrich Schiller: Poet of Freedom*, Vol. II (Washington, D.C.: Schiller Institute, 1988).

5. "On Grace and Dignity," *Ibid*.

## U.S. Economic/Financial News

### S&P: Debt Blowout Is Coming; LaRouche: Stop the Takeovers

The economics research department of the S&P debt-rating agency, put out another shrill warning on Dec. 14, about a coming wave of "leveraged debt defaults" threatening the international credit markets. This means rapid-fire, and potentially massive defaults on the debts loaded onto merger and takeover "target" companies by hedge funds, private-equity funds, and banks. This is known as "leveraged" debt because it's issued on the assumption of looting the target. "Predators are extracting special dividends from prey to recoup their investment quickly, leaving these companies saddled with debt," said the report highlighted in a Dec. 14 London *Daily Telegraph* article by Ambrose Evans-Pritchard.

This S&P report, "Risk Outlook for 2007," is an even more alarmist repeat of the one it issued in October on the same

danger (*EIR*, Nov. 3, 2006).

S&P warns that, "Leveraged loans have exploded.... As the interest coverage becomes thinner, defaults are certain to increase.... Prudent financial policies are being discarded. The average purchase-price for European LBOs in the three months to November hit a record high level of 9.4 times earnings." Most of this purchase money is borrowed, and S&P points to disturbing signs, including "a trend toward deals that are not even rated for credit risk." This kind of "unrated" borrowing shows the funds' complete disregard for the survival of the companies they're taking over and looting. "The big question is what happens [to this debt] in a downturn" now underway, the report warns.

The new round of ongoing attempted takeovers in the airline industry, for example—USAir taking over Delta, United and Continental merging, AirTran taking over Midwest—are new attacks on airlines already drastically shrunk and looted. Carriers that employed 420,000 workers in September 2001 employed 264,000 five years later, at more than a 25% cut in wages. Their fleet of jets had shrunk by 12%. AirTran CEO Joseph Leonard eagerly expects that a USAir-Delta merger would cut those carriers' combined jet fleet by another 10%, allowing AirTran to raise prices.

On Dec. 13, Rep. James Oberstar (D-Minn), who will chair the House Transportation and Infrastructure Committee, demanded the Justice Department stop the USAir-Delta takeover; if not, he said, he'd start hearings to block such mergers.

Lyndon LaRouche has declared his strong opposition to these "leveraged" buyouts, and on Dec. 14, LaRouche said that any takeover that turns a viable firm into a junk-bond company—the airline merger, like others underway, will do this immediately—is against the national interest. Therefore, in the national interest, Congress should block the mergers, including any in which it can't be shown that the target companies will gain in capacity, productivity, and production from the merger. Congress has to draw that line, LaRouche said, and draw it now, in the face of the oncoming debt crash.

## **Wall Street Guru: Risky Mortgages Could Trigger Major Financial Crisis**

As high-risk mortgages go into default, the danger of a financial crisis is increasing, bankers and Federal officials warned at the National Housing Forum on Dec. 11, as reported by the *Washington Times*.

Wall Street guru Lewis Ranieri, who "invented" the market for mortgage-backed securities (MBS) in the 1990s, now says that banks and mortgage-brokers are passing \$600 billion a year in risky mortgages to unwary investors, and that this could result in a financial crisis which is too big for the Fed to control.

Banking regulators said that major banks are selling questionable mortgages that they themselves cannot legally hold in their own portfolios, to unwary investors. The risk is even higher when brokers repackage the mortgages in deceptive ways, and sell them to small investors and foreigners who don't understand the risks, Ranieri said, while pointing out that the efforts of regulators to limit risking loans hasn't stopped the practice. He said brokers are bypassing the MBS market and bundling the riskiest mortgages together as "collateralized debt obligations" on the corporate/junk-bond market.

## **'Bubble-Within-the-Bubble': Homeowners Taking Houses Off the Market**

\* In the Denver, Colorado area, the number of days on the market it takes to sell a residential property is rising, according to Denver-based MetroList. For a condo, the average time on the market has increased to 134 days, up 14% from November 2005; and for single-family homes, up 20% to 103 days. At the same time, there has been a dramatic drop in the number of listings, down about 4,450 (or 14%) from 31,989 in July.

"People are giving up and taking their houses off the market," said Lance Chayet, broker-owner of Lakewood-based

Hanover Realty. Among reasons he cited, "[S]hort sales and foreclosures are exerting negative pressures [on home values] and forcing some people out."

\* In the Annapolis, Maryland area, many sellers are taking their homes off the market if they don't have an obligation to sell. "The major concern is that it's not going to sell in the market at the price they want," said Bill Hyland, an associate broker for Keller Williams Realty. Sales prices are quickly going down, as average time on the market has doubled to 87 days, 45 days longer than in November 2005, according to Metropolitan Regional Information Systems.

\* In the region between San Francisco and Sacramento, California, one Antioch homeowner has been unable to sell his four-bedroom, two-bath house, even though he has slashed the asking price by almost \$80,000 and added \$40,000 worth of improvements. "Buyers have vanished," he said. "If this doesn't sell posthaste, I'm going to bite the bullet and pull it off the market."

\* A Loudoun County, Virginia realtor told *EIR* Dec. 14, that homes are being sold only after significant hold periods, and steep discounts. He reported that one house in the town of Purcellville had first gone on the market for \$750,000. After months of going nowhere, the home finally sold for \$500,000, a 33% drop. Another home which had been hawked at \$680,000, finally sold after 20% had been lopped off the price.

This realtor said that the homeowner who owns a home whose price has fallen—and can't meet monthly mortgage payments—can't even refinance the home, because the amount he owes on his mortgage is already greater than the market value of his home.

## **Sub-Prime Mortgage Delinquencies Spike Upward**

During the third quarter, 2006, sub-prime mortgage borrowers had a delinquency rate on their loans of 12.52% (delinquency represents more than 30 days behind on a mortgage payment). Sub-prime mortgage borrowers having adjustable rate mortgages (ARMs), experienced an even higher delinquency rate of 13.22%. Meanwhile, with respect to all home mortgage borrowers, 4.7% of their loans went into delinquency.

Sub-prime mortgages are loan-shark-type mortgage loans which are made to individuals who have "impaired credit." The loans are extended, typically, to individuals with low income, often Hispanic and African-American households. The loans carry high interest rates, substantial fees, and severe penalties for non-payment. Today, the volume of the sub-prime market is placed between \$650 billion and \$980 billion, the latter representing one-tenth of the home mortgage market. The weak sub-prime market represents a likely point of explosion for the whole mortgage market.

Two sub-prime mortgage lenders shut down in the first week of December. These were the Texas-based Sebring Capital Partners, and California-based Ownit Mortgage Solutions, the 11th-largest wholesale sub-prime mortgage lender.

This has created tumult in the derivatives market: the cost of credit default swaps to protect against default on \$10 million worth of BBB-rated sub-prime mortgage bonds, jumped from \$310,000 to \$389,000.

## **November Foreclosure Rate Was Highest This Year**

In November, some 120,334 properties nationwide entered some stage of foreclosure, up 4% from October and a sharp increase of 68% from November 2005, according to RealtyTrac Inc. The survey found that one new foreclosure was filed for every 961 U.S. households—the highest monthly foreclosure rate reported so far this year. "Defaults, auctions and bank repossessions all trended higher in November, bringing the year-to-date foreclosure total to almost 1.2 million—up 43%

from the same 11-month period of 2005," said James Saccacio, RealtyTrac president, adding that homeowners who purchased adjustable-rate/interest-only mortgages and have little equity, have been hit by stalling home prices and resetting of mortgage rates to higher levels.

Nevada's foreclosure rate jumped 12% to the highest for any state in the nation, knocking Colorado from the top spot. California reported the highest number of foreclosures for the third straight month, an increase of 19% from October.

## **Coalition Issues Report on Housing Affordability**

The National Low Income Housing Coalition (NLIHC) issued its annual "Out of Reach Report" on Dec. 12, comparing the affordability of housing, and showing how prices for homes are soaring out of the reach of many would-be buyers. The report stated that in 1960, 23% of all the American households that rent, paid at least 30% of their income for housing. However, by 2005, 49% paid 30% or more of their income for their dwelling. (There are 34.5 million American households that rent, and 74.3 million households that own their own home.) Housing is considered to be unaffordable, if it consumes more than 30% of a household's income.

The report determined that nationally, a worker would need to earn \$16.31 per hour, and work 40 hours per week, for a full 52 weeks of the year (without any time off for vacation or illness), just to be able to afford a one- or two-bedroom rental property. But that's a national average, which includes many rural areas that have lower housing costs. A worker would have to earn \$24.73 per hour in Washington, D.C.; \$26.27 in Boston; and \$29.83 in San Francisco, to be able to afford a two-bedroom rental. Sheila Crowley, the research director for the NLIHC, stressed that even an increase in the minimum wage from \$5.15 to \$7.25 per hour, as is now being discussed in Congress, would leave millions of workers still unable to afford housing.

## **Auto Sector Is Hemorrhaging More and More Jobs**

Bureau of Labor Statistics tables published for November show that the U.S. auto sector is losing 10-15,000 jobs monthly, and has shrunk by 288,000 net jobs—or 22%—in the past six years. On Dec. 12, the DaimlerChrysler unit, Freightliner (trucks and buses), said it will lay off 4,000 out of 24,000 employees in 2007, starting with 800 production workers at its truck plant in St. Thomas, Ontario. This is in addition to Chrysler's reported, but not announced, plan to close two auto assembly and one axle plant early next year. Also on Dec. 12, the major bankrupt auto parts supplier, Dana Corporation, announced closing four plants, two in Canada and one each in Missouri and Indiana, eliminating 440 jobs as it moves some production to Mexico. These plants are located in Syracuse, Indiana; Cape Girardeau, Missouri; and Guelph and Thorold, Ontario. In addition, four more plants are expected to be shuttered within the next two years.

The *Virginian Pilot* newspaper in Norfolk, reported Dec. 12, under the headline, "After Ford, Outlook Bleak," that in that area, suppliers Visteon, Johnson Controls, Tenneco, TDS/US, and truck hauler Allied Systems, are likely to eliminate 500-530 jobs as a result of the Ford Truck Assembly closure already underway, according to Old Dominion University's "State of the Region" report. Job loss at the plant itself is over 2,000. TDS's and Visteon's plants in the area are brand new, opened in 2003 at a total investment of more than \$20 million. And the city of Chesapeake's tax revenue from the suppliers has been \$225,000 annually.

An equity fund analyst, quoted in the Dec. 13 *Detroit News*, epitomized the tearing up of the auto industry in commenting on the latest report that the Cerberus and Appaloosa hedge funds have a joint operation to acquire the major ownership of Delphi stock. "If they can buy in on the cheap, lower wages, and cut costs, the deal might make sense," said John Novak, a Chicago-based analyst with Morningstar, Inc. "There are attractive growth opportunities for parts suppliers globally in places like China, Eastern Europe, and other emerging markets." These motivations make clear that even after the buyout of over 18,000 Delphi workers from the industry, the UAW can still count on vicious demands for further wage cuts,

whether the Delphi plants are closed, or sold to these predators. The hedge funds head a line of at least half a dozen sharks and vultures, including Wilbur Ross, wanting to buy in and loot Delphi, including its overseas operations.

## **Delphi \$10 Billion-Plus in Arrears to PBGC**

In November court filings, Delphi has admitted that it is \$1.25 billion behind in payments to the Pension Benefit Guaranty Corporation (PBGC). So far, Delphi has paid a mere \$234 million while, according to the court-approved bankruptcy reorganization, it was supposed to have paid in \$1.5 billion by now. In total it is \$10.6 billion in arrears.

## **Ford Buy-Out Hits White Collar Workers**

Ford offered buy-outs to white collar workers on Dec. 11, involving 85% of the company's 38,500 managers, in every department. The company is seeking to cut 10,000 jobs, or over 25%, of its salaried personnel. Making the decision more of a gamble, is that if not enough people take the offer, they could be laid off instead, left with nothing. Workers have until Jan. 5 to decide.

Interviewing workers at a local coffee shop, the Dec. 12 *Detroit News* was told that workers had been advised not to talk to reporters. Some did, and indicated thoughts of moving, even to South America or, for the really desperate, Wyoming. "I always thought a college education meant better opportunities," said one. Another, with a better perception of the larger reality, spoke about joining a political movement to fight for workers. "We need a true discussion on how we keep a middle class in this country," he said.

## **Monsanto Targets Cotton Seed Growers**

Seed-cartel giant Monsanto is demanding a \$1.5 billion takeover of U.S.A. Delta Pine and Land Company, the firm controlling 50% of seed for cotton, the fifth-largest crop in the United States; the deal has been awaiting approval by the anti-trust review section of the Justice Department for four months, the *Wall Street Journal* reported Dec. 11. In some U.S. states, such as Georgia, Delta Pine and Land Co. dominates over 90% of cotton seed used. Monsanto has been pursuing this Delta deal for over ten years. Under the Clinton Administration, the Justice Department held up approval for 19 months, until finally, Monsanto temporarily backed out in December 1999. Since then, it renewed its takeover plans.

Monsanto controls about 25% of corn and soybean seeds used in the United States under its direct brands, and more under license to other companies, that pay fees for Monsanto's patented genetics. Today, the majority of all seeds genetically modified for soybeans, corn, and cotton, contain genes to which Monsanto owns the patent rights for traits to tolerate insecticide and herbicide. DuPont (Pioneer Hy-bred) and Syngenta seed companies are skirmishing for patenting new genes and traits to vie with Monsanto. Such patenting, an immoral private control over the means to life, was illegal in the U.S. until changes to the law were forced into place over recent decades.

In reviewing some of the recent takeovers and acquisitions in the food chain, Lyndon LaRouche noted the similarity to the early 1900s, and asked: "Where are the trust-busters when you need them?"

# **World Economic News**

## **Rumors of Financial Restructurings Abound**

Some of the latest developments:

\* Bank of America is said to be interested in acquiring Barclays. B of A, with \$1.5 billion in assets, is the second largest bank in the U.S., and Barclays, according to the most recent Forbes ranking, was the largest financial institution in the world by assets, with \$1.6 billion.

\* Citigroup, which had \$1.75 billion in assets as of Sept. 30, saw its stock rise last week on speculation of major changes, possibly involving restructuring, asset sales, and management changes.

\* Venice's Assicurazioni Generali is rumored to be both a takeover target, and looking to buy another insurer to make it too big to swallow. AIG and Dutch insurer Aegon are said to be interested in "Mother" Generali, and Generali is said to be fighting with German insurer Allianz over Swiss Life.

Traders frequently use rumors to raise or drop the value of a particular stock in order to make money, and sometimes rumors are used to force certain desired moves; sometimes they are true, sometimes they are not, but the level of rumors in the market is a useful window into the overall state of agitation. Whether any of these deals go through or not, the consolidation among financial institutions will continue, as the proverbial drunks prop each other up.

### **Warnings Multiply on Junk Debt Collapse**

Bank of England deputy governor Sir John Gieve issued a warning of a jump in leveraged debt defaults, in a Bank release on Dec. 15. Reuters links the warning to the previous day's Standard and Poor's report, and S&P's conference call on which it predicted 1.5 trillion euros (\$2 trillion) in takeover attempts in Europe alone in 2007.

The Cerberus hedge fund, along with Goldman Sachs' hedge fund Goldman Capital Partners, both based in New York, are moving to the top as world's biggest hedge fund devils in the inferno of leveraged takeovers; Cerberus will now own two banks and a major finance company (GMAC), after its current takeover of BAWAG bank in Austria. BAWAG was the trade union-owned bank that defrauded investors of nearly \$1 billion in the RefCo hedge fund fraud and collapse in 2005. As Cerberus's "piggische bank" for takeovers in Europe, it will effectively be run by Kenneth Leet from Goldman Sachs (now a Cerberus senior executive under former U.S. Treasury Secretary Jack Snow).

### **Swiss Financial Daily Issues Caution on Credit Derivatives**

In its weekly "Eurobond" column, the Dec. 11 *Neue Zuercher Zeitung* warned of the gigantic growth of credit derivatives, which are being increasingly used by bond funds as hedging instruments. According to the world's largest investment fund manager, Pimco, whereas the volume of CDs in 2005 stood at \$17,000 billion, that could double next year to \$35,000 billion. *NZZ* also mentions the very (exotic) popular "Constant Proportion Debt Obligation" (CPDO), which is also being used as some kind of derivative instrument and which, as *NZZ* writes, could become catalyst for greater market volatility and systemic risks.

### **Hedge Funds Seen as Systemic Risk; Controls Not Mooted**

The German government, in line with recommendations in a new report by the European Central Bank, renewed its July 2005 G-8 initiative for more hedge-fund transparency.

But German Finance Minister Peer Steinbrueck made clear, after a meeting with his Dutch minister colleague Gerrit Zalm at The Hague Dec. 11, that they are not aiming at any real controls, but rather a central register for fund activities and share ownership, of traded volumes and risks. The fact alone that the issue has won enough support also in Washington

D.C./New York and London to be put on the G-8 agenda in 2007, is seen as "progress" by Steinbrueck.

Surveys produced in a number of central banks and governments most recently, address the systemic risk posed by funds, as for example in the recent Amaranth default; but so far, they fall short of any forceful commitment to restore control of the speculation markets.

## **Oil Producers Shifting Away from Dollar**

The latest quarterly report of the Bank for International Settlements notes a pattern of oil-producing countries fleeing the dollar and gradually shifting their oil income into other currencies, such as the euro, yen, and pound. The *Financial Times Deutschland* remarks that this could increase the pressure on the dollar. According to the BIS, in the second quarter of 2006, Russia and OPEC decreased their dollar holdings against the previous quarter by 2% (to 65%) and increased euro holdings from 20% to 22%. Qatar and Iran reduced their dollar positions by \$2.4 billion and \$4 billion. Ecuador and Indonesia reduced their position by \$2 billion, and Saudi Arabia by \$3 billion.

## **United States News Digest**

### **Rodriguez Victory Changes Axioms of What It Takes To Win**

"The perception of what it takes to win—all that was shattered by this election," declared newly elected Democratic Congressman *Ciro Rodriguez* at the opening of his victory speech Dec. 12 in San Antonio, Texas. Rodriguez said it was due to a grassroots mobilization, reminding people at the victory celebration that there were few who stood with him when the race began. The *San Antonio Express News* called his 55-45% victory a "landslide." Rodriguez won 38,447 votes to seven-term incumbent *Henry Bonilla's* 32,265, in an election that polls were giving to the Republican candidate just a week ago. The win gives Democrats a 233-202 margin in the House, one vote larger than the previous Republican majority.

Bexar County, which includes the northern, western, and eastern rim of the city of San Antonio, comprised 45,524 of the 70,412 votes that were cast. The district includes University of Texas San Antonio, with about 20,000 students, and Palo Alto University, both commuter colleges which were key targets of organizing by the LaRouche Youth Movement. The 18.38% turnout in the county, in a runoff election that most voters didn't even know about—until the LYM got there—was much bigger than poll officials expected, coming close to the 30.87% who voted in the Nov. 7 general election in that county.

An independent poll on Dec. 4, Survey USA/WOAI-TV, put Bonilla ahead of Rodriguez by 53-46%. Polls by the Democratic Congressional Campaign Committee (DCCC), which were never made public, were reported to have the two candidates tied at 44% each (the rest undecided) about one week ago; a few days before the election, they showed Rodriguez ahead by three points, according to rumors.

Illustrating Bonilla's desperation as election day neared, he brought in the hated Vice President Dick Cheney to campaign for him, according to the *San Antonio Express*.

Jaime Carillo wrote in the *Express* of Dec. 13: "Rodriguez' win was an earthquake that continues the Democratic takeover.... Defying every political truism of Bexar County politics, Bonilla started the night by becoming the rare well-known Republican to not only lose early voting, but to lose it badly...." Rodriguez, age 60, had earlier served eight years in Congress and 11 years in the state legislature.

Lyndon LaRouche has identified the Democrats' stunning upset victory in the Texas 23rd Congressional District a case

study in the "New Politics," demonstrating the success of the "mass effect" organizing of the LYM.

## **Democrats To Demand Accounting of War Spending**

As President Bush prepares to submit a supplemental request of \$120 to \$160 billion for Iraq and Afghanistan, the Democrats plan to demand integrating that spending into the regular Federal budget, the *New York Times* reported Dec. 14. Not only was this proposed by the Iraq Study Group report, which stated that the "costs of the war in Iraq should be included in the President's annual budget request," but two early measures passed by the Congress point in the same direction. A provision added to a defense policy measure, signed into law by Bush in October, directed him to include in his budget a request for appropriations for military operations in Iraq and Afghanistan, an estimate of all money expected to be required for the year, and a detailed justification of the request. In June, the Senate also approved a proposal by Sen. John McCain (R-Ariz) to spell out the expected war costs in his annual spending plan.

Lyndon LaRouche said that the House of Representatives can insist on these measures, and that if included in the Federal budget, this would show that the war is a major cause of the budget deficit. If Bush refuses, then the fight will commence between the Congress and the President.

## **Carter Attacks One-Sided Slant of Israel Discussion**

Former President Jimmy Carter points out, in a Dec. 8 *Los Angeles Times* commentary, "Speaking Frankly about Israel and Palestine," that, "The many controversial issues concerning Palestine and the path to peace for Israel are intensely debated among Israelis and throughout other nations—but not in the United States," where there is a "severe restraint on any free and balanced discussion of the facts," because of AIPAC (American Israel Public Affairs Committee)'s lobbying and the absence of significant contrary voices. "It would be almost politically suicidal," he continued, "for members of Congress to espouse a balanced position between Israel and Palestine, to suggest that Israel comply with international law or to speak in defense of justice or human rights for Palestinians.... What is even more difficult to comprehend is why the editorial pages of the major newspapers and magazines in the United States exercise similar self-restraint, quite contrary to private assessments expressed quite forcefully by their correspondents in the Holy Land."

Carter discussed the criticisms of his just-released book *Palestine: Peace or Apartheid* in the media, by members of Congress, and others, stating, "Out in the real world, however, the response has been overwhelmingly positive," and goes on to describe the responses at public book-signings at book stores. He also notes, "I have been most encouraged by prominent Jewish citizens and members of Congress who have thanked me privately for presenting the facts and some new ideas" (see Southwest Asia digest for Lyndon LaRouche's response to President Carter's book).

Meanwhile, the ADL (Anti-Defamation League) ran ads last week criticizing Carter in leading newspapers, including the *New York Times*, the *Washington Post*, the *Los Angeles Times*, and the *Atlanta Journal-Constitution*. The text in the Dec. 11 *Times* is headlined, "There's Only One Honest Thing About President Carter's New Book. The Criticism," and quotes denunciations of the book by Rep. John Conyers (D-Mich), House Speaker Nancy Pelosi (D-Calif), and the former director of the Carter Center. The ad says that Carter ignores Israel's offer of a Palestinian state at the 2000 Camp David Summit, the election of Hamas, and that he "blames the Middle East crisis on myths like Jewish control of the government and media."

In a *Times* article on the ad campaign, ADL National Director Abe Foxman is quoted saying that, "The reason he gives for why he wrote this book is this shameless, shameful canard that the Jews control the debate in this country, especially when it comes to the media. What makes this serious is that he's not just another pundit and he's not just another analyst. He is a former President of the United States."

Lyndon LaRouche remarked, that Abe Foxman can never get anything right unless it's *really* Right.

## **Leahy Promises To Restore Constitutional Balance**

In a speech outlining his agenda for the next Congress, the incoming chairman of the Senate Judiciary Committee, Sen. Patrick Leahy (D-Vt), promised "to repair real damage done to our system of government over the past few years."

"The White House has behaved as if the Constitution begins with Article II," Leahy said, addressing a large audience at the Georgetown University Law Center. "And they've taken their extreme ideology of a 'unitary executive' to strip both Congress and our independent federal judiciary of their rightful roles. For this country to succeed, the constitutional balance has to be restored."

Leahy said that his new agenda for the Judiciary Committee is "an agenda of restoration, repair and renewal: restoration of constitutional values as well as the rights of ordinary Americans; repair of a broken oversight process and the return of accountability; and also, and just as important, a renewal of the public's right to know—the right of every American to know what their government is doing."

Leahy said that examining the Administration's use of data-mining to create massive and secret databanks and dossiers on private citizens will be one of his highest priorities. He said he intends to call Attorney General Alberto Gonzales as a witness "quite soon," and said he will seek subpoenas for Administration officials if necessary.

Other priorities outlined by Leahy for oversight and legislation are:

- \* war profiteering;
- \* warrantless wiretapping in violation of the law;
- \* restoring habeas corpus and other fundamental rights stripped away by the Military Commissions Act;
- \* patent reform, to make life-saving medicines available and affordable around the world.

## **Lynne Cheney's Foundation Funds John Train History Project**

The National Endowment for the Humanities (NEH) has granted \$725,000 to the Northcote Parkinson Fund to produce a two-hour film for television entitled, *Rediscovering Alexander Hamilton*.

John Train, the financier who conducted the "Get LaRouche" meetings in 1983-84, is chairman of the Northcote Parkinson Fund, which got the NEH grant in June 2006. The NEH is still led de facto by Lynne Cheney, through the current NEH leaders who were in her personal entourage when she chaired the NEH in 1986-1993.

The film, production of which is sponsored by the Train organization, is the joint project of Michael Pack and Richard Brookhiser. Pack has received the bulk of the Train organization's funds over the years, sharing that largesse with his sometime documentary-filmmaking partner, former LaRouche associate Kenneth Mandel. Richard Brookhiser is Senior Editor at William F. Buckley's *National Review* magazine.

Brookhiser and Pack previously collaborated on the documentary, *Rediscovering George Washington*. Brookhiser is the

curator of the notorious neo-con exhibit on Alexander Hamilton running at the New York Historical Society; Hamilton is portrayed there as the founder of the current system of financier-oligarchy economics.

That New York project overlaps with a similar outrage, the intended Alexander Hamilton Center at Hamilton College in Utica, New York, which was heavily promoted by David Horowitz and the rest of the Lynne Cheney campus gestapo apparatus. Hamilton College recently wisely decided to abort that project, since it was to be run by "outside" interests.

## **Democrats Announce Long-Term Continuing Resolution**

Sen. Robert Byrd (D-WVa) and Rep. David Obey (D-Wisc) announced on Dec. 11 that they will propose a continuing resolution to fund all Federal government operations through Sept. 30, 2007—the end of the 2007 Fiscal Year—instead of only through February, as passed by the Congress before it recessed.

The outgoing 109th Congress has only passed two of the 11 annual appropriations bills, those funding the Departments of Defense and Homeland Security. Meanwhile, Bush's Fiscal Year 2008 budget proposal and the 2007 Supplemental Defense Budget for the Iraq and Afghanistan wars will arrive in Congress at the beginning of February. Therefore, to be ready to act on both, and prepare their own proposals, the Democratic leadership decided to "turn the page" by seeking a long-term continuing budget resolution. Byrd and Obey stated: "The outgoing Republican leadership's failure to govern has denied the new Congress the opportunity to start with a fresh slate.... There is no good way out of the fiscal chaos left behind by the outgoing Congress.... After discussions with our colleagues, we have decided to dispose of the Republican budget leftovers by passing a year-long joint resolution. We will do our best to make whatever limited adjustments are possible within the confines of the Republican budget to address the nation's most important policy concerns."

Unlike the three Continuing Budget Resolutions passed since Sept. 30, this one will not mandate using the lowest level of funding passed by the House, the Senate, or the current budget. However, the adjustments that can be made are limited. All "earmarks" for specific projects in Members' home districts will be frozen.

## **Kucinich, Paul Hold Briefing on Iraq Civilian Death Toll**

On Dec. 11, Rep. Dennis Kucinich (D-Ohio) and Rep. Ron Paul (R-Texas) co-sponsored a Congressional oversight briefing, "The Impact of 650,000 Excess Deaths in Iraq: An Overview of *The Lancet* Mortality Study in Iraq." Speakers included Juan Cole, Professor of History at the University of Michigan, and two physicians from the team that prepared the study that appeared in *Lancet*, Britain's leading medical journal. The most startling comment from the two doctors, was that the vast majority of non-combatant deaths were due to violence, not to disease, lack of food, dirty water, etc.

Both Dr. Paul (a physician) and Rep. Kucinich (who recently announced his intention to run for President in 2008), in their opening statements, stressed the unimaginable level of pain and suffering among the non-combatant population in Iraq, with Kucinich pointing out that, as painful as is the U.S. death toll of close to 3,000 soldiers, the *Lancet* study numbers indicate that for every U.S. service member killed, 200 Iraqi citizens have been killed, and that if such violence were inflicted on the U.S. population at the same rate, we would have lost 7.8 million Americans. Rep. Paul underscored—as a medical doctor, having spent a good part of his professional life trying to reduce pain and suffering—with the numbers of 650,000 non-combatant deaths in Iraq, together with nearly 3,000 American soldiers killed, and some 100,000 U.S. soldiers permanently disabled, how important it is for the Congress to look at this unintended (in his view) consequence of this war, not least in the hope that in the future Congress will take its constitutional responsibilities regarding war and the declaration of war more seriously.

Kucinich said that since the President does not understand the necessity of getting out of Iraq, that the Congress must do the one thing the Constitution provides for, which is to cut off future war funds, and demand that the President use the current

funds in the pipeline from the Oct. 1 appropriations, to bring the troops home. He concluded the briefing by quoting from Franklin D. Roosevelt, regarding our foreign policy, that the science of human relations involves being more than we are and doing better than we do.

## **Ibero-American News Digest**

### **Correa Denounces 'Mafioso' Central Bank Autonomy**

Ecuadorian President-elect Rafael Correa dismissed the sanctity of central bank autonomy, one of the core axioms of globalization, in a Dec. 8 interview with Spanish news agency EFE, while he was in Bolivia for the South American Community of Nations summit. "Latin America has more than \$200 billion in reserves in the rest of the world, which is absurd. Part of that absurdity is the autonomy of central banks, which take the reserves and send them abroad, and no one can say anything about it. That mafioso framework which has done us such harm must be dismantled, and those reserves brought back to the region," the Correa stated.

He reported that the heads of state would be discussing the creation of a South American Bank that weekend (an idea he discussed with Argentina's Nestor Kirchner when they met during his campaign), because "Latin America has the ability to be self-financing." The region could create a common fund "to keep our governments from having to kneel before the multilateral institutions and financial sources outside the region to ask for crumbs.... We have to assume common positions before regional threats, before a globalization which does not want us, which doesn't want us to become nations, but markets; which does not want us to become citizens, but consumers." Markets, he added, "are good servants, but terrible masters, which is why societies must regulate and control them."

The close working relationship developing between Correa, with his aggressive rejection of monetarism, and President Kirchner, who first demonstrated his willingness to fight when he stood down Argentina's foreign creditors, introduces a nonlinear potential for regional action, as the world system implodes. Correa described his lengthy meeting with Kirchner in Buenos Aires on Dec. 13, as "a fraternal meeting between two Presidents,... two governments, two brother countries" that intend to work closely together to consolidate South American integration. He praised Kirchner as a leader of "historic vision who, with other leaders, will build that united South America urgently required to prevail in this globalized world of the 21st Century."

As did Argentina, Ecuador will seek "a firm and sovereign debt renegotiation, for which we ask the solidarity of all of Latin America," Correa added. Asked whether he intended to dump the dollarization imposed on Ecuador more than a decade ago, Correa responded that while an exit from dollarization would be very difficult, one option for an orderly exit would be "to go to a regional currency. I hope that Latin America will help us in this because its historic destiny is not only trade integration, but also a political and monetary one."

### **Integration Tops Agenda of Community of Nations Summit**

Physical integration and infrastructure development, and specifically what Brazilian President Lula da Silva described as the "urgent necessity" of creating a South American financing entity to fund economic and infrastructure development, were top priorities discussed by heads of state attending the South American Community of Nations summit in Cochabamba, Bolivia Dec. 8-9.

There was no public discussion of the global economic crisis. Rather, most of the speakers debated ways that the region could defend itself from the predatory trade and financial practices of advanced-sector countries. In this regard, Bolivian President Evo Morales proposed, and foreign ministers agreed, to set up a working group of energy ministers and

representatives of IIRSA (Ibero-American Regional Infrastructure Initiative for South America) to discuss creating a regional entity made up of all state-sector energy companies that would be dedicated to promoting energy independence, particularly in oil and gas production.

As Lula pointed out in his opening speech, an independent South American financing entity to fund infrastructure projects could be established through coordination among regional and national development banks as well as through use of already-existing financial mechanisms. In order to further elaborate initiatives on infrastructure development and energy integration, which Lula characterized as the "two motors" of South American development, he proposed that there be an extraordinary meeting of heads of state and a meeting of Industry Ministers in early 2007. Industry Ministers must move toward creating regional industries and companies that will operate "in strategic areas," he said.

### **Ecuador Seeks South American Help for Refinery**

Ecuadorian President-elect Rafael Correa announced that on the day after he assumes office (Jan. 15), Ecuador will start shipping oil to Venezuela, which has agreed to refine it at cost, so that Ecuador will not continue to pay \$15-20 more per barrel of imported oil derivatives than what it earns per barrel of crude exported. Ecuador needs to immediately build a new, 300,000-barrel per day capacity refinery, Carlos Pareja, the incoming chairman of the state oil company, PetroEcuador, announced Dec. 5. But that would cost a minimum of \$2.5 billion, and Ecuador simply cannot do it alone, Pareja said. We will raise with Argentina, Brazil, Chile, and Venezuela the idea of their state oil companies participating in the project. The details of how and what remain to be seen, but first we need to know their thinking on the matter, he added.

### **Drive for Separatism Explodes Again in Bolivia**

Three Bolivian states declared their "independence" on Dec. 8, culminating weeks of protest, violence, and threats against the Morales government, allegedly over opposition to voting procedures in the new Constituent Assembly. This occurred as the South American Community of Nations summit was taking place in Cochabamba.

Mass demonstrations occurred in Santa Cruz, Beni, and Tarija, located in the oil-rich eastern part of the country, where these state governments announced that unless the government changed its position by Dec. 11 on voting procedures for approval of the new Constitution, (being drafted in the Constituent Assembly), they would take the necessary steps to establish their autonomy. Santa Cruz is prepared to set up committees in less than 15 days that will write "statutes on autonomy," and Tarija and Beni will do the same. One official in Tarija warned that "the regions are operating on the assumption of future self-determination." Public meetings (*cabildos*) on autonomy were held in these provinces on Dec. 14.

These actions have little to do with voting procedures in reality, but are part of the ongoing destabilization of the Morales government by political and financial factions linked to international Synarchist circles. Vice President Alvaro Garcia warned that the government will tolerate no action that threatens Bolivia's territorial integrity. "Unpatriotic interests" are behind this move, he said.

### **Pinochet Follows Milton Friedman Down, Way Down**

There is a certain irony in the fact that former Chilean dictator Augusto Pinochet died on International Human Rights day, on Dec. 10. Within an hour of his death, Chilean citizens poured out onto the streets of the capital, Santiago, and cities around the country, to express their joy at the passing of the man who overthrew elected President Salvador Allende in the bloody Sept. 11, 1973 coup, and established a 17-year fascist dictatorship which to this day is lauded for creating a "model" free-market economy.

Typical of the open support for Pinochet's "work" from globalization's liberal champions which followed his death, was the editorial in Lazard Freres's *Washington Post* on Dec. 12, which baldly proclaimed: "Augusto Pinochet tortured and murdered. His legacy is Latin America's most successful country." It admitted he murdered more than 3,000 people and had tens of thousands tortured, and enriched himself from public coffers along the way, even as it argues that (deposed and murdered) President Salvador Allende made him do it. But, lying that Chile's precarious economy and democracy is a great success, the *Post* asserts: "Mr. Pinochet had something to do with this success.... [H]e introduced the free-market policies that produced the Chilean economic miracle."

In Chile, however, tens of thousands of people flowed to plazas and streets throughout the city, spontaneously marching, waving flags, leaning on their car horns, and drinking wine, champagne and beer. Makeshift memorials were set up at several locations to memorialize the names of those kidnapped, disappeared or murdered by Pinochet's Operation Condor killing machine.

President Michelle Bachelet ordered that no state funeral be held, nor any official period of mourning or flags flown at half mast. Due to his remaining power within the Army, however, Pinochet was honored with a military funeral, at which Defense Minister Vivienne Blanlot represented the government. Pinochet's grandson, Capt. Augusto Pinochet Molina, used the funeral as the occasion to make a political speech, justifying the 1973 military coup and praising the fascist policies it imposed so brutally. Captain Pinochet's remarks, for which he was cashiered shortly thereafter, were a defiant challenge to President Bachelet. General Pinochet, he said, "was one of the most prominent leaders of his time internationally, because in the middle of the Cold War, he defeated the Marxist model that was to be imposed by force of arms...." To wild applause, he then attacked those judges who tried to prosecute the former dictator, claiming they "sought fame more than they did justice."

The Dec. 12 funeral was an orgy of praise for the old Nazi, complete with fascist salutes and the provocative act of placing a Presidential sash on the coffin, in defiance of the government's refusal to grant Pinochet a state funeral. However the festivities were interrupted when Francisco Cuadrado Prats walked up to the dictator's coffin and spat on it. Cuadrado Prats is the grandson of Gen. Carlos Prats and his wife Sofia Cuthbert, whose 1974 assassination in Buenos Aires was ordered by Pinochet.

### **Tri-Border Countries Reject Bush-Cheney 'Terrorist' Campaign**

Argentina, Brazil, and Paraguay rejected U.S. "evidence" of terrorist activities, or financing of terrorism, in the tri-border region where the three countries meet, during the Dec. 4-7 meeting in Buenos Aires of the "3+1" mechanism, of representatives of the three nations plus the U.S. State Department Counterterrorism Coordinator Virginia Palmer provoked a sharp response from the other three governments when she alleged that "a network operates [in the tri-border region] in charge of sending funds and recruiting members of the Lebanese terrorist organization, Hezbollah." She presented a list of nine individuals and two organizations she said the U.S. intended to charge with financing terrorism.

The alleged existence of Hezbollah operations in the tri-border region has been used for years by the U.S. exert intense pressure on regional government to join Bush's "war on terror." The Brazilians in particular don't want the U.S. military or security personnel mucking around in the area. In a joint communiqué issued Dec. 7, the three South American governments firmly asserted that "the information presented by the United States offers no new elements that would allow them to affirm the existence of terrorist activities in the region, *including the financing of terrorism*" (emphasis added). The delegations stated that "according to available information, no operating terrorist activities have been detected in the area of the Triple Border."

## **Western European News Digest**

## **Dutch Crisis Could Lead to Emergency Government**

The Netherlands still does not have a government despite it's having been three weeks since it held elections, the *International Herald Tribune* reported Dec. 14. Those elections left both the Christian Democrats (CD) and the Labor Party, the country's two largest parties, without enough votes to form a government. The third-largest party, the Socialists, refused to join a coalition, while the fourth-largest, the liberal VVD, was an unacceptable partner for Labor. It is now proposed that Labor and CD form a coalition with the Christian Union, which would have a slight majority. This coalition has yet to be approved.

If this fails, and a government cannot be formed, then an obscure clause in the Constitution could be used to form an "all party" government. This has never happened before and would be a form of emergency government that could conceivably rule for a full four-year term, but most likely would lead to yet more elections.

According a Dutch source, the ongoing political chaos is to the advantage of the nominally neo-conservative, but really neo-fascist, Party for Freedom, led by Geerd Wilders, which went from one to nine seats in the 150-seat parliament after the elections. Wilders is militantly anti-immigrant and a leading figure in the European Islamophobia. movement. The source warned if there were another provocation like that of the Danish cartoons that could fan the flames of anti-Islamism, then his party could win even more seats and become a decisive factor in the formation of a government.

## **German Role in Iraq Keyed to Baker-Hamilton Report**

In meetings in Washington in the wake of the release Dec. 6 of the Iraq Study Group's report, German Foreign Minister Frank W. Steinmeier told U.S. Secretary of State Condoleezza Rice that sending German troops to Iraq is ruled out as before, a theme that was repeated by leading German politicians over the past few days. Steinmeier added that any increased role for Germany depends on U.S. clarification of its future Iraq policy, in light of the recommendations made by the Baker-Hamilton report, and that all of that will have to be debated during 2007.

In a Dec. 9 radio interview, U.S. Ambassador to Germany William R. Timken urged Germany, "the third-largest economic power of the world," to increase its engagement in and for Iraq. Timken welcomed the Baker-Hamilton report in general, hinting at a change of U.S. policy, but objected to direct U.S. talks with Syria and Iran, saying that the Iranians were not ready to talk yet.

The Social Democrats' foreign policy spokesman, Gert Weisskirchen, told *Spiegel* online that a military mission in Iraq "is the red line that must not be crossed." He did not rule out though "that during another, later phase of the development in Iraq, if it were still necessary then at all, we shall contribute to the production of security, if the Iraqis wish, and after we have looked at the situation carefully."

Spokesmen for German industry have repeatedly hinted, also before the release of the Baker-Hamilton report, that they would like to return to Iraq, to repair infrastructure and industries—which in many cases originated in Germany—but on condition that first there must be peace and stability in Iraq.

## **EU Summit Endorses Spanish Mideast Peace Initiative**

At a dinner meeting of the European Union Summit conference, EU foreign ministers affirmed a five-point Israel-Palestine peace initiative demanding an immediate ceasefire, formation of a Palestinian unity government, the exchange of prisoners, talks between Israeli Prime Minister Ehud Olmert and Palestinian National Authority President Abu Mazen, and an international mission in Gaza to monitor the cease-fire. The leaders also called on Syria to play a larger role.

This is the same initiative proposed by Spain last November and endorsed by France and Italy.

On a visit to Germany last week, Israeli Prime Minister Ehud Olmert broke the decades-long taboo and admitted Israeli possession of nuclear weapons. In two radio interviews Dec. 11, Olmert said, "Iran openly, explicitly, and publicly threatens to wipe Israel off the map. Can you say that this is the same level, when they [Iran] are aspiring to have nuclear weapons, as America, France, Israel, and Russia?" Asked about this at a press conference, EU foreign policy chief Javier Solana said, "The European Union does not want to have weapons of mass destruction in the Middle East. Is that clear?"

### **Merkel Sees 'Many Small Steps' to Mideast Peace**

German Chancellor Angela Merkel appeared before the press Dec. 11, after meeting with Egyptian President Hosni Mubarak in Berlin the previous day, and announced, in rather nebulous terms, a "new German initiative for the Mideast." She spoke of revitalizing the Road Map Quartet (UN, United States, EU, and Russia) for Palestinian-Israeli peace, of sovereignty and mutual recognition of statehood for Palestine, Israel, and Lebanon. Details of the initiative will be made known by the beginning of 2007, when Germany takes the half-year presidency of the European Union. Merkel said that in order to accomplish peace in the Mideast, "many small steps" were required—no grand design, not even a medium-size one.

### **Blair Interrogation Is First for Sitting Prime Minister**

British Prime Minister Tony Blair was questioned by the police in the "cash-for-honors" criminal investigation, the *Guardian* reported Dec. 15. The scandal involves cash donations to the Labor Party in return for honors such as knighthoods and appointments to the House of Lords, a criminal offense. Blair has become the first sitting Prime Minister to be questioned by the police.

The police said that Blair was questioned as a "witness" and not a "suspect," but that could change if fresh evidence surfaces, according to the police. Blair kept the questioning secret, even from his own staff, until after the fact.

### **Blair Intervenes on BAE Systems Bribery Investigation**

Thanks to the intervention of British Prime Minister Tony Blair, the Serious Fraud Office dropped its investigation of alleged bribery by BAE Systems in its multibillion-dollar deal with Saudi Arabia, according to the *Guardian* Dec. 15. Following threats by the Saudi government to drop a 6-billion-pound offer to purchase 72 Typhoon fighters, the Blair government intervened, citing "national interest." Lord Goldsmith, the attorney general, made the decision following "representations" from the Prime Minister's and Defence Minister's offices, and the intelligence services.

As could be expected, BAE's stock price went up along with those of other major contractors in the deal, including Rolls Royce. The move has created a outcry in the Parliament and the press.

### **Nazi Crown Jurist Schmitt Profiled in German Daily**

Without explanation, the *Frankfurter Allgemeine Zeitung*, the paper of the German financial community, published Nov. 29 a two-page article on the career of Carl Schmitt, the judicial figure who legitimized the entire Nazi program. The article, "My Visit to Carl Schmitt," gives a "clinical" insight into some aspects of the thinking of the famous Nazi Crown Jurist—a synarchist—as *EIR* has documented. Author Henning Ritter, a later pupil in the Carl Schmitt school of thought, begins with an introduction saying that Carl Schmitt was always regarded as the most "dangerous" thinker of the 20th Century in Germany. The "Crown Jurist" of the Third Reich, writes Ritter, after the war, was not allowed to teach at the university,

and was confined to a place in Sauerland which became a pilgrimage place for many intellectuals from all over the world (he does not mention that among them were Alexandre Kojeve, Raymond Aron, etc.)

"Today Carl Schmitt is being discussed worldwide as intensively as no other German thinker of the 20th century," Ritter asserts, adding that Schmitt's "great affinity with reactionary thinking had its roots in the 19th Century and in the historical period of France's Dreyfuss Affair." Ritter's article ends, saying: "After having read Schmitt's 'Partisan,' I ordered the entire works of Mao Tse-tung. This occurred several years before it became fashionable in Germany to recite the words of the great Chairman Mao."

## **China Sees Progressive Era of Bismarck, List, as Model**

A series on Chinese state television which looks at what China can learn from the history of other nations, focusses prominently on 19th Century Germany, according to the *Frankfurter Allgemeine Zeitung* Dec. 14. In particular, the role of Friedrich List, the economist, and of Otto von Bismarck, the politician and German Chancellor, is elaborated.

List, who spent considerable time in the United States, studying the American System of economics, created the theory of stages of economic development, which was then implemented by Bismarck, the program noted. List and Bismarck jointly contributed to a model of development, which is of relevance for countries that are lagging behind other countries. Therefore, China can learn from the German example about the continuation of economic and military strength, of political balance, and sober foreign policy, the program advises. List and Bismarck understood the importance of a first-class education system, as well as of social policy. Unfortunately, Germany turned away from these principles in the first half of the 20th Century, with devastating consequences, only to return to them after the Second World War, the program noted.

## **Belgian TV News Fakes Break-Up of Nation**

An eerie, "psywar" type incident was staged in the leading channel of the Belgian national TV on Dec. 14. The program "Prime Time" broadcast a news update which turned out to be a complete fabrication, along the lines of Orson Wells' "War of the Worlds."

The RTBF Channel 1 prime-time news program was suddenly interrupted with an "emergency news bulletin." The well-known TV news reporter Francois de Brigode announced, with a serious demeanor, that "Flanders had just declared its independence" from Belgium. What followed then, writes the *FAZ*, was political and journalistic "fireworks." The program then showed people being interviewed from various locations, expressing shock and dismay. In front of the Royal Palace in Brussels, a journalist reported that King Albert II had just left the country, to go into exile (they used archive pictures showing him taking an airplane). After more of this, the station announced, "This is a fiction."

However, as a quick poll showed, 89% of the viewers had thought that the "disinformation" was authentic, while another 6% believed that it was credible.

According to the *FAZ*, various top politicians and entertainers—among them Parliamentary President De Croo—had given interviews to the program, not realizing they would be used in the spoof.

## **Russia and the CIS News Digest**

### **Putin Visits Mobile ICBM Unit**

On Dec. 14, Russian President Vladimir Putin made a two-stop tour of the latest upgrades to Russia's strategic military capabilities, visiting a Topol-M mobile ICBM regiment in Ivanovo Region, and the Plesetsk launch range in Arkhangelsk Region. Ivanovo's missile regiment is the first Topol-M unit to go operational, which it did on Dec. 10. The Topol-M (code-named SS-27 by NATO) is an upgrade of the Topol (SS-25) silo-launched or road-mobile missile, developed in the 1980s; the Topol-M itself completed flight-testing in 1995, but full-scale serial production began only after a decision in 2001, during Putin's first term.

Putin said, according to a Kremlin press release, "The Topol-M itself is a missile of a completely new kind, that has come out of radical modification and modernization of the Topol missile, and uses exclusively Russian-produced technology and components. This mobile strategic missile complex truly is a 21st-Century weapon. Its survivability and precision have been considerably enhanced. It has been equipped with specially designed systems that enable it to penetrate anti-missile defenses and guarantee that it can carry out its missions even in the face of prospective missile defense systems. All of this will make our nuclear deterrent forces effective in the long term."

Russian press coverage of the Topol-M is reminiscent of the tensions during global showdown between the Soviet Union and the West at points in the 1970s and 1980s. A recent issue of *Argumenty i Fakty*, the most widely read newspaper in Russia, headlined an article, "The Poplar Is Not Some Mere Linden Tree" ("topol" means poplar), with the kicker, "One volley, and no more America!" The article, illustrated with a picture of the road-mobile Topol-M, detailed the range, accuracy, and concealability of the system.

At Plesetsk, Putin viewed progress on the Soyuz-2 and Angara missile-launch systems, and new satellite communications equipment.

### **Chief of Staff Warns on Missile Defense**

Russia's Chief of the Armed Forces General Staff, Yuri Baluyevsky, has again warned against U.S. plans to deploy missile defenses in Europe, saying that the move was aimed against Russia and would prompt retaliatory measures, according to Russian news reports Dec. 14. Baluyevsky underlined that the missile defense site was announced as being geared to a potential threat from North Korea and Iran, neither of which really is capable of attacking the U.S. or NATO in the foreseeable future. "The deployment of missile defense in Europe near the Russian border is an unfriendly move, to put it mildly," said Baluyevsky. "Its range will cover a significant portion of the European part of Russia, and its integration with U.S. information resources will further strengthen the anti-Russian potential of this facility." Baluyevsky said that the silos intended for missile defense interceptors could also be used for long-range ballistic missiles. He added that U.S. plans to deploy a national missile defense would remain an irritant in relations between Russia, the USA, and other NATO countries. "We would be forced to search for countermeasures which would be asymmetrical and clearly much cheaper," he said.

On the same occasion, a Dec. 13 meeting with foreign military attaches, Baluyevsky stressed that the area of the Commonwealth of Independent States (CIS) should not become a target area for "destructive" operations, and "any activity in it, outside of regional agencies and forces, must be transparent and understandable. Any 'secret' agendas, and activity aimed at destabilizing the situation ... are inadmissible for Russia."

### **Gazprom Buying Out Royal Dutch Shell in Sakhalin**

Russian First Deputy Premier Dmitri Medvedev confirmed Dec. 12 that the state-owned Gazprom company, whose board he chairs, is in negotiations to buy around a 50% stake in the Sakhalin-2 oil and natural gas project on the Russian Pacific continental shelf, buying out Royal Dutch Shell, Mitsui, and Mitsubishi. "We are looking at all options, ranging from cash to an asset swap," Medvedev said. Shell, the lead foreign investor, has been under heavy pressure from Russian

environmental authorities, for alleged violations during the project. In addition, *Izvestia* reported, last summer's announcement that the cost of developing Sakhalin-2 would balloon from the initial estimate of \$10 billion, to \$22 billion, meant that the Russian government stood to receive proceeds under the Production Sharing Arrangement much farther down the road than planned, since those profits kick in only after the recovery of costs.

On Dec. 9, President Putin chaired a Russian Security Council meeting on the topic of "restoring order in state policy on oil and gas production on Russia's continental shelf." According to Russian press accounts, monitored by RFE/RL Newsline, the meeting determined that PSAs for continental shelf resource development are inconsistent with Russia's national interests. At the same time, reports from Russian sources suggest that ongoing tension between Gazprom and the state-owned oil company, Rosneft, which is a partner with ExxonMobil in the Sakhalin-1 project, may also be a factor in Gazprom's move.

## Southwest Asia News Digest

### Lyndon LaRouche: I Defend President Jimmy Carter

On Dec. 14, 2006, Democratic Party leader Lyndon LaRouche issued a press release defending former President Jimmy Carter for his book, *Palestine: Peace Not Apartheid*, which has come under brutal attack for comparing the Israeli treatment of the Palestinians to South African apartheid. LaRouche stated, "I intervene to defend former President Jimmy Carter at this instant, for two reasons. First, he is right on the issue of the title of his current book. What the Israelis and others are currently practicing against the Palestinians, is nothing differing in principle from a continuing practice of Apartheid. Every sane and intelligent political figure I know agrees with that in fact, but only a few of those politicians acting in the tradition of 'political animals,' are willing to be caught saying that publicly...."

Locating former President Carter's book in the context of the Iraq War, LaRouche concluded:

"Without bringing about a peaceful resolution of the Arab-Israel conflict, there is no hope for the continued existence of Israel itself, nor the so-called "Middle East" as a whole. If the "Middle East" goes, as the Bush-Cheney policies would ensure an early catastrophe there, there is the danger that the entire planet is plunged into related political-strategic flames. Jimmy Carter is right."

The full statement is posted at [www.larouchepac.com](http://www.larouchepac.com).

### LaRouche Reps Interviewed in Tehran During Week-Long Visit

From Nov. 24 to Dec. 8, two representatives of Democratic Party leader Lyndon LaRouche visited Tehran, during which they made appearances on ten media, notably, the Islamic Republic of Iran Broadcasting (IRIB), which is the national TV and radio entity. In every interview, Muriel Mirak-Weissbach, an American, and her husband Michael Weissbach, a German national, were officially identified as LaRouche representatives, and LaRouche was presented as the leader inside the U.S. Democratic Party of the opposition to Bush/Cheney, and the first to call for double impeachment of Bush and Cheney.

On Dec. 6, a joint interview took place on the IRIB German-language radio. The questions focussed on the significance of the Nov. 7 U.S. elections; whether or not Bush really had won the 2000 election; the role and political weight of the "Christian fundamentalists"; and the implications of a recent report that 2% of the U.S. population (or 7 million people) are in prison. Questions were also asked about the danger of a U.S. and/or Israeli attack on Iran.

Questions to Michael Weissbach started with an evaluation of the current status of trans-Atlantic relations, especially U.S.-German relations under Bush and Chancellor Angela Merkel, European views of needed change in U.S. foreign policy, and impeachment. Discussion also covered Germany's role in Afghanistan; Germany's loss of sovereignty through the euro system; German nuclear policy; and how Germany views Iran's nuclear program.

The final media event was on Dec. 7, on a live TV roundtable discussion called Forum, at IRIB, with the moderator, Mirak-Weissbach, an IRIB correspondent hooked up from London, and a professor. The subject was the Lebanon crisis, and there was ample time in the 45-minute show to develop the background picture of the crisis: from Cheney's 1996 Clean Break doctrine, to Cheney's recent Sunni vs. Shi'a scenario.

## **Is Bush Preparing To Implement AEI/Cheney Plan for Iraq?**

Numerous news reports, on Dec. 16, suggested that proposals for large increases in American troop strength in Iraq are the real policy of the White House, in direct repudiation of the Iraq Study Group report. The increases being considered range from 20,000-50,000 troops, though military officials told the *New York Times* that anything above 30,000 troops would not be possible. In fact, a plan produced by the notorious American Enterprise Institute—the same AEI that provided the neo-con "team" for Dick Cheney that rammed through the Iraq War without a plan, or reason—is being touted as the Cheney plan being pushed on Bush.

Released on Dec. 13, and posted on the AEI website, the "plan" is a sophomoric 56-slide power-point presentation called "Choosing Victory: A Plan for Success in Iraq," by Frederick Kagan.

It calls for adding four to five U.S. brigades in Baghdad on top of the five already there and two more in Anbar province and proposes to do this by extending rotations of Army brigades from 12 to 15 months, and Marine regiments from 7 to 12 months and moving up the deployments of brigades already scheduled to go to Iraq in 2007. The plan proposes that all these extra troops are supposed to both put down the Sunni insurgency in Anbar and disarm the Shi'ite Mahdi and Badr militias in Baghdad.

Retired DIA analyst Patrick Lang describes the AEI plan as "Stalingrad on the Tigris." "The concept seems to be based on the notion that Shia militias exist because of Sunni violence against them rather than as expressions of a Shia drive to political dominance in Iraq," Lang writes. "Based on that belief the authors seem to believe that if the additional U.S. and Iraqi forces to be employed in the Capital area defeat the Sunni insurgent groups, then the Shia militia armies will 'withier away' from lack of need. I do not think that belief is justified." Lang also notes that the authors of the AEI report assert that such a surge of troops into Iraq won't "break" the Army, contrary to Chief of Staff Gen. Peter Schoomaker's appraisal, just this week (see USA Digest). In a separate posting, Lang writes that the Army "is going to break, split wide open from stress and grief and family loneliness" because "There are not enough units to rotate in and out of the war in any way that human flesh can bear indefinitely."

As for the AEI scenario, Lang says: "This concept is a recipe for a grand and climatic battle between the U.S. and Iraqi forces on one side and some combination of Sunni and Shia forces on the other.... The carnage implicit in this concept would be appalling." Lang concludes that, "The authors have much to say about the consequences of defeat in Iraq, but, I wonder if they have contemplated what it would be like to fail in their climactic battle and still be required" to stay in Iraq.

Interestingly, most U.S. military commanders, including Gen. George Casey, the U.S. commander in Iraq, are said not to favor such an increase in U.S. troops. Schoomaker explicitly told the Commission on the National Guard and Reserves that the Army should not surge without a purpose "and that purpose should be measurable." One commander said to favor the idea, however, is Lt. Gen. Raymond Odierno, slated to take operational command of U.S. forces in Iraq in January. Odierno commanded the 4th Infantry Division in Iraq in 2003-2004 and came in for heavy criticism for running huge cordon and

sweep operations that contributed to the growth of the Sunni insurgency and the Abu Ghraib scandal.

## **Abbas Calls New Elections, Deepens Hamas-Fatah Conflict**

Palestinian Authority President Mahmoud Abbas announced Dec. 16 that he will call early elections, supposedly to break the deadlock between the Hamas-led government and Abbas's Fatah faction.

In his statement, which has been rejected by a number of Palestinian groups represented in the legislative assembly, Abbas said, "Since the people are the source of authority, we will return to them and let them say their word.... I decreed the formation of the government and I can sack it whenever I want to."

Reaction to Abbas' announcement was immediate and angry. Tens of thousands of people in Gaza protested in support of Hamas leading to clashes with Fatah security forces in which dozens of people were wounded.

"What a war, Mahmoud Abbas, you are launching, first against God and then against Hamas," senior Hamas leader Khalil al-Hayya declared at a rally in Gaza City. Mahmoud Zahar, Foreign Minister in the Hamas-led government declared, "We are not going to allow elections to take place. This is a real coup. He [Abbas] has never accepted this government. He never sat in one government meeting."

Khalid Meshal, the Damascus-based Hamas political chief, on the other hand, called for Palestinians to "practice restraint." "Our battle is against occupation, and we will not be dragged into a civil war," he said. On Dec. 15, Palestinian Prime Minister Ismail Haniyeh appealed for "national unity," but reportedly stopped short of explicitly calling for calm.

The question that has to be asked, however, is the degree to which outside support for Abbas is intensifying the conflict. Hamas supporters are already blaming the U.S. and Israel for what they describe as an assassination attempt on Haniyeh, on the night of Dec. 14. The official word from the office of the Israeli Prime Minister's office is that government ministers are to make no statements about the events in the Palestinian Authority or Abbas's call for early elections.

But, security and government sources told *Ha'aretz* political reporter Aluf Benn Dec. 16 that there is already an Israeli decision to aide Abbas by transferring a security force loyal to him from Jordan to Gaza. And, British Prime Minister Tony Blair, in Cairo for meetings with Egyptian President Hosni Mubarak, declared that the international community should support Abbas, who, he said, is "signaling his determination to move on without them [Hamas], if they are unwilling or unable to move."

## **Saudi Clerics Call for Worldwide Sunni Mobilization vs. Shi'ites**

A religious call for a worldwide Sunni mobilization against the Shi'ites has been posted on Saudi Islamist web sites. Appearing on Dec. 11, it says the Sunnis were being murdered by Shi'ites, backed by Iran, and the U.S.-led forces. "We direct this message to all concerned about Shi'ites in the world: the murder, torture and displacement of Sunnis ... is an outrage. We don't think you would accept to be treated like this," said the statement, dated Dec. 7. "Muslims must stand directly with our Sunni brothers in Iraq and support them by all appropriate, well-studied means.... Muslims generally should be made aware of the danger of the Shi'ites. Clerics and intellectuals should not stand hands folded over what's happening to their Sunni brothers in Iraq; all occasions should be used to expose the Shi'ites' practices.... What has been taken by force can only be got back by force."

The statement was signed by 38 clerics and Islamic preachers, including leading Wahabites Abdel-Rahman al-Barrak, Safar al-Hawali, and Nasser al-Omar. The document reportedly also expressed fears of a "Shi'ite crescent" stretching across the

Middle East, the same formulation used by Jordanian King Abdallah II.

## **Chief-of-Staff Decries 'Hollowing' of U.S. Army**

In a dramatic gesture of opposition to Bush Administration and neo-conservatives' calls for an expansion of the U.S. troop deployments to Iraq, Gen. Peter Schoomaker, the Chief of Staff of the U.S. Army, told the Commission on the National Guard and Reserve, in testimony Dec. 14, that unless there is a significant expansion of the size of the Army, and other policy changes, the force structure will collapse.

According to a front-page lead story in the *Washington Post* Dec. 15, Schoomaker spoke bluntly about the inability of the U.S. Army to sustain the present Iraq deployment, without a much larger involuntary call-up of Reserve and National Guard units. He demanded that the temporary increase in the size of the U.S. Army from 482,000 active duty soldiers to 512,000 be made permanent, and that the Army increase in size by 7,000 additional soldiers per year for an indefinite period of time. He also demanded that the Reserve and Guard policy be changed. Now, Reservists and Guardsmen can only be called to active duty involuntarily once, and for a total of 24 months. As a result, of the 522,000 Guard and Reserve troops, only 90,000 are still available to be mobilized for Iraq, Afghanistan, and other assignments.

In this context, Schoomaker told reporters after his commission testimony, that he opposes an increase in the troop strength in Iraq. "We should not surge without a purpose," he said, "and that purpose should be measurable and get us something."

Among active-duty and retired military officers, Schoomaker is not known for brilliance or candor. He was brought out of retirement by now-former Defense Secretary Donald Rumsfeld to take the Chief of Staff post, when a string of active duty generals, in line for the job, refused to work for Rumsfeld after the Iraq invasion and occupation fiasco.

## **Asia News Digest**

### **Chinese Leader Educates U.S. on Its Development Plan**

Chinese Vice Prime Minister Wu Yi described the realities of China's developing economy in her speech Dec. 14 to the China-U.S. Strategic Dialogue in Beijing. Because of the lack of understanding on the U.S. side, Wu Yi said that "we believe it highly necessary to introduce our American friends ... to: What's the exact shape of the development road that China has been following all these years?"

She said that China has chosen "to follow a peaceful path to development, ... a wise decision based on China's traditional culture, painful history, and her tremendous achievements at the current stage." She then described China's conditions as "the largest developing country in the world ... having within it the widest gap of the natural and geographic conditions as well as the population and resources distribution in the world. It is also one of the countries with the sharpest discrepancy of development between the urban and rural areas and among different regions." She said that urban residents are over three times better off than the huge rural population, and that China's per capita GDP is just US\$1,700, the 100th country in the list of rich to poor. There are hundreds of millions of poor in China, she said, even by very low standards of poverty.

"To understand the status quo of China's development, one should not only look at coastal regions and cities in the East, but pay more attention to the central and western regions as well as the vast rural areas," she said. "Only by focussing on development in the long run can China lay a necessary material foundation for the constant improvement of the people's living standard."

### **Chinese RMB Continues To Rise vs. Dollar**

China's renminbi is now at the highest against the U.S. dollar since July 2005, when China ended the dollar peg, and revalued the RMB by 2.1%. Since then, the RMB has been allowed to float in a narrow band of 0.3% each way, per day. It has been steadily rising against the dollar since.

This is having an effect on China's four large state-owned commercial banks, Xinhua reported Dec. 14. The banks face exchange losses of billions of yuan, because the banks are listed on the Hong Kong and other international exchanges. Investors bought shares in foreign currency, and the China Construction Bank alone lost 2.4 billion yuan (US\$300 million) just in the first half of this year. CCB president Guo Shuqing said recently in Beijing, "With their huge sums of foreign currency, overseas-listed banks have come under great pressure." CCB is the world's eighth-largest bank in terms of total assets.

## **U.S. Bill on India Nuke Deal Creates Strange Bedfellows in Delhi**

Controversy over the legislation approved by the U.S. Congress on the nuclear deal with India has brought together India's left and right in protest, *The Hindu* reported Dec. 11. The Politburo of the Communist Party of India-Marxist (CPI-M) has made clear that the recently passed legislation, which President Bush has yet to sign, on bilateral civilian nuclear cooperation between the United States and India, contains gross violations of the assurances given by Prime Minister Manmohan Singh to Indian politicians earlier. Under the circumstances, the CPI-M announced that it cannot support the bill and demanded a full-fledged debate in the Parliament.

Meanwhile, the right-wing Bharatiya Janata Party (BJP), the main opposition party, called the bill "humiliating" and charged that the intent of the United States in presenting it was to undermine India's thorium fuel-based commercial reactor development, and therefore it is not acceptable to the BJP.

The new provisos in the bill, following its passage through the U.S. House and Senate, contain clauses which clearly disturb some in New Delhi. Among them is the suggestion that India would not receive U.S. assistance for enrichment, reprocessing, and heavy-water production. It also urged the U.S. President to lobby against nuclear fuel supplies to India if Washington terminates nuclear cooperation with New Delhi. The bill also said the cooperation would be automatically terminated if India violated the guidelines of the Nuclear Suppliers Group or Missile Technology Control Regime.

Prime Minister Manmohan Singh does not have to get the bill through the Parliament, since the Constitution allows him to have it approved by the Cabinet Committee—a handmaiden of the government. But, that would mean political death for him and his government.

## **Bangladesh Looks To Be Heading for a Military Takeover**

Reports from New Delhi indicate that Bangladesh's main opposition political party, the Awami League, is in no mood to give up its mass protests for electoral reform even after the President Iajuddin Ahmed deployed military forces to take control of the major cities. Bangladesh is scheduled to have general elections in January 2007 and the Awami League is convinced that unless electoral reforms are made, vote rigging will put the ruling Bangladesh Nationalist Party (BNP) under Begum Khaleda Zia, back in power.

While no one opposes the Awami League's demand, the League could be wrong about the election outcome, on two counts. To begin with, there is a nationwide opposition to the BNP because of their embracing of economic liberalization and globalization; the process has further pauperized the working people.

Secondly, the game plan of the BNP, which is close to the Bangladesh military (Begum Khaleda Zia's late husband Ziaur Rehman was President of the country and a Major General), is to bring the military to power in the interim. Washington is not particularly interested, because the BNP has also boosted the Islamic fundamentalist groups and had political alliance with the Jamaat-e-Islami. Washington's view is, anything but the Islamic fundamentalists. As a result, New Delhi believes that the situation in Bangladesh has only one way to go—a takeover by the military.

## **Pakistan Behind Afghan Insecurity?**

The leading government-controlled paper in Afghanistan, *Anis*, has said out loud for the first time: "The country's current crisis of military challenge is the result of direct and indirect interference of Pakistan," as quoted in *Zee News* from Kandahar Dec. 13.

Simultaneously, Afghan President Hamid Karzai, a pawn of the Western powers, speaking at Kandahar said, "Pakistan still has not given up the hope of making us slaves. But they cannot.... The tyranny against our people is not by the nation of Pakistan, it is by the government of Pakistan."

These statements came in the context of two other developments. First, the statement by NATO's U.S. General James L. Jones, who claimed at NATO's Riga pow-wow, that the Afghan war can be "won." What exactly the "win" means has not been identified, but is being given a big boost by the Bush-Cheney neo-cons.

In addition, reports on the ground indicate that the Taliban and anti-West forces in southwestern, southeastern and eastern Afghanistan have become bolder and are circling around the NATO troops like vultures. Only months ago, the anti-West forces in Afghanistan would carry out operations during the night, but not any longer. They are operating openly during the day, and as a result, most of the foreign troops are held hostage in their bases, and their alternatives are stark: conduct aerial bombings in which civilians would surely be heavy casualties, or pull out.

## **Philippines President Arroyo Forced To Drop Charter Change**

The drive to scrap the Presidential system in favor of a dictatorial parliamentary system, with no pesky Senate to challenge the Administration, has failed in the Philippines. It had been orchestrated by the notorious George Shultz agent Fidel Ramos (who ran coups against Presidents Marcos and Estrada on Shultz's behalf), and by Ramos's man in the House of Representatives, Speaker Jose de Veneciad. These traitors have operated with impunity, using President Gloria Arroyo to impose their policies under the protection of the Heritage Foundation and the neo-con crowd in the White House. Now, with the election defeat of their controllers in the U.S., their most recent, and most outrageous, effort to impose this "Charter Change" ("Cha Cha") on the nation has fallen apart.

The first effort, by gathering millions of signatures, was ruled unconstitutional by the Supreme Court. The next effort, to turn the Congress into a "Constitutional Assembly" ("Con Ass"), is totally opposed by the Senate, so, on Dec. 8, the House, controlled by the government party under de Venecia, changed the rules and called a joint session of the Congress to vote as one body to change the Constitution and postpone the May Congressional elections—openly flaunting the Constitution itself. However, nearly the whole nation revolted—the Bishops, both the Catholic and Protestant evangelical groups (which have supported Arroyo), the lawyers groups, and even the Senators from her party, announced they would join the opposition demonstrations against Cha Cha on Dec. 15. With their backers in Washington running for cover themselves, Arroyo saw the light, and told de Venecia to cancel the planned "joint session" of Congress (to which almost none of the Senators were planning to attend) on Dec. 12, where they had intended to do the evil deed.

The Ramos-led coup that replaced Estrada and put Arroyo in power took place in January 2001—the same month George W. Bush was inaugurated. With the lamest of lame ducks in power in Washington, the Ramos crowd is finding dictatorial

policies a bit more difficult to implement.

## This Week in American History

### December 19 — 25, 1777

#### A Valley Forge Christmas: Planning for a Brighter Future

On December 19, 1777, the main column of the Continental Army reached Valley Forge, Pennsylvania. It had not been General George Washington's first choice for a winter encampment, but there were factors which ruled out other sites that were closer to towns which could help to supply the army. One of these factors was the presence of thousands of refugees from British-controlled Philadelphia, who had fled to Lancaster, York, and Carlisle and whose upkeep taxed those towns' resources.

The countryside between Philadelphia and the more western towns was dotted with iron foundries, whose products were badly needed for the army, and which had to be guarded against British takeover. The town of Lancaster, known as the "workshop of the Revolution," produced Pennsylvania rifles and clothing for the army, and thus also had to be protected.

Then, too, despite the fact that Washington commanded a tattered, often shoeless, and starving army, the Pennsylvania Legislature had sent a remonstrance to Congress, now located in York, protesting against the army going into winter quarters instead of remaining in the field. Locating the army at Valley Forge, some twenty miles above Philadelphia, would enable the Americans to keep an eye on the British Army downriver while being far enough away to prevent a surprise attack on their camp.

Although his near-victory at Germantown had impressed the Europeans with America's military potential and contributed to the possibility of a French alliance, Washington was unable to mount any further offensives that winter. He wrote that a person "might have tracked the army from White Marsh to Valley Forge by the blood of their feet."

The lack of food was so critical that a mutiny broke out among the troops on the night of December 21, and the officers had great difficulty in stopping it. As General Huntington wrote on the 22nd, "My brigade are out of provisions, nor can the commissary obtain any meat. I have used every argument my imagination can invent to make the soldiers easy, but I despair of being able to do it much longer."

Before it recessed for Christmas, Congress gave Washington the power to send foraging parties into the countryside to seize supplies, and pay for them in money or certificates redeemable by Congress. Washington exercised the power when he arrived at Valley Forge in order to prevent the army's complete collapse, but he did not want to repeat such an action again, convinced of its undermining effects on both the citizenry and the soldiers. "Such procedures," he wrote to the President of Congress, "may give a momentary relief; but if repeated, will prove of the most pernicious consequence."

"Beside spreading disaffection, jealousy and fear among the people," wrote Washington, "they never fail, even in the most veteran troops, under the most rigid and exact discipline, to raise in the soldiery a disposition to licentiousness, to plunder and robbery, difficult to suppress afterward, and which has proved not only ruinous to the inhabitants, but in many instances to armies themselves. I regret the occasion that compelled us to the measure the other day, and shall consider it the greatest of our misfortunes if we should be under the necessity of practicing it again."

The year 1777 had been a very difficult one for General Washington and his army. There were only four thousand half-

trained soldiers, and the army chest was empty of funds. Congress had difficulty obtaining supplies from the states, and made many errors of its own. Among these was the fact that it had changed the workings of the army's commissary department in the middle of the Philadelphia campaign, leading to mass confusion and a resulting dearth of supplies.

Then, too, the "Conway Cabal" was in full swing, accusing Washington of being a hesitating, incompetent commander. For his replacement, the cabal named former British officer Horatio Gates, the supposed hero of the recent American victory at Saratoga. There was no mention of the fact that the strategy for Saratoga had been designed by General Washington in concert with General Philip Schuyler, whom the cabal had succeeded in replacing before the battle began.

In spite of these problems, Washington made sure that the Valley Forge encampment was a temporary necessity that would lead to better things. The army could not sleep in their frigid tents in winter, so they built a military town of log huts with fireplaces. General Washington remained in his own tent until all the men had housing; then he established his headquarters in the small Isaac Potts farmhouse at the junction of Valley Creek and the Schuylkill River.

The soldiers' boots and clothing was rotting, and sentries appeared wearing blankets, if they had them, dressing gowns, and other odd articles of clothing. One sentry guarded his post standing on his hat, to keep his bare feet out of the snow. General Washington, in an outraged letter to Congress, wrote that the army under these circumstances was "unable to perform the common duties of soldiers."

"Besides a number of men confined to hospitals for want of shoes," he wrote, "and others in farmers' houses on the same account, we have, by a field return this day made, no less than two thousand eight hundred and ninety-eight men now in camp unfit for duty, because they are barefoot, and otherwise naked." He added that on account of the lack of blankets, many soldiers were "obliged, and still are, to sit up all night by fires, instead of taking comfortable rest in a natural and common way."

George Washington aimed his ire at those who had insisted that this army remain in the field. Those gentlemen appeared to think, he wrote, that "the soldiers were made of stocks or stones, and equally insensible of frost and snow." "I can assure those gentlemen," he continued, "that it is a much easier, and less distressing thing, to draw remonstrances in a comfortable room by a good fireside, than to occupy a cold, bleak hill, and sleep under frost and snow, without clothes or blankets."

The foreign officers who had crossed the Atlantic to fight for the American cause were amazed that the Continental Army continued to function under such conditions. But Washington did not merely fill his letter to Congress with complaints; he devoted a large section to proposing that a Congressional committee, which had already visited Valley Forge, deal with the root of the army's problems.

"We have not more than 3 Months to prepare a great deal of business in; if we let these slip, or waste, we shall be labouring under the same difficulties all next Campaign as we have done this, to rectify mistakes and bring things to order. Military arrangements and movements in consequence, like the Mechanism of a Clock, will be imperfect, and disordered, by the want of a part; in a very sensible degree have I experienced this in the course of the last Summer, several Brigades having no Brigadiers appointed to them till late and some not at all; by which means it follows that an additional weight is thrown upon the Shoulders of the Commander in chief to withdraw his attention from the great line of his duty.

"The Gentlemen of the Committee when they were at Camp talked of an expedient for adjusting these matters, which I highly approved and wish to see adopted namely, that two or three Members of the Board of War or a Committee of Congress should repair immediately to Camp where the best aid can be had and with the Commanding Officer, or a Committee of his appointing, prepare and digest the most perfect plan that can be devised for correcting all abuses, making new arrangements, considering what is to be done with the weak and debilitated regiments together with many other things that would occur in the course of such a conference, and after digesting matters in the best manner they can, to submit the

whole to the ultimate determination of Congress. In fine, every thing depends upon the preparation that is made in the several departments in the course of this Winter and the success, or misfortunes of next Campaign will more than probably originate with our activity, or supineness this Winter."

General Washington helped solve the army's supply problem by appointing Nathanael Greene as Quartermaster General. Greene scoured the countryside for food and equipment that had gone astray during the reorganization of the commissary department. He discovered large caches of abandoned matériel which he conveyed back to Valley Forge. In February, Washington rode westward toward York to meet a foreign officer who had just presented his introduction from Benjamin Franklin to Congress. This was Baron von Steuben, whom Washington assigned to teach the army the elements of military drill and maneuver.

Finally on May 5, 1778, Washington's General Orders informed the troops about the new alliance with France, an alliance which owed much to the victory at Saratoga and the army's hard fighting at Germantown. When the Continental Army marched out of Valley Forge that spring to go on the offensive, it was a proud and confident fighting force.

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