

BYE-BYE PELOSI

LaRouche Republicans

by Lyndon H. LaRouche, Jr.

In U.S. national electoral politics, the reaction resulting from the morally corrupting influence of “Lockean” Anglo-Dutch Liberalism, has been a prevalent, populist tendency, a tendency expressed more often as a proclivity to vote against whom, or what one does not like, than for any clear conception of an actually affirmative policy in the tradition of the Peace of Westphalia (Leibniz), or its relevant precedents, the I Corinthians: 13 or Cardinal Nicholas of Cusa’s De Pace Fidei.

As Edward Arlington Robinson wrote in his vulgar “Miniver Cheevy,”¹ there are “reasons,” more frankly identified as cultural decadence, the decadence, like that of the Horatio Alger stories, for the early Twentieth-Century, Teddy Roosevelt-Wilson expression of a legacy of self-crippling populist habits of mind. These have become habits whose echoes find their expression in the behavior of largely unwitting victims within a large fraction of our population, still today.

Therefore, it is time, today, to remind ourselves of the “Reagan Democrats” wave of the 1980 Presidential election. If—and that is still a matter of “if”—the entire world system has not collapsed by some time during early 2008, or even before this Christmas, the present signs are, that there will come, hopefully, a specific kind of strong political wave of change for the better, in the internal composition of the U.S.A.’s famous “two-party system.” In 1980, this qual-

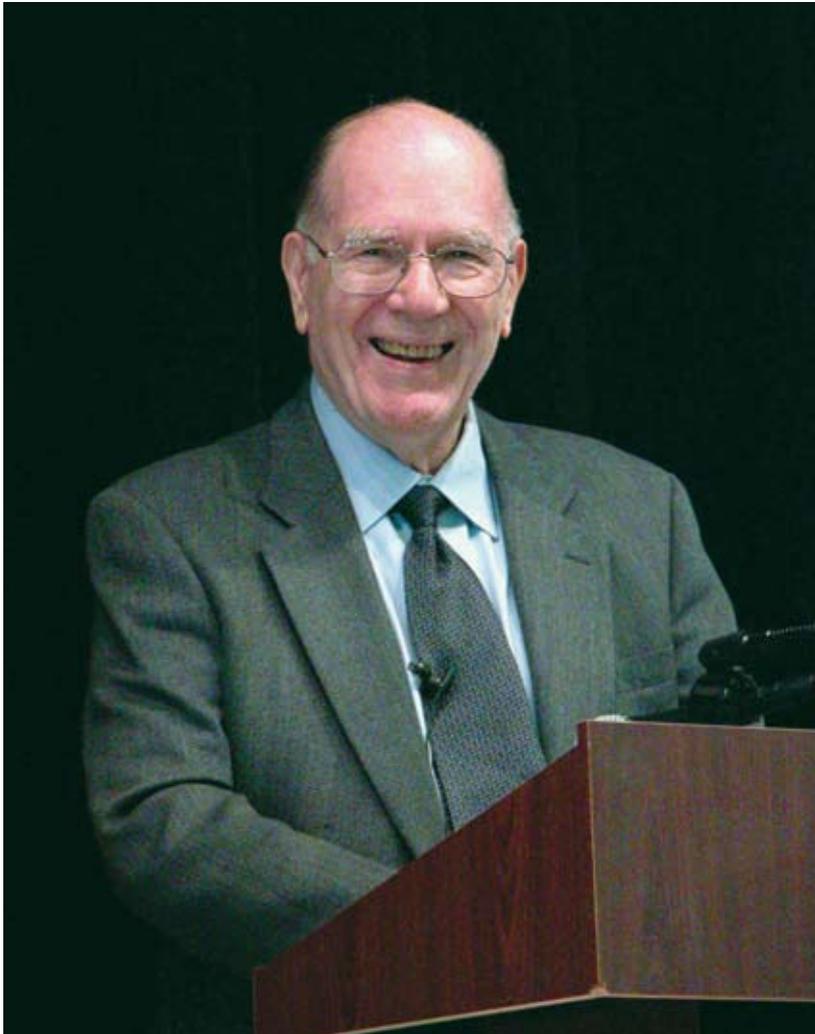
1. Jesie Belle, ed. (Boston: Houghton Mifflin, 1917). I was first exposed to that piece of doggerel during a High School English course, now virtually seventy years ago: one of those unpleasant memories which has haunted me since, in profound contrast to the persistent memory of Franz Schubert’s elegant *Die Krähe*. Robinson’s piece was notable, then, as an alleged favorite of that notorious spawn of the Confederacy, President Theodore Roosevelt, but which I locate, more vividly, as a reflection of the same decadence expressed as a trend echoed by the dupes of Mark Twain.

ity of turn in political trends was to be seen in Reagan Democrats streaming away, if briefly, from the perceived wreckage of a nation which had been ruined by the justly hated influence of the Trilateral Commission on the Carter Administration.

Today, if the U.S.A. outlives the ruin brought on by the justly and bitterly hated, joint, converging efforts of Cheney Republicans and their fellow-travelling Gore-Lieberman Democrats of the George W. Bush Administration, there will be newly-born Roosevelt Republicans, like those in President Franklin Roosevelt’s time, streaming into leading positions within the ranks of a new Democratic Presidential administration.

If the happier of the alternatives posed by the present situation emerges, watch for those indicative Republican figures who tend to move to the head of the line in this process. These Republicans might come to be described by experts, fairly, as “LaRouche Republicans,” not because they are actually my personal “followers,” but because they would be recognized as Republican supporters of, hopefully, a great and enduring economic and moral recovery, that in the Franklin Roosevelt tradition, effected by the adoption of the economic-recovery policies which I have presently crafted for this purpose.

The most recent, alarming developments in financial and related markets through November 7th, show that a general breakdown of the U.S. and western European financial system has already occurred. Up to the end of the preceding week, the financial situation inside the U.S.A. was like a planet headed toward a *threatened* breakup into asteroids. Things change. By Wednesday of this passing week, those developments have shown us a financial-monetary “planet” which had now been broken up; and, which was to be seen as the fragments, like



EIRNS/Stuart Lewis

Lyndon LaRouche surveys the 2008 U.S. Presidential campaign scene: "It is time for some extraordinarily candid observations about that campaign, breaking all currently customary precedents."

asteroids, now careening toward whatever their respective future orbits might become.

The U.S.A., in particular, has entered a clinically critical condition, in which the only remedy is, as a first step, the immediate adoption, by law, of the partial "firewall" established by emergency adoption of the Homeowners and Bank Protection Act of 2007 (HBPA). That act would halt the immediate crash; it would not save the presently fragmenting financial system, but it would halt the presently onrushing breakdown of the present U.S. financial-monetary system, and would give government a timely margin of opportunity for not only halting the present, precipitous collapse of the U.S. dollar, but putting into place the foundations for a new, needed, permanent and prosperous alternative.

It must be emphasized, however, that although the fall of the dollar is the immediate issue; that does not mean that the

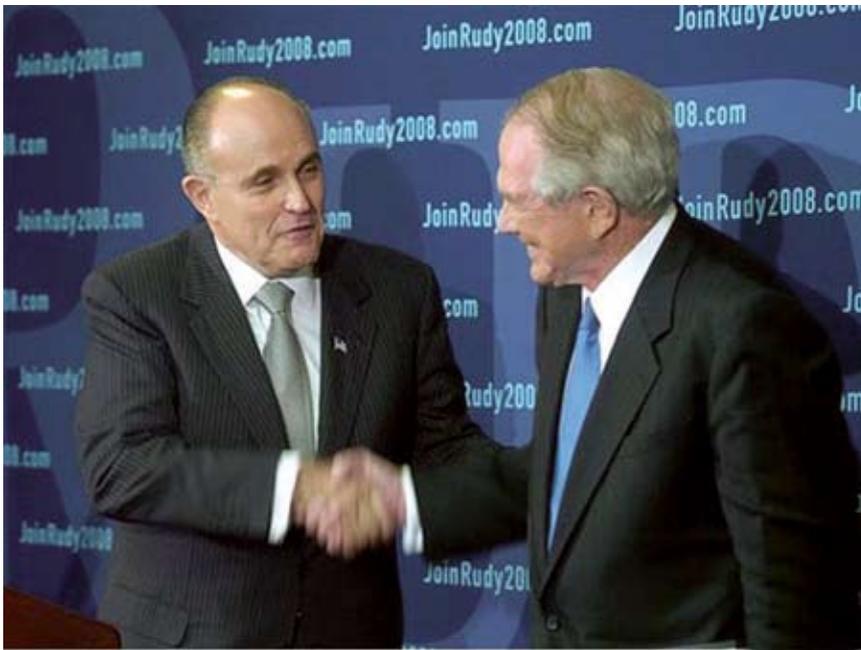
relevant, drooling predator, the British system, will take over; the British economy itself is in far worse condition than that of the U.S., while the situation of the already ruined and looted nations of western and central continental Europe, is already worse than disastrous. A collapse of the U.S. dollar would mean a global chain-reaction collapse reverberating throughout both the Americas and western and central Europe, into leading Asian economies which depend, by a large and existentially critical margin, on the now collapsing trans-Atlantic markets. Without a recovery, and ensuing reform of the U.S. dollar, the world as a whole is gripped by an accelerating slide into a planetary "new dark age."

Therefore, unless the U.S. acts now, as by emergency measures such as the HBPA, the present fall of the dollar will have an immediate consequence comparable, and that on a global scale, to the way in which the Fourteenth-Century bankruptcy of the Lombard banking house of Bardi triggered the plunge of all of Europe into a "New Dark Age" which wiped out one-third of the previous level of population of those regions.

As anyone in leading circles but a fool could now plainly see, the presently claimed, nominal monetary and financial assets of the present world system, are largely faked, and that in a way which now, more and more closely, resembles the state specific to the case of hyperinflation in the Weimar Republic of Germany during the second half of 1923.

The significant, essential difference between the situation in Germany then, and that of the U.S.A. and Europe now, is twofold:

a.) That the 1923 collapse of the Reichsmark was an intended product of the fraudulent argument of the lying U.S. Secretary of State Robert Lansing in the relevant Versailles proceedings. The conditions of looting thus imposed upon the defeated and occupied Germany, on this pretext proffered by Wilson's Lansing, unleashed a hyperinflationary process specific to Weimar Germany, a continuing process which blew up in the late-1923 phase of an intrinsically hyperinflationary process. Through mechanisms leading into the 1931 formation of the Basel Bank for International Settlements (BIS) of Hjalmar Schacht et al., Germany's financial-industrial power was taken over by, chiefly, Anglo-American interests, such as Hitler backer Montagu Norman's London and New York's Brown Brothers Harriman, using this takeover of Germany by BIS-related and like-minded circles, as the means to create what the Bank of England had intended to become the Adolf



www.joinrudy2008.com

Rudy Giuliani (left) receives the endorsement of has-been televangelist Pat Robertson. The Giuliani Presidential campaign, LaRouche writes, is in the tradition of the fascist H.G. Wells, author of *The Open Conspiracy*.

Hitler dictatorship. This was the dictatorship installed by British asset Hermann Göring, through his organizing of the “9/11”-like Reichstag fire of February 1933: days prior to U.S. President Franklin Roosevelt’s entry into office, at a time when the future World War II was, therefore, already virtually inevitable.

In time, the British, under President Roosevelt’s helpful role in bringing this change about, abandoned the Hitler cause, and therefore dumped Edward VIII; but, under U.S. President Harry Truman, that change of heart by London was soon shown to have been temporary in respect to broader, long-term essentials.

b.) The wake of the untimely death of President Franklin Roosevelt was employed as the opportunity to launch a shamelessly open avowal of a long-range movement for a scheme of international fascism, a movement associated with the initiatives and intentions of the actual, original authors of general nuclear warfare, Bertrand Russell and the H.G. Wells who had laid out the general plan for world empire in his 1928 *The Open Conspiracy* and the explicitly fascist, “futurologist” design of his 1933 “world-war plan” for *The Shape of Things to Come*.² That is also what is expressed now in the so-called “neo-conservative” policies of the current Bush-

2. Already, in 1932, H.G. Wells expressed his commitment to fascism in public statements such as his Oxford declaration: “I am asking for liberal Fascisti, for enlightened Nazis.”

Cheney Administration, and, on the Republican side, the Giuliani Presidential campaign perspectives of today.

That was the same Russell-Churchill policy continued by both Russell personally, and by the then recently deceased fascist Wells, as the policies which Russell promoted, as for the war-crime against Hiroshima, in the administration of President Harry Truman. That is the long-ranging continuation of that policy which has led through the assistance of the assassination of President John F. Kennedy, through the long, wasting, fraudulently composed (1954-1975) war in Indo-China, and the long war, also fraudulently composed, by Prime Minister Tony Blair and Dick Cheney, wasting war in Southwest Asia today.

That bit of the history is key for understanding the tide of collapse seen in the U.S.A. today. It is now a flood tide—strategically, a virtual geopolitical Noah’s Flood—on the way to reaching shores and inland landscapes world-wide. Thus, as I have just stated, the collapse will be roughly comparable, and that very soon,

to the immediate threat of something like the mid-Fourteenth-Century chain-reaction collapse of the Lombard banking system, a threatened collapse of civilization into an historic “New Dark Age” of European civilization as a whole, and beyond.

It is this immediate threat to global civilization which must be recognized and remedied now.

These developments which that long wave has produced since the assassination of President John F. Kennedy, have now had the effect of defining the urgent need for a sudden change in the apparent agenda for the presently onrushing 2008 U.S. Presidential campaign. It is time for some extraordinarily candid observations about that campaign, breaking all currently customary precedents.

The Next President

Since I am the head of a Political Action Committee (LaRouche PAC), it is not within the bounds of my present authority to endorse a named Presidential pre-candidate or candidate, even were it myself. In my performance of that current function within our republic’s lawful political system, I have a special responsibility for which there is no actual precedent in the experience of our republic’s recent Presidential nominations and general elections. My function is to define the new, global parameters within which any viable Presidential candidate for election should be inspired, selected, and constrained.

Specifically, none of the presently leading contenders for



"The Dance of Death," by Hans Holbein. *The financial collapse now upon us, if not stopped, will lead to a Dark Age, as did the collapse of the Lombard banking system in the 14th Century.*

the Presidential nominations would actually be qualified to become President, if they remained within the bounds of even their own currently expressed, and essentially small-minded conceptions and habits respecting policies and postures.

Therefore, the most optimistic outlook for the outcome of the pending nominations and election is, as it was sometimes said in the past, "that the way in which the duties of the job are defined, will make the man (or woman)" who occupies the Presidency, not the reverse. I do not exaggerate in the slightest degree, when I say that none of the presently notable candidates for nomination has shown any competence for initiating, or even defining the kind of leadership which will be required under what will become the conditions of the national and global life during the months immediately before us. Happily, one or more among these candidates might be capable of performing the job to be done, but only if they adopt a perspective which none among them has been capable of projecting thus far, today. Defining that urgently needed perspective, is where my unique sort of special duties, authority, and responsibilities now lie.

In certain past times, we as a nation have been fortunate in the instances of leaders of rare qualities of genius, such as President Washington; and his Treasury Secretary Alexander Hamilton; Secretary of State and then President John Quincy Adams; President Abraham Lincoln; and, President

Franklin Roosevelt: to have a Presidential executive which would act as virtually a self-starter, to establish the original framework within which urgently needed, radical reforms could be enacted. In approximately comparable other kinds of cases, of chief executives of companies or governments, a chief executive of an actually mediocre quality might come to be regarded, if somewhat curiously, as having been a hero in office, because he or she had been given, not accidentally, and had accepted the appropriate policy-framework and opportunities to shape his, or her decision-making.

In this present instance, my required role is to define that necessary framework needed to transform an able elected executive into the instrument, as President, used by our republic for a successful implementation of the policy designed as the setting for determining what the President will decide to do. *This is to be seen as the curative application of insight into the Classical principle of tragedy, to the requirements of leadership of imperilled nations and their governments.*³

For example: take the exemplary case

of a question presented to Presidential candidate Abraham Lincoln on one occasion: would he be committed to repeal of slavery, or defense of the Union? He responded: *the Union*.

Had he replied: *the repeal of slavery*, instead of preserving the Union, the United States would have been destroyed, and slavery would have flourished more or less permanently under the system of permanently quarreling tyrannies into which the territory of the republic would have been divided. In fact, he saved both the Union and accomplished the intended reforms of the Frederick Douglass who had shown how to fight for freedom—until the betrayal of the cause of freedom in the disastrously corrupt compromise of 1877.

Lincoln's choice was no blind stab. It had been the Boston, Manhattan, and related Liberals, as variously active or de facto British agents in the Hartford Convention tradition, who had promoted "Beecher's Bibles" and John Brown's raid, as instruments of the operations under the direction of Britain's Lord Palmerston, in seeking the permanent victory of slavery (and destruction of our republic) by dividing the Union. Lincoln understood, that to actually free the slaves, we must create and deploy that instrument of our Federal Union which was needed to bring that change about. Lincoln understood

3. Cf. Lyndon H. LaRouche, Jr. "The Force of Tragedy," *EIR*, Nov. 9, 2007.

the duplicity of New England's "American Tory" Liberals in this matter, and therefore understood clearly why that lying Sophist's question had been posed to him in Boston—as exactly the same Sophist's question had been presented to me, *from Boston (!)*, during an international webcast in February 2006. Success in hammering out the battles which would actually crush the British-created institution of chattel slavery, was thus, one might say, "Grant-ed."

President Franklin Roosevelt faced similar kinds of crucial choices in priorities. In these exemplary historical cases, he was consistently right, and what would be seen today, by some misguided souls, as the obviously more popular choice of response, would have led to disaster.

The Role of Dynamics

The difference in quality of policy-shaping which these cases illustrate, is the difference between people, like myself, who base their choices on viewing the whole political-social process in (literally) *dynamic* terms (of the process as a coherent whole), against those, like most prominent politicians of today, who think, as the dupes of Beecher's Boston Liberals had intended in posing their Sophist's question to Lincoln. Most political figures today, even leading examples, think in *mechanistic, percussive, Cartesian-like* terms of reference, rather than actually, scientifically and politically competent, *dynamic* ones.

To begin that discussion, take, as example of this problem, today's illustrative case of Senator, and leading Democratic Presidential pre-candidate Hillary Clinton.

Senator Hillary Clinton, however bright and gutsy, is still, even today so far, too much a representative of the world-outlook of her "white collar" ("Baby Boomer") generation to be the urgently needed new Franklin Roosevelt. We might hope for improvements under political fire. Bill Clinton were a model for a more likely prospect; this can be said today despite his actual record as President, when he was a frequently a reluctant prospect for playing that role as President, but, even in better moments, not consistently, only from time to time. *What were needed from among the successors of Benjamin Franklin, George Washington, and Alexander Hamilton,*



Library of Congress

"Lincoln understood, that to actually free the slaves, we must create and deploy that instrument of our Federal Union which was needed to bring that change about."
 Left: John Brown, whose crazed raid against the U.S. arsenal at Harpers Ferry was a British-backed operation to divide the Union. Right: Lt. Gen. U.S. Grant, whose determined leadership of the Union Army secured victory over the Confederacy.



or John Quincy Adams, Abraham Lincoln, and Franklin Roosevelt himself, is a President, more statesman than another ambitious politician, who will be willing to serve as an instrument of a national strategy which none among today's visible and likely prospects, himself, or herself, has the needed outlook and temperament to design.

In any attempted criticism of President William J. Clinton's performance in office, we must emphasize the ostensibly extenuating consideration, that he did not yet understand adequately the nature of what were to be recognized today, as the most important, subtler constraints placed upon his incumbency. He was willing to become the leader of the needed revolution, but not to actually bring about the kinds of changes without which the crucially needed attempted changes could not be introduced. He was still too much attached to the idea of "The Golden Generation," to recognize that it was that generation's new-Sophistry ideology, itself, which was the disease to be cured, and, hopefully, stamped out.

Under those conditions, his 1996 pledge to support a Y2000 Gore nomination for President was foreseeably disastrous.

The problem which encumbers the present generation's

leading Presidential pre-candidates (and relevant other figures), is a reflection of the fact that that generation is typified by the self-image set by the “white collar” class distilled from among a particular stratum of those born, chiefly, between 1945 and 1958: what became known a decade later, by such names as “the 68ers.”

The paradigm to which this “white collar” generation was subjected, is typified by the wildly existentialist hoax expressed by the book known as *The Authoritarian Personality* of Frankfurt School “left wing” fascists such as Theodor Adorno, Hannah Arendt, and their associates, or Bertolt Brecht. That evil book lies at the center of a new Sophistry, a Sophistry which echoes the precedent of those Sophists of the Age of Pericles, who destroyed the great civilization of Athens from the inside, as through the U.S. Peloponnesian-War-like Vietnam war, as happened to us through the associated, recent, Vietnam-War-like, Bush-Cheney war in South-west Asia, wars which echoed the crime of genocide which Athens had perpetrated against the people of Melos.

The Sophist-like conditioning of the class of children, born to “White Collar,” “Organization Man” types of households of the 1945-1958 interval, conditioned them to become the model for the liberals who were to become typical of those harvested as the riotous “68ers” of Europe and the Americas, the reigning social class governing western and central Europe and North America (for example) presently. These were not biological types, but sociological types in the tradition of those Sophists of Pericles’ Athens which had led Athens to its self-destruction in a Peloponnesian War, a tragic history now recently imitated as the 1964-1975 conflict in Indo-China and the currently continuing, Trotskyist “permanent revolution and permanent warfare” launched by Britain’s lying Tony Blair Administration and its Cheney family lackeys.

It was chiefly through the rise of the “68ers” who reflected that stratum within our population, that the Democratic Party was then virtually destroyed as an agency qualified to govern our republic. This role of the “68ers” under their reign of sophistry, thus created the opening for the installation of the Nixon Administration and those brutish attempts at pro-fascist revolution echoed by the present, fascist-like, Bush-Cheney copy of the Carl Schmitt model for a Hitler-like tyranny. Through the brutal division between the “blue collar” and “Baby Boomer” liberals, a division aided by the assassinations of the Reverend Martin Luther King and Robert Kennedy, the Democratic Party has become virtually a decaying relic of its former self, since then, up to the present time.

The case of that crucial act of the Clinton-Gore Administration—the fatal support by Clinton for Gore’s 2000 Presidential nomination—which made the current Bush-Cheney misgovernment possible, illustrates the proximate problem of the presently oncoming general election. William J. Clinton is, fairly incontestable, as being probably the brightest Presi-

dent we have had since Eisenhower and John F. Kennedy; when we trace his learning-curve as President, he appears personally as most capable among recent incumbents, far more capable today than when he was still President. The Clinton Administration’s nastiest encumbrance, Gore as Vice-President, repeatedly typified the worst of the confining circumstances which repeatedly injured, or even crippled the policy-shaping efforts and also the potential of the Clinton Administration.

If hoaxster, and habitual Baby-Boomer, Gore is discounted, the fact remains, that the reigning political culture which had been established by the crucial changes in cultural paradigm since the assassination of President John F. Kennedy, has become the living national tragedy of the political squirrel-cage within whose confines the Presidential system has been afforded delimited permission to function according to its constitutional intention; the problems inherent in a Gore-encumbered Clinton Administration, especially from mid-1996 on, illustrate this danger most clearly.

All of the leading Presidential pre-candidates in view now, are operating, so far, as willing exhibits in what is virtually a race of competing virtual squirrel-cages in a carnival.

See my recently published “The Force of Tragedy,” for a summary of the relevant kinds of principles to be considered in studying the best-known political tragedies of European history.⁴

Dynamics as Political Sociology

Dynamics, known as *dynamis* to the Pythagoreans and Platonics of ancient Classical Greece, and revived as *dynamics* by Gottfried Leibniz, in 1692-1695, is also the foundation of all competent modern European science, as this principle of physical science was defined by Cardinal Nicholas of Cusa, and such followers of Cusa in science as Leonardo da Vinci, Johannes Kepler, Fermat, Leibniz, Bernhard Riemann, Academician V.I. Vernadsky, and Albert Einstein.⁵ This principle of science, and also of culture generally, is directly opposite to the Anglo-Dutch Liberalism of Paolo Sarpi and such among his lackeys and devotees as Galileo, Sir Francis Bacon, Thomas Hobbes, John Locke, Bernard Mandeville, and their followers among the later modern empiricists and virtually lunatic, neo-Cartesian, positivist incompetents, such as the wretched Bertrand Russell devotees Norbert Wiener and John von Neumann.

The choice of the next U.S. President will be historically

4. *Ibid.*

5. Cusa’s contributions to statecraft generally, and the launching of modern science, are typified by his discovery of the fallacy of Archimedes’ doctrine for quadrature of the circle and parabola. This discovery by Cusa was the basis for the founding of modern physical science by Johannes Kepler, and for all the principal mainstream achievements of European science from Kepler through Riemann, to the outlooks of Academician V.I. Vernadsky and Albert Einstein.

crucial, and will largely determine whether or not our republic survives. There is, presently, no running candidate who is independently qualified, as a contender, to play that urgently needed quality of role of leadership, in this time of crisis, which President Franklin Roosevelt played in his. The best we can expect of any available prospect for the nomination and election of a new President, is one who will adopt and efficiently serve a policy which he or she is not presently qualified, either intellectually or emotionally, to design.

We must think of this matter in a way which virtually no part of our republic's installed political leadership in party or government has been considering thus far.

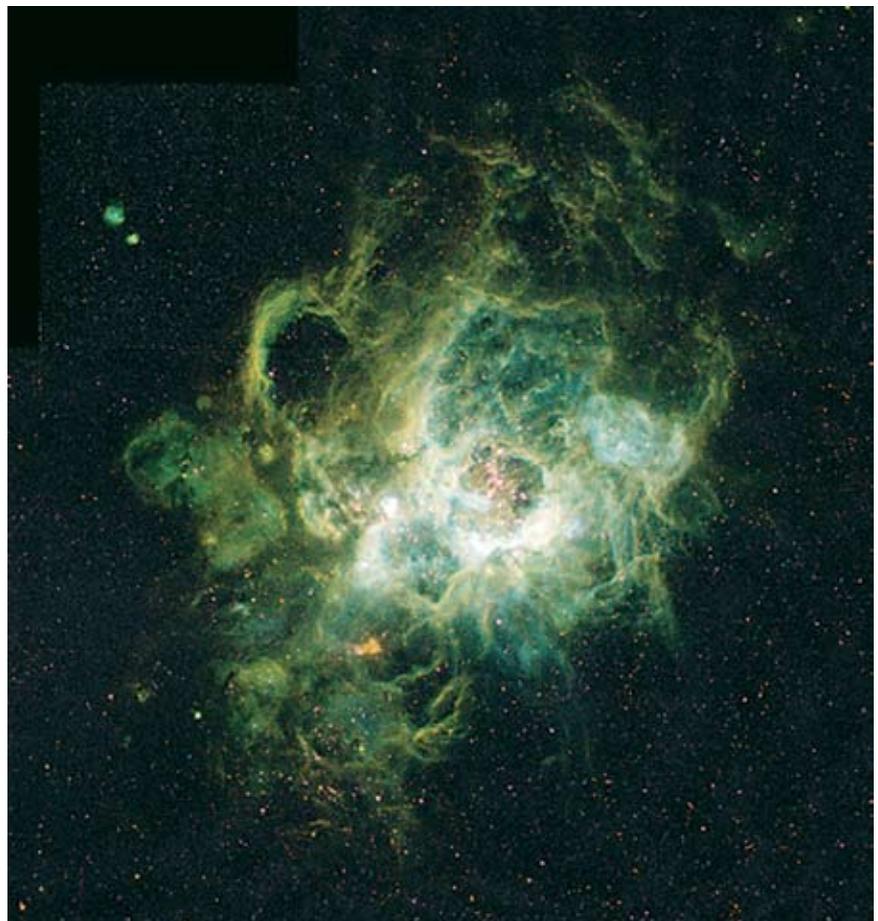
The key to understanding the general nature of this challenge of *dynamics* has been treated in my recent "The Force of Tragedy."⁶ For our purposes here, it is therefore sufficient that I limit my treatment of that subject to the subject of the comparable and interdependent roles which the concept of *dynamics* in physical science as such shares with the same notion of *dynamics* specific to social processes as expressed in their effects in the large.

Science and Politics

Modern science since Bernhard Riemann, V.I. Vernadsky, and Albert Einstein, has rejected all those notions of physical space-time which resemble that Sophist model of geometry associated with either the Ptolemaic Sophist known as Euclid, or the similarly Sophist, reductionist, neo-Euclidean notion of floating objects in infinite empty space expressed as Cartesian.

In other words, competent modern science, including competent notions of economic processes, reject any *a priori* notion of space which might be considered independently of a notion of either relativistic (e.g., experimental) time or relativistic (e.g., experimental) notions of physical principles. Competent modern science returns, on the subject of these general matters of principle, to the ancient Classical world-outlook shared by the astrophysical notions of *Sphaerics* (i.e., astrophysics of trans-oceanic navigation) which the ancient Pythagoreans, such as Archytas, adopted from their Egyptian predecessors. This standpoint is otherwise expressed as the Socratic standpoint of Archytas' friend and collaborator Plato.

6. LaRouche, *op cit*.



NASA

The universe, despite its millions of galaxies, is finite and self-bounded. This image from the Hubble Space Telescope shows a vast nebula, NGC 604, which is 1,500 light-years across, and 2.7 million light-years away.

The essentials of this view were resuscitated as the foundations of modern physical science by Nicholas of Cusa and such among his avowed followers in the principle of physical science as Leonardo da Vinci, Johannes Kepler, and the great Fermat.

The rejection of such Sophist notions of sense-certainty as those of Euclid, obliges us to rely on the methods of crucial (unique) experiment presented by the work of Riemann, rather than extrapolations from *a priori* notions of extension of bare sense-experience. Thus, experiment moves the issue of knowledge from a bestial reliance on the merely apparent form of sense-experience, as Euclid does, to the function of the cognitive processes. The idea of empirical knowledge is thus moved from naive blind faith in the beastly senses, to the functions specific to the human mind.

Thus, in modern physical science since the work of Riemann and such among his and Kepler's followers as Vernadsky and Einstein, scientific knowledge is defined by a unique quality of experiment, rather than interpretation of sense-perception as such, as in Euclidean or Cartesian geom-

etry, or in the Ockhamite irrationalism called modern Liberalism, of Paolo Sarpi and such among Sarpi's followers as Descartes. Since Riemann, space, time, and matter, cease to have any independent primary existence, apart from one another, in the parlance of science. With that step toward clarity, we recognize that no proof exists for an infinite universe of the type premised on a naive reading of sense-perception. For us, the known universe is only that, ontologically, which is bounded by experimentally definable universal physical principles respecting the subject of physical space-time as such.

It is necessary that we stress those distinctions on this specific occasion, in order that we might be able to conceptualize the actual, efficiently ontological meaning of the term "universal" as it applies not only to experimental physics, but, also, to social processes, such as politics, themselves. The crucial concept common to both physical science and social processes as such, is that of dynamics as defined, variously, to common effect, by the ancient Pythagoreans, to Plato, and by modern science from Cusa through Riemann, Vernadsky, and Einstein.

For example, once we establish a demonstration, that Johannes Kepler's uniquely original discovery of a principle of universal gravitation is not limited to the internal bounds of the Solar system, then the implications of Kepler's uniquely original discovery of general gravitation within the Solar system, point to a universe which, despite vastly millions of galaxies, is finite in the sense that the entire universe is self-bounded by such a single principle; therefore the universe is a "one" of a finite existence. Every general physical principle discovered to kindred effect, such as the distinction of life from non-life, of cognitive from non-cognitive living species, and the subsuming efficiency of the human creative powers within the known universe, all add to the combined effect of defining a finite, self-bounded, but expanding universality.

From that vantage-point, we know what we mean when we say to ourselves that all processes in the universe are bounded by the effective interactions among universal physical principles. Thus, all competent knowledge submits its willfulness of belief and practice to such a conception of a finite, but unbounded universe, as Einstein recognized this implication of the work a modern science expressed by its development from Kepler through Riemann, and as Vernadsky proffered the same outcome for the character of the Biosphere and Noösphere.



President Franklin Roosevelt and Prime Minister Winston Churchill, meeting to discuss the Atlantic Charter, August 1941. The two joined forces to defeat the Nazis, but were to clash repeatedly over Britain's colonial policy. FDR was determined to dismantle the colonial system, but after his death, the British, with the help of Harry Truman, revived it in a new form.

Dynamic Self-Government

Similarly, in physical-economic processes, the development of the economy is not measurable in the simply additive apparent effects of separate actions. Rather, we must measure the effects in terms of the "non-linear" interactions of all classes of actions within the whole assembly, as Leibniz and Riemann define processes as *dynamic*. This is real economics (i.e., physical economy) as applicable to economies such as the U.S.A., or to economic systems defined in terms of interactions among respectively sovereign national economies.

For example, the entire sweep of the breakdown of the U.S. economy itself, and also that of other nations, over the interval since August 15, 1971, is a reflection of two leading elements of absolute political and economic incompetence. First, is the inane obsession with the presumption that the nominal relative values assigned, as by prices or analogous mechanisms, to products, processes, and national economies; this is absurd in the first instance, and, secondly, insane when used as an estimate of the performance of national economies, or the world economy generally.

There is no law in prices, unless one includes the practice of lunacy as a law, as lunacy is rightly defined by currently existing attempts at what are defined as "Adam Smith" or comparable systems. What does exist is the relative increase, or decrease of the potential relative population-density of the society, as a result of variously decent, good, poor, or wretched management of public affairs. The true values are what are implicitly physically anti-entropic, rather than money-prices, anti-entropic values measured in terms of the increase or decrease of the potential relative population-density of the

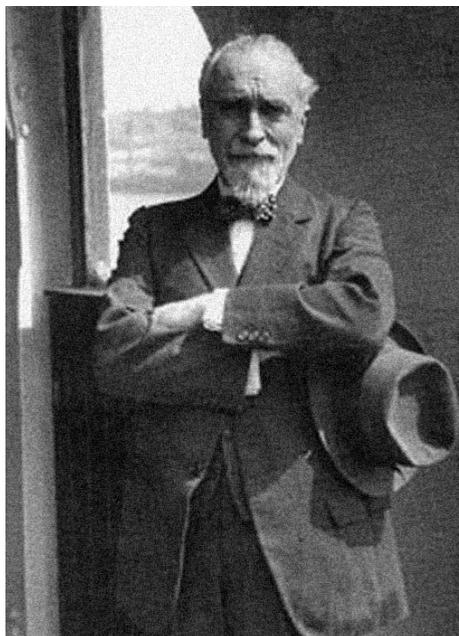
economy considered as a dynamic whole.

Sane societies, which the U.S. has not experienced since the mass lunacies of the 1970s, regulate currencies and pricing policies with a view to increasing the potential relative population-density per capita and per square kilometer of, and throughout the total relevant territories. For this reason, sane money and pricing systems are not monetarist in form, but are based upon protective measures of prices and tariffs whose aim is to provide national credit-systems of the type implicit in proper practice of the U.S. Federal Constitution's law respecting utterance, rather than monetary systems of the type associated with the legacy of pro-feudalistic central banking systems.

The specific genius on which the former superior genius of the design of the U.S. economy once depended, as under the legacies of Presidents Abraham Lincoln and of Franklin D. Roosevelt, was the protectionist system associated with the Federal government's monopoly on uttering and regulation of national credit and currency, with emphasis on the promotion of innovative increases in the physical productive powers of labor per capita and per square kilometer of land-area.

Since February 1763, the distinction of the true American patriot from the victims of accursed British Liberalism, was the American patriot's abhorrence of the practices of usury associated then, as now, with the British East India Company's imperial tradition of the practice of monetarist usury, as by that Bank of England which put Adolf Hitler into power in service of what the Anglo-Dutch Liberal system considered its global pursuit of its lawful, imperial prey. It is by that British policy which we have been eaten, notably since the aftermath of the assassination of President John F. Kennedy, and more consistently since the dirty work of the same George Shultz et al. who, with cooperation of ostensible Democrat Felix Rohatyn, put the fascist Pinochet and its Nazi-modeled mass-murder machine regime into power in the Southern Cone of South America.

The rescue of the otherwise doomed U.S.A. of today, depends upon the immediate adoption of the efficient intention to turn back to the economic policy-outlooks of the early



Bank of England governor Montagu Norman (left), with the assistance of Hitler's "financial wizard" Hjalmar Schacht (Reichsbank president and later economics minister), put Adolf Hitler into power.



Adolf Hitler and Heinrich Himmler review SS troops. The Nazis were brought to power by the Anglo-Dutch Liberal oligarchy, including its American cousins, by means of the "9/11-like Reichstag fire of February 1933."

1960s, and also back to the incompleting fulfillment of the legacy which President Franklin Roosevelt represented in his intentions for the post-war world. This time, our political leadership must learn dynamics, and must commit itself to entering now, as immediately possible, into a system of global agreements on economic and monetary reform which will put the world into motion in the directions which President Roosevelt had represented at the moment of that President's death, a Roosevelt who had opposed the pro-colonialism of Winston Churchill et al.

Those Who Attacked LaRouche's Crash Forecasts Are Now Proven Insane

by Richard Freeman

Lyndon LaRouche on Nov. 4 strongly chastized those who have attacked him, for repeatedly warning that the entire global financial and monetary system is hopelessly, irreversibly bankrupt, and must be put through a bankruptcy reorganization to begin a process of global reconstruction. "The news of the past 96 hours that two of the largest financial institutions in the United States, Merrill Lynch and Citicorp, are in dire crisis and have chosen to fire their CEOs" LaRouche said, "just serves to underscore that I have been right, and all of my critics have been wrong to the point of clinical insanity."

LaRouche cited his Triple Curve Function (**Figures 1 and 2**), as the reference point for understanding the scale of the financial and physical economic breakdown process that has entered a new, accelerated phase in recent weeks. The documentation cited below, when viewed from the standpoint of Figure 2, makes the case that we have already entered a full worldwide depression, far more severe than the Great Depression of the 1930s. "Many foolish Democrats are behaving worse than Hoover," LaRouche charged, "by persisting in denying the reality of the collapse, and therefore refusing to take the emergency action that I have spelled out, as the only means of solving this crisis."

During the turbulence of the period Oct. 24-Nov. 8, as Wall Street shook from the twin firings of the CEO of the largest commercial bank in the world—Citigroup—and the CEO of one of the three largest investment banks in the world—Merrill Lynch—LaRouche's warnings that the entire world financial and monetary system is finished, were definitively confirmed. This is not the crisis of a week, or a month, but of the past 40 years, which has been gathering force during the past two years. This process, which is being increasingly acknowledged by competent financial insiders, is still hotly denied by leading Democrats and Republicans. Were they to acknowledge the crisis, they would have to muster the courage to implement LaRouche's proposal to put the world financial system through bankruptcy reorganization.

On Nov. 7, the crisis took another turn. The price of gold soared to \$842 per troy ounce at the London fix, its highest level in 27 years. The price of an oil contract for December delivery on the New York Mercantile Exchange (NYMEX) reached an unprecedented \$98 per barrel, headed toward \$100, and beyond. The U.S. dollar fell to nearly \$2.11 to the

British pound; to a 60-year low against the Canadian dollar; to below \$1.47 against the euro, its lowest level ever; nearly to 113 yen to the dollar.

This prompted LaRouche to declare, "*The U.S. dollar and financial system has already exploded*. There should be no talk about how the crisis of the system is 'coming,' it's already here. The crash of the dollar system will cause an explosion of the entire international financial system. . . . Pieces of the exploded planet, are flying around like asteroids—but only a fool would say that the asteroids are 'going to cause' the explosion! The planet has exploded! . . . This collapse can bring a new dark age!"

We document three processes which show that the crisis is in full force at this moment, and that those who deny it, are either fools or liars. The three mutually reinforcing processes were selected because they show the core problems.

The first process is the systemic breakdown of the past two years, which is occurring in wave after successive wave, each more deadly than the previous. The fundamental reasons for this process, which has its roots in the policies of the past 40 years, are scientifically developed in LaRouche's *The State of Our Union: The End of Our Delusion* (EIR, Aug. 31, 2007), where solutions for the next two generations of mankind are presented as well.

The second process is the now-ongoing "great global write-down" due to losses on subprime mortgages, mortgage-backed securities, and collateralized debt obligations, suffered at all the world's largest banks, headquartered in New York, London, Frankfurt, Paris, Geneva, etc.

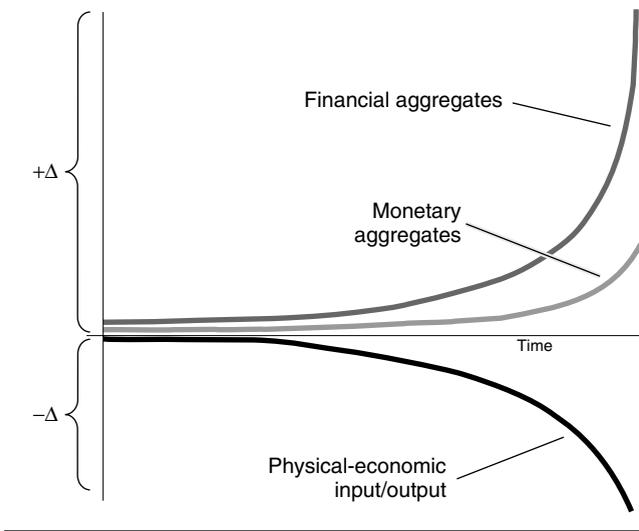
The third process gets at the teetering condition of Citigroup, either the world's first- or second-largest bank. There are enormous consequences, as Citigroup stands at the heart of America's banking system, as well as of the failing world dollar-based system.

1. Chronology of Systemic Crisis: 2005 to the Present

- During May and June 2005, Standard & Poor's downgraded General Motors' and Ford's credit ratings, on the more than \$450 billion of the two companies' combined debt, to just above, and then, to junk-bond status. In April 2005, LaRouche had already warned that the debt burden on the backs of GM and Ford could not be sustained. The credit rating

FIGURE 1

LaRouche's Typical Collapse Function



downgrade set off a Summer 2005 implosion of collateralized debt obligations (CDOs)—a form of highly speculative instrument—which caused hedge funds to lose tens of billions of dollars, nearly causing a meltdown of the world financial system.

LaRouche proposed Congressional action to neutralize this debt collapse, by putting a wall of protection and Federal credit around the auto industry’s unused and underused machine-tool capacity, giving it a new mission for production of modern economic infrastructure. This became known as the Economic Recovery Act of 2006. When Congress did not move to implement this Act, the auto sector lost 160,000 jobs in two years.

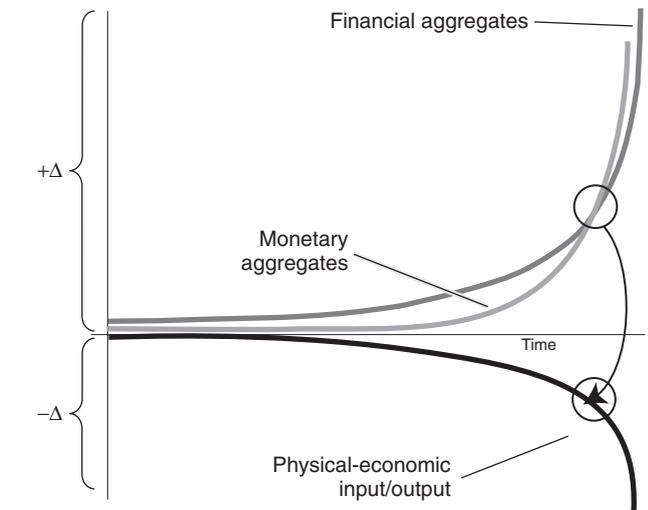
- In September 2006, the Greenwich, Connecticut-based Amaranth Advisers hedge fund, which had \$9 billion under management, went bust, the largest hedge fund failure in history. This caused a debacle in the natural gas market (where Amaranth speculated), and strong reverberations among other hedge funds, which scrambled for liquidity, although the deniers of reality shouted that “the event wasn’t as big as LTCM” in 1998.

- During January and February 2007, the subprime mortgage crisis, which had been festering since the last half of 2006, erupted full force, as banks began to acknowledge sizeable subprime defaults. The \$20 trillion U.S. housing bubble began to shake. On March 13, New Century, the second-largest subprime lender (after Countrywide) and once a hot property, was delisted by the New York Stock Exchange, and effectively ceased to exist. New Century’s market capitalization had evaporated from \$1.75 billion to a mere \$55 million at the point it was put out of its misery.

- During the period between mid-Summer 2006 and Nov. 1, 2007, some 178 U.S. mortgage-related lending companies

FIGURE 2

The Collapse Reaches a Critical Point of Instability



went out of existence. According to projections based on data provided by Foreclosures.com, during 2007, U.S. home foreclosures will reach 2.02 million.

- During July 2007 in the United States, banks rang up spectacular losses in asset-backed securities (ABS), particularly mortgage-backed securities (MBS). Then, on Aug. 9, France’s BNP Paribas, one of the world’s largest banks, announced that it was suspending all transactions in three of its “dynamic investment funds,” which all held mortgage-backed securities. German banks announced that five similar funds were being shut down. The crisis had now hit Europe, and expanded globally, causing markets to freeze up—ranging from junk bonds to commercial paper, far beyond the subprime mortgages and MBS. Between late July and the end of the October, the Bank of England, the U.S. Federal Reserve, and the European Central Bank frantically pumped in more than three-quarters of a trillion dollars in short-term and medium-term funds, to prevent markets from melting down, and banks from folding. This set the ground for Weimar-style hyperinflation.

- During September and October, the U.S. banks recorded \$35 billion in third-quarter write-downs and loan loss provisions, capped by these banks losing nearly a quarter trillion dollars in market capitalization. But the losses were only a fraction of the actual losses that the banks carry on their books. During the last week of October and first week of November, the crisis entered a new phase. With the more than \$1.5 trillion in structured investment vehicles (SIVs), conduit, and CDO markets frozen, Merrill Lynch announced an \$8.4 billion third-quarter write-down, and Citigroup a \$6.5 billion write-down. But there were much

worse financial convulsions going on inside these two companies, behind the scenes. Stanley O'Neal and Charles Prince III were forced out as CEOs of Merrill Lynch and Citigroup, respectively.

2. World's Largest Banks Take Huge Write-Downs

During the past two months, the world's largest financial institutions' third-quarter earnings reports had a recurring theme: massive write-downs and/or losses, from subprime mortgages, mortgage-backed securities, leveraged loans for leveraged buy-outs that did not materialize, CDOs, etc. Some examples: Merrill Lynch, \$8.4 billion; Citigroup, \$6.5 billion; UBS (Union Bank of Switzerland), \$4.4 billion; Deutsche Bank, \$3.12 billion; Credit Suisse, \$2.16 billion; Bank of America, \$2 billion; Countrywide, \$1.62 billion; Dresdner Bank, \$1.09 billion, Morgan Stanley, \$940 million; Bear Stearns, \$700 million; Société Générale, \$550 million; Commerzbank, \$500 million; JP Morgan Chase, \$339 million; and BNP Paribas, \$337 million.

Total write-downs of the 14 banks: \$32.66 billion, of which seven Wall Street banks wrote down \$20.50 billion; seven European banks, \$12.16 billion.

Such uniformly high write-downs across the spectrum of major banks are unprecedented in recent decades, and bespeak major crisis. The Nov. 12 *Business Week* reported that, altogether, Wall Street banks had taken during the third quarter, "\$35 billion in subprime related write-downs and lost more than \$220 billion in stock value."

After the third-quarter reporting period ended, Morgan Stanley abruptly discovered that for the fourth quarter, it would have \$3.7 billion in write-downs, which could "rise to \$6 billion." For the same fourth quarter, Citibank projected \$7-11 billion in new write-downs; and Merrill Lynch, \$4 billion. However, the banks report only a fraction of their true losses, and are still carrying many troubled financial instruments such as MBS and CDOs, at or near their original value, when these instruments' real value has already fallen 20-50%.

Further, the Securities and Exchange Commission (SEC) is reportedly investigating banks that illegally hid losses. The Nov. 2 *Wall Street Journal* cites the case in which Merrill Lynch sold an unnamed hedge fund "\$1 billion in commercial paper issued by a Merrill-related entity containing mortgages." This would have allowed Merrill to get the troubled commercial paper off its books and thereby avoid a loss, a potentially serious crime. Reportedly, the SEC is also investigating the books of Citigroup.

3. Citigroup Problems Radiate Through the Financial System

On Nov. 4, Citigroup held an emergency, all-day Sunday meeting. Its board selected former U.S. Treasury Secretary Robert E. Rubin as interim chairman, replacing chair-

man and CEO Charles Prince III, who was forced to resign. Former Schroder PLC head Win Bischoff became acting CEO.

The Citigroup shake-up followed a deepening crisis, in which it scrambled to cover up the fact that it is thoroughly bankrupt. Under Prince and his mentor and predecessor Sandy Weill, the bank wildly expanded, increasing its total assets from \$1.09 trillion in 2002, to \$2.35 trillion at the end of the third quarter of 2007, more than doubling in less than five years. Often, it invested heavily in financial markets shaped by, and under the domination of the City of London financiers.

Citigroup possesses the following speculative investments, at minimum:

- \$83 billion in radioactive, off-balance-sheet SIVs. Altogether, Citigroup has seven SIVs, with names like Dorada and Sedna Finance, four of which, *EIR* has discovered, were created in and are steered from Britain's Cayman Islands.
- \$60 billion in off-balance sheet conduits, which are also speculative vehicles, operating under slightly different rules.
- At least \$20 billion in collateralized debt obligations.
- More than \$70 billion in asset-backed securities, based on credit card cash flows.

All of these markets are facing serious problems. The most problematic are the SIVs. An SIV must, by law, have sufficient paid-in equity (the value of the stock that it sold), such that the equity represents "stored funds" which could cover those losses/write-downs suffered on the SIV's senior debt. Were the losses on the SIV's senior debt to exceed the value of its paid-in equity, the SIV must effectively be shut down. It appears that some of Citibank's SIVs might have crossed that line, had strict accounting principles been in force.

The collapsed state of Citigroup's SIVs makes the superconduit, or master liquidity enhancement conduit (MLEC), proposed by Treasury Secretary Hank Paulson, dead on arrival.

On Nov. 1, Canadian Imperial Bank of Commerce analyst Meredith Whitney stated that Citigroup would have to increase its capital by \$30 billion to cover problems. (The amount of capital that Citigroup would need is actually substantially more.) This statement underlined Citigroup's weakness and *already-in-progress collapse*. It sent tremors through the international financial system, and there was a mass dumping of Citigroup stock on Nov. 1, dragging the Dow Jones average down 362 points. Amid widespread collapse fear, the U.S. Federal Reserve injected \$41 billion in short-term liquidity into the U.S. banking system—all on Nov. 1, the largest one-day intervention since September 2001, after the 9/11 attacks.

Any deeper ruptures at Citigroup could detonate its derivatives holdings of \$34.9 trillion in notional value, which would bring down the world's \$750 trillion-plus derivatives market, and the entire world monetary system.