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**ECHOES OF THE FALL OF THE HOUSE OF BARDI:**

**Wall Street's New Dark Age**

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

September 22, 2008

Conniving U.S. Treasury Secretary Paulson has turned out to be another typical swindler, and worse. Up to last night, he had been a slicker, and also more pompous swindler than dumb-bunnies such as Rohatyn's and Soros's dupe Senator Christopher Dodd, or the utterly flakey U.S. Representative Barney 'Bail-out' Frank. The tragic, greed-driven stupidity of the lot of them and their like, has been the relatively simplest aspect of what is actually the presently onrushing, global financial breakdown-crisis of the world's IMF system—the same crisis which the current President and post-2005 sessions of our U.S. Congress have done so much to bring about...

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## Feature

- **Echoes of the Fall of the House of Bardi:**

- **Wall Street's New Dark Age**

- by Lyndon H. LaRouche, Jr.**

- The Wall Street bailout package concocted by Treasury Secretary Paulson, Fed Chairman Bernanke, and the Congressional leadership, demonstrates that they lack the special category of moral intelligence which distinguishes the human species from baboons. Their moral failure could get you, your family, and our republic killed. 'Since the close of July 2007,' LaRouche writes, 'the entire international bubble created by these and kindred monetarist practices, practices which were launched during Greenspan's tenure, has been lurching toward the implicitly inevitable stage of a general, planet-wide, financial-monetary 'breakdown-crisis,' a crisis comparable, factually, to Europe's Fourteenth-Century 'New Dark Age' crisis.'

- **LaRouche on Russian TV:**

- 'Greatest Crisis in History'**

## Economics

- **No Bailout, No Bail!**

- **Pass the HBPA Now!**

- The American public has made their position loud and clear: No bailout for the parasites of Wall Street. The only alternative is LaRouche's Homeowners and Bank Protection Act (HBPA), a two-tiered credit system, and an alliance among the United States, Russia, China, and India to implement a New Bretton Woods.

- **Not a Cent for the Bankrupt Banks:**

## Italian Senate Takes Up LaRouche's Plan

by Helga Zepp-LaRouche.

- Helga Zepp-LaRouche:  
LaRouche Was Right!
- Motion for LaRouche's New Bretton Woods Is Introduced in Italian Senate
- Chronology:  
LaRouche's Fight for a New Bretton Woods

- Pursuit of the General Welfare:

- How FDR Reversed the Banking Crisis

As Wall Street tries to foist off its toxic waste on the taxpayers, it is instructive to compare this to what President Franklin D. Roosevelt did in 1933.

## National

- A Volcanic Eruption Against the Bailout

By Sunday, Sept. 21, the American public had erupted in spontaneous, coast-to-coast rage against the scheme. Lawmakers found themselves caught between Wall Street's demand for a quick fix, and the pent-up anger of their constituents at the total failure of Washington to deal with their life-and-death needs.

## International

- Coup Against Mbeki Opens South Africa to Destabilization

The London-centered financial cartel calculates that the orchestrated removal of South African President Thabo Mbeki will remove impediments to their top-down control of South Africa and the rest of the continent.

- Judge Triggers Attack on Mbeki

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## U.S. Economic/Financial News

Felix 'the Fascist' Rohatyn Touts 'Infrastructure Bank'

Ike Shows That FEMA Problems Didn't End with Brownie's Dismissal

## **Felix 'the Fascist' Rohatyn Touts 'Infrastructure Bank'**

Sept. 23 (EIRNS)—Felix "the Fascist" Rohatyn can't tell the difference between the public and his privates, and is still attempting to loot the public works of the United States and put all infrastructure into the hands of financier speculators.

Felix, the creator of the notorious Chilean fascist regime of the late Agosto Pinochet, emerged from several weeks of apparent seclusion during the demise of Lehman Brothers (his last resting place on Wall Street) to tout his "National Infrastructure Bank," in a torturously verbose article in the Oct. 9 *New York Review of Books*.

In short, it is nothing but the Mussolini plan. He said that "what used to be known as public works," that is, "the roads, mass transit, bridges, ports and airports, flood control systems, and much else," can only survive if they are privatized. The model is California, where his fellow fascist Gov. Arnie Schwarzenegger got tired of waiting for Federal government aid, and sold \$20 billion in bonds to repair his roads, etc. (But, Felix doesn't mention that California is virtually bankrupt.) He praised the Rockefeller Foundation fiasco for Public-Private-Partnerships (PPPs) that was founded by Arnie and New York Mayor "Benito" Bloomberg to go national with the privatization of infrastructure.

Felix's argument is clinically insane. During the very week that the White House is trying to bail out Wall Street with the \$700 billion fascist scheme, Rohatyn called for passage of his National Infrastructure Bank—a swindle that claims to finance infrastructure with bonds bought by the private sector—specifically mentioning Goldman Sachs, and the Australia-based Maquarie company.

This evil scheme was launched for one reason: to block Lyndon LaRouche's revival of FDR economic policies like LaRouche's Economic Recovery Act, and the Homeowners and Bank Protection Act.

## **Ike Shows That FEMA Problems Didn't End with Brownie's Dismissal**

HOUSTON, Sept. 24 (EIRNS)—Twelve days after Hurricane Ike passed through the Texas Gulf Coast, with a direct hit on Houston, the nation's fourth-largest city, nearly 600,000 Houstonians still lacked electricity, and 250,000 people were still without running water. The City of Galveston has been declared unlivable, and its residents have been told they can visit, to see if their homes survived the storm, but they cannot stay, as there is no water or power, and there is a significant danger of disease.

In the days immediately after the storm passed, Mayor Bill White of Houston issued several statements, chastising FEMA for its incompetent response. Despite ample warning, and full cooperation from city and state officials, FEMA botched the delivery of emergency shipments of food, water, and ice. At several designated locations where people gathered to receive supplies, and where city and state emergency crews had gathered to help with distribution, hundreds were turned away when FEMA supply trucks did not arrive. After some sharp retorts from Mayor White, FEMA's delivery improved, but not before additional hardships were suffered.

The power and water problems, however, demonstrate that the real problem for the U.S., when it comes to emergency preparedness, is not just the incompetence of the Department of Homeland Security, but the long-term effects of the collapse of infrastructure in the U.S. In the few areas of Houston where power lines are underground, power stayed on, or, if lost, was restored immediately. Officials from the power companies said that the city as a whole was not rewired because it was not "cost effective," leaving it vulnerable to strong storms.

Further, they argue that, under deregulation, the cost for upgrading the power transmission system would immediately be passed on to consumers, which they believed would be highly unpopular. Instead, given the failure to upgrade, those same

consumers will be hit with ballooning electricity costs, to pay for the repairs being done now, to restore electric power. Plans for upgrading power and water management that had been discussed after the disaster of Hurricane Rita three years ago, had been shelved, for lack of money.

## **Global Economic News**

### **German Machine-Builders Fear Worst Is Yet To Come**

### **Japan's Finance Firms Induced To Feed on U.S. Leftovers**

### **Israelis Withdraw \$1.2 Billion from Private Pension Funds**

### **IRRI: The World Faces a Long-Term Food Crisis**

#### **German Machine-Builders Fear Worst Is Yet To Come**

Sept. 24, (EIRNS)—As the German government and parliament go into emergency sessions, today and tomorrow, over the acute worsening of the global meltdown, the German machine-builders have voiced their deep concern over the future: The machine-building industry association VDMA is very alarmed about the developments in the U.S., which is the main importer of German machines. VDMA chief economist Olaf Wortmann warned that the downfall of the U.S. economy means economic collapse for Germany.

For months, Wortmann has been a staunch critic of the dollar fall, and the Fed policy of a cheap dollar, because that ruins German exports. It comes as no surprise, therefore, that the business climate index of the IFO institute in Munich reports for September, the fourth monthly decline in a row, the worst data in 15 years.

#### **Japan's Finance Firms Induced To Feed on U.S. Leftovers**

Sept. 24 (EIRNS)—Japan's financial firms have been induced to pick off some of the remnants and debris from Wall Street's crisis. Nomura, Japan's largest brokerage firm, has picked up the Lehman Brothers operations and staff for Asia, the Middle East, and Europe, but none of Lehman's assets or liabilities.

Mitsubishi UFJ Financial group, Japan's biggest bank, plans to buy 20% of Morgan Stanley for a reported \$8.5 billion.

Meanwhile, Sumitomo Mitsui Financial Group Inc., Japan's third-largest bank, is reported to be considering investing several hundred billion yen in Goldman Sachs.

#### **Israelis Withdraw \$1.2 Billion from Private Pension Funds**

Sept. 24 (EIRNS)—In the past week alone, Israeli savers have cashed in their private pensions and provident funds to the tune of 5 billion shekels—over \$1.2 billion—an enormous sum for a country as small as Israel. It is a clear sign that Israelis do not believe Central Bank governor Stanley Fischer, when he claims that Israel will weather the financial storm. But, Fisher added, he "can't give advice" on what people should do with their investments.

Meanwhile, Knesset member and chairman of the Knesset Finance Committee Avishay Braverman, held a hearing on the

current financial crisis. According to *Ha'aretz*, some analysts described Treasury Secretary Hank Paulson's mega bailout plan as "cash for trash." Israeli local banks are all exposed to the American market to one degree or another. Bank Hapoalim is exposed to exotic derivatives, while Bank Leumi and Discount Bank are exposed heavily to Fannie Mae and Freddie Mac bonds.

Eli Yones, chief executive of Mizrahi Tefahot Bank, predicted the crisis will hit Israel, saying, "I fear it will migrate to our district...."

## **IRRI: The World Faces a Long-Term Food Crisis**

Sept.26 (EIRNS)—Meeting in Los Banos, Philippines, Elizabeth Woods, an agronomist and chairwoman of the Board of Trustees of the International Rice Research Institute (IRRI), warned governments around the world that "their failure to act through a wholesale reinvestment in agriculture—including research into improved technologies, infrastructure development, and training and education of agricultural scientists—could lead to a long-term food crisis that would make the price spikes of 2008 seem a mere blip." The price of rice, one of the world's staple grains, spiked at more than \$1,000 a ton in May before settling at around \$700 a ton—still double the price of a year ago, Woods pointed out.

Urging authorities to re-invest in agriculture now, Woods said: "Growth in agricultural productivity is the only way to ensure that people have access to enough affordable food.... Achieving this is a long-term effort. A year or two of extra funding for agricultural research is not enough."

## **United States News Digest**

[Lawmakers Lie About Anti-Bailout Outrage](#)

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[Admiral Mullen: Don't Isolate Russia](#)

[Former Secretaries of State Offer Advice to Next President](#)

### **Lawmakers Lie About Anti-Bailout Outrage**

Oct. 1 (EIRNS)—Members of Congress across the country have *each* gotten thousands of calls, and many thousands of e-mails, from outraged constituents and voters denouncing Hank Paulson's bailout of the Wall Street swindlers. The lawmakers are acknowledging that much: Sen. Barbara Boxer (D-Calif.) says she's received 45,000 calls and e-mails, 95% to stop the bailout; Sen. Dianne Feinstein (D-Calif.), 50,000, with many "telling us very colorfully what they'll think of us" for voting for the bailout, said her spokesman Scott Gerber. Rep. Mary Bono Mack said, "My constituents are ready for me with pitchforks."

Equally colorful was Rep. Kanjorski from Pennsylvania, who said that calls to his office were running 50-50: 50% saying "no" to the bailout, and 50% saying "hell, no."

It is this sentiment that led to the defeat of the Paulson bailout on Sept. 29.

But the lawmakers are also consistently lying, in their uneasy comments to the press about the voters' rage, about *what* their constituents have the pitchforks out for. The lie was set out Sept. 26 by House MsLeader Nancy Pelosi (D-Calif.), who said that "the voters are opposed to the Administration's original legislation," and claimed that she, Bailout Barney Frank (D-Mass), and Sen. Chris Dodd (D-Conn.) had fixed up what outraged the public. After the Sept. 29 defeat, the lie changed, with the claim that callers were now "upset" that Congress had not taken action.

These lawmakers had better put away their lipstick samples—the pig is dead, and the voters will be cooking it, along with any Member of Congress who backs it.

### **Unions' Wall Street Rally: Jail, Not Bail**

Sept. 25 (EIRNS)—The New York City Central Labor Council held an emergency protest today on Wall Street. Hundreds of construction, auto, and transit workers, machinists, teachers, and government workers rallied against the Bush bailout plan. Their signs called for jail, rather than a bailout, for the financier swindlers. AFL-CIO president John Sweeney said, "The Bush Administration wants us to pay the freight for a Wall Street bailout that does not even begin to address the roots of our crisis.... We must put working families first in line." Sweeney called for consequences for "the perpetrators of this disaster."

Jesse Jackson told the rally, "This is a Roosevelt moment. It's time for reconstruction of manufacturing, law, trade law and banking transparency."

Other unionists are also mobilizing. On Sept. 26, Thomas Buffenbarger, president of the International Association of Machinists, issued a statement demanding that the speculators creating the crisis be jailed. (For Buffenbarger's full statement, see InDepth: "A Volcanic Eruption Against the Bailout," by Jeffrey Steinberg).

### **Admiral Mullen: Don't Isolate Russia**

Sept. 23 (EIRNS)—The Chairman of the Joint Chiefs of Staff, Adm. Michael Mullen, said yesterday that the U.S. should not expand its efforts at military isolation of Russia, asserting that the U.S. and Russia have common interests and areas in which the two nations must work together, such as Iran, counterterrorism, and nuclear non-proliferation.

In an interview with editors of the *Los Angeles Times*, Mullen said that the measures taken by the U.S. immediately after the Georgia conflict—such as cancelling or postponing military exercises and visits—may have been warranted, but that it would be counterproductive to continue or expand such measures.

Unless military relations with Russia resume, Mullen said, according to the *Times*, a generation of Russian officers will have little understanding of, or ties to, their counterparts in the U.S., which could further undermine relations between the two.

Mullen's comments come just days after Defense Secretary Robert Gates issued a similar warning against trying to isolate Russia.

### **Former Secretaries of State Offer Advice to Next President**

Sept. 21 (EIRNS)—Several former U.S. Secretaries of State were brought together by CNN earlier this week for a program in which they were invited to give their advice to a new President. The secretaries included James Baker III, Warren Christopher, Colin Powell, Madeleine Albright, and Henry Kissinger.

There was a surprising amount of unity in their views on Russia, China, and Iran, and it was largely based on a critique of the policy which has been conducted by the Bush Administration. In particular, the views on Russia and the attempt to "isolate" Russia, which was the gist of Condoleezza Rice's comments earlier this week, were deemed folly by all of the speakers.

Powell was particularly incensed. "We know how this whole thing started in Georgia. Saakashvili started the fight," Powell said, placing the blame where it should lie, and not on Russia, which the Bush Administration is trying to scapegoat. He also expressed concern over the Article V provision of the NATO Treaty, which could have led to a NATO-Russia conflict if Georgia had been a member. "We can't say 'no' to NATO membership, he said, but we have to decide 'when' they may enter," indicating a cautious approach to expansion. "We have to treat Russia as a proud country, which had lost some of its pride some 16 years ago when the Soviet Union collapsed," he said.

Baker was thinking along the same lines. "We have some big picture issues that we have to work for with Russia," he said. "So we shouldn't send the 101st Airborne to guard the Ossetian border."

Also on Iran, there was general agreement that the Administration should be willing to negotiate. Kissinger went so far as to say that the negotiations should begin at the Secretary of State level. "You have to be talking to someone who can really exert an influence on the policy," he said. Also on China, Kissinger stressed that the world's center of gravity was now shifting to Eurasia, and that it was therefore important that the U.S. was "working for a world in which China and the U.S. were not adversaries."

## **Ibero-American News Digest**

**[Argentina to U.S.: Go Back to FDR, As We Did](#)**

**[Lessa: Brazil Needs Exchange Controls, Fast](#)**

**[Mexican National Weekly Carries Slander of LaRouche](#)**

**[Without Reconstruction, Haiti Faces Mass Death!](#)**

### **Argentina to U.S.: Go Back to FDR, As We Did**

Sept. 26 (EIRNS)—Speaking before a packed audience at New York's Council of the Americas Sept. 25, Argentine President Cristina Fernández de Kirchner told this gathering of U.S. business elites that Argentina had built its way out of the 2001-02 economic depression by copying Franklin Delano Roosevelt's New Deal policies, based on infrastructure development and the "real," rather than speculative, economy. These are the policies that made the United States "great," she reminded her audience, and could do so again, were they to be adopted.

In the Argentine case, "we argued that in times of depression, and collapse of activity, public works and infrastructure play a formidable and dynamic role," Fernández said. And, "we didn't invent this—we copied it from *you*, from the post-1930 New Deal, when that great President Roosevelt launched the New Deal and used the instrument of public works as the great reactivator of the economy."

She reported that "certain circles" with whom she discussed this philosophy, responded with skepticism. "Once, someone very important told me that it wasn't really the New Deal that made the United States great, but war. I replied that I didn't think that was true." What made the United States great, she said, was the "production of goods and services," and using its knowledge to develop "the real potential of its people," just as Argentina is doing with its current production-oriented economic model.

Far from rejoicing in the decline of the U.S. economy as Venezuela's Hugo Chávez has done, the Argentine President assured her business audience that the current crisis doesn't mean the end of capitalism. "You must all remain very calm," she advised. "I believe that a different kind of capitalism will emerge, based essentially on the real economy which made this country great." It is time to identify the causes of today's crisis, and "having done so, remove them, change them, and start to do things differently."

A fundamental cause of the today's crisis, was the breakdown in "the logic of capitalism," which had always been based on the idea that money is earned through the production of goods, services, and know-how. "The *financial* system believed it could ... reproduce money independent of this circuit of goods and services and knowledge," Fernández said, pointing to the "parallel" speculative economy with its exotic financial instruments. The financial system "should be reconceptualized so as to occupy its true role ... as a motor, as the great financier and sustainer of production and generation of wealth and consumption through the issuance of credit."

### **Lessa: Brazil Needs Exchange Controls, Fast**

Sept. 22 (EIRNS)—Carlos Lessa, former head of Brazil's giant National Economic and Social Development Bank (BNDES), today urged the Lula da Silva government to once again impose exchange controls, if it hopes to minimize the effects of the global financial crisis upon Brazil. Lessa's call was made in an interview with the official news agency, Agencia Brasil, which posted the interview prominently on its website, under the headline: "Lessa: To Say that the Country Is Immune to the Crisis Is Irresponsible."

The "almost arrogant" statements by government officials that Brazil is prepared to face this crisis, scare me, he said. "It is an optimism bordering on irresponsibility." The crisis is the result of more than 30 years of progressively unregulated financial expansion, with a multiplicity of financial assets which do not correspond to the development of the productive base. "This is what we call a bubble. And a bubble, when it explodes, leaves practically nothing behind," Lessa warned.

This crisis will affect the economy of the U.S., and then China, and thus Brazil; as world liquidity "violently" collapses, our companies will be unable to roll over their foreign credit lines; speculative capital will leave, and reduce our foreign reserves as it does so.

The first step the government should take to protect its currency, is to impose exchange controls; capital entering the country must be required to register with the government, and not be permitted to turn around and leave within a very short period. Likewise, importers should be required to keep their dollar accounts in the country, and register them with the government, as used to be done, he said.

In the last two weeks, Lessa is suddenly being sought out by the "mainstream" national media, after having been largely silenced since November 2004, when Wall Street/London financiers ordered the Lula government to remove him from the powerful state development bank, or else.

### **Mexican National Weekly Carries Slander of LaRouche**

Sept. 25 (EIRNS)—Lyndon LaRouche is famous in Mexico as the American leader who has vociferously defended Mexico's sovereignty against genocidal financiers for more than three decades, particularly since his friendship with President José López Portillo (1977-1982). Attention to his ideas is soaring, again, as a new generation of young Mexican leaders are fighting to save their nation, and humanity, in the LaRouche Youth Movement.

So, it is not surprising that one of the nation's leading news weeklies, Julio Scherer García's *Proceso* magazine, included in an article parading as an expose of neo-nazi activity in Mexico in its Sept. 25 edition, the pathetic slander that "the followers of Lyndon LaRouche" exemplify U.S. financing of ultra-right organizations in Mexico. The source of that lie was a cowardly former member of the LaRouche movement, Juan Cedillo, who went to work instead for the enemies of LaRouche, and Mexico.

For its part, *Proceso*, still proudly describing itself as "the great magazine of opposition" to the administration of López Portillo, has functioned for three decades as a leading voice of left-wing bankers' synarchism in the country.

### **Without Reconstruction, Haiti Faces Mass Death!**

Sept. 23 (EIRNS)—The extent of death and destruction in Haiti, after four deadly tropical storms, was reviewed today at a hearing of the Western Hemisphere Subcommittee of the House of Representatives Foreign Affairs Committee. At least 70% of the crops were destroyed; hundreds of people are dead, with hundreds more wounded; 10 bridges are out; 850,000 people are displaced within the country (out of 9.4 million); most water is unsafe. At present, the *USS Kearsarge*, from the Southern Command of the U.S. Fourth Fleet, is providing a floating hospital of 53 beds and four operating rooms; 253 metric tons of goods, and four helicopters; and emergency bridge engineering work.

Rep. Maxine Waters (D-Calif.) and several colleagues testified before the committee, demanding that the U.S. send \$300 million in aid of all kinds, which was requested in a Sept. 12 letter by her and 67 House colleagues, sent to House Speaker Nancy Pelosi. But so far it hasn't happened; a certain amount of aid is flowing in from Brazil, Canada, the U.S., and other sources, on a piecemeal basis.

Likewise, this week, UN officials reported that a "flash" appeal made two weeks ago for \$108 million in aid funds, has been met, with only \$3.7 million pledged. This latter appeal was made by Sir John Holmes, UN Undersecretary for Humanitarian Affairs, almost in the spirit of putting it "out there" to fail, while no true re-building effort is contemplated.

Haiti, already forced into abject poverty under globalization, has been hit this season by the deadly sequence of four hurricanes and storms in rapid succession: Fay, Gustav, Hanna, and Ike. The storm destruction points up the necessity all along, for the presence of electricity systems, transportation, ports, health care and education facilities, food stocks, and agro-industrial installations.

Western Hemisphere Subcommittee chairman Eliot Engel (D-N.Y.) gets the Grim Reaper award for praising a proposed Brazil-Haiti partnership to plant jatropa—the inedible oilseed used for biofuels—as a re-forestation crop on Haitian hillsides, to deter flooding, because it is a "disincentive" for poor people to cut it down, since it makes bad charcoal. But the only reason Haitians have denuded their hillsides for charcoal, is that, lacking electricity, it is their only fuel source for cooking!

## **Western European News Digest**

### **Tremonti: Paulson Plan Makes Innocent Pay**

## Stockholm EIR Seminar on New Bretton Woods

### Tremonti: Some EU Banks as Bad as U.S. Banks

### IMF: Europe Is 'Unprepared' for Collapse

### Soros Agency Declares War on Nation-State

### French Prime Minister calls for National Unity in Face of Financial Crisis

#### **Tremonti: Paulson Plan Makes Innocent Pay**

Sept. 24 (EIRNS)—In a long interview with today's Italian daily *Il Foglio*, Italian Economy Minister Giulio Tremonti attacked U.S. Treasury Secretary Henry Paulson's \$700 billion bailout plan, and called again for a new Bretton Woods.

"There is an enormous quantity of debt falling due, a promissory note to be paid," he said, explaining that the cost of the crisis "might be paid by the taxpayer, because the public bailout is a way to shift the bill from the guilty to the innocent, from the insanity of finance to the taxpayer's pocket. Or, it could be paid through inflation: a large inflation able to absorb in a short time large debt positions. And therefore, again to the cost of collectivity, inflation being a tax and an unjust one. Or, [it could be paid] with something else, which is better not to speak about."

"It is evident that at the beginning there has not been a full and immediate understanding of the dimensions of the crisis," Tremonti added.

#### **Stockholm EIR Seminar on New Bretton Woods**

Sept. 25 (EIRNS)—A Sept. 24 seminar in Stockholm, Sweden to present Helga Zepp-LaRouche's Resolution for a New Bretton Woods to the diplomatic community, was attended by a number of diplomats, including two ambassadors, and a journalist from one of the leading Chinese dailies. Among those represented were African, Eastern European, and Ibero-American countries.

The diplomats questioned the speakers on the crisis and about the diplomatic response from their own countries to Lyndon LaRouche's proposal.

#### **Tremonti: Some EU Banks as Bad as U.S. Banks**

Sept. 27 (EIRNS)—Giulio Tremonti said today, in an interview with La7 TV network, that in many European banks, "there is something very similar to America." Italy is better equipped than other nations to face the crisis "because in Italy, we still have manufacturing," but the crisis in the U.S.A. "is shifting from large institutions to people's lives. The American standard of living is sharply dropping. Everything costs more, they have less money, and this can shift the crisis from finance to the people and to small banks."

Tremonti proposed to enlarge the G8 to 14 countries and, in such an institution, "rewrite regulations, for instance on trade or finance." French President Nicolas Sarkozy agrees on the enlargement, Tremonti said. He mentioned South Africa and Brazil as among the countries to be included.

## **IMF: Europe Is 'Unprepared' for Collapse**

Sept. 27 (EIRNS)—At a meeting of financial supervisors and central bank officials today in Frankfurt, the IMF warned that the Eurozone is badly equipped to face a major banking insolvency, due to the absence of a cross-border lender of last resort. "In case of insolvency, the European formula is not precise enough to solve a possible cross-border problem," said Jaime Caruana, IMF director for capital markets. Europeans should get ready for "the worst case," he said. And Alessandro Leipold, IMF director for Europe, said that "all countries should prepare their own emergency plans." "The Europeans should better prepare themselves for the worst scenario, as concerns the banking crisis, and not lower their guard concerning the stability of their [financial] institutes," he added.

Eurocrats, like the chairman of the monetary affairs committee of the Europarliament, Pervenche Beres, called on the EU Commission to present "courageous plans" to improve bank oversight at a supranational level. Some are pushing to give more power to central banks, like a group of German Christian Democratic Members of Parliament who, at the beginning of the week, proposed to transfer oversight powers from the Bafin (German Financial Supervisory Authority) to the Bundesbank (central bank), reports the Italian daily *Il Sole 24 Ore*.

## **Soros Agency Declares War on Nation-State**

Sept. 25 (EIRNS)—The European Council on Foreign Relations (ECFR), created last year by George Soros, is proposing an all-out political war by the European Union against Russia and China, and against other nations which, with those two, try to defend the existence of sovereign nations. The Council issued a policy paper reporting that the European Union has lost influence at the United Nations, in favor of an "Axis of Sovereignty"—countries that vote in the UN to support the pro-national sovereignty positions of Russia and China.

The report presents patterns of voting by member countries of the United Nations, to show that the Asian, Muslim, and Latin American nations are increasingly siding with Russia and China and against the European Union, even while the EU countries work in close coordination with one another.

The report favors eliminating the Russian and Chinese Security Council vetoes, having Britain and France unashamedly work through their colonial ("Commonwealth" and Francophone") channels for influence against Russia, and to split up the Islamic nations. The authors call on the EU to pay more for NGOs (i.e., Soros) to lobby the UN.

## **French Prime Minister calls for National Unity in Face of Financial Crisis**

PARIS, Sept. 27 (EIRNS)—Speaking last night at a UMP party event, Prime Minister François Fillon called for "national unity" in the light of the international financial crisis: "Times are difficult.... There are moments when national unity imposes itself," he said. "For several days, the American financial storm has been being amplified. It's a major crisis which is pushing the entire world financial system to the brink. It is a crisis of the type that occurs only once or twice in a century."

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

**Putin: New Financial Architecture, Not Bailout!**

**Medvedev: Develop Far East—Despite Crisis**

## Time To Decide on Russia-Kazakstan Canal Project

## Russian Foreign Ministry Compares Rice to Churchill

## Russia Holds 'Stability-2008' Exercises

### **Putin: New Financial Architecture, Not Bailout!**

Sept. 22 (EIRNS)—Russian Prime Minister Vladimir Putin called for a new international financial architecture rather than bailouts, in a press conference in Sochi, the Russian Summer capital, on Sept. 20. Putin had been holding discussions with the French Prime Minister François Fillon there, Itar Tass reported.

"We all need to think about changing the architecture of international finances and diversifying risks. The whole world economy cannot depend on one money-printing machine," Putin told the final press conference after the meetings. "This is a very serious issue that should be addressed in a calm, attentive and working manner, without haste, together with our colleagues from Europe and America," Putin said. "This issue should be considered not in a confrontation-like way, but very benevolently, in order to find the most acceptable ways for the development of the world economy and world finances."

Putin's remarks echoed those of President Dmitri Medvedev on Sept. 19, when he called for international cooperation on the financial and economic crisis. Today, Medvedev also brought up this need, with regard to food and raw materials price inflation, in particular. Speaking in Kazakstan after a meeting with President Nursultan Nazarbayev on border-region cooperation, Medvedev said:

"The financial crisis, which is creating many difficulties for the world economy, makes it necessary to seek joint responses to this crisis. The more coordinated the actions of nations are, especially close partners, the easier it will be to overcome the consequences of the crisis. Equally complex processes are occurring with the rise of prices for raw materials and food. On the whole, we see that the current global system of managing these processes is inadequate for the demands of today. There is a lot of talk about this, but unfortunately a new system for maintaining global economic equilibrium has not yet been created, and entire economies are paying the price for the fact that there is not yet such a system."

### **Medvedev: Develop Far East—Despite Crisis**

Sept. 24 (EIRNS)—During a 23,000 km trip to Kazakstan and Russia's Far East, Russian President Dmitri Medvedev emphasized that Russia must act for its real economic development now, even amidst the worldwide financial crisis. "We are now in the midst of a worldwide financial crisis," he said in a Sept. 23 speech in Anadyr, Chukotka Region. "So should we undertake nothing in the interim? Simply wait until everything has been resolved?... Even to implement larger visions, we need to make decisions very soon."

Medvedev said that Chukotka "has not only an important economic and social value ... but great cross-border political importance as well." This was an allusion to Chukotka's border with Alaska, but Medvedev did not mention the megaproject for a Bering Strait tunnel crossing, which is implicit in the 20-plan of Russian Railways, and was the subject of significant attention in Russia last year.

Russia cannot wait, or this area could collapse, if "its productive forces [are allowed] to depart and its projects to fail. This being the case, we need to make a lot of decisions quickly." Medvedev said he supports using an investment fund, but that

there are "risks" associated with using special economic zones. The investment fund would also "attract private capital," he said.

Medvedev went on to have similar discussions in the Sea of Okhotsk coastal region of Magadan and the Kamchatka Peninsula. A national debate around the future of the Far East intensified during the trip, as Medvedev himself repeatedly termed the situation critical due to underdevelopment and declining population levels. Most striking was Moscow Mayor Yuri Luzhkov's raising the policies of the 19th-Century American System economist Sergei Witte, in a Sept. 26 RBC.ru interview, as the way to save the Far East for the country. Sergei Shoigu, Minister of Emergency Situations, also emphasized pre-1917 policies used to develop the Far East, including providing interest-free loans to the local population and exempting men from military service, RBC reported.

RBC quoted Konstantin Simonov, head of Russia's National Security Energy Fund, saying that only the government could solve the huge problems. "Huge investment paired with huge risks is not for private businesses," he said.

### **Time To Decide on Russia-Kazakstan Canal Project**

Sept. 23 (EIRNS)—Russian President Dmitri Medvedev and Kazak President Nursultan Nazarbayev discussed developing transport projects between Europe and Asia, during their working meeting Sept. 22 in Aktyubinsk, Kazakstan. In addition to cooperation in nuclear energy, the two discussed the potential for constructing a new canal between the landlocked Caspian Sea and the Sea of Azov, at the top of the Black Sea, Voice of Russia reported.

In June 2007, Nazarbayev presented a proposal to the St. Petersburg Forum, to build a new "Eurasia Canal" to link the two, creating a route 1,000 km shorter than the current canal linking the Don to the Volga River, which flows into the Caspian. This new canal would be an enormous undertaking, four times as long as the Suez Canal, and the route presents a lot of geographical challenges. But, as Nazarbayev said, this great project would make Kazakstan a "maritime power."

There is another proposal, to upgrade the current Volga-Don link, and a Russian-Kazak working group was established last year to decide which project would be built. Medvedev declared that now is the time to decide which canal will be built, and called for setting up an independent group that will have the final say.

### **Russian Foreign Ministry Compares Rice to Churchill**

Sept. 24 (EIRNS)—Russian Foreign Ministry spokesman A.A. Nesterenko yesterday released a reply to a question about Russia's response to U.S. State Department proposals to suspend bilateral cooperation on issues where there is disagreement, and to work only on areas of shared concern, like Iran. The Foreign Ministry took the opportunity to give a blistering response to Secretary of State Condoleezza Rice's Sept. 18 speech on what she called Russia's "bad behavior." Nesterenko dubbed that performance Rice's "almost Fulton speech," a reference to the notorious "Iron Curtain" speech of Winston Churchill, delivered in Fulton, Missouri in 1946, as Franklin Roosevelt's post-war design for cooperation among the great powers was being replaced by the British-shaped Cold War.

Nesterenko said that Russia opposes "holding our relations hostage to disagreements on specific issues." Russia is prepared to cooperate on Afghanistan, he said, although Washington has frozen the main venue for this cooperation, the Russia-NATO Council. He said that the USA has blocked Group of 8 measures, put forward by Japan as chairman, regarding the fight against terrorism and organized crime, nuclear non-proliferation, food security, and the Heiligendamm process from last year, which called for involving the G-8 with China, India, Brazil, Mexico, and South Africa. As for the Iran nuclear program, Russia saw no need to "drop everything else" and hold meetings on it alone, during the busy UN General Assembly week. "There are hotter matters, like the situation in Afghanistan and on the Afghan-Pakistani border, but for some reason our Western partners are in no rush to discuss these problems together."

Nesterenko concluded: "We would really like Washington to finally make up their minds about what they want in relations with Moscow."

## **Russia Holds 'Stability-2008' Exercises**

Sept. 27 (EIRNS)—Russian President Dmitri Medvedev is staying closely involved with month-long 'Stability-2008' set of exercises, which started Sept. 22 with staff exercises by Russian and Belarusian forces. They involve three Russian naval fleets, the Strategic Missile Corps, space troops, air force, air defense forces, and ground forces from two military districts (Moscow and Far East). Medvedev met with Defense Minister Serdyukov and Chief of Staff Makarov beforehand to finalize the plans. On the 22nd, the Russian navy announced the successful test-firing of the new Bulava SLBM from a submarine in the White Sea, which hit its target in Kamchatka on the Pacific. On Sept. 26, Medvedev reviewed the subsumed "Center-2008" military exercises, conducted near the city of Orenburg by Russian and Kazakstan forces, and met with commanders of several military districts for a discussion of the strategic situation and measures to improve the Russian military.

## **Southwest Asia News Digest**

### **Kadima's Livni To Form Government**

### **Israeli Minister Calls for Release of Barghouti**

### **Assassination Attempt by Israeli Right-Wing Terrorists**

### **Israel Asked U.S. for Okay to Strike Iran**

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## **Kadima's Livni To Form Government**

Sept. 23 (EIRNS)—Israel's Kadima Party leader Tsipi Livni received the go-ahead from President Shimon Peres to form a government as the new Prime Minister, but the other two major parties, Labor and Likud, are apparently ganging up on her, perhaps to force new elections. Livni must successfully form a coalition government in the next few weeks, with Kadima in the minority. Ehud Barak, the Labor Party head who was Prime Minister Ehud Olmert's Defense Minister, shunned Livni by meeting first with their mutual arch-enemy, Benjamin Netanyahu, before meeting the new Prime Minister-designate. Israeli sources close to *EIR* report that Livni did not make the pay-offs promised before the Kadima primary election.

## **Israeli Minister Calls for Release of Barghouti**

Sept 25 (EIRNS)—Israel's Minister of Infrastructure, Benjamin Ben Eliezer, has called for Fatah leader Marwan Barghouti to be released from prison so that he can become the Palestinians' next leader.

"I would consider releasing him. I think it's a legitimate move, though I believe that his actions were sinister, and I don't take them lightly at all," Ben Eliezer said.

Both Lyndon LaRouche Jr. and former Secretary of State James Baker III have called for Barghouti's release from prison as a means of getting serious peace talks going.

Ben Eliezer, who is a member of the Labor Party, suggested releasing Barghouti in a prisoner exchange for the release of Israeli soldier Gilad Shalit, who has been held captive in Gaza for more than a year.

"We have to find a suitable opportunity to release Barghouti, and we have to link it to the release of Gilad Shalit," Ben Eliezer said. "I know this is hard to cope with. But we have to look ten years down the line, and ask ourselves where we want to go."

Ben Eliezer knows Barghouti well, especially from the period following the signing of the Oslo Accords, since Barghouti was a leading peace advocate. Barghouti also has the respect of the leaders of Hamas who are held in the same prison that he is.

### **Assassination Attempt by Israeli Right-Wing Terrorists**

Sept. 26 (EIRNS)—Israeli right-wing terrorists planted a pipe bomb at the home of Israeli historian and *Ha'aretz* columnist Ze'ev Sternhell on Sept. 25. He was slightly wounded when the bomb went off in front of the door of his home. Police have now put Peace Now secretary general Yariv Oppenheimer under police protection, fearing further attempts by rightists.

Police found a flier at the scene offering a 1 million shekel reward for anyone who would kill Oppenheimer.

The right-wing National Jewish Front, although denying any connection to the attack, refused to criticize it: "We will not condemn it. Sternhell legitimized attacks against settlers."

Israeli Police and Security Minister Avi Dichter said that Jewish terrorists' attack on Sternhell had murder as its objective.

"We should see the explosive as aimed at killing," Dichter said, adding that the attack "takes us back to the days of [Prime Minister Yitzhak] Rabin's assassination."

This was a charge also stressed by the police.

Sternhell, who is an expert on fascism, is quoted as saying from his hospital bed, "If this is not an act committed by a deranged person but by someone who represents a political view, then it is the beginning of the disintegration of democracy." He is quoted further in today's *Ha'aretz* as saying that the "incident illustrates the fragility of Israeli democracy, and the urgent need to defend it."

Pointing to the dangers posed by the extremist settler movement, Sternhell told Israel radio that, "There are two populations in the territories, and there are two systems of law, and if settlers are allowed to beat Palestinians, to uproot their orchards and demolish their houses, why shouldn't this happen across the Green Line?" He went even further, saying, "It is possible that this was done by a lone crazy person, an organization or an entire settlement." Comparing it to the rise of fascism in Europe, he said, "These are the developments that lead to the collapse of a very fragile democracy, as happened in Europe."

### **Israel Asked U.S. for Okay to Strike Iran**

Sept. 26 (EIRNS)—An article in the London *Guardian* today claims that Israeli Prime Minister Ehud Olmert asked U.S. President George W. Bush for a green light for a military strike against Iranian nuclear facilities when he met with the President on May 14. The article says the request was denied.

The *Guardian* cites an unnamed European source as having said Olmert took the refusal as a sign of "where they were at the moment, and that the U.S. position was unlikely to change as long as Bush was in office."

Bush's decision, this source said, was based on U.S. concerns over Iranian retaliation in Iraq and Afghanistan, as well as in the Gulf. Also, the U.S. did not believe a strike against Iran by Israel would succeed in stopping, or even delaying the program. The U.S. is also concerned that even if Israel did it without U.S. approval, the U.S. would be seen as complicit, since Israel would have to most likely fly over U.S.-controlled airspace over Iraq. The *Guardian* claims that this could put an end to speculation that an "October surprise" is being planned prior to the election.

The *Jerusalem Post* runs an article quoting its own European source, who is said to be an advisor to an unnamed head of state who spoke with Olmert after May 14. (This could be French President Nicolas Sarkozy, since he is one head of state who did meet Olmert in this time frame.) This source told the *Post* that Israel could not stop the Iranian project by military means, especially without U.S. support. He warned that "Iran's counterstrike would not be an end of the story. There is no military solution and no stabilizing outcome."

This source then said that sanctions will not be effective, and that the "only game in town is the 'freeze-for-freeze' proposal now being discussed with the 5+1 mediators—the U.S., Britain, France, Germany, Russia, and China. This source went on to say that Iran really wants talks with the U.S., since only the U.S. can give Iran the security guarantees it really wants. The source said that that the Iranians "are looking through them to America." The other concerns Iran has, according to the source, are with Iraq, where it has an interest in a unified and stable Iraq, and the situation in Afghanistan, because it is concerned about the Afghan heroin that is flooding Iran.

Although this story is given big play in all the Israeli papers, *Ha'aretz*, rather than quoting bomb-Iran supporters, runs a puff piece on Mossad chief Meir Dagan, who, through his own dark methods, which do not involve the Israeli air force, has set back the Iranian program by several years.

## **Iran Blockade Bill on Hold for Now**

Sept. 28 (EIRNS)—According to House Foreign Affairs Committee chairman Howard Berman (D-Calif.), a bill that would establish authority for a blockade of Iran, House Congressional Resolution 362, has been removed from the agenda of the 110th Congress. The resolution has 270 co-sponsors, more than a majority of the House, and so Berman's decision to block a vote was decisive—if the announcement holds. Among the most egregious language in the bill, which aimed to prevent Iran from obtaining nuclear weapons technology, was a provision "prohibiting the export to Iran of all refined petroleum products; imposing stringent inspection requirements on all persons, vehicles, ships, planes, trains and cargo entering or departing Iran; and prohibiting the international movement of all Iranian officials not involved in negotiating the suspension of Iran's nuclear program."

Americans for Peace Now had denounced the bill, charging that it gave the Bush Administration or any future administration the green light to conduct a blockade of Iran—an overt act of war.

A spokesman for Berman told the *New York Times*, "If Congress is to make a statement of policy, it should encompass a strategy on how to gain consensus on multilateral sanctions to change Iran's behavior." The spokesman confirmed that Berman agreed with the critics of the bill, who denounced it as a back-door authorization for preventive war. A coalition of

groups, including the National Iranian American Council, had attacked the bill, which came out of the May 2008 annual AIPAC (American Israel Public Affairs Committee) convention in Washington, at which time Israeli Prime Minister Ehud Olmert told Congressional leaders that economic sanctions against Iran were no longer successful, and a naval quarantine was required.

## Asia News Digest

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## **U.S. Military Forces Land at Pakistani Special Forces HQ**

Sept. 23 (EIRNS)—Reports indicate that about 300 U.S. military personnel have landed at the Special Operations Task Force (SOTF) headquarters in Tarbela, about 20 km north of Islamabad. The Tarbela facility trains Pakistan's elite Special Force personnel. Former President Pervez Musharraf was once a trainee at this facility.

Reports also indicate that, along with the U.S. officials, 20 containers, large enough to hold special arms and ammunition and even tanks and armored vehicles, arrived at the facility. These containers were off-loaded by the Americans, who did not allow any Pakistani officials to inspect them. Also, the U.S. has bought a huge plot of land at Tarbela, several square kilometers, according to sources directly handling the project.

Observers point out that the size of the containers suggests that preparations are being made for an all-out offensive in the North West Frontier Province against sanctuaries belonging to the Taliban and al-Qaeda led by Osama bin Laden, and have nothing to do with any training program. This is, however, not the first time that U.S. military officials have entered the Tarbela facility. In the mid-1990s, during the government of Nawaz Sharif, a special CIA unit was based at the same facility, tasked with catching Osama bin Laden. They left after Pervez Musharraf came to power in a coup in 1999.

Last September, after the Lal Masjid fiasco in Islamabad that killed hundreds of young madrassa students and some hard-core jihadis as a result of an army raid ordered by President Musharraf, the SOTF facility came under attack from a suicide bomber. Over 20 Special Services Group (SSG) commandos were killed and 42 others injured in the incident, which took place in the mess hall.

## **India To Offer Astronomical Observation Site**

Sept. 23 (EIRNS)—India is ready to offer an astronomical observatory site at Hanle in Leh for international scientific collaboration for the exploration of the possibility of setting up two large gamma-ray telescope arrays in the Northern and Southern hemispheres, a senior astronomer said.

The group is planning the Cherenkov Telescope Array in both hemispheres to enhance understanding of the high-energy universe, Professor Ramesh Koul, head of the Astrophysical Sciences Division at the Bhabha Atomic Research Center, said.

In keeping with global efforts, the Himalayan Gamma-Ray Observatory (HiGRO) is to be set up jointly by the Indian Institute of Astrophysics, the Tata Institute of Fundamental Research, and the Bhabha Atomic Research Centre at the site at Hanle, 4,200 meters above sea level. It will deploy a wave-front sampling telescope array, now at an advanced stage of commissioning, and the large area MACE (Major Atmospheric Cherenkov Experiment) telescope. MACE will use state-of-the-art technology to configure a 21-meter-diameter tracking light collector with a 1408 pixel imaging camera at its focal plane.

The location of the site is in a highly sensitive area. Hanle is in the northeastern part of Kashmir overseeing the Karakoram Highway which links China's Tibet province to Pakistan.

### **Korean Analysts Tell the Truth About Paulson's Folly**

Sept. 22 (EIRNS)—South Korean analysts have identified the mortal danger to their nation and the world coming from U.S. Treasury Secretary Paulson's insane bailout of the worthless junk in the world banking system. The *Korea Times* reports that "many Seoul analysts" warned that "in order to fund its bailout plan, Washington will have to either print money or issue Treasury bonds, which suggests two outcomes—a weaker U.S. dollar and a return of inflation triggered by rising commodity prices. A record U.S. budget deficit will lead to a contraction of the global economy," they added.

They also hit the speculative roots: "When the money flows into the financial system, speculators would use it to buy commodities such as oil, which will produce worldwide inflation."

One Seoul banker said: "We cannot rule out the possibility that in the long run, the massive bailout will eventually lead to a run on the U.S. dollar, and a decline in its value once people realize the implications and sell U.S. treasuries." Korea is the world's sixth-largest holder of dollar foreign reserves with \$243.2 billion, behind China (\$1.81 trillion), Japan (\$1 trillion), Russia (\$595.9 billion), India (\$306.2 billion), and Taiwan (\$290.9 billion), as of August.

Andy Xie, an oft-quoted economist who once was Morgan Stanley's chief Asia economist, said, "This is the last tool that the U.S. has to not pay for the full cost. Eventually, foreigners will realize this and run. This game stops working when the dollar free-falls."

### **Indonesia Sounds Alarm on Paulson's Hyperinflationary Bailout**

Sept. 24 (EIRNS)—The *Jakarta Post* asks "Commodities or U.S. Treasury Securities?," in an article by Indonesian banker Helmi Arman, warning of hyperinflation ahead. He notes that Asians who have been lending money to the U.S. are "finding out the hard way that IOUs the Americans have been giving in return aren't really that worthy."

Arman asks: "So what lies ahead? The amount of toxic debt ... held by many U.S. banks reportedly exceeds their capital base by far. The survival of many elements of the U.S. financial sector is put into question. And judging by the way things have been going, more bail-outs could be forthcoming.... Many may soon realize it's just a matter of time before Henry Paulson, the U.S. Treasury Secretary, starts flooding the market with Treasury securities. Likewise it could be just a matter of time before investors look for a new safe haven ... and commodity prices become re-energized."

### **Run On Hong Kong Bank Eases After "Red Capitalist" Steps In**

Sept. 26 (EIRNS)—Depositors in Hong Kong's Bank of East (BEA), one of the city's largest, lined up outside its doors on Sept. 24 and 25, waiting to withdraw their money. The bank run was caused by rumors about the bank's exposure to the ongoing crisis. The lines got smaller on the news that the Hong Kong Monetary Authority (HKMA) injected almost HK\$4 billion to the market, and that Li Ka-shing, the city's richest person, had bought BEA shares.

According to the *Wall Street Journal*, this action shows that Li Ka-shing is the Warren Buffett of Asia. They compare Li's investment, only specified as "substantial," in the BEA to Buffett's bottom-feeding in making his investment in Goldman Sachs. Both investors' actions "signaled the bottom of the market," according to the *Journal*.

## Africa News Digest

- [London Pushes Splitting of South African ANC](#)

### London Pushes Splitting of South African ANC

Sept. 29 (EIRNS)—British papers, such as the *Daily Telegraph*, and British-owned or -allied newspapers in South Africa, are strongly pushing the idea that, in the wake of the ouster of South African President Thabo Mbeki, the ruling ANC, which has a two-thirds majority in Parliament, will formally split.

With the goal of making South Africa easier to manipulate, the *Telegraph* said on Sept. 27, a split of the ANC will "hasten the day when South Africa has a genuinely competitive multi-party democracy," instead of what critics, including George Soros, call "a one-party state." Soros has said that South Africa is not democratic, because of the predominance of the ANC.

London is counting on discontent in the population over the removal of Mbeki, to give a boost to their project to split the ANC, in which dissatisfied ANC members would found a new party. A new poll of South Africans' political views since Mbeki's ouster, that was carried out by TNS Research, indicates that the citizenry is wary of Jacob Zuma, the leading opponent of Mbeki, who could become the next President of South Africa if he isn't tripped up by still-unresolved corruption charges.

The survey, conducted two days after Mbeki was pushed out, indicated 70% believed Mbeki "did a good job as president," according to a report in the Sept. 27 *Cape Argus*. 62% of the population think the ANC was wrong to recall him. (See this week's InDepth for further coverage of South Africa.)

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