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

### **LAROCHE'S HISTORIC WEBCAST OF JUNE 16, 2005**

## **The Urgent Changes Needed in Monetary and Economic Policy**

*What follows are the full texts of Lyndon LaRouche's webcast speech to a town meeting of the LaRouche Political Action Committee in Washington, D.C. on June 16, 2005, and of the discussion period after LaRouche's remarks. The Democratic Party leader and economist spoke from Europe by video-conference, and the meeting in Washington was chaired by his spokeswoman, Debra Hanania Freeman.*

Good afternoon, ladies and gentlemen. My name is Debra Freeman. As some of you know, I serve as Lyndon LaRouche's national spokeswoman and his representative here in Washington. And on behalf of Mr. LaRouche and the LaRouche PAC, I'd like to welcome you to this afternoon's event.

It's really hard to believe that the last time we gathered here, was just eight weeks ago. Because, indeed, the pace of events over the course of just those few weeks has been nothing short of absolutely breath-taking.

On May 23, here in the United States, in an extremely important victory for patriotic force, a bipartisan group of United States Senators delivered a very significant defeat to the Bush Administration by putting down what came to be known as the "nuclear option." The event was significant not only because it meant a defeat for the Administration, but in fact, because it was a defeat for what was nothing short of an attempted coup against the Constitution of the United States.

Just a few days later, on May 29, voters in France, in what would otherwise seem to be an unrelated event, overwhelmingly defeated the newly proposed European Constitution. In and of itself, it might have been difficult for Americans to understand that, in terms of its significance. But the French vote was perhaps more than anything else, driven by the absolute disgust by the citizens of the nation of France, with the economic disasters that they have been faced with since the adoption of the Maastricht Treaty Stability Pact, and the policy of globalization that it characterized.

The French events themselves had been foreshadowed a week earlier by a very significant election in the North Rhine-Westphalia region of Germany, where the German Social Democrats suffered a significant defeat, and a defeat that was attributed, above all else, to the failed economic policies of the Schröder government there.

When Mr. LaRouche addressed this audience back in April, he reiterated a warning that he had first delivered in mid-February, concerning the significance of the impending bankruptcy of General Motors. At that time, many people in the United States thought that Mr. LaRouche might be exaggerating, or might be a little bit off in his timetable. But, I think that recent events here in America have made absolutely clear, that Mr. LaRouche's forecast was more than accurate. And in fact, we find ourselves in a situation right now, where the intensity of the crisis, although it frightens many people, has

actually set the stage for long-overdue fundamental change in global, and American, economic and financial policy.

Mr. LaRouche, who, as most of you know, is principally a physical economist, has called most urgently for the revival of the American System principles that governed FDR's reversal of the last Great Depression that our nation faced. The fact of the matter, is that the situation today, however, is really far worse: The post-Bretton Woods 1971-to-the-present system has brought the United States, and really the world, to the brink of total monetary collapse. More importantly, it has gutted global production of the vital physical goods, both industrial and agricultural, that the human race needs to survive and to prosper.

LaRouche, in a series of statements that he has released, has identified the conjuncture of the political shocks in Washington, in Paris, and in Berlin, and the accelerating disintegration of the financial crisis, as a moment of great opportunity. While it might be frightening, for someone with Mr. LaRouche's competence—and Mr. LaRouche's courage—this really presents a moment of great opportunity, not only for the United States, but for all of humanity. It gives us a moment, in which we actually have the potential, and the possibility, to return to sanity in our economic policy.

The fact of the matter is, that if we don't, the alternative is something that probably none of us want to consider.

I think that during the course of this afternoon's event, Mr. LaRouche will more than adequately address these questions—and a lot more. This event is being broadcast over the worldwide web. Mr. LaRouche will be addressing us from Europe, where—although he has an extremely tight schedule of meetings and activities—he felt that it was absolutely critical to address the United States in particular, at this moment, and to do it before we reach the end of this fateful quarter.

So, ladies and gentlemen, without further ado, I'd like to take this opportunity to introduce to you, Lyndon LaRouche.

## **Lyndon H. LaRouche, Jr.**

I must repeat to you, today, what Franklin Roosevelt said to the American people under similar conditions. Because, what I'm about to say, now, would terrify you, unless I showed you, there is a solution for this problem. Roosevelt said, "There is nothing so much to fear, as fear itself." And that's the case now.

And let's take the top of the list right now: What faces us presently, as of July 1, is a termination of certain existing contracts, involving hedge funds, which are in the process of going down. In point of fact, what happened as a result of the General Motors crisis, the process in which the announcement of the pending potential bankruptcy of General Motors was announced, along with Ford, and in which, then subsequently, the General Motors stock was dropped to a junk-bond status, which means that the people who have invested, as institutional investors, in those bonds *have* to pull out of them, because they can not legally remain holding stocks which are in junk-bond status.

Now, this runs out by the end of the July—according to present schedule. No one can say exactly what's going to happen. But we know what the shape of things to come is, and we know what has to be done about it. So, if I say definite dates or timetables, the timetables are flexible, but we're in a very tight schedule, and however much the schedule might change slightly, the time for decisions is not going to be far off from what I indicate to you. All right.

During this period, there was an approximately 40% collapse, minimally, in the value of hedge-fund holdings, which were in lots of things. This is now getting worse. The reason you're not hearing much about the hedge-fund problem, as much as you *should*, if you realize that the fate of the whole world monetary system now hangs on it, is the fact that major banks, which are associated with the hedge funds, are now, at this moment, trying to decide which of the hedge funds to dump and which to support: Because the magnitude of the crash of the hedge funds, is so large that they can not be bailed out as a

whole. The banks are going to try to protect *themselves* from the hedge-fund collapse, by throwing some hedge funds to the wolves. And are now in the process, from all we know, of still deciding which ones—whose throats they're going cut, in order to protect the banks themselves. And the banks we're talking about are the world's biggest commercial banks. These are the ones that are in jeopardy.

Now, the hedge funds are a form of insanity, which was introduced in 1987, approximately, after the October 1987 general stock market crash in the United States. In that period, when Paul Volcker was then going out of his position as the Federal Reserve Chairman, and about to be replaced by Alan Greenspan, Alan Greenspan said, "Ho-o-ld everything, until I come on board!"

What Alan Greenspan did, was he brought in a system called "financial derivatives." Now, financial derivatives sounds like some kind of investment. Well, it's not an investment. As every crooked gambler knows, this is nothing but a side-bet on the real action. Financial derivatives are side bets on the economy. Just like a bunch of guys up an alley, some people are shooting craps and putting their money on the ground. And beside them, a bunch of people are betting *against* the bettors, with side-bets.

Now, this is called, also, a "hedge fund," to dignify the thing. You can imagine a bunch of gamblers up in an alley, saying, "I'm investing in hedge funds!" This is an organized-crime type of thing—"I'm investing in hedge funds!" Great dignity, right? Big, important stuff!

No! But it's big. And right now, the financial derivatives bubble in the world is about to collapse. And the hedge fund collapse is right at the tip of it.

If the hedge funds go down, and the banks may be pulled down with them, or at least some banks, and may have to be bailed out as banks, or put into receivership by governments, then, against what are the side-bets placed? Things like mortgage portfolios of major banks, at a time that the mortgage portfolios of the United States, the United Kingdom, and some other places, are in deep trouble. As much of the major press has indicated, in parts, what the nature of the problem is.

If the mortgage bubble goes, as the result of a collapse of GM, then you're in trouble.

In the meantime, the GM crisis has created an additional problem: We have a Congressional institution which was created some years ago, to try to give minimal support to pension funds, which might be in trouble because of a corporate failure. Now, recently, a bankruptcy judge told United Airlines that it could dump its pension responsibilities to its retirees and to its current employees. The danger, of course, is that, with that decision, that the next step would be that Delta—which is already in a bankruptcy situation—and American Airlines might do the same! And it is known that General Motors management is planning to dump the pensions of its retirees and people onto the public funds.

This means an inundation of the public funds, which affect largely people in the lower 80% of family-income brackets. This means, that if you are an average person—not in the top brackets with special kinds of funding, but in the normal course of funding—your pension may be gone. The only safe pension you have left, is your Social Security pension! And the President of the United States, as you know, has been trying to rob you of that: by asking you to switch your Social Security assets into the private funding market, where these private insurance funds, these private pension funds, *are collapsing!*

They want to bail out the stock market, by taking your Social Security assets away from *you*—and giving them to somebody in the financial community.

That's what the President of the United States says he wants to do. Now, I don't blame the President for too many things, because I don't think he knows what he's doing. I think other people are using him. I don't think the man really knows what time it is, in a sense.

Now, the situation is, such that people now generally realize that the United States is in deep trouble. The U.S. economy's in trouble. It's about to go under in a chain-reaction collapse. When, nobody knows exactly. But we know it's oncoming. That's why I say, as Roosevelt said, "We have nothing to fear, as much as fear itself." *Because there are things we could do about this.* There are things the United States government could *do* about this. There are things the American people could force the United States government to do about this.

But the average person doesn't understand this problem. Therefore, they're not sure of what to do, and they're not sure about what kind of a proposal they should support. But they know they've got to get some action, from government, to protect them from the danger of a collapse, which, in point of fact, is much bigger than the 1929-1933 collapse; 1929-1933, which was given to you by Presidents Coolidge and Hoover, was relatively mild in its effect compared with the threat, to the world, as well as the United States, from the presently onrushing crash.

The situation is this: The entire world system is coming down. Not just the United States' system, but the entire world system. Now, there're many people who're whistling in the dark, and saying, "It's not going to happen. It couldn't happen"—well, it *is* going to happen! It's inevitable!

What do we do about it?

## The United States' Responsibility

Well, we in the United States have the principal responsibility for dealing with this. Why? Because, the world system, the world monetary system, and the world financial system therefore, hangs on the basis of a monetary system, *which is still a dollar-based monetary system.* The holding of U.S. dollars by foreigners—China, Japan, South Korea, and so forth; Europeans: If the United States dollar were to collapse by 30%, this would be a *catastrophe* for the rest of the world. Because it would cause chaos, a chaotic collapse of the monetary system *of the world.* We, in the United States, have the legal responsibility for defending ourselves and cooperating in defending other nations, by taking appropriate actions to protect the world monetary system from collapsing.

Now, there are some people in various parts of the world, who are cheering, especially after the Iraq War and a few other things like that—they're cheering for any catastrophe that happens against the United States. They don't *like* the United States! They're happy to see the United States going down, because they think the United States has pushed them around much too long, especially since George Bush became President. But that's a very foolish attitude. There *is no substitute* on this planet for the American System.

Therefore, the responsibility lies with us, to prevent world chaos, *by taking actions which will lead to a stabilization of the value of the U.S. dollar as a unit of monetary reserve, worldwide.* That means, we're going to have to go back to something which was proven: the methods of Franklin Roosevelt in getting us out of the last Depression, and transforming a bankrupt U.S. economy of 1933 to the most powerful economy the world had ever seen, by 1945. We did it then, we can do it again. It's a tougher job now than it was then. We had more railroads, we had more farms, we had more industries, we had more places in which we could put people to work, then as now. But we can do it!

What does this mean? This means, we take these U.S. obligations, U.S. Treasuries—that's the principal obligation of the system: We must secure that *the U.S. Treasuries maintain their value on the world market.* We must make this as an

arrangement, and a guaranteed arrangement, in cooperation with other nations on this planet.

Now, as I said, some other people say, "Let the United States go." That's a very foolish thing. Some people say, "We need a system to replace the United States." It's a very foolish idea. Any such ideas will lead to a crash of the entire world economy. Not a financial crash, an actual chain-reaction crash of the world economy: Because, some idiots, in their great wisdom, have tried to *globalize* the economy. What we did, is, we took our industries from the United States and Europe, we shipped the work that was done by our industries, out to countries where labor was cheapest. And we kept going, trying to find a cheaper, and cheaper, and cheaper labor market in various parts of the world.

Since we were no longer producing, since the lower 80% of our family-income brackets were going down, and down, and down, in terms of the physical value of their income, and their job opportunities, we began to lose infrastructure. What government did, under this silly policy, especially since 1971-72, we began to destroy the infrastructure on which our productive power depended. At the same time, we were shutting down our plants, and putting our people out of work, *into cheaper-paying jobs!* People moved from skilled productive jobs, into jobs at Wal-Mart, and things like that, which are not particularly productive. Producing cheap goods, which we would have been ashamed of, in old times, as what we consumed.

And we let our infrastructure collapse: We collapsed our railroads, we collapsed our power systems, we collapsed our water-transportation systems, like our river systems; we collapsed our municipal systems, we collapsed our educational systems; we've shrunk and destroyed our health-care system. All these things, which were the basis, and basic economic infrastructure, for skilled and productive employment were destroyed, as we destroyed employment, and shifted people from productive jobs, into make-work jobs, at low wages. We took people who were one-and-a-half persons of the adults in a family, which support the family, and now you've got the people having several jobs! Each of them, all members of the family!

You have real estate bubbles, where you have shacks in the Washington, D.C. area, around it, where people have moved in from all over the world, to live in the D.C. area: And they pile into these places, and combine their incomes, and they put up money for a shack—put together, not with nails but tacks!—and this shack goes at \$600,000 mortgage up to \$1 million. And these are just poor-class shacks, around the entire area. You have people tumbling into these places and out of them, living no regular family life, going to bad schools, with poor health care which is worsening all the time: These are the conditions of life!

And this thing is about to come down. And more and more is being done, to say, that when you can't pay the mortgage any more—they kill you, in effect. They throw you out, they milk you. This is what we've become!

## **Murderous Effects of Globalization**

Now, what did we do to the rest of the world? We shipped production out of the United States, and out of Europe, into the poorest countries in the world. Into countries, for example: India is a respectable country, in many respects. China is a respectable country, it's a power in many respects. But, 70% of the Indian population is desperately poor, and has virtually no infrastructure to support them. China, 70% are still desperately poor, despite the success of China's growth in many other respects.

The other countries from which we take labor, as part of globalization—what are they doing in Europe? They're taking labor in Eastern Europe, in countries like Poland, where skilled people are working as stoop labor in Central and Western European countries. And now, they're moving people from those countries, at the wage levels paid in those countries, into France and Germany and so forth! And destroying the infrastructure of the countries of Western and Central Europe, which were once powerhouses of production in their own right.

So, what we've done with globalization, which is one of the most *evil* ideas that was ever conceived: We have lowered the productive power of the world per capita! We destroyed the infrastructure and employment in countries which were the powerhouses of production of wealth, the United States and Europe.

We destroyed the levels of productivity which existed, and standard of living in Mexico, and in South and Central America, while we put the employment there. We couldn't get enough cheap labor in the United States, so we got Mexicans to be driven across the border—by hunger!—as illegal immigrants, into the United States. We took the jobs which cheap labor, brought into the United States legally, was doing, and we took the jobs away from them and gave it to immigrant labor—illegal immigrants! The illegal immigrants are coming to us, because they were driven from Mexico: They're coming to us, because somebody sucked them into the United States, because they weren't satisfied with the cheapness of labor here! Even with what had been the cheapest. That's what's been done to us.

That's what's been done to the world.

And now, we're on the verge, where you've seen your health care, your public utilities, your education in the United States are collapsing. And you look around the world, you look in Argentina: Argentina had the fourth highest standard of living in the world, back at the end of World War II. Where is it today? What's happened to Mexico, which was on a track for growth, back in 1982, when we *destroyed* it, by imposing a policy upon it? And we've virtually destroyed a country, which was a growing, powerful country. We did the same thing to Venezuela, or we're doing it. We did it to Colombia; we did it to Peru; we destroyed Ecuador; we destroyed Bolivia. We're undermining our friends in Brazil. And what we're doing in the Caribbean is—.

What we're doing in Africa, especially Sub-Saharan Africa, *is deliberate, conscious genocide!* And spread of disease, because they want to help the genocide by spreading diseases, to get rid of the Africans. This was a policy from the 1970s; the policy was, that Africa has a lot of raw materials, and those raw materials are going to come to *us, back here, in the United States!* We're not going to let the Africans eat up those raw materials! We don't want their population to grow, we want it to shrink! We don't want the Africans to get a higher standard of productivity, because *they'll use up more raw materials, which we're saving for us* in the future.

That's what we've done.

We don't *care*, about the 70% of the population of India, which is still in worsening conditions of poverty—despite the progress of India in other respects. We don't *care* about the long-term prospects for the people of China. We don't care, about the people of Southeast Asia.

You see this tsunami thing. What does the tsunami represent, the tsunami crisis? You have these areas along the coast, which were hit by this tidal wave, caused by a major earthquake. What happened?

Well, the waves came in, and all the poor people, who were living virtually on the beach or next to the beach, in order to provide cheap labor service for tourists, were struck—and many of the tourists, too. But why were the people living there? Because there was no infrastructure. Why was there no infrastructure? People in the United States and elsewhere, said, that the policy for this area of the world: There will be no investment in infrastructure. The labor of this part of the world, will work in hotels, or in entertainment industries, and be the cheap labor, and the sexual recreation supplied for tourists!

So we created by our policy, instead of developing this part of the world, as we intended at the time that Roosevelt was still President, as his post-war policy—instead of helping these nations to develop, *we actually lowered* the conditions of life of

the people of this part of the world, because we *used them up*, for cheap labor and entertainment, in resort areas.

That's what our criminality is. We did it! *This is globalization!*

And what it does, it's hit us. Because the values we are counting on, in terms of financial values, are not real values. They're fake values. They're highly inflated values—speculation.

## Use the Roosevelt Model

What we have to do, and we can do, by using the success of Franklin Roosevelt's policy as a model, and that experience of 1933 through 1945, we have to guarantee the stability of U.S. Treasuries, which is the basis for the security of the U.S. dollar. We have to enter into agreements with Europe and with other parts of the world, on a fixed-exchange-rate system, which can be fairly described as a New Bretton Woods system. The kind of system which Roosevelt created at the closing period of the war, the fixed-exchange-rate system which worked, it worked fine until the middle of the 1960s. It was the system under which *we* in the United States helped Europe rebuild itself from war, especially Germany; which, with its Kreditanstalt für Wiederaufbau policy, created what was called an "economic miracle." With similar benefits in France, similar benefits in Italy, and so forth, during the period from the late 1940s, 1950s, 1960s.

We have to go back to that kind of system, which was destroyed by Nixon, where our troubles really began. And by getting long-term credit, instead of having short-term credit, we have to have agreements on long-term credit: credit in terms of investment in infrastructure.

Now, infrastructure's long-term stuff. A power station is 25, 30 years life-cycle, physical life-cycle of a power station. Maybe 50 years, with certain improvements in design. Water systems are 25- to 50-year systems. The water systems in the United States today are crashing, because of their old age; they have not been fixed. You used to be able to get fresh, drinkable water out of a faucet. You can't—in more and more places in the country, you can't get safe water out of a faucet. Because the water systems have been destroyed. You're not guaranteed the access to the power you need, for the things you need. We don't have a public transportation system. We have superhighways which are used as parking lots at rush hours. We have people out on the highways, spending more time on the highway, and other forms of commuting, than they are with home life, with waking home life—because of these conditions.

So what we have to do, is we have to rebuild the world economy. We have to build new infrastructure for places that don't have it. We have to rebuild the infrastructure of the United States and Europe. This is going to require long-term investment.

So, what's the plan? Well, we're now operating below breakeven. The basic problem, apart from the people that aren't paying taxes and should be—I'm talking about the really upper brackets, who, as you observe as they come out of court, didn't really earn it. Like Enron. They never really earned that income. They stole it. And this is your high-paid stuff. Look at the salaries people are getting at General Motors, who mismanaged that thing into the ground! Look at what they're getting for pensions! Look at what they're getting as executives. It's a parasite economy.

We have to rebuild the economy. We have to build up the industries, and so forth. We have to employ our people productively. A lot of the employment has to be in *basic economic infrastructure*: Building water systems; building mass transportation systems; improving our cities; building water systems; building new industries and expanding old ones.

You take one example—let's take the example of the auto sector: Now the automobile industry is a *strategically crucial part of the U.S. economy*. We are now producing too many automobiles—and we've been doing it too long. And as a matter

of fact, the automobile manufacturers have been *paying* people to buy automobiles. And the people buy into a longer-term debt, but they're getting *paid* to buy an automobile. It's the only way that these companies can sell the automobiles they want to sell—and that's not working too well. That's why General Motors is bankrupt; that's why Ford's in trouble.

But let's look at the industry. Let's look at the large number of people who work in this industry and its associated industries, the people who depend upon those industries. What do they represent? Well, they represent, in part, the core of the machine-tool capacity of the United States. The United States power in World War II, was based on our ability to mobilize our machine-tool capacity. We won the war with sheer tonnage of productive power.

We didn't have the best army in the world. Most of us were just called into service a year or so, before getting into battle. But we won the war because of our power of logistics, the logistics we used to support our own forces, the logistics we gave to other forces of other countries of our allies. We maintained a two-front war, to defeat the Hitler empire. And without us, it wouldn't have happened. Without the U.S. economy under Roosevelt, it couldn't have happened.

We did that. We came out of that as the most powerful country in the world. We can do it again.

What we have to do, is use government credit, the power under our Constitution of the government to create Federal credit—long-term and low-interest-rate, 25- to 50-year bonds, loans. We have to get other countries to do the same thing, either by issuing credit in the form of state credit, or the form of credit in treaties, long-term trade agreement treaties. Such as those between Western Europe today, and countries in Asia, such as China, India, and so forth.

China needs everything. Seventy percent of the population is still poor. They must build new cities. They must build new transportation systems. They must upgrade their population, by development. They need long-term credit. They can generate much themselves, but they need to build their country.

Southeast Asia is a similar situation. Indonesia's a similar problem. Malaysia: They're building up fairly well, but they can do better—and will do better. India, Myanmar. These parts of the world need to be rebuilt.

The so-called Middle East, Southwest Asia: A cockpit of war and death now, it needs to be built up by water systems and other things, so a decent quality of life is available to people in that part of the world.

These are long-term investments of one to two generations. We must generate, together with other countries, the new forms of long-term credit, of state-guaranteed credit. We must organize this credit, into an international monetary system, modeled on the old Bretton Woods system, but adapted to the new conditions of today. We must have a fixed-exchange-rate system; we must peg these currencies and stabilize them. Therefore, under those conditions, we can guarantee the future payment against the bonds we issue in the form of debt, to do what? To put people to work today, such that we bring the U.S. economy *above breakeven*, in terms of current operations. If enough people are working, and earning money, a large enough percentage of our population are earning money, in productive occupations, in infrastructure and other forms, manufacturing and so forth, then, we are generating enough income per capita to carry this economy above breakeven.

If we can operate on that basis, above breakeven, and do it over a period of one to two generations, *we can guarantee, therefore, the repayment of the debt that we issue and create in order to do that work*. Under that basis, with agreements among nations to that effect, we can then say, we have a fixed value for the U.S. dollar, and you can count on it for 50 years to come. And other countries can do the same thing.

But we are in a situation, where it is *our* responsibility. No other country or group of countries on this planet could do that, without the United States. And since we took charge of this thing, and created this as a dollar system, we are morally and

otherwise practically responsible. We are the ones who must step forward to save the world: Because, without us, if we go down, we'll be like Samson—we'll bring the world down with us.

So, this is our responsibility.

## Foreign Development

Now, what is involved in terms of foreign development? What lessons do we have to learn from this? Well, for example, it'd be easy to do this, in one sense, because—take Germany: Germany is the key country of Western Europe. It is the country which is best able, if allowed to do so, to generate within Europe, a pattern of growth. It did it before. Germany, in the post-war period, accepted Roosevelt's terms. And Germany created an institution, under a leading banker there, but modeled upon the U.S. system of Roosevelt. It's called the Kreditanstalt für Wiederaufbau. It works.

If you put enough credit into the German system, and take the people who are becoming unemployed—take what are called the *Mittelstand*, these small private businesses which are the great producers of engineering and other things, which the large corporations depend upon; you get them back into business. Then you have a driver, an engine of growth. As long as Germany is operating above breakeven, which it's not doing presently, *Germany works*. When Germany works, with its connections with its neighboring countries, Europe works—at least Continental Europe does.

If Germany works, then Germany is going to follow the trail it's now started under Schröder, to extend cooperation with Russia, the countries around Russia, in a triangular cooperation among Russia, China, and India; bringing all of the countries of Asia into a system of cooperation with Europe.

My view is that *we*, as the United States, must be the *partners* of Europe, and Eurasia as a whole, in this kind of arrangement. We should bless their efforts to do that. We should seek to cooperate and participate in what they're doing. Under that basis, we can bring Europe back to life. We can make commitments to countries in Asia, that we, together with Europe, to perform the acts of justice that they need from us.

We, together, have the power to deal with the problem of Africa. The problem of Africa is one of great crimes, committed from Europe, and particularly since 1492. Since the Spanish introduced chattel slavery, treating Africans as animals who were hunted down to be captured and used as slaves. And that process has gone on. And relics of that process continue in Sub-Saharan Africa today. The human race outside of Africa has committed a great crime, in what it did, and what it continues to tolerate. And we are not going to be able to live with ourselves in the future, unless we do something to fix that.

And therefore, if we, in Eurasia and the Americas, are taking care of our own shop, then we jointly must intervene to help Africa.

## What Is Our Conception of Man?

We must have a conception of man, which is associated with the idea: We're going to *build* the future; we're going to create a new future for humanity out of the dregs of the mistakes we've made so far. And because, you know, people think that the purpose of economy is money. And when they think the purpose of economy is to get money, they don't understand what it is to be human.

The purpose of economy is to realize what man is. Man is not an animal. No animal can discover a physical principle, and

apply that to increase its power to exist in the planet in the universe. Only man can do that. This is done through the power of reason. We are not animals, we are creatures of reason.

The net thing that we do with our lives, the very conception of immortality, the practical conception of human individual immortality, is that, while we're alive, we can contribute something which will last into the future, as a foundation, benefit for generations to come. That what we're producing therefore, if we are wise, is not products. We're producing infrastructure; we're producing means of manufacturing; we're producing improved technologies; we're raising the standard of living; we're increasing the potential for the intellectual and moral development of the individual in future generations. What we're producing is man. What we're producing is culture. What we're producing, is better human beings—not simply better because they're moralized into being better, but better because they have risen to a higher level. They have more access to knowledge. They are able to make better judgments. They're able to be more productive. So that you can say, as many immigrants to the United States thought, when they came here—they sacrificed, so their children and grandchildren could have a better life.

The greatest motive in economy, is to use scientific and technological progress to improve, not just the standard of consumption, but the *quality of existence*. If we can say, that those who were born who come after us—our children, our grandchildren, and those beyond—are going to have a better life, as human beings—not just as consumers, but as human beings—than we have, today, then we have discovered the secret of economy.

Look at the world as a whole. Look at us from the United States, from South America, Central America, from Europe, who are on this broadcast today. Look at us. What's the meaning of our life? We're all going to die! When we die, what has the meaning of our life *been*? What have we done, now, in which we can take pleasure, can rejoice, that our lives *have meant something*? That we can face death, knowing that we have accomplished something while we lived!

How many people in the United States and other parts of world, *have the right to think that way today*, in practice? The conditions of life of people today, is, you think about your future. You think about the people in the United States, as having a *worse future* than you grew up under! That's been your experience for two generations, during the past 40 years. So, you can foresee your grandchildren as living, almost as animals, relative to your standard of life. *Things are getting worse, under George W—much worse.*

What we used to think, even in our own crude way, we used to think we were making things better, the community was better, the state was better, the nation was better; our children were rising to a higher standard of living and importance; your grandchildren were the promise of the future. And you could look beyond that, to say, we're going to *build* this nation. We're going to jointly build *other nations*, to make this planet a better place: And say, "*I can go to my death with a smile on my face, because we're doing that.*" And that's the great purpose of economy.

It's not profit! Yes, we need to have a profit, we need to have a gain in productivity over what we put in in the first place. Yeah, we need that kind of profit. But the purpose of life and economy is not profit. The purpose is to build a better society, to develop human beings who could do what we never could do. And to hope that they would do the same for those who come after them. And we can say, "We mean something in the scheme of eternity. We have a right to think of ourself as something more than an animal."

That's what we really need.

## The Crisis of Anglo-Dutch Liberalism

Now, we face a great crisis right now. Evil has overtaken us. And, being a person who's plainspoken, I have to say that

Dick Cheney is evil. The President of the United States is a mental case. And the Vice President of the United States is a morals case. They're evil. What Cheney did—I don't blame poor George W. Bush; I don't think he had the brains to know what he was doing—but Cheney did. Or his wife did, and maybe she told him.

What he tried to do, in the Congress, is the following.

Very few people around the world know what the Constitution of the United States is. Because of the educational situation, nowadays, very few people do, still, even today—younger people. Only some of us older folks really know what the United States is. And a few, very sharp younger folks, who are beginning to come along.

The United States was a creation of Europe. From 1492 through 1648, Europe was immersed in religious war. Now, it was a Europe which had come out of a terrible period, and was beginning to develop modern society, the modern nation-state. But this was being destroyed by religious warfare, which ended in 1648. During this period, people in Europe said: What're we going to do? Well, let's get out of Europe, and go, as Nicolaus of Cusa proposed, go across the seas to other areas. And so, they came across the ocean, across the Atlantic, to North America, with the idea of building up settlements here, which would form a kind of society here, which would then feed back into Europe, and become the model for the freedom of Europe from the terrible conditions which existed there. That's what the United States was intended to be.

And from the Massachusetts Bay Colony's founding, in the 17th Century, on, that was the thing that guided all the best leaders of the United States in their thinking: to build a republic, not simply to have something that is our own, but to build something which we could not do in Europe, at that time! By building something here, and inviting people to come here, and join us, and be part of us. To build up a republic, which would then become a model and a force of influence for the rest of the world, *to cure* the great evils which had take over Europe. And continue to take them over.

So, in the course of time, when Europe became evil because of the spread of this Anglo-Dutch Liberalism, we became desperate. And we launched, beginning 1763, a struggle for our independence. It was a dangerous struggle, and we drew upon friends in Europe who knew what we were doing, and supported it. We won that war. We established a republic. And once we had won the war, we then had to think about putting our house in order.

## The American System Solution

So, in the course of the 1780s, we had a process which centered around a number of institutions, including the military veterans of the war, the so-called Cincinnatus Society. And we met, our leaders met, to design a republic, an institution for the future. This republic was based on knowledge of the best experience of Europe. And it came to the time, as to what kind of a state apparatus we were going to have. The big fight on the Constitution was that: What kind of a state would we have?

And it was decided to have a Presidency. And when we decided to have a Presidency, we came to an argument. We said: "Wait! But, the Presidency, as we've designed it, is a very powerful institution. What if that institution fell into the hands of somebody who used it maliciously? Would our republic survive?" So, what we did, among our other checks and balances in our constitution of government, was to give certain powers to the *permanent body of elected government*. Now, the permanent body of elected government, is the U.S. Senate: It never goes out of existence. Approximately one-third of the Senators come up for election every two years.

So, the Senate, unlike the House of Representatives, never goes out of business. The majority of the Senate always remains seated, before and after the election. And the Senate is supposed to reflect. That's why this two-thirds rule existed on certain issues, that if one-third of the Senators said "no" on these issues, they could block the decision of the majority. Because the assumption was, the next two-year election will give the Senate the chance to reflect, and the people of the United States

the chance to reflect, on whether that proposal was right or not. And to select their representatives they put into Congress, into the Senate, on the basis of settling that question.

So therefore, what Cheney tried to do—and it wasn't just he, it was people behind him; but he's just the thug, that led the charge—was try to overthrow the Constitution of the United States. Because this question of powers of the Presidency is crucial. The power to make war: *We are still engaged in a war in Iraq, which is an unlawful war, in violation of our Constitution!* A war we got into because we were lied to! Or, because members of the Senate believed the liars, who were the President and Vice President and others. That was a *subversion* of our Constitution! That was not a lawful act of war! Apart from being an act of war, done by *authority of lies*! Lies by the President! Lies by the Vice President! Lies by many others in government!

Then they come along, they say, "We want a dictatorship." Well, how do you get a dictatorship? "We got a majority in the House and Senate, and we just stole the Presidency, again. So therefore, if we could get a straight majority vote, in the Senate, *by overthrowing the Constitutional provision, against precisely dictatorship*, we can establish a dictatorship."

So, what happened was, men of conscience in the Republican Party joined with the men and women of conscience of the Democratic Party, in the Senate, and said: "No!" *We just saved ourselves from a dictatorship*. We'd be under a dictatorship today, if these men and women of the Senate had not acted to block Cheney.

Now, the President himself is now a lame duck. He doesn't really function. It's the duck that doesn't fly. He gets flown, but he doesn't fly.

But we're in danger still. Because in times like these, in most parts of the world, in the case of a financial crisis like this one, you often get coups. You get assassinations of heads of government, and other important people. This is characteristic of Europe! It has never happened in the United States. We've had a few Presidents assassinated—quite a few. For political reasons, by powerful interests, usually powerful financier interests. Often European-based, powerful financier interests, who have killed a number of our Presidents, because they didn't like our policies.

But never has our form of government been overturned by dictatorship. Europe's often has been. We're in a time, where that is the danger. Cheney and company tried once. If they get a chance, they'll try it again. You see the mood for it, all around you.

And therefore, you understand something else, perhaps, then: How important the United States is. So far, even on the 23rd of May, we did not become a dictatorship. Whereas during such periods of time, many times, most of Europe has gone into dictatorial systems.

Our system of government—which is not a capitalist system: It's the American System of political economy, which is what our Founders called it. It's not a socialist economy. It is not a capitalist economy. It's an American economy: a unique form of economy, a unique form of Constitutional system in the world. And this system of government, a nation which became a power *because it had this system*.

What are we? We're largely Europeans! We come from Europe. Some not, but most of us come from Europe. They came here, because there was a better opportunity to develop here. This nation was built up, because it created a better opportunity for development of economy and development of its people, than *any country* of Europe. That's why we became the power we were. For that reason. We are a unique institution! And there is a place for patriotism, in the United States: patriotism about our historical role in the past, and what our historical role must be today.

# Toward a New Bretton Woods System

I've looked at the governments of Europe, South America, Central America, Asia. I don't see the capacity to make the kind of initial decision, that some great nation of this planet must make, that I propose that the United States government must step forward now—before it's too late; and after July 1, who knows when "too late" will come?—step forward and make the proposal, and make the decisions, together with that proposal, which will bring together the nations of this planet, or at least many of them, *to establish a new world monetary system*, modeled upon the Bretton Woods system, with the intention to make this planet a place that's fit to live in; to eliminate globalization; to promote the sovereignty of every people and every nation, but to promote in terms of *cooperation*, collaboration among sovereign nations, *not* trying to put us all into one minestrone soup. And to break this system up.

So, that is my message. This should be a time of hope. We are a great nation, or a great nation is somewhere hidden among us. We collectively can become a great nation, any time we decide to do it again. The members of the Senate who blocked the coup d'état on the 23rd of this past month, demonstrated that virtue among our people.

I would propose that that same body in the Senate, and others who agree with them, in the Congress and in other institutions, must now begin to cooperate and unite with an understanding of the great peril which threatens us, but also the great opportunity which stands before us.

The great opportunity is: *We have made the most stupid mistakes imaginable during the past 30-odd years.* We have, now—recognizing that stupidity, which got us into all this mess—we should now decide we're going to end it, and stop being stupid. And go back to being what we're supposed to be: Being a United States, again. And being the United States to which the rest of the world looks up, as the one which they turn to for action, when they need somebody to step forward and take leadership, in providing the kind of action needed to save the world from Hell.

And that's exactly where we stand, today.

Thank you.

## Dialogue with LaRouche

(Preceding the dialogue with LaRouche, John Hoefle prepared and narrated a short video using the economic animations commissioned by LaRouche and a promotional video of the world's only commercial magnetic levitation transportation system, installed by Germany's Transrapid to run between Shanghai and its airport in Pudong.

The animated map shows how high-speed rail corridors from Pennsylvania to Indiana, from the Great Lakes to the Ohio River, typify the kind of infrastructure project that would act as a driver to rebuild the economy. New electric-powered trains would require new nuclear power plants, new steel plants, and new production at retooled auto plants, the combination of which would lift America out of economic depression.)

## Question 1: Recognize the Synarchist Enemy

**Freeman:** For people who are familiar with the procedure here, we have a great number of institutional questions that are coming in either by phone or by internet, and I will read those and Mr. LaRouche will answer them....

Lyn, the first question, similar to the webcast in April, has come from the Democratic leadership of the United States Senate. And the question is as follows:

"Mr. LaRouche, as I think you know, we were very relieved on May 23, and consider that to be a great victory, not for one party or another, but for the nation. We were extremely hopeful that with the so-called 'nuclear option' behind us, that we could move forward with the nation's business, because, to be sure, there is no shortage of issues that require urgent attention.

"Unfortunately, that has not occurred. And, in fact, it may be the case, that the situation has worsened. Because the GOP leadership in the Senate has not been able to deliver on what the White House was demanding, they've been largely rolled over. And what most Americans don't know, is that the Senate's agenda is now being largely dictated directly from the Vice President's office. The spirit of bipartisanship is on the way to being completely squelched.

"I don't know if you're familiar with the President's remarks in Washington two days ago, at a Republican fundraiser. Those remarks were not only extreme, but they were reiterated and emphasized by the White House the following day. From where we sit, those remarks made clear that there is absolutely no interest on the part of this White House in working out any mutually agreeable solutions to the grave and urgent problems that we face. And although we do have some very specific questions on matters of policy, that hopefully will be addressed during the course of the question and answer period, this is really a very specific question, in terms of overall strategy or tactics, because, from here, I'm beginning to have some doubts as to whether we really did succeed on May 23.

"Very specifically, I understand what you're saying in terms of the approach we have to take to policy. But how do we approach this very immediate problem that we face, with a White House that seems to have no desire to work anything at all out?"

**LAROCHE:** Well, I told people, you have to think like the great military commanders of modern history, and older history also. You're in a war. The war is not with Cheney as such, though he's a figure on the field. I think you'd probably ask his wife who's running him, because I don't think he knows.

But in any case, I know where the problem comes from: We all *should* recognize where the problem comes from. If we don't recognize what the real authorship of the problem is, we're going to make mistakes. And I think one of the problems you have in politics is, you know what I do, those of you in the Senate, who've had a good chance to see what I do and how I've acted recently in this matter: That I say things you would never consider saying publicly—and I say them publicly. And I speak like a commander in warfare, because I think I should have been President anyway: We wouldn't have had this mess to begin with. But, times being what they are, pay-in being what it is, that's past. Now, I've got to get you guys, in positions of leadership, to do what I would have been willing to do, earlier.

And therefore, I use the language of a commander in warfare. Because, if we have to think that way, then we put ourselves in the right frame of mind for dealing with a situation of the type that we face. We don't face an issue: We face an existentialist threat, of the type otherwise associated with major war. It's a situation like World War II.

We've come into a time, in which the planet has been increasingly dominated by groups of financier interests, of a certain type. These are the people who you were warned against by President Eisenhower, going out of office, who warned you against a "military-industrial complex." Now, at the time, that was an appropriate term for describing the situation, appropriate term by him. But it didn't capture the essence of the situation.

What happened was this—let me just go through this, and I've said it before; I've written it before. But I think in answer to this general question, that by my answering it again, here, on this occasion, with this questioning from this source, I will

make clear what the general problem is. And I think if we have it clear about the general problem, the other problems become manageable, at least, conceptually so.

What happened in Versailles, was, a group of people who were called Synarchist International—which is actually a group of bankers, some of whom still exist today, as private banking interests—decided on a scheme for destroying Europe, and eliminating the factor of the United States in the time to come. What they did at Versailles—the bankers did—is, they created a system called the Versailles system. And you had a Secretary of State of the United States, who worked for a mental case, called Woodrow Wilson. Remember Woodrow Wilson? He reminds us of Laura Bush and George—that his wife was out there talking for him. George is hiding somewhere in the Oval Office, probably tricycling around there, and she's out there around the world, Egypt and someplace, representing him as she did at this recent correspondents' dinner, where she told a lot of jokes about George; I think sort of put the situation in perspective.

But so, the Woodrow Wilson of then, as opposed to George Bush today in his second term, had a Secretary of State, Lansing. And Lansing declared, in the Versailles proceedings, that from the standpoint of the United States, that Germany, and Germany alone, was the sole aggressor in World War I. Which is a lie. The sole aggressor in World War I was actually the then-deceased King of England, Edward VII; who got a war going between his two nephews, the Czar of Russia, and the Kaiser of Germany! These were his nephews. And they had a 1905 meeting on a yacht in the Baltic Sea, where this discussion came up, where the two nephews said, "Our uncle wants to get us to kill each other." And what this uncle did, which was a repeat of something that happened earlier, in the 18th Century, called the Seven Years' War, is that, what the British did—the British monarchy—put the crowned heads and others of Europe against each others' throats in what was called World War I.

So, the principal guilt for World War I, was a man who was already dead, Edward VII, the Lord of the Isles, who pre-orchestrated the war, which his suckers followed, and we were drawn into it later.

But Germany was *not* responsible for World War I. The Kaiser was an idiot; but the Austrian Kaiser was a bigger idiot; and the Czar was a weakling. And they all went down, as a result of being fools. And the French suffered far greater casualties in World War I than they suffered in World War II, as a result of this.

So, at this point, Lansing says this. Why does he say this? By getting Germany assigned a war debt, which was far greater than Germany could ever pay under those conditions, and then using that war debt to fund the war debt of France and Britain, which in turn funded the bankers of New York, who were the creditors of the British and French!

They set up a system. The system resulted in the collapse of Germany in 1923, and so forth and so on. And in the period they came into 1931, they established a new banking system, which resolved some of these debts, and these bankers put Adolf Hitler into power in Germany, just as the British monarchy had put Mussolini into power in Italy back in 1922. In Germany, Hitler came into power, strictly as a result *on orders from the Bank of England, from the head of the Bank of England*, through his friend Schacht and other people. This was intentional. The original intention, was to have Germany, under Hitler, march east against the Soviet Union. And then the French and British would pile on the tail of Germany and destroy it all over again, and thus, change the map of Europe.

What happened was, in the process during the 1930s, that Stalin, through Molotov, his diplomat, and Ribbentrop, the German Foreign Minister, held a series of meetings. There were negotiations between the French and the Russians and so forth, under the so-called Tukhachevsky Plan. When the French and British refused to accept the Tukhachevsky Plan, Stalin proceeded to have Tukhachevsky killed; because Tukhachevsky wanted a preventive attack on Germany. Then, Stalin, knowing that the British and French were coming after him, negotiated with Ribbentrop, an agreement that Germany would strike west first—against France and Britain, when the war broke out. So, the war was organized, that Germany invaded Poland, for the purpose of forcing Britain into a war against Germany. The French, the Belgians, and the Germans

then went into the war.

Now, at that point, the bankers of New York, including the grandfather of President Bush, Prescott Bush and others, who had *funded Hitler*—as a matter of fact, Prescott Bush was key in putting Hitler into power, through funding—these bankers then changed sides. Or some of them, over the period. And the British, they changed sides too. And decided, at the last minute *not* to make a pact with Hitler, but to support Roosevelt to defeat Hitler.

So, Roosevelt was supported by Winston Churchill, among others—a very important action by Winston Churchill in 1940, in promising to send the British fleet to Canada, if Britain were invaded, and then the British fleet would fight on the side of the United States. That decision resulted in Hitler losing, in effect, the possibility of winning World War II.

So we fought the war, with American power. Aid to Russia; aid to other countries. We, in the United States, particularly with the Battle of Stalingrad and the Battle of Midway—we in the United States and other countries, opened up a two-front war against the Hitler machine, and we won that war, with American logistics and Franklin Roosevelt's guts.

At the end of the war, the same bankers who had supported Hitler before, but had turned against him because he wanted to go westward instead of eastward for his initial attack, went back to becoming fascists again. Because the issue for them, was *not* fascism. The issue was Hitler's policy. And they had been prepared to support Hitler if he'd accepted the policy they had intended for him.

They went back to the same policy. Truman, who was no good, when he became President discovered that we had two nuclear weapons, prototype weapons in the arsenal. And he was urged to drop them on Japan, in order to start a new conflict immediately, especially with the Soviet Union. So, he did that. What he did—there was a peace treaty negotiated with the Emperor Hirohito, under Roosevelt; it was negotiated through the Extraordinary Affairs section of the Vatican, by a man there who was later Pope Paul VI. The treaty involved, that the offer of surrender would be presented to Emperor Hirohito as the Emperor of Japan. And that Hirohito would accept it on that basis. As a matter of fact, the terms of surrender of Japan were the same, in principle, which were negotiated through the Roosevelt Administration, with the aid of a man who was a personal friend of mine who was involved in that negotiation at that time. So, they suspended and withheld proceeding with the peace treaty with Japan, in order to have an opportunity to drop the two nuclear bombs on Hiroshima and Nagasaki. That was the reason for it. To start the war.

The policy, under which Truman was operating, with Bertrand Russell as the author of the policy—the great peacenik, Bertrand Russell. He authored the policy, and he broadcast his authorship of the policy, in a publication he published in September 1946: To use preventive nuclear war against the Soviet Union, to establish world government. An empire of world government.

Now, *this is what we faced in the United States*, what I returned from war to the United States, then. That policy. The same banking circles, which had initially committed themselves to a coup against Roosevelt—a military coup against Roosevelt was planned in the 1930s: These same guys, who had changed sides, only because of this Hitler-going-westward question, now were going back on the right-wing policy, aimed for a policy of world government through our having a monopoly—the British and the United States—having a monopoly on nuclear weapons. And they were going to attack the Soviet Union with nuclear weapons as soon as we had an arsenal to deliver it. To make those weapons, and deliver them. That was the business.

However, in the meantime, the Soviet Union had developed its own nuclear weapons. And also in the meantime, developed a thermonuclear weapon, when we didn't have one.

So, we called off preventive nuclear war. Truman was told to quit, not run again. And Eisenhower stepped in, and for two

terms of Eisenhower in office, he saved us probably from nuclear war. And what he was warning against on his way out of office, was, "Watch out for these guys!" It was a good warning.

But then, we had what happened to us, with the Vietnam War, which was completely orchestrated. It was done the same way, for the same thing. It was a no-good war, with no-good purpose: It was to change the United States—and it gave us Nixon.

The problem we have, which we see with Karl Rove, who was part of the attempted fascist coup in the United States by Nixon! It didn't work. But, it was an attempted fascist coup. The things you heard about, were only the tip of the iceberg, of what the Nixon Administration was doing. And this is the Administration that gave us Rumsfeld, later in his career; that gave us Cheney. This gave us the new monetary system! We destroyed the Roosevelt monetary system—done by George Shultz, Henry Kissinger and Company. We started a war in the Middle East: It was done by getting rid of William Rogers, the Secretary of State, an Eisenhower man, and putting Kissinger in there. That's how it happened.

So, we have been under the domination, for this period of time, by a bunch of right-wing characters, who are actually the authors of fascism, and similar kinds of enterprises during the 1920s, 1930s, and afterward.

This is the right wing in the United States. *It is not* some meathead out there with crazy slogans or swastikas. *It is the people who buy these, and trade them in, and throw them away, and use them when they want to.* What you have here, is the attempt to set up a dictatorship, in the interest of that kind of banking interest, that financier interest. And some of the banks are the same private bankers, who were involved behind Hitler, back then: The Synarchist International. That's the enemy!

Now, the question here, is *not* stopping bad activities. We have to stop them. But we have to understand, we're engaged in a war, as Roosevelt was—which was not just the shooting war. It was a war on the chessboard of grand politics, to try to save this nation, and save civilization, *by defeating this crowd.* Not to eliminate them—we're not killers. But to take the *power* away from them, by creating a new kind of power, which would *protect the nation and the world against such enterprises.*

We are, once again, engaged in that war. The war, the whole fight, is around financial-monetary issues. The present monetary system, which was launched officially in 1971-72, is now collapsing. It's collapsing, because the collapse was inevitable if we continued the system. It was *rotten*—it wasn't a mistake made here, a mistake made there: *The whole system was wrong!* It was part of the right-wing system. We may have defeated Nixon, but we didn't defeat the system. Cheney is still coming. This is the problem.

So therefore, the question is, we have to have a policy, which is based on a positive counter-policy: *A declared and avowed counter-policy.* Because, as you know, in the Senate, you know that most people in the United States and most people in the world—even people in government—*do not understand these issues.* They're a bunch of amateurs, trying to play at government. The American people don't really understand these issues, either.

The problem is, is how do you get the American people to mobilize in their own defense, as Roosevelt did back in the 1930s and so forth after that? *You have to tell them the truth!* You try to say, "Let's limit ourselves to the issues, these specific issues," They don't understand what you're talking about! They say, "What difference does it make? They got the majority, haven't they? Let them have the vote." They don't understand that the fate of civilization depends upon their *not winning the vote!* And when the issue is not civilization, you don't fight. When the issue is civilization: You fight! You don't go to war unless you have to—any kind of war.

And this time, the problem is, we are not doing two things: We are not telling the American people, and the people of the world, and the politicians, who don't understand this—we're not explaining to them what the problem is. We're not

identifying what the enemy is. It's not Cheney—Cheney's just a hired gun, and a fool. He's easily dispensable. He's not the problem. The problem is this Synarchist International, this current in history, which keeps coming back at us. It's come back at us again.

It's responsible for the genocide in Africa—these guys are! Everybody's afraid of them. They're afraid of the bankers; they're afraid of the financiers. I'm not afraid of them. I understand their power. I understand they could have killed me a number of times. Sometimes they tried. It didn't work.

But, you're in a war. And the war is, to take a stand, to say, "What are we going to do?" And the issue is, as President Clinton came close to making that decision once, back in September 1998 on a similar issue, on the LTCM crisis. And this present hedge-fund crisis is an echo of that crisis then. And he told the New York crowd: We need some new financial architecture. And then he backed off, and they tried to kill him, with the impeachment effort—they might have tried further. But that's what happened.

*These* are the issues. This is where you have to stand. That's why I said what I said, today: You have to say, "We are going to create a new monetary system, under which we are able to pledge, with the consent of other countries, that the monetary system will not collapse. The U.S. dollar *will not fall*. We are going to *save* the banking system, by taking it into receivership, where needed. We're going to *save* the world economy. We're going to give the world two generations to fix itself, and hope that those who come after us will do the rest."

We've got to make that the issue of war. We've got to make *winning* the war, winning the cause, the issue, and then people will mobilize. And what the problem in the Senate is, they don't have the support that they need from the people. The reason they don't have the support they need from the people, is because the people don't understand the issue. Maybe some of the Senators don't understand the issue fully. We have to make the issue clear. If we know what the war is about, and we're going to stick to this war until we win it, in this case in terms of the Senate, save our country, and take some countermeasures.

Take the case of the GM crisis. If GM and Ford go down, the United States loses a vital part of our machine-tool capability, in which case we're no longer a serious nation, economically. Therefore, we have to put through measures immediately, to make sure that the labor force, led by the machine-tool component of General Motors, Ford, and the auxiliary companies, that this labor force *stays in production*, and produces mass transit systems, alternatives to automobiles as well as automobiles. So that we maintain this labor force *in production*.

We have to give the American people the sense that somebody is behind them. We've got to give especially the lower 80% of our population the sense that the United States will fight to protect them, and to protect their interests. And they don't now.

People say, people don't believe me. I laugh at it. I say, it's not important. They should believe me. The reason they don't believe me, is because they don't believe other people, the politicians. Because they think they have to kiss the butt of the politicians to get by. And therefore, they will say what they want to have those politicians, and other authorities—their prospective employers—overhear them saying. They don't want to know the truth. They want to know what they have to do, to get what they want, personally.

And only when political leaders stand up on their hind legs and make the issues *clear* to the people, then as Roosevelt did, will the people of the United States support you. The people of the world, in general, will support you, if you make the issues clear to them in terms they understand. And it's going to take a lot of work by a lot of us to do that. But once we do that, we're in this thing *to win*. We're on the march. *We are going to win this war to save this nation, and save civilization.*

## Question 2: Putting the People Before the Banks

**Freeman:** There are several other questions that came in from Senate sources, that ask about the very question you just addressed. I may, because of the stature of the people who have asked the questions, I may read some of these questions in the course of the event that may seem to repeat things a bit. But if I do, it's because I don't want those guys to yell at me. I'll let you deal with it.

Okay, this is another question from the United States Senate. "Mr. LaRouche, popular wisdom tells us to put the people before the banks, especially if you're a politician. But the fact is that you can't run a modern economy without a functioning banking system. If all current indicators are accurate, and certainly your predictions are more dire than even those indicators, we're facing a banking crisis of unprecedented dimensions. 'Save the people, not the banks,' is a great slogan at a rally, but in order to save the people, we may have to save the banks. My question to you is, how do we approach this? What are your overall thoughts? And specifically, are there things we should be doing preemptively?"

**LAROCHE:** Yes, there are. There are people who know me, who are in key positions in government and banking, and all that's required, which is what I have on my agenda, is for them to talk with me. Not to get me support, because I don't need any support. I'm right, therefore I don't need to be proven right.

What we have to do, is, I need them. Now, many of them are wrong. They've been wrong on the record on many issues. *But:* They're not useless people. They're the kind of people who can be assigned, or delegated, in various ways, to move in on the banking situation, as an institutional force, and to craft the specific, concrete policies needed *for an overnight-type of operation to deal with any bankruptcy in the banking system.*

We have people that we know—and you, Debbie, know some of them, and some people we know, know others of them. We have enough skilled people in this country, in the United States, who know how to run banking operations, and who know economics, at least from the technical side, if not always on the theoretical side. Therefore, we have to create a strike-force in effect, which is largely to be a voluntary force of people who simply discuss with one another, because they know each other. And we're going to have to delegate some hands to take certain roles. And say, "We have a taskforce which is prepared to move in, and—."

You know, the principle is not that difficult. The principle is the same principle as a bankruptcy. Now, I call this question a "strategic bankruptcy." You have two kinds of bankruptcy, in which an institution may come in as bankrupt, and you may decide the best thing is to let it go, and just put it through an orderly dissolution. But, there are certain kinds of institutions or combinations of banks you *can't* let go! Because there are too many people who have got their savings involved in it, and other things of that sort. So therefore, you're going to have to put them into receivership, or some similar type of reorganization.

Now, my action, and the action we all should think about, is, we're going to put whatever has to be put into reorganization, into reorganization. We are going to mobilize people of the type I was alluding to, as part of this force which will actually craft—they're knowledgeable in these areas—will craft the detailed policies which need to be applied, to deal with the situation.

We'll have to create a structure—which I think the Senate should sponsor in large degree—a structure, for dealing with what I call "strategic bankruptcy." And this takes in all aspects of it, including the banking system: In other words, if Citibank, or Chase Manhattan (or whatever it is now), goes down tomorrow, we need somebody in place, and an institutional capability in place, which is going to keep that place functioning.

We're going to have to—say, categories. We're going to have to say things like, "If it's derivatives, it gets nothing." We simply *cancel* derivatives obligations. They're side-bets. We're going to go at the things that are not side-bets. We're going to deal with the question of how we reorganize mortgages that can not be sustained. We're going to kill people because they can't maintain a million-dollar mortgage on a shack they need to live in? We're *not* going to kill them, we're not going to throw them out in the street! We're going to do something to take care of that situation. It may not be what everybody wants, but it's going to be fair.

So therefore, we have to make those kinds of decisions. We have people, I'm sure, that I know of in this country, skilled people, experts, who know how to do that. But, we're going to have to make the policies. We're going to need policies, through the Senate, which provide for this kind of emergency. So that when a case happens, or we know a case is about to happen, or somebody knows their institution's about to go into that kind of pit, that we *move in*, right away—as a preventive measure, to prevent a chain-reaction collapse. The thing we must deal with, is the danger of a *chain-reaction collapse of the banking system*, a disorderly collapse. We *must* keep this thing functioning. We must use everything we know from the past on how to do that.

And, if we don't give that assurance, that we're going to do that, I guarantee you we won't get the agreements. If we can give that assurance, as it's largely—we have to use the authority of law. We need a special law for an emergency. Not a dictatorship, but a special law, to enable the existing institutions of government, as duly constituted, in their present form, to do the job, by bringing in whatever else we need to assist them in doing that job.

Our purpose is to keep our system functioning, to keep the dollar at parity, to prevent a collapse, and to go immediately into a role of expansion.

## Question 3: Preparing People for the Crisis - - The Role of the Senate

**Freeman:** Let me just say that we have a very large number of questions, coming in from various institutions here in Washington. And we also have a significant number of questions, from both state legislators and from labor leaders around the United States. Although we also have questions from international journalists, I'm giving the institutional questions precedence, and I hope people understand that.

Lyn, this is another question from the Senate: "Mr. LaRouche, the issues that it seems have to be addressed on an emergency basis, are truly overwhelming at times. The population has absolutely no idea as to the severity of the crisis, and they usually don't, until some particular problem bites them on the leg.

"My question to you is, how to proceed? Because obviously, one aspect that has to be addressed, is the adoption of the policies themselves, and trying to decide on policies that prepare to manage a crisis that could really cause tremendous chaos. But then, another aspect is actually to try to prepare the people themselves.

"My question to you is, what do you think becomes the priority? What has to be done to prepare the United States to manage this crisis? How do we prepare our people? Do we define an approach first? What's the order in which we address things? I know that the question is not as specific as it might be, but the overall situation just seems to be so vast, that I'm not sure whether to approach it specifically or generally."

**LAROCHE:** All right, let's talk about the Senate. Because the Senate is—. We don't have a President. We have a lame duck. Very lame. And he became lame real quick. And I knew he was going to be lame, the minute that somebody said he'd been elected, particularly after Nov. 9, when I did the webcast on Nov. 9 of last year, and I said we could turn this guy into a lame duck. And we did! We, Democrats and others, turned him into a lame duck. And he's losing feathers all the time.

Now, he doesn't mean a hill of beans right now, as a positive factor. He might say something nice, and it might be useful, and I would hope that would happen. But I don't expect to find a brain inside the Oval Office. I'm looking for Mrs. Wilson's husband there, on his second term.

What we have, therefore, by elimination—Cheney is less than nothing. You've got a zero as President, you've got a minus sign as Vice President.

What has been demonstrated, as on the 23rd of May, is that what we have, as a real focal point of government, for purposes of crisis now, is, we have a growing bipartisan association, of people in the Senate, in particular; or, other people in Congress and so forth, gathered about a bipartisan assembly in the Senate—a group of Senators who stand up, representing the majority of the Senate, who with the special powers of the Senate—of advice and consent, and with the support of institutions—can move the institutions, at least of the Legislative branch of government, can move those institutions in ways which are needed at this time. If the American people see a bipartisan coalition of the Senate assuming its responsibility, which is implicit in the design of the Constitution for this kind of crisis—a crisis where you have a President that's a zero, a Vice President—both of whom are impeachable under the intent of impeachment. I mean, impeachment is not just for a crime. It's for when the President's *not competent*. And the President's not competent, and the Vice President is terribly *incompetent*, or anti-competent.

So therefore, the question is, we've got to preserve Constitutional government. Constitutional government in this circumstance, can only be preserved in the short term—in the long term, the Federal court can do something—but in the short term, *only by the Senate, taking its role of leadership in the agency which is Constitutionally responsible for providing advice and consent*. And if the Senate takes resolutions, which are pertinent to the situation, and makes statements which are pertinent to the reality of the situation, the American people will listen. The American people will support.

And you have the election campaign coming up for next year. Commitments are already made. Support this, and that, and so forth. But, if the politicians who are running for office, see the American people going against what George Bush typifies, those politicians are going to run the other way. And there you will begin to create the mood, in government as a whole, under pressure of emergency, to do the things that have to be done.

This is a question of leadership. Under all happy circumstances, the leader should be the President of the United States, who uses the Executive power of the United States as the key fulcrum for dealing with a crisis of this type. We don't *have* a functioning President of the United States. The man is a mental cripple, at best. His putative successor is a vicious character, who's more of a disease than he is a cure.

Therefore, what do you have left? You've got the relationship of the other institutions of government to the American people. Under our Constitution, implicitly, that authority lies with the Senate. A coalition in the Senate, to save the nation—without changing anything, just that coalition—will mobilize the American people, and you can say, "Scat!" to Cheney, because he no longer has any power. The power lies with consent. And if he no longer has consent for his antics that he pulls, he won't be able to pull them. People will just laugh at him. And he'll go away. The bankers behind him are still dangerous.

But I say, the point is, if we can get a coalition, a majority in the Senate, to begin to take systematic leadership, of everything it can exert leadership on, now, and if it says the things that have to be said—because the people are going to say, "Is it true?" If a coalition of Senators say, "Yes, ladies and gentlemen, it is *true*!" the people will have confidence in them. Because they certainly are losing confidence in the Bush Administration, *rapidly*, now.

And then we have to do the right things.

But the questions I'm getting, are all in this direction. "What do we do, in an ordinary way?" This is not an ordinary circumstance.

Now, how do you use our Constitutional system, under these circumstances, in a crisis of this type? We already have seen the first step in that direction, on May 23, publicly: Where a bipartisan grouping in the Senate said "No!" to an attempted coup d'état against our system of government.

The same principle applies now. We need Senators and others to stand up, as a coalition, which may not agree with each other on every issue, but we have to get the dialogue going. We have to get a dialogue going among a coalition—is different than a dialogue of individuals who just run into each other. When the dialogue represents a commitment to come to an agreement, not based on who's got the loudest voice, but agreement on the basis of *reason* and a sense of actuality; and when the people out there know that that's what's going on, then I think that our problem, is—while it's still dangerous, our situation's still dangerous—I think our problems are soluble. And I think we'll keep coming back to that.

The question is: When are the members of the Senate, and others, going to realize that we don't have a functioning President, and we have an extremely dysfunctional Vice President? Under those conditions, the Senate is the institution of government, through its powers of advice and consent, which must shape the environment, and appeal to the American people for support. Under those conditions, we don't have to do a thing against our Constitution, to do what has to be done.

## Question 4: Health Care vs. Shareholder Value

**Freeman:** Another question from the Senate. "Mr. LaRouche, I'm sure you're well aware that GM's management has already received assurances that they will be let off the hook on their pension obligations. At the moment, they have also delivered an ultimatum to the union on the question of contractually agreed-upon health-care benefits.

"There's probably no more compelling issue for most Americans, than that of health care. It's a question that has concerned this office for more than a decade, but past efforts that we've made to address it have failed miserably. Now, it has come to a point of crisis that it seems it must be addressed. The crisis in Medicare and Medicaid is far more compelling and immediate, than any anticipated crisis in the Social Security Trust Fund. Yes, we must begin to adopt policies of economic reconstruction in the United States. But it seems that the question of health care has such an immediate impact on people's survival, that that has to be addressed too, and it has to be addressed now. The question is how to approach it.

"Additionally, one very special feature of the crisis is reflected in a recent report that over 1 million Americans are currently suffering from HIV. A disproportionate number of those individuals are located in the State of New York. The number, which I personally believe is a gross underestimate, is nevertheless staggering. Do we address this in the context of overall health care? Or do we need some special provisions, and if we do, what sort? But it seems these are questions that really can not wait."

**LAROCHE:** You're dealing with the same thing, the right-wing problem. It's the right-wing bankers, the Synarchists, the same thing that gave you Adolf Hitler. That's what your problem is. A key problem is, you have Confederate members of the Supreme Court, who have laid down a policy, which is called "shareholder value." And most of the fascist-tending law, including that which is used to destroy the health-care system and so forth, has come out of that kind of mentality, which is expressed by what is sometimes a majority of the Supreme Court: the support of the concept of shareholder value.

Now, shareholder value is unconstitutional. And this was a case in which those judges should never have been confirmed by the Senate. Never. Because that did more than anything else, to destroy our system of government.

*But:* The Constitution, especially its Preamble, still stands. Now, this becomes a big issue, a big legal issue. How? What happens is, the fascist tells you, or his dupe tells you that the Preamble to the Constitution is not law. It's just an introduction to the Constitution. Whereas if you know history, and the history of modern law and statecraft, you know the Preamble to the Constitution is the *most important part of the Constitution, and is the highest authority of the Constitution!* And the principle of the Constitution which is most central, except for the defense of the nation, and our national sovereignty, as such, is the promotion of the general welfare: That prior to the adoption of that policy, even though this was actually argued as law by Plato and others in ancient Greece, it was actually the foundation of the Christian policy as laid down by Paul in 1 Corinthians 13—the concept of *agape@am*, the concept of the general welfare. This is the principle on which the modern nation-state was established during the 15th Century for the first time: the responsibility of the government *to promote the general welfare of all of the people.*

The first time we had a government of such a form was in France under Louis XI. You had someone at the court of Louis XI, called Richmond, who went from the experience with Louis XI's court, and went over and overthrew a bastard—Richard III of England—and established the first form of commonwealth government in England! It was from this idea of commonwealth government, that the modern nation-state and modern society was formed.

This was the difference between feudalism in the medieval period, and modern society—this issue! Of the fact that the state is responsible *not to treat people as animals!* That all human beings have certain inherent rights. These rights are associated with the notion of general welfare, which is not simply taking care of them, but it's also thinking about their children and grandchildren, and those who are coming after them. To promote the improvement, the betterment of the condition of mankind, is the first obligation of government, and the care for every individual.

The same principle stopped religious war. Europe was being destroyed by religious war from 1492, with the Expulsion of the Jews from Spain, continuing through 1648 until the Treaty of Westphalia. The first thing in the Treaty of Westphalia, the first principle that stopped religious war—the thing on which modern civilized society and European civilization depend, is the Treaty of Westphalia. And the first condition is that the individual state and the person must promote the advantage of the other. That we are responsible, each of us, to the others, as the others are responsible for us. It is our mutual responsibility for the well-being of others—among which, we are one of the others—which is the basis, the foundation, of our Constitutional system of government.

Now the same law, the so-called law of the general welfare or the common good, is also law, in particular, in the constitutions of various governments of the world, its intention. Shareholder value says that if you are slave, you are property, and you shall never be released from slavery; because you are *property*. And your children, being children of you, are also property. This is the law of slavery. This is John Locke! This is the law of the Confederate Constitution! As opposed to the U.S. Federal Constitution.

Now, the way we have to approach this thing, is on the question of Social Security, which is obviously not in the Constitution, but the principle under which it was established in the Constitution, and the *need* for it, was well defined by the conditions of the 1930s. And the success of it, is that. The only reason we stopped funding it—why? Because George Bush stole the money! His Daddy stole the money! And he stole the money. But he didn't steal it, because he got the government to authorize a bond, a U.S. bond, to cover that money as returnable to the Social Security Fund. George Bush says it's "just IOUs." The idea of shareholder value.

So therefore, we're in a situation in which we have everything—health care's been systematically destroyed. We've destroyed it. Why? To cheapen the cost of labor. We sank the economy. We said, "We don't have money." We stopped paying the doctors. We put whole categories of medical professionals out of work! They couldn't afford the insurance fees. And similar kinds of things.

Therefore, we have to put it back. We need a comprehensive conception of law, the law of the general welfare, as it applies to persons and to communities. Health care is part of that. We *had* a health-care system that worked. Nixon destroyed it, with the help of a Democrat who helped him in that process. We had the postwar health-care policy of improving the health care, year by year, in every county in the United States. The New York City health system under that law, is an example of how it worked. Other states applied it more or less effectively. We destroyed that. We destroyed the Hill-Burton law, in 1973, under Nixon. We introduced this system, which is a system of *looting* our health-care system. Part of the Nixon policy, part of the neo-conservative policy.

Therefore, we have to recognize that the idea of shareholder value is a violation of the Constitution. It's a violation of moral law. No one can call himself a Christian, who accepts the idea of shareholder value. And those who accept shareholder value should stop calling themselves Christians. Please, may we make a law about that? Will you please stop calling yourselves Christians, if you believe in shareholder value? You've got to choose. one of the two.

But, we need a general package, a general philosophy, stated clearly: policy on health care. Again, this has to come out of some kind of majority in the Senate. Because we have to have a statement of what the *intention* is, and then fight to get the laws adopted.

And I agree with you on your concern on this, I fully agree with you. But I think what we need is a strategic approach to the question: *We need to overturn the concept of shareholder value.* We can do it in the Senate. We can do it in the Congress. But we have to declare our intention to do so. Once we've declared open season on these kinds of things, then they become vulnerable. If we sit back and complain about them, they'll go on. You have to declare open season on bad things, and then people will mobilize to get rid of them.

## Question 5: Should Bush Be Impeached?

**Freeman:** Lyn, we have a bunch more questions from the Senate, but I'm going to move to another segment of the population, and that is the questions that are coming in from labor leaders. We can come back to the Senate.

This is a question that was submitted by Scott Pulliam, who is the president of the IBEW in Louisville, Kentucky. He says: "Mr. LaRouche, since the emergence of the Downing Street memo, it seems that more and more online political action sites are jumping on the bandwagon, demanding inquiries and hearings. Even more surprising, though, it seems that, now, some mainstream elected officials, including some Democrats, are joining the chorus. Do you think it's likely that we will see an effort in Congress to impeach this Administration for its high crimes? And do you think that that is a useful thing to pursue?"

**LAROCHE:** I think that's too narrow. I'm not against it, because—that's not because I have some particular malice against poor George W. Bush. I mean, I think the guy's a wreck, and he may need medical attention, or something. But, I don't believe in lynching people.

But I think we should get rid of him, in a very nice way, by retiring him. Retiring him, because he's mentally incompetent. I think he's shown that mental incompetence: A man who says, as President of the United States, in a time that the national credit of the United States is in jeopardy, saying that the U.S. government bonds are worthless, are worthless IOUs, that man is obviously mentally ill. And I think that mental illness is sufficient cause to remove him from office. The only problem about removing George from office is that, you've got to get rid of Cheney, too! Because Cheney is a sociopath, a killer! And you can't have that guy in the White House.

So therefore, I think what we need is a policy, stating what the problem is. It's not just the policy of an individual.

I don't think a single issue works. I don't think there is a single-issue victory in warfare. There's no place for single issues in politics. You have to have an issue of *principle*. And you do what you do on the basis of a statement of *principle*, which is adequate to cover the situation you're dealing with, and maybe some other ones as well. And win people to the principle.

Look, in the final analysis, we, the people, *are* the government. We delegate our power, as a people, *to our government*. We don't have total control of it, because we have people who came before us, who have a trust in this. We have people coming after us. We can not jeopardize them, simply because of our passions and will. But we are, as much as anything, we are government. Therefore, we have to have a principled response, to our problems and our opportunities.

What I think in this case is, we have to have a coalition that stands up, and tells the truth about the condition of our elected and associated government. We have to mobilize public opinion, of our citizens, to think about this, to participate: We've got to draw people into government. You know, what's happened to the citizen, the lower 80%, over the past period since 1971-72—especially since 1980-81—the American citizen of the lower 80% of family-income brackets, does not believe that he's really a citizen. He believes he's somebody who was given the right to beg and nag, and threaten, if he doesn't get his way. And it's usually on a single issue. "I'm going to go out and I'm going to burn down City Hall, if I don't get my wages on time." Single-issue stuff. Instead of having a conception of government, of what are the *principles* of government.

And what we need, are laws and principles which provide a structure, within which we can function: like the law of the general welfare. General welfare is a principle of law. And we have to make sure we are vigilant in enforcing the principle of the general welfare. We don't need some collection of this law and that law, single-issue. We don't need that.

So, what I think on this thing: Yes, we do need to put a merciful disposition, to get this President out of office. He's a danger to the environment. Resolve to get Cheney away with him, too. And I think we can find some kindly way to do that without abusing him.

But, what we need is some alternative. What's your alternative? You go to Canada to replace him? Anyone? Or, do you have a group of people who express the concern that we have a problem with this President? With his mental capabilities?

We should have raised it in the election campaign—people backed off from doing that. They came close to it, Kerry came close a couple of times, and Edwards did a couple of times. But they never stuck to it!

This man has got mental problems. He shouldn't be President, because he's got mental problems. He's not *capable* of doing the job. Under the intent of our Constitution, he shouldn't be President, because he's *mentally incapable* of the job! Do you want a six-year-old child flying a large airplane? There's nothing against the child, he's just not capable of doing that job (though I think he'd probably do a better job than George Bush would do).

So, I think that's the answer. We do have to have a policy on this. We do have to have an expression of opinion from leading people, who say, that's the case. I will say it any day; I have often said it. I will say it again. People like to have me say it, because that means they don't have to say it. They don't want to take the risk of incurring the displeasure of the President of the United States or his admirers, such as Karl Rove.

## Question 6: How Do We Mobilize the Population?

Freeman: Another question from labor. This is from Mark Sweazy, who is a UAW president from Columbus, Ohio.

He says, "Lyn, thank you for your sole leadership in this current domestic automobile crisis. There's little doubt in my mind

that your involvement may lead to the benefit of millions of Americans.

"Now, understanding the apparent denial of the current global financial crisis, by both people and government, my question to you is, what do you think it will take from us to mobilize the government to intervene and get our economy back on its feet? Is there anything that local governments can do, that has an effect on the Federal level? Do you think that things like the recent resolutions that came out of the Detroit and Cleveland City Councils help at all? If not, then what would you recommend?"

**LAROCHE:** No, I think they do help. There's no question, no doubt of that. These kinds of resolutions, as they come from more localities, help.

Look, we're going into what is already for many politicians in the United States, an election campaign. Next year's election campaign is already on. And they're looking at the temperature. And what they're going to do today, is going to think about making a record which will pertain to the electoral possibilities of next year.

If you've got people who are responsible people, like what happened in Wayne County, what happened in Detroit City Council, what happened in similar institutions, already, around the country, these things are extremely useful. What we want to do is build up a landslide of such resolutions—because they're right: Because, people out there *know* they're facing this situation. They know they need help. And getting their city council, or some relevant institution, or trade-union organization, to make such a resolution—just pile it on! This has always worked in American politics, to great advantage. Pile it on! Just don't try to assume that that's going to work by itself. It's going to work *indirectly* by—this is a way of mobilizing an assertion of the sense of self-interest of the American people, case by case, to say, "Boy! There are a lot of us out here, who have this same concern. And we're willing to fight for this concern quite seriously." To a politician, that's like throwing meat to sharks. They grab for that stuff.

So, it's a very powerful weapon. One should not expect direct results necessarily from it, though you would hope for that. But we can expect effective *indirect* results.

Above all other things: What we have to worry about is not only a demoralization of our politicians, but a demoralization of our people. Our people, generally, in the United States, are feeling that they're about at the limit of what they can take, in terms of worsening conditions. The main thing we have to be concerned about, in that respect, is, we must not allow our people to be demoralized. Because, if they become demoralized, our situation as a nation is hopeless. Therefore, we have to encourage them to express their interest, and find themselves in solidarity with many other citizens, sometimes the neighbor they didn't like before, on these kinds of issues.

So mobilizing people around such things, is, among other things, it's building up their morale, and defending their morale, by means which are very effective politically.

## Question 7: Is There a Fallback Option?

**Freeman:** Next question is from Rep. Perry Clark, from the state of Kentucky.

He says, "Mr. LaRouche, if we don't successfully act in time to avert an uncontrolled collapse, my question is, does the U.S. have a fallback position? The fact is that even a 40% adjustment in the value of the dollar would actually be sufficient to wipe out about 80% of my constituents within 30 to 90 days. They would be destitute, and this would especially affect retirees. What's the official policy for this kind of thing? I fear that it's nothing. What should we have as a policy? Or should we just try to avert the thing from happening, in the first place?"

**LAROCHE:** The problem is what I've addressed all along, Perry: Is that, as long as the politicians think that the citizens are not taking the issue seriously, the politicians will always go with the bankers, in general. That's the way it works. Money, money, money, money. Our system has become worse and worse, as more and more political reforms have occurred. Because, the more the reforms, the greater the corruption. Because it always steers things, in the name of democracy and so forth, in exactly the wrong direction: *to regulate*. In other words, it moves towards *regulation*, to use your ability to get money for a political campaign, to become *regulated*, to come under pressure of regulatory agencies and so forth.

Now, there's some cases where this should be done. But this is getting silly right now, at this point.

So, the politicians will generally go with the money, if they don't feel—. Because they say, "Well, I'm a good guy. The government needs me. The people need me. Therefore, people should vote for me. And I've got to get the money to get myself elected. Wait till I get in, and I'll do the right thing." But then, you know, the minute you get into office, if you're a member of the Congress, the House of Representatives, you've got to start campaigning for re-election the minute you step into office, the first day you're sworn in and get into office! So, the cycle goes on and on and on.

The only remedy for this, is to get people mobilized in such a degree, that the mobilization will determine the likely vote in the next election. It's the best cure. See, the problem is, that we have—you see the clubhouses in the Democratic Party. The Democratic Party used to be a party of clubhouses, the Roosevelt Democratic Party, in particular. And the clubhouses had some power. The clubhouses could turn out the vote. They were the ones who worked every citizen, every block—they worked them. That could turn out the vote.

Now what happened, under Nixon and beyond, we stopped dealing with the people. The Democratic clubhouses generally became empty or closed down. And a paid-for vote, paid-for campaign, replaces the action of leading, active citizens in turning out the vote. There was a time, when you could have the political club turn out enough of a vote, to scare the pants off a politician. That's no longer the case. That's been less and less the case, over the recent decades.

So, the problem we have to keep coming back to is, what we need is mobilization of the people in their own defense. And the first thing, I think as I said also—really again, so I won't go into great length again—we've got to tell them the truth! Don't tell the itty-bitty truth. You've got to tell them the big truth! Well, they say, they're not ready for that. *When the devil are they going to be ready for it?!* The system is about to come down any time now. Don't you think it's about time to tell them the truth, before they get killed? Don't they have the right to know what's killing them, before they die? Therefore, we better start—

The problem is—and you know, Perry, *exactly* what I'm talking about: We've seen this on the hustings. People quietly, privately, will tell you what they think. And then you go to a public meeting and there's nobody there. Eh? It's the gutlessness of our people! And sometimes, they're gutless because they're not scared enough to stop being gutless! If they really get scared, and know that what they're afraid of is *true*—they can't deny it—then they're going to say, something has to be done about this! And they're going to be concerned about getting the right answer on that question.

We're so wishy-washy, that's our problem. And our people are so wishy-washy. They put up with *all kinds of horrors*! They never really complain! They complain about what's being done to them, but they don't complain about who's doing it! This is the problem.

I think the time for my style of politics is really here, right now. To say it loud and clear, and don't care. Say it! The truth is more important than anybody's feelings.

## Question 8: An Election Strategy for 2006

**Freeman:** Lyn'll like this question. This is a question from someone here in Washington, Lyn, who you know well.

He says, "Mr. LaRouche, now that you've scared the crap out of everybody, I'd be interested in whether you think we should actually be working on a 2006 strategy? It's my business, of course, to do that. But it seems like it's an excellent way, and maybe the only way, to actually mobilize people to deliver a swift kick, so that we can get some of these policies acted on."

**LAROCHE:** I agree with you totally. I think that we should have, in the D.C. area, in particular, as the national center, we should have some serious Democratic Party, and also outreach to the other side of the fence, the Republicans, the good ones—you'll find a good one here and there—we should actually be engaging in the politics of 2006, on the streets, *now*. The issues, now, are the ones which I referred to here today. Do we have the guts to take the truth about the present situation out to the hustings? Do we have a bunch of politicians, who will stand up and say, they want to hear this discussion? So the people have a reference point, among people they see as having *power*, who are responding on these issues. So we can get some people to start turning out and getting hot about the issues.

Yeah, you know, some people are talking about getting *money* now for the campaign! Well, I suppose that's fine. I see that's often needed. I've had some experience with that myself.

*But:* The key thing is, have you got the people, not the money? If you've got the people, you can win the election. And we are not, as a nation, we are not, politically, seriously, going after the people. My youth are going to the people. People working with me, are going to the people. I know other people around the country, are going to the people. You see it in these resolutions like Wayne County and Detroit City Council, and so forth. They're going to the people.

*We have to get organization out there going to the people.* In two directions: We need affirmation of support for the issue from a concert of leading politicians. We need, as much as possible, bipartisan support, because the party structure is changing in the country today. You're not going to have the same Republican Party you had before. Some people are going to go in the other direction, some people are going to join the human race and still be Republicans. And we have to have that kind of cooperation, that kind of dialogue, among rivals—but a commonality in the dialogue.

We have to carry that to the street, now. We have to bypass a national leading press which refuses—because it is controlled by financiers—refuses to face the issues. We can not sit back and complain about the press. You can complain about the press by denouncing it, because it doesn't do its job, it doesn't tell the truth; because it's controlled by financier and related kinds of considerations.

But that doesn't excuse *us* from telling the truth. And if we think about it, we have enough power to bypass the press. We have the ability to bypass the press, and get these issues out now, among the people, and don't wait for permission from the *Washington Post* to discuss something.

## Question 9: The Hedge-Fund Crisis

**Freeman:** Lyn, we have two questions from two separate individuals at the Economic Policy Institute, here in Washington.

The first one is on the hedge funds. It says, "Mr. LaRouche, if you're in Germany, you know that the other day, Chancellor Schröder indicated that he would seek some uniform standard of transparency and regulation of these hedge funds at the G-

8 meeting. It seemed to us to be a very moderate proposal, one that perhaps did not go far enough. I'm sure that you're also familiar with Secretary of the Treasury Snow's response. He really freaked out over this. And clearly, for him, any talk of regulation represented fighting words. In fact, it was very similar to some of the recent utterings that we've heard from Alan Greenspan, defending both the derivatives market and the hedge funds attached to it, as a very important part of the American investment community.

"However, not everybody seems to feel that way. Is it time that we actually took some action directly to bring these funds into line, or is it too late for that? Should we just let it go, and turn our attention to what are other equally pressing matters?"

**LAROUCHE:** This is a matter of a choice of rhetoric, actually. It's a question of how we put it. Can we put it more effectively or less effectively?—Snow jobs aside. Look, the hedge-fund crisis is, as we know—and I'm sure the questioner knows this—is extremely serious. It is the latest phase of crisis of the entire financial derivatives swindle, which has been going on since the aftermath of 1987, the 1987 stock-market crash. We've reached the point where the entire international financial system might disintegrate because of this.

Now, there's an interesting factor in this thing, which was admitted in some of the dialogue on this. It was—remember the Black-Scholes formula, which came to light in 1998, in the case of the LTCM collapse, the GKO bond collapses? This was the first occasion where President Clinton publicly spoke about reorganizing, or redesigning, the international monetary system. This thing has now reached the point that the whole system can blow out as a result. But, on top of this, what came out is the fact that these guys, these hedge funds, or most of them, are allegedly using the same mathematical formula, which caused the collapse of one of them.

Now, this is a reflection of what happened with LTCM in August and September of 1998. You have a system, a completely out-of-control gambling system, a side-bet system, the hedge funds, which in collusion with bankers—who are put in jeopardy by this operation, by being involved with the hedge funds—*the whole blasted international monetary financial system is on the verge of blowing out*, at a time that it's already *overripe* to blow out! And the trigger apparently, is a coincidence in the way of discounting the hedge funds, because some of them, if not all of them, use the same mathematical formula—which is insane! The very *idea* of that kind of formula is itself insane. But somebody, who was taken in by their flunking a course in mathematics, suddenly decided this is a great game, and they played it accordingly. Putting the entire international system's organization in jeopardy by allowing such people to exert such control over the financial system, as these hedge funds did in this case, where they got caught by the GM crisis, shows that we need regulation.

Now, what we've proposed, of course, was taxation, immediate taxation—we've proposed this before. I thought the Tobin tax was rather silly in some respects, but things like the Tobin tax could be useful, if applied to this area. Because what we need, first of all, in government and in other institutions, we need to have some track of what's happening to money. And if you have the entire financial system being manipulated by a handful of people or a handful of groups, which by this kind of mechanism are affecting the entire financial structure and threatening the whole thing with collapse, I think about that time, you should say, the Federal government, through responsible agencies, should have some source of information, to let them know that this is going on. So, the purpose of having a tax on financial derivatives, is to keep track of these disorderly things, which are now threatening to blow out the whole system. We need it! We need it right now! And we need a tax on it right now, so that we can probably—when we have to clean up the remains after these things go under.

Remember, we're at a point—July 1 is the official date, where this round of hedge funds now comes to account. Now, at that point, these hedge funds can get out, technically, if they can still get out, safely, on July 1. Now, the word is, that some banks are going to try to agree on saving some hedge funds, and letting the others go, as I indicated in my remarks earlier today.

But the whole system depends upon that. When you take the relationship with the hedges, against the mortgage portfolio situation in banks, in the United Kingdom and the United States; you look at the mortgage portfolio situation in the state of Pennsylvania, in the state of Virginia, in the state of Maryland, in California, and so forth, we have a danger of a blowout, and the entire system can go like a forest fire, where in a few hours, you could have the forest fire started; and in a week, you could have the entire international financial system *go under*. When you consider the ratio of the financial derivatives factor in international finance; and how bankrupt, already, the mortgage portfolio system is; how bankrupt the banks are: This whole world economy could go down.

Therefore, I think we need something much more drastic. What has happened of course, and Snow—Snow doesn't know what he's doing. Snow's a weak incompetent—should never have been there in the first place. He certainly hasn't got the nerve to handle anything, and he certainly is being scared to death, probably by Cheney or something like that on this thing. Greenspan is, shall we say, past his prime. He's about to go anyway. And he's beginning to flake out, in a sense, as we say.

So, Snow is obviously deployed in hysteria, to try to intimidate people into saying nothing. What Schröder said was absolutely—you know, I was surprised to hear him say it; I was pleasantly surprised to hear him say that. It was a very intelligent thing to say. He didn't commit himself to anything in particular, but indicated that he was aware of the problem. And, it is a problem which immediately affects the German and European banks. They are immediately affected by this. German banks could go under. Other banks could go under. Of course, he should be concerned about it. And the fact that he's saying it, and Snow is not, is important.

More people should—we should act on this now. But, the problem; again, it comes back to: If we don't get the facts about this out to the American people, how are you going to do anything about it?! If you let the people believe that this could *not* blow out—"Don't tell me the house is on fire, I don't want to scare the children. Don't call the firemen, because he'll ring that bell, and the children will know that something is wrong, and they'll get scared." Don't tell the people what's going on.

My sense of politics—you *tell* the people what's going on, especially if it is a hard truth to tell. But, then, tell them what you are willing to do about it.

## Question 10: Can We Save the Auto Industry?

**Freeman:** Lyn, this is a question from Rep. Juanita Walton of Missouri. She says: "Mr. LaRouche, what do you foresee happening? I don't want to be a pessimist, but what do you foresee happening, if the government doesn't step in to save the auto industry on time? If these plants do actually shut down, is there a way back?"

**LAROCHE:** No. There is not really a way back. Is there a way back from losing a war? Well, a number of times, in history, that's happened. Countries have lost a war, and they come back. Like Germany came back, after getting rid of Hitler. But, I'm not at that point yet. I don't prepare to surrender. I think that the point is, we have to win this war. Though we have to know it's a war, as I said before. We have to win.

And, the way we have to win is, we have to have a war plan, which—I have tried to outline what we have to do. I find that what we get from people who are on the machine-tool end, especially in the auto industry—unions and others, trade-union people and others—they're very useful, because, what they—

See, most people aren't machine-tool specialists. But, you look at the automobile industry and similar industries, and you find that a lot of people are employed in plants, which depend upon the role of the machine-tool specialist, who is a small fraction of the total employment force. But, the ability to produce a quality product, and even a new one every year, depends upon these guys who are the machine-tool specialists. This is one step next to science, in terms of the progress of

industry. This is how we won World War II: with machine-tool specialists. And back into the 1970s we were still using machine tools, which were produced under the Roosevelt plan, where the government produced the machine tools and then leased them out to war manufacturers and so forth, and we got that system going for some time.

These machine-tool people are crucial. They are next to science. They are the drivers of technological progress. They are the source of the profitability of production, as well as utility. Therefore, the machine-tool specialist is the person who ensures the possibility of continued employment of a lot of people.

You look out across the country, as I'm sure Juanita does, and you look at communities, in which the spill-overs of this kind of activity determine the welfare of entire communities, or determine enough of the welfare of the entire community, that the entire community depends upon it. If they go down, the community goes down in chain-reaction fashion.

So the vital interests of the people of the United States, particularly when you look at these states like Pennsylvania; you look at western and upper New York State, Michigan, Ohio, Indiana, Illinois, so forth—you look at these states: If you take this factor out of these states, which have already lost tremendously in the last 20 years, what do you have? "Look Ma, no economy."

So, the people who are the machine-tool experts, are the ones who are actually ensuring our ability to provide the employment for the rest of the labor force in that industry, because they are the ones who can get on the floor and, within the course of the year, define a completely new product! And, the fact that they can define this new product, has meant, heretofore, the ability of the industry to keep producing automobiles, and employing the people that produce them. And sustaining the communities which depend upon the people who are employed in those industries, or the related industries.

So, we can not accept a defeat in this area. We have to go at the whole picture. I mean this whole picture, like, take your state: water systems, water transport. A water transport system has a life of 25-30 years, before it needs major repair, like river systems. We've got that problem. Now, we've been in this system for over 30 years, almost 35 years, *we've been in a system of a breakdown* of the infrastructure of the United States. Systems that were essential, like water systems, transportation systems, other systems, hospitals, so forth. These things that we had, are now wearing out. They've come to the end of their physical life, where they have to be renewed.

We need a mass transit system. We can not use superhighways as parking lots forever. We need a mass transit system, not only for passengers, but for freight. We need modern mass transit systems.

We are running out of power. Power stations are coming to the end of their useful physical life. They have to be replaced. We probably will need in the order of magnitude of 500-1,000 new power stations in the immediate future ahead.

Industries, like the auto industry, can produce essential elements of construction of these kinds of things, like water management systems, power systems, and so forth; mass transportation systems. So, we have the work to be done, by the auto workers—not just producing autos. And these same people who work in the auto industry, are people who will go together with the machine-tool specialist, to the new kinds of things that open up, like locomotives, building our mass transit system, fast mass transit. They will be producing these things, instead of automobiles. They will be producing large elements for rebuilding the river systems, instead of automobiles.

And, we've just got to get it out. I think we are doing a good job in that area. I think that the trade unions and others who are speaking up on the auto crisis are doing a useful job.

But, I don't propose to talk about being defeated. I feel like a commander in warfare, who says we've got to win this war.

And, when you talk about this issue, I say, "This is a part of the war *we must win*."

## Question 11: The Home Mortgage Crisis

**Freeman:** Lyn, I've got three more questions I'm going to ask you to answer. One is specific, one is general, and one is a question from the LaRouche Youth Movement.

The more particular question comes from the Senate in the United States. It says: "Mr. LaRouche, there is no real precedent in the United States for the regulation and management of home mortgage financing, and very importantly, of refinancing. Programs like the FmHA and others, were designed for a different purpose, mainly to allow young families without sufficient capital or established credit, to engage in home ownership. But the fact is that right now, if you look at the American real estate market, we're looking at a catastrophe that's waiting to happen. It seems to me that we have a responsibility to find some way to preempt it.

"Some members of the Senate are talking about regulating the industry. But the fact is, that even regulation of future lending, will do little to address the problem that we have already allowed to be created. Greenspan's babbling about frothing versus some other thing aside, the fact is that if this real estate bubble pops, we're going to have to deal with, not only a possible chain reaction of bank failures, but we're going to be looking at the total ruin of countless American families. How do we address this?

"I'm not talking about what we do in terms of legislation for the future. I'm talking about how do we deal with the problem that already exists."

**LAROCHE:** Well, it's obvious to me it's going to happen. I can see it in Northern Virginia. It's clear. We have Loudoun County, which is going to be a center of this catastrophe, because it's been one of the areas that has been the most heavily built, with the least infrastructure, built up around this operation; as other parts of the whole area.

It's going to happen. The collapse is inevitable. Therefore, what do we do to prevent the collapse from becoming mortal? Rather than merely painful? Obviously, the thing is, you are going to have to have people who are working and living in houses, continue to work and live generally in those same houses.

Now, how you sort the thing out financially is, shall we say, a third question down the line. The first question is, you can not have a social crisis created by what is now looming as—.

Look, you've got a situation where you've got these \$600,000-\$1-million shacks; they're really not worth that. This was done on the basis of a speculative boom. And, a lot of it, of course, involves this area of second homes, where somebody has bought a home of questionable conditions, to try to make money on it, the capital gain, through the renting out of it, or something of that sort.

This catastrophe *is going to happen*. It's going to happen; it's just a question of when, and when is soon. Therefore, what do you do? Well, we can't have social chaos. We can not have social disorder. Those people are going to stay in those same houses, in general, for the time being. We're going to find some way to sort this thing out, which is equitable.

And, we're going to have to do it anyway, because the banks, which are ultimately involved in this, are going to threaten to go belly up. So, the banker is also in trouble anyway. And, the fact that these mortgages are not redeemable at their present price, is a fact of the matter. We are going to have to put the thing into order. And, it's going to take a long time to sort the thing out financially.

What we need is the ability to freeze the situation, to continue the normal functioning of life in the meantime, and *sort it all out later*. But, in the process of sorting it out, we have to make sure that essential institutions, including the functioning of essential financial institutions—which are also our savings institutions, and so forth, as well as being lending institutions—that these institutions continue to function, under a strategic doctrine.

We've had this kind of emergency earlier. We haven't had this particular *form* of this kind of emergency, but in principle, we've had this before. And we are going to have to deal with it. The principle of the general welfare is preeminent: *We must protect the people*. And, we must protect them in a just way. Shareholder value is not a primary consideration. If somebody invested, even in issuing a mortgage, as a gamble—they gambled. If they gambled on somebody's ability to pay a certain amount for a place to live—they gambled. The person who took a place to live, was not gambling. They needed a place to live. So therefore, the general welfare comes first.

Maintenance of good order in the general welfare, is the primary concern. Government must intervene, with this sense of law, to protect good order, and to postpone what can not be solved today. And we have to have good order on all sides. We provide protection to the person, to the householder; we provide protection to the banking institution, to continue that function; we provide protection to others, who are performing an essential function in the community, if they become financially embarrassed: *Because it's in our interest to do so*.

And, we can all agree that it is in our interest to do so. You think of the consequences. Do you want Joe thrown out in the dump? Do you want to close down a bank which you depend upon for a certain function, even though it is bankrupt? No. You are going to intervene, to say, "Hold it, boys. Let's freeze a few things here, for the time being. Let's keep good order. Let's get this economy going again, and *then we will sort it out*."

## Question 12: The Mission of the Youth Movement

**Freeman:** Lyn, I had more than one remaining question that I was going to ask you, but we're running out of time (and also, I'm being bombarded with questions). So, for people, especially for institutions and for journalists who submitted questions who have not yet been answered, I will forward those questions to Mr. LaRouche, and I'm sure that he will get to them in good time.

Lyn, I have one final question that I think is an important one, and it was submitted in different forms, by different members of the LaRouche Youth Movement from around the world. The question is: "Lyn, I'm sure you know, that right now, every member of the Youth Movement inside and outside of the United States, is listening to this webcast. So, it's probably a really good opportunity for you to give us instructions all at once for the next few weeks.

"My question is this: For those of us who are campaigning outside of the United States, what's the most important thing for us to communicate to people we speak to, especially to young people? My second question is really the same question for those of us who are here, in the center of this war.

"Otherwise I just wanted to thank you for your remarks today."

So, this is it, Lyn, you can give us all marching orders at once.

**LAROCHE:** It's like something which is tantamount to fighting a war. Our commitments must be to define that war, and to define winning it. We might lose the war, but we can not accept losing the war. We can not concede the war in advance. We must fight as far as we can, to prevent the evil which is about to descend upon this planet.

You have to use the authority of a youth movement, of this type that we have, to do it. You see, many people have already, mentally, dropped out of society. There are many ways of dropping out of society and still wandering around inside it. And many have dropped out. Many could come back, if they see some reason for optimism.

We have to start, first of all, by stating what the war is about, as I've said here today. Why are we doing what we are doing? Well, guess what our age is? We are 18 to 25 years of age, generally. What is that age group? Well, that's the age group of people who go to war, fight wars, isn't it?

And, what's the war we are fighting? Well, we have defined that: We are trying to save civilization. Why would you want to save civilization? Well, look, some of you guys may be old geezers who don't care about the future. We've got 40 to 60 years of life before us, presumably. And, what we are looking at now is, not a good life, and looking at Hell. It's getting worse and worse, for all of us. But, we are going to *live* it. We're not even sure we are going to have nations any more, under globalization. We're not sure that human conditions are going to exist any more. And, that's what we face, for the next 40 to 60 years of life! That's why we are fighting! As people have fought before. As they fought in World War II, for example: Because the prospect of losing was unacceptable. It was not a question of winning a competition, not a rivalry. It was a question of civilization.

And therefore, we have to approach things that way. We have a number of actions. See, Germany—outside the United States—Germany is probably the most crucial country in the world, strategically, right now, which is being plunged, probably, into a new election campaign. That is not yet settled, but it is quite likely. And, the way Germany goes, will determine the way Europe goes, as a whole. And the way Europe goes, is going to determine the way that, largely, Eurasia goes. Russia, for example; China; India. They may not admit it, but the fact is that they depend on them.

They all depend upon the role of the U.S. dollar, because the breakdown of the U.S. dollar system would be a catastrophe for every part of the world.

So, Germany is key in that sense. The United States and Germany are most key in terms of this policy. Because, if we have the right policy in the United States, and you have the right policy at issue in Germany, you probably have a fair chance of winning the right policy issue for the world, because of the peculiar importance of these countries and their respective positions—the United States, most importantly.

We also have a lot of other countries: Mexico, which needs leadership, is going into an election crisis—not just an election, but an election crisis. You have the situation in Ecuador, Peru, in Bolivia, in Argentina, in Colombia; a different kind of situation in Venezuela. You have the situation in Indonesia; the situation in the Philippines, a crisis situation there; the situation in Myanmar. Other parts of the world. And it all depends upon what we in the United States do. And it depends in a secondary degree, on secondary nations of power, such as Germany, which is more important for its influence than it is for its actual power.

So, in these situations, we have to function like a people at war, like a generation at war—at war to defend civilization, and for no other purpose. No other purpose is worth fighting wars any more. And, we have to, as I said before today, we have to define ourselves, not in terms of money, profit, etc., etc.

We have to think about what the meaning of human life is. We have to represent the standpoint of human life, and what it means, above any other issue. Life is what we do, because we have creative powers, to cause the world to become better for those who come after us. And we can live and die happily, if we know, that in living, we were allowed to participate in doing things that made the future better for humanity. We can feel joy in the fact that it was important that we lived.

And, we have to fight for that. We have to fight for the right of people in every part of the world. But, first of all, in the United States, we have to fight for the right of people, to know that they have the opportunity of living a life that is important to future generations of humanity. That's what we are fighting for, against this false value of such things as shareholder value.

[Standing ovation]

**Freeman:** Lyn, thank you very much. And also, please convey to Helga, from those of us here in the United States, our congratulations, and let her know that we'll do everything we can from here to see to it that her campaign for Chancellor of the Federal Republic of Germany, is a successful one.

## InDepth Coverage

Links to articles from

***Executive Intelligence Review*, Vol. 32, No. 25**

**\*Requires Adobe Reader®.**

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## Feature:

### **LAROCHE WEBCAST**

#### **Urgent Changes Needed in World Financial System**

This is Lyndon LaRouche's webcast speech to a town meeting of the LaRouche PAC in Washington, D.C. on June 16, 2005. Mr. LaRouche spoke from Europe, by video-conference. The meeting was chaired by Debra Hanania-Freeman.

## International:

### **Systemic Financial Crisis Creates Global Instability**

**by Nancy Spannaus**

A swath of serious political crises, ranging from coup threats, to destabilizations, to political hysteria, is sweeping governments on all continents. This worldwide pattern is unprecedented in recent decades, noted EIR founder Lyndon LaRouche, and cannot be understood from the standpoint of the internal features of each nation. All of these crises are a reflection of the fact that the financial system is coming down, and that under those conditions, government cannot deal with the crises they are facing.

### **Germany Struggles for New Economic Policy**

**by Rainer Apel**

German Chancellor Gerhard Schröder's June 13 keynote address at an economic policy congress of his Social Democratic Party (SPD) was useful, to the extent that he came out strongly in defense of the social market economy model—meaning, defense of living standards, including of the most vulnerable sectors of society—and that he announced legislation to tighten control of hedge and equity funds. The hedge funds, which are completely unregulated, are taking enormous losses on global markets, especially since May, when the debt of General Motors and Ford was downgraded to 'junk' status by Standard & Poor's.

## **Helga Zepp-LaRouche**

### **Why I Must Become Germany's Chancellor**

In the immediate aftermath of German Chancellor Gerhard Schröder's June 13 speech on economic policy, Helga ZeppLaRouche, the leader of the Civil Rights Movement Solidarity (Bu"So) party in Germany, declared that she will run for Chancellor in the expected September national elections. Her full statement follows. Subheads have been added.

## **Conference Report**

### **No Real Conflict of Interests Between Israel and Iran**

**by Mary Burdman**

What emerged most clearly in discussions at an excellent seminar on a potential 'Nuclear Iran,' held at the James Shasha Institute for International Seminars at the Hebrew University in Jerusalem on May 30-June 2, is that there are no intrinsic conflicts between the real strategic and economic interests of Israel and Iran. While tensions remain high, in reality, these nations are not enemies and have never been.

### **Social Security Reorganization In Panama Is a 'Death Plan'**

**by Carlos Wesley**

The government of Panamanian President Martín Torrijos rammed through a package of fascist 'reforms' of Panama's national Social Security system in a matter of just days in May, despite the overwhelming rejection of the plan by most of the population. Days of mass protests by teachers, students, doctors, tens of thousands of others in a general strike, and violent clashes with the police which caused scores of injuries and led to many arrests, were to no avail in stopping the Torrijos-controlled National Legislative Assembly from voting in favor of, among other things, raising the retirement age, increasing the number of monthly installments a person must pay to qualify for Social Security benefits, and handing over a chunk of the system's financial resources to private banks.

## **Interview: Eduardo Ríos**

### **The Banks Will Make Billions from This**

Mr. Ríos is a Panamanian lawyer, author, and former trade union leader. He was one of the signers of the founding declaration of the Schiller Institute, and a founding member of the Schiller Institute Trade Union Commission. Although the Commission is no longer in existence, the Schiller Institute remains active. Carlos Wesley interviewed Ríos on June 6. The discussion has been translated from Spanish.

# **National:**

### **Franklin Indictment: Bigger Than the Pollard Affair**

**by Jeffrey Steinberg**

On June 13, a 20-page grand jury indictment—dated May 26—against Pentagon analyst Lawrence Franklin, was unsealed in Federal Court in Alexandria, Va., opening a new page in a several-year-long espionage probe that now promises to blow more circuits than the 1985 Jonathan Pollard arrest and espionage conviction.

- **Documentation**

- **Federal Indictment of Lawrence Franklin**

- The following are excerpts from the indictment of Lawrence Franklin in the May 2005 term of the United States District Court for the Eastern District of Virginia, released June 13.

- **The U.S. Intelligence Search for 'Mr. X'**

- by Joseph Brewda**

- Reprinted from EIR, June 3, 1988. Note how many of these individuals are still in powerful positions today.

### **Huntington's Synarchist Scenario Escalates on U.S.-Mexican Border**

### by William F. Wertz, Jr. and Benjamín Castro

With the dismantling of the industrial capacity and skilled labor force in the United States, and the destruction of the Mexican economy by the free-trade policies of the collapsing global Anglo-Dutch monetary system, a pressure cooker has been building up steam on both sides of the U.S.-Mexican border. The number of people trying to cross the border, as economic refugees, is overwhelming the Border Patrol, and the self-appointed Minutemen vigilantes on the U.S. side are increasing in influence and number, having been welcomed by California Governor Arnold Schwarzenegger.

## Portsmouth Closure Would End 300 Years of Shipbuilding

### by Marsha Freeman

*Without a decisive naval force we can do nothing definitive, and with it, everything honorable and glorious. —President George Washington to the Marquis de Lafayette, Nov. 15, 1781*

Closing the Portsmouth Naval Shipyard not only will have a devastating economic impact on the region, but will diminish the military's engineering and nuclear capabilities, and bring to an end a 300-year history of innovative shipbuilding.

- **Documentation**

### Maine Passes Resolution Rejecting Base Closings

Joint Resolution Memorializing the Congress of the United States To Mandate that the Base Realignment and Closure Commission Reject the Department of Defense's Recommendation To Realign Naval Air Station Brunswick and To Close Portsmouth Naval Shipyard and the Defense Finance and Accounting Service in Limestone

## City Councils Say: Save Auto Industry!

On June 14, the City Council of Buffalo, N.Y., became the third City Council, and the fourth local legislative body, to pass a resolution demanding that the U.S. Congress take emergency action to save the nation's automotive industry. These actions by local governmental bodies reflect a growing politicization of the population of the U.S. Midwest, often known as the 'rust belt,' in the face of the ongoing dramatic collapse of General Motors and Ford, toward outright bankruptcy.

# Science and Technology:

## How To Build 6,000 Nuclear Plants by 2050

We asked nuclear engineer **James Muckerheide** how many nuclear plants would be needed to bring the world's population up to a decent standard of living, and how to do it. Here are his answers.

## DISCUSSION ON SCIENCE WITH HELGA

### Man's Original Creations

#### by Lyndon H. LaRouche, Jr.

June 6, 2005

Recently, my wife, Helga Zepp-LaRouche, reminded me, that Cardinal Nicholas of Cusa had emphasized that man's discovery of universal physical principles changed the universe in the sense of generating newly created agencies. It should be noted that Helga's continuing studies of the work of Cusa, which have been continued, with varying intensity, during approximately three decades, were begun during the mid-1970s, and were begun, with my emphatic encouragement, in frequent consultation with Professor Haubst of the Cusanus Gesellschaft, then the world's leading expert on Cusa.

# U.S. Economic/Financial News

## **General Motors Threatens Unilateral Cuts**

General Motors has warned the UAW that it could act unilaterally to reduce health benefits for UAW retirees, unless the

union agrees to cost-cutting concessions before its contract expires in 2007. GM has set a goal of reducing its annual health-care costs by \$1 billion in 2005 and another \$1 billion in 2006, from a current estimated annual rate of \$5.6 billion. The company also aims to reduce its long-term retiree health-care costs by \$20 billion from about \$77 billion. GM is pressing the UAW to agree to concessions by June 30. GM's U.S. plants will shut down for a two-week summer break from July 4 to July 18.

At a June 9 UAW meeting, the UAW's Richard Shoemaker told UAW officials: "If GM does anything unilaterally, they'll have a very hard time making automobiles in this country." One local UAW President said that Shoemaker "indicated to us if they backed him into a corner [the union] would use what power they have," including a possible strike.

## **Nuclear Regulatory Commission Head Urges Nuclear Buildup**

In comments to reporters on May 3 in Miami, where he gave the commencement address at Florida International University, Nuclear Regulatory Commission Chairman Dr. Nils Diaz stated that the U.S. needs to build 100 nuclear power plants over the next two decades to meet demands for electricity. He proposed that building plants on existing nuclear power plant sites would reduce planning and construction costs, and expedite the process of obtaining permits. Diaz said companies would not have to develop costly new infrastructure, such as roads and connections to the electric grid and water supplies.

Dr. Diaz reminded reporters that the U.S. no longer has the ability to build major equipment for nuclear reactors. "We had large fabrication facilities for pressure vessels and steam generators and major components, and most of those things no longer exist in this country," Diaz stated. For the half dozen nuclear plants that the NRC head expects to be ordered in the next couple of years, many components will have to be imported, he said. Worldwide, he said, production capacity will soon be outstripped by the rising demand for new nuclear plants, so there will have to be ways found to "assure supply."

At a meeting on-going in Paris the week of June 13, Diaz proposed that there should be a multinational mechanism for approving standardized new nuclear plant designs, to cut cost and time, and improve safety. Each country ordering plants would not have to replicate the regulatory process each time, but could buy designs that are standardized, and internationally approved.

## **World Economic News**

### **Treasury Secretary Snow demands there be no regulation**

On a visit to Brussels, U.S. Treasury Secretary John Snow, according to London's *Financial Times*, "urged European leaders to stop using inflammatory anti-capitalist rhetoric or risk losing U.S. investment." Snow "urged European governments to push ahead with free-market reforms and not to adopt words or policies that deterred investors." In an interview with the *FT*, Snow warned: "American business people are going to put capital where they feel they are welcome, where capital is honoured and where they can get good returns." Snow in particular warned against imposing tough regulations on hedge funds, saying "Be careful with the heavy-touch approach, because these are awfully important financial market players.

"They make financial markets more efficient and move capital around and put it in the hands of those who can use it best."

Snow's statement was widely interpreted to be an attack on German Chancellor Gerhard Schroeder, who had stated his intent to push for regulation of hedge funds, during a June 13 speech to a political party Congress.

## **Bank for International Settlements admits financial disarray**

In its latest quarterly review, the Bank for International Settlements (BIS) admits—of course covered in its typical banker's language—that global financial markets have been in complete disarray since mid-May. The overview of the report starts off:

"Credit and equity markets fell starting in March 2005 as investors retreated from investments with higher risks. Credit markets experienced their largest sell-off since 2002, while equity markets gave up most of their gains from 2004."

"Firm- or sector-specific news, particularly the troubles of US auto makers, played an important role in the retreat from riskier assets.... [C]redit spreads continued to widen and government yields to fall through to mid-May in response to nervousness about possible downside risks. Unusual volatility in the default swap market added to uncertainty in May."

"Credit derivatives markets were more unsettled than cash markets, however. Some hedge funds reportedly lost substantial amounts on trades involving General Motors and CDS index tranches. The possible systemic consequences if some of these highly leveraged players were to fail weighed on credit markets in the first half of May. Credit markets were also said to be pressured by hedge funds moves towards more liquid positions, with some funds anticipating an increase in redemptions in response to their lacklustre returns in recent months.... [A]s of early June it remained unclear whether the sell-off in credit markets had run its course."

In a special box, entitled "Stress testing of credit markets: the downgrade of General Motors and Ford", the report then goes into a lot of technical details showing how the downgradings were devastating sections of the derivatives markets, in particular credit derivatives. The box concludes:

"As losses on such relative value arbitrage trades accumulated, investors rebalanced their portfolios to adjust their hedges, meet margin calls and reduce their risk exposure. This in turn caused liquidity to deteriorate, especially in CDS index and tranche markets. Many leveraged investors had similar positions, and this concentration of activity magnified the deleveraging process. The circle of deterioration was similar in nature, albeit certainly not in magnitude, to what had occurred in 1998, following the default by Russia and near collapse of Long-Term Capital Management."

Again trying to downplay the systemic implications, the BIS then repeats the usual line that "hedge funds today appear to be significantly less leveraged than in 1998," and states, "As of early June, there was little evidence of any counterparties experiencing severe financing difficulties as a result of losses following S&P's downgrade of the carmakers."

## **Europe's Largest Hedge Fund Suffered Severe Losses**

GLG Partners, the largest hedge fund operation in Europe, suffered very severe losses in May. Credit Fund, one of GLG's 16 different hedge funds, lost 14.5% of its entire capital during May. This is at least the amount of losses admitted by GLG in its latest private letter to investors, "a copy of which has been obtained by the Financial Times."

GLG blames the losses on the particular mathematical model it used to price its credit derivatives. Somehow, the model "failed to foresee market swings after last month's ratings downgrades of General Motors and Ford." The FT report adds: "The admission is significant because other banks and hedge funds appear to have been using similar trading models, meaning that they may also have suffered big derivatives losses." In this hedge-fund mathematical model, the GM/Ford debt collapse (including a collateralized-debt plunge) of April and May was an event so unlikely, that its probability could be discounted entirely—but Lyndon LaRouche publicly forecast the GM/GMAC debt collapse as imminent, in late February! *EIR* detailed this already in March.

Concerning the overall situation, the GLG letter states: "Segments of the hedge fund community and a substantial number of investment banks are nursing material losses in structured credit trades as a result of recent market conditions." Of course, GLG calls on its investors not to withdraw funds (probably gone anyway) because it is now switching to a (supposedly) better mathematical model.

The *FT* concludes: "the real impact of May's credit price swings on the sector has yet to emerge, since it remains unclear whether investors are withdrawing money from hedge funds."

## United States News Digest

### More than 3,000 people attend first BRAC hearing

More than 3,000 people attended the first public hearing on the Pentagon's proposed base closing plan, sponsored by Base Realignment and Closure (BRAC) in Anchorage, Alaska, on June 15. Published reports placed the number of attendees as high as 3500, but an *EIR* source estimated that as many as 4,000 to 5,000 people were present. Our source reported that Alaskans suddenly realized recently that the influence of Sen. Ted Stevens (R-Ak.) would not be enough to keep the bases open, and so, three weeks ago, the Fairbanks North Star Borough allocated \$500,000 and the State of Alaska allocated \$1 million to fight the base closure.

The meeting with four members of the BRAC, included Alaska's top elected officials including Stevens, Sen. Lisa Murkowski (R-Ak.), and Gov. Frank Murkowski (R). Two retired generals, Maj. Gen. Mark Hamilton, U.S. Army, who is now president of the University of Alaska, and Gen. Patrick Gamble, now president of Alaska Railroad, were also present and testified. The meeting took place over 2 hours, as the public officials told the Commissioners why "warm basing" (turning it into a part-time training base) was a bad idea. Hamilton and Gamble told the Commissioners that the Defense Department's figures don't add up. Sen. Stevens explicated that the Air Force claims cost savings by mothballing the base, thereby saving on operating costs; but its analysis does not account for the costs associated with shutting down the base, e.g. environmental clean-up and community assistance.

KTUU-TV reported that the BRAC members seemed awed by the number of people who showed up, not only filling up the civic center, but also spilling out into the street, and that they nonetheless received a standing ovation when they entered the meeting. The report says that the Commissioners didn't seem happy with how the Pentagon set up the plan for downsizing nationwide. "This was the most clever thing I've ever seen," former Utah Congressman James Hansen is quoted. "It must have been a great trail to put this together, almost, because it's perfect as far as making it difficult to work with."

### Conyers holds his own hearing on Downing Street memo

On June 16, Rep. John Conyers (D-Mich.) held a Democratic hearing on the July 2002 British government memo that reports that, at that time, the Bush Administration had already decided on war with Iraq. The hearing was held in a small room in the basement of the U.S. Capital building because Conyers had been unable to get a room from the House Republican Leadership to hold the hearing. All of the Congressmen who came and asked questions, commented that this hearing was very important and was making big history, but it was a sad state of affairs that the hearing had to be held in such a small room.

The witnesses at the hearing were Ambassador Joe Wilson; Cindy Sheehan, a mother who had lost her son and was saying that she can't find out from the Dept. of Defense how he died; former CIA analyst Ray McGovern; and the Constitutional lawyer John Bonifaz, who was the lead counsel in the Constitutional challenge of President Bush's invasion of Iraq. The hearing took questions and presented evidence to get the Congress to pass a resolution of inquiry into the fixing of

intelligence before the war, and to hold hearings on this matter in light of the Downing Street Memo.

## **Bipartisan resolution on Iraq withdrawal**

A bipartisan group of four members of the House of Representatives on June 16 introduced a binding resolution to begin the withdrawal of U.S. forces from Iraq. Walter Jones (R-N.C.), who voted for the war in October 2002, introduced the group, which included Ron Paul (R-Tex.), Dennis Kucinich (D-Ohio), and Neil Abercrombie (D-Hi.), as "a conservative, a libertarian, a liberal, and a moderate, who agree that our forces have done all they can do in Iraq." The bill mandates that Bush begin withdrawing troops on or before Oct. 1, 2006. It was modeled after the Mansfield Amendment of 1971, which had a similar message to President Nixon about bringing the troops home from Vietnam.

Kucinich said: "Today is the beginning of the end of the war in Iraq. It is time to thank our troops and say, 'Come home.' "

The bill is geared to the Bush Administration claims about progress in Iraq. "We are intentionally taking them at their word," the Congressmen said. "If they have in fact removed the dictator, given them a chance at democratic government, and trained 160,000 Iraqi troops, as they claim, then "there is nothing more for our troops to do."

Jones, who started the campaign against "french" fries, asked if he were prepared for a backlash from his conservative base, said that he will always do what is right, and that God knows his heart.

## **Republicans defy Bush on Patriot Act**

On June 15, 38 Republicans jumped ship and joined with the Democrats on an amendment to the appropriations bill funding the Departments of Justice, State, Commerce, and other agencies, to prohibit the Justice Department from spending any appropriated funds on searching library or book sales records. The amendment passed by a vote of 238 to 187, despite threats from President Bush that he would veto the bill if the amendment on the Patriot Act was included.

## **Senators announce manufacturing caucus**

On June 14, Senators Lindsay Graham (R-S.C.) and Hillary Clinton (D-N.Y.) announced the formation of a Senate Manufacturing Caucus, to look into the reasons why 3 million manufacturing jobs have disappeared over the last three years, and to try to find solutions. "If we don't act decisively, and in a bipartisan way, we'll continue to lose manufacturing jobs that have been a real staple to the American economy," said Graham. He said the goal of the caucus is to "come up with creative solutions, realizing that globalization, the global economy, are part of the 21st century." He said that caucus will be looking at manufacturers that are successful, why jobs are being lost, how to deal with China and India, and what can be done at home to create jobs and improve the climate for manufacturing at home.

The way the Senators plan to do this is by holding hearings around the country, not just on Capitol Hill, to hear from people "with all different perspectives to come and tell us what they need, what they want, what they believe will work for them," said Clinton. Other members of the caucus, of which Graham and Clinton will be co-chairs, include Senators Evan Bayh (D-Ind.), Saxby Chambliss (R-Ga.), Tom Coburn (R-Okla.), Thad Cochran (R-Miss.), Norm Coleman (R-Minn.), Kent Conrad (D-N.D.), Mark Dayton (D-Minn.), Mike DeWine (R-Ohio), Dick Durbin (D-Ill.), Diane Feinstein (D-Calif.), Tom Harkin (D-Ia.), Edward M. Kennedy (D-Mass.), Ben Nelson (D-Neb.), Barak Obama (D-Ill.), Charles Schumer (D-N.Y.), Arlen Specter (R-Penna.), and Debbie Stabenow (D-Mich.).

## **GOP split on Guantanamo**

Sen. Chuck Hagel (R-Neb.) triggered something of an uproar on June 12, when he told CNN's John King that the U.S. Government cannot continue to hold prisoners at Guantanamo Bay, Cuba indefinitely, without some sort of due process. Secondly, he said, "we need to make sure that whatever we do is in some confluence with and association with the other nations of the world," including international treaties and other agreements. It may well be to close Guantanamo Bay if we have an alternative would be the best thing for all of us," he said.

Sen. Hagel also ridiculed the notion that the torture alleged at Guantanamo and at Abu Ghraib in Iraq was the responsibility of a handful of low-ranking reservists. "I was in Vietnam in 1968," Hagel said. "I carried a rifle. I saw a culture develop that was a very bad culture that ended in disaster for this country." He warned of a dangerous drift that is "going to end in disaster for this country," and "we're going to present to the world a very dangerous world if we don't wake up and smell the coffee, here."

The Bush Administration and its supporters in the Senate reacted with rage to any notion of closing Guantanamo. Vice President Dick Cheney told Fox News's Sean Hannity, on June 14, that "there's no plan to close Gitmo," and that the people there are "bad people." Senate Majority Leader Bill Frist (R-Tenn.) said the exact same thing, and while acknowledging that the U.S. has an "image problem," said, "Let's not cut and run because of image problems." Sen. John McCain (R-Ariz.), standing next to Frist, had a slightly different take, however. While not suggesting the closure of the prison, he said he thought the problem had "to do with the disposition of the people who are detained, there. We need to bring charges against them if there are reason for charges to do so."

## **Supreme Court rejects Padilla appeal**

On June 13, the U.S. Supreme Court denied a request by Jose Padilla, who has been held without charges for three years in a military prison, to bypass the 4th Circuit federal appeals court, and to get the highest court to directly hear his case.

A year ago, the Supreme Court dismissed Padilla's case on the grounds that his *habeas corpus* petition had been filed in the wrong district. But in a similar case of another U.S. citizen being held as an "enemy combatant" in military prison, that of Yasir Hamdi, the Supreme Court ruled that he must have access to the federal courts to challenge his detention. (Hamdi has subsequently been released and sent home to Saudi Arabia.) It was widely assumed that the Hamdi ruling would also apply to Padilla, and when his lawyers refiled his petition in South Carolina, a federal district judge did in fact rule that the government must charge Padilla with a crime, or release him.

The Justice Department appealed that ruling to the 4th Circuit, and a hearing is scheduled for July 19. But Padilla's lawyers, arguing that it is fundamentally unfair to hold someone for three years without charges, asked the Supreme Court to take up Padilla's case without his having to first have the appeal heard by the Fourth Circuit. This is what the Supreme Court declined to do, without making any statement on the merits of Padilla's case. Undoubtedly, whatever way the Fourth Circuit rules, the case will end up back at the Supreme Court, but only after Padilla remains in prison several more months.

## **Ibero-American News Digest**

### **Financiers Oust Lula's Cabinet Chief, Demand More Austerity**

The brawl within the Lula government of Brazil, over which official would be the first sacrificed to head off a gigantic corruption scandal, was decided on June 16, when Chief of Cabinet Jose Dirceu announced his resignation. The scandal started with charges of kickbacks within the postal system, but quickly escalated to accusations that the ruling Workers Party (PT) was bribing Congressmen with suitcases of money. But while the sordid charges and counter-charges occupy the public's attention, the real battle being fought out, is over the existential issue facing Brazil: As the international crisis

comes down, will the Lula government break with the IMF, and join the battle for a new world financial order?

The two top targets for ousting came from opposing economic camps: former FleetBoston banker Henrique Meirelles, who heads the Central Bank, or Dirceu, who had been the leading voice within the cabinet warning that the PT will lose the 2006 Presidential elections, unless the government changes economic policy. Visiting Lisbon in the first week of June, Dirceu once again attacked Lula's economic team for raising interest rates to 20%, and for extracting an incredible 7% primary budget surplus (money "saved" for debt payments) in the first part of 2005.

Were there any doubt that the issue at stake in the alleged "corruption" scandal was never morals but economic policy, the point was made starkly clear by "the markets'" gleeful response to Dirceu's ouster. *Folha de Sao Paulo* celebrated on June 17 that no sooner had Dirceu's ouster been secured, than Finance Minister Antonio Palocci began moving to "deepen" fiscal austerity. With Dirceu out, Palocci has no strong rival left in the cabinet, *Folha* wrote. The only question now, is how far the bankers' team can go: increasing the primary budget surplus is easy; the question is, can the economics team go further, and ram through the IMF's "third generation of reforms," such as cutting Constitutionally-mandated expenditures on education and health, *Folha* pondered.

*Jornal do Brasil* echoed this financier line in its June 17 editorial. The importance of Dirceu's ouster, is whether Palocci can now implement his proposal that Brazil adopt a ten-year commitment to zero-deficit public spending. Brazil must reduce its "vulnerabilities" to international financial crises, and that requires "broad-ranging fiscal reform," and a "radical restructuring of the state," *Jornal* pronounced.

## **South American Officials Punt on New Development Bank**

The Economic Ministers of Venezuela, Argentina, and Brazil met on June 13, to discuss the creation of a South American Bank to finance infrastructure projects, as had been discussed at the May 9 summit of their three Presidents in Brasilia, where the President agreed that it was necessary to take steps to further the physical union of their countries.

The idea was to find, or create, alternative financing—outside the IMF/World Bank/Inter-American Development complex. One idea floated was to create a bank that would use "excess" reserves that each of the three countries possesses as start-up cash. Another was to unify the Andean Development Corp. (CAF), and Fonplata (La Plata Basin Development Financing Fund) which includes Argentina, Brazil, Paraguay, Uruguay and Bolivia, as the basis for a new regional financing entity.

But following the meeting, Argentina's Roberto Lavagna told reporters that "rather than propose the creation of a new structure, we analyzed the functioning of the existing ones... and possible joint action in the World Bank and the Inter-American Development Bank so that our countries will have a greater voice and vote than they do now."

Current "structures" aren't going to finance development or give anyone a "greater voice," but some people are clinging to their illusions. Brazil's Finance Minister Antonio Palocci is not interested in bucking the IMF, and Lavagna has a pragmatic approach, especially as he is maneuvering now to be considered as a possible replacement for outgoing president of the Inter-American Development Bank, Enrique Iglesias. Lavagna indicated that there had been discussion on "a draft that has to do with new means of financing." As for a South American Bank, "we don't rule it out, but right now we're going to concentrate on seeing how we can improve what we have."

## **Raul Salinas Freed From Jail**

Raul Salinas, brother of Mexico's Mr. NAFTA, former President Carlos Salinas, was freed from jail on June 14, after a judge, suddenly discovering "insufficient evidence" after Raul had spent 10 years in jail, overturned his conviction as the

mastermind of the murder of PRI Secretary General Jose Francisco Ruiz Massieu in 1994. Raul's family did have to "scrape" together US\$3 million for bond, because he still faces separate charges of spectacular graft during his brother's presidency (1989-1994). Raul could easily have paid the bond, except that his \$100 million in Swiss bank accounts has been frozen, since the Swiss and French want to try him on money-laundering, and possibly drug money-laundering charges. French prosecutors told the *Financial Times* that an Interpol warrant has already been issued for Salinas' arrest, but they do not expect the Mexican government to extradite him.

There is no doubt that Raul's release is the result of a major deal between the Bush-Salinas apparatus and the Synarchist Fox regime. *EIR* is still investigating, however, the specific terms of the deal, in this run-up to the Mexican Presidential elections of 2006.

## **Bush "Dirty Tricks" Team Meddling in Chilean Presidential Fight**

Chilean Presidential candidate Michele Bachelet charged this week that George W. Bush's "dirty tricks" operatives are working for the campaign of her opponent, Pinochetista Joaquin Lavín, smearing her, just as they did John Kerry in last year's U.S. election campaign. At the end of last week, one of Lavín's staff workers, Romulo Aitken, a shady character who used to head up the Organized Crime Investigative Brigade (Brico), tried to implicate socialist Bachelet in the 1991 kidnapping of Cristian Edwards, son of fascist Agustín Edwards who helped organize the 1973 Pinochet coup.

Under current conditions, there is obviously concern among synarchist financiers that Bachelet might begin to address changing "the Chile model," as some of her coalition partners have already suggested must be done. In comments to Radio Cooperativa June 12, Bachelet charged that Lavín had hired some people who worked in Bush, Jr.'s campaign to run his campaign strategy. Noting that she has already been the target of slanders and lies, Bachelet said she had been in New York last year and was in touch with the Kerry campaign, and saw first-hand how the Bush operatives, experts in "electoral dirty war," smeared him with lies about his military service, Vietnam, etc. "It's dramatic," she said, "that there are still people in our country willing to wage a terror campaign" against candidates.

Bachelet is all too familiar with such terror. Under the military dictatorship, she was arrested, tortured and sent into exile along with her mother. Her father, a top military officer and Pinochet opponent, was murdered.

Lavín, candidate of the Mont Pelerinite Independent Democratic Union (UDI), loudly proclaimed he had nothing to do with Aitkin's dirty tricks, and made the laughable assertion that Aitkin, a highly-trained experienced detective, served only a low-level security function in the campaign. Aitkin was already under investigation and had been arrested on charges of having ties to drug-traffickers and obstructing justice.

## **Argentine Government Raises Wages and Pensions**

This June, the Argentine government has raised the minimum wage, expanded unemployment insurance for workers who are unregistered, or work off the books, and increased pensions. The National Salary, Unemployment and Productivity Council, a tripartite entity including government, labor, and business representatives, voted on June 1 to raise the minimum wage over the next three months, arriving at 630 pesos (\$217) from the current 450 pesos (\$155). A monthly unemployment subsidy of 300 pesos will also be offered to any worker who get fired and was working off the books. On June 14, officials announced a 16% increase in the minimum pension payment.

President Nestor Kirchner has stated he is committed to restoring the purchasing power of the Argentine people, who have been devastated by the debt and devaluation crisis of 2001-2002 and the rising inflation of the past two years. *Clarín's* veteran economics editor Daniel Muchnik warned in the paper's May 30 edition that low wage levels and 16% unemployment are a "social time bomb" that can't be ignored. According to an April Finance Ministry report, the average

income of those who are employed is 26.7% *below* the level of 1999 (a high-point of the IMF-induced recession), while unemployment is 30% higher than it was in 1998. Moreover, 48% of the national labor force works in the informal or "unregistered" economy, without medical insurance or pensions. In some of the poorer sections of the country—the northeast and northwest—up to 70% of the workforce is "informal."

## **Castro Named "Godfather" of 2005 Army Promotion**

Venezuelan President Hugo Chavez announced on June 12 that Fidel Castro has been invited to serve as the official "Godfather" of this year's graduating class of the Military Academy of Venezuela. Every year the promotion chooses a Godfather and the name of a forefather on whose ideals that promotion is supposed to be dedicated. This year, in addition to inviting Castro, the class "chose" Simon Bolivar as its name, precisely the same as Chavez's class of 1975. This is the first class trained entirely under Chavez's six-and-a-half-year government, and its totally new military policy curriculum.

Naming Castro is one of the most provocative moves that could have been taken to heat up the dangerously polarized domestic situation. Just for starters, both Defense Minister Garcia Carneiro and Army Chief Commander Raul Baduel announced that the traditional military parade of June 24, which celebrates the Carabobo Battle with which Venezuela won its Independence, has been suspended this year for security reasons, citing the danger of a assassination.

The graduation ceremony occurs generally on July 6, the day after Independence Day, whose traditional parade will also be changed this year for the same reasons. So it's still up in the air whether. Castro will actually make it to Venezuela on that date.

## **Western European News Digest**

### **Political Shock Waves Continue In France After "No" Vote On Constitution**

*EIRNS* reported on June 14 from Paris that the policy shock waves continue following the May 29 vote that rejected the European Union constitution, concocted out of the Maastricht Stability treaty of austerity, and globalist domination, by a landslide. See the *EIR* Online issue, #23, for 2005, for a full background on the French vote, and Lyndon LaRouche's overview of its significance, "Now Is The End of the "End of History."

Last week's Economic Supplement for the national newspaper *Le Monde* reveals a broad debate on issues like protectionism and outsourcing. In a front-page article entitled, "France: The Projectionist Temptation," the focus is on a phrase from Prime Minister Dominique de Villepin, in which he called for the 25 EU members to give themselves "the means to impose a European preference," i.e., a European protectionism. Apparently this little phrase provoked extreme irritation among the EU bureaucracy, especially in the run-up to the June 15-16 EU heads of state summit.

According to another article in this newspaper, it is not by chance that this phrase ended up in de Villepin's speech. It was prompted by a tendency of some to promote a kind of "Fortress Europe" protectionism.

One representative of this extreme liberal view is Pierre Méhaignerie, head of the National Assembly financial commission, who is quoted stating that "If nothing is done, there will be revolts; we cannot accept the brutality of the opening up to China. There is a rhythm of liberalization which is no longer acceptable. The other EU countries are confronted with the same situation, they will listen to our speech."

But another article in the same *Le Monde* in the form of questions and answers, develops the issue of European preference and protectionism, by citing the collaborators of the American system of political economy, from the time of George

Washington and his Treasury Secretary Alexander Hamilton, and from the time of American President Abraham Lincoln. The first question is, "Which economists are defending protectionism?" The response talks about Friedrich List, Jean Baptiste Colbert, and some more modern protectionists such as Louis Say, brother of a well-known 19th-Century liberal politician, Jean Baptiste Say, connected to a group of people working on Henry Carey's ideas in France at that time.

Carey was the economic adviser to Lincoln, who created the physical economic basis for the U.S. victory against the Confederacy in the U.S. Civil War.

## **Return to the Franc?**

The same issue of *Le Monde* publishes an article of Pierre Antoine Delhommais reporting on the European debate on the purported values of the euro and the European Monetary Union. The article reports that Dominique Strauss Kahn had provoked total panic when, before the referendum, he stated, that a NO vote could lead to the dismantling, little by little, of things like the euro, etc. Delhommais then reports that the French 'NO' did open up an "important monetary crisis", leading Germans and Italians to question the value of the euro.

The second part of the article discusses in detail what would happen if we came back to the franc: devaluation, increase in exports, inflation, high interest rates, and the rest.

## **Secret Payments To Princess Diana's Driver Revealed**

According to a series of articles in the British *Daily Express*, secret payments were made to Henri Paul, the driver for British Princes Diana, and Dodi Al-Fayed, in the period before the August 1997 fatal crash in Paris. Paul, Diana, and Dodi all died in the 1997 car crash that *EIR* has investigated, showing the many contradictions and falsifications that have been used to cover up evidence in the case.

Henri Paul was found to have received payments totalling \$178,000, transferred into 13 secret bank accounts by several British banks. The revelations served to fuel speculation that Paul was linked to the MI6 British intelligence services.

"The money arrived via a banker's draft and was converted into French francs from sterling," an unnamed source "close to the investigation" told the *Daily Express*, which has run a series of articles about the new revelations on May 25, May 31 and June 13.

Although the *Daily Express* is one of Britain's leading tabloids, the story has only appeared briefly on the BBC's news roundup, and no other leading British daily covered it. In contrast, the story received extensive coverage in the Australian and even the Italian press.

The discovery was said to be made by the official British criminal investigation being conducted by Lord Stevens. The British made the discoveries because of new laws, implemented after the September 11, 2001 attacks, that enable law enforcement authorities to trace bank accounts in a way that up until now has been illegal. They are also investigating where the \$2,000 worth of French francs found on Paul came from.

"We're going to find out who paid Paul, when they paid him, and why they paid him. There is still a lot of work to be done, but we're getting there," a source close to the investigation is quoted as saying.

Meanwhile, the French authorities have reopened an investigation of Paul's blood sample, following allegations that it was switched in a scheme to try to prove that Paul was under the influence of drugs and alcohol.

For the first time, the French authorities have given the British access to the car in which the couple died, for forensic investigation.

Meanwhile, a *Daily Express* poll revealed that 94% of the people polled think Diana was murdered.

## **Scotland Yard Is Doing A Serious Probe Into The Deaths Of Diana And Al Fayed**

A former senior British law enforcement source, close to the ongoing Scotland Yard probe of the Aug. 31, 1997 Paris crash that killed Princess Diana and Dodi Al Fayed has told *EIR* that Scotland Yard is conducting a very serious and thorough probe into the crash, and has been closely considering leads provided by Mohammed Al Fayed.

The source downplayed the significance of the news stories in the British tabloids, emphasizing, instead, that the investigation has been going on for 18 months, and will undoubtedly continue for another six months more. The Al Fayed people are pushing for a grand jury to be empaneled as part of the Coroner's Inquest, but so far, the Royal Coroner has rebuffed the demand. They also want the inquest into Dodi Fayed's death and Princess Diana's death to be merged as one investigation. Unfortunately, the recently deceased Royal Coroner, John Burton, who took charge of the inquest, made the Diana inquest into one under his jurisdiction, even though Diana was not a member of the Royal Family. This was part of Burton's effort to perpetuate the coverup.

However, few had expected Sir John Stevens to take such a serious approach to solving "all the outstanding mysteries" of the crash. According to the source, Sir John is convinced that Henri Paul could not have been drunk at the time of the crash. The issue of the money transferred to Henri Paul's secret bank accounts is also tricky, the sources said. To get to the bottom of the bank transfers will require cooperation from the French authorities, who did such a botch-job coverup, that they have a vested interest in keeping the case from being truly reopened.

## **Former MI-5 Agents Claim MI-6 Was Behind Diana Crash**

Former British MI-5 agent Annie Machon and her partner, David Shayler, also a former MI-5 agent, claim in a new book that the car crash that killed Princess Diana was orchestrated by MI6, Britain's foreign intelligence service. In the book, *Spies, Lies and Whistleblowers: MI5, MI6 and the Shayler Affair*, Shayler says, "Having looked at the available evidence, I am personally inclined to think that MI6 paid to have Diana and Dodi involved in an accident in the same way they paid to have Qaddafi assassinated, using a surrogate."

Machon said, "...vehicle accidents are used as a way of assassination precisely because they are such a common cause of death." She referenced testimony given to French investigators by former British MI6 agent Richard Tomlinson, in which he stated that the orchestration of the crash paralleled a plan drafted by MI6 for assassinating former Serbian President Slobodan Milosevic."

## **China and EU Compromise On Textile Imports**

Over the past week, China and the European Union came to an agreement concerning the importation of Chinese textiles, reported *China Daily* on June 11. The move will limit ten lines of Chinese textiles which overtook the markets in Europe and the U.S., after a pre-existing quota system expired in 2004. The new agreement says that the ten lines will be limited to between 8 and 12.5% of the textile market in Europe from 2005-2007, and then, beginning in 2008, a free textile trade deal will be in effect.

This agreement is being hailed as a breakthrough by the Chinese side, and as an example of how trade issues should be resolved in a world where globalized economies are becoming more dominant. In contrast, however, the United States did not stick to negotiations with China as the EU did, comments *China Daily*. Instead, the U.S. went back to limiting the amount of certain Chinese textiles to 7.5%. Chinese Vice Premier Wu Yi recently gave a speech at the Hong Kong-based Pacific Basin Economic Council, where she rebuked the U.S. for taking unilateral actions to settle the controversy over the trade dispute with China, instead of continuing consultations with China.

## Russia and the CIS News Digest

### List's "National System Of Political Economy" Published In Russia

A 300-page volume of seminal 19th-century writings on "national economy" has just been published in Russian by the Yevropa Publishing House in Moscow. Prepared for press by *Ekspert* magazine editor-in-chief V.A. Fadeyev, who wrote the introduction, the volume includes Friedrich List's "The National System of Political Economy," Count Sergei Witte's pamphlet, "On Nationalism: National Economy and Friedrich List," and D.I. Mendeleyev's celebrated "A Literate Tariff, or an Investigation of the Development of Russian Industry in Connection with the General Tariff of 1891."

Fadeyev's introduction is posted on *Ekspert's* site. The weekly is one of the most respected magazines in Russia. Fadeyev summarizes List's argument against free trade and in favor of protectionism, including List's polemic to the effect that "free trade" as a "scientific" doctrine was bought and paid for—from Ricardo and others —by the British.

Fadeyev discusses Mendeleyev's adoption of List's ideas, for the development of the oil industry in Russia (without mentioning the great Russian scientist's travels to the United States and participation in the 1876 Centennial exhibition, organized by Henry Carey's circles in Philadelphia). As for Count Witte, Fadeyev rightly reports that Witte's following of the "national economy" school went far beyond protectionism, and allowed him to organize "a stunning economic upsurge" in Russia at the end of the 19th century. Fadeyev writes, "To state it short and sweet, Witte's doctrine was the following: importing capital is preferable to importing commodities; importing capital goods is preferable to importing consumer goods. It follows that we need a strong financial system, capable of servicing capital, a convertible ruble, technology imports, the development of education, and creation of powerful infrastructure in transportation and energy, including with the direct participation of the state."

Today, Fadeyev laments, "Russia is the kernel of a collapsed empire, and has not been able to find a main line for its own economic development. Unfortunately, the array of ideas circulating among the public and even in scientific circles is a good deal poorer, than a hundred years ago. Marxist-Leninist political economy and "economics" (the term is borrowed directly from English to denote generally accepted classroom economics, imported from the West) have dried out our brains to such an extent, that we manage to get lost in questions for which the answers were discovered a very long time ago. Read the works of these three outstanding people—List, Mendeleyev and Witte. They may be of some use for you."

### "Dialogue of Civilizations" Figure Elevated At Russian Railways

Gennadi Fadeyev, president of the joint-stock company Russian Railways (formed in 2002 on the basis of the later eliminated Railways Ministry), learned during a June 15 meeting of Commonwealth of Independent States transportation officials, that he had been relieved of his duties, and would become an advisor to Prime Minister Mikhail Fradkov. Vladimir Yakunin is promoted from vice-president to president of Russian Railways, replacing Fadeyev.

Yakunin is a trained engineer from St. Petersburg, who was involved in a number of projects with Vladimir Putin, during the Russian President's work in the government of his native city. He is known as a member of the St. Petersburg team of

managers, originating from the science and business circles around Academician Zhores Alfeyorov, the Nobel laureate in physics who heads the Ioffe Institute in St. Petersburg. In addition, Yakunin is called "General Yakunin" by Petersburg cognoscenti, in acknowledgement of his intelligence background. In recent weeks, his name surfaced as a candidate for the premiership of Russia, as rumors circulated about the possible dismissal of Prime Minister Fradkov. Some commentaries on his latest promotion, including in widely-read *Izvestia* tout Yakunin as a Presidential candidate in 2008.

Two particular projects of Vladimir Yakunin are the Center of National Glory of Russia and the series of international meetings, co-sponsored by that center and held in the past few years on the Greek island of Rhodes and in other locations, under the title "Dialogue of Civilizations." In fact, in the days before his promotion, Yakunin had hosted Sonia Gandhi, leader of the Indian National Congress, at a special Dialogue of Civilizations meeting in Moscow. (The father of the Italian-born Gandhi was a POW in Russia during World War II, during which time he studied Russian. Later he gave his children Russian names, and Sonia as a youngster learned enough Russian to read Pushkin.) After the Moscow meeting, Sonia Gandhi visited St. Petersburg, where President Putin—in town for the St. Petersburg Economic Forum—spent the better part of a day giving her a tour of his native city and continuing the dialogue of cultures.

### **Putin Attends St. Petersburg Forum**

Remarks by Russian President Putin at the St. Petersburg Economic Forum, held the week of June 13, were of interest—albeit, typically for Putin, not decisive—for the way in which he referred to the Great Depression, and brought up the role of the state in the economy. In his opening message, Putin included the following comment: "It is evident that excessive participation of the state in economic life can impede entrepreneurial initiative. We experienced this. At the same time, the state cannot completely take itself out of the picture, since there are economic sectors in which its presence is entirely justified and well-founded. I mean, first and foremost, certain infrastructure projects and the military-industrial complex. Of course, each country determines its own economic policy, but exchanging experience and jointly discussing this problem at this forum will be extremely useful."

In concluding remarks on June 14, Putin said: "At the beginning of this discussion there was a small amount of analysis, but analysis nonetheless, of the interrelationship of two tendencies: the paternalist, i.e., a great degree of state participation in the economy's development, and the liberal. And it was stated, correctly, that different forms of management have been more effective or less effective, in different periods of development of the world economy. Let us recall the Great Depression in the USA at the end of the 20s and beginning of the 30s. That is when the Soviet Union's planned economy yielded the greatest results; it was then that the industrial might of the USSR took shape. But later, when forms of development based on innovation became more effective, and the world economy became global, the excessively closed character, taken *ad absurdum*, and paternalist idea of the Soviet planned economy took the Soviet Union towards collapse. I think that many will agree with me, that any government, including the Government of Russia, of course, ought to be able to define the main tendencies of world development and the world economy, and should be able to determine the situation of its own country—social, political and economic."

### **Prosecutors Link British Chechen Operative Nukhayev To Klebnikov Killing**

On June 9 it was leaked to Strana.ru that Russian prosecutors have merged the investigations into the killings of *Forbes* magazine editor Paul Klebnikov and former Chechen Deputy Prime Minister Yan Sergunin, who were gunned down on the street in Moscow in separate July 2004 incidents. The two Chechens, detained in the Klebnikov case in February, are now suspects in Sergunin's killing, too, along with a Moscow-based notary named Fail Sadreddinov. An RBK-TV broadcast, monitored by RFE/RL Newsline on June 6, reported prosecutors' leaks, that Klebnikov was killed in connection with his research on the plundering of state funds in Chechnya.

A week later, Prosecutor General's Office spokesman Vasili Lushchenko confirmed the leaks, adding that the mastermind

of Klebnikov's killing was none other than Khoj-Akhmed Nukhayev—the fundraiser for Chechen separatism, erstwhile business partner of Lord MacAlpine, who arranged his private audience with British ex-PM Margaret Thatcher several years ago, and promoter of the "Caucasus Common Market" scheme. A year before his death, Klebnikov had published in Russian a series of interviews with Nukhayev, in which the latter laid out his guiding principles. The book, titled "Conversations With A Barbarian," has generally disappeared from Moscow bookstores.

## Central Asia Electric Power Council Formed

Meeting June 10 in Astana, Kazakhstan, officials from the national electric power utilities of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan agreed to form an coordination council on electricity in Central Asia. According to their press release, the group aims to coordinate strategies on electric power development in the region, as well as other energy resources and water use.

## Southwest Asia News Digest

### Iraq: "We Lost And We Don't Know It Yet"

"We lost, and we don't know it yet," were the words of Ivan Eland, referring to Iraq. Eland, a former Congressional staffer and head of the Defense Study Institute at the Cato Institute was one of four speakers at a June 17 forum at the U.S. Senate, sponsored by the Middle East Policy Council (MEPC), one of the few competent thinktanks in Washington, dealing with Southwest Asia.

MEPC President Chas Freeman, former U.S. Ambassador to Saudi Arabia, assembled a distinguished panel of former and current military officers and area specialists to deliver a diagnosis of the situation on the ground in Iraq. In effect, all the speakers concurred that the insurgency has not been crushed, that the United States has no clear objectives and exit strategy, and that the country is coming unglued. The two military speakers were Col. Patrick Lang (USA-ret.), former Defense Intelligence Officer for the Mideast, and Col. John Newman (USA), an active duty officer, who returned from Iraq in March 2005, after serving as liaison between the Coalition forces and the Iraqi Army and security services. A third speaker, Jeff White, retired in October 2002, after a 34-year career as a Mideast specialist with the Defense Intelligence Agency. A transcript of the proceedings can be found on [www.mepc.org](http://www.mepc.org).

The initial presentations centered on profiles of the three major "insurgent" groupings in Iraq—the Kurds, the Sunni, and the Shi'ites. Each of these groupings, in turn, are factionally divided, and among the Sunni insurgents, there are "home-grown" nationalists and foreign Jihadi fighters. Ambassador Freeman emphasized throughout the seminar, that the situation in Iraq is extremely complex, and the situation is slipping further and further out of American control.

In response to Jeff White's argument that the U.S. had to significantly expand the number of troops on the ground, to ever have a chance of defeating the insurgency, Lang asked: "Where do we get more troops?" He argued that you cannot fight a counterinsurgency war with reservists and national guardsmen, but that is exactly what the United States is doing, because the level of military force required for such operations does not exist. Furthermore, he pointed out that, if there were to be a reconstituting of the military draft, it would still take a two-year wind-up to get even a battalion of new troops onto the ground in Iraq. And by then, the insurgency would have overrun the country.

Lang also pointed out, from the experiences in Vietnam, that those people who sided with the foreign occupiers suffered horribly, after the foreign troops withdrew. So, don't expect many Sunnis to shift sides and back the government.

Ambassador Freeman, in the discussion period, described the Bush White House as suffering from political autism, which

is why every attempt by intelligence and diplomatic professionals to bang some sense into their heads has failed absolutely. Ivan Eland, who commented that we have already lost, but just don't know it yet, said that he favors a U.S. withdrawal from Iraq, and a devolution of the country into a loose confederation, or even three separate entities—Kurdish, Shi'ite, and Sunni.

## **Syrian Ambassador Exposes Source Of Alleged Hit List As a Fabricator**

In an interview on CNN's Late Edition, June 12, Syria's Ambassador to the U.S., Dr. Imad Moustafa, said that "it's a shame that the world's unique superpower, the United States of America, will degrade itself to this level," referring to last week's allegations by George Bush, Condi Rice, and the comment by White House spokesman June 10, claiming Syria has a hit list against Lebanese leaders.

"The same person who created or fabricated the story about the hit list, used to create and fabricate wild stories about [the U.S.] itself two years ago to a degree that the United States revoked his U.S. visa. Now this same person ... has created the story about Syria compiling a hit list." Though Moustafa did not name this individual, he indicated that he is well-known to people familiar with the region, and is involved today in Lebanese politics. He also ridiculed Bush for quoting the *New York Times* and *Washington Post* as his intelligence sources. "Do you instigate against a whole country based on unsubstantiated wild stories? I think this really ... exceeded all limits of wisdom and logic." He also compared this disinformation to "the story of Iraq's WMDs before the war."

Moustafa refused to be goaded by CNN's John King about Syrian threats to Lebanon currently. "No, forget about the American accusations," he said. "Let me tell you this. In the past 20, 30 days, the Lebanese have had fair and free elections. And even the Lebanese opposition, who used to criticize Syria's presence in Lebanon, now are saying we only want the best possible relations with Syria. This is what Syria wants from Lebanon. What worries us a lot is that there are third parties who will be very unhappy if an emerging government ... and new parliamentary majority in Lebanon is saying we want the best possible relations with Syria." Moustafa also exposed that when the United Nations had determined that all Syrian troops had left Lebanon, as stated in UN Resolution 1559, the U.S. put pressure on the UN and on Kofi Annan to change its assessment.

## **Kurdish Regional Inauguration Hit By Terror**

Washington's neo-conservatives, inside and outside the Bush Administration, have often pointed to the Kurdish region in north Iraq, as an example of the successful American "liberation" of Iraq. Reality is quite the contrary.

Thirty died and 88 were wounded in bomb attacks on June 14, as Massoud Barzani, was sworn in as the first regional president of the autonomous Kurdish region in Iraq's north. The worst of several attacks killed at least 20 people outside a bank in Kirkuk, police said. Kirkuk police chief Major General Turhan Yusif said a suicide bomber blew himself up in a line outside the Al-Rafidain bank. "Most of the casualties were civil servants lining up outside the bank to receive their monthly pay," said Colonel Shirzad Abdullah, chief of Rahimao police station.

Barzani, son of the Kurdish nationalist Mullah Mustafa Barzani, took the oath of office before the 111-member Kurdish parliament after being formally selected as President of Iraqi Kurdistan. "The choice of Barzani as regional president crowns hundreds of years of struggle, strewn with the bodies of martyrs," Parliament Speaker Adnan al-Mufti said.

## **Amnesty Discussions Between U.S. And Iraq Insurgents**

American and Iraqi officials are discussing an amnesty policy in hope of ending the Iraqi resistance, reported

dailydemocrat.com, on June 14. But, any agreement would exclude the "foreign" fighters such as the Abu Musab al-Zarqawi group.

Iraq's minister for national security, Abdul Karim al-Inizi, said that an amnesty policy is being drawn up, but the insurgent groups first must do more to convince authorities they are serious about making peace. "Those who had committed homicides and caused blood shedding for the innocents will be excluded from this amnesty. this depends on whether the insurgents want to take a step forward."

Pentagon spokesman Lt. Col. Barry Venable said the Iraqi government has raised the amnesty issue, and "we look forward to working closely with the Iraqi government as this idea develops."

"Any successful counterinsurgency strategy requires the U.S. and Iraqi authorities to do everything possible to split the insurgency and persuade as many Sunni elements as possible to join the peaceful political process," said Anthony Cordesman, an Iraq expert with the Center for Strategic and International Studies, who says he has been involved in informal talks.

If this report is true, it would confirm the reading *EIR* received from several Arab sources, indicating that negotiations are already going on between government and resistance forces, and that the al-Zarqawi element would be eliminated in the process.

## **Growing Majority Of Americans Want Troops Out Of Iraq**

In a front-page article June 13, *USA Today* summarized a number of polls that show a growing majority of Americans want U.S. troops out of Iraq. An ABC/*Washington Post* poll two weeks earlier showed that two-thirds of those polled said the U.S. was bogged down in Iraq, and that "nearly three-quarters" said that the casualty level is unacceptable. In a just released Gallup poll, 56% of Americans believe the Iraq war is *not* "worth it," in terms of the cost in Americans lives.

## **AIPAC Spy Case Goes To Top Of Jewish Lobby Group**

The Jewish Telegraph Agency reports that there are intense discussions inside well-known U.S. lobby groups, that the Larry Franklin/AIPAC spy case will inhibit the functioning of Jewish organizations and other lobbyists that deal with the executive branch. Abraham Foxman, national director of the Anti-Defamation League, said, "Not just Jewish organizations, but lobbyists in general. "Lawyers will be telling their clients, 'Let's look at practices,' " reported the *Jerusalem Post*, June 19.

The *Post* article covers the fact that the JTA has revealed the Howard Kohr, the executive director of AIPAC, one of the largest lobby groups in the United States, and the most militant and right wing of the major Jewish lobby groups, had received e-mails containing classified information that had been pilfered by Defense Department analyst, Larry Franklin, and passed along to two of Kohr's key operatives in AIPAC, Steve Rosen and Keith Wiessman. JTA claims that Kohr did not know the information was classified.

The AIPAC/Franklin spy case is "bigger than the Pollard affair," reports Jeff Steinberg in this week's *EIR Online InDepth*.

## **Asia News Digest**

### **Alejandro "Ding" Lichauco signs resolution for a new Bretton Woods**

Alejandro "Ding" Lichauco has signed the resolution issued by Helga Zepp LaRouche, which calls for a new Bretton Woods System as laid out by her husband, economist Lyndon LaRouche.

Lichauco, who joined LaRouche associate Mike Billington at the podium in his Manila press conference in June, is about to release a book on the disastrous impact on the Third World of the post-1971 floating exchange rate system. Lichauco wrote in his message endorsing the call: "You people are doing great stuff for which the peoples of the Third World would have much to be grateful.... I think the American people need to be reminded that at the end of the last world war, the U.S. stood out as the sole industrial superpower and to contrast that with the situation now where the U.S. finds itself reduced to a Third World economy, outpaced in manufacturing power by such Third World states as India, Brazil, and South Korea."

### **Colin Powell rebuts Cheney on North Korea and Rumsfeld on China**

Former U.S. Secretary of State Colin Powell, speaking in Thailand on June 13, rejected Cheney and the neo-con hysteria regarding North Korea: "I believe the six party talks will eventually bear fruit. I am not concerned that North Korea will threaten or use their nuclear weapon. They are not suicidal. They are clever. The only thing they have is their nuclear weapon program. They will use it to get more in return."

On China, Powell said the rising strength of China's military is not a threat to the international community, just days after Defense Secretary Donald Rumsfeld bluntly stated in Singapore that China's military spending was higher than officially admitted, and that this development jeopardizes the military balance in the Asia-Pacific region.

"I, for one, do not see China as an enemy that is emerging as a threat, but as a nation taking its rightful place in the world," Powell said. "What the Chinese have learned is that power no longer comes out of the barrel of a gun. It comes out of the power of being part of the international system.... The threat comes from the capability to execute these plans and the intention to do so. My analysis in the last four years is that China has no such intention."

Powell, speaking on June 13 to a forum organized by Business Week magazine, said the U.S. is watching the Chinese military modernization with great interest, but "does not yet see that military build-up turning into a threat, either to other nations in the region and certainly not to the United States."

### **Washington must extend a security guarantee to North Korea**

Former South Korean President Kim Dae Dae-Jung called on Washington to grant North Korea a security guarantee, as was the premise for the six power talks. The United States and North Korea have the power to resolve the Korean nuclear crisis "if they approach each other in a spirit of give and take," Kim wrote in a Reuters interview released June 10 to impact the talks between current South Korean President Roh and President Bush. North Korea, he said, must assure regional powers it will give up its nuclear programs, while Washington should deliver a security guarantee.

The former President wrote: "A breakthrough could be achieved if the United States and North Korea have the will for a rational negotiation, where both sides give what should be given and take what should be taken. First, it is imperative for North Korea to immediately return to the six-party talks and resume dialogue. North Korea must show its willingness to completely give up its nuclear weapons program and accept thorough inspections.

"North Korea is suspicious and fearful of the United States, Therefore, the United States should clearly state its position on providing security guarantees and lifting sanctions on the North Korean economy in order for North Korea to have a firm belief in it."

Kim "DJ" said he believed Kim Jong-il wanted to improve relations with the United States. "He [Kim Jong-il] said that the U.S. military presence on the peninsula should continue even after unification to keep the neighboring powers in check. Of course, he said it under the condition that the U.S. troops should not attack North Korea." Kim Dae-jung advised Washington to have direct dialogue with Pyongyang and said the June 10 meeting between Roh and Bush was critical: "The coming R.O.K.-U.S. summit meeting can be a turning point for full trust and cooperation, overcoming the slight discord that has existed between the two countries."

U.S. delegations to the talks thus far have insisted that Washington will only give the North a security guarantee and economic aid *after* it abandons its nuclear ambitions in "a complete, verifiable and irreversible manner." Pyongyang rejects this as a call for its unilateral disarmament with no security, which in fact it is.

### **North Korean Leader points to possible talks in July**

In a surprise move, North Korean leader Kim Jong-Il has declared that the six-party talks might be restarted as early as July. Kim said this in an unscheduled meeting with South Korean Unification Minister Chung Dong-young. Minister Chung was heading up a delegation to Pyongyang which was invited to celebrate the anniversary of the re-establishment of ties between the two Koreas, but the meeting with Kim Jong-il was unexpected. Chung was also the highest South Korean official to meet with Chairman Kim in three years.

Upon his return to Seoul, according to BBC News June 17, Minister Chung said, "Chairman Kim Jong-il said [North Korea] could rejoin six-party talks even in July if the U.S. surely recognizes and respects the country as a partner." A Russian diplomat knowledgeable about the area pointed out the significance of the statement in a discussion with *EIR*. "This is the first time that North Korea has mentioned a date and it came from Kim Jong-il himself," he said. The diplomat also noted that North Korea had not reacted in its typical abrupt fashion at the blatantly provocative meeting of President Bush with a North Korean defector in the Oval Office earlier last week. President Roh also sent a message to Kim Jong-il promising economic aid to the North if it decided to abandon its nuclear weapons program.

### **The Philippines plans to build up trade relations with North Korea**

Philippines Ambassador to South Korea Aladin Villacorte announced the plan, aimed at "lessening tensions." He said that "the U.S. should tone down its rhetoric in dealing with North Korea. North Korea is very much like us: Asian. We feel insulted when you attack us on a personal level.... If you want to deal with us diplomatically, be diplomatic, and don't use labels like 'outpost of tyranny' and 'axis of evil.'"

This coheres with the Philippines' moves to strengthen ties with China over the past year, which has proceeded despite the screaming from the neo-cons in Washington. The Ambassador praised the "Sunshine Policy," the train links between North and South Korea, and the increased exchanges. A group of leaders from the Philippine Congress will visit North Korea later this year.

### **Study of Thai, Laos rail link almost ready**

Engineers from the French Development Agency are studying the feasibility of building a 3-km long railway line at the Friendship Bridge, which spans the Mekong River connecting the Thai town of Nong Khai with its Laotian counterpart on the other side. This would create the first completed rail route across the Mekong.

A French Foreign Ministry official said the timeframe for completion is a matter of months, but for years, Laos has pressed Thailand to go ahead with the project, over Thailand's view that it has little to gain from the project.

This cross-Mekong railway project will be on the agenda in July during a summit meeting in Kunming, China which will bring together leaders from Mekong-Basin countries: Burma, Cambodia, China, Laos, Thailand, and Vietnam.

The project would fulfill landlocked Laos' long-sought dream of having a railway network extended to the sea. Once there's a rail bridge across the Mekong, a Thai company will build the 25 kilometers of track from the river to the capital in Vientiane.

## **Myanmar's Military Junta opens trial of former Prime Minister**

Myanmar's Supreme Court has opened the military junta's case against former premier and military intelligence boss Khin Nyunt, who was sacked in October and accused of corruption.

The court heard charges against the general in an earlier secret hearing, but sources could not detail the charges, nor could they say if he had a lawyer to defend him.

Khin Nyunt, who announced military-ruled Myanmar's "roadmap to democracy" in 2003, had been expected to face charges including high treason, abuse of power and graft. He was seen as a moderate who favored limited dialogue with detained opposition leader Aung San Suu Kyi. He was replaced by junta hardliner General Soe Win.

Some 300 people linked to the former premier, including two of his sons, are standing trial at secret tribunals created inside Insein prison. The junta arrested hundreds of people during a purge in October 2004, which was described as a crackdown on corruption that toppled Khin Nyunt and led to the dismantling of his powerful military intelligence network.

Khin Nyunt had been held under house arrest since he was sacked, but sources close to the junta said June 12 he had been taken from his home to Insein prison in preparation for trial. As of June 13 military sources said his trial had not yet begun.

## **This Week in History**

### **June 21 - 27, 1848**

#### **Congressman Abraham Lincoln Assails President Polk's Veto of Internal Improvements**

On June 20, 1848, Congressman Abraham Lincoln rose from his seat in the U.S. House of Representatives and delivered a speech in favor of Federal funding for internal improvements. He was acting in response to President James K. Polk's veto of an internal improvements bill, in which the President stated that the Federal Government had no powers under the Constitution to fund such infrastructure projects as roads, canals, and railroads.

Lincoln was a member of the Whig Party, and a supporter of Henry Clay's policies of American System economics. In the 1836-37 session of the Illinois Legislature, when Lincoln was one of the delegates from Sangamon County, he had played a major role in developing the plan for infrastructural development in Illinois.

At that time, Illinois was still a developing frontier state, and a convention of Sangamon County voters had instructed their "Long Nine" delegates, so nicknamed because all of them were taller than usual, to vote "for a general system of internal improvements." Another convention of delegates from all of the state's counties met in Vandalia, then the state capital, and made a similar charge to the members of the legislature, specifying that the measures adopted should be "commensurate

with the wants of the people."

Lincoln served on the Committee of Finance in the legislature, and helped steer the development plans through the legislature. Those plans included 1300 miles of railroad track to link the northern part of the state on Lake Michigan to the southern part on the Ohio River, and the Indiana border with the Mississippi. Every important river was to be widened, deepened, and made navigable, to improve the ability of farmers to transport their goods to market.

A canal was to be dug to connect the Illinois River to Lake Michigan, thus creating a waterway from the Atlantic Ocean through the St. Lawrence River and Lake Ontario to the Welland Canal, which had been completed in 1833. From Lake Erie, ships would have been able to travel through the Great Lakes and down the Illinois River to the Mississippi, and from there to the Gulf of Mexico. Since no aid was available from the Federal Government, the State of Illinois authorized the taking out of a twelve million dollar loan. Hopes were high that such a magnificent transportation network would soon bring major benefits to the rude settlements and farms of the rural areas, as well as the emerging towns. But the Panic of 1837, resulting from currency manipulation and speculation, soon plunged the nation into a severe depression and the great project had to be abandoned for a number of years.

Lincoln had told his Illinois friend Joshua Speed that he aimed at the great honor of being called the "DeWitt Clinton of Illinois," referring to the Governor of New York who had built the Erie Canal with state funds when the Federal Government refused to back it. Ten years later, Lincoln was elected as a delegate to the River and Harbor Convention in Chicago. This very well-attended meeting in July of 1847 had been called to protest President Polk's veto of a bill which would have provided federal funding for internal improvements.

Lincoln was at this point the sole Whig Congressman-elect from Illinois, and as a firm supporter of internal improvements, he was invited to address the convention. It was this speech which first gave him national coverage, when Horace Greeley in the "New York Tribune" cited Lincoln's address to the delegates, writing that this "tall specimen of an Illinoisian... spoke briefly and happily."

The Thirtieth Congress assembled in December of 1847, and Lincoln was assigned to the Committee on Post Offices and Post Roads, and to the Committee on Expenditures in the War Department. By the spring of 1848, Lincoln's talent and hard work had made him a rising force in the Whig Party. In early June, he attended the Whig National Convention in Philadelphia. After the convention nominated Zachary Taylor for President, Lincoln and three other members of the House of Representatives traveled to Wilmington, Delaware to make speeches at a ratification meeting. Lincoln was introduced as the "Lone Star of Illinois," and was loudly cheered as he predicted the coming Whig victory in November.

It was in this context of becoming a Whig Party national spokesman that Lincoln made his internal improvements speech in the House on June 20. He began his address by referring to the veto message by President Polk: "At an early day of this session the president sent us what may properly be called an internal improvement veto message... the question of improvements is verging to a final crisis; and the friends of the policy must now battle, and battle manfully, or surrender all. In this view, humble as I am, I wish to review, and contest as well as I may, the general positions of this veto message.

"Those general positions are: That internal improvements ought not to be made by the general government.... 'Do nothing at all, lest you do something wrong' is the sum of these positions—is the sum of this message. So that we must abandon the improvements of the country altogether, by any, and every authority, or we must resist, and repudiate the doctrines of this message. Let us attempt the latter.

"The first position is, that a system of internal improvements would overwhelm the treasury.... In the message, the president tells us that 'During the four succeeding years, embraced by the administration of president [John Quincy] Adams, the power not only to appropriate money, but to apply it, under the direction and authority of the General Government, as well

to the construction of roads, as to the improvement of harbors and rivers, was fully asserted and exercised.

"This, then, was the period of greatest enormity. These, if any, must have been the days of the two hundred millions. And how much do you suppose was really expanded for improvements, during that four years? Two hundred millions? One hundred? Fifty? Ten? Five? No sir, less than two millions.... This fact shows, that when the power to make improvements 'was fully asserted and exercised' the congress did keep within reasonable limits; and what has been done, it seems to me, can be done again.

"Now for the second position of the message, namely, that the burthens of improvements would be general, while their benefits would be local and partial, involving an obnoxious inequality.... The next most general object I can think of would be improvements on the Mississippi river and its tributaries. They touch thirteen of our states, Pennsylvania, Virginia, Kentucky, Tennessee, Mississippi, Louisiana, Arkansas, Missouri, Illinois, Indiana, Ohio, Wisconsin, and Iowa. Now I suppose it will not be denied, that these thirteen states are a little more interested in improvements on that great river, than are the remaining seventeen... Nothing is so local as to not be of some general benefit.

"Take, for instance, the Illinois and Michigan canal. Considered apart from its effects, it is perfectly local. Every inch of it is within the state of Illinois. That canal was first opened for business last April. In a very few days we were all gratified to learn, among other things, that sugar had been carried from New-Orleans through this canal to Buffalo in New-York. This sugar took this route, doubtless because it was cheaper than the old route.

"Supposing the benefit of the reduction in the cost of carriage to be shared between seller and buyer, the result is, that the New Orleans merchant sold his sugar a little dearer; and the people of Buffalo sweetened their coffee a little cheaper, than before—a benefit resulting from the canal, not to Illinois where the canal is, but to Louisiana and New-York, where it is not. In other transactions Illinois will, of course, have her share, and perhaps the larger share too, in the benefits of the canal; but the instance of the sugar clearly shows that the benefits of an improvement, are by no means confined to the particular locality of the improvement itself."

Near the end of his speech, Lincoln called for working through the problem of choosing which internal improvements should be made. "Determine that the thing can and shall be done, and then we shall find the way.... Suppose, that at each session, congress shall first determine how much money can, for that year, be spared for improvements; then apportion that sum to the most important objects. So far all is easy; but how shall we determine which are the most important?... To clear this difficulty, let us have that same statistical information, which the gentlemen from Ohio suggested at the beginning of this session....

"The surplus—that which is produced in one place, to be consumed in another; the capacity of each locality for producing a greater surplus; the natural means of transportation, and their susceptibility of improvement; the hindrances, delays, and losses of life and property during transportation, and the causes of each, would be among the most valuable statistics in this connection.

"From these, it would readily appear where a given amount of expenditure would do the most good. These statistics might be equally accessible, as they would be equally useful, to both the nation and the states. In this way, and by these means, let the nation take hold of the larger works, and the states the smaller ones; and thus, working in a meeting direction, discreetly, but steadily and firmly, what is made unequal in one place may be equalized in another, extravagance avoided, and the whole country put on that career of prosperity, which shall correspond with its extent of territory, its natural resources, and the intelligence and enterprise of its people."

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