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LaRouche to U.S.: Take Up Lavrov's Offer Now!
Is British Agent Soros Still Running Obama's Campaign?
LaRouche's 20-Year Fight Against Derivatives

Any New Bretton Woods Must Revive Peace of Westphalia

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From the Managing Editor

The idea of replacing our bankrupt global financial system with a New Bretton Woods—first called for by Lyndon LaRouche 11 years ago—is now so ubiquitous that even the *Washington Post*, which has not touched it with a ten-foot pole, published a fulminating denunciation of the idea by scribbler Sebastian Mallaby on Oct. 20. Why, even the Brits are "for it"—which means, as we report in our *Feature,* a bait-and-switch operation: Prime Minister Gordon Brown is out to block adoption of LaRouche's plan, saying that *his* NBW would exclude fixed exchange rates, and would ensure that "for generations to come London and Britain remains home to global finance." And of course, no ban on financial derivatives.

If you're confused by the swirling NBW plans—Italian versions, French versions, and others—you've now come to the source. LaRouche authored the plan, and our *Feature* presents his conception of what is now most essential to make it function. It is not a question of formulaic rules and regulations, but of dumping the oligarchical, globalized system in favor of a "Westphalian" view of sovereign nation-states, collaborating each for "the benefit of the other." Put this together with what LaRouche wrote in last week's issue on essential features of a new system: the role of *individual human creativity* in securing progress in the physical economy and science; and the importance of understanding why the *American System* is indispensable for transforming the global economy. Without America, acting according to its constitutional mandate, it simply won't work.

It is clear from our ongoing coverage, including this week, that the whole world is ready and eager for such a change from Washington—see notably the remarks by Russian Foreign Minister Sergei Lavrov, urging cooperation with the United States and hailing the U.S.A. of Franklin Roosevelt and John Kennedy. See also the article by Russian economist Prof. Stanislav Menshikov in *International*, presenting LaRouche's views and economic forecasting record to a Russian audience.

Susan Welsh

EIR Contents

Cover This Week


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Russian President Medvedev (left) and French President Sarkozy (center) are key players for convening a New Bretton Woods. Right, European Commission President Barroso.

4 LaRouche: New Bretton Woods Must Revive Peace of Westphalia
Lyndon LaRouche emphasizes that a new global financial system must be based on the principles of the 1648 Peace of Westphalia, which established the principle of cooperation among sovereign nation-states, around the idea of "the benefit of the other."

5 Conference in Rhodes: For a New World Economic Order in the Tradition of the Peace of Westphalia
Helga Zepp-LaRouche's speech to the Sixth General Meeting of the World Public Forum Dialogue of Civilizations, in Rhodes Oct. 9-13.

9 Dialogue of Civilizations at Rhodes: Neo-Liberal Dogma Has Failed; Now Listen to LaRouche!
Helga Zepp-LaRouche reports from Rhodes.

11 LaRouche Statement: U.S. Must Take Up Lavrov's Offer Now!
Russian Foreign Minister Sergei Lavrov calls for cooperation: "Everyone needs the America of Franklin D. Roosevelt and John F. Kennedy.…"

12 Europeans Look to LaRouche Allies on New Bretton Woods

International

14 South Korea and Russia: Eurasian Development To Counter Financial Collapse
During South Korean President Lee Myung-bak's Sept. 28-30 visit to Moscow, the top agenda items were developing Eurasian infrastructure, and dealing with the international financial crisis.

17 View from Senior Russian Economist: The Crisis Leaps Across the Planet
Prof. Stanislav Menshikov presents Lyndon LaRouche's forecasting record to a Russian audience, through the weekly *Slovo.* "Among the few economists who look at root causes, and therefore see what others cannot see, is the American scholar Lyndon LaRouche," he writes.

www.larouchepub.com Volume 35, Number 42, October 24, 2008

National

24 Is British Agent Soros Still Running Obama's Campaign?
A profile of the interface between George Soros's international networks and the Obama support apparatus. But Soros always hedges his bets, and he has tentacles in John McCain's campaign machine as well.

26 The Weatherman Case Today
Lyndon H. LaRouche, Jr. demonstrates that Bill Ayers' attempt to cover up the significance of his role in the Weathermen terrorist operations, reveals that Ayers' form of fascist ideology today is the same as that of the Weathermen in the 1960s.

Documentation: Bill Ayers' online posting of April 6, 2008, "Episodic Notoriety—Fact and Fantasy."

29 National News

Economics

30 The World's Choice: Suicide by Banker, or Return to Bretton Woods
All the wild-eyed bailout schemes to revive the dead global financial system are the equivalent of giving junkies more of the drugs that are killing them. The real solution requires shutting down the derivatives markets, and putting the system through bankruptcy.

33 Greenspan Shrugged: LaRouche's Two-Decade Fight Against Greenspan's Derivatives Policy

41 LYM Asks Fellow Mexicans: '*Now* Are You Ready To Listen to LaRouche?'
The LaRouche Youth Movement is stepping up its campaign for a New Bretton Woods, even as Mexico's financial system goes through the floor. Remittances from workers in the United States are falling, and the government wants to unload a big chunk of its debt onto the national oil company Pemex.

45 India's Revamped Nuclear Power Generation Plan Is Inadequate

Departments

23 Africa Report
South Africa Hit by Ruling Party Split

Editorial

48 Turn the World Upside Down!

LaRouche: New Bretton Woods Must Revive Peace of Westphalia

Oct. 16—Lyndon LaRouche responded today to reports of a planned "New Bretton Woods" conference of heads of state, before the end of November, by asserting that any such gathering must be based on the principles of the Peace of Westphalia, the 1648 treaty agreement that ended the Thirty Years War in Europe, and established the principle of cooperation among sovereign nation-states, around the idea of "the benefit of the other."

At the close of a heads of state summit of the 27 members of the European Union in Brussels earlier today, French President Nicolas Sarkozy, the current president of the European Union, said that a conference to establish a "New Bretton Woods" would take place in New York City within weeks. British Prime Minister Gordon Brown arrived at the Brussels meeting with a seven-page outline for a new global financial scheme, which he, too, called a "New Bretton Woods," although Brown's plan ruled out any regulation of offshore financial centers or hedge funds.

LaRouche cautioned: "If the heads of state proposing to convene this conference are, talking about some kind of negotiated set of terms, then you can forget it. It won't work. Right now, no government has genuine sovereignty. So you have to get back to basic principles, including the restoration of true national sovereignty."

LaRouche elaborated, "Any agreement, any discussion, must center around the combined *benefit of all*. You must start with the criterion of the Peace of Westphalia, or you will go nowhere."

LaRouche has been the architect of just such a New Bretton Woods proposal for decades. He has called for Four Powers—the United States, Russia, China, and India—to take the lead in convening a conference to carry out a bankruptcy reorganization of the hopelessly bankrupt global financial system, and to establish, by treaty agreement, a new, fixed-exchange-rate system, to end the tyranny of currency speculation. LaRouche has further emphasized that governments of the world must agree upon a series of high-priority, large-scale development programs, and establish a mechanism for issuance of long-term, low-interest credits to begin those development programs immediately.

"By launching urgently needed great projects on every continent," LaRouche declared, "we can put flesh and bone on the idea of the 'benefit of the other.' Let us take the most impoverished areas of the globe, starting with Africa, and build high-speed rail, nuclear power plants, modern water management systems. It may take us several generations to fully realize the benefits of these plans, but these kinds of efforts, starting with the bankruptcy reorganization of the present Anglo-Dutch Liberal system of globalization, free trade, speculation, and Malthusian genocide, embody the very essence of the Westphalian principle. Let us waste no time."

For a New World Economic Order in the Tradition of the Peace of Westphalia

by Helga Zepp-LaRouche

Helga Zepp-LaRouche, founder of the international Schiller Institute and of the Civil Rights Solidarity Movement (BüSo) in Germany, was among the keynote speakers at the Sixth General Meeting of the World Public Forum Dialogue of Civilizations, which was held in Rhodes on Oct. 9-13. The WPF was founded and is chaired by Vladimir Yakunin, chairman of the Russian Railways company, and, each year, brings together political, religious, and intellectual leaders from around the globe. More than 700 people from 70 countries attended this year. Her speech has been translated from German.


EIRNS/Chris Lewis
Helga Zepp-LaRouche: A new financial architecture must be based on common principles, not "rules."

This conference is taking place at a time when even the previous advocates of the thesis that "there in no alternative to globalization," acknowledge in terror that we are in the midst of the meltdown of this globalization, and in the midst of a chain reaction of events that threaten, in a very short time, to bring most of world production and trade to a standstill.

It is therefore a very important step in the right direction, that French President Nicolas Sarkozy, at a meeting last Saturday [Oct. 4] with the heads of government of Germany, Italy, and Great Britain, and European Union representatives, announced the convening of an international conference, using the precedent of the conference convened by Franklin Roosevelt in 1944 in Bretton Woods, to lay the basic foundations for a new financial architecture. Nothing is more urgent than this. It is also long overdue that this must be a meeting of the so-called G-14 states, and that, among others, China, India, Brazil, and South Africa should be incorporated.

Worst Crisis Since the 14th Century

It is now thus all the more important to reach a common understanding of the theoretical fundamentals and principles, upon which the new financial architecture must be built if it is to be successful. Anybody who thinks it is sufficient merely to have a few "new rules" for the hedge funds and rating agencies, suspension of the EU's Maastricht Stabilization Pact in order to clean up the banks, and punitive reduction of the income of executives of failed companies, is mistaken.

If the world is to escape the danger of a collapse into a New Dark Age comparable only with that of the 14th Century, then the new financial system must be constructed on the basis of a qualitatively different paradigm than that of failed globalization. To attempt just to remove the most obvious, wild excesses, so as to find the quickest shortcut for returning to the old maximization of profit, can only end in catastrophe.

The parallels to the financial collapse of the 14th

EIRNS/Helga-Zepp-LaRouche

Participants in the World Public Forum Dialogue of Civilizations conference in Rhodes, Oct. 10, 2008. More than 700 people attended from 70 countries.

Century and the ensuing Dark Age certainly merit reflection: At that time, banking houses like the Bardi, Peruzzi, or Acciaiuoli had taken over all aspects of economic life: from financing the court of the King of England and the aristocracy, to the military, agricultural production, and trade. They operated according to the principle of profit maximization, without the slightest regard for the community, which they plundered beyond the point at which it could survive. They acted like a cancer which grows by taking over more and more of its victim, until the patient dies. In the end, the English King Edward III canceled repayment of the accumulated debts: That was the straw that broke the camel's back, and the banking houses collapsed.

A collapse of civilization resulted, decimating one-third of the population from India to Iceland. The combination of the Black Plague, failed harvests, hunger, superstition, witch hunts, and Flagellants meant a collapse that became known as the "New Dark Age." The paintings of Hieronymus Bosch vividly convey the insanity which dominated this era.

Globalization Today

In the era of globalization, the methods of the investment banks, the hedge funds, and the private equity firms are, doubtless, orders of magnitude more complex and sophisticated, due to the advances of the electronic age. But though they operate "globally," the principle has remained the same: the highest possible profit through control of scarcity. The principle "buy cheap, sell dear," and the maximum extraction of profit in the "shareholder value" society, have led to, on the one side, thousands of billionaires and over 10 million millionaires; but on the other side, billions of humans living below the subsistence level.

Additionally, since the invention of "creative financial instruments" by Alan Greenspan, massive sums have come into being, whose dimensions seem to belong to the domain of astronomy: three-digit trillions or perhaps quadrillions in outstanding obligations. Due to a lack of transparency, in particular with respect to over-the-counter (OTC) trades, no government or central bank has an accurate picture.

Most recently, since the outbreak of the so-called mortgage crisis in the United States 14 months ago, it has become clear to most insiders that a large part of these 16-digit-plus "assets" is in fact "toxic waste." The French magazine *Marianne* has just released figures only previously publicized by *Executive Intelligence Review*: The $1,400 trillion market in derivatives is 50 times the size of the combined GDP of all the world's nations! The attempt to honor this financial paper at 100% value, as the U.S. Administration is now trying to do with the Paulson plan (which is by no means limited to $700 billion, and is actually open-ended), can only lead to a rapid hyperinflationary disintegration of the world financial system. The events in Germany of 1923 now threaten to play out on a global scale!

Even if you take into account the impressive degree of incompetence of the greed-blinded investors, it must have been clear to the chief culprits that the unrestrained granting of mortgages to people without any down payment, would necessarily lead to a collapse of the mortgage and real estate markets, as soon as interest rates rose on the credit markets. And now it is also clear to them that hyperinflation will destroy the savings and living standards of the majority of the population, and threatens famine on an unprecedented scale. If this problem is not immediately solved through a reorganization based on the right principles, it threatens to bring on a collapse of humanity into a dark age in which billions could be victims.

LaRouche's New Bretton Woods

Now, it is a well-documented fact, that my husband, the American economist Lyndon LaRouche, has for a long time, and at every branching point, correctly forecast the accelerating tendency towards a systemic collapse of the financial system, on the basis of the axiomatically flawed decisions that were made; these include the promotion of consumerism in the U.S. of the 1950s, the elimination of fixed exchange rates and of the Bretton Woods System by Nixon in 1971, and the crashes of 1987 and 1997. On July 25, 2007, three days before the outbreak of the mortgage crisis, he explained in his now famous webcast, that the financial system had already collapsed and was hopelessly bankrupt, and that from then on, we would see various aspects of the bankruptcy rising to the surface.

I mention this, because in a situation so dangerous for humanity as this, it is better to listen to the solutions proposed by the economist who for decades has correctly analyzed the problem, rather than to those who, until recently, denied the systemic character of the crisis, or who still in August were saying, "The worst is already behind us."

Such an emergency conference, modelled on the Bretton Woods Conference of 1944, has long been proposed by Lyndon LaRouche, but he emphasized the difference in the conception of Bretton Woods intended by Franklin Delano Roosevelt, and what was implemented by Truman after Roosevelt's death, which was, in principle, a Keynesian system. It was Roosevelt's intention to use the Bretton Woods System to end forever the colonialism of the British Empire. It is precisely this intention of Roosevelt that must be implemented today with the New Bretton Woods.

In order for this new system to have credibility and integrity, the initiating powers—the U.S.A., Russia, China, and India—have to build the core of a representative group of nations which, in the tradion and spirit of the Treaty of the Peace of Westphalia, decide on a multicultural and multinational credit system, even while the current monetary and financial system is put through an orderly bankruptcy process.

A Credit System, Not a Monetary System

Because of the above-mentioned volume of outstanding obligations, it cannot be merely a matter of "new rules" for hedge funds and rating agencies. Instead, the financial system must be put through an orderly bankruptcy proceeding; most debts and speculative contractual obligations must be written off. Simultaneously, a system of fixed exchange rates must be established, along with National Banks for the creation of credit for productive investment.

The key to success of the reorganization, is that the new system, as a credit system, orient itself to the right that is anchored in the U.S. Constitution, to sovereign government creation of state credit, as demonstrated by the first Treasury Secretary of the United States, Alexander Hamilton, and his founding of the National Bank of the United States. In the U.S. the government can, through the Treasury, and with the authorization of the Congress, create credit, which thus becomes a legal means of payment.

The second way for credit creation to occur, is by means of international treaties, which are also voted upon by Congress. Such treaty agreements by a group of leading nations, with the United States, would become formally the turning point upon which to build the alternative to the ever more dramatically escalating crisis. If a representative group of nations agrees upon a new system of credit, customs, and trade agreements, that is already a "New Bretton Woods System"—and the last chance to prevent the risk of chaotic collapse that is becoming more dramatic every day.

The new system must be based on fundamentally different principles than the just-collapsed system of "globalization." The outsourcing of highly qualified jobs and production capacities to so-called "cheap labor countries," with significantly lower wages, poorer infrastructure, lower taxes, and lower standards of living, has not paid off for either the industrial nations or the developing countries. For example, the United States, as a result of this policy, no longer has medium-sized industries, while China, which has produced so much for export to the U.S., cannot cover the real costs of its total national production with its export earnings.

Thus, despite China's high growth rates of recent years, almost 70% of the population has not yet been freed from relative poverty, and China is not being paid enough for its exported goods, either to cover the costs of its cheap labor, or to cover part of the costs for the reproduction of society as a whole. And not only is the Chinese export market in the U.S. and elsewhere now endangered, but the escalation of the crisis threatens a massive loss in the value of the export earnings that have accumulated as currency reserves.

That was exactly how "market prices" ruled under conditions of globalization for most nations, but especially those subjected to diverse forms of monocultures, which meant de facto "primitive accumulation" of the national economy as a whole. The new system, therefore, must define "fair prices," which not only make possible a strong, protected internal market for industry and agriculture by means of protective tariffs, but also take into account the costs of optimal health and educational systems.

Creativity Is the Driver

In contrast to the insane and recently failed assumptions of the free traders, the real source of wealth in society is exclusively the creative capacity of man, which continually empowers him, through the discovery of new physical principles, to expand his knowledge of the laws of the universe. When this scientific and technological knowledge is applied to the production process, it leads to an increase in the productive powers of labor and production capacities, which in turn leads to an increase in the standard of living and life expectancy.

The fact that a world population of a few million people in hunting and gathering societies, could develop to today's six and a half billion human beings, is proof that by the application of these discovered universal principles in production processes, productivity increases by magnitudes that are significantly higher than the costs of the discovery and the investment in its application. Certainly, the general principle of progress is also required, since at every stage of development, natural resources are relatively limited, and new resources can only be defined through a new, qualitatively higher discovery.

Human creativity is thus the motor for the increase of relative potential population-density, which in turn is the necessary precondition for the long-term survival of human species. The increase in relative potential population-density is therefore the measuring rod for economic policy decisions. The Russian physicist Pobisk Kuznetsov once said that discoveries are always named after their author, such as "watt" and "ampere," so the concept of relative potential population-density, as an economic measure, would go down in history as the "La," for LaRouche.

The paradigm of the new system must therefore be centered on the maximum promotion of human creativity. A nation oriented to the common good will see as its most self-evident interest, the promotion of the creative capabilities of all its citizens, and above all, its children and youth. Such an orientation would not only promote those scientific and technological areas which, as "science drivers," optimize the character of the economy, but it would also expand the role in the universe of what scientist V.I. Vernadsky called the Noösphere. That means, it would further the process of the human race "growing up."

The New Bretton Woods must also be built upon the principles of the Peace of Westphalia, which, in 1648, ended a 150-year period of European wars, including the Thirty Years War. The most important principle of this treaty, upon which international human rights are based, was the idea that, in the interest of peace, all foreign policy must be oriented to the "advantage of the other." The warring parties had realized that, were the war to continue—a war in which whole areas of Europe had been decimated—nobody would be left to enjoy a victory.

Earlier, Nicolaus of Cusa, in the 15th Century, had laid the philosophical foundations for interntional law, in particular with the idea that harmony in the macrocosm can only exist when all microcosms can develop in the best of all possible ways, including viewing the development of other microcosms as in their own interest. Accordingly, peace in the world can only be achieved when all nations have the chance to realize the potential within them and their citizens, and simultaneously to promote the development of other nations. That was the same core idea upon which John Quincy Adams based his foreign policy of a Community of Principle among fully sovereign republics, which are allied by a higher interest of humanity.

We have now arrived at a point in history, at which we are confronted with the challenge with which Alexander Hamilton, in the *Federalist Papers*, was confronted with respect to the United States: namely, whether we are capable of giving ourselves a government and a political order which functions and is worthy of human dignity—but this time, for the whole world. At a point where the possible collapse of humanity confronts us all too clearly, can we act together in time, to give the world a political and economic order that is in harmony with the Creation and the laws of the universe?

I think we can, and that this is the purpose of the individual, and of humanity!

Neo-Liberal Dogma Has Failed; Now Listen to LaRouche!

by Helga Zepp-LaRouche

Every participant in the Sixth Conference of the World Public Forum Dialogue of Civlizations, which took place on Oct. 9-13—after many weeks of daily reports of cascading catastrophe, respecting the collapse of the world financial system—came with a shared awareness of having arrived at a turning-point in history. Speakers with the most diverse philosophical and geographic backgrounds were unanimous that the neo-liberal free-market economic dogma has been a complete failure. The conference's organizers saw this as confirmation that the goal for which the Forum was expressly initiated five years ago—namely, to create a new paradigm for a more human world order—has now been placed on mankind's agenda as its most urgent task.

In his opening address, Vladimir Yakunin, the Forum's president and co-founder, emphasized the existential nature of the crisis, in which the issue for mankind is "to be or not to be." As did many other speakers, he stressed that we are facing not merely a financial crisis, but a crisis of civilization, and that its underlying causes must be rooted out.

Yakunin's co-president, the Indian philosopher Jagdish Chandra Kapur, likewise a forum co-founder, saw the crisis as an opportunity to bring the future paradigm into harmony with the cosmic order, such that in this new world order, not only must every person have sufficient food, and a house to live in, but that each and all must be given the chance to realize the higher potential with which all human beings are endowed.

Russia's Deputy Foreign Minister Alexander Saltonov conveyed greetings from Foreign Minister Sergei Lavrov, who congratulated the Forum for the impressive contribution it has made in formulating conceptual and practical solutions for such fundamental questions as the coexistence of diverse social models, the preservation of nations' cultural identities under conditions of globalization, the role of religions in political life, and the resolution of regional conflicts.

Another clear expression of the changing times, were the remarks of Austrian Chancellor Alfred Gusenbauer, who took up two points: first, that the market-economy model has failed; and second, that confrontation as a means of conflict resolution has turned out to be incapable of achieving the desired political goals. And amazingly, the very same Chancellor who only recently had put his signature on the European Union's Lisbon Treaty, praised Austria's neutrality as the model for others to follow.

Even though this has so far not been expressed even approximately in the western media (which is hardly surprising), the Forum has evolved, over its five years of existence, into a significant counterpole to the neo-liberal World Economic Forum in Davos. This year, its annual conference on the island of Rhodes attracted over 700 participants from more than 70 nations, for more than four days of discussion, including two plenary sessions and eight working committees devoted to politics, economics, education, religion, law, culture, migration, the media, and, as a special committee, Chinese civilization. Even though each participant could only monitor a handful of the more than 250 speeches which were delivered, a selection of these revealed some philosophical pearls, especially, for example, some of the contributions on Chinese issues and topics.

Financial Collapse and National Security

The overriding theme, however, was the financial collapse, which each participant reacted to according to his or her own temperament and ideological orientation, ranging from scarcely concealed panic (speakers from certain western nations), to rather shortsighted *schadenfreude* over the demise of U.S. claims to hegemony, to responsible concern that the failure of one paradigm does not necessary signify the emergence of a new and better one.

Many Russian speakers, especially in the committee on "Economic Parameters of the Integrated Development of the World Community," emphatically stressed that the spirit of Franklin Roosevelt is now making a comeback. Both on the Russian side, and—interestingly enough—on the European side, speakers emphasized that there is an awareness that relations between the United States and Russia have the utmost importance for the world strategic situation.

Jacques Sapir, professor of economics at the High School of Social Sciences in France, warned of the imminent danger of a collapse only days hence, if governments do not succeed in bringing the banking and liquidity crisis under control. Sapir stressed that he had to conclude that, even though he does not have anything against the European Union, the EU has collapsed since the outbreak of the crisis, and that since then, all decisions have been made on a national level. One German participant explained that the German government evidently has had no interest in intervening with German taxpayers' money in order to make up for mistakes made in other countries. There was talk of the failure not only of the EU, but also of the G7, which at its July summit in Japan had not even bothered to include the issue of the financial crisis on its agenda.

A second theme, which was only somewhat upstaged by the drama of the financial crash, was the existing outmoded systems of national security. The eastward expansion of NATO and of the EU have highlighted how quickly previously "frozen conflicts" can explode into hot ones. Salome Zurabishvili, Georgia's former foreign minister and currently chairman of the Way of Georgia Party, presented her view of the situation. Many discussion documents stated that the decision to launch Georgia's aggression against South Ossetia had been made not in Tbilisi, but rather on the level of the transatlantic command structure.

Another theme, one which is perhaps not as obvious as the end of the neo-liberal dogma and the transformation in the relative weighting of the world's nations, but one in which the current controls will no longer function, was the total lock-step control of the Western media. Both inside the working committee, and in many conversations over breakfast, lunch, and dinner, the mass media as an instrument of manipulation of public opinion, was a hot topic, and this was also addressed by Yakunin in the plenum.

Hope for a Better Future

And herein, perhaps, lies the most important function of the WPFDC, in that it is far more in keeping with the actual political balance of power in the world today, than is the case with most western-dominated conferences and institutions. The United States, with its 16 Forum participants, did have the largest delegation, but also France with 13, Germany with 9, and Italy with 8 were well represented, and China and India also felt that they were adequately represented there.

The prevailing mood at Rhodes was a sense of an historic departure for a new kind of world. For this author, it brought up memories of a time which differed in its predicates, but which was similar in the systemic nature of the change under way, namely of 1989, when the Wall fell in November, and people had the profound sense of participating in an historic transformation, as they experienced the downfall of a system which everyone had thought to be unshakable, and began to feel hope for a better future. What Americans and Europeans today see as a crisis and a threat, is being experienced by the absolute majority of the nations of Asia, Africa, and Latin America, as cause for hope for a more human epoch, a dangerous situation, and yet with a perspective for new options.

Even though it may be difficult for Europeans to see it this way, what the fall of the Wall meant to people in 1989, is what is signified today, for the majority of mankind, by the collapse of the system of globalization, which has meant immense wealth for a tiny minority, but only spreading poverty, hunger, and death for billions of people.

Everything will hinge on whether the responsible people in the world's relevant institutions can grapple honestly and speedily with the question of what it was in their own thinking, that caused them to be taken in by neo-liberal dogma, and why they were incapable of taking up Lyndon LaRouche's widely circulated analyses of the problem, and of acting accordingly. There is still an opportunity, and perhaps the last, to correct this error.

LaRouche Statement

U.S. Must Take Up Lavrov's Offer Now!

In an article published in the magazine *Profile* this month, Russian Minister of Foreign Affairs Sergei Lavrov presented a clear offer for the United States to join in talks with Russia to deal with the world crisis. Lyndon LaRouche responded in a LaRouche PAC statement issued Oct. 15:

"This statement by Lavrov is of crucial importance for every U.S. patriot seeking a present way out of the general breakdown crisis which has just been aggravated in the extreme by this weekend's foolish decision of the George W. Bush, Jr. action in support of Alan Greenspan's latest swindle, launched this week.

"The essence of President Bush's latest folly, is the failure of many U.S., and also European leaders, including some influential Russians, to grasp the essential nature of British imperialism today. The usual, childish mistake, is to presume that modern imperial systems, such as the world's presently dominant empire, the Anglo-Dutch Liberal financier oligarchy, is located in any one nation. It is more in the character of a vast fungus, or slime, as expressed by the vast, quadrillions-dollars derivatives bubble, which is the root of the present global crisis. This derivatives bubble belongs to no nation, but preys upon all.

"The center of the bubble is located in the only true imperial power of the world today, the Anglo-Dutch Liberal financier system and its Saudi auxiliary. Entire nations, and their governments today, are merely satrapies of the world's only true empire, the British derivatives-bubble empire, by which many governments, included the United Kingdom, are actually ruled. London is merely the principal public convenience of that world empire represented by the quadrillions-dollar derivatives bubble which former U.S. Federal Reserve Chairman Alan Greenspan did so much to create, that by methods of fraud for which Michael Milken was sent to prison.

"That is the world's enemy, the great blob of so-called 'globalization' preying upon the world today. That is the British imperialism of today.

"The remedy for our affliction with that globalized parasite lies in the design of the constitutional conception of national banking which our Treasury Secretary Alexander Hamilton adduced as the uniquely U.S. principled conception of national banking. It is through employing that U.S. principle of national banking as the cornerstone of a global credit-system, to replace the world's presently bankrupt monetary system by a fixed-exchange-credit system composed by the mutual consent of the majority of nations constituting the sovereign nations of the world.

"Russia's proffer of proposed cooperation with the U.S.A. in launching such a form of 'New Bretton Woods' in the likeness of that presented in 1944 by U.S. President Franklin D. Roosevelt, would be the first practical step toward creation of a new world credit-system to replace the hopelessly bankrupt London-centered present system.

"Given the present fact, that the United States and other nations are presently in a hopeless situation, for which the present U.S. Government, and many others, have adopted no other remedies, only idiots in Washington, D.C. would not move to accept Russia's offer of cooperation in building the needed new system of global economic cooperation—now!"

Lavrov on 'the America of FDR'

Lavrov's article, entitled "Face to Face with America: Between Non-Confrontation and Convergence," emphasizes that "the U.S. is our most important partner regardless of the present state of our relations. . . ." America is on the threshold of major changes Lavrov wrote, changes which have already affected Russia, Europe, and other nations. These changes were forced on Russia; the U.S. has long "had the possibility to choose between recognizing the necessity of changes on the basis of sober analysis or to wait until they descend—as a harsh exigency. The present situation may well indicate that in U.S. history a lengthy cycle is drawing to an end—the one that was commenced by Franklin Delano Roosevelt's New Deal." Lavrov warns of the danger of war: "History indicates that in the past, major economic and financial upheavals led to aggressive policy on the international stage," although Russia is determined not to wage wars abroad.

"In a globalizing world, isolation and self-isolation are not a rational choice. True progress can be achieved only through joint efforts and close cooperation. That's exactly what Russia offers to all our international partners, America in the first place," he wrote. Referring to Britain, Lavrov said that Russia can still work with it internationally, even "if our bilateral relations with this or that country reach the freezing point. Something like this is now taking place in our relations with Britain. But the U.S. is not Britain.

"Can we afford or, to be more precise, can the world afford any further alienation between our countries, for which Alexis de Tocqueville predicted a great future? Should it be two separate futures or, perhaps, one common destiny? I profoundly believe in the latter. . . .

"Americans will have to stop 'feeling lonely in their might,'" he wrote. "I would add that everyone needs the America of Franklin D. Roosevelt and John F. Kennedy, an America which is not afraid of change."

LaRouche colleague Jacques Cheminade on France 24 TV: "The same people that are responsible for the mess in which we are, cannot be called upon to solve it."

Europeans Look to LaRouche Allies on New Bretton Woods

Oct. 18—As the European heads of state were agreeing this week to hold a "New Bretton Woods" conference in New York in the near future, the associates of Lyndon LaRouche in France and Denmark were officially called upon to discuss the New Bretton Woods idea long associated with LaRouche.

On Oct. 17, the France 24 television station featured LaRouche associate Jacques Cheminade, head of the Solidarity and Progress organization, in an English-language broadcast of its "Face Off" program, on the topic of "a rethink of Bretton Woods."[1] Cheminade "faced off" with Christian de Boissieu, president of the Economic Analysis Council which advises French President Nicolas Sarkozy, and in several respects, the two agreed: The New Bretton Woods is needed, the United States needs it, it should involve many countries, and a new quality of regulation.

Cheminade minced no words on the point of regulation of the quadrillion-dollar derivatives market. "Either you apply triage on this illegitimate and unpayable debt, or you apply triage on the people and the economy; and that's the choice." He elaborated on what has to be done, by stating that "dirty word, *bankruptcy reorganization.*" "You can't revive a corpse with electroshocks," Cheminade said. "You have to rebuild something that works . . . regulate in a true way . . . check all the derivatives markets and throw away everything having to do with mere bets. . . . Derivatives based on insurance of tangible assets whould be maintained, but all the rest should be thrown away."

One difference with de Boissieu was on the issue of who would manage this new regulation. De Boissieu stressed co-management with the International Monetary Fund, while Cheminade bluntly stated, "The same people that are responsible for the mess in which we are, cannot be called upon to solve it. And I am very doubtful, when I see Alan Greenspan as a special advisor to Gordon Brown in England. . . ." When Cheminade said he was "really furious" that Henry Paulson was calling on his former associate at Goldman Sachs "to rule over the $700 billion of the Paulson plan," de Boissieu stated, to his credit, that he wanted to "avoid any kind of conflict of interest."

When the moderator pressed Cheminade about

1. The full program can be seen on www.larouchepac.com.

Danish Schiller Institute head Tom Gillesberg on TV 2 News: As American economist Lyndon LaRouche, the standard bearer for a New Bretton Woods, has said, we must take the best parts of FDR's intentions.

who then should provide the oversight, Cheminade explained that his American friend LaRouche had denounced derivatives from the beginning. "The doctor that made the good diagnosis should be the one that should be in charge of curing the patient," Cheminade concluded. And on that note, the show ended.

Gillesberg on Danish TV

In Denmark, the 24-hour national TV news station invited Tom Gillesberg, chairman of the Danish branch of the Schiller Institute, for a live interview Oct. 13. The Schiller Institute was founded by Helga Zepp-LaRouche, and exists in many countries.

In a wide-ranging discussion, Gillesberg developed the history of the financial crisis, and the LaRouche solution, taking "the best parts of Franklin D. Roosevelt's intentions from the old system," and also the distinction between a physical economy and the "huge speculation orgy" of derivatives. The interviewers asked the producer to continue after the allotted time. Specifically, they wanted Gillesberg to talk more about the solutions to the crisis.

Gillesberg and the Schiller Institute are known throughout the country for advocating a new, just world economic order, including a maglev railroad development program for Denmark, and for warning of the coming financial collapse. The interviewers, senior journalists Niels Brink and Lotte Mejlhede, reminded viewers of this at the outset, saying that Gillesberg ran for office in 2005 "precisely with a program for a new financial system. And, unfortunately, it looks as though you were correct in your predictions, that we were getting close to a crash."

"I'm glad that we can now begin to do something about this," Gillesberg said. He counterposed the Congressional $700 billion aid package, which he said was like a "snowball in Hell," to LaRouche's New Bretton Woods. "People have to simply get together and make a new financial system. Put the current one under bankruptcy reorganization," Gillesberg said. He stressed that the important thing was to ensure "that the physical economy still functions. That is what puts food on the table. That's what ensures our future."

When asked how all of these countries could be persuaded to come together politically, Gillesberg noted that "for many years, [LaRouche] has been all around the world" discussing this, and that Russia's leaders had said that they are ready to sit down with the United States to find a common solution to the financial crisis. Other nations—India, China—would do the same, he said. "We are right now in the middle of a crisis which is potentially so dangerous, that everyone knows that we have to do extraordinary things."

The Empire Worries

The response to this LaRouche factor from the Anglo-Dutch financial empire, came from British Prime Minister Gordon Brown putting forward his own version of a New Bretton Woods—one that would specifically *not* have fixed exchange rates, he said in a press conference on Oct. 13, and would would ensure that "for generations to come London and Britain remains home to global finance." But so far, neither Sarkozy, who is pushing for a New Bretton Woods conference, nor Italy's Economics Minister Giulio Tremonti (who is on record supporting LaRouche's proposals) is going with the flow of this Brownian motion.

The Italian Senate, in fact, will soon debate a New Bretton Woods resolution that explicitly includes LaRouche's proposal, while Tremonti has continued to push against the speculators. As for Sarkozy, he's holding the middle ground.

Eurasian Development To Counter Financial Collapse

by Mike Billington and Rachel Douglas

In a season when a great deal of international diplomacy is in the nature of desperate, doomed attempts at crisis-managing the meltdown of the global financial system, talks held during South Korean President Lee Myung-bak's Sept. 28-30 visit to Moscow had a different quality. The top agenda items were Eurasian infrastructure development, especially rail, and the global financial crisis itself.

That President Lee's discussion of the financial crisis with President Dmitri Medvedev and Prime Minister Vladimir Putin *did not* go primarily by the Anglo-Dutch financial oligarchy's agenda of hurling the multibillion-dollar foreign currency reserves of nations—such as Russia's half a trillion dollars, and some $250 billion in the case of South Korea—into the vortex of imploding international derivatives claims, and that the leaders *did* sign important new agreements on infrastructure, has everything to do with American economist Lyndon LaRouche's analysis and policy proposals being a matter of close attention and hot debate in both countries.

The idea of the Eurasian Land-Bridge, as the backbone of a Great Project design for world economic recovery, stems from the infrastructure development concept, with which LaRouche intervened in Russia's economic debates from the moment the Berlin Wall came down in 1989. Helga Zepp-LaRouche became known across Asia as the "Silk Road Lady," after her inspiring presentation at the International Symposium on Economic Development of the Regions Along the Euro-Asia Continental Bridge, sponsored by the Chinese government, in May 1996, in Beijing.

LaRouche's record of accuracy, in his warnings about the inevitable breakdown crisis that the post-1971 floating-exchange-rate system would induce, is likewise a piece of current history under intense study in Russia today. Thus, the very week of the South Korean-Russian diplomacy, Russian Railways CEO Vladimir Yakunin—himself a key figure in that diplomacy—dramatically stated in an Oct. 2 interview to the business daily *Kommersant*, that he had known this crisis was coming years ago, because LaRouche warned him: "I am not making this up. I remember my first conversation with the American alternative economist, [Lyndon] LaRouche.... He said to me, 'Vladimir, I can tell you with certainty, that the economic crisis is already taking place.'"

Today, LaRouche urges a "Four-Power" initiative by the U.S.A., Russia, China, and India, for the creation of new international monetary arrangements, free of the derivatives cancer, and vectored toward financing great infrastructure projects, technological advance in industry and agriculture, and related urgent requirements for all mankind. The Russian government has not yet travelled all the way to LaRouche's four-power conception, especially respecting the indispensable role of the United States, but the potential for such Russian leadership was reflected in Lee's remarks after the summit with Medvedev on Sept. 30:

"The whole world faces a worsening financial situ-

John Sigerson / EIRNS 2001

If the proposed rail lines through North Korea were constructed, the Eurasian Land-Bridge would be complete.

ation at the moment, but Russia nevertheless continues to show strong economic growth. This is a unique event in the whole world, and it gives me a high opinion of the Russian Government's work.... In this situation of economic crisis throughout the world, we can take steps together with the Russian Federation and work together to strengthen the world financial system."

'From Busan to Rotterdam'

The Russian and South Korean Presidents signed agreements related to the joint development of rail lines through North Korea into South Korea, completing the famous "Eurasian Land-Bridge from Busan (South Korea) to Rotterdam." Other agreements included a memorandum of understanding for Russia's Gazprom to explore construction of a Russia-North Korea-South Korea gas pipeline, and plans for cooperation in the development of the vast Russian Far East.

These agreements came despite the fact that the Korean side did not have overly high expectations for the results of the visit. Campaigning for the December 2007 Presidential elections, Lee had emphasized his intention to improve relations with Russia, which were poor under the administration of former President Roh Moo-hyun, and to bring North and South Korea together in the process of building Great Projects in the Russian Far East and across the region. At the same time, Lee's own hard line on the North Korea nuclear issue—demanding that the North end their nuclear weapons program before further improvements in relations could proceed—soured relations with both Pyongyang and Moscow.

It was the resolute intentions of the Russian side, which took the talks beyond the Lee government's modest hopes of, at best, establishing strong personal relations at the top and between the various ministries, with the intention of later discussions on concrete projects. Russian officials looked at the bilateral ties with Korea in the context of the global crisis, and their own desire to keep infrastructure development, especially, moving ahead no matter what.

Among the projects named by President Medvedev to be implemented: "The Trans-Korean Railway (TKR) and its link-up to the Trans-Siberian Railway (TSR), and Korean business participation in developing the industrial potential in Russian regions in Eastern Siberia and the Far East, and in preparations for the APEC (Asia-Pacific Economic Cooperation Forum) summit" in Vladivostok in 2012.

At a meeting of Korean and Russian business leaders on the sidelines of the Summit, Lee addressed the New Silk Road: "At present, it takes about 40 days to transport freight from Busan to Europe by sea. But the transport period can be halved if the TKR and TSR are connected."

Most important, the South Korean President made clear that the New Silk Road is to be not simply a rail connection, but a development corridor, especially for Russia's eastern provinces: "I also want to play a role in promoting closer cooperation between the two countries in developing Russia's abundant oil and gas resources, as well as the farmlands and forestry resources in the Russian Far East." Lee emphasized the importance of the "Energy Silk Road," saying: "Joint development of Russia's oil and gas resources will create enormous synergies for both sides. Russia will secure a stable buyer of its natural gas, while South Korea will be able to secure its own stable energy import source."

After meetings between the ministers responsible for energy and industry for the two nations, a $100 billion project was announced to bring Siberian gas to South Korea through a pipeline along the rail route through North Korea, and a parallel energy grid, to move electricity south to Seoul during the Summer, and north to Vladivostok in the Winter, to meet the peak demands of both.

On Oct. 4, Yakunin travelled to the Far East to attend groundbreaking ceremonies for the Russia-North Korea rail line reconstruction on the 54 kilometer route from Khasan (Russia) to the North Korean port of Rajin. As the Russian business publication Zdr-gazeta.ru reported, the Russian Railways view is that "the reconstruction of the Khasan-Rajin line is merely a pilot project, after which comes the modernization of the Trans-Korean line, and its connection to the Trans-Siberian Railroad."

Yakunin said that the section, which includes repair of 3 tunnels, 10 train stations, and over 40 bridges, should be operational by the Autumn of 2009. The priority of this segment was defined during trilateral Russia-North Korea-South Korea talks in March 2006. "For Russian railways," continued the Zdr-gazeta report, "this project is an important component of reconstruction of the entire Trans-Korean railroad, a project whose mission is to promote the further development of logistics connections, economic growth, and stabilization of the situation throughout the region."

The Role of North Korea

The ongoing crisis over the North Korean nuclear program is, of course, a potential impediment to the rail and pipeline projects which will pass through the North, as well as to the potential cooperation between North and South Korea in development projects within Russia. Presidents Lee and Medvedev addressed this as an urgent problem demanding serious attention. "I hope North Korea will show interest in the project," Lee told Russian journalists after the summit. "Russia will ask North Korea first to participate in the venture. I then will meet with [North Korean leader] Kim Jong-il to discuss it, if he is agreeable to the idea." With Russia's backing, the North may be more willing to trust the South's good intentions.

In a speech for South Korean Liberation Day on Aug. 15, Lee presented a 50-year vision for the East Asian region: "A unified Korea will surely emerge as a gateway to both Eurasia and the Pacific Rim, including the U.S. A cargo train departing from Busan can reach Central Asia and West Europe via transcontinental railways." The mention of the United States as part of the interconnected rail hub was an unmistakable reference to the plans for building a tunnel under the Bering Strait, another Russian project which has drawn on LaRouche's inspiration and active cooperation.

Lee continued: "I want to share the dream with all of the 80 million Koreans [North and South]. I'll never give up the dream of co-prosperity of the two Koreas. To that end, nuclear weapons must disappear from the peninsula," he said, calling for the resumption of across-the-board dialogue with Pyongyang.

There is also the issue of the U.S. role, of course. On the North Korea question, Vice President Dick Cheney intervened, not for the first time, to sabotage the Six-Party talks, imposing new demands from the U.S. side which were not part of the already concluded agreements, while refusing to live up to U.S. commitments in those agreements. This was yet another effort by the lingering neoconservatives in the Bush Administration to undermine efforts by the State Department and others to end the North Korea crisis once and for all.

As in several previous such incidents, U.S. Assistant Secretary of State Christopher Hill is trying to pull things back together. Hill has just completed visits to North and South Korea, and held meetings with Chinese and Russian officials in Beijing. Although they are keeping mum as of this writing, it appears that some compromise has been worked out. Negotiations with North Korea are also complicated by the fact that Kim Jong-il is reported to have undergone brain surgery, and although the North reported that their supreme leader appeared at a public event last week, this has not been confirmed.

Four Powers

President Lee took a related initiative on Oct. 6, calling for a special summit among Japan, China, and South Korea, to take place at the Oct. 24 Asia-Europe Meeting (ASEM) in Beijing, to formulate joint policies to confront the financial crash. Although the only public proposal on the table is an $80 billion fund to defend currencies, this is clearly insignificant in the face of the approximately $2 trillion in dollar holdings among the three nation's reserves, and the collapse of the global banking system.

The functioning of the alliance of the three East Asian powers in this global crisis requires the strengthening of their relations with Russia, just as Korea has now done on a bilateral basis, and eventually with India as well. With such an agreement, they would then be able to approach the U.S. along the lines of the "Four Power" agreement proposed by LaRouche: a new Bretton Woods agreement, placing the banking system under bankruptcy protection, writing off the quadrillions of dollars in derivatives and other gambling debts, and establishing a sound financial system based on national credit policies among sovereign nations.

This is a big idea—but nothing short of that can deal with the existential crisis of civilization now unfolding in full view.

The Crisis Leaps Across the Planet

by Stanislav Menshikov

The Russian-language original of this article by Prof. Stanislav Menshikov was published in the Moscow weekly Slovo *of Oct. 17, 2008. The author has over half a century of experience of observing and analyzing the world economy. As Russia's leading senior expert on the U.S. economy, Professor Menshikov here explains to Russian readers how Lyndon LaRouche's forecasts of the current financial breakdown crisis have proved to be uniquely accurate. The article was translated from Russian by Rachel Douglas.*

EIRNS/Rachel Douglas

Prof. Stanislav Menshikov with Lyndon LaRouche in Moscow on May 16, 2007, before the celebration of Menshikov's 80th birthday. The two have been friends and collaborators for many years.

A crisis of the economy and finance is leaping across the planet—faster at one moment, slower at another, crossing from country to country, from region to region, assuming one form and then another. By now, it is generally recognized as being worldwide, though government officials and economic experts refused to admit as much, even quite recently. And when they did admit it, they pretended that the crisis had burst upon us quite unexpectedly, rather than gradually ripening over years and even decades.

Economists, as a rule, focus on short-term conjunctural fluctuations, often ignoring the medium-term, decades-long cycles, not to mention longer trends or 40- to 50-year Kondratieff cycles. If one pays no attention to such things, it is not difficult—it's even inevitable—to overlook a big crisis, of a type that breaks out with comparative infrequency, and surprises most people.

Among the few economists who look at root causes, and therefore see what others cannot see, is the American scholar Lyndon LaRouche, representing the physical school of economic science, which puts the production of tangible goods first and foremost, rather than superficial speculative processes on the exchanges. Through his systematic investigation of both types of process, he came to the conclusion that the world of fictitious monetary wealth was becoming more and more divorced, over the past 40 years and more, from real, material wealth, and that therefore the world was threatened by a new major financial crisis.

In a commentary for a Moscow radio broadcast on June 15, 2006, for example, when the speculative boom in the world economy was still at its height, Lyndon LaRouche said, "[The current] state of affairs confronts the world as a whole with the prospect of a threatened early, chain-reaction collapse of the present world system, comparable to the collapse of the Lombard banks into the so-called New Dark Age of the Fourteenth Century. Only a principled change in the world's present monetary-financial system could halt this presently ongoing collapse."

Fictitious and Real Wealth

Indeed, the steadily growing gap between the fictitious economy and the real one was becoming more and more dangerous, and the world monetary and financial system more fragile.

At the end of the 1960s, nations gave up the old Bretton Woods system of fixed exchange rates and shifted to a floating-exchange-rate system, without fixed parities. The situation thereby lost stability, while the fluctuating exchange rates enlarged the playing field for currency speculation many times over.

Among the few economists who look at root causes, and therefore see what others cannot see, is the American scholar Lyndon LaRouche, representing the physical school of economic science, which puts the production of tangible goods first and foremost, rather than superficial speculative processes on the exchanges.

The next step on this pathway was globalization, particularly the lowering of national barriers to cross-border movements of short-term capital. With their spasmodic and unpredictable speculative nature, these movements destabilized the system even more, giving rise to a new type of crisis that was caused by the sudden outflow of capital from a country or an entire region. The first such crisis appeared in Southeast Asia in the late 1990s, then hit Russia, and brought one of the major New York investment funds, LTCM, to the brink of bankruptcy.

Also in the 1980s, two more innovations promoted growth of the gap between the speculative tumor and the physical economy. One was that new types of speculative securities appeared and began to multiply rapidly. These were the so-called derivatives (various types of swaps and options). After an initial incarnation as tools for insuring against financial risk, these contracts quickly became a preferred object of financial speculation. By 2008, the total nominal value of such deals has reached the incredible figure of hundreds and thousands of trillions of dollars daily. In the U.S.A. alone, the derivatives market has quintupled since 2002, from $106 trillion to $531 trillion. The latter figure is over 35 times the size of the U.S. gross domestic product. LaRouche believes these figures are understated by at least half. The fact that derivatives could trigger an explosion of the financial system was acknowledged in warnings, at various times, by well-known U.S. financiers such as George Soros, Felix Rohatyn, and Warren Buffett. Rohatyn, for example, called them "a potential hydrogen bomb," while Buffett saw them as "a financial weapon of mass destruction."

Secondly, new financial firms called hedge funds emerged and rapidly proliferated in this period. Unlike traditional financial institutions, they were not subject to government regulation. The hedge funds became the center of derivatives trading, although more recently ordinary banks, and brokerage and insurance companies, got into this activity, looking for large and quick profits.

At the end of the 1990s, another event occurred in the United States, to which Lyndon LaRouche has drawn special attention. That was the repeal of the Glass-Steagall Act, dating from the 1930s, which had prohibited commercial banks from engaging in the business of investment banks, namely, placing and trading in securities. Conversely, the law had blocked investment banks from performing the functions of commercial banks, such as accepting deposits and issuing loans. This separation had been found necessary, in order to bar the banks from engaging in speculation, and thus to prevent a repetition of the great financial crisis of 1929-1930. The separation held up for almost 60 years, but finally the Wall Street financial magnates pushed through its repeal, in the name of the free market. Stability was sacrificed to the oligarchical mindset.

One After Another, the Bubbles Pop

This long evolution is what laid the grounds for the current major financial crisis. It began with the popping of a private speculative bubble, the housing construction and mortgage bubble crisis in the United States. This bubble had been pumped up for years by the Federal Reserve System, which supported that boom with no justification except their desire to prolong the economic upswing artificially, in the political interests of the Bush Administration.

As LaRouche has shown, however, the mortgage bubble was also fueled from outside sources, particularly through an influx of cheap yen credits, made available through speculative swap schemes.

When the symptoms of disarray in the mortgage sector began to surface in the Summer of 2007, LaRouche was the first to state the far-reaching conclusion that this was the beginning of a major financial crisis.

"The world monetary financial system is actually now currently in the process of disintegrating," LaRouche stated in his webcast of July 25, 2007. Soon afterwards, he proposed speedy adoption of a Homeowners and Bank Protection Act. Had this law been adopted by the U.S. Congress, the subsequent catastrophic development of the crisis could most likely have been prevented. But, that did not happen.

When the administration did begin to act, it was very late and they did not address the root causes of the crisis. For several months, the Fed kept lowering the discount rate, but that merely helped to support overall statistical performance indicators, without actually improving the situation in the financial sector or protecting it from speculation.

Another of the administration's anti-crisis measures was to return to the population $100 billion of their income tax payments. This move slightly boosted consumer purchasing power, and even lifted GDP growth by 3% in the second quarter of 2008. The downturn of material output was temporarily halted, but the tax refund provided no real help to the banking and financial sector.

The government and the Fed looked on, as one large bank after another had to write off bad loans and securities valued at tens of billions of dollars. It was as if they were counting on the financial crisis to resolve itself. The banks were left on their own for several months.

Just then, one after another speculative bubble started expanding, and then popping. The money that had built up in real estate lending, finding no other use, gushed over into speculation on the stock and commodity exchanges. Oil led the way, of course. The speculative upward push of oil prices was inspired by rumors of a sharp increase of oil consumption in China and India. Enormous phony demand was added to the real demand for oil. The result was that oil prices soared from the $100 per barrel level in early 2008, to $147 at the beginning of July. Then the fictitious demand began to evaporate rather quickly, popping this latest bubble, and prices slid downwards. By the beginning of October, they were below $95 and continuing to drop.

Fleeing the petroleum market, speculative money poured into the currency markets, creating an unexpectedly high demand for dollars. The dollar began to rise rapidly, after several years of decline against the euro and other currencies. From its low of $1.59 to the euro, it quickly rose by 16.9%, reaching the level of $1.36 to the euro. This would seem to be counterintuitive, considering that the United States is still the epicenter of the financial crisis. If its rise represents yet another bubble, then the dollar is threatened with crashing again. Such a turn of events promises to make a new and unpredictable impact on international finance.

Bailout Plans

Back to the American banks, however. Cast upon the mercies of fate by the government, they started failing, one after another. What's more, for the first time in many decades, leading Wall Street institutions took the blows. In March, the investment bank Bear Stearns effectively went bankrupt. Lehman Brothers and Merrill Lynch followed in September. These events were so unexpected, that they touched off a major stock market panic even in Russia, with its fast growing economy, not to mention the other major world financial centers.

A crash such as this had not been experienced in a very long time, and appeared to wake up the Bush Administration. They began to understand that the crisis was not going to sort itself out, after all, and that it could grow into a total catastrophe. This panic gave birth to the Paulson Plan, which proposed for the government to purchase bad securities from banks and other financial institutions, to the tune of $700 billion. The relevant piece of legislation was initially rejected by the House of Representatives, and ultimately passed only under huge pressure from the administration.

Lyndon LaRouche categorically opposed the Paulson Plan. He considers it impermissible to waste huge amounts of taxpayers' money on an attempt to save failed financial magnates.

But the bailout plan is designed to fail, since it cannot eliminate the cancerous tumor of speculation, which is the main cause of the current crisis.

Ultimately, if implemented, the Paulson Plan may have extremely bad effects, not only compounding the current crisis, but leading to ruinous hyperinflation.

Let us look at these arguments in more detail. Begin with the fact that the very announcement of this program represents an official admission that the condition of the U.S. financial system is catastrophic. The administration admits that hundreds of billions of dollars in bad assets have accumulated in the banks and other financial institutions. The real market value of these bad assets is far less than the nominal value, at which they are listed on the balance sheets of these institutions. The government is going to buy them at auction, at a reduced price. This means that the bailout will leave a large hole in the balance sheets of the banks, which will have liabilities significantly in excess of their assets.

Theoretically, such a situation ought to free up a lot of funds as the basis for making new loans. But for that to happen, what must not happen is a run on the depressed banks by panic-stricken depositors, before the banks can get back on their feet. Anticipating this threat, the administration is pushing through an emergency increase in the ceiling on the size of federally insured individual deposits, raising it from $100,000 to $250,000. Whether or not that will save the banks is hard to say. One thing is clear: the system is balancing on the brink of collapse.

Another question is, just what bad paper does the government intend to purchase, and from whom? Officially, the bailout would seem to be mainly for bad mortgage loans, as such. There are a lot of those left, which have not been written off; the crisis in this area remains acute. But the banks want to sell other types of paper, as well, including a lot of unpayable debt obligations, as well as whole pyramids of derivatives, in which the banks have become hopelessly entangled. It will be very difficult for the government to deny them this, but, at the same time, reselling these in the future to pay back the taxpayers, as was promised, will be quite impossible.

Will the government buy paper from the hedge funds? It would appear that they ought not to, since hedge funds are an uncontrolled and irresponsible type of financial firm. It is no secret, however, that the hedge funds themselves, as a rule, are offshoots and appendages of the banks, and they will not find it difficult to circumvent any formal barriers. The best thing to do would be a radical decision to liquidate the hedge funds, as the most destabilizing element of the financial system. Wall Street, of course, will not agree to such a drastic measure, even under threat of destruction.

The stock market's reaction to passage of the bailout package by Congress was typical. In the days that followed, it fell precipitously, rather than rejoicing. That is no surprise. The market sees drawbacks and dangers in the Paulson Plan. At the same time, the market players want to continue playing under any conditions, extracting profit from instability, whether things are up or down.

An Expanding Crisis

Each passing day confirmed that the crisis was only going to broaden. States and municipalities began to ask for federal government assistance, as they became unable to meet their budget requirements with their own means. Even wealthy states like California are in this situation; Governor Arnold Schwarzenegger is urgently seeking Federal financing.

Next, it became known that the Department of the

Treasury was allocating $100 billion, above and beyond the $700 billion, to support non-financial companies in obtaining short-term operating credits. This is something Treasury had not done before. It was a first symptom that the financial crisis was striking major blows against manufacturing and commerce. Bankers are simply afraid to lend to businesses.

Then, on Oct. 8, came an unprecedented event: the Federal Reserve, the European Central Bank, and the central banks of Britain, Switzerland, Canada, and Sweden simultaneously lowered their discount rates by 0.5%. They acted with such haste, that they didn't even wait for a meeting in person, but coordinated their actions by telephone.

The effect of slashing the cost of credit by such a small amount is more psychological, than anything else. It is doubtful that such a measure could do anything, by itself, to buck up the economy and enliven the finance world. Its importance is as evidence of a realization that this crisis is global. It would be difficult to name a single country or region, which has not been affected. This may be seen in the falling stock market indexes of the planet's main financial centers (see **Table 1**).

TABLE 1

Decline of Stock Market Indexes in the Main World Financial Centers, October 2007 to October 2008

(Percent)

Stock Exchange	% Decline
New York	31.1
London	32.4
Paris	37.7
Frankfurt	37.9
Tokyo	39.9
Hong Kong	44.5
Shanghai	60.2

Most recently, Western Europe has moved to the center of attention. In early October, Germany's main mortgage bank, Hypo Real Estate, went bankrupt. Next, one of the leading Benelux banks, Fortis, declared its insolvency. Give the governments of these countries their due: they immediately nationalized the affected banks. The Dutch government even rescued Fortis twice, first laying out a large sum, jointly with Belgium and Luxembourg, to save the bank as a whole, and then spending 17 billion euros to nationalize its Dutch component. The reason for haste was obvious. Not long before its bankruptcy, Fortis had purchased partial control of the largest retail bank in the Netherlands, ABN-AMRO. The government could not allow the latter, with its millions of depositors, to go under.

One week later, the British government bought equity shares in the country's eight largest commercial banks, in a partial nationalization. These are all transnational banks with a large foreign ownership stakes, including American. The sudden flight of foreign funds put them in extremely tight straits. The government's action was an extraordinary preventive strike, unprecedented in British banking history.

On the initiative of the President of France, there were two European Union meetings to develop a joint crisis strategy. The EU leaders did not arrive at a coordinated strategy, but they adopted separate preventive measures. It was decided to raise the insurance ceiling on personal bank accounts to 50,000 euros in most EU countries, though this has not been set as a ceiling in Germany or Austria. Thus, a barrier against massive runs on the banks by depositors would seem to have been erected. How it will hold up is hard to say, since these techniques have never been tested anywhere in practice. If it happens, there will have to be such huge infusions of government funds into the economy, that the threat of hyperinflation will no longer seem improbable.

Still, the sought-after calm did not descend on the financial markets. Italian Prime Minister Silvio Berlusconi called for temporarily shutting down all world stock exchanges, in view of their continuing fall. The Group of Seven finance ministers gathered in Washington and adopted a common declaration of intent, but failed to arrive at a specific strategy.

At the same time, the crisis raised its head in Japan, where things had been relatively calm. The country was shaken by news of the bankruptcy of two major entities—an insurance company and a real estate firm. In tandem with other Asian banks, the Bank of Japan lowered its discount rate by one percent in October, but Asian markets continue to slide.

Finally, in despair, the Western countries decided on unprecedented drastic measures. On Oct. 13, the EU governments announced they would pump on the order of two trillion euros into the banking system, a large part of the money being earmarked for the acquisition of shares in major private banks, i.e., partial nationalization. Washington simultaneously announced the allocation of $250 billion for a similar partial nationalization of the largest U.S. banks, including J.P. Morgan Chase, Citigroup, and Bank of America. This immediately prompted a sharp jump in share prices on all important stock exchanges. But, does it mean that the financial system has been saved, and the financial crisis is ending?

By no means. There are many open questions here. The chief one is how these countries plan to finance such colossal infusions. In Western Europe, for example, the sums involved are equivalent to over 10% of GDP. Government budgets do not possess such reserves. There's effectively nobody from whom to borrow such sums of money. Yet, a steep increase of the money supply threatens to bring about exactly what LaRouche forecast: hyperinflation.

Will There Be a New Great Depression?

Many people are now comparing what is happening with the great crash of 1929-1933. Certainly the current financial earthquakes are as acute as anything that happened then. Back then, things also began with the banks and the stock markets, and the steep collapse of production did not occur immediately. But it did come. What will happen this time?

The capitalism of 80 years ago was quite different from today's. The share of government spending in the economy was small, and could not serve to dampen the effects of a sudden contraction of aggregate demand. Today government spending represents as much as 30-50% of GDP, and its role as a shock-absorber is well-known.

As the Great Depression arrived, there were not even the rudiments of anti-crisis regulation. The Herbert Hoover Administration, which was in power in the U.S.A. for four years after the stock market crash of 1929, did absolutely nothing to combat the crisis. On the contrary, its actions served to aggravate the situation. As a result, the decline of GDP was prolonged and very steep, totalling over 40%.

In the current crisis, a full range of anti-crisis measures was launched in the U.S.A., albeit late in the game. Those did not stop the crisis, but, so far, they have blocked a drastic collapse of output. Sooner or later, that will come. It is already unfolding in Germany and France. As of now, many people concur in a belief that what lies ahead may be not so much a great crash, as a years-long depression. But any prolonged halt in economic growth in the industrialized nations will cause higher unemployment and a drop in the living standard. Thus, its social effects will be just as bad as those of a great crash.

What LaRouche Proposes

To prevent that from happening, LaRouche says, requires immediate radical reforms:

• Measures taken must be coordinated at the level of all the leading countries. Above all, there must be decisive measures to clean up the banking system, up to and including putting its most rotten segments through bankruptcy. The activity of the hedge funds and all other derivatives trading must be put under government control or banned altogether. Without the surgical removal of this cancer of speculation, it will be impossible to end the financial crisis.

• Coordinated action by leading world powers—the U.S.A., Russia, China, India, Japan, Germany, and France—for a fundamental transformation of the international financial and monetary system into a New Bretton Woods. This means the elimination of the existing floating-exchange-rate system and the introduction, in its place, of a fixed exchange-rate system. Doing this would significantly restrict the possibilities for speculative activity, which is one of the root causes of the current instability and the financial crisis.

• These same nations shall agree to develop a coordinated program of long-term capital investment in the development of the power industry and transport infrastructure worldwide, for the next 20-50 years. Such a program would provide a firm base for the sustained development of the world economy, with an emphasis on tangible production, and the greatest possible reduction of the amount of resources spent on non-productive, speculative activity.

Some may find such proposals utopian, or incompatible with the principles of the market economy. If, however, that market economy inevitably leads to destructive crises, then doesn't it require thoroughgoing curative treatment, and reconsideration of its principles?

For EIR*'s report on Professor Menshikov's 80th birthday celebration, which Lyndon LaRouche attended, see* EIR, *May 25, 2007, www.larouchepub.com/other/2007/3421menshikov_80th.html.*

South Africa Hit by Ruling Party Split

Neither the perpetrators of the split, nor the population, will benefit from this destabilization.

A growing number of national and provincial leaders of South Africa's ruling African National Congress (ANC) are leaving the party, and threatening to start an opposition party. Since South Africa's first post-apartheid election in 1994, the ANC has dominated politics, winning two-thirds of the vote, or more. George Soros, representative of the Anglo-Dutch Liberal empire—the only force that will benefit from the breakup of the ANC—has denounced South Africa for not being democratic, because of the dominant role of the ANC in South Africa.

This has become the worst political crisis in South Africa in the post-apartheid era.

South Africa has the most powerful economy in Africa, and with the large base of the ANC, former President Thabo Mbeki used South Africa's power to attempt to counter the British empire's destabilization campaigns throughout the continent, and thereby defend African sovereignty (see *EIR*, Oct. 3, 2008).

Mbeki's slate was defeated on Dec. 18, 2007 at the national conference of the ANC, in Polokwane. In September, Mbeki was pushed out of the Presidency in a brutal manner, and he was forced to resign, instead of being allowed to finish his last six months in office. The subsequent gloating by his opponents and purges of Mbeki's backers in the ANC, led Mbeki's allies to think that they would have no future in the ANC, and numerous provincial and national ANC leaders began to support the idea of splitting from the ANC and forming a new party. Feeding the process was the head of the ANC Youth League, Julius Malema, who talked about "killing for Zuma," and was not reproached by Jacob Zuma, who replaced Mbeki as head of the ANC.

Mbeki's Defense Minister, Monsiuoa Lekota, who resigned his position after Mbeki was ousted from the Presidency, started the process of splintering the ANC when he, along with Deputy Defense Minister Mluleki George, announced on Oct. 8, that he was serving "divorce papers" on the ANC. Lekota was chairman of the ANC up to December 2007, but did not even get reelected to the National Executive Committee (NEC) at Polokwane. Lekota has said that people must be ready to splill blood to defend democracy.

On Oct. 15, former Gauteng provincial premier Mbhazima Shilowa left the ANC, saying he would join efforts to form a new party. Gauteng is South Africa's richest province. Shilowa, a political heavyweight, was once considered to be Presidential material, because he had a base in Gauteng, and was a former Congress of South African Trade Unions (COSATU) general secretary, with connections to the Communist Party (SACP). He would have had the credentials to hold the ANC-SACP-COSATU alliance together. Shilowa also campaigned for Mbeki, and then also failed to be elected to the NEC at Polokwane. He described the ouster of Mbeki as a "putsch." Shilowa said that the conference, which could lead to a new party, will take place Nov. 2.

While there are no big economic policy differences between the two factions, those behind the move to split the ANC are hoping to take enough votes away to force the ANC under Zuma, who could be brought up on corruption charges, into coalition negotiations at the different levels of national, provincial, and local government. The new party move is being launched just as the ANC is about to begin choosing candidates for the elections next year.

A number of provincial ANC leaders are moving to support the new party, as a way of opposing the purges that have been conducted against them in provincial ANC elections. *Business Day* on Oct. 9 cited a source in the new party movement, who said: "There is big money behind us, we are working in the provinces, talking to the unions and other opposition parties." *EIR*'s sources report dissident activity within the ANC in eight out of nine provinces, and indicate that if 15% of the vote is taken by a new party, it would seriously weaken the ANC, and force negotiations.

South African sources indicate that there is enough disillusionment at the grass roots level with the ANC, and that people are sufficiently upset with the way Mbeki was humiliated, to give a new party enough power to be a threat.

Zuma initially vowed "radical action" against the dissidents, and suspended Lekota and George on Oct. 13. As the split continues to develop, Zuma has switched to calling for ANC unity, and talking about unemployment being the key challenge facing South Africa. But any campaign to improve conditions for the poor will fall flat in the short term, in the context of the global crisis.

This internal conflict is manipulated from London to destabilize South Africa. As in a Classical tragedy, none of the players are presently capable of seeing that they have to change their behavior, to break the dynamic that will destroy them all.

Is British Agent Soros Still Running Obama's Campaign?

by Anton Chaitkin and Jeffrey Steinberg

Oct. 17—One of the most frequently cited concerns about Sen. Barack Obama's qualifications to serve as the 44th President of the United States is his widely reported ties to George Soros, the British Foreign Office's self-professed wartime Nazi collaborator, and hedge fund speculator. Indeed, a recent Google search for items citing both Obama and Soros, turned up over 1 million news reports and blog commentaries on the ties between the two men.

With less than three weeks to go before the Nov. 4 elections, it is fair to say that a wide segment of concerned American voters, along with many foreign leaders, continue to ask the question: Is George Soros still running Barack Obama's Presidential campaign?

Soros's Latest Hostile Takeover

Soros had been bragging for years about his longstanding scheme to stage a "hostile takeover" of the Democratic Party. It was Soros money that catapulted Howard Dean into the chairmanship of the Democratic Party, following his failed bid for the 2004 Democratic Presidential nomination. After the defeat of Sen. John Kerry in November 2004, Soros launched the Democracy Alliance, a behind-closed-doors cartel of billionaires, who pooled their funds to establish a parallel Democratic Party structure, modelled on the Soros-bankrolled "civil society" revolutions in such locations as Ukraine, Georgia, and Serbia.

Soros's bankrolling of Georgian President Mikheil Saakashvili's "Rose Revolution" has drawn recent media attention, after Saakashvili's murderous attack on South Ossetia, which nearly triggered war between Russia and NATO this Summer. What was largely ignored in the fog of the Russia-Georgia war was the role of British Foreign Office figure **Mark Malloch-Brown**—Soros's longtime British partner and "handler." First, as head of the United Nations Development Program (UNDP), and later as vice chairman of both Soros's offshore Quantum Fund and his Open Society Institute, Malloch-Brown was Soros's full partner in all the filthy Caucasus endeavors. It was only at the point that Soros was about to take a lead role in launching Obama's Presidential campaign, that Malloch-Brown went home to "Mother" and became the number two man in the British Foreign and Commonwealth Office.

But until that moment, in mid-2007, Malloch-Brown was Soros's 24-7 link to the British Crown for more than 20 years, a role that earned the Foreign Office mandarin his British knighthood.

Rainbow Revolution, American Style

Through billions of dollars in donations to a select group of Democratic Party-linked organizations, such as **MoveOn** and **ACORN** (Association of Community Organizations for Reform Now), and through his longstanding links to **Service Employees International**

Ariel Gutierrez

George Soros (left) with his British Foreign Office "handler," Mark Malloch-Brown, in Monterrey, Mexico in 2002. Malloch-Brown was formerly vice chairman of Soros's Quantum Fund and the Open Society Institute.

Union (SEIU) corporatist president, **Andy Stern**, Soros has established his financial and political control over the very grassroots apparatus that is supposed to give Obama the margin of victory on Nov. 4.

Indeed, Soros's **Democracy Alliance** is led by two leading figures in the SEIU/ACORN nexus. **Anna Burger**, the secretary-treasurer of the SEIU and chair of the "Change to Win Federation," Stern's labor-busting split-out from the AFL-CIO, is vice chairman of the Democracy Alliance. And **Drummond Pike**, the head of the **Tides Foundation**, and the longtime sponsor of former ACORN boss **Wade Rathke**, is the treasurer of Democracy Alliance. The Tides Foundation is an $80-million-a-year conduit of funds from wealthy donors, who wish to conceal their contributions to many of the very organizations now principally bankrolled by the Soros funding cartel.

While the Republican Party and the right-wing media have recently had a field day, highlighting criminal probes into ACORN's alleged voter registration and subprime mortgage fraud schemes, hardly a word has been reported on ACORN's links to the Tides Foundation and the larger Soros Democracy Alliance nexus, which both pour an undisclosed fortune into ACORN annually.

ACORN founder and longtime SEIU organizer Wade Rathke left ACORN in the last year, after the *New York Times* revealed a decade-long ACORN/Tides coverup of a million-dollar theft from the group's treasury by Rathke's brother. Rathke was recruited in 1972 by none other than Tides Foundation head Drummond Pike, who simultaneously launched Tides, as a conduit for radical environmental and "civil society" groups, largely manned by radical flotsam and jetsam from the 1960s New Left—an apparatus that Lyndon LaRouche labelled at the time as "New Left local control fascists." At the time of his recruitment by Pike, Rathke was running a local community control organization in Arkansas, and with Tides money, backed by a later flow of Federal funds from the Carter Administration, ACORN went national.

But the Soros-Obama links, so frequently cited in news accounts, run much deeper and more personally than Soros's bankrolling of a network of aging New Left radicals, now swept up in a string of corruption scandals, second only to Obama's links to convicted Chicago fixer Tony Rezko.

From public accounts, Soros met Obama for the first time in March 2004, when Obama was an Illinois state senator, running for a vacant U.S. Senate seat. Obama was the only state elected official and the only U.S. Senate candidate that the high-profile billionaire speculator met with during that election cycle. On July 27, 2004, Soros held a fundraiser at his New York home for Obama, which raised at least $60,000, mostly from Soros's family members, according to news accounts.

Slightly more than two years later, on Dec. 4, 2006, then U.S. Sen. Barack Obama traveled to New York City, to privately confer with Soros about a possible Presidential run in 2008. After a widely publicized closed-door meeting, Soros escorted Obama into an adjacent conference room, where a group of wealthy donors was waiting for Soros's imprimatur to begin seriously bankrolling Obama's drive for the highest office in the land. Among the billionaires who participated in that soirée were Union Bank of Switzerland USA chief Robert Wolf and hedge fund manager Orin Kramer, both of whom would emerge as major "bundlers" of cash for the Illinois Senator's Presidential run.

Weeks after the New York City session with Soros, Obama formally launched his campaign for the Presidency. On April 7, 2007, one of the biggest early fundraising events for Obama took place at the home of **Steven Gluckstern**, who had headed Soros's Democracy Alliance. Soros was a prominent participant in that event. Three weeks later, on May 18, 2007, Soros was again host to an Obama fundraiser, this time at the Greenwich, Conn. home of fellow hedge fund manager **Paul Tudor Jones** of Tudor Investment Corp. According to the *Greenwich Times*, the 300 guests each kicked in $2,300 to the Obama campaign.

Soros Hedges His Bet

Soros's early-and-often backing for Obama did not deter him from hedging London's bet. Soon after John Kerry lost the 2004 election to President George W. Bush, Soros not only launched his hostile takeover move on the Democratic Party through Democracy Alliance. He also unleashed his grassroots dupes in MoveOn to assail Halliburton, the mercenary firm formerly headed by Vice President Dick Cheney, which had been handed a lion's share of contracts in Anglo-American-occupied Iraq. After the public assaults drove down Halliburton stock to $26 a share, from a peak of $40, Soros quietly bought 2 million shares in the company, called off his attack dogs, and made a quick $40 million profit, when share prices shot back up to $50.

And Soros had already been bankrolling some leading Republican neoconservatives, who shared his zeal for "rainbow revolutions" on Moscow's doorsteps. **Randy Scheunemann**, now the chief foreign policy advisor to Sen. John McCain's Presidential campaign, and a leading figure in the neocon Project for a New American Century (PNAC), went onto Soros's **Open Society Policy Center** payroll in 2003, as part of the Soros sponsorship of Saakashvili's "Rose Revolution." During 2003-05, Scheunemann's Orion Strategies lobbying firm got $140,000 from the Open Society Policy Center to back the Georgian insurgent movement.

Soros's Open Society Insitute has also been one of the largest funders of the **Reform Institute**, a Washington think-tank headed by McCain's campaign strategist and longtime aide, **Rick Davis**.

When it comes to investing London's political capital in foreign hostile takeovers, Soros always hedges his bets.

The Weatherman

by Lyndon H. LaRouche, Jr.

LaRouche issued the following statement through the LaRouche Political Action Committee on Oct. 17, 2008.

Chicago's Bill Ayers has currently uttered what is, in itself, a wildly tendentious account of his own, and implicitly Dohrn's roles in the Weatherman terrorist operations of that grouping within SDS during the 1968-1970 interval and beyond. For any relevant historian, Ayers' statement is implicitly his confession of everything which I know to have been recently charged against him. I have relevant eyewitness and related expert witness in this area.

In late June 1968, I wrote a relevant, substantially eyewitness assessment of those events, at Columbia University which had just occurred during the interval of March-June 1968. The title of that piece, contained within a rather widely circulated publication at that time, was "The New Left, Local Control & Fascism," in which I likened the circles then associated with Mark Rudd as being an echo of the "purgative violence" dogma of Benito Mussolini's fascists, and also expressed in the way in which avowed Communists and Nazis swapped large portions of their forces, back and forth, during action on the streets of Berlin during the pre-Hitler period of the trolley-car "mass strike."

By the Spring of the following year, the official Students for Democratic Society (SDS) organization fractured, producing what became known as Mark Rudd's "Weatherman" organization in which Bernardine Dohrn came to play a widely publicized role. The most crucial of the relevant points to be made on the subject of Bill Ayers' current piece, is that he expresses the same, systemic form of fascist ideology for today, which was expressed by the Weatherman terrorists, such as his companions Rudd and Dohrn of yore.

However, there is a more important connection of relevance for today, in this matter. The crucial historical

Case Today

fact about the case of Ayers et al., is that they were a creation of the type of sponsorship from within the financier community which we associate with the expression "Wall Street law firms," or with the Wall Street backers of Adolf Hitler's cause, such as President George W. Bush, Jr.'s grandfather, Prescott Bush (then of Brown Brothers Harriman) together with the Bank of England's Montagu Norman, back during the early 1930s.

Thus, when a putative "former terrorist" such as Bill Ayers, turns up in a notable law firm or kindred institution, we ask ourselves, "Has he, a terrorist, returned to his native roost?" Which is Ayers? Is he a repentant sinner, or is he out of the same stall as when he served with Mark Rudd's terrorist band during the 1969-70 interval?

To answer that question, we should compare the "fingerprint" which Ayers presents in his putatively exculpatory piece now, and that of his actions during the 1968-1970 phase of the emergence of the "Weatherman" terrorist group. His own currently uttered piece is fairly described as nothing but an indelibly Sophist defense of the terrorism he practiced back then, and anyone associated with the kind of firm with which he is associated knows that.

Sophistries such as his construction of Sherman's march, reveal more evidence than they purport to conceal. I have the benefit of relevant experience, that I understand mentalities such as those of Dohrn and that of the mentality of Ayers' attempted swindle very well.

The British Foreign Office's Jeremy Bentham and Bentham's protege Lord Palmerston had conspired to break up and subjugate our United States through a massive barrage of operations, including often overlooked genocide against the Cherokee nation, and the massive infusion of African slaves into the U.S.A. through Britain's puppet, the Nineteenth-Century Spanish monarchy. The U.S. leaders of the conspiracy which was the Confederacy plot were agents of the same British Foreign Office which thrust the Habsburg tyrant upon democratic Mexico through combined British, Napoleon III's, and Spanish monarchy forces, all as part of the British empire's scheme in using Foreign Office puppets such as Napoleon III and the Spanish slave-trading monarchy in the effort to conquer both Mexico and the United States itself.

Next Left Notes/Thomas Good

Bill Ayers and his wife, Bernadine Dohrn, were cofounders of the terrorist Weathermen in the 1960s. His current effort to whitewash his past, LaRouche writes, is "an indelibly Sophist defense of the terrorism he practiced back then."

War is war, and the British monarchy and its French, Spanish, and Confederacy tools were fully guilty of the crime which Sherman's actions aided greatly in defeating. Thus, Ayers makes himself a defender of enslavement of persons of African origin: not exactly what any Presidential candidate, including Obama, should desire anywhere near his camp.

There is nothing inconsistent with his a.) past offenses, b.) the specific kind of Sophist mentality shown in his currently uttered apology, and his lack of loyalty to the United States expressed in his reference to Sherman,

Otherwise, as I repeatedly presented the relevant, conclusive argument, the mentality of the Weatherman was, as I foresaw the trend in June 1968, fascist. That is the same mentality I recognize in Ayers' apology today.

Presidential candidate Obama must repudiate that association publicly now, that for the good of our nation in this perilously trying present time.

Documentation

Bill Ayers' Comment

From Ayers' online diary on April 6, 2008.

Episodic Notoriety—Fact and Fantasy

Day in and day out I go about my business, I hang out with my kids and my grandchildren, take care of the elders, I go to work, I teach and I write, I organize and I participate in the never-ending effort to build a powerful movement for peace and social justice; now and then (and unpredictably) I appear in the newspapers or on TV with a reference to my book *Fugitive Days,* a memoir of the revolutionary action and militant resistance to the Viet Nam War—the years of miracle and wonder—and some fantastic assertions about what I did, what I said, and what I believe. The other night, for example, I heard Sean Hannity tell Senator John McCain that I was an unrepentant terrorist who had written an article on September 11, 2001 extolling bombings against the U.S., and even advocating more terrorist bombs. Senator McCain couldn't believe it, and neither could I.

My e-mail and my voice-mail filled up with hate, as happens, mostly men with too much time on their hands I imagined, all of them venting and sweating and breathing heavily, a few threats—"Watch out!"; "You deserve to be shot"; and from satan@hell.com, "I'm coming to get you and when I do, I'll waterboard you"—all of it wildly uninformed. I've written a lot about the Viet Nam period, about politics, about schools and social justice, and I read and speak about all of it. I encourage people to argue, to agree or disagree, to discuss and struggle, to engage in conversation. I believe deeply in the pedagogical possibilities of dialogue—of listening with the possibility of being changed, and of speaking with the possibility of being heard—and I believe in revitalizing the public square, resisting the eclipse of the public and expanding the public space, searching for a more robust and participatory democracy. Talking to one another can help.

So in that spirit here is another attempt at clarity:

1. Regrets. I'm often quoted saying that I have "no regrets." This is not true. For anyone paying attention—and I try to stay wide-awake to the world around me all/ways—life brings misgivings, doubts, uncertainty, loss, regret. I'm sometimes asked if I regret anything I did to oppose the war in Viet Nam, and I say "no, I don't regret anything I did to try to stop the slaughter of millions of human beings by my own government." Sometimes I add, "I don't think I did enough." This is then elided: he has no regrets for setting bombs and thinks there should be more bombings.

The illegal, murderous, imperial war against Viet Nam was a catastrophe for the Vietnamese, a disaster for Americans, and a world tragedy. Many of us understood this, and many tried to stop the war. Those of us who tried recognize that our efforts were inadequate: the war dragged on for a decade, thousands were slaughtered every week, and we couldn't stop it. In the end the U.S. military was defeated and the war ended, but we surely didn't do enough.

2. Terror. Terrorism—according to both official U.S. policy and the U.N.—is the use or threat of random violence to intimidate, frighten, or coerce a population toward some political end. This means, of course, that terrorism is not the exclusive province of a cult, a religious sect, or a group of fanatics. It can be any of these, but it can also be—and often is—executed by governments and states. A bombing in a café in Israel is terrorism, and an Israeli assault on a neighborhood in Gaza is terrorism; the September 11 attacks were acts of terrorism, and the U.S. bombings in Viet Nam for a decade were acts of terrorism. Terrorism is never justifiable, even in a just cause—the Union fight in the 1860's was just, for example, but Shernan's [sic] March to the Sea was indefensible terror. I've never advocated terrorism, never participated in it, never defended it. The U.S. government, by contrast, does it routinely and defends the use of it in its own cause consistently.

3. Imperialism. I'm against it, and if Sean Hannity and others were honest, this is the ground they would fight me on. Capitalism played its role historically and is exhausted as a force for progress: built on exploitation, theft, conquest, war, and racism, capitalism and imperialism must be defeated and a world revolution—a revolution against war and racism and materialism, a revolution based on human solidarity and love, cooperation and the common good—must win.

We begin by releasing our most hopeful dreams and our most radical imaginations: a better world is both possible and necessary. We need to bring our imaginations together and forge an unbreakable human alliance. We need to unite to transform and save ourselves as we fight to change the world and save humanity.

National News

Pelosi: 'Tighten Belts, Go Into Survival Mode'

House Speaker Nancy Pelosi, at an Oct. 13 press conference following a closed-door meeting with a flock of pro-bailout economists and Democratic Congressmen, let it be known that the policy she is following leads to fascist austerity.

"We invited some leading economists in the country to give us the benefit of their thinking on the subjects of how we help the taxpayer, how we help working families in America, how we stabilize financial institutions, how we take advantage of the opportunities that this crisis may present," she said. The meeting discussed "a recovery package that will enable America to lead, to participate in and take advantage of the opportunities that the 21st century will present to the world."

Both Pelosi and the economists, in their short turns at the microphone, said how pleased they were that they all agreed on their overall approach.

In answer to the first question by the media, Pelosi said, "We have been working closely with the Obama campaign because we want to have an initiative that responds to the needs of the American people."

Giving a better idea of what all the blather means, Pelosi said twice, "We have to tighten our belts, take ourselves into survival mode."

HUD Doesn't Recognize Growing Hidden Homeless

The U.S. Department of Housing and Urban Development (HUD) does not recognize hundreds of thousands of the victims of mortgage foreclosures as "homeless," the National Policy and Advocacy Council on Homelessness (NPACH) told Inter Press Service on Oct. 18. The HUD definition of homelessness "does not include children and families who have lost their homes but are temporarily staying in motels or with other people because other shelter is not available or appropriate," NPACH reported.

The U.S. government has not counted the homeless since 2005, National Coalition for the Homeless head Michael Stoops told IPS. Even back then, he said, the government admitted that "44% of the nation's homeless are unsheltered."

Sixty percent of local and state homeless coalitions report steady growth of homelessness since home foreclosures began escalating in 2007.

Jeremy Rosen, head of NPACH, said that some 600,000 children and youth are among the "hidden homeless," members of families who lost homes due to foreclosures or family crisis, but not recognized by HUD. "They become the "hidden homeless," moving around from place to place—sleeping in cars, on couches, sometimes in shelters, sometimes with friends, and sometimes with family. Unfortunately, our country chooses to deny this reality and doesn't define many of these people as homeless," Rosen said. "More than 60% of the homeless students identified by public schools are ineligible for HUD Homeless Assistance," NPACH reported.

Stoops reported that a "month ago, over 900,000 homes were foreclosed and some of the people concerned will wind up homeless." Laid off Wall Street bankers could soon be joining them, he noted.

LaRouche's HBPA Passes Buffalo Common Council

The Buffalo Common Council has become the latest local governing body to pass a resolution endorsing a version of the LaRouche Political Action Committe-initiated Homeowners and Bank Protection Act. The resolution had been submitted in November 2007, but was permitted to lie dormant until this Fall, when the worsening crisis apparently motivated the Councilmen to act. The vote was unanimous.

More than 100 local and state governing bodies have passed the HBPA since the Fall of 2007, demanding that Congress protect the state- and Federal-chartered banks, and freeze home foreclosures, among other measures. Had Congress heeded their constituents, and passed LaRouche's proposal, the current banking meltdown, and foreclosure crisis, would not be occurring.

Buffalo joins other Rust Belt cities that have passed resolutions endorsing the HBPA, including St. Louis, Gary, Akron, Youngstown, Pittsburgh, Detroit, and Philadelphia.

For the full text of the Buffalo resolution, and the Homeowners and Bank Protection Act, go to www.larouchepac.com.

Draconian Cuts: States' Answer to Revenue Loss

States from California to Virginia are imposing their next round of drastic budget cuts as tax revenues are slashed in the collapsing economy. States across the nation report vanishing first-quarter fiscal year revenues totalling in the billions. But this is just the beginning, unless they adopt LaRouche's solution: No bailout; only bankruptcy reorganization will work.

California continues to lead the pack in size of revenue losses. On Oct. 10, legislators were back negotiating how to deal with a first-quarter fiscal year 2008-09 loss of $1.1 billion announced by State Controller John Chiang. Yet, the same day this *revenue loss* was reported, state Treasurer Bill Lockyer said he hopes to sell $4 billion in *Revenue Anticipated* Notes to raise enough money to pay the bills.

Examples from a few other states:

• Massachusetts has a $223 million first quarter FY shortfall, leading Gov. Duval Patrick to begin drastic cuts. A hiring and salary freeze and a mandatory unpaid seven-day furlough for all employees have been imposed. The state's pension fund has lost $8 billion since January.

• Pennsylvania expects a $2.5 billion FY shortfall. It has already lost $281.4 million in its first quarter.

• Virginia projects a $2.5 billion FY shortfall.

THE WORLD'S CHOICE

Suicide by Banker, or Return To Bretton Woods

by John Hoefle

Oct. 17—The global financial system is dead, and the wild-eyed bailout schemes being touted as fixes are all incompetent and insane, the equivalent of giving junkies more of the drugs that are already killing them. There are some differences in the proposed schemes, just as there are differences between heroin and crack cocaine, but they would all give the addicts more poison.

The bankers' screams for "more money! more money!" are not really any different than the junkie's demand for another fix. In both cases, the proper response is to say "No!" and cut them off. They may not like going cold turkey, but giving in to their addiction will only make matters worse.

In the case of the financial markets, that means shutting down the derivatives markets, then putting the rest of the financial system through the equivalent of a bankruptcy procedure. Derivatives contracts would simply be declared null and void, as if they had never occurred, eliminating all questions of "value" and settlement in this multi-quadrillion-dollar gambling den. What remains, the trillions of dollars of debt and debt masquerading as assets, would then be frozen until the wheat could be sorted out from the chaff.

That is what must be done, and we will either do it or we shall descend into a new dark age, the path paved by an explosion of hyperinflation that will wipe out everything in its path. The attempt to bail out the dead system is suicidal, and thus the choice facing the world today is to either commit suicide by continuing the insanity, or the concepts and policies bequeathed to the world by FDR's Bretton Woods agreements.

Bailout of the Week

One need look no further than the one-week lifespan of Treasury Secretary Henry Paulson's bailout scheme to see the writing on the wall. Paulson assured us when his demands were put before Congress that he knew what the problem was and had devised an effective solution. Congress, he insisted, must not change a thing. Congress capitulated, and Paulson got the authority and funds he demanded, only to abandon his plan within days, going with the British scheme to inject funds directly into the banks—accompanied, naturally, by assurances that this plan has been well thought out, and will solve the problem.

Under the new and improved bailout plan, the Treasury will inject $250 billion into U.S. banks, including U.S.-chartered subsidiaries of foreign banks; half of this money, $125 billion, will go to nine banks: Citigroup and J.P. Morgan Chase will get $25 billion each; Bank of America and Wells Fargo will also get $25 billion each, including $5 billion apiece for their takeovers of Merrill Lynch and Wachovia, respectively; the newly

The latest version of the "Paulson plan" injects $250 billion directly into the veins of the banks—a scheme advocated by British Prime Minister Gordon Brown. Former Fed chairman Alan Greenspan (right), whose post-1987 policy of pyramiding financial derivatives was a major factor in triggering the current meltdown, is now an advisor to Gordon Brown.

minted bank holding companies Goldman Sachs and Morgan Stanley will each get $10 billion; and State Street and the Bank of New York Mellon, both of which play significant back-office roles among banks, will split the remaining $5 billion; assuming that the plan is not revamped again before the payouts occur. This echoes the plan announced by Britain, which will inject some $60 billion into three banks, the Royal Bank of Scotland, HBOS, and Lloyds TSB.

These banks join the growing list of financial institutions which have failed, been merged to avoid failure, or have avoided failure through capital injections or nationalization. The carnage which began with the failure of Northern Rock a year ago has now claimed, in one way or another, most of the world's largest banks, and the show is just getting started.

British Delusions of Grandeur

The British pulled off a coup to get their version of the bailout plan adopted by the United States and the major European nations, especially since Secretary Paulson had repeatedly made it clear that he had no intention of buying equity in U.S. banks.

Two events helped change the American position. The first was the move by Wells Fargo to break up the Plunge Protection Team's arranged merger of the banking operations of Wachovia into Citigroup, which would have significantly boosted Citi's deposit base. The Brits have been out to sink Citi for months, to ensure that Morgan Chase, a bank with deep and long-standing British ties, emerges as the leading bank in America. The second event was the dramatic plunge in world stock markets during the intervening week. The Brits appear to have been the motivating factor in both cases, helping arrange the Wells Fargo bid for Wachovia and triggering the huge sell-offs in the stock markets which sent the markets, and their governments, into panic.

The British plan, as far as it has been revealed, is one of bank bailouts and liquidity injections, but Perfidious Albion always has tricks up its sleeves. In pushing for coordinated global action to solve a global problem, the Brits are actually moving to establish a form of global bankers' dictatorship, in which supranational organizations would be created to regulate and supervise the banks. The intent is to lessen, then eliminate the power of the nation-states to regulate banks and control their own credit, as a way of cementing the power of the British Empire. Individual nations would effectively lose whatever sovereignty they have left.

What the British and their oligarchic backers fail to understand, is that the horror such a plan would unleash upon the world, will destroy their empire as well. They may think they can control the "downsizing" of nations and their populations, and the chaos which would ensue, but they are making a tragic, fundamental mistake.

The dark age of the 14th Century was caused by the collapse of the Lombard banking system, which wrecked the economy of Europe and created the conditions in which the bubonic plague flourished. The Lombard system was parasitic, thriving by looting nations and their populations, much as we see today, and when it collapsed, civilization collapsed into a dark age. We face the same problem today.

In the final analysis, it is physical economy, not the manipulation of money, which determines the living standard of mankind, and nations that spend their money on bailouts while their physical economics collapse, are not long for this world. The British parasites have made fortunes looting the United States, and now they've basically destroyed us. But when the U.S. goes, and most of the world goes with it, where will Britain feed?

When the host dies, so does the parasite.

New Bretton Woods

Lyndon LaRouche has called for a New Bretton Woods conference to deal with this crisis. A key element of the New Bretton Woods agreement would be a revival of the FDR-inspired fixed exchange rates among national currencies. Fixed exchange rates not only promote stability in the financing of international trade, but they would also end the ability of the British Empire to manipulate currencies for geopolitical reasons, and for merely venal ones.

The fixed-rate system stabilized the world from 1944 until 1971, when President Nixon took the dollar off gold, a move which opened the world to an invasion by British speculative capital. Since that time, the nations of Ibero-America have been reduced to virtual debt slaves, hit with combination blows of high debts and devalued currencies, leaving their populations devastated. In the United States, the economy has operated at a loss every single year over the last four decades, as our ability to produce what we consume has deteriorated, and we have gone deep into debt to cover the growing shortfall. Now our financial system has collapsed, and in the final indignity, we find ourselves bailing out the criminals who destroyed us, while we are left without the funds to rebuild our economy and restore our productivity.

The solution to this crisis, as LaRouche has repeatedly insisted, is a return to American System economics, and the convening of a New Bretton Woods conference to steer the world back to progress and prosperity. However, we must be clear on what we mean, as the British and their agents are also calling for a New Bretton Woods, for purposes diametrically opposed to ours.

The 1944 Bretton Woods conference was a battleground between the policies of Franklin Roosevelt and the policies of the British Empire. FDR wished to use the conference to lead the world out of the ancient imperial system, with its looting and colonies, and said as much to an apoplectic Sir Winston Churchill. The Brits had their own view, wishing to use the conference to restore their empire. At the time, the British Empire had been severely weakened by two world wars, while the U.S. was stronger than ever, with unquestioned industrial and economic might. FDR prevailed over the British and the world benefitted, but the British neither forgot nor forgave, and are today trying to use the financial crisis as a lever to force a new, global monetary system in which finance dominates nations. In their typical sadistic duplicity, they are themselves calling for a New Bretton Woods, with every intention of prevailing this time around.

That is no problem as long as we understand the issues, know what must be done, and are willing to take the lead in advocating the American System. The world will forgive the United States its recent transgressions if we abandon our Anglophilic heresies and return to our founding principles, but the world will never forgive the British Empire for what it has inflicted upon mankind, and for the new horrors it has planned. As LaRouche observed recently, Britain will soon become the most hated nation on Earth, as the effects of its bailout scheme and other plans become more clear.

It doesn't have to end that way, of course. We can still save the day, and as we rebuild the world and revive civilization, perhaps one day we can even civilize the British, and induce them to join the modern world.

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LaRouche's Two-Decade Fight Against Greenspan's Derivatives Policy

Alan Greenspan, an acolyte in the cult of Ayn Rand, was appointed chairman of the Federal Reserve Board in August 1987, shortly before the "Black Monday" crash of Oct. 19. From that perch, he oversaw the deregulation of the U.S. financial system until his "retirement" in 2006, allowing financial derivatives to run wild, overwhelming the physical economy, and bringing the world to its current state of economic-financial collapse. The following chronology, edited and updated from that published in EIR*, Oct. 28, 2005, shows how every step of the way, Lyndon LaRouche and* EIR *have been warning of the consequences of these disastrous policies.*

(The gray tones highlight what actually occurred in the financial system.)

EIRNS

Lyndon LaRouche's "bouncing ball" image of the economy, on national TV during the 1988 Presidential campaign, during which he sought the Democratic nomination.

1987

May 26: Lyndon LaRouche warns that "an October crash would be very probable" unless government policies are changed.

Aug. 11: Alan Greenspan named chairman of the Federal Reserve.

Oct. 19: Stock market suffers largest loss in history, as Dow Industrial Average drops 508 points, or 22.6%.

1988

Dr. Wendy Gramm, wife of Sen. Phil Gramm (R-Tex.), is appointed by President Reagan to the chairmanship of the Commodity Futures Trading Commission (CFTC), which is supposed to regulate commodity exchanges. From this post, she nurtures the growth of the derivatives market.

April 12: In a half-hour nationwide TV address, LaRouche likens financial market behavior to a bouncing ball on a downward trajectory.

1989

March 30: Michael Milken of Drexel Burnham is indicted on 98 counts of insider trading and other financial manipulations involving junk bonds, leveraged buyouts, and hostile takeovers. In 1986, he had been raising over $3 billion a week through junk bond sales, and told the *Washington Post*, "The force in this country buying high-yield securities has overpowered all regulation." He eventually pleads guilty to six felony counts and is sentenced to a $600 million fine and ten years in prison.

1992

November: Enron successfully petitions the Commodity Futures Trading Commission, headed by Wendy Gramm, to remove energy derivatives and interest-rate swaps from CFTC oversight. This opens the door to a new era of profiteering in the energy markets. Gramm resigns from the CFTC when George H.W. Bush leaves office in 1993; she then joins the board of Enron.

1993

March 9: LaRouche proposes a 0.1% transaction tax on derivatives, and proposes emergency measures to restore the physical economy. "The derivatives bubble, by the very nature of these transactions, is a financial bubble in the tradition of the more primitive, more rudimentary, and far less dangerous bubbles of the 18th Century, such as the John Law bubble in France, and the South Sea island bubble in England in the same period of time. This is the John Law bubble gone mad. The vulnerability to the entire financial system, the chaos and destruction of actual physical processes of production, distribution, employment, and so forth is incalculable in potential, and therefore this thing must be brought under control promptly."

May: Notional principal value of derivatives contracts in the United States is in the range of $16 trillion.

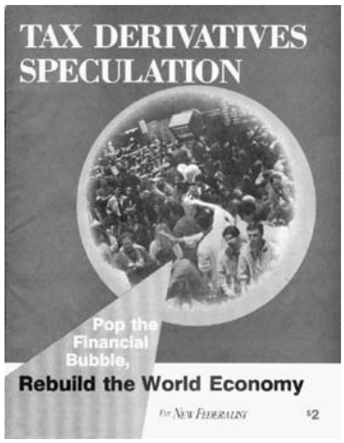
May 23: LaRouche writes: "If you were a visitor from another solar system looking at Earth and looking at the situation here, and taking into account derivatives, would you advise anyone to invest in this planet?

"I think the answer would be, on first impression: No. The significance of the derivatives, is the fact that they can be tolerated. The fact that they *are* tolerated in the way they are tolerated, in the way they are discussed in the financial community, indicates that *no one in their right mind* would invest in this planet, as long as the kind of thinking behind derivatives is hegemonic.

"What are derivatives? It's risk management. It's called capital. What kind of capital? Is it industrial capital? No, absolutely not. Rather, it is a manner of participating in a bubble which sustains itself by taxing the real economy, by sucking the life's blood out of it as premiums to pay these charges on risk management. Because it is the net charges on risk management, as against risk, that is the basis of the system. In order to have a charge which exceeds the risk, you must extract that relative amount from the real economy.

"Where does it come from? It comes from not maintaining infrastructure, water systems, and so forth. It comes from not maintaining industrial capacity; it comes from shutting down a plant in order to get something cheaper, presumably, from a cheap-labor area in a foreign country. It means looting of eastern Europe. It means looting the former Soviet Union. It means looting China through slave-labor projects, such as those in Hainan, or the enterprise zones, where Chinese are being gobbled up in Auschwitz-like patterns. . . ."

June: Rep. Henry Gonzalez (D-Tex.), chairman of the House Banking Committee, derides derivatives as "a fancy name for gambling." He calls for an investigation of George Soros's profiteering in the 1992 turmoil in European currencies. He scores Citibank and other major banks for off-balance-sheet derivatives speculation. "Is there money out there in these international markets for the procurement of goods, for firing the engines of manufacturing and production? No. it is paper chasing paper." He also puts into the *Congressional Record* an article by *EIR* economist John Hoefle, on the size of the banks' off-balance-sheet derivatives.



July: In a mass-circulation pamphlet, "Tax Derivatives Speculation; Pop the Financial Bubble, Rebuild the World Economy," published by the *New Federalist* newspaper, LaRouche warns of "the prospect of a derivatives bubble which grows like a cancer at the expense of its host, and shrinks its host, at the same time its appetite is growing, while the means of satisfying that appetite are collapsing."

July: A report, "Derivatives: Practices and Principles," is released by the Group of 30 top executives from money-center banks (Dennis Weatherstone, chairman of J.P. Morgan, Inc., heads the group, which includes former U.S. Fed Chairman Paul Volcker). The report asserts that there is no cause to worry about derivatives.

August: Feruzzi, the multinational food giant, reveals $3 billion of derivatives losses.

Sept. 8: *EIR*'s John Hoefle testifies on the dangers of derivatives before a House Banking Committee hearing on NAFTA, at the invitation of Chairman Henry Gonzalez (see box, p. 38).

Oct. 28: The House Banking Committee holds first-ever hearings on derivatives. *EIR* submits written testimony, entitled "Tax and Dry Out the Derivatives Market; Don't Regulate It."

December: Big derivatives losers are Germany's Metallgesellschaft, $1.34 billion; Malaysia's Bank Negara, $3 billion.

1994

February: Fed raises interest rates slightly, for the first time in five years, which is seen as an attempt to slow speculative bubbles. The result is a bloodbath in speculative markets. Hedge funds lose billions; the mortgage-backed securities market disintegrates. Rumors fly that there is trouble at Bankers Trust.

Long Term Capital Management (LTCM) hedge fund is started up by Robert C. Merton and Myron S. Scholes.

Feb. 1: Greenspan tells the Bankers Club in London that the rapid growth of trade in derivatives reinforces the requirement for central banks to oversee monetary policy and payments systems to protect the integrity of the financial system, "whether written in law or not."

Feb. 2: LaRouche comments on Alan Greenspan's Feb. 1 remarks defending extra-legal practices by central banks to deal with derivatives:

"The problem is that we've got a bunch of yuppies in Europe and in the United States, who are sitting at their personal computers or similar devices, and making money out of thin air, but at the expense of real business and real people. We're destroying the economy by a kind of cancer of speculation, which acts just like a metastatic, malignant cancer, eating at the whole of our economy: We gobble up assets; we sell off assets; we strip assets; we downsize—all for the purpose of feeding this margin of profit into this game called derivatives, and similar kinds of speculation.

EIRNS/Claudio Celani

"These people are fanatical.

"What's the issue? The issue is, first of all, like most prosecutors that I've known in this country, the Fed officials lie all the time. Why should anybody be surprised about that? They're looting the American people! Are they going to say that?"

April: Crisis surfaces at the venerable Kidder Peabody investment house; in August, GE dumps it.

Derivatives losers over the Spring months, include hedge funds: George Soros, $600 million; Julian Robertson, $875 million; Michael Steinhardt, $1 billion; Askin Securities, $600 million; Vaircana Ltd., $700 million. Others: Bankers Trust, $250 million; Gibson Greetings, $23 million; Cargill, $100 million. Public funds and entities include: City Colleges of Chicago/Cook County, $19.2 million; Eastern Shoshone Tribe of Wyoming, $700,000.

May 25: Bank of England Executive Director Brian Quinn praises derivatives before a conference co-sponsored by the Futures and Options Association and the Futures Industry Association: "The ingenuity of the specialists who design and price derivatives products . . . seems boundless. . . . Derivatives do not entail any new risks. . . . If the presence of derivatives makes prices of financial assets more volatile, does this necessarily mean the financial system is inherently less stable? The instinctive answer to this question seems to be 'yes.' However, academic work—while inconclusive—suggests that, if anything, the opposite is the case."

May 26: Greenspan testifies before the House Finance Subcommittee hearings on derivatives: "There is nothing involved in federal regulation per se which makes it superior to market regulation. Today's markets and firms, especially those firms that deal in derivatives, are heavily regulated by private counterparties who for self-protection insist that dealers maintain adequate capital and liquidity."

June 7: At a "Forex 94" conference in London, British Central Bank chief Eddie George declares that worries on derivatives are vastly exaggerated. What he fears much more than derivatives is any kind of stable foreign exchange rates: He warns against any attempt to re-establish an international system of fixed exchange rates like Bretton Woods.

June 13: LaRouche releases his "Ninth Forecast," published in *EIR* on June 24 ("The Coming Disintegration of Financial Markets"). In it, he underlines the derivatives risk:

"The Federal Reserve System is key to the derivatives bubble of today. Without corrupt, virtually treasonous complicit officials at the Fed, the speculative mania which has ruined our nation and much of the world besides would not have been possible. . . .

"The cancer of speculative derivatives burgeons—an ugly growth. Worse, to exist, the cancer must loot the healthy tissue in at least equal degree. Thus the monster grows, while the human being is sucked to death so. Excise the tumors, kill the cancer without killing the healthy tissue. The task is destroy the parasite, to save its victim. . . ."

July 14: Felix Rohatyn, senior partner of Lazard Frères, argues in the *New York Review of Books* for the freedom of the "global private capital markets": "A genuine worldwide market in stocks, bonds, currencies, and other financial instruments has emerged, tied together by modern data-processing and communications technology, and operating 24 hours a day. . . . The cold-blooded selection process by which world capital is invested will determine the economic progress of many nations."

November: Securities and Exchange Commission (SEC) and CFTC investigate Bankers Trust, which fires its derivatives executives.

December: Orange County, California, one of the nation's richest, files for bankruptcy after losing $1.7 billion in the derivatives market.

Derivatives losses become a byword across the country, ranging from the Minnesota Orchestral Association, $2 million; to Odessa College, Texas, $11 million; to Piper Jaffrey Mutual Funds, $700 million. Florida, Ohio, South Carolina, Colorado, and Maine are also hit.

SEC/CFTC and Bankers Trust reach agreement, in which the government takes control of the bank, and Bankers Trust pays a $10 million fine.

Dec. 7: The Joint Economic Committee of Congress calls Greenspan to testify, and grills him on derivatives. Committee Chairman Kweisi Mfume (D-Md.) remarks: "The action that the Fed took with respect to Bankers Trust is a welcome one, but I personally am not convinced that this Federal action alone constitutes an adequate Federal response for the very significant amount of financial exposure that our country seems to be facing, as a result of derivatives."

Greenspan insists that no Federal regulation of derivatives is called for. "I do think we are in a period of evolving both private market and supervisory procedures in this regard. We are dealing with a very rapidly growing market in which there are very complex techniques involved in creating various products to unbundle risk. It is not easy to determine what the optimum amount of disclosure is, because if you're talking about full disclosure in all respects and all regards, then everyone is going to have to disclose very elaborate mathematical models with extraordinary detail involved in it, which would not serve anybody's purpose."

1995

February: Barings Bank, one of the oldest, most prestigious institutions, connected to Britain's royal family, fails over Asian derivatives deals.

July 28: In an *EIR* Feature on "Why Most Nobel Prize Economists Are Quacks," LaRouche writes:

"The October 1987 stock-market collapse signalled the coming end of the 'junk bond' phase, and inaugurated that 'financial derivatives' bubble which has made the early doom of the existing monetary system inevitable. . . .

"The increase of the size of the bubble increases the rate of growth of fictitious accumulations required to prevent the bubble from shifting into a reversed-leverage phase. The increase of the rate of growth of fictitious accumulations required, obliges the central banking systems to feed increased money-flows into the bubble's speculative base, otherwise, the fictitious accumulations are slowed, and the bubble as a whole then shifts into a reversed-leverage phase. The increase of the accumulated debt-capitalization used to fund the inflows of currency into the bubble's speculative base, causes an increased tax (of various sorts) upon the economy which the central banking system is looting to support the speculative base of the bubble. . . .”

1996

June: Pennsylvania State Rep. Harold James (D-Phila.) introduces House Bill 2833, to levy a state tax at the rate of two-tenths of 1% on the transfer or sale of “any bond, stock, security, future, option, swap, or derivative.” James urges immediate adoption of the bill, both for revenues to fund state medical and other urgent services, and to discourage speculation. Similar bills are proposed in Louisiana, Alabama, and New Hampshire, but all are eventually beaten back.

1997

January-September: The notional principal value of off-balance-sheet derivatives holdings of U.S. commercial banks rises 26.5%, to a record $25.7 trillion, more than 62 times their equity capital.

Jan. 4: LaRouche calls for a New Bretton Woods system, in a speech to the FDR-PAC in Washington: “The United States must act, together with other powers, to put the world into bankruptcy reorganization. *Every financial system, every banking system in the world, is presently bankrupt!* Particularly those that are involved in derivatives. Therefore, the United States must take leadership, international leadership, in proposing a new Bretton Woods, which would be a good term for it, which is what I’ve proposed—that we’re going to go back to the principles of the Bretton Woods system in its best years, and the United States, as the principal prospective partner in such agreement, will try to get every nation that’s willing to go along with this idea, to assemble and do it. And, those that *don’t* wish to go along with it, that’s just tough, we’re going to go ahead with it anyway.”

April 16: Enron official and International Swaps and Derivatives Association director Mark Haedicke, testifying before a House Subcommittee on Risk Management and Specialty Crops hearing on the CFTC, demands that Congress explicitly legalize certain derivatives actions which are illegal under existing law. Noting that the law “flatly prohibits off-exchange futures contracts,” making them “illegal and unenforceable as a matter of law,” Haedicke insists that legalization were necessary, for Enron and its peers to obtain “the full benefits of future innovations in risk management techniques.”

April: In her confirmation hearings to become chairman of the CFTC, Brooksley Born warns that Wendy Gramm’s exemption of energy derivatives from CFTC oversight “could lead to widespread deregulation,” which “would greatly restrict Federal power to protect against manipulation, fraud, financial instability, and other dangers.” This would “pose grave dangers to the public interest.”

July: Greenspan writes three letters to the Financial Accounting Standards Board, vehemently opposing its proposal that derivatives contracts be listed on corporate books. In his third letter, released on July 31, he writes: “The FASB proposal may discourage prudent risk management activities and in some cases could present misleading financial information.” He says that his letter was endorsed by the heads of 22 “major companies in a number of industries that use derivatives [and] have expressed serious concerns about the FASB’s proposed rules changes.” These 22 corporate leaders are mostly bankers.

Oct. 14: Long Term Capital Management (LTCM) hedge fund’s founders, Robert C. Merton and Myron S. Scholes, are awarded the Nobel Prize in economics, for “a new method to determine the value of derivatives.” (See box) In the words of the Royal Swedish Academy of Sciences which announced the prize, they “developed a pioneering formula for the valuation of stock options. . . . It has . . . generated new types of financial instruments and facilitated more efficient risk management in society.”

1998

March: Greenspan opposes CFTC head Brooksley Born’s proposal to study the U.S. derivatives trade.

April 2: At a meeting in Rome on the New Bretton Woods, LaRouche says: “The system is essentially bankrupt. The international financial system is bankrupt. There is only the prosperity of fools in the system. We have in the world presently, dominated by so-called derivatives, about $140 trillion equivalent of short-term gambling debts. In the recent years, especially since 1982, and most emphatically since 1987, the growth of derivatives has taken over and eaten up the banking system itself.”

May: CFTC calls for closing the derivatives exemption issued by previous chairman Wendy Gramm.

July: House Banking Committee holds hearings designed to beat the CFTC into submission. Enron board member and former CFTC chairman Gramm testifies that no further regulation of over-the-counter derivatives is necessary.

September: Long Term Capital Management (LTCM) fails, having transformed around $3 billion in investment capital into $100 billion in bank credit, and then issuing further financial bets with a nominal value of at least $1.2 trillion. Other estimations of the derivatives obligations of LTCM place them at up to $3 trillion.

Sept. 23: The New York Federal Reserve calls the heads of the 16 largest banks of the world together, overnight, in order to start an immediate joint rescue operation for LTCM. The Fed moves to bail out its creditors, with a $3.6 billion rescue fund.

Oct. 1: Greenspan tells the House Banking Committee, don't study and don't touch derivatives. "The structure of counter-party interrelations is the main means of regulation."

Dec. 16: *EIR*'s John Hoefle presents written testimony, "Don't Just Regulate the Derivatives Market, Eliminate It! Assert Financial Sovereignty Over the Financial Markets," to a Senate Agriculture Committee hearing on over-the-counter derivatives.

1999

January: Speculator George Soros, commenting on the panic over Brazil's debt and sky-high interest rates, tells a news conference, "I don't think there is a great deal of time, really. . . . Interposing a wall of money would stabilize the situation."

2000

Dec. 15: Congress passes the Commodity Futures Modernization Act, legalizing the exemption of energy derivatives from CFTC regulation. According to a CFTC press release, the law "is a significant step forward for U.S. financial markets. This important new law creates a flexible structure for regulation of futures trading, codifies an agreement between the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission to repeal the 18-year-old ban on trading single stock futures and provides legal certainty for the over-the-counter derivatives markets. . . ."

2001

June 20: Senate Banking Committee conducts a hearing on "The Condition of the U.S. Banking System." Greenspan says that great improvements have been made in "risk management" and control systems. *EIR*'s Hoefle submits written testimony, describing the risk from derivatives.

Hoefle's 1993 Warning to House Banking Committee

EIR's John Hoefle testified before the House Banking Committee on Sept. 8, 1993, warning of the collapse of the international derivatives market and the negative impact of the North American Free Trade Agreement (NAFTA). The testimony was requested by the committee chairman Henry B. Gonzalez (D-Tex.), who died in 2000. Gonzalez was one of the few men in Washington with the courage to take on the international bankers and their scorched-earth looting policies.

"We are on the verge of the biggest financial blowout in centuries, bigger than the Great Depression, bigger than the South Sea bubble, bigger than the Tulip bubble," Hoefle said. "The derivatives bubble, in which Citicorp, Morgan, and the other big New York banks are unsalvageably overexposed, is about to pop. The currency warfare operations of the Fed, George Soros, and Citicorp have generated billions of dollars in profits, but have destroyed the financial system in the process. The fleas have killed the dog, and thus they have killed themselves. . . ."

The authority of Hoefle's testimony was underscored by Gonzalez, who said: "I've been reading Mr. Hoefle's articles for two and one-half years. He gets information I have been unable to get. For example, statistics of the off-balance-sheet liabilities of U.S. banks: We've been looking for those statistics and couldn't get them."

The Banking Committee chairman then levelled his own broadside against the derivatives speculators: "How can we sit here comfortably when bank profits, about half of them, come from the gambling known as the derivatives market? Derivatives are not so complicated. It's just a mega-Las Vegas. There are great dangers here."

2002

Nov. 19: Greenspan addresses the Council on Foreign Relations on the potential for a taxpayer-funded bailout of the derivatives market:

"More fundamentally, we should recognize that if we choose to enjoy the advantages of a system of leveraged financial intermediaries, the burden of managing risk in the financial system will not lie with the private sector alone. Leveraging always carries with it the remote possibility of a chain reaction, a cascading sequence of defaults that will culminate in financial implosion if it proceeds unchecked. Only a central bank, with its unlimited power to create money, can with a high probability thwart such a process before it becomes destructive. Hence, central banks have, of necessity, been drawn into becoming lenders of last resort.

"But implicit in such a role is the assumption that the burden of risk arising from extreme outcomes will in some way be allocated between the public and private sectors. Thus, central banks are led to provide what essentially amounts to catastrophic financial insurance coverage. Such a public subsidy should be reserved for only the rarest of occasions. If the owners or managers of private financial institutions were to anticipate being propped up frequently by government support, it would only encourage reckless and irresponsible practices."

2003

Feb. 4: The Office of Federal Housing Enterprise Oversight, headed by Armando Falcon, issues a report on the "systemic risk" of the securities and derivatives activities of Fannie Mae and Freddie Mac. The White House demands Falcon's resignation.

Dec. 19: The giant Italian food company Parmalat goes bankrupt. It had increasingly shifted its operations out of productive activity and into derivatives.

2004

Jan. 3: LaRouche issues an article (published in *EIR* on Jan. 16), "Parmalat and LTCM: Pricking the Big, Big, Big Bubble." He writes: "The signs are piling up virtually by the day, that the collapse of the Parmalat bubble may not be a relatively minor, Enron-style debacle; but, a larger version of that type of crisis, of the Long Term Capital Management hedge fund, which already shook the foundations and rafters of the world monetary-financial system during August-September 1998."

Alan Yue

Jan. 13: Greenspan speaks in Berlin, demanding further, radical deregulation and globalization of the world financial system. He attempts to calm European worries about the exploding U.S. trade and currency account deficits, and the collapse of the dollar. *EIR*'s correspondent intervenes, saying that Greenspan's policies were leading to "the collapse of the greatest financial bubble in modern history.... Lyndon LaRouche has pledged to put an end to the system of independent central banking. You, Mr. Greenspan, will be the last chairman of an independent central bank in the United States. What do you say about that?"

Greenspan replies: "I can't deny the possibility that the whole system might collapse." Credit derivatives "have been quite extraordinary in being able to take a very major potential problem in finance—and I will give you one specific example—and defuse what could have been the makings of what could have been a very major financial crisis."

Elaborating on the method of "solving" one bankrupt bubble by creating another much larger one, Greenspan let some cats out of the bag: "I refer to the fact that between 1998 and 2000, world-wide and in all currencies, the equivalent of $1 trillion of debt was taken out by the telecommunications industry, a significant part of which went into default. Had we had the type of financial system which we had in the earlier postwar period, with the rigidities you referred to, because banks are largely leveraged institutions, we would have had a very major collapse in banking. In the event, however, because credit derivatives moved the risks from banks who initiated the credits, to those far less leveraged institutions, which were insurance companies, reinsurance, pension funds, etc. not a single major international financial institution was in trouble. These have been very major instruments for *smoothing out the system*....

"And you presume that as a consequence of all of these issues, that we are sitting on some massive financial bubble, which is going to blow up in our faces. You are not the only one who says that....

"How do we know that the total system will not collapse? Well, the answer to that question ... is that no one has the omniscience and certainty to say, without qualification, that you are wrong. I shall merely say that the evidence that most of us who evaluate the data with respect to trying to answer that question, have overwhelmingly come to the conclusion, that that is extraordinarily unlikely to happen."

December: Deutsche Bank's 2004 year-end annual report states that the bank holds derivatives positions, mostly interest rate derivatives, of a nominal volume of $21.5 trillion. That is about ten times the GDP of the German economy.

Dec. 21: U.S. Comptroller of the Currency reports: J.P. Morgan Chase had $43 trillion in derivatives as of Sept. 30, 2004, an amount roughly equal to the annual gross world product, and four times U.S. GDP. Citibank had $17.5 trillion, and Bank of America $17.1 trillion. Banks' derivatives holdings have increased at about 25% a year for the past three years, more than doubling since the end of 2000, when they stood at $40.8 trillion, according to the FDIC Quarterly Banking Profile for the third quarter of 2004.

2005

May 5: Standard & Poor's downgrades $453 billion in outstanding debt of GM and Ford to "junk."

May 10: Banks known for their giant derivatives portfolios—including Citigroup, J.P. Morgan Chase, Goldman Sachs, and Deutsche Bank—are hit by panic selling, as the effects of the GM/Ford blowout hit the markets.

May 18: Bank of England Deputy Gov. Andrew Large warns, "Credit risk transfer has introduced new holders of credit risk, such as hedge funds and insurance companies, at a time when market depth is untested." Large states that the growth of derivative instruments has "added to the risk of instability arising through leverage, volatility, and opacity."

2007

July 25: LaRouche webcast, "The End of the Post-FDR Era," declares that "the world monetary financial system is actually now currently in the process of disintegrating.... 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*."

July 31: Global credit markets are seizing up, mortgage companies and affiliated hedge funds are on the brink of bankruptcy.

Aug. 22: The LaRouche PAC announces a mobilization to enact the Homeowners and Bank Protection Act of 2007, which was crafted by Lyndon LaRouche. Its provisions include writing off "all of the cancerous speculative debt obligations of mortgage-backed securities, derivatives, and other forms of Ponzi schemes that have brought the banking system to the present point of bankruptcy."

2008

February: Fed chairman Ben Bernanke and Treasury Secretary Hank Paulson take steps to organize a bailout for the banks, while keeping a low profile on the matter and letting non-governmental financial interests do the talking.

March 13: The President's Working Group on Financial Markets (PWG) issues a "Policy Statement on Financial Market Developments," maintaining that the system is fundamentally sound. Treasury Secretary Paulson says, in releasing the report, that "the markets, not regulators, will ultimately sort this out." LaRouche comments: "Paulson is f**king incompetent!" The Federal Reserve injects $400 billion into the banking system.

March 17: LaRouche statement, "Doom Has Struck! Three Steps to Survival," calls for the implementation of his Homeowners and Bank Protect Act of 2007; a two-tier credit system; and a four-power conference to set up a new global financial system.

Oct. 10: LaRouche declares: "It's time to break the silence on derivatives. The true, hyperinflationary factor in the situation is the unregulated, insanely leveraged derivatives trade. This is what is killing us. This is the great crime of Alan Greenspan.... Unless and until you deal with this derivatives bubble, which can not be bailed out, you are just kidding yourself."

LYM Asks Fellow Mexicans: '*Now* Are You Ready To Listen to LaRouche?'

by Dennis Small

On Oct. 13, the LaRouche Youth Movement (LYM) in Mexico strode onto center stage of the panicked national economic debate under way in that country, in the face of the meltdown of the global financial system. The LYM issued a leaflet calling on the nation to finally "listen to and implement the solution which Lyndon LaRouche has been proposing to bring about an alliance among the four powers Russia, China, India, and the United States, to declare the international financial system in bankruptcy and create a New Bretton Woods system in the tradition of Franklin Delano Roosevelt." It also called for "eliminating financial derivatives and constructing the PLHINO," a reference to the Northwest Hydraulic Plan, which would open up over a million new hectares of irrigated land to cultivation.

FIGURE 1
Mexico: Remittances
(% Monthly Change)

Sources: Banxico, *EIR*.

The week before, over a 72-hour period, Mexico's central bank had burned through almost $9 billion in foreign exchange reserves (11% of its total of $84 billion), in a frantic effort to stop a run against the currency and halt the resulting free fall of the peso. Despite the huge intervention, the currency plunged by 17% in one week. Among the panic purchasers of dollars were a handful of major Mexican companies which were caught with enormous derivatives exposures that they couldn't cover. Retail giant Comercial Mexicana, for example, filed for bankruptcy on Oct. 9 after losing $4 billion on derivatives bets. It is believed that major international players also had to pull out of the Mexican market in a hurry, to try to cover their positions elsewhere, as world markets melted down.

A similar process occurred simultaneously in Brazil, in which some 200 companies lost $28 billion in derivatives bets, and which caused that country's currency to sink like a stone.

The sharp devaluation of the peso, for a country that imports a quarter of its basic grains and many other staples, was terrifying—but it's only part of the picture that Mexicans are now trying to grapple with. Mexico was also hit by the official announcement earlier this month that remittances sent home by Mexicans working in the United States had plunged a record 12% in August (**Figure 1**), because of the depression sweeping the U.S. economy. Remittances have been Mexico's second larg-

EIRNS

The LaRouche Youth Movement in Mexico City earlier this year, warning of the financial collapse. The LYM's latest leaflet calls on the nation to do its part to bring about a New Bretton Woods system, in the tradition of FDR.

est source of foreign exchange, after oil exports, rising by about 20% per year over most of the last decade. There are entire states of Mexico, especially in the impoverished center of the country, where half or more of the working-age males have been forced to emigrate to the U.S. in search of jobs, and whose families are entirely dependent on the remittances they send home.

But it is worse still. Cruz López, the head of the country's largest peasant federation, the CNC, told the press that the official figure of a 12% drop in remittances vastly understates the reality. Many states, he reported, have already seen a 30% plunge in remittances, and the situation is rapidly deteriorating. Mexican migrants, he said, are no longer finding work in the collapsing U.S. economy, and over 350,000 people are expected to return to Mexico in short order—where they will have great difficulty finding employment. "We're in the middle of an extremely serious economic conflict," López warned.

LaRouche's Forecast

Lyndon LaRouche, and this magazine, have been warning for years that Mexico was going to run into a brick wall, at the point of "the demise of the importer of last resort"—i.e., the U.S. economy, which was absorbing vast amounts of exported products *and labor* from Mexico, as from many countries around the world, so long as the speculative real estate and other financial bubbles were still growing. In January 2001, *EIR* published a feature on this subject, in which LaRouche wrote:

"What is collapsing today, is not an economy, but a vast financial bubble, a bubble whose chief economic expression is the U.S. financial system's role as 'The Importer of Last Resort' for the world at large."

At the time that LaRouche issued that forecast (indicated in Figure 1 by the broken vertical line at January 2001), Mexico's remittances were still growing at a rapid clip. Most people in Mexico chose to not see beyond their own noses, and dismissed LaRouche's warnings as alarmist. Over the following seven years, LaRouche and *EIR* issued repeated warnings about the impending collapse of the dollar speculative bubble and its impact on the Mexican economy, warnings which most Mexicans continued to brush aside, as remittances seemed to continue growing.

Then in August 2007 (indicated in Figure 1 by the second broken vertical line), *EIR* issued a Special Report called "The International Financial Collapse: Implications for Mexico," which again sounded the alarm about the impending crisis. In the introductory article to that report, "U.S. Mortgage Crisis: Demise of an 'Importer of Last Resort,'" we wrote that there were clear indications that the remittance heyday had reached its end, and that "the worst is yet to come."

Wishful, delusional thinking continued to prevail in Mexico. But from that moment, more than a year ago, until today, remittances have steadily plummeted, as we warned would happen, and they are heading towards a national 30% rate of collapse in the next couple of months.

Hence, the Mexico LYM's polemical question to their countrymen: "*Now* are you ready to listen to Lyndon LaRouche?"

Some in Mexico are.

Under the leadership of the LaRouche movement, institutions in the northwestern state of Sonora are stepping up the fight for a change from national policies which have failed, to those reiterated by LaRouche in his April 2008 visit to Monterrey, Mexico. The latest salvo came from Sonoran Governor Eduardo Bours, who warned on Oct. 7 that it would be the "gravest error" for the Mexican government to respond to the crisis by cutting its investment in infrastructure. The federal government should instead finance projects such as the PLHINO, whose construction would help by generating almost a million jobs and opening up a million hectares of irrigated land for farming.

President Felipe Calderón, however, is thinking along different lines ... deadly ones.

geography.wr.usgs.gov

"Housing" along the U.S.-Mexican border. With jobs in the United States vanishing, hundreds of thousands of Mexicans are returning home—where they face a dire situation, unless global policies change rapidly.

Pemex Offered to the Speculators

On Oct. 8, Calderón delivered an emergency address to the nation, in the middle of the run on the peso, in which he was forced to admit, after months of public denial, that the world crisis will, indeed, affect Mexico, and gravely so. He presented five "anti-crisis" measures, which pivot on one central act: setting up the state oil company, Pemex, for sell-off to the financier vultures, by bankrupting it.

Calderón announced that the government would off-load some 1.6 trillion pesos (US$125 billion) in so-called Pidiregas contingent debt (off-balance-sheet obligations) onto Pemex's account, which Pemex will now have to pay from its resources. The President also announced that the transformation of Pemex into an "autonomous" entity, financially and technically separate from the state, must begin immediately.

LaRouche immediately denounced this scheme as a move to turn Pemex into a PPP (public-private partnership), which means the de facto privatization of the company, which is expressly prohibited by the Mexican Constitution.

Because Calderón packaged the whole swindle as a way to free up money through accounting hand-waving, so that the government could spend money here and there, including promising to build the country's first new oil refinery in 30 years, even the opposition Democratic Revolution Party (PRD), including its 2006 Presidential candidate, Andrés Manuel López Obrador, welcomed Calderón's gambit, only complaining that it hadn't been done earlier. Likewise, the national president of the PRD, Guadalupe Acosta Naranjo, stated that President Calderón's five-point plan "is a change in course" and that Calderón is now "on the right path."

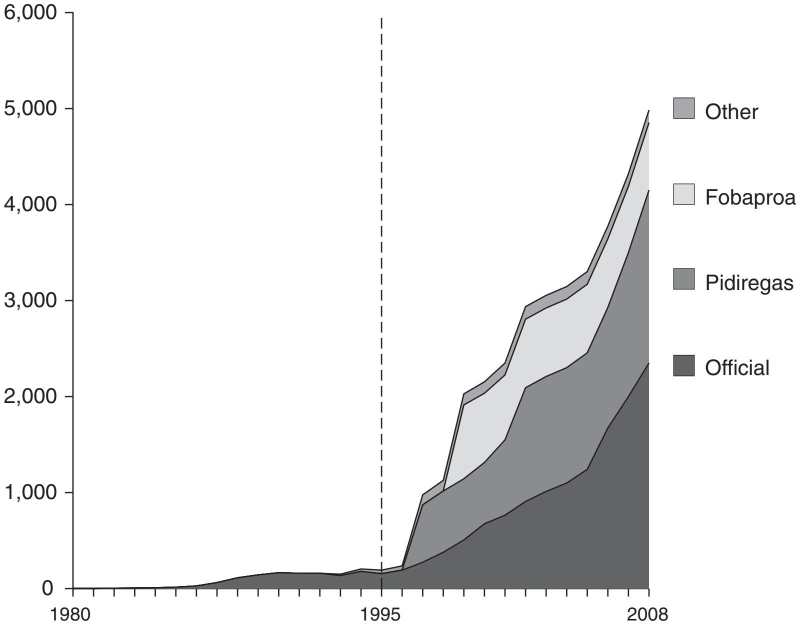
The International Monetary Fund (IMF) was also very happy with the Calderón package. David Robinson, deputy director of the IMF's Western Hemisphere Department, said: "As for the Mexican government program, the IMF firmly supports the announcements," adding that the country also has to reach a "consensus on how to strenghten the oil sector"—i.e., how to violate the Mexican Constitution and go ahead and privatize Pemex.

The director of the IMF's Western Hemisphere Department, Robinson's boss Anoop Singh, preferred to drool publicly over Calderón's included announcement that Mexico would use its foreign exchange reserves to immediately pay off chunks of the Pidiregas debt. "Countries have high foreign exchange reserves, and it's natural that they should now start using them," Singh slobbered.

The Pidiregas Scam

The "creative accounting" with the so-called Pidiregas debt is a particularly scandalous part of the Calderón package. Pidiregas (the Spanish acronym for Projects with Deferred Impact on Expenditures) were launched by the government of President Ernesto Zedillo in 1997 as a way of creating de facto debt obligations for Pemex and other state sector

FIGURE 2
Mexico: Real Public Debt
(Pesos, Billions)



Sources: Banxico, *EIR*.

companies, by contracting private companies for various projects and handing them IOUs which would begin to paid a few years later, when the projects began to come on line. This was a way to get around the Constitutional provision prohibiting the privatization of Pemex, and it also allowed Mexico to engage in the sophistry of claiming that the Pidiregas were not actually part of the public debt, but just a "deferred expenditure."

Under this fraud, the Pidiregas off-balance-sheet debt grew to 1.6 trillion pesos in April 2008 (some US$125 billion, at today's exchange rate), and are expected to reach 1.8 trillion by the end of 2008. This is almost as large as the *official* public debt of Mexico (2.35 trillion pesos), as can be seen in **Figure 2**. In fact, the Pidiregas debt has been growing at about 20% per year in the recent period. The other major off-balance-sheet component of the real public debt is the so-called Fobaproa debt, which comes from the mid-1990s government bail-out of the Mexican banking system, Paulson style.

It should be noted that *EIR* has also been denouncing this Pidiregas fraud for years, and warning Mexico that it would sooner or later blow up in their face. Now it has happened.

Calderón plans to dump this entire mountain of debt on Pemex, while at the same time excluding Pemex expenditures—including servicing of the Pidiregas debt—from general public sector spending limits. With this accounting hand-waving, the government now proclaims that it has a new-found ability to spend some money on "infrastructure"—spending which will never actually happen, but which has been used as a public relations ruse to gain support domestically.

A Free Trade 'Success' Story

The reality is that Mexico—the posterboy of free trade and globalization advocates worldwide—is now being consumed by the very folly which it previously bragged of. Ever since the international financial community in 1982 smashed Mexican President José López Portillo's effort to industrialize the country, Mexico's terrified governments opted to:

1. Shrink domestic manufacturing and agriculture, in favor of cheaper foreign imports. They succeeded: Since 1982, employment in manufacturing declined by about 25%, and per-capita production of food staples such as corn, beans, and rice plummeted by 15%, 51%, and 71% respectively.

2. Promote border-area *maquiladora* slave labor assembly plants, as the spearhead of an overall strategy of orienting production for exports, mainly to the United States. Again, they succeeded: *Maquiladoras* grew like mushrooms, and nearly 90% of Mexico's trade is now with the United States.

3. Induce desperate Mexicans to go to the United States to find jobs, and send remittances back home to their families as the main source of livelihood in many states. Another success: There are now some 13 million Mexicans working in the U.S., and remittances grew by about 20% per year for most of the last decade.

4. Maintain Mexico as an international bankers' paradise, by piling up a government debt that pays a tidy 8% interest. A raging success: Mexico's real public debt more than *quadrupled* over the last decade, largely due to the off-balance-sheet Pidiregas.

In fact, Mexico has been so "successful" in its policy of free trade and globalization, that its very existence as a sovereign nation-state is now threatened.

India's Revamped Nuclear Power Generation Plan Is Inadequate

by Ramtanu Maitra

Oct. 16—Following the successful completion of India's agreement with the Nuclear Suppliers Group (NSG) in September, and the subsequent signing of the U.S.-India nuclear deal, New Delhi has moved quickly to seal a similar agreement with France. In the coming months it is almost certain that India will reach agreements with Russia, and perhaps with Japan, as well.

All these nations—United States, France, Russia, and Japan—are manufacturers of enriched uranium-fueled nuclear reactors, and have the potential to become major purveyors of various nuclear technologies that India may require now, or in the future. Utilizing this opportunity to buy reactors, which will be fueled by the suppliers for perpetuity, India has already laid out a plan which calls for importation of at least a dozen large reactors.

According to the Indian news daily *The Asian Age*, on Oct. 14, plans are afoot to set up six French reactors of 1,600 megawatts maximum power capacity, four 1,000 MW Russian reactors, and four 1,500 MW American reactors within the next five years. Out of the four planned Russian reactors, two are already at an advanced stage of construction, and are expected to be commissioned in 2009.

Imported Reactors To Close the Power Gap

Senior sources in the Nuclear Power Corporation of India Ltd (NPCIL) said that each of these imported reactors is likely to cost a minimum of US$2 billion, and will collectively produce 30,000 MW of nuclear power. The French nuclear company Areva is setting up the French reactors; the Russian public sector unit Rosatom is setting up the Russian reactors; and General Electric and Westinghouse are likely to be shortlisted for setting up reactors supplied from the United States.

If this significant amount of generation of power through nuclear reactors in the next five years indeed takes place, it will provide some relief to the power-starved nation, but it would by no means resolve the massive power shortages that Indians have come to accept as the norm. India generates about 120 gigawatts (1 GW=1,000 MW), while a third of India's population, almost all in rural India where at least 700 million Indians reside, goes without power.

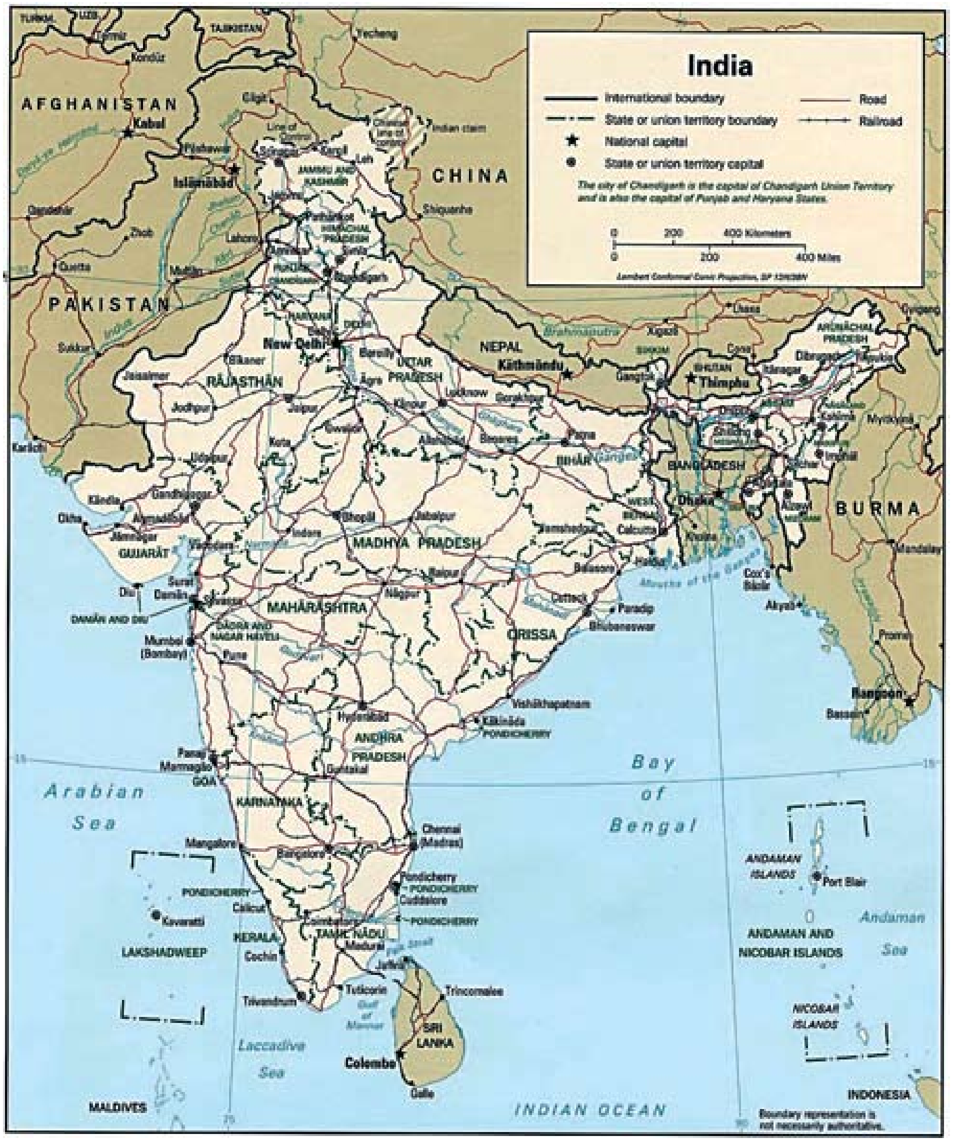
Most of the generated power is consumed by large and mid-sized industries and the urban population. Because of the dilapidated transport infrastructure, and lack of power in rural areas, most of the mid-sized, and some large, industries locate near the urban areas. This distortion has not only created huge urban slums, but also unacceptable infrastructural and income disparities between the urban population serving the service sectors, and the hundreds of millions of poverty-ridden Indians living in rural areas.

According to a recent report, if India is to grow at an average of 8% over the next ten years, then the demand for power is likely to rise from around 120 GW now to 315-335 GW by 2017. The global financial collapse will no doubt put a stop to the projected 8%, but the power requirement in India will still be no less than the projected 300 GW, if the powers-that-be in India develop the will to provide adequate electricity to the countryside.

On the other hand, the powers-that-be will be left with little choice, when the quick money-making outsourced deals from the high-wage countries in the IT sector, or from the stock markets, or from the highly inflated real estate market, begin to crumble. At that point, New Delhi will have no choice but to depend on the huge agricultural sector and the small and medium-sized industries for maintaining social stability.

These two major employment sources—agriculture and small and medium-sized industry—in India have been grossly neglected in the recent period, because New Delhi found a way to generate faster growth. It was said that large-scale investment in these two sectors was an impediment to maintaining a fast growth rate.

But, besides keeping people poor, the neglect of these two basic sectors, in the form of non-investment in power, water, high-speed railroads, broad-based education, and a health-care system in the rural areas, has helped to trigger violence all over India. Maoist movements have flourished and have become dangerous in a huge area spreading from the state of Bihar in the north, to the state of Tamil Nadu in the south. This entire swath of land is inhabited by poor people who have not benefitted from India's recent high growth rate, and have to contend with dilapidated, non-functional infrastructure.



Violence has spread all around India, showing up either as open religious conflicts, or surreptitious killings by exploding bombs in public places. But the bottom line in all this is that those who participate in these violent crimes are poor and highly vulnerable. Branding them as criminals, while enhancing income and consumption disparity, has not helped to slow down criminal activities. There is little doubt that violence is on the rise.

Why Small Reactors?

While these large nuclear reactors imported from abroad will be able to close some of the power gap, they will do very little to help the rural situation. India does not have a national power grid worth mentioning. What it has instead are regional grids, and almost a third of India's population does not have access to grid power. Electrifying the whole country with grid power will take time, and the networks need to be built strongly, to withstand natural disasters.

On the other hand, India's rural areas lack power, water, education, and health care. These requirements can be met by small reactors of about 80-100 MW electrical power capacity. As the basic requirements in any particular area grow, more of these small reactors can be installed together in a cluster to meet the demand. Such clusters can meet the overall power requirements of a village, and then of a district, and then of a division within a region.

The advantages of these small reactors are many. To begin with, the capital cost of one unit is much smaller than that of a large nuclear reactor. The infrastructural requirement to set up such a reactor is small, and the construction time is much shorter. In addition, these reactors can be set up almost anywhere, since the requirement for land, or cooling water, would be reasonably small. Besides providing power to the people who have none, electricity generated by these small reactors would also allow setting up of educational and healthcare facilities.

India is a water-short nation, but it has a huge coastline. In other words, it has access to unlimited amount of saline water, which, with the help of flash distillation using the heat of these reactors, can be converted into potable water. The Bhabha Atomic Research Center (BARC) has already exhibited success by implementing the flash distillation system near Chennai. Over the years, Indian planners and crisis managers have talked about a Peninsular river project. One part of the southern development project would consist of linking the Mahanadi, Godavari, Krishna, and Cauvery rivers by canals. Extra water storage dams would be built along these rivers. The purpose of this would be to transfer surplus water from the Mahanadi and Godavari rivers in the south of India. However, nothing much has seen the light of day yet, and it is anyone's guess when the actual interlinking would be done.

It is almost a certainty that in a water-short nation like India, states which have some surplus water in their rivers would object vehemently to such water transfer plans. Small reactors dotting India's coastline would vastly reduce water requirements of coastal states. The desalinated water could also be piped into the interior states such as Madhya Pradesh, Karnataka, and Chhattisgarh, to name a few, to meet their water requirements.

In addition, rural areas are, of course, the center of India's agricultural production, which is carted to the urban areas. However, with small reactors set up in the rural areas, producers would be enabled to use irradiators to enhance the shelf-life of their produce. According to Dr. Arun Sharma, head of the Food Technology Division, Bhabha Atomic Research Center, India's Department of Atomic Energy has set up two technology demonstration units for radiation processing of food and related products (see interview in last week's *EIR*). A Radiation Processing Plant at Vashi, Navi Mumbai has been operating since January 2000. It is a 30-ton-per-day unit capable of hygienizing spices and other dry ingredients, and is being operated by the Board of Radiation & Isotope Technology (BRIT). KRUSHAK (Krushi Utpadan Sanrakshan Kendra), at Lasalgaon near Nashik, is another technology demonstration unit being operated by the Food Technology Division, BARC, for sprout control in potato and onion and preservation of agricultural commodities. The unit has been operational since July 2003 and can process about five tons of onions per hour.

India's Advantage

Besides the necessity of developing rural areas to strengthen the nation and providing to generations to come a chance to contribute to the nation's needs, India has an inherent advantage, since it has developed the entire nuclear fuel cycle all by itself. India has produced a number of 235 MW heavy-water power reactors, which use natural uranium as fuel. What India needs to do now is to scale down the 235 MW reactors to the 80-100 MW range, while using the same technology to generate power and heat.

India is short of natural uranium. Hence, the Indian program was designed back in the 1960s to move on to developing thorium as the fissionable material. India has vast reserves of thorium, in the form of monazite on the beaches of the southwestern state of Kerala. India's future plans call for building 500 MW power capacity thorium-based nuclear reactors.

The agreement with the Nuclear Suppliers Group, however, has opened up to India an opportunity to get uranium from outside. Already South Africa has indicated its interest in supplying India with natural uranium, which contains about 0.7% of fissile U-235.

Using the imported uranium, India must move quickly to prototype an 80-100 MW nuclear reactor, and mass produce them. Buying these small reactors would be unwise, since India has developed the technology to build them itself.

As of now, no major reactor manufacturer has developed a line of small reactors, although Russia, France, South Korea, China, and Argentina are working on prototypes.

Such small reactors have a vast demand throughout India, Africa, China, and most of Central Asia, but the Indian authorities have seemed to ignore it Since the Indian expertise in the area is well-tested and about 40 years old, it is imperative for New Delhi to seize this opportunity to develop the rural areas. India's plan to utilize multi-dimensional nuclear power will truly be adequate only when the mass production of small reactors becomes a part of its overall nuclear program.

Editorial

Turn the World Upside Down!

October 19 is the anniversary of the Battle of Yorktown, fought in 1781, and marking the decisive defeat of the British occupation forces in the American Revolution. That victory changed the direction of civilization and ushered the United States onto the world stage as the standard-bearer of the war against empire, specifically the British Empire. Now, more than ever, with the British attempts to destroy all nation-states, including the United States, in the midst of the disintegrating world economy, Americans must rediscover their true roots, and combine with other leading nations, especially Russia, to ensure that humanity survives.

The battle of Yorktown represented a victory rarely achieved in history. Gen. George Washington, sensing a moment of British weakness and indecision, marched his army of over 10,000 colonials and French Army regulars around New York City into Tidewater Virginia, where they were met by a French fleet commanded by Admiral Comte de Grasse. DeGrasse had a window of six weeks in which to link up with the Americans and a French army commanded by the Comte de Rochambeau, and encircle the British encampment at Yorktown.

France and the Americans had forged an alliance through the efforts of Benjamin Franklin and his French ally, the Marquis de Lafayette, to defeat the British, and that effort paid off with the deployment of French army and navy personnel to America in 1780 and 1781.

With precision, Washington, a much underestimated military commander, pulled off the brilliant maneuver, and, aided by the superior strength of the French navy, laid siege to the outnumbered and outflanked British army under Lord Cornwallis.

The cream of the Continental Army came together for the decisive action. Many of those gathered had fought for six years under the most trying of circumstances. Continually short on food, supplies, money, and sheer numbers, they persevered. Major-General Lafayette played a decisive role, as did Col. Alexander Hamilton, who led the final military charge to capture Redoubt 10. This allowed the joint Franco-American forces to surround and crush the British.

On a balmy Autumn day, Oct. 19, 1781, the British army of over 7,000 marched, heads bowed, drunk, and stunned, to surrender their arms to the American generals. The British band struck up a dirge to the tune "A World Turned Upside Down," and the world was never the same.

Today we face a crisis of deeper, more immense proportions, with the stakes being survival of civilization itself. Most Americans are oblivious to the fact that our oppressors are the same British foe, this time as a global financial oligarchy. The most recent bailout scheme of their wrecked financial system was authored by British Prime Minister Gordon Brown, assisted by financier Benedict Arnold, Sir Alan Greenspan, the initial architect of the disaster.

Lyndon LaRouche recently reminded the nation that we should once again remember what our identity is as Americans, the implacable foe of the British system in all its manifestations. We are the nation created by those heroes of Yorktown, to spread the principles of the American System of physical economy as developed initially by the same Alexander Hamilton who led that final charge into the parapets.

On Oct. 19 let our watchword be: Once more, turn the world upside down, and defeat the British system!

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INTERNET
- BCAT.TV/BCAT Click BCAT-2 Mon: 10 am
- LAROUCHEPUB.COM Click *LaRouche's Writings.* (Avail. 24/7)
- MNN.ORG Click *Watch Ch.57* Fri: 2:30 a.m.
- RAVITELEVISION.COM Click *Live Stream.* Mon & Thu 11 am; Wed & Fri 10:30 pm
- SCAN-TV.ORG Click *Scan on the Web.* Sat 2 pm Pac
- WUWF.ORG Click *Watch WUWF-TV.* Last Mon 4:30-5 pm (Eastern)

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- UNIONTOWN GY Ch.2: Mon-Fri every 4 hours; Sun Afternoons

ALASKA
- ANCHORAGE GCI Ch.9: Thu 10 pm

CALIFORNIA
- BEVERLY HILLS TW Ch.43: Wed 4 pm
- CLAYTON/CONCORD CO Ch.26: 2nd Tue 7 pm; AS Ch.31: Tue 7:30 pm
- CONTRA COSTA CC Ch.26: 2nd Tue 7 pm
- COSTA MESA TW Ch.35: Thu 5:30 pm
- HOLLYWOOD TW Ch.24: Tue 4:30-5 pm
- LANCASTER/PALMDALE TW Ch.36: Sun 1 pm
- LONG BEACH CH Analog Ch.65/69 & Digital Ch.95: 4th Tue 1-1:30 pm
- LOS ANGELES TW Ch.98: Wed 3-3:30 pm
- LOS ANGELES (East) TW Ch.98: Mon 7 pm; Wed 6 pm
- MARINA DEL REY TW Ch.98: Wed 3 pm; Thu/Fri 4 pm
- MIDWILSHIRE TW Ch.24: Tue 4:30-5 pm
- ORANGE COUNTY (N) TW Ch.95/97/98: Fri 4 pm
- SAN FDO. VALLEY (East) TW Ch.25: Sun 5:30 pm
- SAN FDO. VALLEY (NE) CC Ch.20: Wed 4 pm
- SAN FDO. VALLEY (West) TW Ch.34: Wed 5:30 pm
- SANTA MONICA TW Ch.77: Wed 3-3:30 pm
- WALNUT CREEK CO Ch.6: 2nd Tue 7 pm; AS Ch.31: Tue 7:30 pm
- VAN NUYS TW Ch.25: Sun 5:30 pm

COLORADO
- DENVER CC Ch.56 Sun 10 am

CONNECTICUT
- GROTON CC Ch.12: Mon 5 pm
- NEW HAVEN CC Ch.23: Sat 6 pm
- NEWTOWN CH Ch.21: Mon 12:30 pm; Fri 7 pm
- SEYMOUR CC Ch.10: Tue 10 pm

DISTRICT OF COLUMBIA
- WASHINGTON CC Ch.95 & RCN Ch.10: Irregular

FLORIDA
- ESCAMBIA COUNTY CX Ch.4: Last Sat 4:30 pm

ILLINOIS
- CHICAGO CC./RCN/WOW Ch.21: Irregular
- PEORIA COUNTY IN Ch.22: Sun 7:30 pm
- QUAD CITIES MC Ch.19: Thu 11 pm
- ROCKFORD CC Ch.17 Wed 9 pm

IOWA
- QUAD CITIES MC Ch.19: Thu 11 pm

KENTUCKY
- BOONE/KENTON COUNTIES IN Ch.21: Sun 1 am; Fri Midnight
- JEFFERSON COUNTY IN Ch.98: Fri 2-2:30 pm

LOUISIANA
- ORLEANS PARISH CX Ch.78: Tue 4 am & 4 pm

MAINE
- PORTLAND TW Ch.2: Mon 1 & 11 am; 5 pm

MARYLAND
- ANN ARUNDEL Annapolis Ch.76 & Milleneum Ch.99: Sat/Sun 12:30 am; Tue 6:30 pm
- P.G. COUNTY CC Ch.76 & FIOS Ch.38: Tue/Thu 11:30 am
- MONTGOMERY COUNTY CC Ch.21: Tue 2 pm & Fri 11 pm

MASSACHUSETTS
- BRAINTREE CC Ch.31 & BD Ch.16: Tue 8 pm
- BROOKLINE CV & RCN Ch.3: Mon 3:30 pm; Tue 3:30 am; Wed 9 am & 9 pm;
- CAMBRIDGE CC Ch.10: Tue 2:30 pm; Fri 10:30 am
- FRANKLIN COUNTY (NE) CC Ch.17: Sun 8 pm; Wed 9 pm; Sat 4 pm
- QUINCY CC Ch.8: Pop-ins.
- WALPOLE CC Ch.8: Tue 1 pm

MICHIGAN
- BYRON CENTER CC Ch.25: Mon 2 & 7 pm
- DETROIT CC Ch.68: Irregular
- GRAND RAPIDS CC Ch.25: Irreg.
- KALAMAZOO CH Ch.20: Tue 11 pm; Sat 10 am
- KENT COUNTY (North) CH Ch.22: Wed 3:30 & 11 pm
- KENT COUNTY (South) CC Ch.25: Wed 9:30 am
- LAKE ORION CC Ch.10: Mon/Tue 2 & 9 pm
- LANSING CC Ch.16: Fri Noon.
- LIVONIA BH Ch.12: Thu 3 pm
- MT. PLEASANT CH Ch.3: Tue 5:30 pm; Wed 7 am
- PORTAGE CH Ch.20 Tue/Wed 8:30 am; Thu 1:30 pm
- SHELBY TOWNSHIP CC Ch.20 & WOW Ch.18: Mon/Wed 6:30 pm
- WAYNE COUNTY CC Ch.16/18: Mon 6-8 pm

MINNESOTA
- ALBANY AMTC Ch.13: Tue & Thu: 7:30 pm
- CAMBRIDGE US Ch.10: Wed 6 pm
- COLD SPRING US Ch. 10: Wed 6 pm
- COLUMBIA HEIGHTS CC Ch.15: Tue 9 pm
- DULUTH CH Ch.20: Mon 9 pm; Wed 12 pm, Fri 1 pm
- MARSHALL Prairie Wave & CH Ch.35/8: Sat. 9 am
- MINNEAPOLIS TW Ch.16: Tue 11 pm
- MINNEAPOLIS (N. Burbs) CC Ch.15: Thu 3 & 9 pm
- NEW ULM TW Ch. 14: Fri 5 pm
- PROCTOR MC Ch. 12: Tue 5 pm to 1 am
- ST. CLOUD CH Ch.12: Mon 6 pm
- ST. CROIX VALLEY CC Ch.14: Thu 1 & 7 pm; Fri 9 am
- ST. LOUIS PARK CC Ch.15: Sat/Sun Midnite, 8 am, 4 pm
- ST. PAUL CC Ch.15: Wed 9:30 pm
- ST. PAUL (S&W Burbs) CC Ch.15: Wed 10:30 am; Fri 7:30 pm
- SAULK CENTRE SCTV Ch.19: Sat 5 pm
- WASHINGTON COUNTY (South) CC Ch.14: Thu 8 pm

NEVADA
- BOULDER CITY CH Ch.2: 2x/day: am & pm

NEW HAMPSHIRE
- MANCHESTER CC Ch.23: Thu 4:30 pm

NEW JERSEY
- BERGEN CTY TW Ch.572: Mon & Thu 11 am; Wed & Fri 10:30 pm
- MERCER COUNTY CC Trenton Ch.26: 3rd & 4th Fri 6 pm Windsors Ch.27: Mon 5:30 pm
- MONTVALE/MAHWAH CV Ch.76: Mon 5 pm
- PISCATAWAY CV Ch.15: Thu 11:30 pm
- UNION CC Ch.26: Irregular

NEW MEXICO
- ALBUQUERQUE CC Ch.27: Thu 4 pm
- LOS ALAMOS CC Ch.8: Wed 10 pm
- SANTA FE CC Ch.16: Thu 9 pm; Sat 6:30 pm
- SILVER CITY CC Ch.17: Daily 8-10 pm

NEW YORK
- ALBANY TW Ch.18: Wed 5 pm. TW Ch.572: Mon & Thu 11 am; Wed & Fri 10:30 pm
- BETHLEHEM TW Ch.18: Thu 9:30 pm
- BRONX CV Ch.70: Wed 7:30 am
- BROOKLYN CV Ch.68: Mon 10 am TW Ch.35: Mon 10 am TW Ch.572: Mon & Thu 11 am; Wed & Fri 10:30 pm
- CHEMUNG TW Ch.1/99: Tue 7:30 pm
- ERIE COUNTY TW Ch.20: Thu 10:35 pm
- IRONDEQUOIT TW Ch.15: Mon/Thu 7 pm
- JEFFERSON/LEWIS COUNTIES TW Ch.99: Irregular
- MANHATTAN TW & RCN Ch.57/85 Fri 2:30 am
- ONEIDA COUNTY TW Ch.99: Thu 8 or 9 pm
- PENFIELD TW Ch.15: Irregular
- QUEENS TW Ch.34 & 35: Mon 10 pm; TW Ch.572: Mon & Thu 11 am; Wed & Fri 10:30 pm
- QUEENSBURY TW Ch.71: Mon 7 pm
- ROCHESTER TW Ch.15: Sun 9 pm; Thu 8 pm
- ROCKLAND CV Ch.76: Tue 5 pm
- SCHENECTADY TW Ch.16: Fri 1 pm; Sat 1:30 am
- STATEN ISLAND TW Ch.35: Thu Midnite. Ch.34: Sat 8 am. Ch 572: Mon & Thu 11 am; Wed & Fri 10:30 pm
- TOMPKINS COUNTY TW Ch.13: Sun 12:30 pm; Sat 6 pm
- TRI-LAKES TW Ch.2: Sun 7 am, 1 pm, 8 pm
- WEBSTER TW Ch.12: Wed 9 pm

NORTH CAROLINA
- HICKORY CH Ch.6: Tue 10 pm
- MECKLENBURG COUNTY TW Ch.22: Sat/Sun 11 pm

OHIO
- AMHERST TW Ch.95: Daily 12 Noon & 10 pm
- CUYAHOGA COUNTY TW Ch.21: Wed 3:30 pm
- OBERLIN Cable Co-Op Ch.9: Thu 8 pm

OKLAHOMA
- NORMAN CX Ch.20: Wed 9 pm

OREGON
- LINN/BENTON COUNTIES CC Ch.29: Tue 1 pm; Thu 9 pm
- PORTLAND CC Ch.22: Tue 6 pm. Ch.23: Thu 3 pm

RHODE ISLAND
- E. PROVIDENCE CX Ch.18: Tue 6:30 pm
- STATEWIDE RI I CX Ch.13 Tue 10 pm

TEXAS
- HOUSTON CC Ch.17 & TV Max Ch.95: Wed 5:30 pm; Sat 9 am
- KINGWOOD CB Ch.98: Wed 5:30 pm; Sat 9 am

VERMONT
- BRATTLEBORO CC Ch.8: Mon 6 pm, Tue 4:30 pm, Wed 8 pm
- GREATER FALLS CC Ch.10: Mon/Wed/Fri 1 pm
- MONTPELIER CC Ch.15: Tue 10 pm; Wed 3 am & 4 pm

VIRGINIA
- ALBEMARLE COUNTY CC Ch.13: Sun 4 am; Fri 3 pm
- ARLINGTON CC Ch.33 & FIOS Ch.38: Mon 1 pm; Tue 9 am
- CHESTERFIELD COUNTY CC Ch.6: Tue 5 pm
- FAIRFAX CX Ch.10 & FIOS Ch.10: 1st & 2nd Wed 1 pm; Sun 4 am. FIOS Ch.41: Wed 6 pm
- LOUDOUN COUNTY CC Ch.98 & FIOS Ch.41: Wed 6 pm
- ROANOKE COUNTY CX Ch.78: Tue 7 pm; Thu 2 pm

WASHINGTON
- KING COUNTY CC Ch.29/77: Mon 11 am
- TRI CITIES CH Ch. 13/99: Mon 7 pm; Thu 9 pm

WISCONSIN
- MARATHON CH Ch.10: Thu 9:30 pm; Fri 12 Noon
- MUSKEGO TW Ch.14: Sat 4 pm; Sun 7 am

WYOMING
- GILLETTE BR Ch.31: Tue 7

MSO Codes: AS=Astound; BD=Beld; BR=Bresnan; BH=BrightHouse; CV=Cablevision; CB=Cebridge; CH=Charter; CC=Comcast; CX=Cox; GY=Galaxy; IN=Insight;
MC=MediaCom; TW=TimeWarner; US=US Cable. FIOS=Verizon FIOS-TV.
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