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Breakthrough in Canada for Eurasian Land-Bridge
LaRouche Asks: Which Bank of the South Will Prevail?
Outflanking the British Empire—The Mass Effect

The Force of Destiny: The Power of Natural Law



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EIR

From the Managing Editor

In this, our last issue for 2007, I call your attention to the appropriate “holiday spirit,” described by Nick Walsh and Harley Schlanger in “Outflanking the British Empire: The Mass Effect.” They note that in December 1776, George Washington’s ragged Revolutionary Army spent Christmas night fording the icy waters of the Delaware River, to attack the groggy Hessians at the Trenton garrison early the next morning. That flanking attack, completely unexpected by the enemy, was the first victory that Washington’s decimated army had had in months. Had it not occurred when it did, the American Revolution would very likely have ground to a halt.

The stakes today are every bit as high, if not more so. Our *Feature*, introduced by Lyndon LaRouche’s “The Force of Destiny: The Power of Natural Law,” sketches the catastrophic extent of the financial-economic crash that has *already occurred*, and which almost everyone—especially the U.S. Congress, it seems—intends to spend the holidays trying to ignore. There is not a bank in the Western world that is not hopelessly bankrupt. The foreclosures on housing in the United States are slamming up against local and state budgets, forcing the closure of schools and hospitals. Even the daily newspapers now concede that it will get much worse.

But we wouldn’t end *EIR*’s proud 34th year of publication without making sure you understand that *it doesn’t have to be this way!* In the U.S.A., support for LaRouche’s Homeowners and Bank Protection Act is gathering steam, as Walsh and Schlanger report. The Act should have been passed by Congress in September, but it wasn’t; the appropriate action by angry constituents now, is to “roast their Congressman over an open fire.” Internationally, *EIR*’s conference in Ottawa on “The Strategic Importance of the Eurasian Land-Bridge: Canada and the Coming Eurasian World,” was a promising new effort. It brought together Mexicans, Americans, Canadians, and diplomats from other nations, with the common focus of making the great development projects of this millennium a reality.

And our *The American Patriot* section tells how the perfidy of an earlier era—that of Andrew Jackson and Aaron Burr—was ultimately defeated by “the force of destiny, the power of natural law,” led by President Abraham Lincoln.



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Banking blowout.



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Correction: Our last issue misspelled the name of Maryland Delegate Joanne Benson in the Table of Contents. She described in an interview the fight in her state to prevent the shutdown of Prince Georges County Hospital, a public hospital that served 180,000 people last year.

THE FORCE OF DESTINY

The Power of Natural Law

by Lyndon H. LaRouche, Jr.

December 12, 2007

Over-educated, pettifogging fools delude themselves to believe that the highest law of nations, even what is mistakenly named to be “natural law,” or even “constitutional law,” is crafted in the modalities of a negotiated contract, as the notion of a business or related sort of contract might have been adopted, signed, voted up. That law is the peculiar advantage of the Creator of this universe, and no judge, lawyer, or legislator can prevail against that Creator for long.

With the currently onrushing, global crisis of a presently self-doomed world monetary-financial system, the essential silliness of customarily taught bodies of law confronts us. Natural law, as typified by Johannes Kepler’s uniquely original discovery of universal gravitation, is known as mankind’s discovery of the law inherent in the order of universal creation. Such is natural law, to which all other forms of adopted law are morally and otherwise inferior.

Mankind does not make such law; mankind must discover what has been implicitly created on this account.

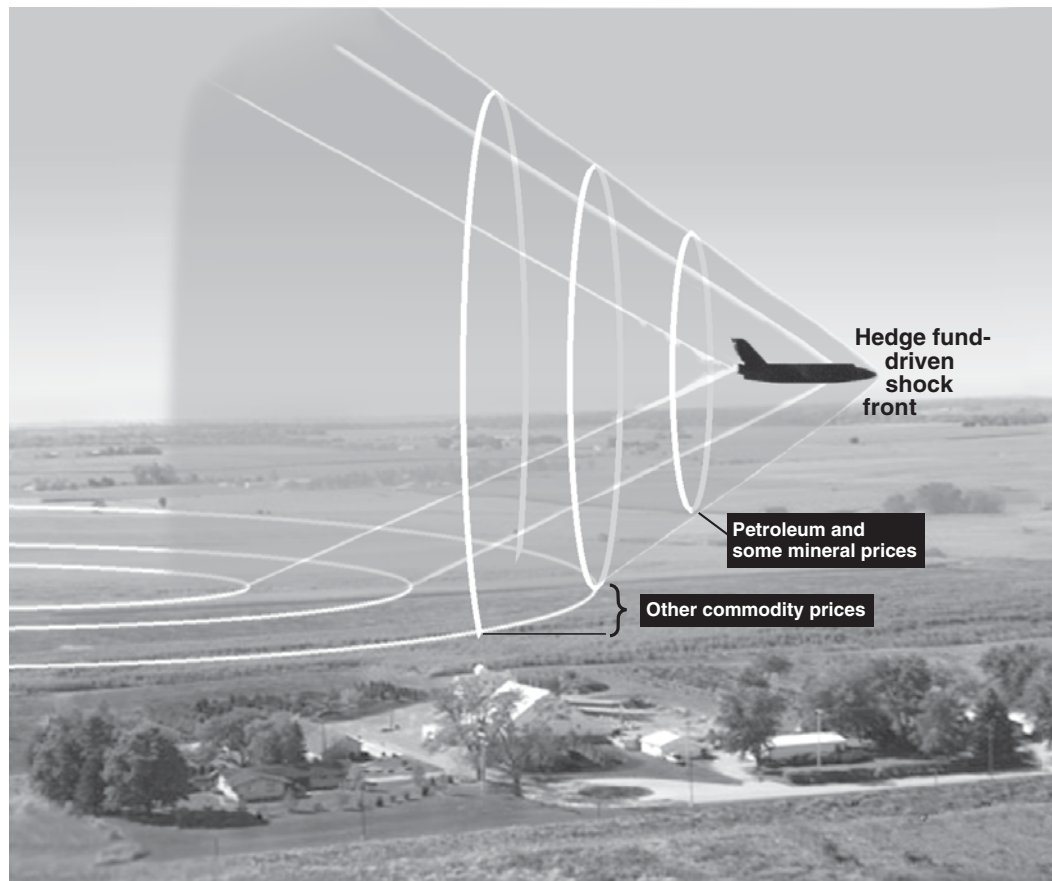
Therefore, nations, or concerts among nations, which seek to assert a different notion of true natural law, in times of a general existential crisis, as of a particular sovereign, or a group of such powers, will find themselves crushed, even their existence extinguished, by their defiance of that which the true natural law demands.

The times during which the finality of conflicts expressing that issue may come immediately to the fore, may be rarely recognized by a particular government, or a set of governments, or a people generally. Nonetheless, that higher power of laws is there still, and will manifest itself and its power to crush its adversaries, as in the current moment in present world history.

To wit:

Certain financial powers in today’s world have taken over the systems of some among the world’s leading governments, and have sought to enforce their own predatory financial and related interest at the expense of the natural and

LaRouche-Riemann Conical Shock Wave Model of Hyperinflation



This lawful view of the present hedge-fund driven hyperinflation is comparable to a sonic boom moving across the landscape. At the tip of the cone, where the shock front forms, is the speculative bubble in hedge funds and related derivatives, orders of magnitude larger in monetary value than the physical economy. The commodity price inflation, led by petroleum and certain minerals, is dragged along in the opening conical tail. Visible measures (in this case prices) are actually being determined in the non-visible, complex domain. A Riemann-type shock front forms at the boundary layer where the rate of increase of out-of-control speculation confronts the declining rate of real physical economic growth.

constitutional rights of what had been once considered sovereign nation-states' governments. These asserted rights of such usurping, essentially predatory, financier powers, have been employed as the pretext for an implicitly murderous looting of the greater number of the population, and the plundering of the natural rights of people which had been duly established under relevant actions by and among governments.

When such usurping powers as those go too far, they must be crushed by sovereign governments, or, should sovereign governments fail, tragically, to act to crush those usurping powers, the fabled, terrible *spirits* of legendary ancient Greece will take a hand in teaching the negligent authorities the true law and its penalties.

Such were the efficient hand of the fabled "unwritten law." As the current global developments should have forewarned you, it had been better that that law had been written, that its terrible powers might have been foreseen with awe, and the price of the terrible, self-inflicted folly, threatening to consume arrogant, presently erring, authorities, thus avoided.

That gentle hand of reason which inspired the Preamble of our U.S. Federal Constitution, can become an ap-

parent reflection of the terrible hand of the Creator for those who continue to be accomplices of financier predators in the looting of our own, and other nations and their people. Those who abuse law to steal the welfare of nations and their peoples, will be punished all the more severely because they have used a terrible corruption of the idea of law to perpetrate such crimes against humanity as our "hedge funds" and kindred predators continue to do even still today.

There are powers inherent in this Created universe which will assert themselves in the due course of events. The world at large now sits on the crumbling brink of an occasion in which the Creator's just hand will intervene to demonstrate afresh exactly who actually writes the law of this universe.

There is no power in this universe which can override the rights inherent in that innate nature of the creative intellectual powers of the individual person, which sets mankind above all other particular forms of existence in this universe.

Let the corrupt judges, legislators, and others, and their accomplices, tremble at that thought. You wish to claim that you know the law? That, and just that, is *the law*.

LaRouche on July 25: The System Is Finished!

The following remarks were made by Lyndon LaRouche during his July 25 webcast in Washington, D.C., one week before the reality of the global banking crisis began to hit the public, through both the bankruptcy of two Bear Stearns hedge funds, and the bankruptcy-crisis of the German bank IKB. Less than one month later, on Aug. 22, LaRouche issued a call for emergency legislation, called the Homeowners and Bank Protection Act, as the necessary first step in creating a firewall against the effects of the unstoppable systemic collapse.

...First of all, this occurs at a time when the world monetary financial system is actually now currently in the process of disintegrating. There's nothing mysterious about this; I've talked about it for some time, it's been in progress, it's not abating. What's listed as stock values and market values in the financial markets internationally is bunk! These are purely fictitious beliefs. There's no truth to it; the fakery is enormous. There is no possibility of a non-collapse of the present financial system—none! It's finished, *now*!

The present financial system can not continue to exist *under any circumstances, under any Presidency, under any leadership, or any leadership of nations*. Only a fundamental and *sudden change* in the world monetary financial system will prevent a general, immediate chain-reaction type of collapse. At what speed we don't know, but it will go on, and it will be *unstoppable*! And the longer it goes on before coming to an end, the worse things will get. And there is no one in the present institutions of government who is competent to deal with this. The Congress, the Senate, the House of Representatives, is not currently competent to deal with this. And if the Congress goes on recess, *and leaves Cheney free*, then you might be kissing the United States and much more good-bye by September...

You have to change the world monetary-financial system immediately, and you can not do that with a couple of small nations. You can only do that from the top. You have to pull together the might of the world, the major powers of the world and those who will support them, and say, "We're going to change immediately the world monetary system. We're going to get rid of the floating-exchange-rate monetary system. We're going back immediately to a fixed-exchange-rate system." Because if we do not go back to a fixed-exchange-rate system, of the Franklin Roosevelt prototype, then there's no possibility of preventing a general collapse and disintegration of the world economy. It can't be done. Therefore, you have to have a power group which

says, "We're going to save this planet from Hell."

One of the things which we're going to do, which is a trigger point, is to get something done in Southwest Asia: to get the U.S. troops out of the target range, and pull them into a holding position where they become a *factor* in negotiating the peaceful reconstruction of the region. That will not work by itself unless you have a power group which includes four powerful nations of this planet, and others, who decide that that's going to work. A power group which agrees that we're going back to a fixed-exchange-rate system, by government decree, as made by governments in concert. We're going to stop the floating-exchange-rate system, we're going to take steps to clean up the financial mess.

Most of the financial claims and the financial assets and obligations in the world today, are worthless. You have play money; the stock market is a fraud. The Treasury Department is committing a fraud. Most governments are committing fraud, and the British government is the worst of them all. The British government and the British system is the worst offender that we have to deal with on this planet. They organized this war, they organized most of the evil that is done in the world today. So, they will not be considered as having any veto rights in this matter.

But the major powers are going to say: We're going to have to go back to a fixed-exchange-rate system. We're going to do it immediately, by treaty agreement, by signed agreement among countries. We're going to freeze a lot of things, and we're going make sure that things that have to be paid, things that have to go on, go on. That production is not cut; farming proceeds, food is produced, infrastructure is built, and so forth. And we'll have to build our way out of this process with steps which begin with these measures. And the measures are a matter of the will of a powerful group of nations, not just the four, but a powerful group of nations who agree that this has to be done, because Hell on Earth has to be prevented. And that's the only way it is going to happen...

The United States is disintegrating. If a depression occurs, the United States will see conditions you won't believe. Nothing in the past century, no depression, is comparable to what will hit the United States if this system collapses now...

Now, therefore, we have to put the dollar under a fixed-exchange-rate system again. And we have to start to rebuild what we've destroyed. We have to take what was being shut down, the auto industry—put these hedge funds out of business, foreclose them; they're all swindles anyway. Start to rebuild the infrastructure capacity, the hi-tech infrastructure capacity, which existed in Michigan, in Ohio, in Indiana, in other places we've destroyed. Build up our infrastructure, our mass transportation systems. Restore the growth of our agriculture. Go back to a high-tech economy again, not a Baby-Boomer economy, not a synthetic diaper economy...

German Bankers Bail But on a Sinking Ship

by Rainer Apel

Late on the night of Dec. 12, an emergency session of top German bankers and banking regulators came to an agreement that allows Sachsen LB, the troubled bank of the German state of Saxony, to escape instant default. The agreement foresees an extra state guarantee by the government of Saxony in the range of 2.75 billion euros (\$3.97 billion), plus another 1.5 billion euros provided by the association of German savings banks and by the Bundesbank, the central bank of Germany. The agreement is the precondition for LBBW, the state bank of Baden-Württemberg, to realize its promise of late August, to take over Sachsen LB, which at that time was the second big victim in Germany's banking sector, after Industriebank (IKB), in the fallout from the acute U.S. subprime crisis that broke out in July.

At the end of August, LBBW had paid 250 million euros for the Saxon bank, which was threatened with default, because at least two of its "conduits" in Dublin, Ireland, had run foul over leveraged mortgages in the U.S.A., in the range of more than 22 billion euros. Banking insiders spoke of a 35-billion-euro-plus Sachsen LB mortgage bubble. These figures were denied by the Saxon bankers at the time, but were corroborated by a survey pointing to uncovered speculative paper involving 43 billion euros, which LBBW admitted after press leaks, on Dec. 9.

LBBW insisted that the only thing that would prevent it from pulling out of the takeover deal would be a Saxony state government guarantee to cover at least 10% of that bubble, which amounts to 4.3 billion euros. Saxony protested, pointing out that 4.3 billion euros would be 25% of the entire state budget for one fiscal year, and charging the Baden-Württembergers with blackmail. A fierce struggle ensued, threatening a pullout of LBBW and the prospect of a Sachsen LB default.

On Dec. 11, Jochen Sanio, head of the German banking regulatory office, Bafin, warned both sides to reach an agreement by Dec. 16, or he would shut down Sachsen LB on Dec. 17, with all the chain-reaction consequences that would imply. That ultimatum triggered a new round of hectic talks to find a "solution."

Although the threatened immediate shutdown has now been averted—for the time being—the new agreement is far from being any solution. It triples the per-capita debt burden of the citizens of Saxony, and it forces Saxony to bend its constitution, which has a ceiling of 1.75 billion euros on state banking guarantees. (The new agreement is 1

billion more than that.) The Saxony constitution previously was suspended for two days in late August, to circumvent an inconvenient parliamentary debate, and instead finalize the sale of Sachsen LB to LBBW, with a downpayment of 250 million euros.

Furthermore, the question of what to do with the bubble of 43 billion, remains as unresolved as the larger problem of what to do with the global bubble. Officially, LBBW has committed itself not to continue the conduit business, which has driven Sachsen LB into the abyss, but instead to return to "solid" project financing. However, LBBW itself has suffered admitted losses of 800 million euros in the third quarter of 2007, from engagements on the U.S. leveraged mortgage loan market. The announcement of those losses at the end of November torpedoed a potential merger of LBBW with the state bank of Bavaria, which was under discussion by both banks.

Opting out of the mortgage bubble will not do any good, as long as the banks stay tied to the speculative bubble as a whole. This is like someone who believes he is safe in his solid armchair, sitting on a sinking ship. The point that Lyndon LaRouche has made, that there is no solution without a profound policy change that eliminates the speculative aspects of the global financial system and restores a productive-credit system of banking, is proven once again by the disaster that has broken out in Saxony. Although a Sachsen LB default may have been averted for the moment, the just-signed emergency agreement will leave the new owner of the Saxony state bank, LBBW, unprotected against the next round of heavy market turbulence—which could come within weeks, or sooner. Who will bail out LBBW, then? And as the global financial collapse crisis keeps accelerating, who will bail out the bank that bails out LBBW?

Zepp-LaRouche: Defend the Common Good

The LaRouche movement in Germany, especially the LaRouche Youth Movement (LYM), has intervened repeatedly in Saxony, with a statement by Helga Zepp-LaRouche, the national chairwoman of the Civil Rights Solidarity Movement (BüSo), which calls for a defense of the Common Good and for LaRouche's new banking policy and a New Bretton Woods financial-monetary system. The LYM also brought the statement to the middle of the banking district in Frankfurt, Germany's "financial capital," on Dec. 13.

The BüSo will continue the campaign for the Common Good throughout the state of Hesse, including among bank employees, many of whom see their jobs threatened by the monetarist banking collapse, and are more open to LaRouche's proposal for a "bank protection act," as part of a state intervention to rescue the banks from the claws of "raptor capitalists," like hedge funds, and transform them into agencies that finance infrastructure and other projects that promote the Common Good.

Flipping and Flopping

The once-tough line of the central banks has turned to mush, as the reality of bankruptcy sets in.

Back before the global financial system blew out this Summer, the central banks and the Bank for International Settlements were talking tough about the need to rein in monetary policy. Now look at them, acting like a bunch of scared rabbits, offering not only to pour money on the flames, but also to take in worthless paper as collateral—all to avoid having to admit that they, their system, the whole global shebang, is hopelessly bankrupt.

At the first sign of trouble this Summer, they flipped into bailout mode, and they've been flopping around like fish out of water ever since. It would be laugh-out-loud funny, if it weren't so serious.

The Federal Reserve announced Dec. 12 that it had reached an agreement with the Bank of England, the European Central Bank, the Bank of Canada, and the Swiss National Bank on "measures designed to address elevated pressures in short-term funding markets." That is, to give them credit, a polite way of admitting that the banking system is bankrupt, and the spigots are being cranked wide open.

The Fed said it would inject the new funds "through a broader range of counterparties and against a broader range of collateral" than it could through its open market operations, to "help promote the efficient dissemination of liquidity when the unsecured interbank markets are under stress." The five central banks are expected to provide more than \$100 billion this month.

Most of the reactions on Wall Street were typical of addicts being

told that crack cocaine was going on sale, but there were some more sober responses. The action "smacks of a real fear that the world's financial system is in trouble," said *New York Times* columnist Floyd Norris, who added that, in plain English, the Fed was saying it will accept "almost any asset" the banks own, including the most illiquid and exotic in their portfolios. "This move is taken as evidence that central banks are determined to rescue the system, whatever it takes."

Just the day before, Martin Wolf had written in the *Financial Times* that the financial markets and the world economy were at a "turning point," with events delivering "a huge blow to the credibility of the Anglo-Saxon model of transactions-oriented financial capitalism," and "calling into question the workability of securitized lending."

Both Norris and Wolf are correct as far as they go. The transactions model and securitization go hand in hand, as key elements of the shift from a production-oriented society into a speculation-oriented one. Securitization provided the mechanism to turn the growing pools of debts into assets, which in turn allowed the rise of the traders on Wall Street, and the creation of the alphabet soup of ABS, MBS, CDO, CLO, ABCP, SIV, and other disasters. This "Anglo-Saxon" monstrosity has now blown up.

The coordinated move by the central banks and bankers (who are increasingly beginning to resemble the Keystone Cops) is but the latest in a series of rescue plans, all of which have gone awry. Treasury Secretary

Hank Paulson's MLEC Super SIV plan has reportedly been downsized to \$30 billion from its original \$80-\$100 billion, before it even got off the ground, and his so-called housing rescue plan is nothing more than a thinly veiled attempt to stabilize the mess of mortgage-backed and mortgage-related securities. To the bankers, houses are just an excuse to sell a mortgage.

What the banks and their alleged regulators are trying to do is to preserve the illusion of solvency by preserving the fictitious values of trillions of dollars of worthless securities they carry on their books as assets. That means they have to stop these securities from being sold on the open market, because such sales would establish market prices well below their fictitious book values, triggering waves of write-downs, which would in turn require further sales, in a deadly downward spiral.

What the bankers are doing is more political than financial. They know—or at least the more intelligent and less dogmatic among them know—that the largest financial bubble in history is now gone, and the fight is over what comes next. The actions they are taking can at best hide their losses a little while longer, and buy some time to put a new system in place. They might not be able to save all their money, but they are determined to save their power. Still, they are dinosaurs whose time has passed. They have failed, their economic model has failed, they have brought this nation and the world to the brink of collapse into a new dark age.

As Franklin Roosevelt once remarked, "the only thing we have to fear is fear itself," so let us rebuild the damage caused by this insanity, beginning with the passage of LaRouche's Homeowners and Bank Protection Act. It's a good first step.

Banks, Investors Are Chewed Up by The Caymans Crocodiles Called SIVs

by Richard Freeman

The meltdown, since July, of the off-balance-sheet, highly leveraged, speculative \$320 billion-in-assets Structured Investment Vehicles (SIVs), which has contributed to the constriction of credit in the mortgage-backed security (MBS) and commercial paper markets, as well as the intensification of the ongoing collapse of the world financial system, has reached a decisive point. On Nov. 30, Moody's Investor Service announced that it had placed "under review for potential downgrade" \$105 billion of the assets and debts of SIVs, or about one-third of those in existence, carrying implications for all SIVs. On Dec. 5, a London-based financial expert told *EIR*, that Moody's would take two to three weeks, to review whether these SIVs met the liquidity, asset-quality, and other standards that are required in their founding contracts. If they do not, then Moody's would slash their ratings from their present already inflated Aaa, down by 3-12 notches. At that point, certain "triggers" in the SIVs by-laws will be ignited, causing the banks that created the SIVs to either place the off-balance-sheet SIVs on the balance sheet, which would cause large losses and other ongoing problems; or the SIVs would be compelled to liquidate their assets at fire-sale prices.

This would throw hundreds of billions of dollars worth of "assets" that the SIVs hold—mortgage-backed securities (MBS), collateralized debt obligations (CDOs), securities backed by credit card receivables, the debt of collapsing bond insurance companies, such as MBIA Corp.—onto the market, at markdowns of 30-75%. It would crumple the MBS and CDO markets, and bankrupt tens of thousands of other institutions that hold them.

And, it has broader implications: States from Florida to Montana to Connecticut, as well as municipalities, bought billions of dollars of debt of SIVs, in the form of commercial paper and medium-term notes. The failure of the SIV paper has impaired the revenue funds of these states that hold them. In Florida, the state's Local Government Investment Fund (LGIF), which holds and invests the money of Florida's counties and municipalities, invested \$2.3 billion into SIV instruments. On Dec. 12, it was learned that the LGIF will pay back only 86% of the municipalities' original investments. Some Florida cities and towns will have to slash vital services.

What's Worse Than a Collapse?

SIVs now are collapsing so fast, that many will be destroyed before Treasury Secretary Henry Paulson's so-called Master Liquidity scheme—which was supposed to save them—even gets off the ground.

The underlying axiom, upon which it was presumed that SIVs would be a runaway success, was the concept of Venetian-style usury, otherwise known as financial arbitrage. The SIV borrows funds at a lower interest rate, through the issuance its own short-term commercial paper, and invests it in other speculative financial paper that pays a higher interest rate (and has a longer maturity). Then, the SIV amplifies, by 10-12 times, the profit it supposedly is making from this interest-rate arbitrage, by using a heavy leverage (borrowed funds ratio) of 10-12:1.

But now, the SIVs have broken down on both their borrowing side, and their asset side.

In keeping with its reputation as a financial "innovator," the SIV sector—like the \$2.3 trillion-assets hedge-fund pirates—was deliberately incorporated exclusively in the British Cayman Islands, the British Queen's dictatorship, run by and for the City of London's wealthy banking families. There, it is offshore and off-balance-sheet, outside the control and regulation of the United States and other sovereign nations. The policies of the SIVs, in fact, are steered from these Cayman Islands.

During the past three weeks, both in anticipation of, and reaction to Moody's Nov. 30 announcement of a "review for potential downgrade," various large bank originators of SIVs have taken their failing off-balance-sheet SIVs onto their balance sheets, or made large cash infusions, building in large losses for themselves in the process. This includes HSBC (Hongkong and Shanghai Banking Corporation) taking its \$45 billion offshore Cullinan & Ascher SIV onto its balance-sheet; Standard Chartered taking on its Whistlejacket SIV, etc. The banks fantasize that they can "wait out the crisis," and the SIVs will eventually recuperate their value. This is like taking a ticking timebomb, that is sitting in the backyard, and bringing it into the living room.

At the same time, since the SIV meltdown began, starting October, Treasury Secretary Paulson has run around like Lady



Courtesy of Cayman Islands Dept. of Tourism

The SIV sector was incorporated exclusively in the British Queen's Cayman Islands, run by and for the City of London's wealthy banking families. There, it is outside the control and regulation of the United States and other sovereign nations.

Macbeth, peddling the Administration's mad scheme, called the Master Liquidity Enhancement Conduit (MLEC), which was to contain \$75-80 billion, to bail out the SIVs. But, the MLEC plan is dead on arrival.

The SIV blowout has sent convulsions through the world banking system, but the concerted push by the world's central banks and by Paulson, for a super bailout of the system, is infinitely worse. This has triggered a hyperinflationary process that mimics, but is worse than, the one which struck Weimar Germany with full force during the second half of 1923.

On Dec. 8, Lyndon LaRouche proposed: "Quarantine the SIVs; put them into bankruptcy," because a number of institutions which bought faltering SIV paper have already become "SIV-positive," i.e., contracted a terminal disease. LaRouche's Homeowners and Bank Protection Act (HBPA) would ultimately put the bankrupt world financial system, which is already finished, through bankruptcy reorganization, and clear the grounds for sovereign, cheap, productive credit issuance to foster world economic reconstruction.

Any attempt to preserve the SIVs in their present form, will only produce immense damage, as will be manifest once the functioning and operations of the SIVs is understood.

Venetian-Modelled Looting

Various participants in the SIV market, including the co-founder of the first SIV in 1988, Stephen Partridge-Hicks—who has written a book about SIVs and securitization in general, entitled *Synthetic Securities*—try to portray SIVs as extremely advanced instruments that "appeal to the sophisti-

cated investor." In fact, SIVs are primitive instruments for gambling and gouging the world economy, of the type which trace back to 14th-Century Venice.

The banks set up the SIVs offshore. They appoint the SIV's trustee and/or administrator; its directors; its servicing agents, etc. They control the SIV, but lie that it is an "arm's-length vehicle." From the start, SIVs are built with immense, super-charged 10:1 to 14:1 leverage ratios; they borrowed money short-term, but invested it in long-term instruments, a violation of a cardinal rule of banking; they bought the most highly speculative assets. The SIVs' downfall was predetermined by the usurious principles on which they were based.

Let us create an example of a bank-operated SIV, a hypothetical First Predators' SIV, that has a leverage of 10:1, to see what guides it. First, the SIV issues \$1 billion in equity/stock. The investors who buy it, including members of the bank's coterie, by virtue of owning all the capital

of the SIV, own the SIV. They are entitled to the entirety of the SIV's profit. Against this, the SIV issues \$10 billion of debt, normally in the form of SIV commercial paper, which is 30-270-day debt. So, the ratio of the SIV's debt/borrowings, to its equity—its leverage ratio—is 10:1.

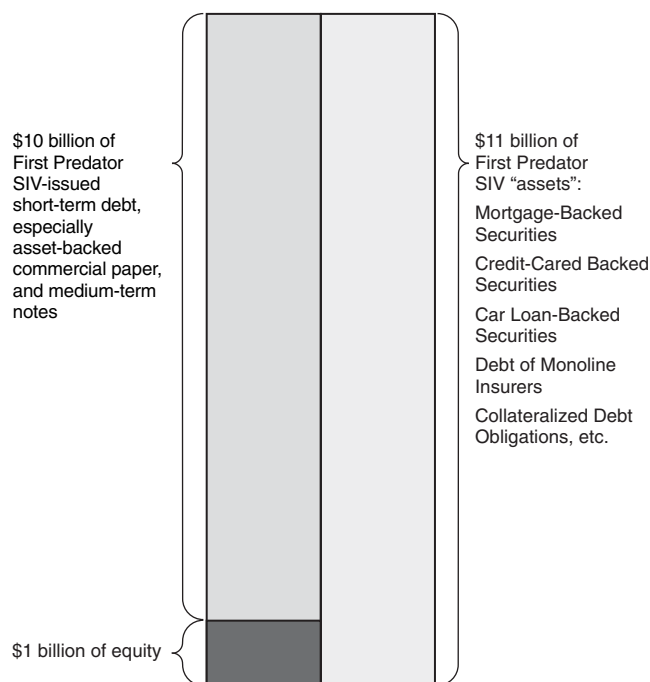
Let us assume, for illustration, that the SIV borrowed all of its debt at a rate that is 5 basis points (5/100ths of a percentage point) below the London Interbank Offered Rate (LIBOR), which we assume to be 5.50%. The SIV thus borrowed at a 5.45% interest rate.

With the pool of \$11 billion (\$1 billion in equity; \$10 billion in debt), assume that the SIV buys various medium- to long-term assets (which because they have a longer maturity, also offer higher yield): mortgage-backed securities; asset-backed securities issued against car loans, or credit card payments; speculative collateralized debt obligations; the debt of monoline insurers, such as the now-impaired MBIA and FGIC, etc. These are the instruments that are normally bought by SIVs. It should be stressed, that the SIV does not have a single productive asset: It holds the worthless debt of other entities, and counts them as assets.

Assume also, that the SIV's assets earn 35 basis points above LIBOR, or 5.85%. So, over the course of a year, the SIV will take in \$644 million (\$11 billion times 5.85%) in interest income; and pay out \$545 million on its debt (\$10 billion times 5.45%); yielding a profit of \$99 million.

The first impulse would be to calculate the rate of profit, by dividing the profit level of \$99 million, by the total funds employed of \$11 billion, which would yield a small rate of

FIGURE 1

'First Predator' SIV

0.9%. But this is where leverage expressly comes into play. The investors who are the equity purchasers reap all the profit, even though they only put up \$1 billion of their own money into the SIV equity, while borrowing \$10 billion. Thus, the First Predator SIV profit rate is considered the profit, divided by the actual equity; that is, is \$99 million divided by \$1 billion or a profit rate of 9.9%—a tenfold increase.

The banks and the hedge funds, which were the creators and controllers of the SIVs, were quite satisfied with the racket. By late 2006, there were 30 SIVs worldwide, and their total assets had swelled to \$400 billion. But related to the world financial breakdown, serious problems were materializing in both the SIVs' assets and debts.

Cayman Islands: The Origin of the SIV Virus

During the SIVs' formative period, there was one other defining characteristic of their functioning: they were all created outside the control and regulation of sovereign nations, in the Anglo-Dutch stronghold of the Cayman Islands. From this bridgehead, they were used to undercut industrial development, and feed speculation, in alliance with their kissing cousins, the hedge funds, which are also incorporated in this jurisdiction, and which the British used as a pirate cove for marauding raids during the 17th through 19th centuries. The Cayman Islands is a British Crown colony, ruled by the Queen, through her appointed governor-general, Stuart Duncan Jack, on behalf of a core of wealthy families.

SIVs, whether of American, French, or Swiss banks, incorporated and domiciled in the Caymans, are guided by British law, banking rules, and policy. From the Caymans, British policy governs everything

A Feb. 13, 2003 article, entitled, "Structured Investment Vehicles: The Cayman Perspective," appearing in the securitization.net web magazine, and written by a leading member of Cayman's top law firm Maples & Calder, laid out the strategy:

The use of the Cayman Islands for the incorporation of SIVs can be traced back to the emergence of the Cayman Islands as the dominant jurisdiction for off-shore capital market transactions....

The 1980s brought enormous diversification in the type of capital market projects utilising Cayman Islands vehicles with the development of various securitisation and structured finance techniques, [and] the use of repackaging and derivatives.... The late 1980s also saw the development of SIVs as investment managers sought to take advantage of market arbitrage with the first SIV launched in 1988.

The article boasts that in the Caymans, for the SIV, there are no taxes, only "light," i.e., no regulation exists, and there is no public disclosure about anything dealing with the SIV's records or transactions. Then, the article offered the assurance that should an SIV incorporated in the Caymans become involved in a legal case, the "ultimate court of appeal is the Privy Council in the United Kingdom," which reports to the Queen.

But the British financier oligarchy considered the creation of the SIVs such a strategic issue, that it tasked the U.K. law firm of Allen & Overy to oversee the matter of the SIVs' build-up. Americans may draw a blank on Allen & Overy, but it is one of Britain's "Magic Circle," its five elite law firms, whose Oxbridge members move in and out of government and corporate board rooms, and handle sensitive matters and participate in making policy.

Allen & Overy was formed in 1930. In 1936, senior partner George Allen was the personal counsel to the rabidly pro-Nazi King Edward VIII. As England found it necessary to make a policy shift toward an uneasy alliance with America, it became necessary to remove Edward VIII from the throne, through the contrived Wallis Simpson affair. It was Allen, working with higher-ups, who personally convinced Edward to abdicate. Such a highly sensitive mission, would only be entrusted to someone on the inside.

In 1988 and 1989, Citibank bankers Nicholas Sossidis and Stephen Partridge-Hicks formed the first two SIVs, Citibank's Alpha Finance Corp. and Beta Finance Corp, both incorporated, it is reported, in the Cayman Islands, or the Bahamas, the nearby British enclave. In both cases, the elite Allen & Overy oversaw the creation. Geoff Fuller, who is

partner of the Capital Markets division of Allen & Overy LLP, told the authors of an Oct. 18, 2007 *Wall Street Journal* article, entitled “How London Created a Snarl in Global Markets,” that, in the *Journal*’s words, “most people with the necessary skills and experience [handling SIVs] are in the United Kingdom,” including law firms, accounting firms, banks, etc. Allen & Overy advised in the creation of, and continues to advise, 12 of the 30 SIVs in existence in the world. The Oct. 18 *Journal* article asserted that most direction and management of the world’s SIVs, comes out of London.

To document the Cayman Island-London overlap in dominating the world’s SIVs, *EIR* assembled **Table 1**. *EIR* was able to obtain dependable information on the place of incorporation and/or registration of 15 SIVs. Of these, Table 1 shows that 12 were incorporated in the Cayman Islands; one was incorporated in the Caymans or the Bahamas; and two were incorporated in the British Jersey Island; therefore, there is 100% British control of these 15.

Observe that in the case of Citigroup, all seven of its SIVs were incorporated in the Cayman Islands, or the Bahamas. It was Britain’s Allen & Overy that was assigned to directly oversee the formation of five, and possibly all seven, of Citigroup’s SIVs.

The lusty embrace of Citigroup, the world’s first- or second-largest bank, and other big money center banks, of SIVs, and other wildly speculative instruments, would soon send shockwaves throughout the world.

Shockwaves

From February 2007 onward, the failure of subprime, Alt-A, and regular prime home mortgages, and the growing tsunami of home foreclosures, began to wash over the financial markets.

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. The floodgates for crisis, in

TABLE 1
SIVs: Controllers, Debt, Place of Incorporation, as of July 13, 2007

| Manager-Controller | SIV | Senior Debt (\$ Billions) | Place of Incorporation or Registration |
|---------------------------|-------------------------------------|---------------------------|--|
| Axon Asset Management | Axon Financial Funding | \$11.19 | Cayman Islands |
| | Links Finance | 22.30 | Cayman Islands |
| Bank of Montreal | Parkland Finance | 3.41 | NA |
| | Nightingale Finance | 2.33 | NA |
| Banque AIG | Victoria Finance | 13.24 | NA |
| Ceres Capital Partners | Cheyne Finance | 9.73 | Believed To Be Cayman Islands |
| Cheyne Capital Management | | | |
| Citigroup | Beta Finance | 20.18 | Bahamas or Cayman Islands |
| | Centauri | 21.84 | Cayman Islands |
| | Dorada | 12.48 | Cayman Islands |
| | Five Finance | 12.84 | Cayman Islands |
| | Sedna Finance | 14.42 | Cayman Islands |
| | Zela Finance | 4.19 | Cayman Islands |
| | Vetra Finance | 2.62 | Cayman Islands |
| | K2 | 29.06 | NA |
| Dresdner Kleinwort | Eaton Vance Variable Leveraged Fund | 0.54 | NA |
| Eaton Vance | | | |
| Eiger Capital Management | Orion Finance | 2.30 | NA |
| | Sigma Finance | 52.64 | Cayman Islands |
| Gordian Knot | Theta Finance | NA | NA |
| HSBC | Cullinan Finance | 35.14 | Cayman Islands |
| | Asscher Finance | 7.33 | NA |
| HSH Nordbank | Carrera Capital Finance | 4.28 | NA |
| IKB | Rhinebridge | 2.20 | NA |
| IXIS/Ontario Teachers | Cortland Capital | 1.34 | NA |
| MBIA | Hudson-Thames Capital | 1.77 | Jersey Island |
| NSM Capital Management | Abacas Investments | 1.01 | NA |
| Emirates Bank | | | |
| Société Générale | Premier Asset | 4.31 | NA |
| | Collateralised Entity | | |
| Standard Chartered | Whistlejacket Capital | 8.84 | Jersey Island |
| | White Pine | 7.85 | |
| Rabobank | Tango Finance | 14.04 | Cayman Islands |
| WestLB | Harrier Finance Funding | 12.34 | NA |
| | Kestrel Funding | 3.32 | NA |

Sources: Moody’s; Standard & Poor’s; Reuters; EIR.

the markets for not only mortgages, but mortgage-backed securities, were now flung open.

A spotlight was shone on the SIVs because it was known that they held huge amounts of MBS. Investors began now to avoid SIV paper. It was reported earlier, that the SIVs had adopted a dangerous method to fund themselves: They bought long-term assets, such as MBS and CDOs; but they funded such purchases by issuing short-term, 90-270-day commercial paper, which must be rolled over as often as every three months. By July, investors were refusing to buy or roll over asset-backed commercial paper issued by the SIVs. It was not just the commercial paper of one SIV that investors would not buy; it was all of them.

At that time, the total commercial paper market was \$2.2 trillion outstanding, of which the portion that was asset-

backed commercial paper was \$1.2 trillion. That latter market has contracted for 18 consecutive weeks, to a volume of \$790 billion, a drop of more than one-third.

And it became undeniable that the hundreds of billions of dollars of “assets” that the SIVs held—the highly speculative MBS, CDOs, etc.—were plunging in value. Were the SIVs to sell these assets on the open market, they would be marked down by 20-70%. Thus, the SIVs, on *both sides of the balance-sheet*—the side that represents borrowing, and the side that represents valuation of assets—were collapsing. The only question was which side was deteriorating faster.

During October 2007, the Cayman Islands-incorporated Cheyne Finance (pronounced Chen-ey), which as of July 13, 2007, had held assets valued at \$9.73 billion, became the first major SIV to effectively declare itself bankrupt. A plan was hastily slapped together, in which the giant Royal Bank of Scotland would rescue Cheyne by buying much of its assets. But after viewing Cheyne’s assets up close, Royal Bank of Scotland backed away from the plan.

Pretending Solvency Is Not an Option

It is not optional for SIVs to declare bankruptcy. Upon the SIV’s formation, the administrator and directors of the SIVs signed covenants which stipulated, that the SIVs must demonstrate that they have sufficient funds—through a mixture of selling off all their assets, and drawing down their equity base—to be able to pay off and retire every penny of their senior debt. Laws establish for the SIV certain triggers/thresholds, at which point, it must take certain action. Most important, when it can no longer retire all its senior debt from asset sales and its internal funds, it enters into a stage called “enforcement” or “malfeasance.” That means it must be liquidated; this is irreversible.

The London-based financial expert who spoke to *EIR* Dec. 5, also emphasized that Moody’s Nov. 30 announcement of a “review for potential downgrade” of SIVs’ debt of \$105 billion, has significance: it could trigger the procedure of “malfeasance”: i.e., ultimate liquidation of the SIVs.

In this context, consider the desperate action that leading banks have taken with respect to SIVs:

- On Nov. 7, Citigroup infused an emergency \$7.6 billion into its seven SIVs.
- During the last week of November, HSBC Holdings announced that it would take \$45 billion of the assets and debts of its two off-balance sheet SIVs, Cullinan Finance and Asscher Finance, onto its books, and close the two SIVs. This clears up nothing, as it leaves HSBC with \$45 billion of radioactive paper;
- On Dec. 3, WestLB Ag, Germany’s third-largest state-owned bank, infused an emergency \$11 billion credit line, to its Harrier Finance SIV;
- On Dec. 3, the Hamburg-based HSH Nordbank AG provided \$3.3 billion in back-up funding to cover its Carrera Capital SIV’s failed commercial paper.

- On Dec. 9, Société Générale, France’s second-largest bank, took \$4.3 billion of the assets of its Premier Assets SIV, onto its books.

But the SIV timebomb keeps on ticking.

Spreading Contagion

The listing of state and local governments that have revealed themselves to be “SIV-positive”—that is, have used their investment fund monies to buy toxic and failing SIVs’ financial paper—is growing. This infectious state may imperil these governments’ financial survival, and engender, as the case of Florida shows, the slashing of vital services.

- Orange County, Calif.—the fifth-most populous in the United States—revealed that the County’s Extended Fund had invested \$460 million, or 20% of its total \$2.3 billion investment, into SIVs. But beyond the Extended Fund, the county has another \$837 million invested in radioactive SIVs. John Moorlach, who is a former Orange County treasurer, and is now a county supervisor, uttered the lethal words on Dec. 7: “We’ll find out real quick, if we have a problem.”

It should be recalled that in 1994, Orange County became the first county in 60 years to go bankrupt, when its portfolio of derivatives lost \$1.6 billion. It shut down critical services across the board.

- The Dec. 5 *Boston Globe*, in an article headlined, “Volatile Holdings Part of State Fund,” reported that the Massachusetts Municipal Depository Trust, which holds total assets of \$5.6 billion, had invested \$134 million “in volatile ‘structured investment vehicles.’” The MMDT fund is an investment pool meant for state and municipal entities to place their monies until they need it to pay bills.

- *The Day* in Connecticut reported Dec. 5, that officials overseeing the state’s \$5 billion Short-Term Investment Fund (STIF), “might soon have to dip into their reserves for the first time in the fund’s 35-year history to keep cities and towns from losing their money.” The STIF had invested \$100 million in the London-headquartered Cheyne SIV.

- In Florida, indispensable services are on the verge of being shut down. As reported, the state’s Local Government Investment Pool had invested billions of dollars into SIVs, and the fund had been frozen since Nov. 30, after it suffered a run on its funds that cut the \$27 billion pool to \$14 billion. The Dec. 5 *Wall Street Journal* reported that the chief financial officer for the Jefferson County school district, which has \$4.1 million in the state’s frozen fund, said that he had to stop payment on checks totalling \$500,000 to vendors the previous week, so that teachers could be paid. Meanwhile, a whopping 95% of the Clay County Utility Authority’s cash is invested in the Florida-run investment fund. “We’re very concerned about the possibility of defaulting on some contracts that are already in place,” said the chief operating officer. This could cause curtailment of electricity supply.

Congress Quits Without Action, Leaves Foreclosure Tsunami Rising Everywhere

by Paul Gallagher

The U.S. Congress will adjourn this week until January, taking no effective action to stop the biggest home-foreclosure wave in U.S. history.

Since Lyndon LaRouche, on Aug. 30, proposed the Homeowners and Bank Protection Act (HBPA) to freeze foreclosures nationwide, and protect chartered banks, the failure of Congress to act on this crisis, had cost approximately 170,000 American households their homes, as of Dec. 1, and will probably take 250,000 homes by Christmas. The rate of foreclosure reposessions, at almost 2,500/day, now two-and-one-half times the level at the depth of the Great Depression, has been growing by more than 30% a month. The wave of “human misery” described by anti-foreclosure advocates—and its potential for social chaos in the worst-hit cities and suburbs—has been impervious to all the refinancing “jawboning” and jaw-flapping from Treasury Secretary Henry Paulson and Congressional leaders. They bear the blame for inaction as it gets worse, and spreads to all types of homeowners and neighborhoods across the U.S.A.

As in many other matters, Nancy Pelosi’s and Harry Reid’s Democrats will wind up having enacted only, and exactly, what the lame-duck Little Tyrant President George W. Bush has told them to enact on foreclosures—his derisory “Federal Housing Authority Reform.” With the median price of all homes in America having dropped to about \$215,000, amid the mortgage meltdown and a foreclosure “tsunami,” how many homes are saved by raising the FHA limit for insuring new mortgages to \$417,000, and lowering the down payment required? “Mortgage-Backed Securities Bailout” is a better name for it—one of the two such big bailout attempts the White House is fiddling with, while American households burn.

Consequences of Three Months’ Blocking HBPA

Here is the rising wave, in overlapping and essentially agreeing figures from foreclosure tracking firms ForeclosureS.com and RealtyTrac. LaRouche called the HBPA “immediate and urgent” in his Aug. 30 message to the nation and to Congress. In September, 41,000 American homeowners had their homes reposessed and sold in foreclosure. In October, the number jumped by 35% to approximately 55,000; and in November, with another jump of more than 30%, the

toll of foreclosure auctions reached more than 72,000. While no Member of Congress, over three months, proposed action to freeze foreclosures as the states and Federal government did in the 1930s Depression—and as LaRouche spelled out in the principles of his proposed HBPA—170,000 American households lost their homes.

If this inaction continues, the situation will continue to get worse. By the year’s end, more than 600,000 homes will have been lost to foreclosure in 2007, three times the level of 2005. Then, *in just the first quarter of 2008*, three-quarters of a million more adjustable-rate mortgages (ARMs) with a debt “value” of \$265 billion, will reset to higher interest rates and 25-50% higher monthly payments. Through 2008, this is nearly 2 million ARMs with a debt “value” of about \$700 billion. Whereas the ARMs issued in 2002-04 had initial “teaser” interest rates of 2-4% which then reset to 7-8%, the ARMs of 2005-06, resetting *en masse* now, are a deadlier breed; their “teaser rates” started at a hefty 7-9%, and they are resetting to 11-12% in the midst of zooming inflation and lost middle-class jobs. Many of them are also “interest-only” mortgages where the homeowner’s mortgage debt is increasing every month, while the market price of the home is falling more and more rapidly—the national average rate of price drop, measured by the Case-Shiller Housing Price Index, is already more than 5% a year. More than 5.5% of all mortgages—prime and subprime, ARM and fixed-rate—were delinquent on payments as of November, the Mortgage Bankers Association reported Dec. 6.

These are the ingredients for worsening mass foreclosures and social chaos, the consequence of blocking of the principles of the HBPA in the House, by Nancy Pelosi’s Democratic leadership, and by Rep. Barney Frank and others who’ve arrogated Congressional “leadership” on this crisis.

At the same time, the number of “troubled” banks officially on the FDIC’s list jumped from 27 banks with \$4.1 billion assets in November 2006, to 65 banks with \$18.7 billion assets in November 2007. But, for example, on Nov. 29, an official of Missouri’s Insurance and Financial Institutions Department told that state’s legislature that 24 banks in Missouri alone were “in trouble” in the mortgage/securities meltdown. And of course, the big money-center banks like Citigroup, Bear Stearns, and Merrill Lynch that are not on the FDIC list, but are deep “in trouble,” will take down many smaller banks when they go.

Foreclosures ‘Ground Zero’ Is Now Everywhere

With 580,000 total foreclosure filings and actions in the third quarter, 224,000 in October alone, “Ground Zero” of the foreclosures crisis is now everywhere, from “the nation’s wealthiest county,” Loudoun County, Va., to depression-wracked Detroit. Highly paid professionals and unemployed industrial workers are being foreclosed alike, on prime, subprime, and ARM mortgages, with nothing but escalation of the social crisis in sight.

Loudoun County, Washington, D.C.’s “speculation suburb,” with the nation’s highest median household income—nearly \$100,000, as of 2006—now has one in every 46 households in foreclosure, according to a report from George Mason University. Median home prices in this one-time “Housing Bubble Ground Zero” have fallen a dramatic 16% from October 2006 to October 2007, says the county realtors association. A Dec. 6 *Washington Post* story detailed cases of professionals—including realtors—losing both the home they live in, and another one they speculated on, due to high-interest ARM mortgages they could not refinance because of the price drop.

The nearby Washington suburb of Prince William County, characterized by “starter homes” in the \$200-300,000 range when bought, has an even worse rate: 1 out of 38 homes in foreclosure. The larger neighboring suburban county of Fairfax—fourth-wealthiest in the country, according to the Census Bureau—is processing 40 foreclosures per court day, ordering the great majority to auction, according to a courthouse observer. The mortgage meltdown has abruptly blown a \$240 million hole in Fairfax’s fiscal 2008 budget, and a \$150 million hole in Loudoun’s.

In metropolitan Louisville, Ky., an *EIR* interview Dec. 7 with the head of the housing coalition (see Interview, below) revealed that the foreclosure wave there—already high in 2005 and early 2006, as across the upper Midwest states—has doubled in two years (to 3,400, one in every 54 households in greater Louisville), primarily due to too-high mortgage interest rates. It have shifted dramatically to suburban neighborhoods; more than 10% of foreclosures are on prime mortgage loans.

In Detroit, the Sunday, Dec. 2 issue of the *Detroit Free Press* carried a grim 122 newspaper pages of 2007 home foreclosures, which Wayne County had to publish at a cost of \$400,000! One-fourth of all Wayne County’s 500,000 homeowners are in default on their mortgages, and 18,000 are in foreclosure.

Paulson’s Plan Only Serves as ‘Roadblock’

The mortgage-foreclosure “plan” announced by both President Bush and Treasury Secretary Paulson on Dec. 6, is actually intended to put a roadblock in the way of any action by Congress to stop foreclosures with a nationwide moratorium. Paulson said frankly on Dec. 6, “The investment com-

munity [is] on board and [is] a clear beneficiary of this approach”—referring to the American Securitization Forum, the investment banks and hedge funds which pushed for trillions in high-interest, high-cost mortgages they could “securitize” and build mountains of debt “leverage” upon. This loan-by-loan review of millions of mortgages—under the control of mortgage banks and lenders and mortgage securities holders, with help from Federal “mortgage counseling centers,” is estimated to lead to perhaps one-tenth of the millions of households facing foreclosure getting new, FHA-insured fixed-rate mortgages (and that assumes that the total price drop in homes across the country will not exceed 7%, a fantasy in the current collapse). This was the purpose of the White House “FHA Reform” bill, which passed the Senate overwhelmingly Dec. 13, just one week after Paulson’s Dec. 6 press conference which demanded it (the House had passed it earlier).

In metro areas like Cleveland, Detroit, and New York, and suburban counties like Fairfax, Va., the major “foreclosers” against homes keep turning out to be obscure investment trusts, operated by trustees appointed by banks like Citibank with no operating offices in the region, or banks like Deutschebank with no operating offices in the United States outside of Wall Street. This is “the investment community” to which Paulson’s plan to avoid foreclosures is entrusted! In Federal and state courts across Ohio, in November and December, judges ruled that these bank-operated trusts had not even registered any proof that they owned the mortgages they were foreclosing. Some 40% of the 1,733 foreclosures studied by a University of Iowa law professor, did not contain proof that the “plaintiff” owned the mortgage.

The Bush/Paulson “plan” allows “not one Federal dollar” to protect and keep chartered banks open, and dumps all the debt costs of helping homeowners, onto the states.

New Plans Falling Short

Congressional Hispanic Caucus leader Rep. Joe Baca (D-Calif.) has modelled new legislation after President Franklin Roosevelt’s Home Owners’ Loan Corporation, created by the 1934 Homeowners Loan Act (HLA). This was the successful New Deal legislation that stopped mass foreclosures, created the Federal Housing Administration (FHA) and the 30-year fixed-rate mortgage; and *EIR* and LaRouche PAC have circulated two major articles in Congress on the relevance of the HLA to the current foreclosures crisis.

But Baca’s legislation “is not a moratorium” on foreclosures, he stresses, thus bowing to the Paulson Treasury and Mortgage Bankers Association pressure. It does not address this real mortgage meltdown, which is, in fact, a collapse of the U.S. and European banking systems. So his proposal for a Federal corporation to buy up defaulted mortgages before they foreclose, and replace them with government or government-backed new, fixed-rate mortgages, could turn into an attempted bailout (using up to \$150 billion in new

Federal bonds) of the superinflated mortgage values which are now collapsing. The bill allows these government buyouts to be at some discount (“short sales”), but also allows very high-value buyouts, when mortgage values are, in fact, now collapsing into a bottomless pit.

“Today’s collapse is not even a 1934 Depression United States,” commented LaRouche, on Baca’s bill. “Today’s bank blowout is July-August 1923 in Germany. Hyperinflated values are collapsing. The U.S. dollar is nearly non-viable due to central bank money-printing. Don’t bail out, don’t buy into mortgages—freeze them. There’s one solution, and I’ve proposed it.”

Sen. Hillary Clinton (D-N.Y.), since a first statement Dec. 6, has put forward a plan proposing an across-the-board national moratorium “of at least 90 days” on home foreclosures. Clinton is the only Presidential candidate to call for a complete halt to foreclosures—and some local Democratic leaders are echoing her call, along with the hundreds who have backed LaRouche’s proposed HBPA. But Clinton’s “plan” is still not the kind of action which can bring a hyperinflationary bank panic under control, and save millions of homeowners their homes.

Clinton stresses that the Bush/Paulson plan “is designed to help as few homeowners as possible . . . and is intentionally designed to leave out the roughly 400,000 families whose mortgages are resetting” in the fourth quarter of 2007. “My plan,” she says, “imposes an immediate across-the-board moratorium on foreclosures; an automatic, across-the-board rate freeze,” and other measures. But Clinton is still not proposing to put “her plan” into Congressional legislation, but to demand it of the mortgage lenders and the White House—an impossible quest.

LaRouche’s HBPA is the only Congressional enactment that will work in this crisis.

Interview: Cathy Hinko

An Eightfold Increase In Foreclosures

Cathy Hinko is director of the Metropolitan Housing Coalition of Louisville, Ky. The Coalition has studied the explosive growth and changing pattern of home foreclosures in Louisville and its surrounding Jefferson County, for several years. This is the beginning of Dec. 7 interview by Paul Gallagher. The full interview is posted on



www.larouche.com with EIR Vol. 34, No. 50.

EIR: Louisville and Jefferson County appear to have a very high foreclosure rate during 2007—something like 2,500 homes owned by banks—and it looked as though there were no more than 70,000 owned homes in the city.

Hinko: I want to make sure I do “apples” and “oranges.” I can track the “apples” of *orders for sale*. And in Kentucky, orders for sale come at the end of a foreclosure process. So, these are people who actually went all the way through and got an order for sale. In 1996, there were 497 orders for sale; in 2007—and we know this, because they’re scheduled through the end of the year—there will be over 3,100 orders for sale in the same area.

Eightfold [increase].

So we know that the numbers have increased this much. And for us, it’s been a housing crisis for a long time. The two coasts are experiencing an enormous rise in foreclosures; but we’ve been experiencing it for several years, dramatically going up in 2004 and 2005. . . .

In 2007, we looked at all foreclosures filed from Jan. 1 to June 30 here in—when I say Louisville, I mean Jefferson County, because we’re a metro form of government. That’s the “orange.” Now, I’m going to talk about foreclosures filed, as opposed to orders for sale. We’re on track to have over 3,400 homeowners in Louisville Metro at the point that they’re actually having a foreclosure filed to dispossess them of their homes. So of course, we can’t even begin to calculate those who are struggling to make payments, or are currently in default, but have not reached the point of legal action.

You asked about the rate. I can only say, from the 2000 Census, in Jefferson County, the number of owner-occupied units was 186,358.

EIR: Sounds like something like one out of 50-60 homes.

Hinko: Currently, yes. . . . But, I also know that the Office of Financial Institutions of Kentucky cited a statistic, that Kentucky will have 1.9% of all homeowners [who] will go into foreclosure. But they also have estimates about who’s in default; and that was over 5% of all homeowners. So, that’s the situation in Kentucky and in Louisville.

EIR: Can you say what is the cause, or causes, of it?

Hinko: The causes of it—the thing we see over and over again, is the higher interest rates.

In 2005, the problem appeared to be more from the refinancing of homes. And it appeared to cluster around African-American urban neighborhoods—which isn’t to say that it wasn’t spread around, but in terms of clustering, or the four leading neighborhoods with this issue, they were urban African-American.

In 2007, we expected to see the same. And as we started tracking where the foreclosures were happening, we were

startled, how the foreclosures had moved. The four leading neighborhoods were suburban neighborhoods, three of which are predominantly white, and one of which is racially mixed. That is not to say, that the urban African-American neighborhoods weren't disproportionately affected; but in just the sheer numbers, they were no longer the leading neighborhoods. It was suburban America that was being affected. And that's why we actually decided to go back and look at all the court files....

When you ask about what caused it: Well, we do know, that in 2005, about 24% of foreclosures involved adjustable rate mortgages [ARMs]; but in 2007, it's 46% that involved adjustable rate mortgages.

In addition to looking at almost 1,700 filings, we also conducted in-depth interviews—with only 26; but 26 people who self-identified. We invited people from neighborhoods, because we wanted to make sure we got urban and suburban, white and African-American neighborhoods. We invited anyone with a foreclosure in those areas to come and interview with us; and 26 people did, so they self-identified....

Out of the 26, eleven identified medical expenses, or health issues, as contributing to foreclosures. Six said the housing costs were too high for the household's income; six had either home maintenance, or other expenses, other than home maintenance, that were unexpected; nine had "change

in employment status" as the cause; six said, "Deceptive or otherwise fraudulent lending practices."

One of the other things that startled us, was that when we interviewed the 26—and this was regardless of whether they were fixed rate, or adjustable rate, or where they were—we were surprised to find that 14 of the 26 had mortgage payments that *did not* include taxes and insurance. And almost every one of those 14 said that they didn't know that was going to be the case, until they were actually at the closing....

That, and the fact that we see a median interest rate of over 8%—for the 1,700 [foreclosures]. So, we know that the interest rates are, in general, pretty high for the people who are experiencing foreclosure....

We have one person: She's a person with a house worth \$235,000. We interviewed people—you know, we wanted to get a cross-section. She had two mortgages: one, with an adjustable, 8.5% ARM—and that interest rate would have gone up in May 2008; she also had a second mortgage, that had a fixed rate of 12.75%. *And* she did not have taxes and insurance in that payment; so she had an additional \$268/month, outside of the mortgage payments, to cover taxes and insurance....

About 16% of these 1,700 foreclosures studied were on second-, third-, fourth-, or even fifth-mortgage refinancings, or on a combination of more than one mortgage.

Fascist Rohatyn Calling The Democratic Shots

For more than two years now, leading Democratic figures in the House of Representatives have protested loudly against Lyndon LaRouche's charge that they are acting under the control of fascist banker Felix Rohatyn. On Dec. 7, the game was up.

On that day, House Speaker Nancy Pelosi (D-Calif.), House Financial Services Committee chairman Barney Frank (D-Mass.), and a handful of others, including former Treasury Secretary and Harvard President Larry Summers, met behind closed doors, in Pelosi's office, with three financiers, led by Rohatyn himself. No press were invited—and even leading Democrats on major Congressional committees were not informed that one of the leading backers of Chilean dictator Augusto Pinochet, i.e., Rohatyn, was holding a tête-à-tête with the House leadership.

No one knows exactly what happened inside, but, upon emerging to give a press conference, Frank spoke for the group in announcing that the "consensus" was that the Bush

Administration's pretense of a plan to deal with the mortgage-foreclosure crisis, was "conceptually reasonable," and just needed to be expanded to cover more people. The thoroughly discredited Summers seconded Frank's conclusion, calling the plan by Treasury Secretary Henry Paulson "pragmatic and thoughtful." Meanwhile, Rohatyn stood off to the side of the speakers, as if to supervise their performance.

The game was blown by two members of the LaRouche Youth Movement (LYM), who asked Frank why the Democratic Party was taking advice from the man (Rohatyn) who has been destroying the U.S. physical economy, as shown in his role in the Delphi bankruptcy. Frank, not surprisingly, responded hysterically: "I know that Lyndon LaRouche has had an obsession with Felix Rohatyn for a very long time." He then refused to answer, protesting that the press conference was only for "credentialed" reporters.

A second LYM member sought to ask Frank to elaborate on the need for investment in infrastructure, only to be cut off in a similar manner.

In commenting on the event, LaRouche noted that he wouldn't want to be the shoes of Pelosi and Frank, when the increasingly angry U.S. population realizes just how totally they have been sold out by these stooges for Felix. There is no doubt that that day of reckoning is coming—soon.

LaRouche Asks: Which Bank Of the South Will Prevail?

by Cynthia R. Rush

While international financiers watched anxiously from abroad, seven South American Presidents gathered in Buenos Aires on Dec. 9 to take the historic step of founding the Bank of the South, a new regional financial institution representing the sovereign interests of its member nations, with a mandate to finance the integrated economic and social development of all the countries of the Union of South American Nations (UNASUR). Presided over by outgoing Argentine President Néstor Kirchner, the founding ceremony included the Presidents of Bolivia, Brazil, Ecuador, Paraguay, and Venezuela, and a Cabinet minister from Uruguay. Uruguayan President Tabaré Vázquez arrived the next day to sign the founding document.

The finance ministers from these member countries now have 60 days in which to finally resolve key details of how the bank will function.

That the founding ceremony took place in Buenos Aires on Dec. 9 was entirely appropriate. It had been originally planned for Dec. 5 in Caracas, but the participating Presidents decided to move the time and place to coincide with the Dec. 10 inauguration of Cristina Fernández de Kirchner as Argentina's new President, which all planned to attend. The locale and celebratory environment allowed the Presidents to both pay tribute to President Néstor Kirchner, one of the bank's intellectual architects and an outspoken advocate of regional integration, while also welcoming the new Argentine head of state, who is committed to continuing her husband's regional policies.

As Fernández de Kirchner said in her speech at the founding ceremony, "In this Bank of the South, we place our hopes, that it will be an instrument that addresses what our people and our societies need: investment for infrastructure, for pro-

duction, for work, and to improve the quality of life of our compatriots. These are the reasons for which we long ago embraced this political cause."

Two Opposing Conceptions

With the global financial system disintegrating around them, international financiers found little cause for joy in the proclamations of Ibero-American unity and optimistic talk of "financial emancipation" and economic development that characterized the Buenos Aires gathering. President Kirchner movingly addressed each of the other leaders individually, thanking them profusely for their support and expressing joy that on the eve of his leaving office, the Bank of the South had become a reality.

It took a fight among the Presidents themselves to finally agree to hold the founding ceremony at all. The City of London and its Wall Street allies, working through the interests they control, such as Spain's Banco Santander and the International Monetary Fund, had succeeded in delaying the founding more than once. They particularly ran a number of dirty operations in Brazil, the economic giant whose participation in the bank is essential to its success.

But, as Lyndon LaRouche commented on Dec. 9, the fight is far from over. The issue, he said, is that there isn't just one Bank of the South, but two, and the British gamemasters who pull the strings of various assets in the region, are determined that *their* version is the one that will prevail.

The latter, LaRouche said, is the Jacobin "Bolivarian" model, which Venezuelan President Hugo Chávez and his ally Cuban President Fidel Castro have given voice to, by calling for the bank to contribute to the downfall of the dollar and the United States by promoting a regional currency bloc with its

“own” capital market. Chávez and Castro have fallen into the British trap, LaRouche said, as seen in Castro’s Nov. 29 diatribe in the daily *Granma*, where he cited the 1823 Monroe Doctrine as evidence of U.S. world “tyranny.”

Castro never learned history, LaRouche commented. If he had, he would have known that John Quincy Adams authored the Monroe Doctrine in 1823 *against* the British Empire, which had designs on South America, and used such Foreign Office agents as Jeremy Bentham to capture and control the South American independence movement, to prevent it from emulating the American Revolution. Even the Liberator Simón Bolívar, so admired by Castro, was smart enough to recognize in later life that his earlier association with Bentham had been a grave mistake, and publicly repudiated it.

The other Bank of the South, LaRouche explained, is, potentially, one that reflects his own programmatic proposals—the New Bretton Woods and the Eurasian Land-Bridge—conceived of as the seed-crystal of a new *international* financial architecture, free of the dictates of private financier interests whose system is now crumbling. This conception is based on a specific republican historical tradition of cooperation among the sovereign nation-states of the Americas, as John Quincy Adams envisioned, and as LaRouche detailed in his groundbreaking 1982 *Operation Juárez* proposal.

Keeping the Focus Clear

During the Bank of the South ceremony and the mass celebration that followed Cristina Fernández’s inauguration, the LaRouche Youth Movement (LYM) intervened to keep the Presidents’ attention focussed on the central programmatic issues.

Amidst a boisterous, joyful crowd of at least 150,000 people gathered at Buenos Aires’s main Plaza de Mayo to celebrate the inauguration, a LYM delegation boldly made its way to the front of the crowd and unfurled a gigantic banner with this message: “Cristina: You’ve Achieved the Bank of the South; Now, Let’s Move Toward a New Bretton Woods—LaRouche.” Both former President Kirchner and the new President clearly saw the banner, while many of the participants at the rally grabbed up LYM literature on the Eurasian Land-Bridge and New Bretton Woods, and engaged in serious conversation.

This intervention is crucial because of the vulnerability of some Presidents to the Jacobin view, or to the mistaken conception of the bank as merely a regional operation. Ecuador’s President Rafael Correa, who has backed the Bank of the South project from the very beginning, referred to the new institution Dec. 9 as the “beginning of a new international financial architecture”—which is exactly what it must be, if it is to succeed.

But in later joining with Bolivian President Evo Morales in calling for the creation of a regional currency, Correa toyed with the dangerous illusion that the Bank of the South will

somehow protect member countries from the world financial meltdown by dumping the dollar and devising local solutions. In reality, it is only as a regional component of a new *international* monetary system, that the Bank has any chance of success.

It’s the absence of clarity on this issue that gives the Jacobin faction latitude to sow chaos, as Hugo Chávez has done in Venezuela’s super-charged internal situation, or in Bolivia, where his support for President Evo Morales has come in the form of egging on indigenous Jacobin hordes to take on right-wing fascists, in a situation that is bordering on civil war.

Chávez’s provocative outbursts are also extraordinarily dangerous, as they provide the British Empire faction the cover it needs to attempt an assassination of Chávez, or moves towards civil war, that LaRouche has warned might be attempted as an efficient way to blow up all of Ibero-America.

It was because of the fallout from his brawl with Chávez over the latter’s role in negotiating a hostage-release deal with Colombia’s narco-terrorist FARC, that Colombian President Alvaro Uribe waffled on his earlier decision to join the Bank of the South, announcing on Dec. 5 that his government would hold off for the moment, while maintaining the “political will” to join at a future time.

What About Argentina?

As she enters the Presidency, this is the complex regional situation that the combative Cristina Fernández faces, already feeling the pressure from international bankers who hope to force her to back down from the aggressive anti-IMF stance her husband maintained throughout his term in office.

But the new President has made very clear that she’s no pushover. While her husband’s last act in office was to preside over the official founding of the Bank of the South, Cristina Fernández’s first act in office was to tell the bondholders who refused to participate in the 2005 debt restructuring—these are the predatory vulture funds—that she will not meet their demands for full payment on their debt. Finance Minister Martín Lousteau told reporters on Dec. 12 that those “hold-outs” who refused to accept the government’s original offer of 30 cents on the dollar “were badly advised. . . . The debt swap will not reopen.”

Similarly, after IMF Managing Director Dominique Strauss-Khan reported that Argentina would have to undergo an IMF auditing of its economy, as a prerequisite for renegotiating its \$6.3 billion debt with the Club of Paris, President Fernández announced on Dec. 14 that she would postpone any dealings with the Paris Club until March or April. Argentina currently has no agreement with the IMF, and sees no reason why its dealings with the Paris Club should be dependent on an IMF evaluation of its economy. Finance Minister Lousteau added that negotiations with the Europeans are “not urgent.”

Book Review

Russia's 1991-2001 Descent Into Hell

by Antony Papert

The Anatomy of Russian Capitalism

by Stanislav M. Menshikov

Washington, D.C.: EIR News Service, 2007

397 pages, paperback, \$30

The oldest hath borne most: we that are young
Shall never see so much, nor live so long.

—Lear

Author Stanislav Mikhailovich Menshikov brings unique qualifications to this painstaking dissection of the realities of the Russian economy of today. Born the son of Mikhail Sergeievich Menshikov, the highly regarded Soviet Ambassador to Washington of the Khrushchov era, Stanislav Menshikov celebrated his 80th birthday in Moscow earlier this year, at an event at the Russian Academy of Sciences, attended as well by foreign guests including Lyndon LaRouche and his wife Helga Zepp-LaRouche. In between times, Menshikov served his country as a leading analyst of the U.S. and other Western economies, then spent six years in the UN Secretariat studying Third-World development, and finally turned his skills to the problems of the Comecon economies. He has written more than 20 books, many published in English translation.

Immediately before the Great Crash of October 1987, the late, venerable John Kenneth Galbraith of Harvard sought out Menshikov, whom he called “a remarkably informed scholar,” for ten days of discussion in Vermont. The transcript was published simultaneously in the Soviet Union and the U.S., under the title, *Capitalism, Communism and Coexistence*. Galbraith, quondam economic advisor to Franklin Roosevelt and John Kennedy, spoke for both Menshikov and himself when he wrote there, “But it was not our purpose, ... to score points in our conversations. We did not see them as a debate which either of us won or lost. We saw them rather as a contribution to the larger victory which equally we hope to share.”

Vast and sudden world-political changes which few then foresaw (LaRouche one of those few), have cleanly split the past 20-year period into two parts. And so, on one level, the terms of Galbraith's and Menshikov's 1987 exchange might appear to be obsolete. What a surprise how very current and

relevant much of it is! Galbraith, for example, noted there that the U.S. economy had had 25 good years from 1945 to 1970, but “the good fortune didn't continue.” He at first blamed this on the replacement of his generation of economists by “a younger and less able generation,” but then immediately turned around to try to claim that this explanation had only been a joke.

Galbraith indicted monetarism and the shift to a services economy, for weakening our real wealth-producing industries, such as steel and automobiles. As for trade unions, “instead of winning wage increases, they have to negotiate give-backs.” Menshikov, for his part, stressed the need to find new sources of natural resources to maintain a growing world population. He countered ignorant popular prejudices on modern U.S.-Russian relations by noting that Russia was consuming fully 40% of all U.S. machinery exports during some periods of the 1930s.

The reason for the excellence of their discussions was that each man was at once an able patriot of his own nation and “system,” while simultaneously dedicated to what Galbraith, in his dedication to *The Affluent Society*, called “the ultimate aims of man.”

For Menshikov, what this means to me is that he is one of the best exemplars of the best of the Russian *intelligentsia*. Since at least some time in the 18th Century, the best of the Russian intellectuals have somehow combined an unyielding compassion and a powerful underlying optimism, on the one hand, with that readiness to look without blinking and without consoling illusions, into the very face of the most unimaginable horrors,—the same readiness as one finds in a competent military commander. All this in a peculiarly Russian manner.

I have tried to explain to myself these qualities of the Russian intelligentsia, by trying to conceive of that awful sense of responsibility, before God and man, of each one of a mere tiny handful of educated persons, amidst the sea of illiteracy and ignorance which was Russia before the effects of the 1918 revolution.

In any case, this is Stanislav Menshikov.

The importance of these qualifications centers around something which very few Americans have even begun to grasp. That all the death and destruction wreaked upon the Soviet Union by the greatest part of the Nazi war machine, 1941-44-45, was outdone, in every respect, material, moral, and psychological, by the “reforms” of 1991-2001.

No one who doesn't understand this, knows anything about Russia or Putin. Nothing previously published in English gives any sense of it to compare with Menshikov's *The Anatomy of Russian Capitalism*.

Translator Rachel Douglas has been intimately associated with Lyndon LaRouche for decades as an intellectual and political leader and a Russia and Russian-language specialist. The wide knowledge of LaRouche's work in Russia owes much to her untiring dedication, and her translation of Professor Menshikov's work speaks for itself.

Business Briefs

Currency

China Lectures Paulson On Dollar Collapse

Chen Deming, China's Vice Commerce Minister, said that the falling dollar had pushed up the cost of imported resources and was a destabilizing factor for the world economy. Speaking on Dec. 12 at the opening of the twice-yearly meeting between government ministers from the United States and China, Chen said, "What I'm worried about is the weakening dollar and its potential impact on global growth." U.S. Treasury Secretary Henry Paulson was leading the U.S. delegation.

Both Chen and Vice Premier Wu Yi earlier had warned Paulson that passing any of the anti-China bills now in the Congress would harm relations.

Zhou Xiaochuan, the governor of the People's Bank of China, added, "For China, what we worry about more is that a very accommodative U.S. monetary policy could give rise to a new burst of excess liquidity in global markets."

Banking

Stumbling UBS Receives Top Financial Award

The troubled Union Bank of Switzerland, UBS, was awarded the title of "Financial Adviser of the Year" by the *Financial Times* and Merger Market M&A Awards. This, despite the fact that the bank is now under scrutiny by regulators on suspicion that it did not reveal its real situation.

Some think the venerable Swiss bank may soon have to change its name to "Under Bankruptcy Surveillance."

As of Dec. 13, UBS stocks were dropping rapidly, as investors and experts expressed their suspicions that the bank had not really revealed its situation when it announced it was recapitalizing with an additional 19.4 billion Swiss francs (about \$17 billion). In the wake of the announced recapitalization, the Swiss financial institution Helvea reduced the rating of UBS, saying that "the excessive increase of its UBS capi-

tal presages new depreciations and was therefore not an act of prudence on the part of the bank."

UBS has tried to calm the waves with news that it has secured \$11-12 billion in new capital from the Singapore sovereign wealth fund and another, undisclosed, Middle East investor.

Budget Cuts

Heating Costs Soar, But Bush Vetoes Aid

The U.S. Department of Energy's Energy Information Agency said on Dec. 12 that the heating cost for the average U.S. household will be \$986 this Winter, an increase of 10.9% over last Winter's costs. As a result, more low-income and elderly people are applying for help from the Low Income Home Energy Assistance Program (LIHEAP), a Federal program. However, President "Leave No Citizen Warm" Bush vetoed the LIHEAP bill presented to him by a bipartisan vote in both houses of Congress.

To illustrate the crisis, *USA Today* quoted Melody Rodriguez of Central Missouri Community Action saying, "We've turned into a crisis center." She said that so far this year, 569 people have applied for assistance, as opposed to 159 last year at this time. Others are turning to wood stoves, or simply going cold, she said.

Commerce

Schröder Calls for More Trade With Russia

At a Dec. 10 speech in New York City, former German Chancellor Gerhard Schröder of the Social Democratic Party, called on the United States and Europe to make Russia a partner in all aspects of their foreign policy, especially economic cooperation.

Schröder, now chairman of the supervisory board of Nord Stream AG, a consortium with Russia's Gazprom, outlined his company's ambitious gas pipeline program, which is being built to pump Russian natural gas to Germany under the Baltic Sea. This ambi-

tious project is being developed by Russia's state-controlled gas giant Gazprom, and Germany's E.ON and BASF, at an estimated cost of \$12 billion.

"Europe currently consumes 500 billion cubic meters of gas [per year] and will require another 200 billion by 2015," Schröder said. "The Nord Stream pipeline will be able to ensure the transportation of 55 billion cubic meters." He said these figures suggest that the gas pipeline under the Baltic does not aim to compete with existing transit routes via Ukraine or the Baltic countries.

Inflation

U.S. Producer Prices Rise 3.2% in November

The hyperinflation being created by money-pumping from the world's central banks was reflected in the figures released on Dec. 12 by the U.S. Labor Department. Producer prices showed a gain of 3.2%, more than twice as much as the "experts" had predicted. This increase represents the fastest pace in 34 years. While the Labor Department noted the role of surging costs of fuel in pushing up the prices, they failed to mention the hundreds of billions of dollars being released into the financial system, in order to prevent the reality of the systemic collapse from becoming visible.

Transport

Truckers' Strike Paralyzes Italy

A truckers' strike paralyzed Italy for three days, Dec. 10-12, as the underpaid drivers protested against high costs, and the effects of competition from lower-paid eastern European truckers. The strike paralyzed deliveries nationwide, since 85% of all internal commerce is carried by truck.

The strike was widely considered a political move against the Prodi government, since the most aggressive truckers' union is led by a parliamentary member of the party of former (right-wing) Prime Minister Silvio Berlusconi.

Eurasian Land-Bridge Achieves Breakthrough in Canada

by Rob Ainsworth, LaRouche Youth Movement

Some 90 people gathered in Ottawa, Canada's capital, on Dec. 11, to deliberate upon the future of the nation and the world. The conference, sponsored by *EIR*, and titled "The Strategic Importance of the Eurasian Land-Bridge: Canada and the Coming Eurasian World," focussed primarily on concepts of, and initiatives for, continental development, with North America serving as a model for other parts of the world. As American statesman Lyndon LaRouche asserted in his keynote address, delivered by telephone from Europe:

"It's extremely important for us in the Americas, especially in North America, to set a precedent, for the world, in a sense, to admire.... We [North Americans] think of ourselves as citizens, we think of ourselves as equal, at least in rights. And we prize ourselves on our cooperation, we pride ourselves on being beneficial to our neighbors—at least, most of the people I respect do that. And therefore, it's extremely important, that if [we] cannot get this kind of cooperation in North America, I don't think we can get it on the planet anywhere, at this point."

The conference was organized by the Canadian LaRouche Youth Movement (LYM) as a continuation of what was begun in Kiedrich, Germany, in September, at the Schiller Institute conference on "The Eurasian Land-Bridge Becomes Reality: A New World Order for Peace Through Development Corridors." Among the participants in Ottawa were representatives of 13 nations, including nine members of the diplomatic corps, several from the Canadian government, and the embassies of foreign governments; a four-person delegation from Mexico, including Antonio Valdes Villanueva, the Secretary General of the CTM trade union confederation of Ciudad Obregon, Sonora, representing 5 million members; and *EIR* founder Lyndon LaRouche, who gave the keynote address.

Other speakers included Dr. Hal Cooper, renowned for his work on great North American rail and energy projects, and in

particular, for his work on the Bering Strait Tunnel project and the connecting railroads that would need to be constructed. Rachel Douglas, head of *EIR*'s Russia desk, gave a powerful presentation on Russia's strategic perspective and its current initiatives for Eurasian development; she also delivered a passionate defense of President Vladimir Putin and other national leaders who have been smeared and besmirched by the Western press, simply because they do not follow the neo-liberal dictates of the IMF, World Bank, and other related institutions. The evening included a videotaped address on nuclear power development by nuclear engineer James Muckerheide, and a LaRouche Youth Movement panel on "Continuing the American Revolution," presented by Limari Navarrete and Valerie Trudel. An additional highlight of the conference was a musical offering in three parts by members of the Boston and Canadian LYM.

The Individual Makes History

"Men are sometimes masters of their fate," was the opening line of this author's welcoming remarks to the conference, posing the subjective issue of this crisis: that choices will be made by individuals, to either break with the current failed system, or to capitulate to it—and so doom the future of mankind to misery and darkness. Following upon this lead, and the lovely presentation of three portions of J.S. Bach's *Jesu, meine Freude*, LaRouche emphasized the importance of the Treaty of Westphalia as the precedent for solving today's global problems. These can often seem overwhelming and impos-



EIRNS/Rachel Douglas
Rob Ainsworth

sible to fix, to those outside the political process, he said, just as the bloodletting of the Thirty Years War would have seemed interminable to its participants. LaRouche emphasized that the progress of the nations of North America through great infrastructure projects would be an exemplar for other nations.

Continuing this theme of outreach and expansive thinking in times of crisis, Rachel Douglas outlined Russia's current strategic orientation toward President Franklin D. Roosevelt, as the model of leadership and action for Russia in this period. Douglas reviewed the history of LaRouche and Russia, harking back to the years of the Strategic Defense Initiative, to understand why Russia is in tune with some of LaRouche's strategic and development policies today.

Douglas also presented the core of the report sent for presentation at the Kiedrich conference by Victor Razbegin, deputy chairman of Russia's Council for the Study of Productive Forces (SOPS), who is one of the leading promoters of the Bering Strait Tunnel project in Russia. She combined this report with portions of the material presented at Kiedrich by Dr. Sergei Cherkasov, of the Vernadsky State Geological Museum of the Russian Academy of Sciences, on the development and vast potential of Russia's mineral resources.

Among the most passionately delivered presentations of the day, were those of Alberto Vizcarra and Manuel Frías. Vizcarra is a long-standing leader of the LaRouche movement in Mexico, and currently the coordinator of the Pro-PLHINO Committee, which brings together dozens of groups and associations in the state of Sonora, Mexico, including peasant groups, trade unions, producers, and others. Frías is a distinguished civil engineer and expert in hydraulics, who has played an important role in designing water projects for every region of Mexico as well as in the Middle East.

Vizcarra, who spoke first (his speech can be read at www.larouchepac.com), located the development of water projects such as NAWAPA and PLHINO (For project details, see *EIR*, Dec. 7, 2007) in the following light, which characterized the entire conference:

"We are meeting today in Ottawa, determined to provide an appropriate response to what the world expects from the Americas. The best way to do this, is to document the great development potential which our nations have, if we agree upon a solid basis for cooperating on infrastructure projects which increase the availability of our water, energy, and food. If we hear Eurasia knocking at our door at the Bering Strait, we in Canada, the United States, and Mexico can decide upon a new agreement among ourselves, based on fair trade, and not on the disastrous, predatory axioms of free trade."

Vizcarra then elaborated the extent of NAWAPA (**Figure 1**), the most ambitious water-management project ever conceived, and its role in ensuring the future prosperity of North America, by bringing many cubic kilometers of desperately needed freshwater to the parched regions of the continent. This project would also include the widespread and necessary adoption of nuclear power for additional seawater de-

salination and energy production.

Vizcarra emphasized the magnitude of the project, but also the facility with which we could finance it:

"NAWAPA is, without a doubt, a great infrastructure project—a project that would change the very face of the Earth in the region of the Great American Desert, producing geological and climatic changes that will raise the biosphere's potential. Ten thousand kilometers of canals and 2,900 kilometers of tunnels would be built, at an estimated cost \$800 billion. That may sound like a lot of money, but it is about the same amount as what the international drug trade generates each year, or nearly half of the trillion and a half dollars in speculative financial flows that are carried out worldwide every day."

Alluding to the disastrous conditions in which the majority of Mexicans find themselves, as well as the ongoing collapse of the international financial system, Vizcarra stressed: "Only a new agreement among our three countries, an agreement which breaks with the failed axioms of NAFTA, and takes up great tri-national infrastructure projects such as the NAWAPA-PLHINO-PLHIGON, can bring us out of the Hell in which we find ourselves."

Frías took the audience through the more technical details of the water projects for the North, South, East, and West of Mexico, indicating, in particular, how these projects, had they been implemented earlier, could have prevented the horrifying floods which recently swept through Tabasco to such devastating effect. The programs outlined could be utilized as a model for any nation confronted by challenging terrain and the problem not of a want of water, but rather of its unpropitious allocation, Frías said.

Spanning the Continents With Railways

After a recorded greeting from former state representative and former House Majority Leader Jeanette James, the "Railroad Lady" of Alaska, giving her warmest regards to the participants, Hal Cooper took up the exciting prospects of a continent-spanning railway project. Cooper described how the proposed Bering Strait Tunnel would be tied into the development of energy and mineral resources in the North, resources which will play a critical role in the next several centuries of development in both Eurasia and the Americas. He stressed that this project is an absolute necessity, not just from the standpoint of transportation, but on a higher strategic level, as a means of breaking the grip of the raw materials and energy cartels over the world economy.

Development will be impossible in the future, Cooper said, if we continue to depend upon oil as a primary energy source. Instead, the world must shift to nuclear power, and electrified high-speed and magnetic-levitation rail systems. In the past, Cooper has also pointed out that the total cost to complete and upgrade the entire global Eurasian Land-Bridge rail system, as presented in *EIR*'s 1997 Special Report, would be approximately \$1-1.5 trillion. Of that, the Bering Strait Tunnel connection would require \$125 to \$150 billion. But, Co-

per asked, is this not at minimum what the United States will squander in Iraq, with no measurable benefit to anyone?

Mozart, Nuclear Energy, and Revolution

After a dinner filled with happy discourse, the conference resumed with a musical presentation of Mozart's motet *Ave Maria*, to the delight of the audience.

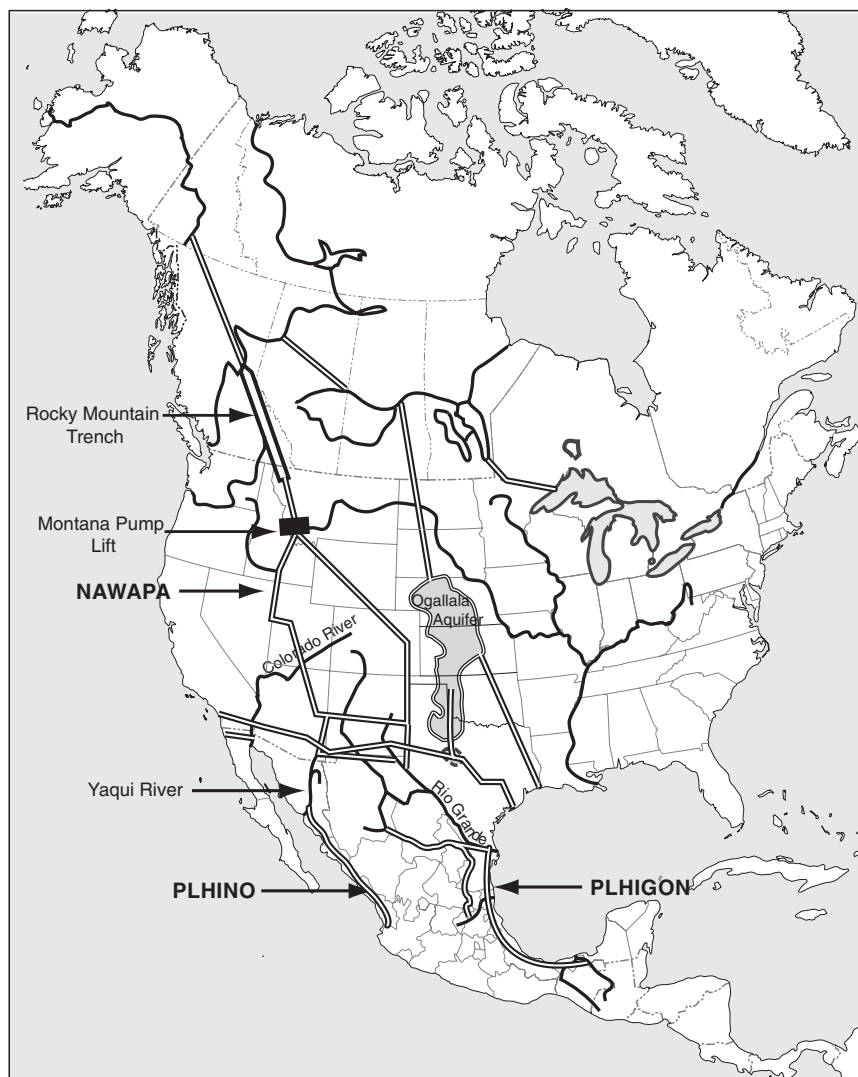
This was followed by a video presentation, prepared by nuclear engineer James Muckerheide, who is the state nuclear engineer for the Commonwealth of Massachusetts, and the president of Radiation, Science, & Health. Muckerheide explained how nuclear technology works, and explained how it would be possible to construct the 6,000 nuclear plants that will be needed by 2050, to bring electricity to the nearly 2 billion people without it. The video was informative, and gave the participants additional reasons to ignore the lunatic ravings of the environmentalist lobby.

The evening concluded with a panel discussion by LYM members Valerie Trudel and Limari Navarrete on "Continuing the American Revolution," which counterpoised the American and British Systems of economics. Trudel provided a series of devastating quotes from the greatest proponents of both systems, proving decisively the crucial difference between the two: namely, one, the American, a truthful conception of human nature, and the other, the British, a false, bestial, and degraded conception.

Navarrete then reported to the audience on the double mobilization of the LYM, organizing for the Homeowners and Bank Protection Act, and at the same time, the LYM's latest salvo against the counter-culture: the LaRouche PAC pamphlet "Is the Devil in Your Laptop?" Although we have lost a number of battles, she said, just like the Continental Army of George Washington, we are now poised to achieve a great victory for humankind.

The final act of the conference was the presentation of a choral piece composed by Bach. The chorus sang of maintaining hope when confronted with adversity, a theme which resonated with everyone in the room. After that, the atmosphere in the room became all smiles, and handshakes and hugs as people began to depart. There were many thanks given to the

FIGURE 1
North America: 'NAWAPA-Plus'



Sources: Parsons Company, *North American Water and Power Alliance Conceptual Study*, Dec. 7, 1964; Hal Cooper; Manuel Frías Alcaraz; EIR.

The North American Water and Power Alliance (NAWAPA), designed by Parsons engineering company in the 1960s, is an integrated water, power, and agricultural project, which proposes to take about 17% of the annual runoff of the rivers of Alaska and northern Canada (some 1,000 km³ of water), and channel it southward to Canada, the U.S.A., and Mexico. The topographical map of North America (Figure 2) shows how closely NAWAPA-Plus coheres with the geophysical aspects of the region.

LYM organizers, the consensus being that the LaRouche movement in Canada had been given a new birth.

The Next Step for Canada

Now that the conference is concluded, the next step is clear. Canada is a nation which is increasingly open to the initiatives being proffered by LaRouche and the LYM. A recent headline-grabbing report, issued by the Federation of Canadian Municipalities, shows that there is a great crisis in Cana-

FIGURE 2



da's municipal infrastructure: 80% of it is in a state of failure, with hundreds of billions of dollars immediately required just to maintain what is currently falling apart (see report at www.fcm.ca/english/advocacy/mdeficit.pdf).

At the same time, the 2007 Economic Statement, issued in October by the Department of Finance Canada (see report at www.fin.gc.ca/ECONBR/ecbr07-10e.html), admits that every productive sector in Canada's economy, apart from construction, is already in recession, and the ongoing collapse of the financial system will now submerge the rest of the economy.

The Canadian LaRouche Youth Movement is poised to become an increasingly powerful force in the shaping of Canada's economic policy-making. The nation's current leadership does not know what to do; it lacks the scientific training which the LYM is currently undergoing. Most of the people in leader-

ship can recognize the problem, but they cannot locate the actual cause of the crisis. The tendency is to think, as one Member of Parliament commented to the LYM, that some people "made some mistakes." The Parliamentarians fail to recognize the systemic nature of the crisis, which has produced almost 40 years of mistakes!

During the mobilization for the conference, individuals across the country, and across the entire spectrum of government and diplomatic institutions were contacted. Many of those who were not able to attend in person were very excited about the prospects for the conference, requesting a transcript of the event, and asked to be contacted for follow-up meetings and discussion.

There is a rising sentiment throughout the country that the time has come to make a decisive break from globalization and free trade. The Canadian LaRouche Youth Movement is tapping this sentiment in all of our activities. The population is ready for change, and the LYM's policies of continental development are finding a receptivity among the people far greater than ever before. Therefore, the Canadian organization plans to produce a special report on the conference, and other imperatives, such as the creation of a Canadian Infrastructure Development Bank, and use this report as a primary driver for its organizing in the months to come.

In closing, LaRouche offered this summation:

"If we love mankind, and can love the benefit given to the other nation, what are we doing that's good for them? If we can

think in those terms, then we will get away from the dog-eat-dog tendency which we've seen again, lately, and get back to the idea that we are not animals; we do not breed progeny. We develop human beings, and we hope that the next generation will have a better life than ours, because we've made that improvement possible. And we see progress of that type, induced by our love of mankind, as being the motive for the way we do things, as well as what we do.

"If we can get back to that, that conception of *agapē*, that principle of the Treaty of Westphalia, I think we can not only recover from this crisis which is coming down on us now, but we can assure ourselves, that our grandchildren and great-grandchildren will benefit from what we're doing. And perhaps in this way, we'll avoid more of the kinds of Hell we've had, particularly in the past hundred years" (see below for full speech).

Lyndon H. LaRouche, Jr.

The Time Has Come To Rebuild With Peace

Here is Lyndon LaRouche's keynote to the EIR conference on "The Strategic Importance of the Eurasian Land-Bridge: Canada and the Coming Eurasian World," held in Ottawa on Dec. 11, 2007. Excerpts of the discussion which followed are included below. The conference was moderated by Rob Ainsworth of the LaRouche Youth Movement.

We're presently at a point of a great world crisis. It's one of the biggest—probably will be unless we can control it—the biggest crisis in modern European history. We had something in the 14th Century, the so-called New Dark Ages, with the collapse of a number of the banks of Italy, the Lombard banks, so-called. We're facing something similar today, but in a different time, with different characteristics.

There are remedies. But the remedies require a certain kind of optimism about the future of mankind. And here we are, in the United States, Mexico, and Canada, which essentially is the hard core of the northern hemisphere of the Americas. We're also at a point that we have an option for close co-development with parts of Asia, particularly the Russian part of Asia, the connection between northern Siberia, and northern Alaska, and Canada is fairly obvious. Here we have areas in the northern part of the hemisphere, on two continents, which are very thinly populated, but rich in mineral resources and other kinds of resources, and also which are capable of supplying improvements in the water management, the fresh-water management of the respective continents, or the northern part of the continents.

And if we can link these, as we can, that is, Siberia to Canada, Alaska, and down into the States and into Mexico, we have the basis for a real renaissance in the economies of these regions of the world, which, in the case of northern Siberia, for example, is largely an area which will be of mineral significance, and transport significance, for some time to come. We have a similar kind of situation in northern Canada and Alaska, areas which are thinly populated because

of the climate, but which have rich resources underneath the soil, and which means that this is a great leverage for developing the respective countries, and for participating in the development of the hemisphere as a whole.

We had, recently, of course, this meeting in Russia, in which I was an indirect participant, but an enthusiastic one, for the development of a railway system, a tunnel, from northern Siberia, into Alaska, down into Edmonton and so forth, and into the States, a railway system which would connect, obviously with some additional rail development, through Central America into South America.

This would mean, with this kind of rail development, the larger part of the world, including Africa, Eurasia, and the Americas, would be directly connected by rail lines, which would be a much more efficient way, and cheaper way of transporting valuable goods, at a fairly decent lapse of time, around the world. It means we can make more efficient and cleaner use of our resources. It means a great improvement in the prospects for populations throughout the region.

For example: Take the area of Northern Mexico. Mexico has had for some time, a development project, particularly one for the Pacific Coast, which is most relevant for our concerns here, which runs up into the state of Sonora. Now, here, we have a problem of population migration: We had a great influx of population fleeing Mexico, because of a lack of employment opportunities and so forth, into the United States. And now, there's a reversal of that, of pushing the people who are immigrants into the United States, largely as cheap labor, and pushing them suddenly back—1 or 2 million or



EIRNS/Stuart Lewis

"There are remedies" to the biggest crisis in modern history, LaRouche, shown here at his July 25 webcast, told the Ottawa conference. "But the remedies require a certain kind of optimism about the future of mankind."

more Mexicans—back to Mexico, where there are no places of employment open for them. They have, however, in that area, one project which is quite accessible, in this water project, which could open up a whole section of the state of Sonora for the kind of production which these families largely were involved in beforehand. This would connect the water system to that of the United States and to Canada and to Alaska, which would mean that we would have a better management of fresh water. We would be able to overcome in large parts of the continent, the fact that we're running out of water in areas where fossil water has been relied upon, that is, water that was deposited there a long time ago, and we're now drawing it down. We have a collapse of the entire central United States, a collapse of the soil, literally, through the collapse of these central water systems. We've had a project for that purpose, standing for a long time. [NAWAPA—North American Water and Power Authority—ed.]

Then you look at the other end of the thing: Take the northern, the Arctic region—and the Russians have some excellent ships there, which are nuclear-powered, which means that the entirety of this Arctic region is now opened up for transportation. And considering the kinds of things we have to transport, that's pretty valuable. But it means that the whole region now is opened up as an area of development, at least for mining and related kinds of things.

Cooperation, Based on National Sovereignty

So, this is a chance to open a new era, for this part of the world, for Asia through Siberia, Canada, Alaska, the United States, and Mexico. And from there on, to other parts of the world.

The time has come, where we've had so many crises up to now, we've been through periods of wars—two wars in the last century, major wars, world wars, so-called; we've also had the long period of the Cold War; we have the recent strife which is destroying the United States. It's being sucked down into the dirt, by the costs and drag of this war in Southwest Asia—and the time has come to rebuild. The time has come to rebuild with peace, to rebuild, not on the basis of globalization as such, but on the basis of sovereign nation-states, in partnership and cooperation in the tradition of the great Treaty of Westphalia, the Peace of Westphalia. The time has come to get out of these wars, and to bring nation-states into modes of cooperation where their sovereignty is assured.

And of course, that's very important for us in North America. And Mexico is very proud of its sovereignty; the United States is proud of its sovereignty; and Canada is proud of its own sovereignty in its own territory. And there should not be any imposition of one nation on another, or dilution of these sovereignties.

But we can cooperate, in the tradition of the Treaty of Westphalia, the Peace of Westphalia. We can consider the advantage of our neighbor, our partner, and find that, by cooperating with them, like the United States assisting the develop-

ment of Canada, Canada assisting the United States, the United States and Canada assisting Mexico and the reverse, that the principle of Westphalia, "the advantage of the other," the benefit of the other, can be the proper relationship among nation-states, sovereign nation-states. And if we can do that, among ourselves, with a project like the one we're discussing here, today, we can probably inspire other parts of the world to join us, and get *out* of this mess we're in, and have been in for the past half-century and longer, and finally get to a system of sovereign nation-states, but sovereign nation-states consistent with the Treaty of Westphalia, the Peace of Westphalia, to cooperate, and to benefit one another. And our motives should not be to compete with one another, as such; not to try to *beat* one another, to take advantage *over* one another, but rather to see what each of us can do as a nation, to contribute to the *benefit* of the other.

And that was laid down in the Peace of Westphalia. And if we remember what that time was like, and see certain similarities to that kind of war situation, in the wars of the past century, and in the recent wars in Southwest Asia and the threat of the spread of these wars, the spread of terrorism, now in the Americas as in Southwest Asia, the time has come to bring about peace.

We had a similar situation just recently, with the Annapolis conference held inside the United States, with nations represented from various parts of the world, especially from Southwest Asia. We had Syria, Israel, other states, meeting in Annapolis, and coming to an attitude of cooperation—it's not yet home, we're not yet secure on this. But we took a great step forward, not a great accomplishment, not a great treaty, but a change in attitude, a change in attitude which promises an opportunity for bringing to an end this mess in Southwest Asia. And by cooperating to that purpose, in other parts of the world, we can do the same thing.

As I would say: The time has come to make a fundamental shift, in the way in which nations have functioned in recent times. The wars of the last century, the continuation of wars, and threats of wars in this century, the onset of a financial crisis which is one of the worst, certainly the worst in modern history, unless we control it.

So, we're now at the point, we have to control this financial crisis. We can. I won't deal too much with that, here, today: But one step in that, is large-scale projects, of cooperation in building infrastructure, in particular, which involves cooperation among nations, in developing raw materials where we need them, to deal with a very threatening shortage of raw materials, to get into new kinds of power, which are cleaner, and better, and more powerful—this sort of thing. If we can reach that kind of cooperation now, then there's a chance for humanity as a whole. And what we're doing here, in this hemisphere, in the northern hemisphere of the Americas, what we're proposing to do with Canada, the United States, including Alaska, and Mexico, and in conjunction with the Asians, through what is going to be a new tunnel between



The Russians have some excellent, nuclear-powered ships, in the Arctic region, which means that the entirety of this region is now opened up for transportation, LaRouche pointed out. “It means that the whole region now is opened up as an area of development....”

Asia and Alaska, and development of a new rail system, modern rail system, is to unite these parts of the world which are among the great, important raw-materials areas of the world, for this kind of project.

That’s essentially my intention. That’s my mission. And with that, I leave that back to you.

Dialogue With LaRouche

Q: [translated from Spanish] Good evening, Mr. LaRouche. My name is Jesús María Martínez. And my question is around the visit that José López Portillo made to Canada, some time in the late ’70s and early ’80s. And at that time, he made a proposition, an offering to the government of Canada to support Mexico in its endeavors around nuclear power. López Portillo said to Canada, that it was important that the world collaborated around this kind of nuclear development project. And he suggested that Canada be part of that effort so that Mexico could create at least 20 nuclear power plants at that time. Do you believe that those projects should be revived and put on the table, in the spirit of this collaboration with Canada and the United States and Mexico?

LaRouche: Yes, absolutely. This is required. Canada has a certain capability, in terms of nuclear technology, which means it’s integrated into the international nuclear technology community. The water projects are important. The use of nuclear power, as a source of power, is important for the Arctic

region of Siberia, and Canada and Alaska. So to deal with that climate, and to deal with handling that ice that comes up there at times, despite the global warming rumors, is important.

It’s extremely important for us in the Americas, especially in North America, to set a precedent, for the world, to, in a sense, admire. Mexico is actually much closer to the United States historically, than most people would believe from the outside. That is, the struggle for independence of Mexico, the struggle for its development in the 19th Century, and into the 20th Century, was an heroic struggle which had the sympathy of the typical American, and the American leader. My grandfather, for example, was very much attached to Mexico in this account. And Canada, the same thing: Canada is a different kind of country, but it has also its own tradition, or a couple of traditions. We have ours.

Now, we are not very strong on oligarchy, on aristocracy. We’ve had unpleasant experiences with that, and therefore, we are republics in our way of thinking. We think of ourselves as citizens, we think of ourselves as equal, at least in rights. And we prize ourself on our cooperation, we pride ourself on being beneficial to our neighbors—at least, most of the people I respect, do that. And so therefore, it’s extremely important, that if you can not get this kind of cooperation in North America, I don’t think we can get it on the planet anywhere, at this point.

Or, there’s a willingness to cooperate—China has a great willingness to cooperate, for the long term. So does Russia, presently. Italy has a desire for that kind of cooperation; France does. I think most of the people in Germany do. You have this from Denmark; we have people in Sweden, and so forth. So there’s a desire for this kind of cooperation, but there’s a very poor performance in realizing it.

I think there’s a natural tendency for an alliance, as neighbors, between Mexico, the United States, and Canada. I think that by saying, “We can be sovereign, we don’t have to globalize, we don’t have to give up our sovereignty—we can be sovereign. We all can be neighbors, and we can cooperate in a positive way, not to fight each other, but in joint projects of our common interest.” It’s *extremely* important to do that.

I’ve dealt with this: López Portillo was a dear friend of mine, in the time that we were working together, much closer than most people know. And I think it’s a very good thing to have a friend like López Portillo—now deceased—who was victimized by people who were oppressing Mexico at the

FIGURE 1

North America: High-Speed Rail Lines



Sources: Hal Cooper; *EIR*.

This proposal for a route for high-speed rail projects, stretching from the Bering Strait, to the Darien Gap, closely parallels the design for the NAWAPA water project (see p. 22).

time. And to remember a friend, and this friend, who did something good in his time for his people. He was frustrated in realizing what he was doing for his people. It's a good thing to remember that, to honor that, and make his dream, which is a valid one, come true. *It brings us all closer together*, by knowing that we are cooperating with one another to a common interest.

There Will Be a Great Change in the U.S.A.

Q: I'm Peter [Margot] from Montreal, and I'd like to address a practical question to you: We're in a year of Presidential campaigning in the United States, and we have problems

in Canada as well, with a minority government, which can't really make very large decisions. What do you think the political potential is in realizing some of your visionary hopes, in terms of the present political situation, both in North America and elsewhere?

LaRouche: Well, first of all, let's take the North American area, because, what I say about this area does apply in Europe, and in Africa, for example: That, right now, there's going to be a great change in the United States. It's coming on fast. Objectively, we face the worst depression, the worst economic depression, in the history of European civilization since the 14th-Century New Dark Age. Now, that does not mean that we're necessarily going to go *into* a new dark age. It means that the present financial crisis, which is hitting us now, *unless corrected*, will bring us into a new dark age, within a matter of months.

You can not make precise predictions in politics, because you have *will*, the factor of public will, voluntary decisions. So crises like this are not governed by mechanical principles. They're governed by principles, but not mechanical ones. So we don't know exactly the date, that anything would happen if we left things alone, or just let them go on the way they are now.

But we know we're very near. We're already in the process of a general collapse, around the world. All of Europe is collapsing. The banking and financial systems of Europe are collapsing. The banking and financial systems of the Americas are now collapsing, in general, especially North America. And you have similar problems in other parts of the

world, even though you have an Asian factor which is rather deceptively better. But if the markets of Europe and the Americas collapse, China will collapse, Russia will collapse, India will collapse, and the suffering in Africa will become unspeakable.

So therefore, we're now at a point, where people are going to be forced to make some decisions. We'll not be able to go along, the way we're going now—I think that's apparent to you, implicitly in what you're saying: This depression is coming on, it's deep, it is like the 14th Century.

Can we stop it? Yes.

But you look at the situation inside the United States, and

it gives you a good idea what's going on. We find, that among the lower 80% of family-income brackets, and in the states and localities, as opposed to the Federal government level, that there is a surge of demand for reform, such as for the defense of housing against foreclosures; the defense of banking institutions, the essential ones that people need to keep their communities functioning; and other measures of that type would come along. So, the will is there in the people, a growing, rapidly expanding will to make a reform, a reform which could save us.

At the same time, you have a great reluctance at the top, especially in the Presidential pre-candidates. None of them has presently *done anything that has any indication that they're going to be competent if they were elected.*

But I'm more optimistic: Because I know that they're going to be forced to change their way of thinking, during the coming weeks and months. So therefore, the opportunity exists, for a fundamental change in political policy, *now*, in North America, in particular.

But the key thing here, is the subjective factor: The important thing in a crisis like this, is not to sit back and whine and complain, but is to present something which is concrete, which is feasible, and which will reverse public morale from fear and desperation, to one of optimism. As Franklin Roosevelt said, "There is nothing so much to fear, as fear itself." But you have to do something to eliminate the cause for the fear. And the elimination of the cause of the fear, is positive actions, which respond to the needs of the people, when the people are ready to respond, because they realize the problem, and that these actions are competent.

So, it's the best we can do. I think there are no guarantees in history—there are no mechanical guarantees, one way or the other. But we do have, as you indicate, a great crisis—at least that's implicitly what you said—and this crisis, the way it's going on now, is no good for humanity, no good for us, no good for humanity.

Therefore, we need a factor of optimism: It has to be concrete, it has to be valid. It has to have a base in the general population, a base of support. And you have to have the resistance to this, coming from the top.

Let me give one example of this: One of the problems we have, is that we have lost our farmers in the United States; we have lost our industries, we just lost the auto industry essentially—we haven't seen the bottom of it yet, but that's what's going on. And we've been taken over, largely by financial interests typified by the hedge funds, and these various kinds of things like that. Which are parasites. The parasites, the hedge funds, have bought up most of the candidates. Look at the campaigns in the United States: Most of the candidates are *bought and paid for* by the hedge funds! And they're not prepared to do anything, to make the kind of reforms which are obvious reforms, which are necessary and will work, though you have the people who *want* these reforms, or want reforms like them.

So therefore, you have a typical situation, in which we have to use the fact, that there is going to be a general revolt, against the financial predators who have taken over politics, and have bought up most of the candidates. And so, the time has come when, if we give a clear set of alternatives to people in general, who are now rising, in fear, in revolt against what's happening, and these are practical ones, and they involve international cooperation: I think we can win. I can't guarantee it, but it's worth a shot. And it's better than sitting back and doing nothing.

A Long Downward Trend

Q: [translated from Spanish] Mr. LaRouche, I'm Antonio Valdez Villanueva, and I'd like to thank you for everything that you're saying, and I'm here representing some of the biggest labor unions in all of Mexico, and I think what you're doing is extremely important for all of our nations. My question is very specific: I want to know why our nations, specifically, have abandoned these great infrastructure projects over the years?

LaRouche: Well, it's a result of globalization, it's called. You see that in the Americas, in particular, over the period since about the time of the assassination of President John F. Kennedy; that we went into, very quickly, a war in Indo-China, which there was no legitimate reason to go into. This war, which was dragged out from 1964 to 1975, really weakened us. We had a similar development in England, under the government of that time, in the United Kingdom, which also did something similar, to begin to destroy the industry, the technologies of the country.

We have been declining as economies, in agriculture, industry, and infrastructure, since about 1967-68, since about the time of the Harold Wilson government's collapse of sterling in England, and since the 1968 crisis in the United States, the result of the sterling collapse, and then the '71-'72 change: We have been collapsing.

What's happened is that political institutions and financial institutions have "gone with," so to speak, these trends, to destroy industry, to destroy agriculture, to destroy infrastructure. And to rely upon going to areas where there's cheap labor, and looting these areas of their cheap labor, while sinking, collapsing the industry and agriculture in the more developed areas. This was a big mistake.

As a result of that, the actual per-capita productivity, physical productivity of labor internationally, has generally declined, *despite* a significant improvement in part of the population, about 300 million people, out of 1.1 billion in India; and a significant improvement in a minority of the population in China, and similar effects. *Despite* these improvements in countries like parts of China and parts of India, and other countries, the *net per-capita physical productivity of the planet has been collapsing*. This is particularly conspicuous in basic economic infrastructure, in industry, and in agriculture, the development of land, and all these kinds of things.

So we have been in a long trend. We have now come to the point, that this trend has brought us to the point of a collapse, a collapse which resembles what happened in the middle of the 14th Century in Europe, in the plunge into a New Dark Age.

We find in the history of mankind, as we know it, particularly since about 700 B.C., that we have a fairly good track on these kinds of things: that throughout our knowledge of Eurasian civilization and so forth, extended into the Americas, we find that these patterns exist, of rise and fall, rise and fall. We have now been in a long period of decline, actually since about the time of the Kennedy assassination, in a decline in the economy. And habits have come into play which are not the best.

So, we've reached the point for a renaissance. And in my view, we should look back in European experience to the fact that we had religious wars which dominated Europe from 1492, with the Expulsion of the Jews from Spain, through 1648, until the Treaty of Westphalia. There were periods of lesser conflict; but throughout the entire period, 1492-1648, Europe was being destroyed; at the same time it was struggling to bring out modern society, it was being destroyed by this religious warfare and similar kinds of things. We're going through something comparable to that now.

And what we have to do, is two things: First of all, the immediate thing, is to solve the problem before us, to get a renaissance in economy, a renaissance in social outlook. But then, we have to think beyond that. We have to think to the long term: Do we want to succeed in saving society from what's coming on now, and ignore the dangers down in the future? Or shall we use this as an occasion, not only to solve the immediate problem, but also to think ahead to the future? And therefore, that's why I put the emphasis on 1648 and the Peace of Westphalia. When people generally, in politics, think about how they can "get the better" of competing countries, for the benefit of their own, in the Peace of Westphalia, we didn't do that: The Peace of Westphalia, which made possible the peace in European civilization and its progress, as much as it did progress, was on the basis of "the advantage of the other." When we think about what we can do in our country, for the people of another country, or when we think in similar ways about social relations in general, then we bring out the best in ourselves. And that's the best chance for surviving.

I could tell you that during my lifetime—I'm 85 years of age—in my lifetime, I've gone through wars and a few things like that, I've seen this: *We have turned away from the Peace of Westphalia*, we've turned away from recognizing the important thing, which is, we're human beings, we're not animals. Animals die. Human beings don't really die. They die, yes, physically. But they can contribute something while they were alive, which will benefit generations to come. Or help to do things that will benefit generations to come. It's when we commit ourselves to help one another,

as nations, without taking away our sovereignty, or the sovereignty of our neighbor, that the *best* comes out in us. My view is, that the best hope for us, is to recognize that: *The advantage of the other*, as laid down as the opening principle of the Treaty of Westphalia. And when you think about the thirty years of religious warfare, *tearing apart* central Europe, and suddenly, people who had been practically eating each other, came to a moment and said, "No more! No more. We're now going to realize, the important thing, is to think of the advantage of the other, rather than ourselves. And when we're united on that basis, *then peace is durable*, and prosperity is durable."

And my view is, we've got to get back to that.

The 'Advantage of the Other'

Ainsworth: Do you have any concluding thoughts to transmit to the people here?

LaRouche: Yes, sure: Simply, as I said: I think that we should look at this prospect we're discussing, in terms of cooperation among Canada, Alaska, and Mexico, and the implications of that for cooperation with other parts of the world, such as Siberia and so forth: We have to look at that as—it has its own merits, intrinsic merits, particularly in a time of crisis now, when we *need* a recovery program, so to speak, to compensate for the collapse of the world economy. But more important, is to look at this as the reality of the advantage of the other: The reality that each of us, in each of our nations, should think about what we can do that's going to be beneficial for other nations. And saying that the benefit we do for other nations, with what we're doing, means that our children and grandchildren will benefit from the good that we're doing for the world at large. And that, I think, is the principle of Westphalia, which is also the ancient Greek term *agapē*, which is an essential element of Christian belief, of *agapē*, or what's called "charity," or what's called "love": That *this* is the essential principle.

If we love mankind, and can love the benefit given to the other nation, what are we doing that's good for them? If we can think in those terms, then we will get away from the dog-eat-dog tendency which we've seen again, lately, and get back to the idea that we are not animals; we do not breed progeny. We develop human beings, and we hope that the next generation will have a life better than ours, because we've made that improvement possible. And we see progress of this type, induced by our love of mankind, as being the motive for the way we do things, as well as what we do.

If we can get that back, that conception of *agapē*, that principle of the Treaty of Westphalia; if we can get that back, I think we not only can recover from this crisis which is coming down on us now, but we can also assure ourselves, that our grandchildren and great-grandchildren will benefit from what we're doing. And perhaps in this way, we'll avoid more of the kinds of Hell we've had, particularly over the past hundred years.

Speakers at EIR's Ottawa Conference

Rachel Douglas, of EIR's Russia Desk, gave a presentation with 65 slides, in which she reported on "Russia, Eurasia's Keystone Nation, Ready for the Bering Strait Crossing." She focussed on highlights of the Russian participants' speeches at the Schiller Institute conference, "The Eurasian Land-Bridge Becomes Reality: A New World Order for Peace through Development Corridors," which was held in September in Kiedrich, Germany.

She prefaced that with what she called "a historical prologue—from current history."

Douglas noted: "It was 30 years ago next year, that I first had an opportunity to tell a conference audience about the potential of economic development of the Siberian frontier as the pathway to Russia's survival and future prosperity, and as one of those *common tasks of mankind*, which, if carried out in a cooperative way—while fully respecting the national sovereignty of the countries involved—could bring to life the idea of an economic renaissance. That was at a 1978 New York City conference of the LaRouche movement, on a panel that presented great projects for the development of large regions of the Earth."

Alberto Vizcarra Osuna, a leading organizer of Pro-PLHINO, an organization working to bring one of the proposed great water projects in Mexico to reality, entitled his presentation "New Agreement Between Canada, the United States, and Mexico." Vizcarra, from Ciudad Obregon, Sonora, called people to the task of "changing the face of the Earth." A new agreement on trilateral infrastructure projects is the only way that the "our three nations can break with the failed axioms of NAFTA" and the Hell we find ourselves in, he said.

"This new agreement will also be the way in which we open our doors to the countries of Eurasia and western Europe, through the Bering Strait, so that the Americas receive with open arms the nations which share the idea, and recognize the need, of creating a new international financial system such as that proposed by the American statesman Lyndon LaRouche."



Manuel Frías Alcaraz, an engineer from Mexico City, reported on his own experiences working in infrastructure projects, especially water, ranging from the Congo Basin in Africa, to the PLHINO and PLHIGON projects in Mexico. He gave a ringing refutation of global warming insanity, including explaining the procession of the Earth. Frías invited Canada and the United States "to work with us" to rebuild. He said that we must show how Mexico, a nation that has experienced so much destruction, can be restored to full life.



Antonio Valdez Villanueva, Secretary General of the Mexican Labor Confederation of Ciudad Obregon, Sonora, greeted the conference, in the name of his union's 5 million members, Mexico-wide, and said that, no matter how deep the crisis, "our nations are great," and we must proceed with our work.



Jeannette James, former majority leader of the Alaska House of Representatives, presented her remarks to the conference in a recorded message by phone. The political leader known as the "Railroad Lady" of Alaska, a longtime advocate of the Bering Strait link, whose district included the town of North Pole, said, "A rail connecting the continents is not a new idea, but is one that is long overdue. With a special opportunity of the Bering Strait—56 miles wide, 173 meters deep at the deepest place, and two islands in the middle for staging—this is a no-brainer. Also important is the fact that the area, which at one time in history was a land-bridge, is solid granite and not on a fault line.... Railroads are the most environmentally friendly way to move people and freight over the surface of the Earth. And, as well, trains are economically superior to other methods."



"I believe we must have enthusiasm, money, education, and desire from the world community for this to be completed. During the construction, and after completion, the World Land-Bridge and the economic revival will be recognized, experienced, and appreciated by the entire Earth's population. I will continue to support, and look forward to legislation passing our U.S. Congress making this vision a reality."

Hal B.H. Cooper, a consulting engineer from Kirkland, Wash., renowned for his advocacy of rail infrastructure projects internationally, gave a detailed report on The Alaska Canada Railway Corridor Project, a proposed railroad connector between Fairbanks, Alaska and either Dawson Creek or Prince George, British Columbia. He showed the project to be both technologically and economically feasible, with an initial capital cost of \$4 to \$6 billion (in 2004 dollars) by 2010, which would increase to between \$9 and \$11 billion by 2020, with electrification. Freight could be expected to increase from an initial 5 to 10 million tons per year to between 70 and 120 million tons per year by 2050. The major commodities would be crude oil, petroleum products, forest products, and metal ores. Cooper said it could show a project payout period of 5 to 15 years, and an internal rate of return on investment of 10 to 20% per year.



Jim Muckerheide, a nuclear engineer for the Commonwealth of Massachusetts for 37 years, addressed the conference in a video presentation, entitled “Nuclear Power—the Technology and Leadership Required for Realizing the Nuclear Future.” Muckerheide outlined the need for constructing 6,000 new nuclear power plants over the immediate period ahead, in order to meet the urgent needs for electric power worldwide.



Limari Navarrete of the LaRouche Youth Movement opened her report on the LYM organizing in the United States, by discussing the fallacy of thinking that the world can be changed one issue at a time. The role of the youth movement, she said, has been to break out of a fixed system.

She reviewed the seven-year history of the LYM, particularly around LaRouche’s 2004 election campaign, and described his current intervention into a destructive political process which, if not changed, would bring a New Dark Age. The fight to save Social Security and the auto sector, and the drive to move the youth vote during the 2006 mid-term elections, helped illustrate the youth movement’s capability to set into motion a dynamic process that



can change history. She also highlighted the effectiveness of this approach in Canada, where the LYM shifted the vote for the Liberal Party of Canada’s leader.

With the LaRouche PAC’s “Is the Devil in Your Laptop?” pamphlet culminating years of development of the youth movement, she described the new ability the LYM has achieved, with the example of a report from Seattle, which demonstrated how the LYM for the first time is turning the campuses “upside-down,” and laying the basis for recruitment to reality.

Valerie Trudel, a Canadian LYM member, took the audience through the historical battle between the American and British Systems, explaining how leading figures around the world broke with Britain’s destructive free-trade doctrine, and took up the legacy of America’s greatest patriots instead. She focussed on the roles of Americans Alexander Hamilton and Henry C. Carey, and their international cothinkers in the post-Lincoln age, specifically Russia’s Count Sergei Witte and Dmitri Mendeleev. Trudel also challenged the audience to continue, in our own age, the work of the American Revolution, at a time when the world has again become dominated by the British System.



For More Information

To learn more about the development projects discussed at this conference, see these recent *EIR* articles:

- “Russian American Team: World Needs Bering Strait Tunnel!”—on the April 24 meeting in Moscow on “Megaprojects of Russia’s East: A Transcontinental Eurasia-America Transport Link via the Bering Strait.” *EIR*, May 4, 2007.
- “Bering Strait Tunnel, Alaska-Canada Rail: Infrastructure Corridors Will Transform Economy,” *EIR*, Sept. 21, 2007.
- “The Eurasian Land-Bridge Is Becoming a Reality”—speeches and papers presented to a Schiller Institute conference in Kiedrich, Germany. *EIR*, Sept. 28, Oct. 5, Oct. 12, Oct. 19, Oct. 26, 2007.
- “Spotlight on Bering Strait at Arctic Energy Summit,” *EIR*, Oct. 26, 2007.
- “U.S. and Mexico: Cooperate on Great Water Projects,” *EIR*, Dec. 7, 2007.

Who Is Out To Sabotage The Annapolis Peace Process?

by Dean Andromidas

Commenting on recent developments following the Annapolis peace conference held last Nov. 27, Lyndon LaRouche said, “We had Syria, Israel, other states, meeting in Annapolis, and coming to an attitude of cooperation—it’s not yet home, we’re not yet secure on this. But we took a great step forward, ... not a great treaty, but a change in attitude ... which promises an opportunity for bringing to an end this mess in Southwest Asia...” These comments were made on Dec. 11, in an address by telephone to an international conference in Ottawa, Canada. The next day, in a move that must be seen as an attempt to squash this opportunity, a car bomb in Lebanon killed Gen. François Haddad, the second most senior officer in the Lebanese Army, threatening to throw that nation back into civil war.

In September, LaRouche had endorsed the call by Israeli President Shimon Peres for Israel to open peace talks with Syria; LaRouche later called for Syrian participation at the Annapolis peace summit, as key to transforming the ‘dynamic in the region. Syria’s presence, LaRouche indicated, would signal to the region that the Bush Administration had pulled back from its policy of regime change in Damascus, thus allowing Syria to play a positive role in resolving its conflict with Israel, the Palestinian-Israeli conflict, the Lebanese internal crisis, and the stabilization of Iraq. Furthermore, Syria’s special relationship with Iran could serve as a bridge between Iran and the United States.

In the two weeks since Annapolis, developments have confirmed LaRouche’s forecast, while the release of the National Intelligence Estimate (NIE), revealing that Iran had halted its nuclear weapons program several years ago, signalled an open revolt by the U.S. military-security establishment against Vice President Dick Cheney’s attempt to launch an attack on Iran. On Dec. 11, LaRouche commented, “The big frustration for Dick Cheney and for some people in Lon-

don, is the fact that it’s rather difficult now for Cheney and company to pull off the strike on Iran—because the military position of the United States would be devastated by opening such an attack. And with the collapse of the value of the dollar, they would have to be absolutely insane and totally British to do this kind of thing.”

The finger of suspicion for the assassination of General Haddad on Dec. 12, now points to those who were sidelined at Annapolis. Haddad had been one of the key elements in ending the political impasse in Lebanon, where a consensus had been reached to back Army commander Michel Sleiman as President. That consensus had been worked out in the context of the post-Annapolis dynamic and with the help of Syria. In fact, Middle East intelligence sources told *EIR* that the U.S.-backed ruling coalition was informed that the U.S. military would not support an adventure by the coalition aimed at starting a civil war against the Hezbollah-led opposition. Haddad was a potential candidate for Sleiman’s successor as Army chief, in the complex negotiations over constitutional and political issues that would have allowed the Presidential elections to move forward. His assassination threatens to throw Lebanon into a civil war that could sabotage efforts at bringing peace to the region.

Syria-Israel Talks Key to Regional Settlement

The weeks since Annapolis have seen dramatic diplomatic developments, the most important of which, was a decision by Russia to convene a peace conference next April, where the Syria-Israel peace track will be at the top of the agenda. According to the Israeli daily *Ha’aretz* Dec. 12, Russian diplomats in Moscow and UN headquarters confirmed to Israeli officials that U.S. Secretary of State Condoleezza Rice supports the conference.

Reconfirming Syria's desire to open talks with Israel, within days of Annapolis, Syrian Parliamentarian Dr. Muhammad Habash said, in a recent press interview, "We're ready for public talks." He added, "The mediation between Syria and Israel has never ended. The Russians are aiding in the mediation as well as the Turks and UN Secretary-General Ban Ki-Moon, as well as a number of other countries that have mutual interests."

On Dec. 6, Israeli Prime Minister Ehud Olmert gave a de facto endorsement of a Moscow peace conference in a telephone call to congratulate Russian President Vladimir Putin on his election victory. The two discussed "preparations for the next international conference in the first half of 2008," according to a statement by Putin's office.

On the Palestinian-Israeli front, Syria has moved with other Arab states, to reconcile Palestinian President Mahmoud Abbas's Fatah faction with Hamas, which now controls the Gaza Strip, through the mediation of Saudi Arabia. In the first week of December, Khaled Meshal, the Damascus-based leader of Hamas, travelled to Riyadh, Saudi Arabia, for talks aimed at reintegrating Gaza into a central government with the West Bank, which would greatly facilitate Israeli-Palestinian peace talks. It was also announced that Hamas Prime Minister Ismail Haniyeh made the unprecedented move of addressing a letter to Secretary of State Rice and the European Union, declaring that Hamas was interested in opening a dialogue.

At the same time, former Palestinian Prime Minister Ahmed Qurei was in Damascus, where he met Syrian Foreign Minister Walid al-Moallem, as well as Nayef Hawatmeh of the Democratic Front for the Liberation of Palestine, another group that was part of the "Rejectionist Front" which refused to enter peace talks with Israel. They issued a joint statement promising to coordinate peace efforts with Syria and other Arab nations, while endorsing Russia's call for the Moscow peace conference, which will take up peace talks between Syria and Israel.

Commenting on these developments, LaRouche said that these efforts by Syria and other Arab states to bring Hamas and Fatah together, demonstrate that "regional pressures, regional interests, are now coming into play, which is what I was hoping they would do.... It has worked so far...." He added that it also "solves a problem for Israel. It gets this problem off their backs, so it works for all sides."

Bridge to Iran and Iraq

The release of the NIE not only derailed Cheney's Iran war option, but it also buried his so-called Sunni alliance against Iran. This was confirmed by the Dec. 3-4 summit meeting of the Gulf Cooperation Council, which included heads of state from Saudi Arabia and the other Gulf states, and where Iranian President Mahmoud Ahmadinejad was a featured guest who entered the meeting arm-in-arm with Saudi King Abdullah. According to intelligence sources, the

Saudi King debunked Cheney's schemes by declaring at the conference that there was no anti-Iranian Sunni alliance, nor was the region divided between "moderate" and "extremist" Arab states reiterating that all the Arab states are part of one Arab nation. Thus, Syria's special relationship with both Iran and Shi'a Hezbollah in Lebanon and Saudi Arabia could now serve as a bridge between the Sunni Arab states and Shi'a Iran, as well as serving as a key mediator in resolving the internal Iraqi crisis where a Shi'a-Sunni civil war is ongoing.

Shortly after Annapolis, on Dec. 2, Syria's Deputy Foreign Minister Faisal Miqdad travelled to Tehran to brief the Iranian leadership on the peace talks and on Syria's role. Miqdad met with the Foreign Minister of Iran, Manouchehr Mottaki and conveyed a letter from Syrian President Bashar al-Assad to Iranian President Mahmoud Ahmedinejad.

The Arabic daily *Asharq al-Awsat*, cited Iranian sources as saying that the message "explained to the Iranians the reasons why Syria opted to participate in the Annapolis meeting, and its position on the peace negotiations, while at the same time including an overall discussion of the situation in Southwest Asia, especially Lebanon and Iraq." Miqdad, in his press conference after meeting with his Iranian counterpart, called for the resumption of peace talks between the Arab nations and Israel. Miqdad's visit, and his statement, issued from Tehran, cut through the speculation about a break between Iran and Syria, over the latter's participation at Annapolis. Following Miqdad's visit, Tehran postponed indefinitely a conference of anti-Annapolis Palestinian opposition factions including Hamas, Jihad, the Popular Front for the Liberation of Palestine (PFLP), and other militant factions.

Israel-Iran Engagement?

Many regional observers see that the release of the NIE report on Iran could open the door for direct contact between the United States and Iran, which would have profound implications for everyone in the region, including Israel. Peace between Israel and Syria could open the way for what, until now, has been unthinkable: an Iranian-Israeli dialogue. The latter possibility was given voice by Efraim Halevy, the former head of the Israeli Mossad intelligence agency.

In an interview with the *Jerusalem Post*, Halevy commented that while the NIE concluded that "Iran has the scientific, technical and industrial capacity eventually to produce nuclear weapons if it decides to do so," it nonetheless stated that the Iranian regime "operates in a rational way, based on its interests" and that "they can be deterred." Currently the head of the Shasha Center for Strategic Studies at the Hebrew University of Jerusalem, Halevy added that while he was "not sure" the NIE report had taken the U.S. military option off the table, what was "in the cards" now was U.S. political engagement with Iran.

German Foreign Policy Leader Says Annapolis Opens Doors for Peace

by William Jones

The chairman of the Foreign Affairs Committee of the German Bundstag (parliament) on Dec. 11 underlined the new possibilities opened in the international strategic situation by the Nov. 27 Annapolis conference on the Israeli-Palestinian conflict, and by the publication of the latest U.S. National Intelligence Estimate on Iran's nuclear program.

Speaking at a Washington meeting sponsored by the New America Foundation, Christian Democratic Union Parliamentarian Ruprecht Polenz said he considered it unlikely that the UN Security Council would opt for a third sanctions resolution against Iran, given the opposition from both China and Russia to such an escalation of the pressure on Iran. And sanctions without unanimous support from the Permanent Five, he deemed of little effect.

But Polenz called for maintaining the second UN sanctions resolution "as a lead," to pressure Iran to postpone uranium enrichment "at least for a while." At the same time, he called for negotiations with Iran. "I feel we should start negotiations without any preconditions," Polenz said. The publication of the NIE "gives us the possibility to consider such a position." The Bush Administration has stated that it would begin talks with Iran, but only after Iran freezes its uranium enrichment.

Polenz also urged that negotiations on the Iran nuclear program again be brought under the purview of the International Atomic Energy Agency. The IAEA negotiations, he noted, had succeeded earlier in getting Iran to accept more extensive inspections under the so-called "Additional Protocol." The agency was thereby enabled to get a better picture of the extent and nature of the Iranian program, and could more competently deal with any loose speculation with regard to the program. Polenz pointed to the elections in Iran in March. If new initiatives were to be forthcoming from the

West, he reasoned, this would serve to strengthen those in Iran who were calling for a rapprochement with the West.

'Iran Does Not Want To Be Isolated'

In response to a question from this reporter on the possibility of multilateral security talks among the countries of the region, including Iran, similar to the invitation extended to Iran at the Dec. 3-4 meeting of the Gulf Cooperation Council countries in Riyadh and in line with what Lyndon LaRouche proposed in 2004 with his LaRouche Doctrine for Southwest Asia, Polenz expressed support for multilateral talks. "If you follow, as I do, the Iranian press, you see that every invitation that is extended to Iran from the international community is widely celebrated. Iran does not want to be isolated. We could try to use this as leverage," he said.

The role of the regional powers is key, Polenz said. "Iran likes to portray this as a conflict between the U.S. and Iran. We are better off if we can show that other countries in the region also have problems with the Iranian nuclear program, if we can show them that this may spark a rather dangerous arms race in the region." In such a forum, the Iranians could also raise their own legitimate security concerns, Polenz said, "and they do have legitimate security concerns."

Annapolis Was 'Crucial'

The Annapolis process was crucial to the whole situation, Polenz said. Polenz, who travels extensively in Southwest Asia, referred to comments made to him by Jordan's King Abdullah: "Iran is an octopus with tentacles everywhere, but you should go after the tentacles." If Annapolis succeeds in making progress on the Palestinian track, "it would open the possibility of a deal between Israel and Syria." Such a development would tend to bring down tensions in the region both with Hamas and Hezbollah, making it easier to deal with Iran, which otherwise tends to egg them on, Polenz said.

"And one should definitely not adopt the philosophy of 'the enemy of my enemy is my friend,'" he said. "You don't want to play the Shias against the Sunnis. We need to ease tensions between these two groups, not exacerbate them." The talks between the United States and Iran which have been held in Iraq to discuss their involvement in that country might be broadened to include other issues, opening the door to a more substantive dialogue between the two nations.

Most definitely a window of opportunity has been opened up by Annapolis and the publication of the recent NIE. The fact of a German politician coming to Washington to convey the message that Polenz brings is a clear indication of the changed situation. But the Bush Administration and Congress must respond quickly and decisively to exploit that opening, for the opponents of peace will not be remiss in moving quickly to see that it is closed.

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In Tune With Putin's Rooseveltian Thrust

by Rachel Douglas

The likely outcome of the upcoming Russian leadership transition became suddenly clearer on Dec. 10, when First Deputy Prime Minister Dmitri Medvedev was nominated by four political parties to succeed Vladimir Putin as President of Russia. Those parties include United Russia, which got 64% of the vote in the Dec. 2 Parliamentary elections, with Putin at the head of its slate. The Presidential election is scheduled for March 2. If he is elected, Medvedev said, he is prepared to name Putin as Prime Minister.

Medvedev, age 42 and educated in law, has been a close collaborator of Putin for 17 years. As First Deputy Prime Minister for the past two years, he has been in charge of four National Projects: housing, agriculture, health, and science, while simultaneously serving as chairman of the board of Gazprom. The four areas for which Medvedev was responsible were the sectors most devastated by the dismantling of Russia's economy in the 1990s.

A common, simplistic categorization of possible successors to Putin often places Medvedev as the "liberal" among them, contrasting him to the defense- and intelligence-connected First Deputy Prime Minister Sergei Ivanov, or the tough manager Victor Zubkov, whom Putin named premier this Fall. A review of Medvedev's own public statements on matters of strategic importance, however, reveals him addressing them in terms similar to those used by Putin, with the same emphasis on a Rooseveltian "great project" solution as most promising. These include the global financial crisis, and a "Eurasian" solution to threats against Russia's own territorial and political integrity.

At an *EIR* seminar in Berlin on June 27, 2006, Prof. Stanislav Menshikov highlighted remarks by Medvedev about the ongoing world financial crisis. Menshikov said:

"I think maybe in the West very few people noticed a statement made by First Deputy Prime Minister of Russia Dmitri Medvedev—who might be the next President of Russia, by the way. . . . [A] couple of weeks ago, at an economic forum in St. Petersburg, Mr. Medvedev made a very important statement about the world economy. . . . One of the things I thought very important is the fact that he says that if we go along, integrating into the world economy—and that's the term he used, 'we want to integrate into the

world economy'—but, if we want to integrate, we can't go on with the monetary system that exists now, because it is based on a system that has too big fluctuations in exchange rates. He didn't say exactly that he wanted to have fixed exchange rates. But I think that that was a very important statement, showing that the Russian government is coming to the point when they realize that reform in the monetary system is needed."

A year later, in front of a July 21, 2007 meeting of the youth group Nashi, Medvedev warned that the crisis of the U.S. dollar "may become general and global in nature." Interfax reported that he then said, "A situation may arise where we, China, and some other Asian countries will talk about the emergence of a regional reserve currency. That may be the yuan, but it is in our interest that it be the ruble." At the June 2007 St. Petersburg Economic Forum, President Putin had also suggested that the time has come for multiple world reserve currencies, including the ruble.

Medvedev on Roosevelt

In a Nov. 2, 2007 interview with Interfax, Medvedev was asked if there needed to be additional national projects like the ones he oversees. He replied in historical terms: "You know, a national project emerges when society and the state encounter big problems . . . [for example] the agrarian reform of 1861 [Tsar Alexander II's ending of serfdom] or the reconstruction of the national economy after the Great Patriotic War [World War II]. In the space of three or four years, we pulled our enormous country out of ruins. . . . And there were examples in other countries. I think that even the famous New Deal of U.S. President Roosevelt at the end of the 1920s-early 1930s can be considered an American big National Project—the project to get out of the Depression."

At the end of the 1990s, Medvedev added, Russia, too, was in a depression, "connected with the collapse of the previous state and the economic, and even emotional lack of preparedness for the changes that happened," and the concept of the present national projects was created to meet this challenge.

Speaking at the Davos World Economic Forum in January 2007, Medvedev said, "The Russian economy will fully take up our historical mandate as the energy and transportation center of Eurasia." Without action on that mandate, Medvedev believes, Russia could see a depopulated Siberia slipping out of its control. In an April 2006 interview in *Expert* magazine, Medvedev said, "If we do not develop our eastern regions, Russia will not survive as a single whole. This is a simple truth. There is also the very obvious and difficult demographic situation. We absolutely must do something to boost the population in these regions. Otherwise, the Far East will be a cold, empty, and neglected place, or someone else will develop it instead."

Games Pose New Issue of Law

by Lyndon H. LaRouche, Jr.

December 14, 2007

The pathological mass-effects of associations such as a kind of “witch’s brew” composed of the combination of effects of interaction of associations such as MySpace and Facebook, with killer computer games (and related practices), urgently demand responsive forms of relevant innovations in law, law-enforcement methods, and social doctrines generally.

Thus, we, like the nations of western Europe, are presently confronted with a new species of sociological process, which has now become a source of an immediate danger to our public at large from forms of violence, expressed from the ranks of our own youth, which are already emerging in forms comparable to ongoing terrorism in South-west Asia.

It should be clear already to any attentive, and competent psychotherapist or sociologist who considers the evidence, that the role of electronic media in producing this deadly phenomenon is not comparable to the cases in which electronics is employed as person-to-person communications; in these cases, we are subjected to a new dimension of communications, in which the controller of the mechanism of communications plays, directly, as with electronic war games, the controlling role of George Orwell’s “Big Brother,” or the like of an Adolf Hitler, in orchestrating a presently rising tide of killing experiences such as that which occurred recently at Blacksburg, Virginia, and comparable instances in Europe and North America.

One of the relevant points of reference for diagnosing the cases is sociologist Emile Durkheim’s treatment of suicide, and recent study of the sociology of games pursued by those who followed, more or less, in his footsteps. Very closely related, but more primitive expressions of the same kind of sociological phenomena are to be recalled from experience with the typical post-1968er terrorism experienced in the U.S.A., France, Germany, and elsewhere over the interval of the 1970s and 1980s.

The crux of the problem is not the fact that computer-based communications provide a mode of direction for the

behavior of persons with some type of association; the crux of the matter is the surrogate form and mode of authority which the victim of influence of certain social networks, or an individual playing a killer game, places on the medium of communication itself. It is the medium of communications itself, rather than a person associated with the medium, which delivers the orders from the “Big Brother” operating as the host of the medium being employed.

The effect of this recently developed mass-phenomenon is a horde of “Terminators” from Hollywood “science-fiction” attempting to run the world by exterminating the representatives of human control of society.

Whether the medium’s active controller in regulating its dependent persons is an actual person, or an automatic, or quasi-automatic device, is virtually irrelevant to the effect of this relationship. The person playing the game does not experience the human personality of Bill Gates of Microsoft when playing the game supplied by that firm’s Internet network; he experiences a robotic-like actor, like an Arnold Schwarzenegger playing the “Terminator”-like part of a Cyber-surrogate for Gates, or whoever might be considered as playing the kind of role Gates plays through Microsoft games’ operations, or through Facebook, or Rupert Murdoch’s attributable role in controlling MySpace. A Bill Gates may be in charge of the person who programs the system; but it is Gates’ intention, or the intention of whatever higher authority controls Gates, which becomes the “God-like” Adolf Hitler who runs today’s relevant Internet version of a 1930s Nuremberg mass-rally. We must not overlook the fact, that MySpace and Facebook typify the social mass base (the relevant “society”) of the armies of machine-like killers manning the killer-games network, until the point they, on program, commit suicide.

Insight into the kind of electronic “Frankenstein’s Monster” the social system of killer computer games has become, should impel us to think back to the sociologists’ studies, following the work of Durkheim and his Swiss and other followers, of the principles of children’s games from the late Nineteenth and Twentieth Centuries’ work. Some among us have recognized, to similar effect, the pathological potential in competitive team sports, and the importance of the older von Moltke’s mission-orientation of qualified subordinate commissioned and non-commissioned officers, or the role of that principle in Frederick the Great’s victorious double-out-flanking operation at Leuthen. (As distinct to what Churchill’s silly Montgomery did to the First Army on the northern European flank in late 1944, or Churchill himself did to the Australians against Atatürk in World War I.)

Thus, there are two factors which must be emphasized in opening our urgently needed investigation of the threat to civilization which practices coming out of John von Neumann’s legacy of Silicon Valley present to the very continued existence of civilization today. The essential issue, is twofold:

1. The imposition, on society, or only significant portions of it, of systems of social control which do not honor the functional distinction between human and animal, or mechanical control.
2. The fact that the computer and related technologies represented by the identified computerized systems, exclude the role of the creative mental potentials specific to the human individual.

More is to be said on this crucially important subject. This has been a beginning.

Ban Killer Video Games And Internet Violence!

by Helga Zepp-LaRouche

Mrs. LaRouche is the chairwoman of the Civil Rights Movement Solidarity (BüSo) in Germany. This statement was issued on Dec. 8, and has been translated from German.

While horrific news reports accumulate about young people running amok, killing their fellow students and teachers; young sharpshooters who knock off unknown victims; and young psychopathic murderers who kill people after perverse film showings, all these incidents demonstrate in a dramatic way, how urgent it is to pass adequate laws to ban and make punishable by law the production and marketing of violence-glorifying computer games, as well as the use of the Internet to circulate violence-glorifying materials.

Finally, the Society for Scientific Person-Centered Psychotherapy (Gesellschaft für wissenschaftliche Gesprächspsychotherapie e.V., GwG), has come out with a demand for a total ban on these computer games. A representative of the society explained that “killer games are like land mines

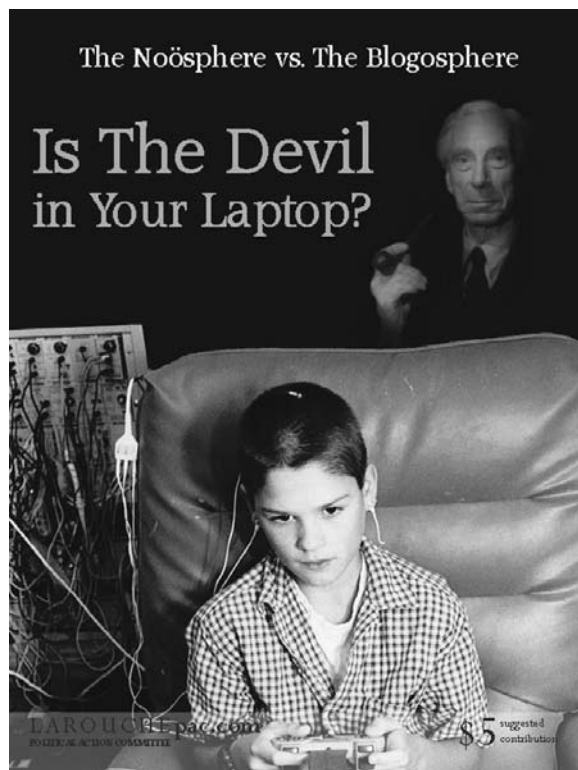
for the soul.” And the GwG demands that politicians act, “before an entire generation of children and teenagers is sucked into a maelstrom of violence.” Unfortunately, this is already happening.

Already in 1972, that is 35 years ago (!), the American Surgeon General, as well as the American Psychiatric Association, explained that there was an indisputable connection between violence in the media and violence committed by children and youth. And in virtually every case in which young people shoot and kill their fellow students and teachers with great precision, it turns out that there is an addiction to violent videos and to Internet sites that glorify violence. It is unfortunately the case, that the better part of two generations of children and teenagers have been exposed to the circulation of this mind- and soul-killing “entertainment.”

The commercial killer videos stem from the military training models used in the killing simulators of the U.S. Army, to overcome the natural reluctance of soldiers to kill. The same thing happens with a video game, which makes killing a conditioned reflex. The use of murder simulators for military training corresponds to the bestial concept of the mercenary army, modelled on the Roman Legions, which was put forward by Samuel Huntington in his book *The Soldier and the State*, whereby soldiers are to be trained to carry out orders like zombies, who never challenge what they are told to do. If such a

conception is barbaric in the army, then for children and youth, who are emotionally much more vulnerable, it is an absolute catastrophe. The result is children and youth who are emotionally completely crippled, who can only express aggression, and for whom the uniquely human capacity for sensitivity, and the ability to feel compassion, are completely absent. In the worst cases, they become autistic, or even murderers.

The European Union Committee for “Human Rights in the Internet Society” is responsible for dealing with these issues, but has up until now failed to provide any effective guidelines for video games and Internet sites. If those who are in responsible positions fail to protect children and youth, they render themselves guilty of the violation of human rights. We demand an immediate ban on killer videos and an effective blockage of the aforementioned Internet sites!



The LaRouche PAC is circulating hundreds of thousands of copies of this pamphlet in the United States, to take on the computer-games mind-set. A similar pamphlet is coming out in Germany.

Civil Rights Heroine Amelia Robinson Organizes European Youth for LaRouche



DENMARK

During her trip to Denmark in late September, Amelia Boynton Robinson got top billing on the nation's 24-hour news channel, as well as extensive newspaper coverage. She also addressed more than 100 youth at a local high school.

EIRNS/Michelle Rasmussen

For six weeks, from approximately the end of September to mid-November, Mrs. Amelia Boynton Robinson, age 96, civil rights heroine and vice-chairman of the Schiller Institute in the United States, toured five nations in western Europe, bringing a message of hope and necessity to those nations' youth. Mrs. Robinson received extensive press coverage in some countries, and addressed hundreds of young people, who were hungry to hear of her experience in the Civil Rights Movement—where, among other things, she provided a base for Dr. Martin Luther King in Selma, Alabama—and amazed to hear her agapic approach to organizing for a new, just world economic order, the centerpiece of Lyndon LaRouche's plan to reverse the currently devastating world economic crisis.

The pictures here provide a view of Mrs. Robinson's activities in Denmark, Sweden, France, Germany, and Italy. More information can be found at www.schillerinstitute.org.

SWEDEN

Mrs. Robinson drew large crowds of young people at every event the Swedish LaRouche organization set up for her in early October. Most dramatic was the meeting sponsored by the Stockholm International School, which was held in a church that was filled (250-300 people) for the first time since an appearance by the Swedish Queen.

EIRNS/Hussein Askary





FRANCE

*Mrs. Robinson spent ten days in France, where her book *Bridge Across Jordan* was recently published in the French language. Here she is seen at a conference in Venissieux, with Colette Ilunga of the Café Noir Association, which co-organized an event for her, and Bertrand Buisson from the LaRouche Youth Movement. She was the guest of honor at the General Assembly of the LaRouche movement's political party in France, *Solidarité et Progres*.*

EIRNS/Julien Lemaître



GERMANY

Mrs. Robinson poses with members of the LaRouche Youth Movement after one of her meetings in Berlin. In Germany, she also addressed youth, African immigrants, and events sponsored by the Schiller Institute.

EIRNS/James Rea

ITALY

Over 120 youth listened attentively to Mrs. Robinson, when she spoke at a political science class at the University of Milan on Nov. 13, the highlight of her short visit to Italy.

EIRNS



African Leaders Reject EU Trade Deal

At the Lisbon summit, the European Union put up a smokescreen of controversy to push through its free trade agenda, but failed.

The European Union tried to strong-arm African nations to accept new trade rules (Economic Partner Agreements—EPAs) by the end of the year, at the long-delayed EU-Africa Summit in Lisbon, Portugal, Dec. 8-9, or face punitive tariffs on exports of their products to the EU. The EU wanted African nations to grant tariff reductions for European goods, which Africans fear will make their own companies vulnerable. The EPAs that the EU wanted six regional groups of African nations to sign, were to be consistent with the globalization paradigm, which would leave African countries unable to defend their ability to build infrastructure and industry, and unable to raise the technological skills of their people.

Although the end-of-the-year deadline had been dictated by the free-trade World Trade Organization (WTO), and negotiations between the EU and Africa have been going on for five years, panic about Europe's ability to prop up its bankrupt banks, as the monetary system collapses, has made the EU desperate to implement the new EPAs, to open up African nations to more efficient looting. Another benefit that would result from the new EPAs, involves the Western fear—as noted by many of the African participants—of the aggressive policy of investment and contracts for development projects in Africa by China: The EPAs would destroy the African nations' ability to defend themselves, leaving no sovereign nations to benefit from the Chinese investment. Hence the Western establishments would be able to maintain their control over Af-

rican resources. The EU is still Africa's biggest trading partner, but China's trade with the continent is gaining rapidly.

At the summit, the EU attempted to push this policy change through behind an elaborate smokescreen of controversy over the issue of the attendance at the summit of Zimbabwe President Robert Mugabe. British Prime Minister Gordon Brown had dramatically announced on Nov. 27 that he would boycott the summit because Portugal was going to allow Mugabe—despite an EU travel ban—to attend. At the summit, South African President Thabo Mbeki asked that African countries be allowed to solve their internal problems themselves.

The attack on Mugabe, which in Brown's absence was taken up by Germany, Denmark, Sweden, and the Netherlands, was also a message to Africa that any nation deemed uncooperative with the EU policy could be turned into a pariah nation over some real or manufactured situation. The Mugabe issue is bogus, because Thabo Mbeki has already organized a solution to the situation in Zimbabwe, which has been agreed to by all parties in the dispute, and supported by all southern African nations. Mugabe himself pointed out that the summit was supposed to be about the EU, Africa, and development, and not about himself.

The acrimonious final stages of the summit overshadowed the cooked-up crisis over Mugabe. Despite the implied threat of being given the Mugabe treatment, and the strongarm tactics of

the EU, African nations rejected the EU proposals, and the EU had to settle for interim agreements on trade.

Africans saw the summit as designed to help Europeans perpetuate their traditional influence in Africa. Ghanaian President John Kufour, who is also African Union chairman, said, "It is time to shake off the colonial past." President Mbeki and Senegal President Abdoulaye Wade refused to accept the EPAs proposed by the EU, and asked that different trade agreements be negotiated. "We are not talking any more about EPAs, we've rejected them ... we're going to meet to see what we can put in place of the EPAs," said Wade on the second day of the summit, according to the *Swazi Observer* on Dec. 14. Wade also said the EPAs would ruin African industry.

"Speeding up these negotiations will bring no benefits," said Alpha Oumar Konaré, chairman of the African Union Commission, and former president of Mali, speaking to the summit on Dec. 8. He said "a hasty deal might come at a tremendous cost to the rural African populations and to African industry. We need to take the necessary time to conclude fair agreements." He emphasized that "Africa doesn't want charity or paternalism. We don't want anyone doing things for us."

EU Trade Commissioner Peter Mandelson, a close associate of former British Prime Minister Tony Blair, has been using, as a club against Africa, the 2000 WTO ruling that the system of preferential trade deals between Europe and former colonies in Africa, the Caribbean, and the Pacific (ACP) was illegal, and which set the Dec. 31, 2007 deadline. As for the African rejection of his policies at the summit, Mandelson attempted to be disdainful: "You have Mbeki and Wade sounding off." But Mandelson didn't get what he wanted.

International Intelligence

Lord Monckton: Global Warming Hoax Kills

After a press conference in Bali Dec. 12, debunking the global warming hoax, British Lord Christopher Monckton issued a statement in which he identified the hoax as the third United Nations-backed slaughter of the world's poorest people. The United Nations was holding a much-ballyhooed conference in Bali on "climate change."

"The international community has galloped lemming-like over the cliff twice before," said Lord Monckton. "Twenty years ago, the UN decided not to regard AIDS as a fatal infection. Carriers of the disease were not identified and isolated. Result: 25 million deaths in poor countries...."

"Thirty-five years ago the world decided to ban DDT, the only effective agent against malaria. Result: 40 million deaths in poor countries."

How many more millions will Al Gore's fascist minions kill this time around?

Pope Speaks Out On Youth Violence

Pope Benedict XVI, addressing several diplomats presenting their new credentials to the Vatican, spoke out against the lack of economic and educational opportunities driving youth, especially, to despair and violence.

The Vatican Information Service reported Dec. 13 that the Pope said:

"Your function as diplomats is particularly important in today's world, in order to show that in all situations of international life, dialogue must overcome violence, and the desire for peace and fraternity must prevail...."

Benedict XVI emphasized that youth "are a country's greatest wealth" and that their "integral education" is "a fundamental necessity." Merely technical and academic training is not enough, he said, stressing that it is important "to promote education based on human and moral values" in order to ensure that young people "may occupy their

rightful place in the development of the nation," having been given an "awareness of the needs of others."

Education "with the help of international institutions involved in eradicating illiteracy," is one "particularly important way to combat the desperation that can take root in the hearts of young people, and that lies at the base of many individual or collective acts of violence."

Germany's BüSo Releases Mass Pamphlet

The BüSo's (Civil Rights Solidarity Movement) new pamphlet hit the streets on Dec. 13. The pamphlet included both Lyndon LaRouche's solution to the global financial crash, and excerpts from LaRouche PAC's pamphlet, "The Noösphere vs. the Blogosphere: Is the Devil in Your Laptop?"

The BüSo, headed by Helga Zepp-LaRouche, is the party of the LaRouche movement in Germany.

Mexicans Revolt Against Free-Trade Threat

Forty-thousand businessmen and workers took to the streets in Leon, Guanajuato on Dec. 12, demanding that the government defend their jobs by maintaining protective tariffs. The protest, joined by the governor and more than ten mayors from the state, was unprecedented in this conservative area, which has been a bastion of support for the ideologically free-trade Calderón government. The shoe industry organizers of the march were caught by surprise, having expected that at best 10,000 people would come out. People from many other industries and services, and delegations from at least five other states joined their protest.

Mexican industry, crushed by the North American Free Trade Accord, is warning that it will be wiped out entirely, if the government proceeds with lifting all tariffs on Chinese imports for 17 industrial sectors, as it had committed to do on Dec. 12 under World Trade Organization agreements. In-

dustries affected include textiles, clothing, toys, machinery and equipment, chemicals, minerals, basic metals and metal products, as well as shoes.

Shoe industry leaders warn that 225,000 jobs will be lost in the state of Guanajuato alone, should the government proceed with lifting the tariffs. If these jobs go, people will have no choice but to go to the United States to try to find work, marchers told the press.

For their part, leaders of the textile industry issued a statement on Dec. 13, warning that they employ more than half a million nationwide, and should the tariffs be lifted, at least half of them will lose their jobs within a year.

Russia and Iran Reach Accord on Nuclear Plant

The Russian and Iranian governments have reached an agreement to complete construction of the Bushehr nuclear plant in Iran, Russia's Atomstroiekспорт President Sergei Schmatko announced on Dec. 13. The announcement came just a few hours before the Foreign Ministers of the two governments were scheduled to hold talks in Moscow, where the Iran-Russia Economic Commission was meeting.

Schmatko reported that "difficulties with the Iranian client are resolved," and said he would be releasing more details on the agreement by the end of this month. Without specifying a date, he also indicated that Russia would go ahead with the delivery of nuclear fuel, about six months before it would be needed to begin operations at the Bushehr plant, as is required for engineering reasons. "We absolutely, definitely intend to build the Bushehr atomic power station and intend definitely to deliver fuel to the plant," he said.

The Russian official also hinted that a Russian-Iranian joint venture might be created "to ensure security" at the plant. Iran's Foreign Minister Manouchehr Mottaki told PressTV that his government is also very interested in setting up a joint gas company with Russia, noting that this is a top agenda item at the meeting of the Iran-Russia Economic Commission.

Outflanking the British Empire: The Mass Effect

by Nick Walsh and Harley Schlanger

Realizing that the corpse, known as the world financial system, is quickly getting cold, LaRouche PAC organizers over the past few weeks have been acting on Lyndon LaRouche's principle of the *mass effect*, to galvanize the population into action. Contrary to the presently popular, nonetheless ineffective model of "poll watching," the *mass effect* is a universal physical principle. As Johannes Kepler's principle of universal gravitation governs the changing relations of bodies in physical space-time, the *mass effect* governs human *social relations*, specifically the way in which new ideas in an individual human mind are transmitted to a population, to create revolutionary political effects. This dynamic principle, when acted upon by people, stirs up society, especially in times of crisis, and frees individual members of society to think more clearly about what might be done.¹

Look at the last few days of LaRouche PAC organizing, especially continentwide political events, with this *intention* in mind.

The LaRouche Movement held an historical conference in Ottawa, Canada Dec. 11, (see this week's *Conference Report*), which focussed on the prospects of world infrastructure projects as the alternative to the death of civilization. Simultaneously, over 50 people gathered in Detroit, Michigan for a town hall meeting, including more than 30 youth, some of them, members of the LaRouche Youth Movement (LYM), along with college students who had been organized to attend by LYM members. Speakers included former state Rep. LaMar Lemmons III, and Pontiac councilman Everett Seay, whose city council was the first in the country to pass a resolution supporting LaRouche's Homeowners and Bank Protection Act (HBPA).²

1. To avoid confusion, the attitude which accompanies any political action based on this principle, is nearly always what might be best described as *kicking ass*.

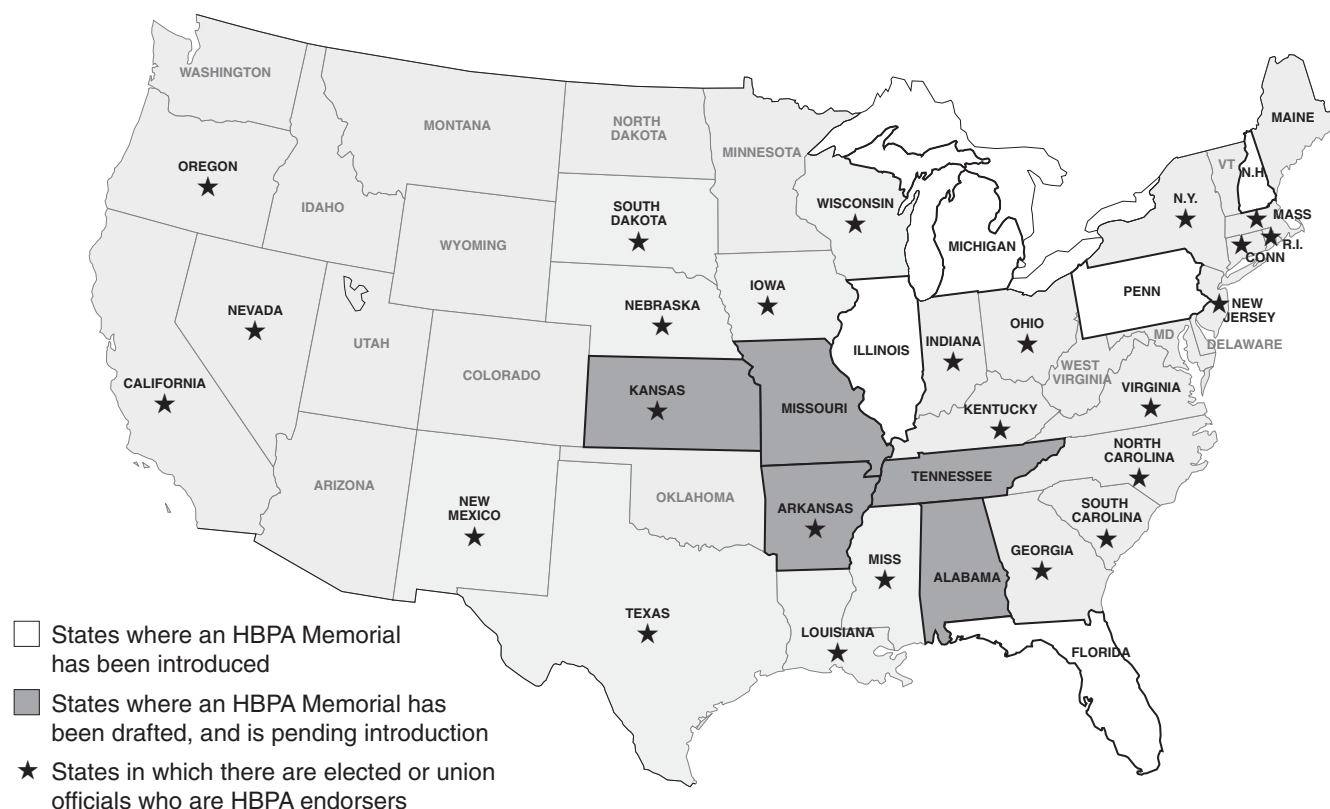
2. For a rapidly growing list of official supporters of the HBPA, see www.larouchepac.com

These two political revolutionaries stole the show with their presentations, as they organized the audience around LaRouche, "the idea man," and the importance of Franklin Delano Roosevelt's Administration. Seay said, "We are producers, not paper-pushers," and then attacked House Speaker Nancy Pelosi for failing to represent that American ideal. Describing the fight to save the U.S. auto sector, which he had participated in with LaRouche PAC two years ago, including the Pontiac city council's resolution in 2005 for retooling the auto/machine-tool industry, Seay reported on how the once-industry-proud city of Pontiac, which had had five GM plants with 50,000 workers, has now dwindled down to *one* GM plant, with only 8,000 workers. He emphasized the importance of the LYM, and told the youth, that the failed policy-makers have "robbed you of your Pursuit of Happiness . . . you have to get it back!" Next, Lemmons, who is the policy director for his father, Michigan state Rep. LaMar Lemmons, Jr., leading sponsor of the HBPA (H.R. 190), and the resolution to support retooling of the auto industry, told people to "burn the phone lines" in order to get the HBPA passed: Mobilize your neighbors, fellow churchgoers, co-workers, the "ordinary people," who *scare* the Congress into action. Lemmons said that we need an FDR because we are faced with "an FDR-sized crisis," and *there is no Presidential candidate of that stature*. So, he said, the candidates have to be made—through the people's mobilization—to adopt the HBPA policy.

EIR's Michele Steinberg then gave a presentation on LaRouche's "Let There Be a Time for Thanksgiving," (EIR Dec. 14, 2007), soon to be released as a LPAC mass pamphlet; and Summer Shields and Bill Roberts of the LYM addressed the meeting on changing the biosphere through the PLINHO project in Mexico, the Bering Strait project for the world rail link, and the development of Arctic trade routes.³ A final presentation by the LYM's Lewis Whilden, attacking

3. For elaboration of all of these future-oriented projects, see EIR, Dec. 7, 2007.

The Homeowners and Bank Protection Act: Where It Stands Nationally



Alan Yue and Mark Samet

the Facebook culture of today's youth, concluded with the LYM, in four-part polyphony, singing the following lyrics, adapted to Felix Mendelssohn's beautiful, "Hark! The Herald Angels Sing":

"Murdoch wants you in your place/firmly planted in MySpace./While you're walking to your class, out/ comes a bomb from Cheney's ass./This you do not want to see,/ while the Dick gets whipped with glee, We/can't afford to bomb Iran./Bush's Dick, he thinks he can./That's if you stay in your place,/firmly planted in MySpace.

"When you're fondling your mouse, the/bank forecloses on your house./From the crash you cannot flee, at/least you have your HALO 3./Homeless in the streets you roam, a/card-board Xbox is your home./Santa gives the gaming toys,/to 20-year-old little boys./Games will keep you in your place,/nothing real in your space."

After the presentations, and with singing ringing in their minds, attendees were ready to organize! Eighty-four bundles, that is, about 3,400 copies of the *Is the Devil in Your Laptop? The Noösphere vs. the Blogosphere* pamphlet were snatched up by audience members, to distribute to the population.

But wait a minute! What does literature about "Devils" and "Laptops" have to do with passing the HBPA?

Leave My Space Alone! The Principle of the Flank

Contrary to popular British imperial tradition, the principle of the flank is not a matter of honing in on the enemy's rear. This historically crucial, yet presently forgotten principle, actually involves the way in which often outnumbered, or underfunded armies nonetheless deliver crushing blows to enemy forces. The flank is not a question of a territorial advantage per se, or any object-associated, mechanical effect of advantage. *The flank begins as an idea in the mind of the superior commander of forces in battle, which is not in the mind of the enemy.* In Johannes Kepler's *The New Astronomy*, the higher hypotheses introduced into the investigation by Kepler, not previously seen or heard by others encountering the same problem, may be seen as parallel to the way a great general develops flanks against an enemy in war. Kepler's work is a series of these higher hypotheses, a continuous succession of newer, ever more creative hypotheses concerning how the physical Solar System, and his own mind within it, are being caused to act; he assists the reader in this process through a continuing animation of different geometrical hypotheses, referenced against the observable celestial sphere, and perceived within the theater of the human imagination.

When LaRouche introduced the HBPA in late August of 2007, he insisted that Congress pass this bill *before October*, or face the devastating demographic consequences of an otherwise preventable mass home-foreclosure and banking crisis. Members of Congress, even the best of them, unfortunately chose to shamefully plant their tails between Nancy Pelosi's legs, or to *rather bear those ills we have, than fly to others that we know not of*. So, LaRouche wheeled his army to focus on recruiting support from the local and state elected officials of the United States, by creating a *mass effect* organizing process within the base of our population. As this mobilization began to take off in October and November of this year, recruiting city council members, state representatives, union leaders and others, one vital element of the population was noticed to be glaringly absent: the youth!

As little, pessimistic minds today would whine, "Well, that's because young people are apathetic. They don't care! You'll never get these young people to care." LaRouche realized there was an *unseen* obstacle; a smelly, stinky, mind-destroying *disease*, turning an otherwise potentially powerful youth generation⁴ into a mass-based fascist movement on college campuses. The name of that disease? MySpace, Facebook, and computer games.

So, LYM members, already, between Dec. 1 and Dec. 11, have distributed on college campuses, nationwide, 100,000 copies of LPAC's antidote to this three-pronged disease, the *Is the Devil in Your Laptop? The Noösphere vs. the Blogosphere* pamphlet.⁵ The response, thus far, has been a live one, demonstrating that today's 16-25-year-old generation can be engaged in today's crucial political battles. All over the country, students are reading the pamphlet, highlighting sections, yacking with friends about it, and returning to LYM organizers on campus to engage in dialogue. Although a few cyberzombies despise the pamphlet, many youth, and parents, have expressed relief that someone is addressing the "eerie weirdness" of today's youth cyberzombie culture; most receive it eagerly. Here are a few, indicative, on-campus responses:

At the University of Southern California in Los Angeles, a young woman was overheard talking on her cell phone, with pamphlet in hand, quoting from one of the articles, and exclaiming, "Omigod, Oh my God, it is soooo intense!"

At MIT, a global center of cybernetics foppery, ten professors in the Vannevar Bush building snatched up 40 pamphlets among them, with the intent to distribute the remainder to their peers; in the Cognitive Sciences Building, however, a

poor professor, the head of the Biology Department, simply overheated. Upon scanning the pamphlet, he exploded with rage, snatched a box of pamphlets from a young organizer's hands, and bolted down the corridor and into his office, locking the organizer without!

At San Jose State University, a young man exclaimed, "This is even better than the *Sexual Congress for Cultural Fascism* pamphlet!"⁶

This, of course, is only the beginning of this flank. For were today's 16-25-year-olds to free themselves from the soul-molesting confines of Bill Gates' and Rupert Murdoch's online world, they would be freed to *think*; hence, many would, naturally, join the LYM in applying that essential, and youthful boot, to the Congress's behind, to pass the HBPA, rather than shooting themselves online, or, in a shopping mall this holiday season.

Roasting Congress on an Open Fire

As George Washington in December of 1776, understood, the holiday season may be *the best time* for gaining the upper hand on an enemy in battle. By crossing the Delaware River on Christmas evening, to attack Trenton, early the next morning, Washington acted on an hypothesized *flank*, to generate what would be an historic, and intended *mass effect* in our Revolutionary War. The flank had less to do with crossing the Delaware itself, and much more to do with Washington's hypothesis that the Hessians, guarding Trenton, not only loved nothing more than celebrating Christmas, but were likely to assume the same thing about the Americans. This hypothesis, encouraged with a bit of help from diligent spies, proved to be deadly accurate, for as Christmas night wore on, and Washington's troops were crossing the icy river, the likelihood of an approaching battle in the mind of the average Hessian became more and more remote. Thus, as Washington and his army arrived at Trenton, early on the morning of Dec. 26, the Hessians were snoozing in their barracks, *completely mentally unprepared* for what was waiting for them right outside their doors.

Our world today requires a similar "holiday spirit." That is why, in California, Washington, Massachusetts, Michigan, Texas, and other states, LYM organizers have been relentlessly pursuing elected officials and community organizers to pass the HBPA. Focus, in conclusion, on the LYM mobilization in Texas and California, where LYM members are finding a wide open response as they move aggressively to present LaRouche's economic policy as a *one*, and counter efforts to mobilize a racist, Jacobin response to the ongoing economic/financial breakdown. This *one* includes *three* initiatives: the HBPA, as the front-end in addressing the disintegration of the banking system; PLHINO and PLHIGON,

4. In the midterm election of November 2006, 18-35-year-olds, catalyzed by the LPAC *mass effect* mobilization around the "Is Joseph Goebbels on Your Campus?" literature, arrived at the polls in revolutionary and *pathetic* numbers, becoming *the* deciding factor in securing the Democrats a majority in both houses of Congress. See "The New Politics: Johannes Kepler and the Democratic Challenge," by Lyndon H. LaRouche, Jr., *EIR*, Dec. 8, 2006.

5. To receive a copy, contact your local LYM office, or, visit www.larouchepac.com

6. "Children of Satan III: The Sexual Congress for Cultural Fascism," LaRouche in 2004, June 2004.

combined with the Bering Strait and NAWAPA,⁷ as the kind of “big thinking” necessary to address our continent’s water crisis, and jump-start the economy; and the implications of this to address the “immigration crisis,” which will otherwise be used to whip up racist, fascist mobs against desperate Mexicans, who are flocking to the U.S. in an attempt to survive. This triune flank is subsumed by the underlying principle of the Treaty of Westphalia, that is, *agapē*, or, the Westphalian principle of “the advantage of the other.”

In recent days, two local governments in Southeast Texas passed resolutions calling for support of LaRouche’s HBPA: The Cameron County Commission, which includes the city of Brownsville, was joined by the city of San Benito—also in Cameron County. There are several more local governments which are presently debating this, and a group of mostly Hispanic state representatives have engaged in animated discussion with representatives of the LYM.

There is similar momentum growing in Southern California and the San Francisco Bay Area, where LYM members have been tenacious in taking on the Pelosi-driven capitulation of Democrats to the Shultzian⁸ commitment to Darwinian survival-of-the-fittest fascist policies. The Mayor of Lynwood (in Los Angeles County) signed a statement of support of the HBPA, following a discussion by city leaders of LaRouche’s analysis. There is a similar process underway in Carson, and in San Diego, which has been buffeted by a series of natural and man-made calamities. The key to the advance of LaRouche’s alternative in this area has been the persistent approach taken by LYM organizers, who refuse to be dismissed by officials who behave in a cowardly manner, for purposes of “getting along” with corrupt so-called leaders.

Looming in the background in California is the report from Governor Schwarzenegger’s finance director, that the state budget deficit for 2008-09 has now ballooned to \$14 billion, due primarily to a devastating collapse in revenue. Last August, California Democrats sided with Schwarzenegger to pass a rotten budget compromise for 2007-08, based on the promise that the austerity imposed in that budget would lead in the direction of a balanced budget. During that debate, the LaRouche movement insisted that such a compromise was being imposed by the fascist duo of George Shultz and Felix Rohatyn, working through Pelosi and the Kennedy family machine tied to Arnie, and that this would be the prelude to even more brutal budget cuts in the future.

The announcement that the deficit is cascading toward \$20 billion, is forcing a re-evaluation from even those weak-kneed Democrats who have capitulated to the Ms.-leadership of Speaker Pelosi. In times of crisis like these, leading Democrats and Republicans may discover that, in our *actual* universe, only hitting the flanks will do.

7. For more on these projects, see the Dec. 7, 2007 issue of *EIR*.

8. As in “Economic Hit Man” George P. Shultz.

Stockton, California

No. 1 in Foreclosures, Will It Adopt HBPA?

by Jason Ross,
LaRouche Youth Movement

Stockton, California, the city of abandoned homes, plentiful strip malls (seemingly each with a real-estate company!), and its very own bus dedicated to “Repo Home Tours,” has earned itself the dubious honor of ranking first in the nation for home foreclosures. The out-of-this-world responses to the crisis by the city council make some observers question whether the city is also vying to lead the nation in political stupidity!

“Repo Home Tours” reads the banner on a bus that takes prospective purchasers on a tour of the city’s foreclosed properties.

When members of the LaRouche Youth Movement (LYM) first approached members of the city council, in early Fall, to discuss LaRouche’s Homeowners and Bank Protection Act (HBPA), they were received politely enough. As time went on, however, the responses got stranger and stranger. Steve Bestolarides, the city councilman who heads the city’s housing committee, met with us a couple of weeks later, with the two top housing staffers for the city. After our presentation, he unveiled his well thought-out plan. “We welcome the foreclosures,” he informed us, since “it will provide plenty of affordable housing!” This may seem odd for a man who supposedly represents the interest of his constituents, so we prodded him further. We weren’t allowed to discuss any national economic concepts, the fact that we have a national banking crisis expressing itself through housing, or, in fact, anything that wasn’t directly related to the hamlet of Stockton. When we brought up the failure of the banking system, Mr. Bestolarides, who wears rose-colored glasses (literally), told us that the banks will do just fine. “They could never go under!” he confidently assured us.

The Most Lawless City

The housing staffers then offered their objections: “If I knew your bill would pass, I’d go and buy a house I couldn’t really afford!” Have our public servants really become so immoral? When reminded that the HBPA would lower home prices to reflect their true value, just as foreclosures would, but the HBPA would do so without evicting millions in the process, the rejoinder was that “Those people should never have gotten into those homes anyway.” Stockton truly must be the most lawless city in the country, with a city

council asleep at the switch, knowing that literally tens of thousands of mortgages were being illicitly signed throughout their city over the past few years, and did nothing about it!

Bestolarides concluded by confessing that most of our discussion went over his head, and that the LYM should set up a forum-debate at the nearby University of the Pacific, so “laymen” like him could understand the economy.

In a follow-up visit to the council on Dec. 4, four members of the LYM gave testimony on the nature of the national economic collapse and on the necessity of endorsing the HBPA. The team concluded with a song for the occasion about home foreclosures. The presentation was greeted with applause, and two members of the council praised the singing. In follow-up phone calls, the mayor’s office responded that, although they see foreclosures as a priority, he will neither sign the petition, nor push a resolution. It seemed that the assistant with whom we spoke could not understand the difference between the currently ongoing hyperinflationary bailout of the bankrupt financial system and LaRouche’s “firewall” concept in the HBPA. We also reached the first council member to have met with us. After he informed us that we should “take his name off our list,” and that he is “a closed door” for our action, we told him that we’d be sure to let his constituents know how he felt. He responded with language not fit for print in this publication and hung up the phone. This is hardly the quality of leadership demanded in this crisis!

Is There Something in the Water?

One possible source for this insanity showed itself in the Stockton newspaper *The Record* on Dec. 6, which quoted the dean of the business school the University of the Pacific. Dean Chuck Williams, apparently fresh from an afternoon run (from reality), said, “California has been hobbled by the housing correction, but after limping through the first half of 2008, the economy will have a healthier gait by the year’s end. In 2009, the economy will begin running again at a sustainable pace, not the all-out sprint of 2005-2006.” Oh, the lamentable state of academia today! (Some proud alumni of the University suggest that perhaps a homework assignment from a freshman creative writing course was inadvertently quoted instead of the Dean.)

Although Stockton has the highest rate of foreclosures of any city in the U.S.A., there is one area in the East Bay city of Antioch, which boasts the highest rate per ZIP code. The re-



With its dubious distinction as the top city in the nation in home foreclosures, Stockton, in Northern California, has also reached a new low, exploiting the misfortune of those who have been evicted: the “Repo Home Tour,” in which potential buyers of repossessed homes are bussed around the city to view them.

sponse has been somewhat more sane there, with one city council member eager to compose a resolution to introduce into the committee, after meeting with two members of the LYM for over an hour and a half.

East Palo Alto, another regional foreclosure hot-spot, has also seen some encouraging motion. One councilman, A. Peter Evans, has already signed on as an endorser of the HBPA, and the Mayor came up to shake our hands after the Dec. 4 meeting, wanting us to stay in contact about passing a resolution.

And, in Alameda:

Not so for the vice mayor of Alameda, however. After our testimony (and home foreclosure songs) at the November city council meeting, Vice Mayor Lena Tam brought up a presentation from the East Bay (east of San Francisco) Realtors Association by housing “expert” David Stark, who declared that the foreclosure situation is not a national crisis, and that what happens in Stockton or Antioch will never reach Alameda. One city councilman told us after the meeting that he disagreed with Tam, adding, “Of course this one [the housing market] won’t come back up—it’s a bubble!”

We called Stark, who explained that, in the view of his organization, housing markets are something that can only be considered on a local level. There really aren’t any national trends or a national market: it is all city-by-city or even neighborhood-by-neighborhood. We wondered how he’d explain how interest rates and permissive Federal regulations are a local phenomenon! So we asked him, but he has yet to respond to the e-mail.

National News

New Jersey First State To Abolish Death Penalty

With a vote Dec. 13 in the state Assembly, New Jersey became the first state to abolish the death penalty since it was reinstated by the U.S. Supreme Court in 1976. Members of the lower house voted 44-36 to replace the death sentence with life in prison without parole. The state Senate approved the bill on Dec. 10, and Gov. Jon S. Corzine, a Democrat, has said he will sign it within a week.

A state commission found in January that the death penalty hasn't deterred murder, risks killing an innocent person, and is a more expensive sentence than life in prison.

Lyndon LaRouche has long argued that the death penalty is nothing more than "human sacrifice," which undermines respect for life.

The bill's sponsor, Assemblyman Wilfredo Caraballo (D-Newark), said during a floor debate: "I have absolutely no doubt that other states will follow our lead. In the end, this is a matter of conscience." The measure will spare eight men on the state's death row.

Although New Jersey reinstated the death penalty in 1982, no one has been executed in the Garden State since 1963.

Bills to abolish the death penalty, which is still on the books in 37 states, were recently approved by a Colorado House committee, the Montana Senate, and the New Mexico House. But none of those bills has advanced.

LaRouche HBPA Wins 'Round One' at NBCSL

The Housing Committee of the National Black Caucus of State Legislators (NBCSL) voted up the LaRouche resolution for a Homeowners and Bank Protection Act, after a spirited debate at the organization's annual conference in Little Rock, Ark. The full assembly is scheduled to vote on the resolution on Dec. 14.

The leadership of the NBCSL had tried

to hijack the LaRouche resolution with a weak substitute, directed only toward predatory lenders. After a panel discussion before the committee, which included representatives from Fannie Mae, Freddie Mac, the Department of Justice, and the Mortgage Bankers, all hell broke loose.

Missouri State Rep. Juanita Walton, who had introduced the HBPA legislation to the NBCSL months ago, spoke out, along with others, saying that they were not going to go along with Bush-Cheney any longer. LaRouche PAC's Stuart Rosenblatt noted that the LaRouche resolution was modeled on the legislation of Franklin Roosevelt, saying that 25 HBPA resolutions had been filed in 12 states. A state senator from New Jersey reported that his son had put the resolution before the Newark City Council, where it passed.

When the vote came, both Representative Walton and Pennsylvania State Rep. Harold James gave passionate speeches in the resolution's defense. When a discussion arose on what the cost would be, Walton replied, "What's the cost of *not* doing it?!" James followed with, "I don't care what the cost is; we have to keep people in their homes."

Another state representative urged people to "act now, we are running out of time. . . . We need a resolution of substance, not a financial statement."

When the vote came up before the Housing committee, all voted in support, with one abstention.

Grossman: 'Video-Game Killers Are Jackals'

Lt. Col. David Grossman (ret.) sent the following comments to *EIR*, in response to Helga Zepp-LaRouche's Dec. 8 statement: "Ban Killer Video Games and Internet Violence!" (*EIR*, Dec. 14, 2007).

"The one thing all these killers have in common is that they are all trained on video games. None of them were in martial arts, paintball, or sports. They are 'death incarnate' until faced with a real threat of physical violence, and then their 'training' fails them

and their 'survival brain' says, 'Danger! Danger! This is not a game any more!' And then they kill themselves (reboot the game?), or curl up in a ball and weep.

"This is the end result of the video game generation. They are not 'wolves' . . . they are 'jackals.'"

"The kids who gave us Jonesboro in the middle school and Columbine in the high school are now giving us Va. Tech, Omaha Mall, and Colorado Church massacres . . . and it's going to get a lot worse. And it all comes back to the dominant influence in their lives: thousands of hours playing video game 'murder simulators.' . . ."

Veterans Suicides: Why the Cover-Up?

A dramatic hearing by the House Veterans Affairs Committee on Dec. 12 brought out into the open the fact that the Department of Veterans Affairs (VA) has the resources to collect sufficient data on veterans' mental health issues, including suicides, but is not doing so. The hearing was informed by a CBS News report last month, that 6,256 veterans had committed suicide in 2005 alone, a stunning rate of 120 per week, with the highest rate of suicide being among veterans in the 20- to 24-year age group. The VA responded by attacking the way CBS compiled its figures, instead of responding to the obvious epidemic that CBS exposed. That kind of response continued during the House hearing.

Prior to top health officials of the VA testifying, the committee heard three hours of testimony from family members of soldiers who had committed suicide, and two authors on the subject of mental illness and war veterans. What came out of their testimony is that the VA and the Defense Department don't do enough to screen and track what happens to combat veterans after they return home, especially if they're in the National Guard or the Reserves, nor to track and treat mental illness. "This is a public health issue of monstrous proportions," declared one witness, and yet there is "surprise and denial" from official sources about the problem.

Andrew Jackson as A Treason Project

by Anton Chaitkin

Preface:

The Jackson Lie and the Current Crisis

Every year, Democratic Party leaders stage an ugly ritual known as “Jefferson-Jackson Day.”

They give this name to fund-raising events, to boast that their party continues a political tradition inherited from the early U.S. Presidents Thomas Jefferson and Andrew Jackson.

This fraud is designed to bury the legacy of the most famous and revered Democratic President, Franklin D. Roosevelt, and to declare the party’s allegiance to a political philosophy directly opposed to Roosevelt’s.

FDR used national power to protect the rights of workers and the poor, and to promote universal economic progress, thus reviving those activist-government initiatives of America’s founders and of Abraham Lincoln, which the world so admired. Roosevelt rescued the people from the 1930s Great Depression, and led the forces defeating Hitlerism in World War II.

Roosevelt’s London and Wall Street enemies asserted that men have no right to progress, that government must not protect wages or otherwise interfere with colonial subjugation, looting, and backwardness.

This brutal anti-national philosophy, practiced on the world by the British Empire, came into the White House with Andrew Jackson’s Presidency (1829-37). The first President under the new “Democratic Party,” Jackson was an enemy of the earlier, more nationalistic President Thomas Jefferson, whose administration (1801-09) had subpoenaed Jackson to testify as an unindicted co-conspirator in the treason trial of Aaron Burr.

President Jackson broke down the nation’s power over credit, tore down the tariffs protecting U.S. industry and wages, and blocked national expansion of canals and railroads.

As a result, the industrial economy crashed, and Southern

states gave up plans to acquire industry and abolish slavery. A cheap-labor (“free-trade”) alliance of plantation slaveholders and their British cotton customers fostered anti-national radicalism in the South. Jackson destroyed the previous American consensus behind nationalist economics, in which Southern leaders such as Jefferson, James Madison, James Monroe, and John C. Calhoun had all participated. This political catastrophe is the origin of the Slave Power, and of the Civil War.

But you have no doubt heard that Andrew Jackson was “the people’s” champion, who enhanced the power of “the little guy”—a dogma always repeated at the above-cited fund-raising dinners.

You may also have heard that the current national leadership of the Democrats, House Speaker Nancy Pelosi and her ilk (those who put on those historically fraudulent rituals) have blocked Franklin Roosevelt-style action by Democrats to rescue the country from economic collapse and imperial disaster.

The “Jackson, not FDR” policy was imposed on the Democratic Party in association with a history hoax published in 1946, just after Roosevelt’s death: *The Age of Jackson*, by Arthur Schlesinger, Jr. In it Andrew Jackson is sold as “the people’s own President,” his reign as “the rule of the people.”

Who Jackson was in fact, and whose instrument, will be documented in the present report.

Schlesinger’s book came out as the British establishment, from Winston Churchill to Bertrand Russell, were rushing to reprogram the war-triumphant U.S.A. away from Roosevelt’s anti-colonial program. By 1950, Schlesinger, Russell, Allen Dulles, and Sidney Hook would be among the leaders of the Congress for Cultural Freedom,¹ designed to nail the coffin shut on the American

1. See “Children of Satan III: ‘The Sexual Congress for Cultural Fascism,’” *EIR*, June 25, 2004.



Library of Congress

Andrew Jackson brought the philosophy of the British Empire into the White House for the first time, destroying the Bank of the United States and the tariffs that protected American industry.

Revolution, and the mother enterprise of what would become neoconservatism.

The Age of Jackson explains that “Southern planters” provided “the mass with leadership in their struggle for political power,”² that slaveowners’ political operatives, by backing Jackson, “kept alive the democratic soul,” against “the aggressions of a central government controlled by a moneyed aristocracy.”³

Hoping that his readers know nothing of pre-Civil War American history, Schlesinger never presents two stark features of that period’s politics:

1. *That the Northeastern aristocrats who came to domi-*

2. Arthur Schlesinger, *Age of Jackson* (Boston: Little, Brown, 1946), p. 17.

3. *Ibid.*, p. 29.

nate the Federalist Party (“against Jefferson”) were notoriously British-allied anti-nationalists, not Hamiltonians; and

2. *That Henry Clay-led nationalism was premised on a world contest against the British Empire and European oligarchism.* In the time of Jackson, such patriots as James Fenimore Cooper might be found as Democrats, in opposition to the influence of “anti-Jackson” (i.e., Whig) Northeastern aristocrats, just as Henry Clay and John Quincy Adams had adhered to the party of Jefferson despite their Hamiltonian principles, in opposition to the core oligarchical alliance of Britain, the Boston tories, and the worst Southern planters. The pro-high-tariff Cooper and the Indian-slaughtering thug Andrew Jackson had nothing in common.

What Is an American Patriot?

This article is part of a series aimed at unearthing the real history of the American patriotic tradition, and causing its revival. The purpose is to create the political and intellectual climate in which a genuine American patriotic candidate can emerge for the 2008 elections—a candidacy which does not yet exist.

Of special relevance is the period of the early 19th Century, when patriots had to fight in the context of series of poor, or even treasonous Presidents (viz. Jackson, Van Buren, Pierce, Polk, Buchanan). The fact that our greatest President, Abraham Lincoln, was produced from this political environment, testifies to the effectiveness of the network of republican forces from this period, many of whom are unknown to the American public today. The LaRouche movement has worked for decades to uncover the original writings and other evidence of this network, materials which will form the basis for many of the articles in this series.

Previous articles include:

“The Fight for the Republic: James Fenimore Cooper and the Society of the Cincinnati,” *EIR*, Oct. 26, 2007.

Anton Chaitkin, “The Patriot File, Unearthed,” and Judy Hodgkiss, “The Erie Canal: How American Patriots Had To Battle for Infrastructure,” *EIR*, Nov. 2, 2007.

Roger Maduro, “Rediscovering Mathew Carey: ‘The Olive Branch’: How a Book Saved the Nation,” Nov. 9, 2007.

Denise M. Henderson, “John Quincy Adams Battles for the American System,” Nancy Spannaus, “Adams’ Community of Principle: The Monroe Doctrine,” and “J.Q. Adams Promotes Internal Improvements,” *EIR*, Nov. 16, 2007.

William Jones, “Rekindling the Spark of Liberty: Lafayette’s Visit to the United States, 1824-1825,” *EIR*, Nov. 23, 2007.

Setting the Stage

The revival of nationalism had begun in 1810. Henry Clay had led in electing to Congress feisty advocates of war against the British Empire—Clay’s “War Hawks.” This anti-imperial movement, committed as well to Alexander Hamilton’s nationalist economic program, elicited fear and loathing from the Anglophile treason faction, and from the British, speaking in their own name.

As Congress debated whether to defend the United States from British military attacks, Boston Congressman Josiah Quincy (one of the Massachusetts “Essex Junto” that was scheming for New England to secede) called Clay’s patriots “toad eaters”—commoners who had usurped the places of their betters in government. Clay said he was not disturbed “by the howlings of the whole British pack let loose from the Essex kennel.”

The newly installed British ambassador to Washington, John Augustus Foster, wrote hopefully to the Foreign Office that since the James Madison Administration would not allow itself to “be pushed into a War with us...there never was a more favourable moment for Great Britain to impose almost what terms she pleases.”⁴

But under Clay’s leadership, President Madison was made to understand that he would not be supported for a second Presidential term, if he did not come out for war with Britain.

Madison began issuing pro-war messages, and the Democratic caucus renominated him. For insurance, republican forces in New York secured the nomination of the nationalist DeWitt Clinton for U.S. President. There was no official Federalist candidate. At Madison’s request, Congress declared war on Britain in June 1812.

British Ambassador Foster lamented the loss of “the old Democratic Party”—i.e., Albert Gallatin’s free-trade gang, which had stood for economy, states’ rights, and peace with England—and was, in a colonial fashion, England’s best market and source of raw materials.⁵ Previously, Gallatin’s budget had had the effect of “damp[ing] the military ardour.”⁶

Alarmed by an American political movement combining politicized city workers and internationally alert frontier farmers, the British ambassador denounced the large pro-war meetings in Philadelphia, Baltimore, and other seaports, which the Briton claimed were mobs “principally composed of Irishmen of the lowest order, Negros, and Boys.”⁷

In retirement, former President Jefferson agreed with “this



Library of Congress

Henry Clay rallied support for a re-born nationalist program—the policies that he called “the American System.”

second weaning from British principles, British attachments, British manners and manufactures.” He looked forward to the outcome of a war—“a spirit of nationalism and of consequent prosperity, which could never have resulted from a continued subordination to the interests and influence of England.”⁸

The War of 1812 was entirely a defensive war, wherein the lightly armed and ill-prepared republic survived treachery by New England Federalist leaders and held its own militarily against the world’s greatest power.

Following the conclusion of a peace treaty, it was clear that an entirely new political order had begun. Kentucky’s Henry Clay and his Philadelphia ally, publisher Mathew Carey, had rallied countrywide support for a re-born nationalism, which would in ten years push through an astonishing program of technology development and westward-vectored transport. The resulting industrial revolution, delayed over the previous free-trade decades, would now give America muscle enough to survive even a Civil War.

4. Foster to Wellesley, Dec. 28, 1811, Foreign Office [FO] 5:77, quoted in Bernard Mayo, *Henry Clay: Spokesman of the New West* (Boston: Houghton Mifflin Company, 1937), p. 429.

5. Foster to Wellesley, Jan. 16, 1812, FO 5:84; quoted in *Ibid.*, p. 469.

6. Foster to Wellesley, Jan. 31, 1812, FO 5:84; quoted in *Ibid.*, p. 451.

7. Foster to Castlereagh, May 26, 1812, quoted in *Ibid.*, p. 476.

8. Jefferson to William Duane, April 20, 1812; quoted in *Ibid.*, p. 475. Duane published the *Aurora*, a Jeffersonian paper in Philadelphia, ridiculing and exposing Jefferson’s Treasury Secretary Gallatin as a foreign agent and conspirator. See Anton Chaitkin, *Treason in America* (Washington: Executive Intelligence Review, 1985), pp. 82n, 83n.

The policies comprising what Clay dubbed “the American System” would become later identified with Clay’s and Carey’s Whig Party, and the nationalist program through which Abraham Lincoln completed the remaking of the United States as the world’s leading industrial power.

The British Reaction

America’s successful industrial breakout deeply frightened the British Empire and its foreign collaborators, and moved them to hostile countermeasures.

By the 1860s—35 years after John C. Calhoun’s and John Q. Adams’ U.S. Army Corps of Engineers designed the first railroad in South Carolina—the British-armed insurrection of the Southern slaveowners threatened to terminate the world’s first modern republic.

Lord Robert Cecil (later known as the Marquess of Salisbury) lectured the House of Lords in 1862 on why the American Union should be broken up: “we are rivals, rivals politically, rivals commercially. We aspire to the same position. We both aspire to the government of the seas. We are both manufacturing people, and in every port, as well as at every court, we are rivals to each other. . . . With respect to the Southern States, the case is entirely reversed. The population are an agricultural people. They furnish the raw material of our industry, and they consume the products which we manufacture from it. With them, therefore, every interest must lead us to cultivate friendly relations, and we have seen that when the [American Civil] war began they at once recurred to England as their natural ally.”⁹

John A. Roebuck, in the House of Commons a year later, put a bitter point to the matter: “America while she was united ran a race of prosperity unparalleled in the world. Eighty years made the Republic such a power, that if she had continued as she was a few years longer, she would have been the great bully of the world.”¹⁰

The American Civil War was the military showdown of a struggle which had continued since the time of the earliest European settlements in America, into the era of the Republic.

The leaders of the American Revolution and their 19th-Century nationalist successors, sought to build a continent-spanning power, freed of any colonial relationship to Europe. They would promote rapid industrialization. They fought for public education, and education for the aboriginal American Indians. To expand westward, they would connect the Mississippi River basin to the East Coast with rails and canals. They would contain the spread of black slavery; and to prepare for its ending, sought to link the South to the North and West with a railroad grid, and bring new industry into the South. They would befriend and industrialize Ibero-America and all

9. March 7, 1862, from Hansard’s Parliamentary Debates, quoted in James Blaine, *Twenty Years of Congress: From Lincoln to Garfield*, Vols. I and II (Norwich, Connecticut: Henry Bill Publishing Co. 1884-86).

10. June 30, 1863, *Ibid.*, Vol. II, p. 480.



Lord Robert Gascoyne-Cecil, during the U.S. Civil War, hailed the Confederacy and demanded the breakup of the Union, saying the United States and Britain were “rivals politically, rivals commercially.”

emerging countries, aiding them to withstand imperialism.

The enemy—the colonial oligarchy, straddling the Atlantic—acted to prevent America’s westward development, and to obstruct the connection of East and West; to stop industrialization, undermine city-building, and perpetuate the colonial plantation economy; to isolate and whip up the geographical sections against each other, disrupting the Union; to prohibit the integration of the Indians into American society; and to attack Mexico, Cuba, and Central America, to spread slavery and bring about anti-Americanism there.

In the political arena, this persistent treachery appeared before the public through what came to be called the Democratic Party, beginning with the Presidency of Andrew Jackson. Leaving aside the mass of the voters, who were as fickle those as in Shakespeare’s tragi-comic scenes of crowd-manipulation in *Julius Caesar*, the pre-Civil War Democrats may be divided into three categories of political operatives:

1. A continuing clique of strategists and top managers, including Aaron Burr, Albert Gallatin, Martin Van Buren, August Belmont, John Slidell, and Caleb Cushing, a collection of criminals and foreign agents representing a British tory political machine that was never displaced from Boston, New York, and the South, after their side lost the American Revolution.

A Conceptual Glossary

The American System

When Henry Clay, in the early 1800s, revived the economic policy of President George Washington's Treasury Secretary, Alexander Hamilton, Clay called it "the American System." Its leading features were high tariffs (protectionism, as opposed to free trade), a national bank (the Bank of the United States), and government-sponsored transportation projects ("internal improvements").

President Abraham Lincoln implemented the American System (though unable to restore the national bank). Lincoln's advisor Henry C. Carey, the leading American System economist, defined the difference between the American System and the British System, in his 1851 book, *The Harmony of Interests*:

"Two systems are before the world; the one looks to increasing the proportion of persons and of capital engaged in trade and transportation, and therefore to diminishing the proportion engaged in producing commodities ... with necessarily diminished return to the labour of all; while the other looks to increasing the proportion engaged in the work of production, and diminishing that engaged in trade and transportation, with increased return to all, giving to the labourer good wages, and to the owner of capital good profits.

"One looks to increasing the quantity of raw materials to be exported, and diminishing the inducements to the import of men, thus impoverishing both farmer and planter by throwing on them the burden of freight; while the other looks to increasing the import of men, and diminishing the export of raw materials. ...

"One looks to exporting men to occupy desert tracts ... which [are] obtained by aid of diplomacy or war; the other to increasing the value of an immense extent of vacant land by importing men by millions for their occupation. ...

"One looks to underworking the Hindoo, and sinking the rest of the world to his level; the other to raising the standard of man throughout the world to our level.

"One looks to pauperism, ignorance, depopulation, and barbarism; the other to increasing wealth, comfort, intelligence, ... and civilization. One looks towards universal war; the other towards universal peace.

"One is the English system; the other we may be proud to call the American system, for it is the only one ever devised the tendency of which was that of elevating while equalizing the condition of man throughout the world."

The Tariff

The fight over protective tariffs was the headlined political issue of the 19th Century, though British-line history

texts may black out the matter.

The underlying issue was, what should be our way of life, high-wage industry, or slavery and other forms of cheap labor? Should our country be powerful enough to be independent of the British Empire?

High tariffs would increase the price of imports that had been produced by low-wage workers abroad, so buyers would likely choose American-made items whose manufacturers paid decent wages. Low tariffs would allow slave plantation owners to buy cheap manufactured goods from Britain, while shipping most of their slave cotton there, to be used by virtual slave laborers in British clothing factories.

The Civil War settled the issue. With the Union victory, protective tariffs spurred industrial progress at a pace never seen before or since—resulting in cheaper products from industry.

Nationalism

The Renaissance idea of the modern nation-state was first tested in Louis XI's France and Henry VII's England. They struggled, against the imperial-minded feudal aristocrats, to uplift the people's conditions of life with science and factories, with laws that applied to all, with defended borders and peace.

The American Revolution, and the new U.S.A.'s continuing struggle against the British, created the anti-feudal point of view that went before the world as "nationalism"—synonymous with inventions, discoveries, and optimism about man's increasing power over nature.

Nationalists such as Washington and Lincoln devoted their lives to defeating imperialism, since they believed in national sovereignty as a universal principle.

Anti-nationalist slaveowners and Boston Anglophiles plunged the United States into the aggressive Mexican War (1846-48). British and Wall Street financiers, bitter enemies of nationalism, sponsored the rise of Adolf Hitler and Benito Mussolini. The British then had the effrontery to teach that these fascists, who had tried for world empires, were *nationalists*, because they used patriotic propaganda to lie to deluded populations.

Today's globalists spread war everywhere, and define nations, and man's power over nature, as the enemy.

Federalists

Historical confusion clouds this term. The facts vary wildly from the usual use of the names Hamilton and Jefferson.

During and shortly after the American Revolution, those who advocated a strong Federal government and the

adoption of the Constitution (e.g., Hamilton and James Madison) were known as federalists, their opponents were called anti-federalists.

The U.S. Constitution does not mention political parties, and when Washington began his administration, there were none. Thomas Jefferson and his allies (e.g., Madison) attacked the administration's nationalist policy, with Hamilton as their public target. Those who defended the administration were called Federalists; their opponents called themselves Democratic-Republicans.

Hamilton saw that his own Federalist Party was increasingly dominated by pro-British Northeasterners, led by traitors, and Hamilton facilitated the 1800 election of Jefferson, his bitter opponent, as President. In the first decade of the 1800s, most patriots sided with Jefferson against the British-Boston combination, and the Federalist Party died out. By the end of the War of 1812, leading Jeffersonians sided with the nationalist measures first put forward by Hamilton.

Anti-Bank Populism

Who sponsored the free-trade political faction before the Civil War? It was the cotton plantation owners, the merchants of Boston and New York, and their financiers: This was the British party, which used populist rhetoric against "monied aristocrats," to try to cripple the U.S. government's power to withstand the *actual* wealthy aristocrats running the British Empire and the free-trade political movement.

This 19th-Century scam was given a new twist by the free-trade gang, when they established the Federal Reserve System in 1913. They lied that the Fed was the same thing as the Bank of the United States. So, confused patriots might support it, while populists would continue railing against the Hamilton and Biddle banks, whose purposes (national sovereignty and economic progress for all) had been opposite to those of the international bankers' Federal Reserve.

Today, many Democrats are economic populists, who "don't like banks." This is because they have no experience of banks acting in the public interest. They have no historical knowledge of the American founders' Bank of the United States, or of the measures taken by the Federal government, under Abraham Lincoln and Franklin Roosevelt, to stop usury and to regulate banking for the public good.

Investment banks, hedge funds and other private powers are historical enemies of sovereign nations and of self-government. But private banks, chartered by the state or Federal government and well regulated, are crucial instruments of a modern economy, especially when the sovereign nation, not a financial oligarchy, controls national credit.

—Anton Chaitkin

2. The Presidents: Jackson (1829-37), Van Buren himself (1837-41), John Tyler (1841-45—elected Vice President as a Whig, he betrayed the mandate after he assumed office upon the death of President William Henry Harrison), James Polk (1845-49), Franklin Pierce (1853-57) and James Buchanan (1857-61).

3. Numerous patriotic leaders, committed to the General Welfare, who helped mitigate the damage done to the nation by the radical anti-nationalists. Among such outstanding Democrats were Sam Houston (aide to Jackson; general, governor and president of Texas, and U.S. Senator); William J. Duane (Secretary of the Treasury, 1833); Joel Poinsett (Secretary of War, 1837-41); James K. Paulding (Secretary of the Navy, 1838-41).¹¹

Burr's and Van Buren's Jackson Project

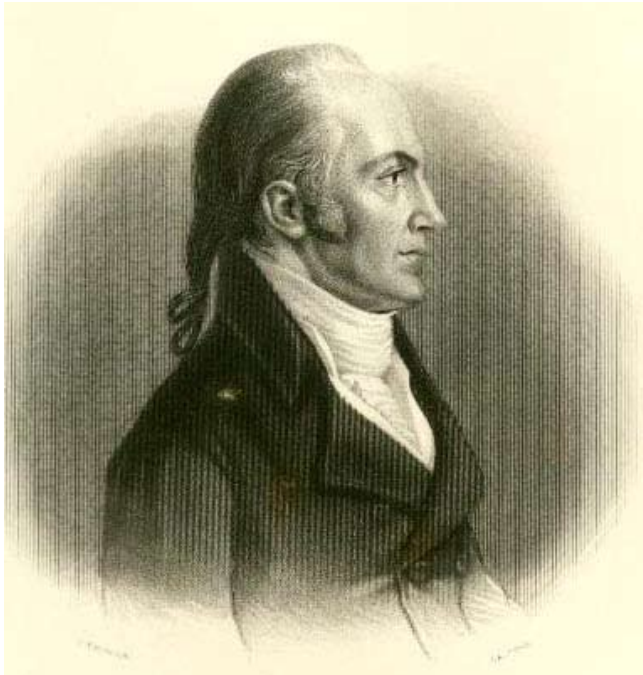
The early Democratic Party was shaped principally by two rather overtly satanic personalities, New York political boss Martin Van Buren, and later, Rothschild financier and speculator August Belmont. The party came into being in the late 1820s around Burr's and Van Buren's project of making a celebrity President out of the thuggish Tennessee feudalism, Andrew Jackson.

Jackson began his career as a debt-collecting lawyer on the Tennessee frontier, after the American Revolution. His physical courage, strength, and endurance, his absolute ignorance of history or moral ideas, his intense rages, and his habit of shooting opponents made Jackson a valuable asset to the wealthiest land barons, slave traders, and speculators who were his clients and initial sponsors.

Frontier Tennessee was being pulled in two directions. In the tradition of pioneer patriot leader Daniel Boone, revolutionary militia chief John Sevier served as the popular first governor, after Tennessee was admitted to the Union as a state. Sevier and his associates worked for the orderly settlement and progress of the western United States. Opposed to Sevier and his supporters, were oligarchs and adventurers—including Jackson—concentrated in Nashville and western Tennessee, forming a political faction led by William Blount. Blount was accounted a pro-British "Federalist."

At the outset of the independent republic, Spain, not the United States, controlled the lower Mississippi River, New Orleans, and the coast of the Gulf of Mexico. American settlers to the west of the Appalachian Mountains had as yet no practical means of transporting goods to the East Coast or Europe, except on the Mississippi and its tributaries, and thus had to traverse foreign territory. This American vulnerability in relation to the unstable Spanish Empire was a source of anxiety to the Union's defenders, and a lever of intrigue for

11. Democrats who were otherwise outstanding nationalists included scientific leader Alexander Dallas Bache, Bank of the United States president Nicholas Biddle, German-American economist Friedrich List, and authors Washington Irving, James Fenimore Cooper, and Edgar Allan Poe.



Traitor Aaron Burr. The British ambassador wrote to the Foreign Office that Burr had offered “to lend his assistance to his majesty’s government in any matter in which they may think fit to employ him, particularly in endeavoring to effect a separation of the western part of the United States from that which lies between the Atlantic and the mountains, in its whole extent.” Andrew Jackson was his ally in the project.

the Spanish and, more importantly, for the British, who still had regular Army outposts (before the Jay Treaty, 1795), and Indian allies and irregular forces operating all around the American frontier. Adding to the problem was the fact that North Carolina, which had included the region of Tennessee, had at first rejected the U.S. Constitution.

The U.S. government commenced operations under the Constitution early in 1789. On Feb. 13, a few days before the First Congress went into session, the 21-year-old Andrew Jackson addressed a letter to his fellow intriguer, the district militia commander Daniel Smith.¹² In the letter Jackson introduced Smith to a French-born Spanish army officer and intelligence agent named Andrew Fagot, who was working to bring the western American settlements under Spanish control. Jackson transmitted Fagot’s request to serve as an intermediary for disgruntled Americans to break their allegiance to the U.S.A. and make a treaty with the Spanish Governor of the Louisiana Territory, Estaban Miró.

The charitable construction put on this and the subsequent transactions of what became known as the “Spanish Conspiracy,” is that Jackson and his older colleagues did not view the United States as necessarily a permanent entity. Mi-



A contemporary cartoon shows former Collector of the Port of New York Samuel Swartwout embracing Federal District Attorney William M. Price in London. Swartwout was Aaron Burr’s lieutenant, and his assistant in the 1805-07 conspiracy to divide the Union. When Burr fled to England, Swartwout found him lodgings with Jeremy Bentham.

litia commander Smith sent Fagot back to Governor Miró, with a message accepting Fagot as the faction’s representative.¹³ Miró then wrote to the Spanish government: “The inhabitants of the Cumberland [i.e., Tennessee] ... would in September send delegates to North Carolina ... to solicit from the legislature ... an act of separation,” which would place “the Territory under the dominion of His Majesty.”¹⁴ In October 1790, Jackson received from Governor Miró, without payment, a valuable tract of Mississippi riverfront land 30 miles north of Natchez, where Jackson commenced erecting a slave plantation.

The George Washington Administration concluded a treaty with Spain in 1795, for the right of cargo deposit in New

13. Ibid., p. 17.

14. Quoted in Burke Davis, *Old Hickory: A Life of Andrew Jackson* (New York: The Dial Press, 1977), p. 19.

12. *Correspondence of Andrew Jackson*, John Bassett, ed., (Washington, D. C.: Carnegie Institution, 1926-35), Vol. 1, p. 16.

Orleans, which, with the admission of Tennessee to the Union in 1796, might have calmed the treasonous intrigues with the Spanish. But the British—at the time the world’s only super-power—now came directly into play.

Faction leader William Blount went to the U.S. Senate. Andrew Jackson, whom Blount had boosted into politics, went to the House of Representatives. Eleven months after taking his seat, Blount was expelled from the Senate (July 8, 1797), for leading a plot to recruit American settlers and Indian tribes to aid the British military to seize the Gulf coast from Spain. The Blount forces designated Jackson as Blount’s replacement, and Jackson was appointed to the U.S. Senate seat by the state legislature.

In this period Blount and Jackson both worked closely with Aaron Burr, who was a Senator until March 1797. Burr, who would launch the “Jackson for President” project, was connected by marriage to the highest-level British army and espionage leaders, and his New York political apparatus included British army colonel and intelligence officer Charles Williamson.

While he was U.S. Vice President, Burr fatally shot Alexander Hamilton (July 11, 1804), in a duel over Hamilton’s exposé of Burr’s treason. The coroner’s jury returned a verdict of murder, and Burr fled to South Carolina, then to Philadelphia, where he conferred with Colonel Williamson, who had just escorted a new British ambassador, Anthony Merry, back from London to Washington. Merry then wrote back to the Foreign Office, “I have just received an offer from Mr. Burr ... to lend his assistance to his majesty’s government in any matter in which they may think fit to employ him, particularly in endeavoring to effect a separation of the western part of the United States from that which lies between the Atlantic and the mountains, in its whole extent.”¹⁵ Colonel Williamson would immediately take Burr’s proposals to Britain’s Foreign Secretary Lord Harrowby.

To effect this scheme, Burr’s confederate Edward Livingston, formerly New York’s mayor, had moved to Louisiana, when the United States gained control of it in 1803. Livingston and British intelligence agent James Workman formed the Mexican Association of New Orleans, whose avowed purpose was to seize Louisiana, and, together with a British naval force, conquer Spanish-controlled Mexico.

In May 1805, Burr arrived in Nashville, and spent nearly a week with Jackson at his home, the Hermitage. Jackson, then a major general of the Tennessee militia, began recruiting mercenaries for Burr’s private army, and arranged for boats to float them down the Ohio and the Mississippi rivers. Shortly after Burr departed, Jackson killed a man in a duel. Burr went to New Orleans to arrange the in-



The “auto-icon” of Jeremy Bentham (1748-1832), top strategist of the British secret intelligence service. This peculiar display was created according to Bentham’s own instructions, contained in his will. Bentham’s preserved skeleton is dressed in his own clothes, and topped with a wax head. Bentham’s actual head lies between his legs. Bentham was an avid sponsor of Burr and Jackson, and was hailed by Arthur Schlesinger as “the great English reformer.”

surrection, and returned in August to spend another week with Jackson.

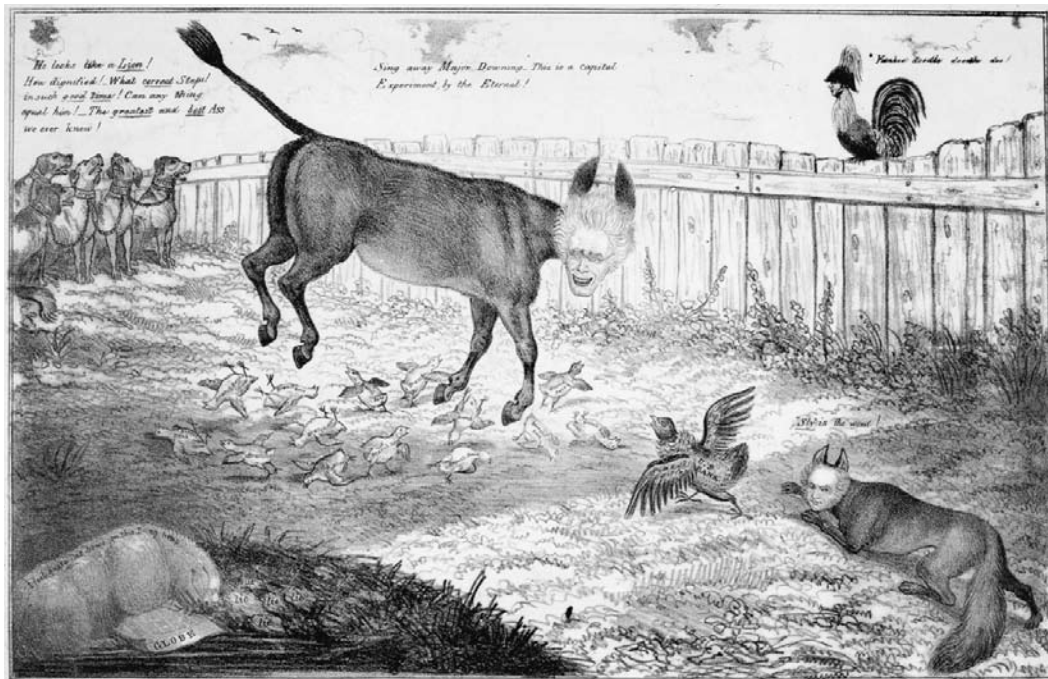
Burr came back to the Hermitage again in September 1806, and Jackson arranged for him to be honored at a public ball as a “true and trusty friend of Tennessee.”¹⁶ In November 1806, Burr sent Jackson an order and \$3,500 in cash for five boats and military provisions. Jackson had work started on the boats and got 75 men recruited for the Burr expedition.

When a stranger stopped at the Hermitage, blabbing about the Burr plot to divide the Union, which the stranger was on his way to join, Jackson was alarmed at how widely and indiscriminately known the scheme had become. He sent out messages designed to put himself and Burr in the clear; he warned of a plan to divide the Union, and named U.S. Gen. James Wilkinson as the mastermind.

Meanwhile, Jackson expedited the building of the boats for Burr. The first legal action was taken against Burr’s trea-

15. Merry to Harrowby, Aug. 6, 1804, taken from the British archives in the late 19th Century and quoted in Henry Adams, *History of the United States of America in the First Administration of Thomas Jefferson* (New York: Charles Scribner’s Sons, 1921) Vol. II, p. 395.

16. Davis, op cit., footnote 14, p. 51.



Library of Congress

This cartoon attacks Andrew Jackson's plan to distribute Treasury funds, formerly kept in the Bank of the United States, to banks in various states. Jackson is the jackass in the center, "dancing among the chickens" (the state banks). Martin Van Buren is the fox (right).

son shortly afterward.

Wilkinson, whom Burr had sought to aid the plot, wrote to President Jefferson and exposed Burr. In November, Jefferson issued a proclamation warning of a conspiracy, ordering the plotters arrested, and asking patriotic citizens to aid their government. When the boats Burr had ready in Ohio were seized by state authorities, Burr returned to the Hermitage and Jackson gave him two of the boats under their contract, and sent his nephew along with the Burr expedition.

Secretary of War Henry Dearborn sent Jackson a letter (received Jan. 1, 1807), declaring that "it is industrially reported" among the Burr plotters "that they are to be joined by two regiments under the Command of General Jackson..." Dearborn asked Jackson to prove the reports wrong by helping to defeat the conspiracy.

Aaron Burr was arrested for treason while attempting to flee in disguise into Spanish territory. At Burr's trial in Richmond, Va., Jackson was subpoenaed as a star witness. During the trial, Jackson went into the streets to harangue the crowd against President Jefferson, as a coward who backs down in the face of British aggression, but persecutes and tortures Aaron Burr. This rhetoric against the anti-British Jefferson made Jackson very popular with tory political forces in the South.

Jackson told Burr's friend and Richmond defender, Congressman John Randolph of Roanoke, that Burr was innocent, that Wilkinson must be blamed for the conspiracy and for betraying Burr. In this period, Jackson and Randolph were members of a national faction known as the Quids, enemies of Jefferson who accused him of selling out the anti-nationalist cause. Randolph managed to become foreman of the grand

jury for the Burr case, and the only evidence against Burr they allowed was an ambiguous letter to General Wilkinson. Such evidence as the British ambassador's letter on Burr's proposal was not known of until much later. The jury found Burr not guilty.

At the trial, Jackson made the acquaintance of Samuel Swartwout, Burr's lieutenant and main assistant in the conspiracy, who had transmitted a letter in code from Burr to Wilkinson. Swartwout's brother John, Burr's longest-standing assistant, had waited in Burr's home while Burr was shooting Hamilton, and fled New York after the duel to avoid prosecution as a murder accomplice.

Burr met again with Jackson in Tennessee months after the trial. Burr (still under murder indictment) and Samuel Swartwout then went to England. Swartwout made arrangements with the British secret intelligence service's top strategist, Jeremy Bentham, for Burr to live with Bentham while in exile there.

Burr's sponsor, and later Andrew Jackson's most avid international supporter, Bentham had published famous defenses of usury and pederasty. Bentham had written with contempt in October 1776, against the defense of human rights in America's July 4, 1776 Declaration of Independence: "This they 'hold to be' a 'truth self-evident.' At the same time, to secure these rights they are satisfied that Government should be instituted. They see not ... that nothing that was ever called Government ever was or ever could be exercised but at the expense of one or another of those rights, that ... some one or other of those pretended unalienable rights is alienated.... In these tenets they have outdone the extravagance of all former fanatics."

We note that Arthur Schlesinger gushes, “Jeremy Bentham, the great English reformer, confided to Jackson, as one liberal to another, that he [agreed with Jackson’s] doctrine of rotation [appointing supporters to public offices].”¹⁷

Burr and Swartwout returned to New York in 1812; Burr’s remaining legal difficulties were apparently quietly overcome by Treasury Secretary Gallatin. Swartwout began serving as Jackson’s political aide and New York agent. Burr resumed a legal practice, a pioneer in what became the infamous tradition of Wall Street lawyers.

He had been put back into the game by the British Empire’s anti-American strategist, Bentham. Burr now sought to turn American politics out of the nationalist consensus, using a front-man, his recent co-conspirator, Andrew Jackson, who was at that time a militia general, being counseled by Burr’s aide Swartwout.

The British Army invaded Louisiana in 1815, at the very end of the War of 1812. Their inhuman officers threw the British troops against invulnerable American defenses manned by expert Kentucky riflemen, whose commander was Gen. Andrew Jackson. The resulting slaughter of the British soldiers was the final event of the war, actually following the signing in Europe of a peace treaty, about which the combatants were not yet informed. During the buildup to the Battle of New Orleans, Burr’s lieutenant Edward Livingston served as Jackson’s aide-de-camp.

Burr now went into action on a one-man crusade promoting Jackson for President of the United States, based on his fame as a military hero. Burr worked initially through his son-in-law, Joseph Alston, the ex-governor of South Carolina. He told Alston that the hated Monroe must be kept out of the Presidency at all costs; the Virginia Presidential dynasty, Washington-Jefferson-Madison-Monroe, must be aborted, now that it was under nationalist control. Burr’s role must be kept from the public: “I could wish to see *you* prominent in the execution of it [lobbying for Jackson’s candidacy],” Burr wrote to Alston. “It must be known to be *your* work.”¹⁸

Alston died soon afterward. But it was Burr’s men Samuel Swartwout and Edward Livingston who pushed the Jackson Presidential candidacy over the next few years.

Swartwout continued as Jackson’s confidential advisor, and manipulator. He goaded Jackson to attack as a “corrupt bargain,” the election of John Quincy Adams and Adams’ appointment of Henry Clay as Secretary of State; this became the main point of Jackson’s eventually successful campaign for the Presidency.

Jackson as President would appoint Samuel Swartwout Collector of the Port of New York, a very powerful and the most lucrative office the President could award. Swartwout

17. Schlesinger, *op cit.*, footnote 2, p. 46.

18. Burr to Alston, Nov. 29, 1815, quoted in Milton Lomask, *Aaron Burr: Conspiracy and Years of Exile, 1805-1836* (New York: Farrar, Straus and Giroux, 1982), pp. 366-367.



Library of Congress

Cartoon for the 1840 election: In President Martin Van Buren’s pouch are opponents of the Bank of the United States Thomas Hart Benton, John C. Calhoun, and Washington Globe editor Francis Preston Blair. The 30-year-old Abraham Lincoln had said in a speech on banking (Dec. 26, 1839), “[It is predicted] that every state ... will vote [to re-elect] Van Buren. ... It may be true.... Many free countries have lost their liberty.... I know that the great volcano at Washington [is] aroused and directed by the evil spirit that reigns there, belching forth the lava of political corruption....” Van Buren lost.

was eventually driven from office on charges of embezzlement. Later Jackson would appoint Livingston Secretary of State.

Van Buren and the Slave Power Bargain

But Jackson’s elevation to the White House was only achieved after the Burr clique brought about a newly unified oligarchy, under the management of Martin Van Buren, who was known universally as “the Little Magician,” the most cunning, artful intriguer.¹⁹

19. Frontier political leader David Crockett, who was to die at the Alamo, wrote that Van Buren was appropriately caricatured in his day as “half fox and half monkey, [or] half snake and half mink, [the cartoonists] designating him by some animal that most resembled his traits of character.” David Crockett, *The Life of Martin Van Buren* (New York: Nafis & Cornish, 1845), p. 101. Crockett contrasts the manipulable, revenge-mad Jackson and the calculating Van Buren.

Van Buren was described as very agreeable and urbane, with impeccable manners, even if he were stabbing someone in the back. An unbeliever, he would attend a politically useful Sunday worship service, dressed in “white duck trousers, snuff-colored broadcloth coat, a tie of brilliant orange, a vest of pearl hue, and yellow kid gloves. . . .”²⁰

Martin Van Buren, at about age 18, was picked up and initiated into politics by Aaron Burr. In 1801-02, William P. Van Ness, Burr’s aide in charge of local political arrangements, took Van Buren into his law office and trained him as an attorney. Burr, then the Vice President, and Van Ness brought Van Buren as apprentice into the New York Tammany Hall organization created by Burr. In 1804, Van Ness served as Burr’s intermediary with Alexander Hamilton in making the challenge and securing the fatal duel. Van Ness fled, along with Samuel Swartwout’s brother, to avoid prosecution.

Van Buren swiftly ascended to power in New York State, along the way opposing the plan to build the Erie Canal, then shifting to position himself in authority over the canal when its construction proved overwhelmingly popular. He and his followers mocked the 1812 declaration of war against Britain, and tried to whip up a mob spirit against the Madison Administration. Later, when the Federalist Party was dead, Van Buren condemned his opponents as Federalists.

He entered the U.S. Senate in 1821. Van Buren had by then assembled a New York State ruling apparatus nicknamed the Albany Regency, which had many of the trappings of Stalinism a century later. Judges, newspapers, banks, social and political institutions which were not directly controlled by the Regency, must follow the party line or suffer serious consequences. Dissent, breaking “party unity,” was an unpardonable offense. Candidates were chosen in closed sessions called “caucuses,” and the Regency aimed to direct the appointment or election to every level of public office in the state, down to the smallest local posting. The only real doctrine of the party, was that government will do nothing that might interfere with the interest of Wall Street.²¹

Leading this Democracy, the new Senator Van Buren went on the attack against President Monroe. The national unity behind the administration, fed by Monroe’s non-partisan appointments and acceptance of former Federalists as allies, was stifling American democracy, Van Buren charged.

Van Buren made his first in a series of trips to the South in March 1822. To counteract the North-South republican alliance, best represented by the politics of Secretary of War John C. Calhoun, Van Buren began seeking a New York-Virginia alliance, based on the power of unbridled aristocracy.

In 1823, he took up a crusade to boost the anti-nationalist, “states’ rights” Georgian, William H. Crawford, for President.

20. Robert V. Remini, *Martin Van Buren and the Making of the Democratic Party* (New York: Columbia University Press, 1959), p. 190.

21. Van Buren initiated a law to insure the banks in the state, a “government interference” which supported Wall Street’s power.

He also worked to isolate Calhoun from his allies outside the South—to make Calhoun adhere to Southern sectionalism, or be crushed.

Calhoun counterattacked. His staunch allies, Gen. Winfield Scott; Gen. Joseph Gardiner Swift, the former West Point superintendent; and Samuel Gouverneur, President Monroe’s son-in-law, founded in 1823 *The Patriot*, a New York political newspaper devoted to bringing down Van Buren. The Calhoun paper struck at Van Buren’s power by demanding a change in New York election law, to allow citizens, not the Van Buren-run state legislature, to vote for the U.S. Presidency.²²

In 1823, Van Buren visited Richmond and secured a union between his organization and that of Thomas Ritchie, leader of the “states’ rights” radicals in Virginia. Calhoun wrote to Monroe’s son-in-law, “Between the Regency at Albany and the junto at Richmond there is a vital connection. They give and receive hope from each other, and confidently expect to govern this nation.”²³

Faced with an Adams-Clay Administration and a steam-roller of American industrialization, Van Buren sought a vehicle to fundamentally reorient U.S. politics. The means selected was Jackson’s military-hero Presidential candidacy, deceptively presented to the public as a continuation of nationalist aspirations, while a contrary, anti-national machine was locked into power behind Jackson.

Van Buren wrote in January 1827 to Thomas Ritchie in 1827, calling for a great political combination “between the planters of the south and the plain Republicans of the North”—the plain Republicans meaning the London-New York financiers’ axis. He rebuked the “prejudice” against “the Southern Influence” and against “African Slavery.” Van Buren wrote that the “all powerful sympathy” Northerners felt for Southern slaveowners “has been much weakened, if not, destroyed by the amalgamating policy of Mr. Monroe.”²⁴ In April 1827, Ritchie and his Richmond junto accepted Van Buren’s plan for a seizure of power behind Jackson.

James Monroe, in his first (1817) Inaugural Address, had warned the people never to act as a bestial anti-government mob, manipulated by populist demagogues. Such degradation would lead to the loss of the republic: “It is only when the people become ignorant and corrupt, when they degenerate into a populace, that they are incapable of exercising the sovereignty. Usurpation is then an easy attainment, and an usurper soon found. The people themselves become the willing in-

22. This election reform was finally adopted over Van Buren’s opposition, but the Albany Regency continued to rule New York through the 1820s and 1830s. For the anti-Van Buren paper *The Patriot*, see Anton Chaitkin, “The Patriot Files, Unearthed,” *EIR*, Oct. 27, 2007, www.larouche.org/files/pdfs/patriot_file_unearthed.pdf.

23. Calhoun to Samuel Gouverneur, Nov. 9, 1823, quoted in Remini, op cit., footnote 20, page 41.

24. Van Buren to Thomas Ritchie, Jan. 13, 1827, *Ibid.*, pp. 131-132.

struments of their own debasement and ruin. Let us, then, look to the great cause, and endeavor to preserve it in full force. Let us by all wise and constitutional measures promote intelligence among the people as the best means of preserving our liberties....”²⁵

The populace Monroe warned against, roaring its approval for the people’s hero, elected Jackson in 1828. Jackson’s managers projected directly contrary images of the candidate to the different sections. The North voted for a protectionist Jackson; the Southern voters chose the states’ rights Jackson.

The Jackson Presidency

Martin Van Buren was appointed Secretary of State. Under his guidance, Jackson inexorably moved to break apart the nationalist consensus of the previous era, vetoing Congressional acts for Western transportation projects, and wrecking the Bank of the United States.

Meanwhile Van Buren proceeded to finish off Calhoun, who had been re-elected Vice President after backing Jackson. Van Buren resuscitated an old letter Calhoun had written attacking Jackson’s conduct as a general, thus driving Jackson into a revenge-mad fit against Calhoun.

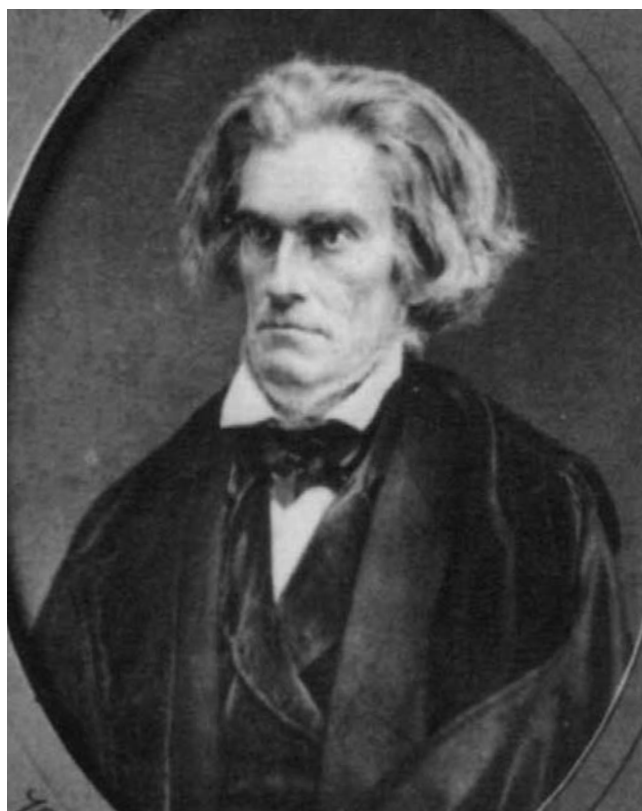
South Carolina’s Anglophile establishment, drumming up hysteria over slave revolts and Northern “oppressive tariffs,” put Calhoun in a pincers movement. He cracked, and became the main spokesman for a state’s right to nullify Federal laws. South Carolina’s threat of nullification of the tariff laws was the first serious Southern secession threat.

In this growing crisis, Jackson was steered away from outright disunion by advisors such as Poinsett and Houston. They turned Van Buren’s dirty work to good advantage, directing Jackson’s personal rage at Calhoun into a positive stance against the threats from Calhoun’s state.

On this one count, turning back South Carolina’s Nullification, Jackson is blithely denominated a “nationalist”!

But the deal he struck with the South was a severe moral and economic setback for the country. It was agreed that the tariff would in fact be rolled back, to suit the slaveowners and the British.

And to get other Southern states’ cooperation, Jackson ordered the Army to evict the Cherokee Indians from land that the United States had guaranteed to them by solemn treaty. Thousands of Cherokees died on the resultant “Trail of Tears,” exiled 1,000 miles away to the western wilderness. Georgia rowdies, up-and-coming Masons such as Howell Cobb, demanded the Cherokees’ land on the rumor that there was gold underneath it. Georgia’s governor ordered the arrest of U.S. government-financed Protestant missionaries who were teaching the Cherokees mathematics, science, and literature. This Indian education program had deeply embarrassed the slave system, which had no public schools even for whites. In



South Carolina’s John C. Calhoun began his career as a nationalist and opponent of Van Buren. But he was squeezed by the British and the Anglophile establishment, until he cracked. He became the main spokesman for a state’s right to nullify Federal laws, and later the ideological spokesman for the Confederacy.

the cultural desolation of the South, it gave the slaves a nearby example of intellect and advancement, and it demonstrated that the Southern way of life was anti-Christian.

In his perfidy, Jackson ignored an order of the Supreme Court confirming the treaty rights of the Cherokees. The Chief Executive famously said: It was Justice John Marshall’s decision, so let him enforce it—and Jackson slaughtered those who were under his lawful protection. His lifelong racist treachery towards the Indians marked Jackson off sharply from his colleagues Sam Houston and David Crockett, who followed the Benjamin Franklin-George Washington policy of amity and peace.

Jackson was usually a rather loud chauvinist, but his foreign policy was the most nakedly pro-British of any administration up to his time. The first challenge to the Monroe Doctrine came in 1833, when the British Navy seized and Britain occupied Argentina’s Malvinas Islands, strategically located in the Atlantic on the route to Cape Horn. Jackson backed the British takeover, and threatened to send U.S. forces to “punish” the Argentines for asserting their sovereignty over the islands, which the British called the Falklands.

The Bank of the United States, which Jackson was to de-

25. *The Inaugural Addresses of the Presidents* (New York: Gramercy Books, 1997), page 53.

stroy, was the chief instrument for American national resistance to the British Empire and the City of London financial power.

It is chiefly due to Jackson's breaking of the Bank, that academic historians and grossly misinformed populists say that "Andrew Jackson didn't trust the bankers," and "Jackson was for the little people, against the aristocrats."

Congress had chartered the second Bank of the United States (for 20 years) in 1816. Seven years later, in 1823, James Monroe appointed his former diplomatic aide and Latin American intelligence officer Nicholas Biddle as the Bank's president.

Biddle was an outstanding Greek scholar, his Philadelphia family passionate republicans whom Benjamin Franklin had included in his personal "junto."

Biddle had earned appointment as a leading campaigner for re-establishing the Bank of the United States after its original charter had expired in 1811. He explained that without a national bank, working people were defenseless against the *usury* of the British Empire and its allied financiers:

"Without credit or money, while your commerce is stopped and your manufactures languish ... [in] the total want of money, the demand for specie [coins] will place the poorer classes at the mercy of the rich, and the great money lenders will issue abroad to prey upon their fellow citizens. In the general submersion of small traders, the only beings who will be seen floating on the wreck are those very 'monied aristocrats' whom the [anti-Bank] resolutions denounce with such indignation."²⁶

Under Biddle's presidency, the second Bank steered the national economy upward, with precision and vigor. Railroads were introduced, with heavy local and state government spending for their construction. The Bank invested in railroads and purposefully bid up the price of their securities. Canal projects, which opened up the West to settlers and brought coal out to create American industry, were backed to the hilt by Biddle's Bank.

When London or Wall Street drove the prices of some commodity too high or too low, Biddle intervened into the market to counteract the speculators, and restore steady growth and prosperity for the producers. Biddle used the Bank of the United States in the same war that Alexander Hamilton had fought, against the international bankers who claimed the right to dictate to the world.

Under the advice of two particular men, Wall Street's Martin Van Buren, and Baltimore slaveocrat Roger Taney, Jackson vetoed the bill to renew the charter for the Bank of the United States, and ordered the removal of the government's deposits from the Bank. These actions ended the protective and nurturing role the Bank had played in the American econ-

omy. After the 1836 expiration of the Bank's Federal charter, the Bank of England and British merchants withdrew loans and investments from the financially helpless republic. Jackson also issued an order known as the "specie circular," prohibiting settlers from purchasing public lands with anything but gold or silver. These measures combined to drastically shrink available credit, and threw the country into a chaotic depression-collapse in 1837.

The Bank of the United States, located on Chestnut Street in Philadelphia, run by Biddle and the Pennsylvania nationalists, had controlled American credit to the advantage of internal industry, and subdued the influence of the private banker-oligarchs centered in New York. The latter wanted to have all government finances run through a new "government depository" controlled by Wall Street—just like today's Federal Reserve. Biddle wrote in 1833, that Jackson's war against the Bank was "a mere contest between Mr. Van Buren's government bank and the present institution—between Chestnut Street and Wall Street-between a Faro [card-game] bank and a national one."

The leading American players in the attack on the Bank were

Martin Van Buren, Secretary of State 1829-31, ambassador to Britain 1831, Vice President 1833-37, President 1837-41;

John Jacob Astor, New York slumlord and international fur and opium trader, who had been started in business in London by the British East India Company in the 1780s; Astor was chief owner of the Bank of the Manhattan, founded by Aaron Burr, and later called Chase Manhattan Bank;

Churchill C. Cambreleng, Van Buren's chief lieutenant in the House of Representatives and a paid agent of Astor;

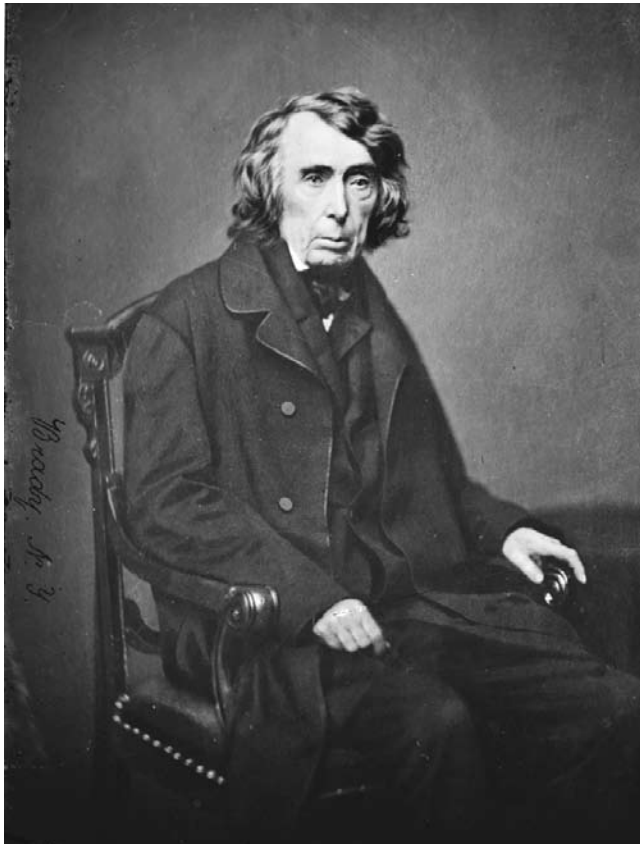
Alexander Brown & Sons, Baltimore and London merchant bankers who got their start serving the enemy British in the War of 1812, and financed 75% of the slave cotton going to England. Brown Brothers Harriman was a later descendant of that firm;

Roger B. Taney (pronounced "tawny"), Baltimore lawyer and banker, U.S. Attorney General 1831-33, Treasury Secretary 1833-34, Chief Justice of the U.S. Supreme Court (appointed by Jackson) 1836-64;

Thomas Hart Benton, U.S. Senator from Missouri, who got a law enacted overthrowing the government monopoly on the fur trade (instituted by George Washington to protect the Indians and the nation from British intrigues), in favor of the Astor company. Then he became counsel to the Astor company. Benton called the government fur-trade monopoly a "monster," and later called the Bank of the United States a "monster" as well.

Roger Taney drew up Jackson's veto of the Bank recharter. Jackson fired two successive Treasury Secretaries, who wouldn't remove the government deposits from the Bank of the United States. He then appointed Taney, who removed the deposits; Taney put the money into the Union Bank of Balti-

26. Speech to the Pennsylvania Senate, Jan. 8, 1811, quoted in Thomas Payne Govan, *Nicholas Biddle: Nationalist and Public Banker, 1786-1844* (Chicago: University of Chicago Press, 1959), pp. 31-32.



Library of Congress

Roger Taney (later the infamous Chief Justice) drew up Jackson's veto of the rechartering of the Bank of the United States. His role was aptly characterized by Congressman John Quincy Adams in 1834: "Resolved that the thanks of the House be given to Roger B. Taney, Secretary of the Treasury, for his pure and disinterested patriotism in transferring the use of the public funds from the Bank of the United States, where they were profitable to the people, to the Union Bank of Baltimore, where they were profitable to himself."

more, of which Taney himself was co-owner and chief counsel, into John Jacob Astor's Bank of the Manhattan, and several other "pet banks."

Taney was from the nastiest element of Maryland's Anglophile, fox-hunting, slave-plantation aristocracy, and was a leader of the Boston-run Federalist Party. When John Quincy Adams ran for President in 1824, Taney backed Jackson against him, and went from being a Federalist to a Jackson Democrat without missing a step. In Congress in 1834, Adams skewered Taney with this sarcastic proposal: "Resolved that the thanks of the House be given to Roger B. Taney, Secretary of the Treasury, for his pure and *disinterested* patriotism in transferring the use of the public funds from the Bank of the United States, where they were profitable to the people, to the Union Bank of Baltimore, where they were profitable to himself." Adams' speech containing this mock resolution was suppressed by the Jackson forces in Congress, so he privately printed it, and Nicholas Biddle distributed 50,000 copies; a

copy is in the Library of Congress rare book collection.

This same Roger B. Taney, as Chief Justice in 1857, wrote the Supreme Court's infamous *Dred Scott* decision. Taney ruled that black people could never be U.S. citizens, and that the slave Dred Scott was not legally free by having gone into the Northwest Federal territories, where Congress had outlawed slavery, because—according to Taney—Congress had no Constitutional power to prohibit slavery in the territories. Abraham Lincoln enraged his opponents by declaring that the Dred Scott decision was part of a "conspiracy" by Taney and other anti-national operatives.

Jackson's Chief Justice Taney, during the Civil War, held that the government had no right to stop the breakup of the Union. Taney worked constantly with pro-Confederate intriguers in Maryland, although that state remained in the Union. He sought the arrest of U.S. military officers, because they were obeying Lincoln's orders to stop saboteurs and spies, but could find no one to serve his writs.

During the Jackson Presidency, a national free-trade movement formed and began holding conferences. This businessmen's movement paralleled and gave doctrine to Van Buren's broader Democratic Party. It combined the various elements of the slave cotton business, from plantation owners, brokers, and factors, to the Wall Street and London financiers, shippers, and insurers. Their main spokesman was former Treasury Secretary Albert Gallatin, in his old age the president of the Astor Bank.²⁷

When Van Buren himself took the Presidency, the Democratic Party of usury and slavery was well entrenched in power. Its popularity was quite variable, however. Van Buren presided over a terrible economic depression, and he was solidly defeated for re-election in 1840 by William Henry Harrison, from Henry Clay's Whig Party. But Harrison died almost immediately after taking office. Again, in 1848, the voters chose a Whig President, Zachary Taylor, but he too died in office, only a year and a half into his term, and his Whig successor, Millard Fillmore, trembled at his fate. Indeed, the deaths of nationalist Presidents would become an almost routine means by which the Anglo-Wall Street axis retained or increased its power.

In the darkening crisis over slavery and the existence of the nation, before the Civil War broke out, Abraham Lincoln attacked this Democratic Party of Van Buren and his successors. He said that, devoted as they were to slavery and to the rule of money, they falsely posed as the heirs of Thomas Jefferson, author of the Declaration of Independence.

Lincoln's own revolution revived that of 1776, and defined American nationality for all time. This was the heritage of President Franklin Roosevelt, who remade the Democratic Party in the 20th Century, and whose legacy must prevail today.

27. Not to be confused with John Jacob Astor's other enterprise, the Bank of the Manhattan, in which Astor merely held a controlling interest.

The Strategic Turning Point of 2008

There is widespread recognition, both in the United States and globally, that 2008 represents a strategic turning point. Most believe that the “issue” on which things will turn is the U.S. Presidential elections; others are looking at the strategic situation around South-west Asia, particularly stopping war against Iran.

But, in fact, the world strategic situation will pivot on only one question, the economic question: Will the United States reverse its 40 years in the Wilderness of free-trade lunacy, and return to the economic principles of Franklin D. Roosevelt, or will it permit the currently ruling financial elites to drive us into a New Dark Age?

Start from the indisputable fact that the post-Bretton Woods financial system, put into effect between 1968 and 1972, has proven itself to be totally bankrupt. LaRouche warned this was coming, and stated the reality of the financial collapse clearly back in July of this year. Now, the financial powers-that-be are as much as admitting the truth.

Two “super-bailout” schemes have been announced by the U.S. Treasury Department over the last two months. The first, the so-called Master Liquidity Enhancement Conduit (MLEC) which was announced in October, was supposed to attract tens of billions of funds from the banks to bail out the Structured Investment Vehicles (SIVs). From the beginning, LaRouche said that “the whole thing stinks. It’s fishy as hell,” and he was proven totally right. By Dec. 13, when not a dime had been raised for MLEC’s bailout operation, Citigroup was forced to swallow all \$49 billion of its own SIVs. The pretense of a bailout had collapsed.

The second bailout scheme surfaced on Dec. 12, the day after the Federal Reserve failed to satisfy the desperate international banking community with its one-quarter percent interest-rate cut. According to reports, the world’s major central banks had reached an agreement to expand access to Federal Reserve loans, based on all kinds of junk “assets.” As Ian Stannard, an economist at BNP Paribas, put it, according to the London *Daily Telegraph*, “This is drastic action. The central banks want to place a fire-break to stop credit ten-

sions spilling over into the broader markets, and becoming the catalyst for a global economic crunch.”

In fact, the central bank announcement only fueled the sense of global panic. It served as a virtual declaration of bankruptcy.

A senior European financial source told *EIR* that the only purpose of the emergency bailout plan was to try to prevent a total banking crash between now and New Year’s Day. The credit crunch is “worsening by the hour,” and the situation is “unbelievably bad,” he said.

The immediate reaction on financial markets to the central bank announcement reflected the fact that the bankers know the measures will do nothing to stop the ongoing crash. Bank stocks, in particular, lost value in markets worldwide. Panic increased.

It is not only within the banking sector, of course, that awareness of the desperate nature of the economic/financial crisis exists. Among the lower 80% of U.S. income brackets, people are getting increasingly enraged and desperate as well. They are losing their jobs, and their homes—and they see Congress doing nothing about it. Many lower-income citizens are showing signs of being prepared to string up their Congressmen—if they can find them.

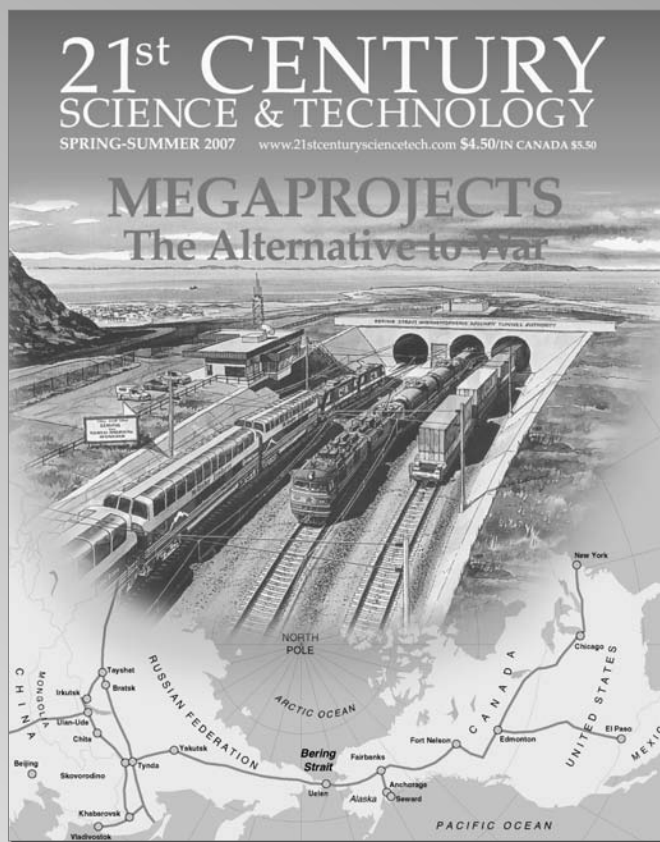
The situation has reached a revolutionary phase. No institutional authorities—economists, members of Congress, or Presidential candidates—have a shred of credibility in addressing the reality of the financial/economic crisis, or how to get out of it. The only leadership that exists is that of LaRouche and his movement, as the record shows.

So, the situation comes down to this: If you want to go to Hell, then continue to do what you are doing. Comment. Kvetch. Beg for handouts. But if you want to save yourself, your family, your nation, and the world, face the fact that LaRouche has been right. Follow his lead, and force the Congress to implement the emergency measure he’s put forward, the Homeowners and Bank Protection Act.

That is the pathway to making 2008 a positive turning point for all mankind.

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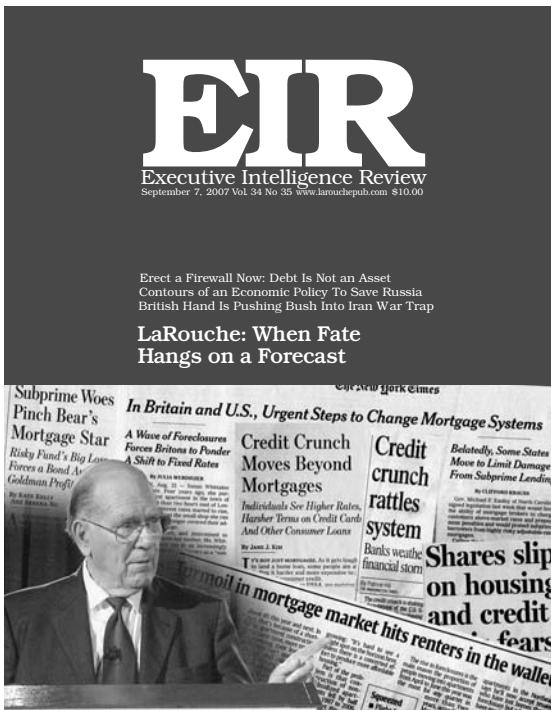
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