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From the Associate Editor

Prof. Wilhelm Hankel, pictured on our cover with Lyndon LaRouche, is the former chief economist at Germany's Kreditanstalt für Wiederaufbau. The KfW began operation in 1948, to bring the legacy of U.S. President Franklin D. Roosevelt's "New Deal," with its Reconstruction Finance Corporation, to bear upon the rebuilding of Germany after the war. It is no coincidence that Professor Hankel has stepped forward today to collaborate with LaRouche, the foremost American representative of the FDR tradition.

LaRouche's response to Professor Hankel's interview with *EIR*, published in our Aug. 12 edition, delves deeply into the issues upon which the two men's views coincide, as well as those, as LaRouche writes, "where we might tend less to agree so quickly."

At the center of LaRouche's discussion is *pricing policy*. That in itself already poses a paradox in the mind of any reader who has been brainwashed by "standard" classroom economics. "What determines the price of something?" "Why, the market, of course!"

But LaRouche shows that this is exactly the sort of fatal error that has brought the U.S. and world economy to the brink of the abyss. In fact, "the market" determines nothing; it is the independent central banking systems that are looting nations to the bone, under the banner of "free trade." Since U.S. Treasury Secretary Alexander Hamilton, America's great leaders have understood this; FDR certainly did. Europeans, as well as today's generation of Americans (notably the Baby Boomers), need to relearn the basic principles.

LaRouche sums up, in his concluding "Reflection on Alexander Hamilton": "The lessons of this report are, first, that the time has been reached, at which the continued existence of civilization is now the only important question of policy-making considered by sane governments at this time. The foremost question is, are we finally prepared to expel the Venetian legacy which reigns still in the form of slave-like states which dwell and labor under the tyranny of today's euphemistically so-called independent central banking systems, systems of financier-oligarchical tyranny, which have currently brought the world as a whole to the verge of a planetary new dark age of unforeseeable duration?"

Susan Welsh

EIRContents

Cover This Week

*Prof. Wilhelm
Hankel (left) with
Lyndon LaRouche,
at an EIR seminar
in Berlin in
November 2001.*



EIRNS/Chris Lewis

4 LaRouche Comments on Professor Hankel and Himself

Lyndon H. LaRouche, Jr. addresses the question posed by Prof. Wilhelm Hankel, respecting the return from the collapsing system of the euro to national currencies such as the deutschemark. “There are much deeper issues of scientific method involved,” he writes, “in what that seemingly relatively simple question implies. . . .”

In the Post-War Times	5
The Post-War Problems	7
The U.S. Versus Europe	8
The Myth of Keynes.	10
How the Collapse Is Organized	11
1. Europe Since Maastricht	13
The Malice in Outsourcing	14
The Failures of Management.	17
The Special Ideology of a Generation	17
How the ‘Baby Boomers’ Were Conceived	20
The Cult of Entropy	21
The Crime of Clausius and Boltzmann.	22
‘Environmentalism’ As a Mental Disorder	23
2. Economics: The Concept of Dynamics	25
My Emphasis on Vernadsky	27
The Fundamental Principle of Economy.	28
An Economy As a Physical Space-Time.	29
3. The Meaning of Price During This Crisis	31
The Issue of Freedom.	34
3.1 <i>The Obligation to the Future</i>	36
How To Craft a Price	38
Optimization As a Price Determinant.	40
The Noösphere Factor	41
Reflection on Alexander Hamilton.	43

Economics

46 Why America Needs To Build Nuclear Power Plants—Fast

The same White House which has exhaustively mounted a desperate bully pulpit trying to undo 70 years of Social Security, has done nothing more to revive nuclear power, than occasionally to indicate its generally favorable views on the subject.

50 How Electricity Dereg Causes Blackouts

Power Engineers Supporting Truth (PEST) has released an explosive report which affirms what *EIR* has uniquely been saying: that “deregulation and the concomitant restructuring of the electric power industry in the U.S. have had a devastating effect on the reliability of North American power systems, and constitute the ultimate root cause of the Aug. 14, 2003 blackout.”

52 Corruption in America: Big Three Execs Get Huge Pay To Ruin Auto Sector

54 Housing Bubble Means Workers Can’t Afford a Home Where They Work

57 Business Briefs

National

58 Will Senator Warner Move To Block BRAC Atrocity?

The Base Closure and Realignment Commission (BRAC) approved most of the Pentagon's recommendations, including the most egregious real estate scam: the shutdown of Walter Reed Army Medical Center, and the removal of a massive amount of Pentagon office space out of one section of Northern Virginia, into another.

61 National News

International

62 BüSo Rallies Berliners To Stop Cheney's War Drive

Helga Zepp-LaRouche, the Chancellor candidate of Germany's Civil Rights Movement Solidarity party (BüSo), joined with Col. Jürgen Hübschen (ret.), a former military attaché at the German Embassy in Baghdad, in a Berlin forum on "Requirements for German Foreign Policy."

64 Zepp-LaRouche: 'I Know What Has To Be Done!'

The candidate's television ad for the Sept. 18 Federal elections.

65 FDR Wanted UN To Ensure Rule of Law

An interview with Prof. Anton Giulio de'Robertis.

70 Russia Warns of Lower Nuclear Threshold

President Vladimir Putin took the opportunity of his participation in Russian strategic force maneuvers Aug. 17, to state bluntly his opposition to the increasing readiness to use nuclear weapons.

71 Brazil Has Cards of Its Own To Play, Too

President Lula, besieged by corruption scandals, should tell Brazilians and the world the truth of why their country is under attack. Which, after all, is more bankrupt: the Brazilian government, or the global financial system to which it is indebted? Why not join the fight for a New Bretton Woods?

Interviews

65 Anton Giulio de'Robertis

Professor de'Robertis teaches the History of Treaties and International Relations at the University of Bari, Italy, and is senior analyst at the National Research Center in Rome. He is the author of several books on President Franklin Delano Roosevelt.

Editorial

72 Target Cheney, the Spoon-Bender-in-Chief

LaRouche Comments on Professor Hankel and Himself

by Lyndon H. LaRouche, Jr.

August 13, 2005

On July 16, Professor Wilhelm Hankel, former chief consultant of Germany's Kreditanstalt für Wiederaufbau, conducted an interview, on the subject of the current unsustainability of the "Euro" system, with EIR's Lothar Komp and Michael Liebig. It was intended that I should respond to that interview by about the end of August. I do so here and now, presenting my argument in the form of a criticism of my own and Professor Hankel's expressed views.¹

* * *

We today are living within a failed system of world economy, a system which, so to speak, hovers now on its virtual death-bed. Thus, were there no revolutionary changes from what have been recently considered proven standards of practice by leading institutions, this civilization would soon disintegrate into a planetary new dark age. There is no way to fix this system, without removing the characteristic, principled feature which has transformed the once-successful and promising U.S.-led world economy of 1945-1946, into this miserable rotting dump of our ruined heritages today.

Essentially, this virtually global European system, as best exemplified by the design of the U.S. constitutional system, is a successful "model" which would have succeeded, for the benefit of the planet as a whole, had its principled features of 1945 persisted in their shaping of world development. However, influences alien to, hostile to the Franklin Roosevelt design for the post-war world, have reigned increasingly within the reach of the presently reigning international mone-

tary-financial system, especially since the 1971-1972 change to a floating-exchange-rate monetary-financial system. This, thus-reigning element is the root cause of the presently on-rushing destruction.

Remedies exist, even now, but they are available only at a certain kind of price. The rotten element in the world's presently reigning monetary-financial establishment must be removed quickly, or else time will soon have run out for civilization for a protracted, and awful lapse of time to come.

Admittedly, certain actions, as initiatives prompted from the U.S.A., could avert the collapse even at this advanced stage of degeneration of the present world system. Yet were those initiatives provided, their successful implementation would depend largely upon leading cooperation from Europe, cooperation on behalf of the common needs and aims of all mankind. In this situation, the crisis of the inevitably doomed use of the Euro as the currency imposed upon the internal and common daily practice of a number of nations, would be not only a threat to all of Europe, but, implicitly, a threat to civilization as a whole.

With that in view, the following is to be said on the subject of the global strategic setting for the immediate implications of the instability of the "Euro."

Given, the present global situation as I have just summarily described it, the question posed by Professor Wilhelm Hankel, in this case, respecting the return from the collapsing system of the Euro to sovereign national currencies such as the d-mark, has current, global implications which can not be competently addressed within the bounds of the usual sort of discussions of economic, monetary, and financial policy-shaping today. There are much deeper issues of scientific method involved in what that seemingly relatively simple question implies, in posing the kinds of adequate proof needed

1. Professor Hankel's interview was published in the Aug. 12 edition of *Executive Intelligence Review*.

Dr. Wilhelm Hankel: Critic Of the 'Euro' System

"Those pushing globalization and the euro are dismantling the state—and with it its social systems," Dr. Wilhelm Hankel charged, in an interview with *EIR*, published Aug. 12, 2005. Hankel, now Professor of Economics at Frankfurt University, was a board member and chief economist at the German Reconstruction Finance Agency (Kreditanstalt für Wiederaufbau) during the 1960s, and also served as president of the public bank Hessische Landesbank.

An outspoken critic of the Maastricht Treaty and the European Monetary Union, Hankel is one of four German professors who had tried to stop the replacement of the German mark by the euro, in a lawsuit brought before the German Federal Constitutional Court. Hankel and LaRouche have on many occasions discussed the causes and remedies for the ongoing financial collapse.

In his interview, Hankel reviews the failure of the European Monetary Union, and what is necessary to restore Germany and other European nations to production and prosperity, concluding:



EIRNS/Chris Lewis

Dr. Wilhelm Hankel addresses an EIR seminar in Berlin in November 2001.

"For 30 years now, since the Bretton Woods system came to an end, we've lived through just what we saw in the 1930s. Under conditions of floating exchange rates and unregulated markets, all credit is insecure. And . . . there is, at any moment, the danger that the credit pyramid gets shaky and collapses.

"We can try to live with it, until it all blows sky-high, or we can decide to return to an orderly architecture in the world financial system: That would be Bretton Woods II."

for a venture of international monetary reform, a choice of reform, for better or for worse, which will reverberate throughout the planet for generations still to come.

The establishment of the previously highly successful U.S.-dollar-based fixed-exchange-rate system depended, during the immediate few decades of the post-war period, upon very special circumstances associated with the world supremacy of the U.S. at the close of war during 1945. The wrecking of the world economy as a whole, and of Europe and the Americas, in particular, since the middle of the 1960s, has created new qualities of critical global problems which did not exist during the preceding parts of that century. Thus, the challenge before us could not be met competently by merely a resumption of the return from the disastrously failed, floating-exchange-rate system, to a rebirth of the Bretton Woods system. There are deeper issues, never before known to be considered by governments, which will prove to be absolutely determining in respect to the success or failure of any general reform now.

Therefore, although the subject of my discussion with Professor Hankel, the subject of pricing policy for a new system, may seem elementary in itself, it is by no means simple, as I shall show in this report. Deep questions of social

and scientific policies, and methods must be addressed, as I do in the following pages, or no competent remedies will be produced.

In the Post-War Times

From the moment of the death of U.S. President Franklin Roosevelt, an Anglo-American Liberal coalition² of the U.S.A.'s President Harry Truman and the United Kingdom's Winston Churchill had aimed to destroy the intended life's work of President Roosevelt, by creating a new, Anglo-American world empire through the instrument of what was originally intended to be a nuclear-armed pre-emptive war by Anglo-American nuclear-armed forces against the Soviet Union. This Anglo-American policy of empire through nuclear pre-emptive war, as emulated by U.S. Vice-President Dick Cheney today, was that articulated, by that celebrated

2. The term "Liberal" here is employed in its strictly traditional sense as defined for the followers of the Eighteenth-Century Anglo-Dutch Liberal tradition of Descartes, Locke, et al., a distinction made clear by reference to the differences between the original Preamble of the U.S. Federal Constitution and the Lockean Preamble of the pro-slaveholders' Constitution of the Confederate States of America.

man of peace, Lord Bertrand Russell, in the September 1946 edition of the *Bulletin of the Atomic Scientists*.

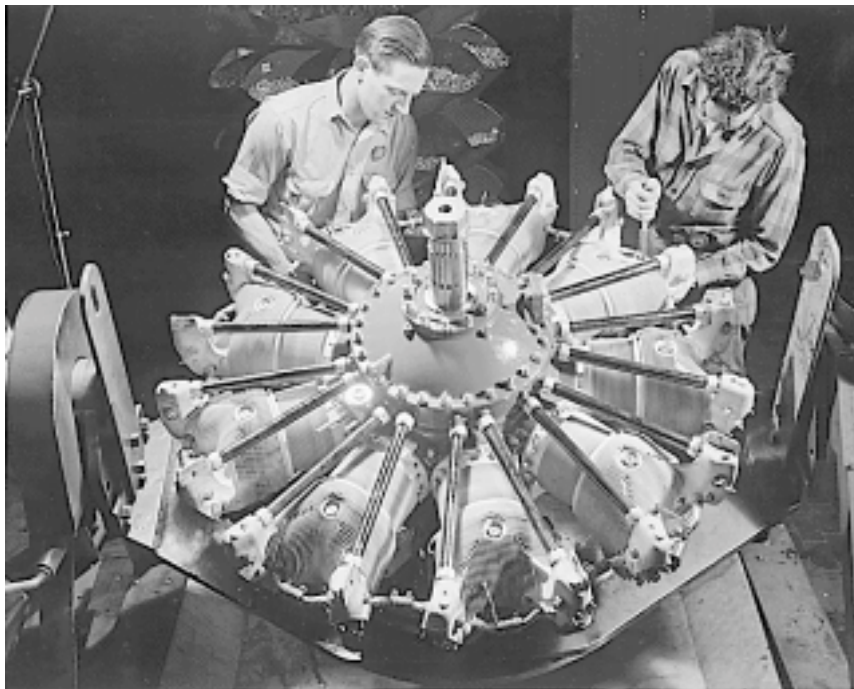
Thus, the current imperial policies of the U.S. Bush and Liberal Imperialist Blair governments of the U.S.A. and U.K. today, are a decadent's caricature of the imperial nuclear preventive war policies of the Churchill and Truman circles of the middle through late 1940s. Similarly, the currently disastrous economic policies set into motion in Europe by the specifically anti-Germany so-called Maastricht agreements, were a reflection of the same decadence expressed by the imperial policies of Bush-Cheney et al. today.

The policy was already that of Churchill, even prior to President Roosevelt's death,³ a reversal of President Roosevelt's policy which Truman dragged, like vermin, into his Presidency. So, the peace with the Emperor of Japan, which had already been set into negotiation through the Vatican's official for extraordinary affairs, the Montini who was subsequently Pope Paul VI, was postponed, to give Truman the opportunity to drop the only two remaining nuclear weapons in the U.S. arsenal upon the cities of Hiroshima and Nagasaki.

A few years later, the Korean war had degenerated into a strategic quagmire. Meanwhile, the Soviet Union had developed deployable nuclear weapons, and, then, had priority in development of a deployable model of a thermonuclear weapon. So, "preventive nuclear warrior" Truman was encouraged not to run for re-election, and the U.S. Presidency was tucked, for nearly a decade, into the hands of the President Dwight Eisenhower who was opposed to the preventive warfare insanities of the then existing and present, "spoon-bender" breed of "neo-conservative" warriors.⁴

President Eisenhower's leadership probably saved us from an actual thermonuclear war during the 1950s. It is that same stratum of neo-conservative spoon-benders, and their like, which gave us such horrors as Guantanamo and Abu Ghraib, and which are, with Vice-President Dick Cheney, impelling the world into a form of asymmetric warfare spreading into the form of a threatened global Hell, that by aid of such ventures as expanded, mini-nuke-armed warfare today.

To understand these twists and turns, to date, in the eco-



National Archives

Workers at a Pratt and Whitney plant producing aircraft for the war, in 1942. President Roosevelt's pre-war economic policies made it possible to sustain and win a global, two-front war.

nomic policy-trends of the post-Franklin Roosevelt world, we must take into account the unique role of Roosevelt in defeating Hoover's re-election in 1932. The hard core of the right-wing financier interest behind Hoover's election and re-election campaign, was the same Anglo-American interest, led by Hjalmar Schacht's mentor, the Bank of England's Montagu Norman, which had worked to bring Hitler into power during the 1931-1933 interval, but which later turned, like a jilted lover, against Hitler, when the reality was known that Germany planned to strike westward first, rather than attack eastward first as the Anglo-American backers of the earlier Hitler project had intended. Once Germany were defeated, those temporary backers of Franklin Roosevelt's wartime leadership, intended to pick up where they had left off, when they had been, earlier, backers of Hitler. For them, Roosevelt's death was their convenience.

To understand the issues treated in the subject-matter of the discussions between me and Professor Hankel, it is necessary to situate current developments as products of a continuing struggle among the Franklin Roosevelt legacy and its American and European supporters and opponents, during no less than the period to date since Franklin Roosevelt's first campaign for the Democratic Party's Presidential nomination, as I shall illustrate some crucial features of this still-living set of determining connections below.

In the meantime, had Hoover been elected in 1932, rather than Roosevelt, it were probable that Hitler's drive for world

3. Cf. Henry A. Kissinger, Chatham House address, May 1982. Also, Elliott Roosevelt, *As He Saw It* (New York: Duell, Sloan and Pearce, 1946).

4. Jon Ronson, *The Men Who Stare at Goats* (New York: Simon & Shuster, 2004).

empire would have succeeded. It was the recovery and build-up of the U.S. economy, through the preliminary, “New Deal” recovery-actions of the mid- to late 1930s, which made the U.S. a prodigiously superior world economic power at the outset of the U.S. participation in the war, already during 1942. It was the ability of the U.S. economy to sustain a global, two-front war, as signalled by Midway and Stalingrad, which demonstrates the role of the U.S. economic recovery prior to December 1941 as a decisive factor in the winning of the global war. It was the decision of Churchill to commit the British fleet to go to Canada as U.S. allies, during the period of the Dunkirk crisis, which actualized the virtual phases of the war-time alliance which ultimately doomed Hitler’s regime. U.S. economic power after World War II, was not a product of the war-time situation, but of the pre-war development of the controlling parameters of the U.S. economy under Roosevelt.

Today’s widespread contrary view, is a fairy tale.⁵ Roosevelt defamers, still today, will probably never forgive Franklin Roosevelt for what he did to defeat the Synarchist financier circles within leading U.S. financier circles, as much as European, which were the backers of the Nazis back then, and are the fathers of the tradition of the financier interest determined to exterminate the tradition of Franklin Roosevelt’s Presidency today. The legacy of the Mont Pelerin Society and like associations, typifies the post-war expression of the core-views of the sometime Mussolini and Hitler supporters and other sympathizers of the 1920s and 1930s.⁶

The Post-War Problems

The situation in 1946-1952 was such, that no recovery of the world were feasible without the impact of U.S. economic power, rather than military power, deployed under the Roosevelt-crafted, Bretton Woods mode of fixed-exchange-rate system. So, just as the Truman blocking of those Roosevelt economic policies caused the post-war U.S. recession, it was the take-down of the fixed-rate system, begun under the first United Kingdom government of Harold Wilson, which led, through the crisis of 1967-1968, into the more savage measures, pulling down the Bretton Woods system absolutely, taken under the direction of Arthur Burns, George Shultz, et al., during 1971-1972, which led to a long wave of attrition and ensuing collapse of the economies of the Americas and Europe during the recent thirty-odd years.

Already, in 1945-1946, the Churchill-Truman-crafted wave of military re-colonizations of many among the former colonial regions which President Roosevelt had marked for post-war liberation and economic development, signalled a

deep cut-back in the global economic development which the Roosevelt policy had intended as the continuing economic mission of the U.S. in the post-war world.

Under an anti-colonialist policy, the war-debt-related capital investment in machine-tool and related development of the United States would have been unleashed through long-term, low-cost credits for the agro-industrial and related development of the world. Thus, the cut-backs of the Truman years, which were presented as necessary fiscal austerity, had an effect precisely contrary to what the anti-Roosevelt propagandists claimed. A crucial lesson for today is, that it was the lack of a sufficiently high ratio of new dimensions of capital formation to accumulated past debt, which caused the threatened illiquidity experienced during the early years of U.S. post-war “reconstruction.”

The lesson for today is, that now, as then, the obvious way to recover from an accumulated debt-burden, shy of simply repudiating existing debt, is to increase the ration of secured long-term debt based on productive investment in scientific and technological progress, to the degree that the old debt can be absorbed in the process of moving into the growth-driven future of the economic process. It is increasing the ratio of gross output per capita, and per square kilometer, to already existing honorable debt, which is crucial in such cases. This failure to continue post-war, independent, sovereign economic development of former colonial and semi-colonial markets, combined with the excessive rations of military expenditures, relative to productive investments, a faulty condition promoted by the preventive war policy, was already the characteristic austerity problem of the Truman and Eisenhower years, despite some excellent particular Eisenhower initiatives such as “atoms for peace.”⁷

Since 1971-1972, especially since the systematic 1977-1981 destruction of the regulated U.S. economy, under Trilateral Commission figure and National Security Advisor Zbigniew Brzezinski, the net physical rate of growth of even the U.S. economy itself has been negative in real (physical, as distinct from monetary-financial) terms. This is clear once the loss, through attrition, of investment in basic economic infrastructure and capital of agriculture, manufacturing, and real-income levels of the lower eighty-percentile of family households, is taken into account.

Since the series of changes in overall direction of U.S. economic policy of the 1964-1975 interval—from the launching of the official U.S. war in Vietnam and the first Harold Wilson government in London—the situation of the U.S. and

5. A Liberal’s view typical of such of today’s right-wing fantasists as the Mont Pelerin Society’s “true believers” in Bernard Mandeville’s faith in the miraculous powers of private vice.

6. E.g., Michael Ledeen, *Universal Fascism: The Theory and Practice of the Fascist International, 1928-1936* (New York: H. Fertig, 1972).

7. The replacement of the Eisenhower-team’s Secretary of State William P. Rogers, by the despicable Henry A. Kissinger, and then Zbigniew Brzezinski, unleashed Hell in the Middle East, including Kissinger’s April 13, 1975 launching of civil war in Lebanon and, with Britain’s Bernard Lewis, in the Islamic world generally. The Eisenhower legacy on Middle East policy, through Eisenhower’s own role as ex-President, is of crucial significance for mapping the history of post-Truman U.S. foreign policy’s ups and downs.

European economies, has been worsened under the cancerous influence of the spreading, habituated, popular delusion that a services economy is a desirable replacement for a producer economy.⁸

There is a crucially important cultural side to the catastrophe which we must confront and master today.

I had lived with this ugly truth about that part of U.S. and world history since I returned to the U.S.A. from military service abroad in 1946. Many others of my generation, returning from war, treated these shifts from the Roosevelt legacy as beyond their power to resist. They adapted—which is to say submitted, for the sake of their perceived family interests, and they herded their children, sometimes hysterically, into what were considered “safe” habits of both public conduct and private thinking. This was especially the case among “white collar” suburbanites, who were being brainwashed *en masse*, Reesian London Tavistock Clinic-style, by the combined impact of the terror of the threat of nuclear warfare, the impact and aftermath of “McCarthyism,” and the brainwashing in the culture of irrationalism which was directed by the “Frankfurt School” connected, so-called Congress for Cultural Freedom (CCF). It was the CCF’s impact which produced the later “68er” phenomenon of the “rock-drug-sex youth-counterculture,” and provided the platform for the emotionally driven plunge of the U.S. and other economies into the economically suicidal lunacy of a “services economy” cult.

So, many things came about, including the shift, beginning the middle to late 1960s, away from the successful economic heritage of President Franklin Roosevelt’s authorship of the post-war, fixed-exchange-rate Bretton Woods monetary system. The shift, induced by “Reesian” psychologist-crafted mass-brainwashing and like means, was toward what became the increasingly decadent, floating-exchange-rate system, and the recent plunge into the spiral of global degeneration of the world’s economy called by such names as “services economy” and “globalization” today.

That is a fair summary of the essential background on the economy as such, which must be taken into account in addressing the specific matters commonly before the attention of Professor Hankel and me on this occasion. However, there is another matter: not only of what to measure, but how to measure it.

So, let us proceed now, beginning with emphasis on areas in which my conclusions and Professor Hankel’s either simply coincide, or tend to coincide. After that, we shall turn

our attention, step by step, toward some deeper questions, questions bearing upon general solutions for the current mess, where we might tend less to agree so quickly.

Finally, it is of crucial importance, especially for European readers, that I preface what I present in the following pages with the following general observation on a pivotal point of fundamental differences between the traditional American and European way of looking at the subject of political-economy.

The U.S. Versus Europe

The crafting of the U.S. system, from the first English Massachusetts settlements on, was almost entirely a product of modern European currents of thought developed during, and following the Fifteenth-Century Golden Renaissance, in the modern European, predominantly Christian cultural tradition of the Pythagoreans, Solon of Athens, and Plato. The driving purpose in the founding and development of those settlements, was to get away from the prevalent situations in Europe: first, those of the 1492-1648 wave of religious wars prior to the 1648 Treaty of Westphalia, and, later, away from the reach of both the Habsburg continental legacy and that virtually imperial, neo-Venetian form of Anglo-Dutch Liberal oppression which had been consolidated with the February 1763 Treaty of Paris. Our patriotic currents, as distinct from those Boston, New York, and other treasonously anti-American financier ferment allied with the British East India Company, were committed to using the development of republics within North America to inspire Europe itself to free itself from the reigning legacy of oligarchism expressed by both the so-called pro-feudalism and Anglo-Dutch Liberal currents still reigning in Europe.

Nothing expresses more concisely the fundamental distinction of the way of thinking of the patriotic tradition of the United States, from the assortment of ways of thinking still treated as axiomatically right in Europe today, than the absolute difference of the U.S. economic system expressed by the U.S. Federal Constitution of 1789, from the philosophical-liberal conception of national monetary systems which are prevalent in Europe still today.

These differences are deeply engrained in our respective cultures. My own family history is typical in this respect. While we were never wealthy, we were “respectable,” sturdy citizens which, as in my own case, had an active steeping in largely American Whig-rooted family political-social traditions going back two centuries, within the province of the dinner-table of my extended family: to a Quaker abolitionist grandfather whom I never knew directly, but who was a dominant figure at the Sunday dinner table of the family meetings during my experience of the 1920s. My first ancestors in North America came during the Seventeenth Century, from England and France, with the Scottish complement added, in the person of a professional dragoon who joined the First Rhode Island cavalry for the Civil War. That is typical of the found-

8. The ideal services economy is one in which a man no longer employed in industry, which has been outsourced out of existence, puts his wife and daughter out for prostitution, and employs his homeless former neighbor as a rickshaw driver, as a replacement for the use of the no-longer available manufactured automobile. A true believer in a services economy must learn to get his or her passions into accord with the realities of a third-world existence for almost everyone.



clipart.com

The crucial difference between Europe and the United States can be traced back to the effects of the French Terror and Bonapartism, as Europe lost the pathway which the best currents of both Europe and the Americas had shared up to July 1789. Left: A Jacobin mob. Right: Emperor Napoleon Bonaparte.

ing of our tradition.

No such American family legacy speaks in all ways for the U.S. patriotic tradition, but the American legacy, in its sundry varieties of expression, is clearly visible, to a common effect, in the interaction among such family heritages, especially those steeped in professional, or related ways, in matters of national historical experience bearing upon the diplomacy of the U.S. today.

For example, the best professional representatives of service in our diplomatic and intelligence, and military traditions, or in related functions whom I have known, or whose work I have studied by other means, are a collective repository of a kind of insight which can be mustered, still today, to represent with fair accuracy an American tradition going back to the Sixteenth-Century Winthrops, Mathers, and their like. We are not aristocrats; we are simply citizens, and prefer matters kept that way.

We always have been, and are still a typical expression of European culture. In fact, we are the true European nation, by virtue of our history and character as a melting-pot representing all parts of European language-cultures in a single national

republic. The difference is, that with a quarter-century of accumulated effects of the French Terror and Bonapartism, Europe lost the pathway which the best currents of both Europe and the Americas had shared up to the breaking developments of July 1789: prior to a terrible quarter-century from which Europe itself has never recovered fully, culturally, to the present day. There lies the crucial difference which must be taken into account, to understand how the definitions of terms of political-economy supplied by U.S. history differ from those considered more or less traditional among Europeans, still today.

It can be fairly said, that, peel away all the Liberal mass of hatred and of official and other defamation directed against me from within the Americas or credulous leading circles in Europe, as directed from sundry malicious or merely foolish, or ignorant people, I am a typical representative of the tradition of the U.S.A., if with special experience and qualifications. However, scratch the U.S.A. in a certain way, and you will provoke a response which I know very well, a response which is typically American, and distinctively so, a deeply embedded response-potential much older, and much more



World Bank

John Maynard Keynes addresses the Bretton Woods conference, July 4, 1944. "The distance between Roosevelt and Keynes," writes LaRouche, "is the immeasurable distinction between different universes. The practical implication of that distinction today, is that the attempt to organize reconstruction on the basis of the doctrines of Keynes would be a catastrophic failure."

deeply rooted than the relatively superficial conditioned reflexes characteristic of the so-called "Baby Boomer" generation. Meanwhile, what I hear from even well-informed and experienced Europeans, seldom comes close to an actual comprehension of that essential distinction which lurks today within the special history of the U.S.A.

For the purposes of the discussion immediately at hand here and now, the summary I have just given, has the following bearing on my discussion with Professor Hankel.

The Myth of Keynes

For example, whenever the matter of Bretton Woods comes up, Europeans tend to misread that institution as largely a reflection of the thinking of John Maynard Keynes. The distance between Roosevelt and Keynes is the immeasurable distinction between different universes. The practical implication of that distinction today, is that the attempt to organize reconstruction on the basis of the doctrines of Keynes would be a catastrophic failure, for reasons I shall underscore at appropriate points in the following pages.⁹

Simply said, the difference is, that the intention of the American System of political-economy is to ban the role of anything resembling what is called today an independent central banking system of the type which rampages, in sundry varieties, in Europe, still today. This means, that the revival of the American System as the remedy for this crisis, must be intended to eliminate not only the marginalist mentality of

Machian extremists such as John von Neumann and Oskar Morgenstern, but all of those notions of theories of price which are consonant with the Keynes legacy.

The single qualification of importance which must be added to what I have just written here, is that, as Secretary Hamilton's stated policies made more than merely clear, our patriots of the anti-Locke Leibnizian Benjamin Franklin tradition, had always understood that we had to find ways to deal with a combination of European Liberal and reactionary economic thinking and institutions which were axiomatically contrary to our own ways. This was a factor, of course, in the composition of the Bretton Woods agreements, as it will have to be taken into account in any general recovery measures taken on behalf of the planet now. However, neither actual nor merely apparent accommodation, as in the retrospective view of the Roosevelt-Keynes matter, is necessarily agreement. A new arrangement based now on the idea of independent central banking systems would be an instant catastrophe from the outset.

The U.S. system, when it functions, is a ruthlessly principled adversary of any approximation of a "free trade" system. Ours is fairly described as a "fair trade" system, as that term was sometimes used during the 1950s.

If we wish to outlive the presently onrushing threat of a global breakdown crisis:

First, we are obliged, if we are sane, to bring all present central banking systems of the world into conformity with an international system of partnership among national banking-systems. As a simple matter of reality, as I shall outline the case in functional terms later in this report, the hyperinflationary process which I have summarized, by aid of the two successive, graphic models for a "Triple Curve Function," has gone so far that all the leading central banking systems of the Americas and Europe, as also Japan and elsewhere,

9. The European should read the German-language introduction, by Keynes, for the original published edition, in Berlin, of Keynes' *General Theory*. Keynes' "The Economic Consequences of the Peace," should be read not as a warning against the Versailles concoctions of the Synarchist International which gave us Mussolini, Hitler, and Franco, but as a certain gloating over the inevitability of what Keynes merely appears to warn against in that work.

are hopelessly bankrupt under present conditions. This means, that there is no way to avoid a general breakdown-crisis of the present world system, without a coordinated taking of bankrupt banking systems into protective receivership in bankruptcy by sovereign governments. We must keep the private banks as private as possible, even under bankruptcy conditions, but the rules of behavior within the system, public and private combined as one system, must be set from *an overriding, axiomatic standpoint of national banking: a system of sovereign state monopoly on the creation and management of national debt, national credit, and money*. This also means, a regulatory system of monetary-parity agreements, rules for long-term extension of credit among nations, and of “protectionist” forms of long-term tariff and trade agreements, to ensure the long-term fungibility, at fixed sets of low interest-rates, of the mass of accumulated debt.

To make this point clear in functional terms, let us take a crucially important element of material evidence otherwise assigned to a place later in the body of this report, on the subject of what I have named a “Triple Curve” function.

How the Collapse Is Organized

At the close of a Vatican Conference held in late 1995, I reduced the remarks which I had been prepared to deliver within the interstices of that conference, to a pedagogical form which I named a “Triple Curve” system. I published this same argument during the 1996 U.S. Democratic Party’s Presidential-nomination campaign, and, some years later, published a modified version which had been altered to reflect a crucial change in the relationship between growths of monetary and financial aggregates during some point of the 1999-2000 interval (**Figures 1-2**).

These illustrations compare broad trends of change in the relationship of financial and monetary aggregates to a standard market-basket as might be conceived in the pre-1970s use of the U.S. Census of Manufactures and National Income accounting reports. In these terms, the U.S. physical economy has been collapsing, per capita and per square kilometer, over approximately the recent thirty-five years, a rate which was greatly accelerated under the influence of National Security Advisor Brzezinski’s break-up of the U.S. protectionist systems.

I compared these trends in the physical economic base of the society, with trends in growth of financial assets and various forms of formal and informal monetary emission (Figure 1). About 2000, in the wake of the collapse of the speculative bubble in “information technology,” a situation developed such that, to the present day, the amount of debt created as combined actual and fictitious monetary accumulation has grown faster than the financial income supported by the growing debt (Figure 2). That latter shift has been a determining kind of contributing factor in the consistently, tragically failed economic performance of the U.S.A. under the George W.

Bush Administrations to date.

I restate that for clarity. The reported upturns in leading financial markets today, when they are not simply outrightly fraudulent, are based upon a pumping of new volumes of reported, nominal margins of gains, through highly inflationary, indeed, already hyperinflationary mechanisms. Since about 2000, the amount of increase of implicitly long-term indebtedness caused by the attempt to pump up the appearance of nominal, short-term market profits, is outrunning the rate of even nominal gains on stock-markets and similar matters. In effect, this functional relationship between growth of nominal, short-term speculative financial income, and the greater increase of long-term debt generated by the effort to pump short-term apparent gains, has become a defining, fatal boundary condition within the current global economic/financial-monetary process.

This boundary condition defines a present state of affairs which resembles, now on a global scale, the kind of hyperinflationary spiral which exploded in Germany during the second half of 1923. The most visible of the explosive situations generated in this way, is the mortgage-based securities bubble. This is a bubble of incalculable outer dimensions, sitting like an explosive charge under the banking system and about everything else.

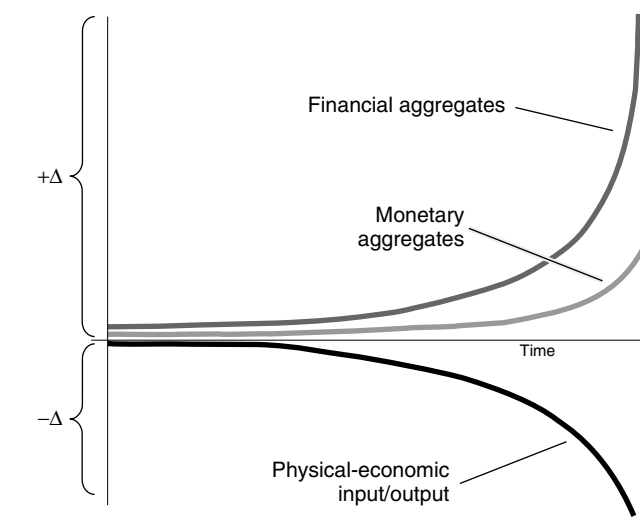
The presently horrible condition of the banks, including most of the world’s leading banks, is beyond ordinary mortal comprehension. Nonetheless, were the banking institutions to be shut down, or put through an equivalent torment, the mechanisms of the economy generally would break down. That means, that the U.S. Federal Government, for example, must put the U.S. Federal Reserve System into receivership in bankruptcy, and operate the system to ensure the continuity of performance of essential public and private institutions, and the general welfare of the population as a whole.

The remedial action so required, would create a vast debt for the U.S. government. The challenge would be to roll over that debt, which would require a vast flood of chiefly long-term credit for basic economic infrastructure at the Federal, State, and local levels. This would have to be sufficient credit, including flowing into the private entrepreneurial sector, to raise levels of physically productive employment to a point above medium- to long-term breakeven for the economy as a whole. The legitimate debt, as distinct from the worthless debt associated with financial-derivatives and related gambling activity, must be reorganized to conform to what is feasible under those medium- to long-term economic recovery programs.

This would require a rapid dumping of the failed form of economy, the so-called “services economy” model, and a return to an infrastructure, agriculture, industrial base, which must constitute the absolute majority of the employment of the labor force as a whole.

Under those conditions, which are more strenuous than, but still comparable to the challenges facing the U.S.A. during

FIGURE 1

LaRouche's Typical Collapse Function

The heuristic "Triple Curve" of 1995.

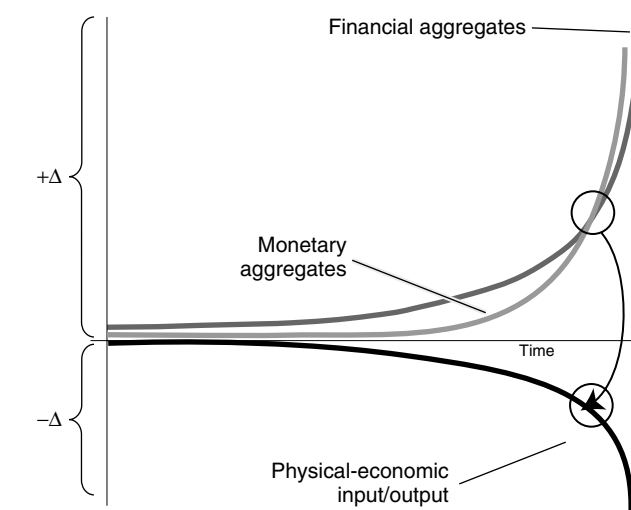
World War II and during the decade following, various strategies of regulation must be applied to create an effect fairly described as a system of "fair trade" prices, rather than "free trade" prices.

This situation is greatly—one should say, "gravely"—complicated by the hysterical lying by governments, the usually duplicitous, often lying mass media, and other relevant private institutions, who fear that if the truth of the situation reaches the public, terrible political consequences would ensue. Indeed, by suppressing the truth now, fabulously terrible, worse conditions will be engendered for the time immediately ahead. Nonetheless, the present situation, as typified by the complexities of the vast mortgage-based-securities bubble in the English-speaking nations alone, could detonate a chain-reaction total collapse of the present world monetary-financial system.

The related point I am making by aid of reference to this illustration, is that the design of any recovery of the world from a presently inevitable end of the present world monetary-financial system, must take these special conditions directly into account. There is no possible way in which a safe reorganization of the presently reigning national monetary-financial systems could occur on terms presently acceptable to those institutions. If civilization is to survive, the whole system must be placed in receivership-in-bankruptcy by governments, and a new version of the fixed-exchange-rate Bretton Woods system immediately, unconditionally installed by a concert among leading governments: essentially putting the present International Monetary Fund into receivership on behalf of its rightful owners, the present sovereign governments.

Such emergency measures create a global system of na-

FIGURE 2

The Collapse Reaches a Critical Point Of Instability

tional banking, which must replace existing so-called independent central banking systems. This echoes the U.S. role in the original Bretton Woods, but the difference is that the U.S. dollar was then unquestionably the world's only real reserve system. Today, largely thanks to the ways in which U.S. governments of the 1970s mismanaged affairs under such influences as Harvard-trained U.S. National Security Advisors Henry A. Kissinger and Zbigniew Brzezinski, the U.S. of today is a mass of monetary-financial lunacy, and rapidly worsening state of physical-economic wreckage.

However! However, were the U.S. dollar to collapse, it would carry most of the nations of the world with it, in a global chain-reaction collapse which would be fairly comparable to Germany 1923 on a global scale. Thus, provided the U.S. government is willing to take the required steps to establish a Bretton Woods type of fixed-exchange-rate system, the rest of the world, notably the largest nations, would have no reasonable choice but to accept such a U.S. offer. Were they, nonetheless, to reject such an effort, the chain-reaction effects of a free-falling dollar would plunge every part of the world into a degree and form of chaos far worse than Europe experienced during the so-called Fourteenth-Century "New Dark Age."

Granted other nations could refuse. Then, the plunge of all into a New Dark Age would be inevitable. There are such "free choices" available in history, each of which is inextricably tied to the consequences which each choice incurs for the chooser.

Similarly, as I address such questions below, a successful reorganization requires measures which, in effect, eliminate the institutions of the so-called independent central banking

system, throughout most of the world, and will bring on systems of pricing which do not conform to the conceptions revered as economic wisdom in universities and relevant other institutions today. The American System of political-economy would replace today's common beliefs and practices of nations generally. I shall address this at an appropriate point below.

1. Europe Since Maastricht

Among those on either side of the Berlin Wall, I was one among the relatively very few in the relevant circles of the time, who was neither an ox nor a donkey! The fall of The Wall came as no surprise to me. I had foreseen, and warned of the need to avoid the kinds of ruinous errors in policy which the putative victors of that occasion have, chiefly, persisted in making ever since.

I had widely forecast the collapse to occur about the time it did occur, and had prescribed the measures to be taken in response to the expected chain-reaction collapse of the Comecon nations of central Europe, and, beyond that, the related collapse of the Soviet economy in its existing economic modes. It is notable here, for the sake of those readers who might not know this extremely relevant fact, that, in February 1983, I had forecast the virtual inevitability of the collapse of the Soviet economy, as to be expected within *about* five years, a collapse which did occur, a little more than six years later. This collapse occurred for precisely the reasons I had emphasized to, inclusively, the Soviet channel

with which I was negotiating in the interest of President Reagan's government, to the President's representatives, and, some few months later, after Soviet General Secretary Andropov had brushed off President Reagan's generous offer, to the public in general.

Worse, the measures which were taken after the fall of The Wall, by both the U.S. Bush government of the time, and also under the tyrannical and ruinous role of Prime Minister Thatcher and President Mitterrand, have reduced the level of economy throughout both what had been eastern and western Europe, to levels now far, far below those which existed on the eve of the celebrated late 1989 events.

But, I was not the only one who was right in my opposition to the Thatcher-Mitterrand-Bush initiatives made at the time the crack in The Wall had begun.

Most typical of the sanity within Germany, for example, is the case of Deutsche Bank's Alfred Herrhausen. As the actual breakup of the Comecon was in progress, Herrhausen had worked out a set of proposals which coincided precisely, in effect, with the objectives I had specified earlier in such locations as my theses presented in an October 12, 1988 press conference at Berlin's Kempinski-Bristol Hotel. He was murdered in time to prevent his presenting those proposals to a crucial conference scheduled to occur in New York.

Detlev Rohwedder was assassinated, some alleged by a then actually non-existent RAF; but, since Herrhausen had already been killed in a very high-level, military assassination attack, no proposal like his, or mine, was ever put forward by a German government. Instead, a process was unleashed which resulted in the intentionally disastrous Germany-hat-



The opening of the Berlin Wall in 1989. LaRouche had forecast the imminent reunification of Germany, in a speech in Berlin on Oct. 12, 1988, based on his understanding of the economic policy blunders of the Comecon countries.



Deutschebank

*Deutsche Bank
Chairman Dr. Alfred
Herrhausen, whose
proposals for
development of
Eastern Europe
coincided precisely
with those of
LaRouche, was
assassinated on Nov.
30, 1989.*

ers' pact known as the Maastricht agreements imposed, with qualified U.S. support, by the governments of the United Kingdom and France. This rape of Germany was not only vicious; it was also thoroughly stupid, implicitly as suicidal economically for Britain and France as it was intentionally ruinous for Germany.

Since that time, especially since the plunge into the collective madness known as the Euro, the effects on all Europe have now become fabulous. The fact that they have already been shown to have been ruinous for all those economies, is not evidence that those dismal results were not the result of the original and continuing intention of the authors of the policy; those awful results were never a deviation from the ruinous consequences which the relevant class of witting authors of Maastricht had intended from the start.

The people of the former Eastern Europe Comecon states were given political freedom, but, when the tally is made today, freedom to make political choices, has rarely proven to be the power of those people to control the shaping of their own intentions for national destiny. Most of the people, East or West, excepting a selected, small minority of those turned predators, were thrust into economic and related conditions far worse, far more degrading today than had prevailed under the former Comecon regimes. Even in eastern Germany, it is not untypical to find localities which no longer have operating schools, since the people of the political localities are rarely less than sixty years of age: not a new series of Bomber Harris raids, but a kind of quiet but awful, creeping genocide of that sort is clearly in progress, a genocide as murderous, in the long run, as Churchill himself might have sent Harris's bombers to do.

Some might think we might criticize the Maastricht authorities as having made mistakes, either mistakes as excesses, or outright blunders. I would not support such a criticism. In actuality, the principal authors of those policies have



Detlev Karsten Rohwedder, who headed the agency tasked with managing the transition of former Communist East Germany's state-sector industry into unification with the West, was assassinated in 1991. His successors implemented the draconian austerity and deindustrialization policies he had opposed.

produced no effects they did not intend to produce from the start, when the Maastricht policy was crafted. There is no one so wrong-headed, so pitiable, as he or she who appeals to the Maastricht authorities by asking them to consider the possibility that they might have made some mistakes. Don't make such pleas; they will only laugh at you from behind their closed doors after you have departed those premises. What you are suffering, is what they have intended you should suffer.

It is often the case, in life, that what people do in effect, is more or less what they intended to do, especially when they do it repeatedly.

The same must be said of the ruinous intentions of the witting elements in the decision to push ahead into the quicksand of a single Euro currency.

The Malice in Outsourcing

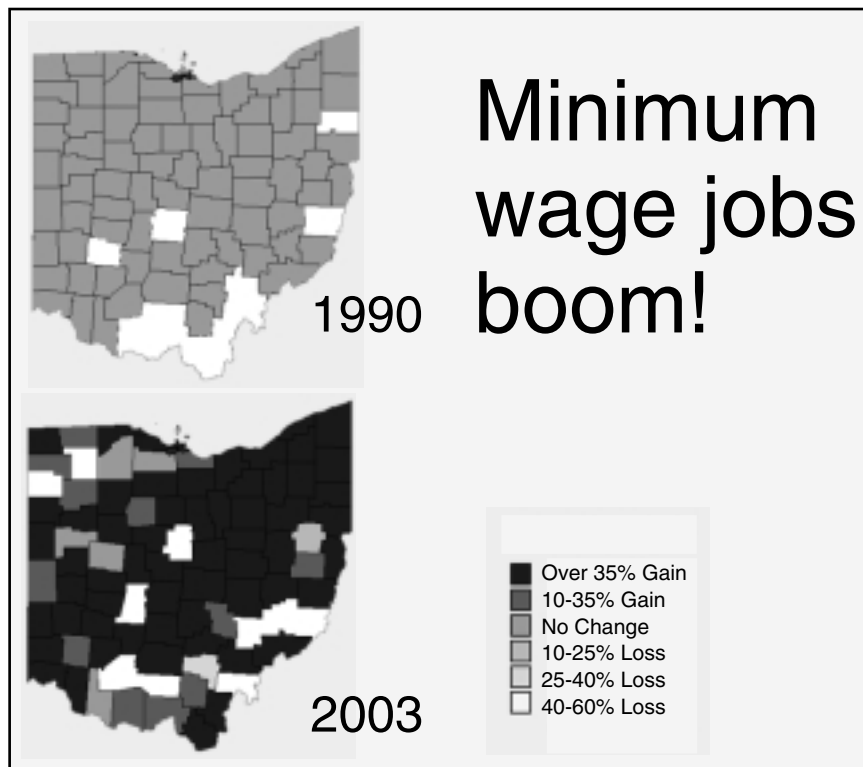
For example, look what the same international financier interests behind Maastricht have done to the physical economic and financial condition of even the relevant imperial powers, U.S.A. and the U.K. Look at a point, respecting the common ruin, through European Union deregulation, of both the leading and poorer nations, as emphasized by Professor Hankel in his July 16th interview.

Since the 1971-1972 wrecking of the Bretton Woods system under U.S. President Richard Nixon, and especially since the destruction of the internal structure of the U.S. economy, through deregulation, under the reign of a latter-day "Met-ternich," U.S. National Security Advisor Zbigniew Brzezinski, jobs and production have been exported from the U.S. into places of employment of cheap labor.

The result is that the neglected productive capital and

FIGURE 3

Ohio Counties: Rate of Gain or Loss of Hotel and Restaurant Jobs, 1990-2003



Source: EIRNS.

The inverse: lower-paying jobs in the food and retail trades spread across Ohio. Go to www.larouchepac.com to see the animation.

basic economic infrastructure of the U.S. economy rots away, while the physical living standard of U.S. households in the lower eighty percentile of family-income brackets also rots away. A significant part of the presently critical physical-economic situation inside the U.S.A., which this policy has produced as an effect, is the fact that much of the neglected, or even abandoned long-term capital investment existing thirty-odd years ago, has now reached a terminal condition, the result of lack of replacement: power systems, inland waterway systems, mass-transit systems. A measurement of the collapse of large sectors of the U.S. economy, county by county, over these decades, shows a U.S. in an advanced state of physical collapse in most of its territory, as a result of policies set fully into motion during the 1970s. (See **Figure 3**.)

In this time, a generation (i.e., 25 years per generation) of the U.S. labor force has actually, or virtually died out. The percentile of the available skilled labor force has collapsed. Entire categories of formerly essential productive and related skills have been lost, whereas the competent management which existed in corporate and closely held management of

producer and related firms as recently as fifteen years ago, has been replaced today, through attrition, by a generation of incompetents recruited from Laputadom of the business-school programs.

This is similar to the situation to which Professor Hankel pointed as a trend within European Union Europe. The loss of production from developed areas, which is transferred to employment of cheap labor in areas of deficient infrastructure, results in an accelerating ruin of both the formerly more developed and underdeveloped regions of the European Union combined (**Figures 4-5, Table 1**). The income of the combined regions of Europe, is lowered through a levelling process whose effect is a net loss of the technological potential, and productivity, of the combined regions of Europe involved. The average productive power of Europe, per capita, is lowered, together with a critical loss of high-technology potential, and general, auto-cannibalistic lowering of the standard of living throughout Europe considered as a whole.

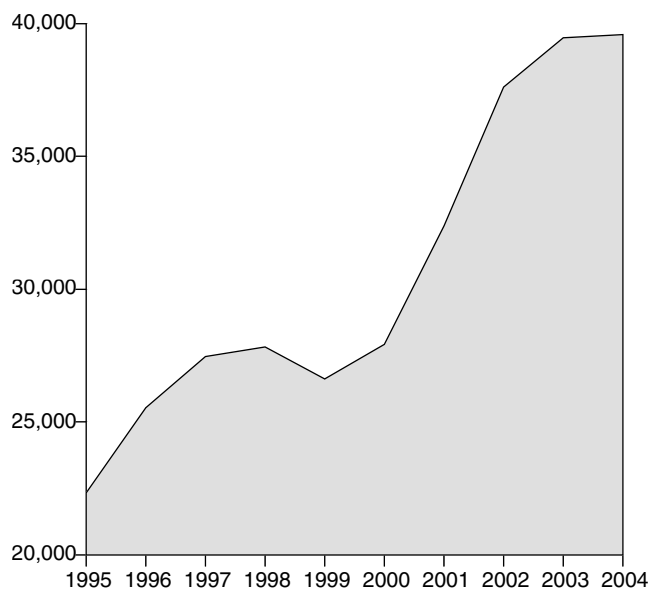
The same process is experienced in the United States, through the replacement by virtual slave labor from desperately poor countries, and through the destruction of the basic economic infrastructure on which the superior physical productivity of the U.S. labor

force was previously premised. Both the formerly wealthier and former poorer regions are boiled into a minestrone of convergence on a condition of helotry, all to the admiring glances of the fanatics of the Mont Pelerin Society.

Within Germany, in particular, there has been a liquidation of the technologically essential portion of the closely held smaller enterprises through such means as inducing heirs to dump the firms onto the financial vultures' market for the sake of harvesting a quick financial profit. This is an aspect of an international process, inside the Americas, especially the U.S.A. as in Europe, which has been accelerated by the passing of power in the private sector from the previous generation to the present, Congress for Cultural Freedom corrupted, "Frankfurt School" corrupted, so-called "Baby Boomer degeneration."

The large corporations which belonged to the generation of Deutsche Bank's murdered Herrhausen, are now under the control of what must be judged, on performance to date, as a new generation of leading, greedy, and, from the standpoint of a competent economic science, instinctively incompetent

FIGURE 4

Corporate Bankruptcies in Germany

Source: Creditreform.

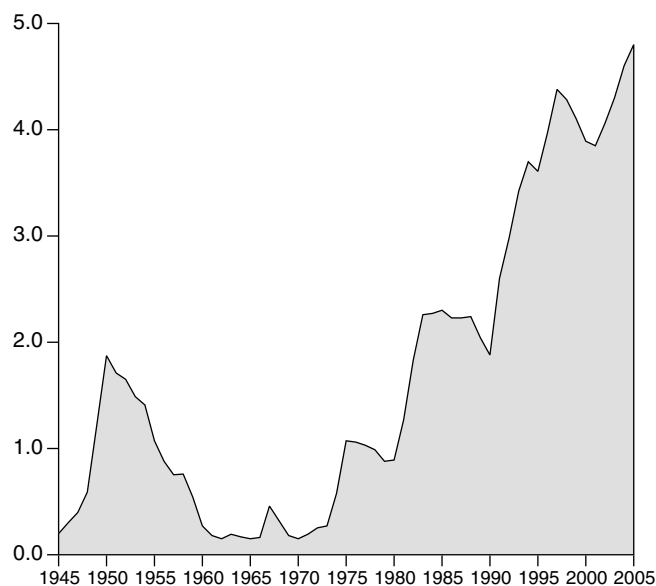
managers. As a result, the worst implications of the public stock corporation, and the flight from patriotic mission to supranational vulturism, have taken over industry and related fields. During the time prior to changes following the assassinations of Herrhausen and Rohwedder, changes made under pressure from outsiders such as Mitterrand, Thatcher et al., on such victims as Daimler-Benz and aerospace-crucial MBB, it had been the high-technology-oriented, closely held enterprise which supplied the critical margin of the creative motives on which the large corporation had depended. As the closely held firms vanish, the large corporate entities, including their associated banking institutions, are sucked dry by wild-eyed, financial-derivatives-driven speculation.

In large degree, the superiority of the closely held, science-driven enterprise lies in the difference in morality of motivation of the true entrepreneur, as distinct from, and often opposed to the predatory, philosophically existentialist leanings typical among the motivation of the representatives of financier interest in the large corporation. For the true entrepreneur, the progress of the firm is not merely a life's personal work and dedication, but an invest-

FIGURE 5

Official Unemployment in Germany

(Millions)



Source: Bundesanstalt für Arbeit.

Figures up to 1990 are for West Germany only; those after 1991 are for reunified Germany.

TABLE 1

Population Loss in Eastern Germany

State	1991	2004	Change	in %
Mecklenburg Pommerania	1,891,700	1,719,653	-172,047	-9.1
Brandenburg	2,542,700	2,567,704	25,004	+1.0
Berlin	3,446,000	3,387,828	-58,172	-1.7
Saxony-Anhalt	2,823,300	2,494,437	-328,863	-11.6
Saxony	4,678,900	4,296,284	-382,616	-8.2
Thuringia	2,572,100	2,355,280	-216,820	-8.4
Total, Eastern States	17,954,700	16,821,186	-1,133,514	-6.3
Total, Western States	62,319,900	65,679,663	+3,359,763	+5.4
Germany	80,274,600	82,500,849	+2,226,249	+2.8

Besides the capital, Berlin, and neighboring Brandenburg, the new German states have lost about one-tenth of their population since reunification. Migration to the West, in particular of young people, accounts for the larger part of the population loss.

ment in immortality of that enterprise as a gift by the present, to the future generations.

The post-1971 shift, in the U.S.A. and Europe, to the mythological alternative of the "services economy," has shown itself to have been nothing but the passage of once proud national economies, from a former state of productive vigor, to an aggravated, spreading economic condition of a

predatory mode of post-mortal decay, as we see in the predatory, often Mandevillean qualities of viciousness exhibited in the wretched degree of top-down mismanagement of the self-ruined corporate giant, the U.S.-based General Motors corporation, today.

To understand how this accelerating ruin of once proud economies has been brought about, we must locate the sources of the induced susceptibility of those economies, even while they were in a previously healthy condition, to become infected with the self-destructive impulses which have ruined Europe and the Americas economically during an interval of approximately forty years to date.

The Failures of Management

Any competent teaching of political-economy must start with attention to those mental processes which distinguish every aspect of society from, equally, both the beasts and the mission assigned to today's accountants. The axiomatic root of this distinction is located in those creative powers of the human mind, which distinguish our species absolutely from all lower forms of life. Economic behavior, especially, for the case at hand here, so-called market behavior, and related behavior by governments, depends upon the whole organization of the individual human mind, and the dependency of the individual, so defined, upon forms of collective interaction among the participants, including emotional interaction, in every aspect of the economic process of, and among nations.

Thus, any attempt to premise the study of economics upon reductionist mathematics, as the marginalist school of the Nineteenth-Century positivist followers of Ernst Mach did, and most so-called mathematical economics taught and practiced today, is intrinsically incompetent from the start, for that sufficient reason alone. Objective economics exists, but only on the premises of an approach to the subjective determinations which I emphasize at various relevant points in this report, on the matter of method for pricing within the needed new monetary system.

In reviewing the relevant facts from the standpoint of long-term performance, as over the course of the recent forty years, what has usually passed for a theory of economics, as practiced by relevant professionals and institutions of the Atlantic community during that time, what has been generally taught and practiced as "economics" both by governments and relevant professionals in practice during this interval, has been consistently incompetent stuff, such as that associated with the reputation of Harvard Business School, most current governments, and relevant powerfully influential private institutions.

In effect, these indicated types of institutions have, chiefly, consistently failed, over the recent medium to long term, to increase the *net* physical output of the relevant nations of this community. I emphasize, that this has been characteristic of approximately these recent forty years. Worse, more

and more, the practice by governments and leading private institutions, throughout these decades since the 1970s, has been to draw down the power to produce net physical wealth per capita and per square kilometer, of the populations and territories as wholes.

No competent comprehension of the current state of the world economy were possible without taking into account the kind of mass-pathology which is typified, today, by the "Baby Boomer" phenomenon in management and leading politics. The image of the ill-chosen current reputation of Harvard Business School reflects one significant aspect of this problem.

In other words, in these territories, during these four decades, standard theory and standard practice by governments, as by most influential private institutions of the press and otherwise, have done much worse than consistently failing to serve the vital interests of mankind.

Therefore, rather than judging competence from the standpoint of taught and practiced theories, we must recognize that those institutionalized beliefs and practices themselves have been leading culprits. Those institutional influences have not only consistently failed to promote what they often claim to be their stated goals for mankind; they have contributed greatly to creating the crisis which grips the world today. In that respect, in those terms, it is the so-called theory, rather than the quality of practice as judged by that theory, which must be recognized as at fault. It is not the action—the lesson of experience—which has produced the currently failed theory, but the theory which is responsible for the moral failure of the action which has been steered to conform with a fallacious prevailing theory, such as the "free trade" dogma. How must we then judge this record of failure during these forty years, as also during certain earlier periods spanning what the evidence says has been a generation or more? It has been the way in which governments, and other relevant parties, have thought about economy, which has caused the disasters which that same failed thinking of governments and other powerful agencies, and therefore popular behavior in general, has perpetrated.

Look at the case of the U.S.A., as I am, naturally, relatively more experienced in this branch of the matter. The somewhat restricted emphasis in this point of view of mine, does not lessen its scientific authority. The argument to be made on that account is crucial for understanding the way in which today's global crisis must be addressed, if we are to free relevant leading and other social strata from those induced habits which have misled them into the mental outlooks and related habits of practice by which they are ruining the world, including their own respective nations today.

The Special Ideology of a Generation

The world today is managed, chiefly, by a generation which has risen to controlling positions of influence in public and private life over the interval since it passed out of adoles-



White House/Paul Morse

President George W. Bush (left) rides with Tour de France winner Lance Armstrong on the President's ranch in Crawford, Texas, Aug. 20, 2005. "This generation has mental characteristics which effectively encyst most of its leading personalities, and others, to the degree that they dwell, mentally, within an intellectual shell, like a fish within the walls of an aquarium."

cence during, chiefly, the latter part of the 1960s. This generation, the so-called "Baby Boomers" in the U.S.A., born not long after 1945, or slightly earlier, was subjected to conditions and trends which have produced a prevalent mental state among the generation, especially its leading strata, in both the Americas and Europe, especially what had been, prior to 1990, "western Europe." This generation has mental characteristics which effectively encyst most of its leading personalities, and others, to the degree that they dwell, mentally, within an intellectual shell, like a fish within the walls of an aquarium.

Generally, the members of that generation are incapable, under their own, unassisted intellectual power, in comprehending the real world as it would be recognized by relevant intellects from either the preceding, or subsequent generations. The present Bush-Cheney Administration, even more than the preceding Clinton-Gore Administration of the U.S.A., can not be understood except from the vantage-point of recognizing the fishbowl-like state of mental separation from that real world which exists only outside the fantasies which imprison most of those of the upper twenty percentile, and more, of their generation, as one or another variety of specimen of the "Baby Boomer" generation.¹⁰

10. The difference between the Clinton-Gore Administration and the Bush-Cheney Administration, provides the exception which proves the rule. The Clinton Administration was, predominantly, a "Baby Boomer" generation administration, but President Clinton himself is a high-grade intellectual figure of his generation, although Gore was not. Whereas Clinton was actually President in his own administration, George W. Bush is largely a puppet of his Vice-President, and an intellectual captive of the very worst cultural current of significance in current U.S. life. The obvious, brutal conflict be-



Viagra website

PRNewsFoto

The Baby Boomer mind "has found itself within a world which its mind has built as a distorted niche within the real world." Here, one of the principal preoccupations of the Boomers: Viagra patients kick off a global "V for Victory" campaign against erectile dysfunction.

What is distinctly crucial about the current set of both President and Vice-President today, is that their ideology, especially that of Cheney, has situated them as intellectual offspring of a powerful, extremely secretive, and extremely dirty element within the U.S. government in particular, the so-called "spoon-bender" element which, among its other attributes, is both located within a secret pocket of the strategic command, and is the author of such disputed projects as recent prison operations at Guantanamo and Abu Ghraib. They typify a portion of that President's generation, including the "neo-conservative" ration, whose pedigree features great receptivity to close study and emulation of the worst medical malpractice and related tricks of the Nazi apparatus. If we were to seek out some element within the secret apparatus of U.S. institutions which would organize an ostensibly foreign

tween the former President George H.W. Bush, and the Bush-Cheney Administration is currently a significant, if not a dominant factor in U.S. political life overall, but it illustrates the generational conflict.



PRNewsFoto



EIRNS/Stuart Lewis

The Baby Boomers' infatuation with the rock-drug-sex counterculture became, on both sides of the Atlantic, the marker of the shift toward a now rotting, "post-industrial" economy. On the right, another sign of the times: Segway riders in Washington, D.C. Whatever happened to urban mass transportation?

terrorist operation against the U.S.A., this nook of the U.S. secret-warfare apparatus would be among the first places to look.

The role of the incumbent President as a half-witting accomplice of so-called "neo-conservative" elements of that dark, "spoon-bender" pedigree, reflects the dirtiest side of the President's generation, the utter sophistry practiced by the Bush-Cheney Administration against the most vital interest of the nation and the nation's relationship to ostensible partners and allies abroad.

The President and Vice-President typify those who condone and use these kinds of dark, still practiced traditions; but, although they are relatively extreme in their low rank on the scale of morality, when they are compared to Baby Boomers generally, they nonetheless reflect the fact that the Baby Boomer generation was bred and raised to become a generation of knee-jerk-reflex sophists with characteristics usually unlike those of either their parents' generation, or their own present, young-adult-age offspring.

Since I was raised by the generations of veterans of World War I, and its parental generation, and am most familiar with both the Baby Boomer generation and its young-adult offspring, I have the advantage of looking at the Baby Boomer phenomenon from a standpoint in the real world, outside the mental cage within which the usual Baby Boomer mind is encysted. That latter mind has found itself within a world which its mind has built as a distorted niche within the real world, and, therefore, simply does not recognize the efficient existence of important realities,

even some of the currently most crucial of those realities which are excluded from comprehension by the fantasy-life of the usual Baby Boomer mind of today.

The virtual wall which separates the Baby Boomer generation from both its parents' generation and its presently adult children's generation, is the most important of the existing, sociologically crucial political obstacles obstructing available remedies for the presently onrushing world crisis. To understand what must be addressed in bringing an effective and timely economic-recovery action into being, the obstacles represented by the prevalent mental condition among the influentials of that "Baby Boomer" generation, must be understood and addressed. Insight into this problem of political sociology might be pivotted on reference to the phenomena of the middle-income "white collar" strata of 1950s suburbia, where the hard core of the U.S. compo-

nent of the trans-Atlantic "Baby Boomer" generation was nurtured.

The themes of "Dr. Spock," "White Collar," and "Organization Man" from the U.S.A.'s 1950s, are typically relevant references. The formation of the political-economic ideas which took over during the recent four decades, in both the U.S.A. and western Europe, most notably, occurred in the indoctrination of the suggestible children, especially in "white collar" suburbia, during the 1952-1958 aftermath of the U.S. Truman Administration. The conditioning of these children is key for understanding the way in which the "68er" phenomenon, including the "rock-drug-sex youth-counterculture" of the middle-to-late 1960s, erupted, and became, on both sides of the Atlantic, the ideological marker of the shift from a viable, if tainted form of agro-industrial development, to a general decline into a now rotting, "post-industrial," services-economy orientation.

It is the fact, that a currently reigning generation in ordinary economic and political affairs, the Baby Boomer generation, has taken the reigns of control at the level of management of popular opinion at the level of politics, mass media, and ordinary economic affairs, which is the principal source of the suppression of any effort to return the nations, away from the "post-industrial," "services economy" which is ruining our nations. The effect thus produced resembles the legendary lemmings' hysterical determination not to be prevented from running over the edge of the cliff, to the rocks of, in our case, general economic breakdown-crisis awaiting them a short but deadly distance below.



U.S. veterans returning from war, May 25, 1945. "At that very moment, with the change from Roosevelt to Truman, the skies went dark."

How 'Baby Boomers' Were Conceived

The greatest portion of the fathers of the U.S. Baby Boomer generation, returned from up to about five years of military service, to enter adult civilian life a bit later than would have been considered “normal” at the time. They, and their wives, were starting a family “late,” and in a rush to “catch up” with their education, their careers, their pregnancies, and their plans for the hoped-for, eventual comforts of retirement. Yet, at that very moment, with the change from Roosevelt to Truman, the skies went dark.

At the close of the war, higher education was made almost a right, which was overdue, but, in the haste to churn out graduates, and in the graduates' hasty preference for the sheepskin more than the actual science, true excellence tended to be lost in the scramble for quick-success opportunities. "Don't question what is being taught! Learn what they teach! Pass the examinations! Get that good career!"

It was much worse than that. “The Bomb” had been dropped on Hiroshima. A witch-hunt was in progress. Frightened wives of the returned veterans said, “Shut up! Do as you are told! Work two jobs! Keep our family out of trouble!” Looking back, it could have been said, that the same kind of fearfulness was afoot which had imbued that force of sophistry in Pericles’ Athens which lured an Athens turned brutally imperialist to its virtual self-destruction in the Peloponnesian War. The replacement of Truman by President Eisenhower was a respite; but great moral damage had already

been done. To this day, the people of the U.S.A. have yet to regain what they lost, morally, in the terrible post-Franklin Roosevelt years of the Truman Administration.

In that silly swamp of post-1945 anti-Communist fervor orchestrated by Churchill, Truman, and the U.S. and other financiers who had originally financed Hitler's rise to state power, a pack of sundry leftists, ex-Marxists, Marxists, such as former Communists Herbert Marcuse, Sidney Hook, and his friends, and existentialist fascists, such as Martin Heidegger and his friends Theodor Adorno and Hannah Arendt, joined, as in meetings held at Columbia University premises, to create what became known as the Congress for Cultural Freedom. The brainwashing by that pack of moral, intellectual degenerates, inside the U.S.A. and wherever it could reach in Europe, had a Gestapo-like effect on most of the members of my own generation, in the U.S.A. and in Europe, as elsewhere.

The worst, cruelest effects of this mass-brainwashing programmed by the Congress for Cultural Freedom, were those imposed on the part of the population least able to resist the corrupting seduction of the new cultish liberalism which found its most notable expression in the Baby Boomer generation nurtured in relevant parts of suburbia, especially the new suburbia built by a perverse use of the Eisenhower-sponsored National Defense Highway system which mushroomed into a national phenomenon from beginnings in the vicinity of Philadelphia, from beyond the inception of the “suburbia” phenomenon in the former potato patches of Levittown, Long Island.

The celebrated accounts of the result of this process during the 1950s, included, as notable for reference today, *White Collar* and *The Organization Man*. These are not impeccable accounts of the phenomena of the 1950s, but they are typical reflections of what the white collar set of the 1950s was saying about itself. The essential thing, which did the greatest damage to the minds of the children of that time, was the spread of the existential denial of a principle of truth in human behavior and relationships. The campaign against the “authoritarian personality,” by the circles of Nazi ideologue Martin Heidegger such as Adorno and Arendt, was based on an existentialist, neo-Kantian thesis, of the denial of the existence of knowable truth: i.e., radical sophistry, like that by which Athens of the Peloponnesian War destroyed itself, as the bewitching of our Baby Boomer generation by such instruments as the Congress for Cultural Freedom virtually destroyed the souls of so many

of the immediate post-war generation.

So, a rabid immorality, otherwise typified by playwright Bertolt Brecht's dramas, became the platform for the cult of sophistry ingrained in the generality of the Baby Boomer culture, a sophistry as formed in the minds of the children of 1950s suburbia, and from kindred precincts. This formed the basis for the eruption, during the middle to late 1960s, of counter-cultural lunacy merely typified in the relative extreme by the Baader-Meinhof gang and "the rock-drug-sex youth-counterculture." This typified the rise and death of SDS, and the legacy of the U.S.A.'s 1970s "Rainbow Coalition" through whose catalytic role as a marginal factor, that cultural-paradigm shift of Europe and the U.S.A., from growing agro-industrial powers, to self-ruined "post-industrial" "services economies," was brought about.

The Cult of Entropy

Since the birth of European civilization at the hand of an Egyptian mid-wife, the central conception upon which all European culture's special contributions have depended, is a conception of the nature of the human individual and his, or her species, as defined by the implications of a principle called *dynamis*, or, in modern European scientific usage, the English term *power*, or Leibniz's use of the German term *Kraft*, as equivalent to the Classical Greek *dynamis*. These distinctions were typified for standard contemporary use, as then, by Leibniz's use of the term *dynamics*, as explicitly opposed to the anti-scientific folly of the Cartesian's radically reductionist notion of *mechanics*.

This quarrel is the most crucial issue, still today, in attempts at crafting a physical-scientific model of a modern economy. It is the radical interpretation of Descartes' failed notion of mechanics, as Leibniz proved the case against mechanics, which has been seized upon with an extremely virulent and malicious fervor by the prevailing currents of the majority of the academically informed influentials drawn from the Baby Boomer generation of the Americas, Europe, and beyond.

This issue assumed the relevant new form, applicable to the case of Baby Boomer economics ideology of today, during the middle of the Nineteenth Century.

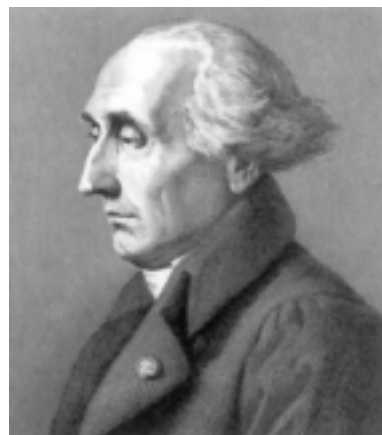
Previously, through the cooperation of a faction associated with France's pre-Napoleon Bonaparte formation of the Gaspard Monge-led Ecole Polytechnique, a faction typified deep into the Nineteenth Century by the work of Gauss, and other circles which were coordinated after 1815 by Alexander von Humboldt, such as France's Arago, and Germany's Wilhelm Weber, Lejeune Dirichlet, and Bernard Riemann, Germany emerged as the world's leader in fundamental progress in physical science. The best scientific work of Europe, which had been con-

centrated for about two centuries in the work of Leibniz and his anti-Cartesian collaborators and followers in France, was transferred into Germany, from about the late 1820s, under the coordination of, principally, Alexander von Humboldt. The important original contributions to the fundamentals of modern physical science by the U.S.A., were either associated with the work of Benjamin Franklin, who was a significant collaborator of English, French, and German leading thinkers in this field, or in coordination of Alexander von Humboldt with the leading American scientists, such as Benjamin Franklin's great-grandson, Alexander Dallas Bache, of the first half of the Nineteenth Century.

The opposing, unfortunately rabidly incompetent view of matters of physical science, especially by the neo-Malthusians, is that which has been spread widely as a form of cultural corruption, when not the outrightly scientifically illiterate fanaticism of the Baby Boomer neo-Luddites of today.

The principal impetus for the anti-scientific currents, which are the sources on which the Baby Boomer Luddites and quasi-Luddites of today depend, came in the immediate aftermath of the 1815 Congress of Vienna, when a British-led operation was launched, with initial focus against France's Ecole Polytechnique, in the effort to destroy a vigor of continental physical science which the British monarchy and its Habsburg confederates thought a most unpleasant menace to the imperial interests respectively represented by the British East India Company and Metternich's Holy Alliance.

The first heavy attack came under the orders of a British puppet, the pathetic stooge, the Restoration King, who had been enthroned by the hand of the acting Vienna Congress pro-consul for France, the Duke of Wellington. The operation against France through Wellington's stooge, the French monarch, picked up from Napoleon Bonaparte, who had, so to speak, enthroned the dedicated adversary of the Leibniz legacy and of Carl F. Gauss personally, Lagrange, as Napo-



Left to right: Augustin-Louis Cauchy (1789-1867) and Joseph-Louis Lagrange (1736-1813). Lagrange was Napoleon's adopted high priest for science; his dirty work was done by the likes of exposed plagiarist Cauchy.

leon's adopted high priest for science. The dirty work was done by two stooges, Laplace and Laplace's own stooge, and later exposed plagiarist, Augustin Cauchy. This latter pair of rogues, a kind of Burke and Hare in their own right, launched a general wrecking-job against the Ecole Polytechnique, expelling the creator of the Ecole, Gaspard Monge, and destroying the educational program which had created and built the most formidable scientific power, the Ecole, in Europe at that time. Monge's leading collaborator, the scientist and military-strategic genius, the "Author of Victory" Lazare Carnot, found refuge for the work of the last years of his life in Magdeburg, whence his remains were later brought in an awesome triumphal procession of honor to the relevant repository of heroes of France.

All of the greatest work in establishing the foundations of modern physical science, led into the orbit of the work of a protégé of both Carl F. Gauss and of Alexander von Humboldt's personal protégé and Ecole Polytechnique veteran Lejeune Dirichlet. The combined effect of these and related leading personalities of fundamental scientific discovery, was consolidated in its most essential aspect in the development of the mathematical-physical foundations of leading modern physical science to date, in that work of Bernhard Riemann which has crucial importance for any comprehension of the most essential contribution to economic science today, that of V.I. Vernadsky. Admittedly Gauss's work was prodigious in its own right; but to treat Gauss and his work in isolation from the historical process into whose center he was swept, is to caricature Gauss by shallow treatment of his actual work, by fallacy of composition.

To come to the specific point as quickly as is honorably permissible, concerning the kernel of the destructive effects on the economy of Baby Boomer ideology, certain things must be stated here in a proper arrangement of the most crucially relevant references, that with a certain degree of precision.

There is a continuity in the development of competent currents of European science, a continuity which extends from such reference-points in ancient Greece as the Pythagoreans and Plato. As I have already emphasized, repeatedly, but not excessively, here, as in relevant other locations, these connections, which locate their roots in ancient Egyptian astrophysics, called by the Greeks *Sphaerics*, are the pivotal feature of an interrupted, but nonetheless unbroken continuity of ideas, including ideas respecting the fundamental principles of physical science, which reach from the Pythagoreans and their relevant contemporaries and immediate followers to the frontiers of physical science today. *The ideas expressed as part of this heritage, are a permanent part of the functional legacy which distinguishes those forms of organization of society which competently express the principled difference between man and beast.*

Since economy, especially modern European economy, pivots on mankind's increased mastery of nature per capita

and per square kilometer of the Earth's surface, the roots of real economy are not to be found in financial accounting, but in a view of physical science, like that of Nicholas of Cusa, Leonardo da Vinci, Fermat, Leibniz, Gauss, and Riemann. This is a view which conceptualizes the nature of those powers through which the human species has been enabled to increase not only its numbers, but its physical quality of life and longevity, through the discovery and application of those powers which we should associate as typical of, but not limited to physical science. This is a view which the ancient relevant founders of European civilization recognized as a kind of power in and over the universe, which could be discovered and efficiently employed by mankind: powers in the sense that young Gauss demolished the hoaxes of D'Alembert, Euler, Lagrange, et al. in Gauss's own first published scientific work, his doctoral dissertation of 1799. *These are essentially representative of that quality of ideas which distinguish men, and rational forms of society, from beasts.*

The essence of effective modern physical science, of competent psychology, and Classical artistic composition, is embodied, on this account, in the summation of the leading work of Bernhard Riemann on the subject of physical geometry. This encompasses, centrally, his 1854 habilitation dissertation, his work on the Theory of Abelian Functions, and his summation of the implications of those Abelian-keyed notions of Riemann Surfaces in his continuation of Gauss's initiative in defining the principled features of *physical* hypergeometries.¹¹ This work by Riemann, as some among its essential implications were recognized and pointed out, if but summarily, by Vernadsky, is the foundation for the crafting of any competent view of economic processes anywhere on, or near this planet today.

The Crime of Clausius and Boltzmann

To pick up the thread from where I was obliged to drop it for a moment above, consider the following indication of the systemic roots of that commonplace pathology of the Baby Boomer which I have just referenced.

In the sweep of European science from the ancient Pythagoreans and their like through the work of Riemann and, more recently, Riemann's crucially significant follower V.I. Vernadsky,¹² the concept of science and of notions of monotheism such as those of Egypt's celebrated founder of

11. Carl F. Gauss, "Three Fragments on Elliptical Modular Functions," *Gauss Werke* VIII, pp. 103-105. B. Riemann, "Vorlesungen über die hypergeometrische Reihe," *Riemanns Werke*, Nachträge III, pp. 69-94. This is to be situated as a continuation of the work on the implications of the "Theory of Abelian Functions," *Riemanns Werke*, pp. 87-144, and on Analysis Situs.

12. Cf. Vladimir Ivanovich Vernadsky, *Problems of Biogeochemistry II*, as reprinted in Lyndon H. LaRouche, Jr., *The Economics of the Noösphere* (Washington, D.C.: EIR News Service, 2001), pp. 275-318. For this purpose focus upon pp. 312-318 for Vernadsky's statement on Riemann's work. Cf. The treatment of relevant material from Vernadsky's earlier, 1935 version of this in LaRouche, "Vernadsky and Dirichlet's Principle," *EIR*, June 3, 2005.

Judaism, Moses, have been intertwined as inseparable premises of the civilized conception of the nature of man as distinct from the beasts. In modern European culture, this tradition has been repelled in a manner which is characteristic of modern European civilization's chief afflictions, repelled by the form of philosophical reductionism associated with such followers of Venice's Paolo Sarpi as the Eighteenth-Century "Enlightenment" typified by such followers of Descartes as Carl F. Gauss's leading 1799 targets D'Alembert, Euler, and Lagrange.

As I have treated this matter in sundry locations, including the "Vernadsky and Dirichlet's Principle" already referenced earlier here, modern European scientific method as defined by the Fifteenth Century's Cardinal Nicholas of Cusa in works such as his *De Docta Ignorantia*, and such explicit followers of Cusa in science as Leonardo da Vinci and Johannes Kepler, the concepts of the Biosphere and Noösphere as dynamical systems, rather than the Cartesian mechanical system, locates living processes not in particular living species, but, as in the definition of the Biosphere, in *a principle of life per se*, which subsumes all living creatures, but which is not confined within any of them.

In his 1935 definition of the Biosphere, for example, Vernadsky provides a strict definition of the non-mechanical, dynamical characteristic of the chemistry of the Biosphere, which is the model used to define the existence of the Noösphere, in 1938 and later, as not only an independently existing phenomenon, but, also a dynamical one of specifically Riemannian characteristics.¹³

The crucial evidence of this, for all cases, is premised on the same argument which Cusa elaborated in his writings on physical science, as replicated in practice by Kepler's original discoveries in astrophysics, and the conception of *dynamics* in Leibniz's exposure of the clumsy error of incompetence in Descartes' *mechanistic*, "*deus ex machina*-driven" misconception of the physical domain. It was that latter mechanistic method, which was defended by such means as the frauds against Leibniz and science perpetrated by Euler and Lagrange, and their faithful followers such as Laplace and Cauchy, and by the so-called thermodynamical school of the hoaxsters Clausius, Grassmann, and Kelvin. The reckless incompetence of the followers of the Mach cultist Ludwig Boltzmann in thermodynamics, became the explicit model, derived from Clausius, Grassmann, et al., for the concoction of the hoax, named "cybernetics," by Bertrand Russell devotee Norbert Wiener, and the same model actually employed by John von Neumann for insisting upon a purely mechanical mathematical basis for human intelligence.

The modern youth cult of "ecology" launched during the 1960s, was derived by circles such as Britain's Solly Zuckermann, Dr. Alexander King, and, also, their dupes at the



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"There is, contrary to those habitual hysterics known as 'environmentalists,' no objective shortage of the needed materials for sustaining progress in the scale or quality of human life," LaRouche writes. "Rather, we have reached the point, that we must now depend more and more, on producing what we were formerly accustomed to stealing."

International Institute for Applied Systems Analysis (IIASA), which played a leading role, on behalf of the Cambridge (England) cult of "systems analysis" in inducing the promalthusian, accelerated self-destruction of the already wobbly economy of the Soviet Union.

The mathematical theory of universal entropy, concocted under British direction (e.g., Kelvin) by help of Clausius and Grassmann, has been the fraud, known as the neo-Cartesian, reductionist definitions of "thermodynamics," which were employed for such nasty little schemes as the fabrication of that concoction of today's complementary cults of "ecology" and "information theory" which have become a combined, virtually fatal infection of most of an entire, thus deranged, heathen generation of Baby Boomers. The lunatic, virtually mass-suicidal cult of belief, that a "services economy" is a valid replacement for an agro-industrial economy, is a form of mass-insanity which has depended greatly on the reductionist's mechanistic hoaxes radiating, through figures such as Boltzmann, from such Nineteenth-Century sources as Clausius, Grassmann, and Kelvin.

'Environmentalism' As a Mental Disorder

The crucial, systemic issue behind this case of the widespread mental disorder among the members of our Baby Boomer generation, can be summed fairly as follows.

I repeat, of necessity, what I have already emphasized, repeatedly, above. The notion of science came to Europe from Egypt's emphasis on an implied ancient root, in the practice of astrogation by certain cultures which, in fact, existed during the most recent long period of glaciation of much of the northern hemisphere of our planet. Experimentally validatable aspects of the footprints of ancient astronomy dating from long

13. Cf. Riemann-LaRouche, op. cit.

prior to the historical period of cultures of this planet, demonstrate those implications. The references to that ancient, prehistoric evidence by Bal Gangadhar Tilak's *Orion* and *Arctic Home in the Vedas*, are notable reflections of these archeological investigations by modern Europeans. The conclusions which tend to be drawn from such archeological evidence, are pinned down by careful consideration of the crucial proofs of principle contained implicitly within certain internal characteristics of those records, characteristics which correspond to the view of Egyptian science, under the rubric of *Sphaerics*, by the Pythagoreans and others.

To wit:

The central, essential premise of the very existence of science, and also of a rational monotheism which happens to coincide with the conception provided in the closing verses of the first Chapter of *Genesis*, is a concept whose grasp depends upon the physical-experimental meaning of the term "universal." We must distinguish between the quality of demonstration for a universal physical principle, and the pseudo-scientific notion of the generation of a "generally accepted," counterfeited notion of a "general principle" crafted by means of a so-called "inductive" (e.g., mechanistic) method.

This ancient origin of the notion of a universal physical science, was validated with great power by Kepler's adducing the universal principle of gravitation from intensive reflection on an array of crucial, experimental anomalies in the study of a normalized array of enhanced precision in data based upon his own and earlier observations of the orbit of Mars.

Observation of celestial bodies broke down into two qualitatively distinct classes: First is apparent motion, within the observed depths of spherical-physical space-time, which was essentially regular, conforming to adducible constant, uniform rates of circular motion. A second class of astrophysical phenomena, on which Kepler's discovery of gravitation was premised, pertained to recurring rates of action, such as orbital action, which was constantly not uniform. The rate of passage of the observed, normalized orbiting of Mars was constantly not uniformly vectored; this was the basis for Kepler's discovery of a universal physical principle of gravitation.

For the Pythagoreans and Plato, for example, the kind of conception into which Kepler's later discovery of a universal physical principle of gravitation falls, is typified by the conception of attempting to define a line from the existence of a point, a surface from the existence of a line, and a solid from the existence of a surface. These distinctions, as typified from ancient times, by Plato's treatment of the doubling of the square and the principle of the construction of the dodecahedron, and by the solution, by Plato's friend, Archytas, for the doubling of the cube by geometric construction, have served, over millennia, as the Classical pedagogical modes for education of the young in a literate conception of that quality of powers (*dynamis*) which is typified, in modern times, by Kepler's unique discovery of universal gravitation.

This concept of powers—or the notion of dynamics, as

opposed to the Cartesian folly of mechanics—is the only existing basis for a sane use of the term *universal physical principle*. That is a term, passed down within European civilization, from the Egyptian science known as *Sphaerics*. This notion of *dynamics*, which was explicitly reintroduced to modern European civilization by Leibniz's attack on the folly of Descartes' notion of mechanics, and by Leibniz's crafting of the catenary-cued principle of universal physical least action which is the distinction of the Leibniz calculus from the hoax supplied by Augustin Cauchy, is the only competent basis for a science of economy. Any other choice of basis, such as that of such followers of the empiricism of Paolo Sarpi, as Descartes, John Locke, Mandeville, Quesnay, Adam Smith, Turgot, Jeremy Bentham, et al., belongs to the category, not of science, but of *voodoo*.

These anomalies of experimental physical scientific investigation of matters of universal principle, are the premise for identifying the crucial distinction between the human species and beasts. It is the class of discoveries which correspond to this same distinction, which are the expressed differences, the only functionally expressed difference, which separate the human being from the beasts. Reflection on this point, clarifies what we ought to understand, from the vantage of a competent physical science, as to what we should intend to suggest by reference to a principle of monotheism. That reference to monotheism, in turn, makes clear the proper meaning of the term physical science.

This view of the defining principle of physical science, is the indispensable key to a competent view of economic processes. This is illustrated in a crucial way by examining the implications of the Cartesian folly of the cultish definition of "energy" by Clausius, et al., as this is contrasted with the actually physical-scientific notion of power (e.g., *Kraft*, *dynamis*) by Leibniz's catenary-based universal physical principle of least action, a structured view of what was later named "the complex domain," and Leibniz's matching, original discovery of the natural logarithmic derivation from the catenary function. It is the discovery, and realization through application, of a specific added power in the universe, through which, acting within a non-mechanical, dynamic process, the real, thus unfolding development of the universe, is expressed as an effect whose adumbration might be called measurable "energy," as long as "energy" is used as a practical rule-of-thumb way of speaking of effects, rather than some voodoo priest's magical, mechanistic *deus ex machina*.

The discovery of a universal physical principle, as distinct from some mere "generally accepted" rule of thumb, is in direct correspondence to the notion of individual human scientific creativity. The issue so defined is, that reductionist methods, such as those of the Roman Aristotelean and willful hoaxster Claudius Ptolemy, or Galileo later, rely on the counterfeiting of science by substituting what are contended to be "generally accepted" rules of thumb, such as those crafted by inductive argument, such as popular forms of lying through

use of statistical methods, instead of actual discovery of universal physical principles. *It is the discovery of universal physical principles, or kindred modes of discovery in the domain of Classical artistic composition and performance, which is the fundamental issue of science in general, and a science of physical economy in particular.*

It is the development of the individual personality, and development of the social culture within which the individual lives and acts, to an effect in agreement with the principle of creativity, which is the only proper fundamental principle of economic science, the only long-ranging science of history as encompassing nothing less than the integrity of several millennia.

We now proceed from the benchmark provided by that just-stated issue.

2. Economics: The Concept of Dynamics

In the mechanistic system of Descartes and the modern reductionists generally, the observed action is the fact, and the explanation of the occurrence of observed fact, is found in an imaginary *deus ex machina* which is assumed to function, like Mandeville's individual lust for the pleasures of vice, or Adam Smith's "invisible hand," as if, in what Euler defined as the merely "imaginary" world of formal-mathematical fantasy, from under the floorboards of, and entirely outside the real universe.

In the real universe which Euler and Lagrange denied to exist, it is those changes in the observed behavior of the universe itself, brought about by the action of experimentally discoverable universal physical principles, which are the primary fact of experience. In this view, the observed changes are known as products of the discoverable universal physical principles.

Thus, the empiricist relies upon those aberrant habits of deduction and induction, from which he, or she adduces "generally accepted" principles. These adduced so-called principles, have ontological characteristics of invisible, fairy-tale demons, like J. Clark Maxwell's demons, running the universe from outside, and under the floorboards of experienced events. This array of assumed demonic powers, these so-called "self-evident" or other "generally accepted" principles, or precepts, are then adopted as the "principles" which are presumed to have caused what was merely observed.

To chart the course of investigation which this recent general failure of the usually enthroned economists and managements of this period implies, look at the most characteristic ecological distinction of the human species over the long term of known human existence. From the standpoint of the physical economist, rather than the embarrassingly short attention-span met when today's usual financial accountant pretends to

be an economist, the crucial distinction of the human species from all other forms of life, is that mankind, as compared with the higher apes, for example, has increased both its long-term potential relative population-density, per square kilometer of the Earth's surface, by more than three decimal orders of magnitude over the higher apes, and also the life-expectancy of the individual member of the species in leading best instances of social organization of entire nations.

In general, no other known living species has been able to increase its relative potential population-density in this willful manner which is exhibited as the characteristic empirical fact of the record of human existence taken in the large.

This same fact should be viewed today from a slightly different, higher scientific standpoint, that of the comparative evidence of what Russia's Vladimir I. Vernadsky defined as the Biosphere and Noösphere, respectively. I have summarized the implications of that in my recently published "Vernadsky and Dirichlet's Principle."¹⁴ If we consider the relevant geological evidence, as Vernadsky defines the Biosphere and Noösphere during the relevant work of the last decade of his life, the evidence of the relative rate of increase of accumulation of the effects of the Noösphere over the Biosphere, and of the Biosphere as a percentile of the chemical composition of the outer skin of the planet, we are compelled to accept what I have pinpointed earlier as the dynamic principle of Vernadsky as the present-day leading basis for defining economics, as opposed to systems, such as the Anglo-Dutch Liberal system, which are premised on the mechanistic method of Descartes, et al.¹⁵

In fact, when we take these modern scientific considerations into account, there is no competent brand of economics today which should not be obliged to account for itself by reference to these implications of the work of Vernadsky. From this vantage-point in the history of physical science, what is usually taught as economics or related topics in universities and so forth today, is, relatively speaking, "stone age stuff."

Thus, in competent economic science today, the principal clue to the prevalent, actual vulnerability of the previously successful agro-industrial form of the modern sovereign nation-state republic, lies in the fundamental difference in principle between an economy based upon the mechanistic misconceptions of physical process associated with the legacy of Descartes, and the contrary, dynamic conception of Leibniz and such among his followers as Gauss, Dirichlet, and Riemann. Hoaxsters such as Norbert Wiener, John von Neumann, and their accomplices and duped followers, are merely Carte-

14. *Op. cit.* Also available at www.larouchepub.com/lar/2005/3222vernad_dirichlet.html. Cf. Lyndon H. LaRouche, Jr., *Earth's Next Fifty Years* (Lyndon LaRouche PAC: Leesburg, Virginia, March 2005). Order from www.larouchepac.com.

15. *Ibid.* My endorsement of Vernadsky's argument on geometry is qualified as I demonstrate at a slightly later point in this report.

sianism carried into expression as an ideologically induced equivalent of brain-damage. As I have emphasized in earlier locations, this distinction is more brightly illuminated by recognizing the crucial significance of the work of Russia's Vladimir I. Vernadsky for the presently required approach to world economy.¹⁶

It is in that location that the keys for solving the problems of determination of price find a rational form of systemic resolution suited to the problems posed by the present global crisis.

The first lesson in irony which must be vaulted, in any discussion of historical economic statistics, is that, while there are implicitly comprehensible reasons for success or failure in each, it is often the case, on record, that a national economy's apparent success, like the election of certain leading officials of government, occurs for reasons which were either unknown to those sharing that experience, or, in numerous cases, they preferred to wish that they did not know. To state the point otherwise, the periods of what seem to have been the past successes of a national or regional economy were, in that respect, the fruit of circumstances for which the population of that period deserves little or no scientific credit—excepting their persistence in some few good habits for which they deserve no intellectual credit but that of the monkey-power of mimicry of their predecessors. That commonplace clinical fact often comes to the fore when we hear some braggadocio instructing us on the subject of, “My success shows us all. . . .”

So, in the case of the continued physical growth of the U.S. economy, among others, during the 1946-1963 interval, the fact of the continued physical growth was undeniable, but the reasons given by the economists, such as Arthur Burns and his accomplices, for this relative success, were as intrinsically incompetent as the build-up to the deep 1957-1958 U.S. recession demonstrated. They were, as Mrs. Joan Robinson described the Milton Friedman whom Burns turned, as if by Merlin's magic, into an alleged economist, representatives of the “*post hoc, ergo propter hoc*” school of the economics faculties' stage-magicians.¹⁷

The relative net success of the U.S. economy over the

course of the post-Roosevelt 1945-1963 interval, is a case which illustrates a crucial point for addressing the global economic crisis of today. We did not deserve that growth, because we understood the right principles of economics; we had inherited the relative achievements which had actually occurred under Roosevelt's leadership, and which had reverberated during two decades which followed, despite what the majority of the so-called educated portion of the population was in the process of actually becoming: intellectually ossified. Then, we were already aimed chiefly, as a culture, in a downward direction toward decadence, over most of the time since the influence of rabid reductionists such as Friedman's *ungodfather* Burns. *Admittedly, we were still growing, but at a generally reduced rate*, which became a net rate of physical-economic decline during the course of the 1964-1972 interval.

On this point, the Kondratieff concept of “long waves” doctrine, as developed in the 1920s Soviet Union, was premised upon an included mistake of linear over-simplification in many respects, a mistake implicitly carried forward in the work of his student, Harvard University's Wassily Leontief. Professor Leontief attained his fame in the United States, in that, by tolerating linearization, he virtually neglected the actually determining characteristics of the voluntary factor in science-driven growth; although, despite that fault, his work, unlike that of the ivory-tower school around Tjalling Koopmans, et al., was based on decent respect for empirical fact, for which I allied myself with him, against Koopmans, during the late 1950s hot phase of the Leontief-Koopmans dispute.

Other considerations put to one side, the general pattern of rise or fall in the development of a culture's physical productive powers, is determined by realized decisions whose consequences unfold in physical-capital cycles of one to two generations. About three generations have passed since the U.S. under Truman decided to turn away from the upward course of development associated with President Franklin Roosevelt, and slightly less than two generations since the U.S. economy began to actually turn downward, at an accelerating rate, a downturn which surfaced with the eruption of the 68ers, during the late 1960s.

The relevant connections have been clarified by my examining the formal mathematical-physical-economic implications of the development of the concept of the Biosphere and Noösphere by Vernadsky. It is from this standpoint, a slightly corrected version of Vernadsky's approach to the Biosphere and Noösphere, as I have described this in various published locations, that a corrected general theory of physical-economic “long waves” could be, and must be developed.

Look briefly at the way in which I have approached this significance of Vernadsky for a science of physical economy. Then, view this from the vantage point of the division of all modern European science between two chief branches, the one traced through Kepler, Fermat, and Leibniz, among

16. *Ibid.*

17. Joan Robinson, *Economic Heresies: Some Old-Fashioned Questions in Economic Theory* (New York: Basic Books, 1971), pp. 86-87: “. . . This noble simplicity has been a good deal sophisticated by the modern Chicagoans, led by Milton Friedman. . . . Thus we might suggest that a marked rise in the level of activity is likely to be preceded by an increase in the supply of money (if M is widely defined) or in the velocity of circulation (if M is narrowly defined) because a rise in the wage bill and in borrowing for working capital is likely to precede an increase in the value of output appearing in the statistics. Or that a fall in activity sharp enough to cause losses deprives the banks of credit-worthy borrowers and brings a contraction in their position. But, the tradition of Chicago consists in reading the equation from left to right. Then the observed relations are interpreted without any hypothesis at all except *post hoc ergo propter hoc*.”



A Soviet military parade through Red Square. The Marxist ideologues at their worst “were rabid reductionists, who used an ideologue’s professed adoration of the struggling masses as a license for the worship of a kind of ignorance sometimes bordering on militancy in praise of stupidity.”

others, and, later, through Leibniz’s followers Carl Gauss, Lejeune Dirichlet, and Riemann, among others, versus the radically reductionist followers of René Descartes and Descartes’ Eighteenth-Century “Enlightenment” followers.

My Emphasis on Vernadsky

Unfortunately, the views on the work of Vernadsky met in Russia recently were too often far from the actual implications of his work. This discrepancy between amiable error and reality is specifically a product of the combined influence of Vernadsky’s opponents during and following his lifetime, and, later, from both the official Marxist-Leninist diamat ideologues, and the savage lunacy promoted during the Soviet 1970s and 1980s by what I have already identified, above, as the influence of the pro-Malthusian cult of the Laxenberg, Austria-based International Institute for Applied Systems Analysis (IIASA).

The Marxist ideologues at their worst, Trotskyist varieties and otherwise, were rabid reductionists, who used an ideologue’s professed adoration of the struggling masses as a license for the worship of a kind of ignorance sometimes bordering on militancy in praise of stupidity. On this account, as in many other causes, they were often deeply principled promoters of the perceived populist-worthy advantages of opportunism. Since their admiration of the idealized “proletarian,” often went to the extremes of hatred against the “intellectuals” whom they sometimes treated as a natural enemy of the masses, they excluded the existence of what they despised

as the “petty bourgeois” notion of the creative principle in the human mind, and thus achieved a passionate attachment to Kelvin’s “Second Law of Thermodynamics,” as a significant number of them also did, similarly, in their unbridled enthusiasms for the psychoanalysis of a Freud or Orgone Boxes, without need of much intellectual effort in adopting such persuasions.

After all, if one does not think, one can be, at least, sincere.

This flaw within the official cult of diamat was aggravated considerably during the 1970s and 1980s, among the ranks of the principled opportunists of the sundry varieties of Soviet and other Communist and leftist circles, by the rise of “ecologism” as a perceived popular “movement” of the inflamed noble instinct of the surging masses. Soviet embrace of the dogma of IIASA, helped to move this ideologically induced decay of the Soviet system and others along considerably.

So, among professed admirers of Vernadsky, there were, tragically, many victims of the view which esteemed him, more or less, as a demi-god of the contemporary malthusian pantheon,

As the pragmatic Josef Stalin had recognized, and the diamat fanatics did not, Vernadsky had returned to Soviet Russia, not as a Marxist, but as a Russian patriot with Ukrainian leanings drawn toward the memory of Kiev Rus’s Cyril and Methodius. Patriots do not emigrate, or turn traitor, for reasons of intellectual pique.¹⁸ After all, U.S. citizens in their time put up with scoundrels such as the traitor Aaron Burr, and wretches such as Andrew Jackson, Polk, Pierce, Buchanan, Theodore Roosevelt, Wilson, and Coolidge, all this for the sake of their constitutional republic.

It is only by seeing Vernadsky as he was, and remains, that his work can be understood as on the frontiers of modern scientific thought, still today, sixty years after his death. For us, this should not be a matter of narrowly defined Soviet, or Russian expertise; it is a matter of universal scientific truthfulness. For all true scientists since the Pythagoreans and Plato, the practice of science, is, by nature and by proper definition, never less than universal. As Dr. Edward Teller stated, during that late 1982 period he came on board publicly in supporting what I had initiated as a proposed “SDI” project, the pivotal feature of my own and Teller’s stated intention, among others, in this project for war-avoidance was “the common aims of mankind.”

This matter of Vernadsky’s emphasis on Riemannian geometry brings us, now, to the crux of the pervasive incompe-

18. It was not inconsistent with this that his son and collaborator should have been a professor in the U.S.A. The modern sovereign nation-state is a necessary institution, not an absolute, self-standing existence. It is a necessary cultural instrument of the development of the civilized individual. This requires perfect patriotism, but a patriotism which, as Friedrich Schiller prescribed, takes its premises as both citizen and world-patriot from the understanding of the necessary function of patriotism in the service of mankind as a whole.

tence of most among today's economists and their train of true believers, throughout the world.

The Fundamental Principle of Economy

The pivotal principle of this present report as a whole, is that: *In competent European physical science since its pathmakers, the Pythagoreans, Plato, et al., the unit of action is not the phenomenon of the event, the effect, but the principle which must be adduced as the action which generates that effect associated with the perceived event.* In all respects bearing upon the human behavior, the form of the principle which causes and defines the perceived event, is that quality of human creativity which is absent from all lower forms of life, and also from the opinions of the reductionists.

Vernadsky's systemic definitions of the Biosphere in 1935 and, as restated, in 1938, have two leading characteristics. First, the clear emphasis, from the standpoint of physical chemistry, on the dynamic method of Leibniz, in systemic opposition to the mechanistic standpoint which is, unfortunately, the key to the virtual stone-age quality of thinking about economic processes in the taught domain of statecraft today. Secondly, the recognition as emphasized in his later version of the account, that the abiotic domain and Biosphere must be assessed as cases of differing choices among Riemannian *physical* geometries. The same argument applies, with a different specific emphasis, to his outline of the case for the Noösphere.

Vernadsky's writing on the matter of physical geometries, is not the last word on the relevance of Riemannian physical geometry for Vernadsky's own work in defining the Biosphere and Noösphere. What remains valid, despite those shortfalls in his available writings, is, as he writes: "The geometrical character of the space [i.e., the physical space defined by the characteristic action of living, as distinct from non-living processes—LaR], occupied by the living matter of the Biosphere, is such a new problem. . . . All the more so, because it is connected with a still more general physical problem: with the question of the geometrical states of *physical space*, which have been very little touched upon by philosophical and physical thought."¹⁹ Clearly, his impulse is correct as far as it goes, but his comprehension of the implications of the work of Riemann is far from complete. Admittedly, it would have been most difficult for him to have gone further under the constraints of a profoundly crippling, passionately reductionist, prevailing trend in Soviet ideology.

Vernadsky's crucial contribution to a needed reform of all teaching and practice of economics today, can be accessed only through his central contributions to the subject of physical science as a whole, his categorical division, as I have emphasized, repeatedly, in earlier locations, among the respective physical geometries of the abiotic, Biosphere, and

Noösphere domains. This requires a certain modification of his views expressed in the referenced, 1938, "III. Supplementary Explanations."²⁰

I shall return to add my corrections to Vernadsky's argument at a suitable place below.

The needed exposition on this point respecting the main stream of Vernadsky's own explicit argument, as I have made this in locations published earlier, is as follows.

Vernadsky, following the precedents from the combined work of Pasteur and Curie, especially the latter, defined the totality of the known universe as composed of three multiply-connected domains, forming thus a single universal domain of three physical phase-spaces: the abiotic domain, the Biosphere, and the Noösphere.²¹ This, whether Vernadsky actually recognized this fact, or not, was no departure from such ancient authorities as the Pythagoreans and Plato, or the followers of the Fifteenth-Century founding of the modern experimental physical science of Luca Pacioli, Leonardo da Vinci, et al., of the avowed followers of the definition of modern science laid down by Cardinal Nicholas of Cusa in such works as his *De Docta Ignorantia*.²²

The experimental method associated with Cusa's pioneering in modern science,²³ as echoed by such followers of Johannes Kepler as Fermat and Leibniz, represents, in effect, a

20. LaRouche, *op. cit.*, 2001, pp. 312-320.

21. It is to be emphasized as relevant to our argument here, that in referencing the relationship of the work of Pasteur and Curie to his own discoveries, Vernadsky was emphasizing the relevance of another of his scientific specialties, nuclear physics. The uncompleted work of Mendeleyev, on the Periodic Table, as referenced by my late collaborator Professor Robert Moon, is that the unresolved issue of the Periodic Table, the issue of the so-called "magic numbers," points to a different physical geometry—a different physical space—than would be considered without considering the implications of radioactivity. This, as physical chemist and senior nuclear scientist Professor Moon emphasized, defines a different quality of physical space, i.e., physical geometry, a subject for which no progress is reported in the open literature since Professor Moon's death in 1989. The implications are clear enough that Vernadsky's references to this area are understood from reading even his 1935 allusion to the general area of this topic.

22. My own knowledge of this actual work of Nicholas of Cusa began during the middle of the 1970s, when Dr. Helmut Böttiger and Helga Zepp (later Helga Zepp-LaRouche) attended a conference of the Cusanus Gesellschaft. The papers which they brought back from the conference, and the oral reports they added on the proceedings, prompted my sudden and extensive interest in Cusa's work. Helga continued her extensive studies of Cusa under the guidance of, and, later, frequent consultation with Father Haubst over nearly two decades, both with my enthusiastic encouragement. Our association's extensive work on the Fifteenth-Century Renaissance has been centered over nearly three decades on the perspective provided by Cusa as a central seminal figure of the Fifteenth-Century Renaissance.

23. The modern attacks on Cusa for his work in physical science are traced to the old faction of Venice, with the attack on the method of *docta ignorantia* by a leading figure of Venice's intelligence service, the Francesco Giorgi (aka Zorzi) who spent a period of time in Venice's foreign service as marriage counsellor to England's Henry VIII. Later attacks on Cusa as a scientist come chiefly from the followers of the New Venetian Party, the empiricist followers of Paolo Sarpi.

19. As quoted from LaRouche, *op. cit.*, 2001, p. 318.

return to the Classical scientific method of Sphaerics associated with the Pythagoreans and Plato. This was an anathema to official Soviet ideologues, who, as followers of Frederick Engels, gave the reputation of a dirty word to “idealism.” Vernadsky, the father of the practice and theory of Soviet nuclear science, is such an “idealist,” as were Leibniz, Gauss, and Riemann, a quality which is a clue to all his greatest known scientific achievements.

In the strict experimental method, as revived for modern science by Cusa, the specific physical principle is a subsumed expression of a categorical principle, such as, respectively, the abiotic, the living, and the cognitive. Each of these, as Vernadsky emphasizes in the locations I have referenced on this account, corresponds to sharing a common characteristic kind of physical geometry, distinct from the others, as the category of life is distinguished from the category of that which is generated by abiotic processes.

The problematic feature in his work, is that he had not yet come to grips with the crucial implications of the life’s work of Riemann. This problem is indicated, most neatly, in his, “We know that there can be a whole array of geometries, and that they may be divided into three types—Euclidean, Lobatchevskian, Riemannian—and that all of them are irreproachable and equally true.”²⁴ Here, Vernadsky errs; he has missed the crucial point. He clearly had not encountered Riemann’s 1854 habilitation dissertation, or Riemann’s actual work on the subjects of Abelian functions, Riemann surfaces generally, and physical hypergeometries, all of which are indispensable for realizing the otherwise valid scientific goals which Vernadsky defined from experimental work in the fundamentals of biophysics. He has not grasped the fallacies of Euclidean, and also of Lobatchevskian geometries, a comprehension which were indispensable for carrying work forward in the crucially important directions which Vernadsky himself has otherwise prescribed.

As I have already referred to this matter, shortly above, in such instances as the locations I have referenced again here, Vernadsky distinguishes living processes from non-living by identifying the difference in physical geometry between the way elements and isotopes of the ostensibly abiotic Mendeleyev Periodic Table flow through, and are processed by living processes. These differences define a *dynamically* different physical space of living processes than of non-living processes. Similarly, the Noösphere is similarly defined, as distinct from the Biosphere. Here, precisely here, and nowhere else, lies any competent conception of a science of physical economy, and hence, any competent practice of economics.

From the standpoint of the Pythagoreans, Plato, Cusa, Kepler, Leibniz, Dirichlet, Riemann, et al., there is no unresolved mystery in mapping the qualitative, axiomatic differ-

ences between the physical space of the Noösphere as compared with that of the Biosphere, nor of the separation of each of those as a different physical space than the abiotic domain. The difference between the Biosphere and the Noösphere lies in the action of human discovery of a universal physical principle, or the equivalent, by the individual human mind. *It is this action, when applied as a change in man’s practice on both the Biosphere and abiotic domains, which generates an increase in the physical productive powers of labor in a society. That is the fundamental principle of all competent economic science. That principle defines the difference between a competent and incompetent mode of long-ranging economic policy of a society.*

An Economy As a Physical Space-Time

The qualitatively distinct phase-spaces of the abiotic domain, Biosphere, and Noösphere, are interdependent, but dynamically nested physical phase-spaces, such that the development of the Biosphere depends upon a favorable climate provided by the abiotic domain, and the Noösphere’s development depends upon favorable preconditions generated by the combined abiotic domain and Biosphere. However, these relations are reciprocal, in the sense that the potential of the Biosphere depends upon those combined actions by the abiotic domain and Noösphere which are favorable to the well-being and improvement of the Biosphere, and the Biosphere is as dependent for its healthy development upon intervention by mankind, as mankind depends upon its development.

Vernadsky, in tracking the processes within the Biosphere as a processing of the abiotic material absorbed, processed, and excreted by living processes, defines the Biosphere’s relationship to the abiotic domain as *dynamic*, rather than the *mechanical* action projected by all Cartesian and related systems of thought.

In the case of the abiotic domain, experimental method defines a dynamic array of universal physical principles specific to that experimental phase space. This array forms, implicitly, a Riemannian hypergeometric mode of physical action specific to that phase space.

In the case of the Biosphere, as Vernadsky described this in 1935 and later, on the one hand, we are dealing with an ordering of the processing of abiotic materials through the Biosphere, with effects which do not occur within the abiotic domain otherwise. This difference is determined by a principle of life, which is not an inductively determined feature of the process as seen from the standpoint of the abiotic domain, nor is the determining factor an “element” known to the abiotic domain. However, life is not a member of the Biosphere; it is the superior principle which generates it. Life is the determinant of the Biosphere’s existence. That Biosphere is relative to non-living processes, or processes which died; it is something existing, efficiently, but, contrary to the empiricists and positivists; life itself is outside the reach of the principles attributable to the abiotic domain as such.

24. LaRouche, 2001 op. cit., p. 315.



U.S. Army Corps of Engineers

The productivity of labor depends not only on the skills of the relevant individuals, but also on the conditions of society around them, such as the quality of potable water, or access to health-care facilities. Here: Construction of a saltwater barrier in Galveston, Texas, by the Army Corps of Engineers.

Then, in the case of the Noösphere, we are dealing with materials processed by the Noösphere, which are otherwise materials associated with abiotic processes, living processes, or both, but the process as ordered is the expression of a controlling principle which does not exist within the abiotic sub-domain of the Biosphere as such. The domain of the Noösphere is defined, and determined by the cognitive principle which the empiricists, such as D'Alembert, Euler, Lagrange, Cauchy, et al. denied as existing: they denied the existence of that idealistic principle of creative reason defined as such by Plato, in particular. On that account, their attempts to define principles of economy are inevitably systemic failures.

In the simplest illustration available, we define this special principle as one which exists outside the materials contained within the Noösphere, and is functionally outside the domains of the abiotic and Biosphere, in the sense that it subsumes both of the latter all at once. Creativity, as it actually occurs, does not occur within the bounds of the processes specific to the abiotic domain, or the Biosphere. It reposes as a power within the mind of the human individual, a sovereign human individual.

The Biosphere is the footprint of life, although life itself is not an element of the Biosphere; and, the Noösphere is the footprint of the principle specific to the individual human mind, although the human mind is not an element of the Noösphere, but, rather, its master. However, life and the human individual's power of cognition, although not contained, as principles, within the Biosphere or Noösphere, are powers which exist within the universe, and are an integral part of that universe.

It is that view of the universe, not as a sum of three distinct, autonomous principles, but as the location of the superior principle which combines life and creativity, which unifies the whole, and which is, therefore, the indispensable basis for a competent economic science. It is the customary failure of economists, and relevant others, to grasp the kinds of distinctions which I have just catalogued, which is key to commonplace systemic blunders of the efforts to make economic policy of nations, and among nations today.

The principle of life and of individual human creative reason, are principles of the universe, which are, by their nature, in their aspect as principles, everywhere, but are limited in their expression by the presence or lack of appropriate conditions for the functions which we associate with the Biosphere and Noösphere respectively. We know that this is the case, because they are universal physical principles whose existence can not be originally derived from their manifestation within those respective domains. Only life can produce life; only cognition can produce the quality of cognition we associate with the efficient discovery of a universal physical principle.

Vernadsky has made this argument, from empirical evidence, for life and the Biosphere, and has defined the concept for the Noösphere. What I have done is to define cognition for its characteristic role in the function of the Noösphere.

Consider some typical physical-economic effects of these functional interrelationships as illustrations of the point which I have just summarized.

In the worst extreme, the phenomenon of the existence of the human individual is misconceived as the hoaxsters von

Neumann and Morgenstern define their Robinson Crusoe.²⁵ They consider man as the perverted clone of Bertrand Russell, von Neumann, considers him in *The Computer and the Brain*, or, Russell clone Norbert Wiener in *Cybernetics* and *The Human Use of Human Beings*, or, in the related general manner of the “ivory tower” associates of Tjalling Koopmans.

Consider some relatively simple illustrations.

The productivity of labor, as, for example, in manufacturing, depends not only on the skills of the relevant individuals, but on the conditions of the organization of society around them. Closeness of the family household to health-care and educational facilities. Accessibility to health, as, for a test of this, an emergency. The quality of the atmosphere, quality of potable water, quality and quantity of power available, relative to the price of power as compared to a mean wage level. These considerations, as extended to include the consideration of development of the young individual from birth, longevity and its relative functional quality, such as access to the necessities of biological and mental life relative to place of residence, time required in commuting, and so on, and so forth.

In some aspects, the design of the community, as in city planning, is a controlling consideration. For example, the convenience, as within virtual short walking distance from a place of residence, or employment, of a wide assortment of things and services, are crucial factors in the fostering of potential productivity of the member of the household. The factors of created and maintained environment which encourage the expression of the individual’s cognitive powers are, among related considerations, the determinant of the relevant intellectual productivity of the individual, and of the society.

The costs and expenses associated with those kinds of factors of individual and family life, and of the environments of economic output, constitute today at least half of the real cost of labor in society. Take the example of the transfer of production from regions, such as relatively more developed national economies in Europe or the U.S.A., to cheap-labor areas, as in outsourcing, results in a lowering of the net productive powers of labor in the combined areas, which is often a great margin of waste. This is reflected in reduction of the quality of what is produced, and in the quality of the available assortment of what is produced. Indeed, the cheap labor areas to which production is transferred through outsourcing, are not a net gain to society as a whole, but are modes for primitive accumulation, through the combined actual costs of loss of productive potential in the nations from which production is exported, and in looting of the total population and territory of nations to which the flow of outsourcing is directed. In effect, with outsourcing, the world is nourishing itself, for

about as long as this can be continued, by virtually eating its own legs.

In the observations on the subject of an economy as existing, as a whole economy, within a physical space-time, observations which I have made in the immediately preceding several pages, the lurking issue is an inferable conflict between the decisions which affect the society as a whole, and the freedom of choice of the individual within that society. It is here, that the issue of money-price, posed by Professor Hankel, comes into focus. Given those auspices for the discussion, we must now shift gears; having said the indispensable prefatory things we have now said, we must now address the issue of monetary processes from the vantage-point of the human mind’s variable policy-relationship to physical economy. The standard Keynesian doctrine widely referenced in European practice is not the premise for what must be said, but it represents the most relevant counter-position for what must be made clear.

3. The Meaning of Price During This Crisis

To summarize the crucial points which I have made in the preceding foreword and chapters of this report:

From the standpoint of any serious science, there are three principal, intrinsic absurdities shared among all of today’s commonly taught monetary and related price theories.

First, they, as a matter of definitions, either simply overlook, or flatly deny the essential fact about the characteristic assumption of the entire field on which the ostensibly contending monetarist theories are premised. The secret of the entire business, is that all of these monetary theories are, in fact, nothing other than spin-offs of the Anglo-Dutch Liberal version of the medieval Venetian *ultramontane* system, a legacy of evil from which it should have been supposed that the Fifteenth-Century birth of modern European civilization should have unshackled society, but did not.

Second, they treat economic processes as mechanical systems, relying upon statistical methods which presume that economies are mechanical systems, when they are, in fact, dynamic systems, as Gottfried Leibniz founded and gave initial development to such a science of physical economy during his work on this subject during the course of the interval 1671-1716. These professionals and political leaders ignore the fact, that economies are primarily physical systems, not monetary-financial systems, in which voluntary choices may be, and often are premised upon financial-monetary phenomena, but in which the most essential long-term reaction of the economy to those choices, is determined in the physical domain, not the monetary-financial domain.

For example, as I have already emphasized in various locations, earlier here and elsewhere, the immediate threat of

25. John von Neumann and Oskar Morgenstern, *The Theory of Games and Economic Behavior*, 3rd edition (Princeton: Princeton University Press, 1953).

a global monetary-financial explosion is centered in the fact that, since approximately 1999-2001, a crucial margin of apparent short-term profits in financial markets has been premised on the creation of what is, in effect, an increasingly worthless long-term debt much larger than the short-term nominal gains secured by incurring that debt. The situation in the gigantic housing-mortgage bubbles, is only typical of this increasingly explosive situation. No alternative for that increase in uncovered long-term debt, is presently available under present policies and rules of the system.

There is a real-world alternative to this crisis, but the available solution lies outside the bounds of the present world monetary-financial system. This alternative would be: a.) first, to put the financial system in government receivership, to enable government to organize the forceful measures of financial reorganization and management needed to abort the pending explosions; b.) the creation of a large, long-term, valuable public debt in the form of capital emissions under the provision of the U.S. Federal Constitution (for example) for investment in production of long-term physical-capital assets which raise the level of current employment and output above durable, long-term levels of national economic break-even on current account.

In other words, instead of promoting marginal and dubious short-term nominal capital gains through incurring a long-term, unpayable debt on long-term account, stimulate the economy by productive employment whose current-account physical costs are far less than the long-term accumulation of increased, functional physical capital generated by the modes of employment for which the debt is incurred.

The feasibility of this approach is premised on the assumption that there is a sudden and persisting, strong reversal of recent four-decades trends which turned away from emphasis on capital-intensive, science-driven modes of technological progress, and correlated increases of the intensity of capital formation in basic economic infrastructure, into a so-called "post-industrial," "services economy" mode. This change is, essentially, what has ruined us increasingly, ever since.

Under the changes from a bankrupt, collapsing "services economy," to the recovery program which I propose, the functional value of infrastructure built today will be increased tomorrow by the *dynamically* determined effects of advances in science-driven technology, and elevated levels of "energy flux-density" per capita and per square kilometer.

Obviously, in the long run, the kind of expansion of debt on these *physical* accounts which is indispensable for a recovery, must vastly outweigh the nominal value of the salvageable margin of current debt overhang. The expansion, in short, must be on a sufficiently large scale, to ensure that the combination of the salvaged old debt, once converted to the new system, and also the new debt of that system, is fungible under the terms of the newly arranged maturities of that combined new debt.

Now, turn to the third point.

Third, in the usual statistical analysis of economic processes, the relevant fellows ignore the fact that it is actions which have predetermined *the increased future physical state of the economy*, which are the most important classes of decisions affecting the outcome of the present action. Prometheus, rather than either his brother Epimetheus or the son of Olympia, Zeus, must reign.

The effect of those indicated errors in the thinking of the usual economists and relevant others, is that the monetarist and related pricing theories commonly used heretofore, have nothing to do with what might be considered as an actual economic science, or even a merely sane method of management of governments and their associated economies. They have more the character of debates over doctrines among the factions within some pagan religious cult, a cult based upon superstitious belief in sympathetic magic, of doctrines crafted with the apparent intention of persuading the slave to accept his destiny, rather than representing any thoughtful attempt to demystify the paradoxes of national economy in the real world of today.

Economic reality lies in the physical outcome of the applied *powers* (i.e., discovered universal physical principles) employed on behalf of the physical expenditures required to produce that thus-increased physical outcome. The role of money, as an instrument of exchange and credit, must be efficiently subordinated to the real-economic (i.e., physical) objectives of national economic policy.

The ability to manage the economy to such effect, demands the role of government, rather than the currently fashionable emphasis on the supposedly beneficial independence of the private sector as such. The goal must be to keep the total accounts of the nation in balance. Only government has the legitimate and actual power to manage the total accounts of the nation in ways needed to bring about that required effect without cutting back disastrously on the essentials of an actual recovery. Thus, the private circulation of money, and of credit based upon that circulation, is merely an admittedly essential, but subordinate instrument of the management of national real growth and solvency. The role of personal initiative is indispensable, but the constitutional principle of the promotion of the general welfare—Leibniz's anti-Locke "pursuit of happiness," must be supreme.

It could be argued, that if a presently incumbent government is incompetent, as the current U.S. Bush Administration has set a new landmark in recklessly lurching to depths of incompetence, no such government policies as I imply would work. To this I must offer two rebuttals which should be obvious. First, that a people which can not control its government, or which is systemically incompetent, or worse, in all its principal intentions, as the Bush government is, has no one to blame but itself for its negligence on that account. Secondly, the recent performance of the vaunted "private sector" is not merely worse than that of the government on these accounts, but is virtually outright criminal in moral



EIRNS/Michael Maddi

"It is the business of a people to ensure that it has a competent government, with no Enrons or the like tolerated." Here, at the Sign of the Crooked E, Enron headquarters in Houston, Texas.

and economic fact. It is the business of a people to ensure that it has a competent government, with no Enrons or the like tolerated. For that, there is no alternative but an important, painful lesson to be learned by that people, concerning the collective behavior of their own majorities during recent decades.

Now, some needed, introductory observations on monetary policy as such.

The fraudulent assumption of the recent two or more centuries, including that of the Mrs. Joan Robinson to whom I referred above, has been, that some approximation of truth might be plucked from that modern custom's basket-full of tangled worms, which is the current assortment of concocted algebraic formulas which pass for an alleged scientific foundation of monetarist dogma.²⁶ The time is ripe for banning such incantations of witchcraft from economic practice; the pertinent fact is, no satisfactory monetary theory could exist. It is the idea of managing an economy according to a monetary theory, such as that of the Keynesians or their rivals, which is the mare's egg to be cleaned out now.

British monetarist ideology, for example, has been the actual ontological content of the silly presumption which Britain's beneficiary of trade in American slave-produced cotton, Frederick Engels, repeatedly taught to his dupe, Karl Marx: that the American System of political-economy, as typified then by Alexander Hamilton, Friedrich List, and Henry C. Carey, whose sheer economic power, incidentally, led the world to victory in World War II, would never

become a serious proposition.

On the subject of monetary/price theory as such, I must repeat here: The most significant of the virtual delusions of commonly taught and believed "economic theory" so-called, is the failure to grasp the fact that the world economy is currently controlled, politically, by an international monetary-financial system which is a continuation of the system inherited from the medieval centuries, during which Europe was dominated by what was known as the *ultramontane* system, a system of imperialism based on an alliance between the Venetian financial-oligarchy and the Norman chivalry. That is the system which reigned, despite reformers such as Abelard, the Cathedral tradition of Chartres, the best of the Franciscans, Frederick II, Dante Alighieri, and so forth, over the period of the Crusades, including the Albigensian crusade and the Norman conquest, through the New Dark Age, which later development within that medieval system had brought upon Europe during the middle of the Fourteenth Century.

That Venetian financier-oligarchical system was revived in power immediately following the Fall of Constantinople, to launch the religious warfare which ruined modern Europe during the 1492-1648 interval. That revived Venetian system was continued to the present day, under new auspices as the Anglo-Dutch Liberal form of the "Venetian Party" otherwise known as "The Enlightenment." The essential feature of the modern world economy is the domination of modern nation-state economies by the overreaching power of the present guise of a post-1971-1972 international monetary-financial system which is a relic of, and continuation of the medieval Venetian financier-oligarchical, *ultramontane* system.

The following, slightly amplified highlights of that process are essential points of emphasis in approaching the matter of modern pricing processes and their available alternatives today. I summarize the relevant case as follows.

The fact of that matter is, of course, that the Fourteenth-Century collapse of the Lombard bankers typified by the House of Bardi, during that century's "New Dark Age," did demolish the *ultramontane* imperialism shared between the Venetian financier-oligarchy and Norman chivalry, if only to the degree that the Fifteenth-Century Renaissance, which emerged around the rallying point of the great, Platonic ecumenical Council of Florence, could bring a new system of government, based on the principle of the common good, into being, as in Louis XI's France and Henry VII's England.

The mid-Fourteenth-Century collapse of that medieval system, is often wrongly attributed to the spread of the bubonic plague. That attribution evades the fact, that the sanitary conditions for the spread of that plague itself were created, especially over the course of most of the preceding century, by the practices of Crusades and kindred Nazi-like enterprises. Half the parishes of Europe, and an estimated one-third of the level of population of Europe vanished, as a result of the physical economic conditions created by the character-

26. *Op. cit.*



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The first establishment of a modern nation-state based on the constitutional natural law principle of the promotion of the general welfare, occurred with France's Louis XI (left), whose reforms served as the model introduced to England under Henry VII (right).

istic practices of the *ultramontane* Norman-Venetian alliance.

The world has been creating a comparable condition today, conditions generated by contemporary monetarist and related military policies pushed by the currently reigning financier faction of the U.S.A. and England. The current governments of the world have been virtually insane in the adopted axiomatic premises of the current economic policy-shaping; there is a direct relationship between the pro-globalization economic policies of international combinations of power, and the development of the accumulation of tinder representing the critical level of the current potential for the eruption of epidemiological holocausts globally.

Unfortunately, with the Fall of Constantinople, the power of the Venetian financier oligarchy returned, to drown the world of Europe's modern sovereign nation-state in Venice's Habsburg-led religious warfare, during the 1492-1648 interval. During the late Seventeenth Century, that power of financier oligarchy which had been Venice's, was shifted from Venice itself, to the new Venetian Party, based on the followers of Paolo Sarpi. This new party was sometimes called the Eighteenth-Century "Enlightenment," or, simply, "The Venetian Party," which was centered in the then emerging, increasingly maritime and financier-oligarchical, imperial power of Anglo-Dutch Liberalism. It was on the axioms of that Haileybury School Liberalism of Adam Smith, Jeremy Bentham, and David Ricardo, which Karl Marx, for example, premised his *Capital*.

To the present day, the post-1971 governments of Europe are the virtual slaves of a London-centered network of so-

called "independent central banking systems." The worship of that modern relic of the Venetian financier-oligarchy's medieval system of *de facto*, *ultramontane* rule over its subject peoples, is celebrated in the system of religious cult-worship known as monetarism. All of Europe's currently popularized monetary theory, with its debates over pricing doctrines, is a reflection of that intellectual submission of states to the worship of the modern expression of the Venetian financier oligarchy's *ultramontane* form of imperial reign over European souls. Thus, Anglo-Dutch Liberalism has been the planet's leading modern form of imperialism since the February 1763 Treaty of Paris established the implied imperial hegemony of the British East India Company of Lord Shelburne et al.

That modern guise of the *ultramontane* system is the aquarium, called today's, post-1971-1972, degenerate

form of the International Monetary Fund (IMF), in which the captive fish dwell today. Today's monetarism is a region of fantasy-life bounded by the mental walls within which the deluded captives swim *more or less freely!* Curiously, but without really surprising us, all these current rationalisms, from slavery to monetarism, including those of the virtually fascist Mont Pelerin Society, scream loudly, like today's U.S. sympathizers for the glories of the Confederate States of America, their claims to be the apostles of boundless individual freedom.

The Issue of Freedom?

Thus, today's financial predators tell us that their debt-slaves are experiencing the joys of freedom, otherwise called "free trade." Today, through the blessings of what is thus claimed to represent that cause of freedom, nations and their peoples throughout most of the world are the impoverished, and looted captives of the predatory system which is identified as the assured source of these "strength through joy" policies promising the eventual, repeatedly deferred blessings of freedom. To similar effect, some say, still today, as was said by dupes of ancient times, that the pagan gods of Greece were good. Take the instructive case of the Olympian Zeus as a case in point for understanding modern issues of freedom through the perspective provided by reflections in ancient eyes.²⁷

Admittedly, there was no allowance for freedom within

27. The best treatment of the history of European imperial law is, unfortunately, available only in German: Friedrich August Freiherr von der Heydte,

the Olympus ruled by the tyrant Zeus. That Zeus was of the type later known under Roman and feudal law as an emperor, who ruled over a domain in which the person of the emperor embodied the power to decree law for that entire territory, over all of its inhabitants, kings and princes included. This was not only the state of affairs depicted by Aeschylus' *Prometheus Bound*. This was the form of Venetian-Norman imperialism called the *ultramontane* system, erected on the fraudulently concocted premise of "The Donation of Constantine."

This was the meaning of the law imposed upon all subjects of the sundry empires of Mesopotamia. This was the doctrine of what has been passed down from the time of the teacher of Aristotle, Demosthenes, as the "Persian Model," also known as the "Oligarchical Model" of the Persian Empire, and, also, of the two Roman Empires and the Venetian *ultramontane* partnership with the Norman chivalry which reigned over medieval Europe. It is the model on which the British Empire was premised, and is also the doctrine of imperial world government which Bertrand Russell defined as the objective of his published 1946 proposal to launch pre-emptive nuclear war, as soon as possible, upon the Soviet Union. This is the same "oligarchical model" prescribed as the frankly imperialist objective of world government under the rule of the virtually stateless tyranny of "globalization" by the world's leading financier oligarchy today.

From the time of Charlemagne, the attempt to free humanity from those successive modes of Byzantine and Venetian-Norman imperial rule which expressed the notion of "the oligarchical model," was the continuing struggle for freedom which was expressed by the work of Dante Alighieri, as in Dante's *De Monarchia* and promotion of a set of literate national languages against the *ultramontane* Tower of Babel modelled upon the ancient Mesopotamian imperial Oligarchical Model. The new rule of law established on a Platonic basis by the great ecumenical Council of Florence, was the birth of the modern nation-state alternative, the promotion of the general welfare of all of the people, and of all of the nations. The first actual establishment of a modern nation-state based on the constitutional natural law principle of the promotion of the general welfare, occurred, through the courage of Jeanne d'Arc, with France's Louis XI, whose reforms served as the model introduced to England under Henry VII.

Thus, although the idea of truth had existed, as since the time of the Pythagoreans, Solon, Aeschylus, Socrates, and Plato, the practice of a truthful definition of freedom by nation-states, as outlined in Plato's series of dialogues and letters, is specific to modern European culture, and to its re-



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"As the Egyptians rebuked the ancient Greeks: You are as children. You have no truly old men. Since you do not know where you came from, you have no history, and are like innocent newborn babies cast upon the landscape of contemporary history." Here, the great pyramids at Giza in Egypt.

freshed outreach to the world at large, by, and since that Fifteenth-Century Renaissance. The Venetian system of financier-oligarchical rule, and Venice's successor, the Anglo-Dutch Liberal *ultramontane* system of "independent central banking," is the leading enemy of freedom world-wide today, because it is the *ultramontane*-like form of imperialism which expresses the intent of the same "oligarchical model" expressed by the Olympian Zeus of Aeschylus' drama.²⁸

Only when the issues are put into that historical perspective, can a competent science of economy, and a competent definition of political freedom within and among states, be supplied. A competent systematic theory of prices, contrary to the arguments of current apostles of "free trade" dogma, depends upon this principle.

As I have referenced this crucial point, in several of its aspects, earlier in this report, the existence of European civilization, in particular, today, can not be competently interpreted respecting any major feature of this culture, without recognizing the essential unity of more than 2,500 years of European development from roots in the relationship of what is called Greece, to ancient Egypt. As the history of the notion of pow-

Die Geburtsstunde des souveränen Staates (Regensburg: Druck und Verlag Josef Habel, 1952). The continuation of the process through the Fifteenth-Century Renaissance and Nicholas of Cusa's *Concordantia Catholica* has been treated in numerous publications by Helga Zepp-LaRouche and her collaborators.

28. The so-called "Oligarchical Model," aka "Persian Model," had been originally intended as a proposed treaty between the Persian Empire and Philip of Macedon. This proposed to divide a "world empire" between an eastern and western division, under an arrangement in which Philip would be adopted as co-emperor by the Achaemenids. The death of Philip, and the accession of Alexander the Great, who was an ally of the Platonic Academy, and foe of Philip, changed the course of history then; but, later, the "Oligarchical Model" was the basis for the formation of the Roman Empire, and for the Emperor Diocletian's later division of the Roman Empire between an Eastern and Western part. The medieval *ultramontane* system was an offshoot of this.

ers (*Sphaerics, dynamis*) exemplifies this point in a crucial way, the history of the essential kinds of ideas in European civilization is an unbroken continuity within that culture.

The beautiful ideas contained thus within European culture are not a matter of what developed, but how it developed. It is a matter of the process of cognition through the origin, development, and persistence of certain crucial, principled qualities of ideas, which reach out today from those ancient places whence a dialogue of minds began and proceeded to the present moment, across the span of millennia, propagating a continuing dialogue properly recognized, in its totality so far, as European civilization.

As the Egyptians rebuked the ancient Greeks: You are as children. You have no truly old men. Since you do not know where you came from, you have no history, and are like innocent new-born babies cast upon the landscape of contemporary history. People too obsessed with the fears associated with their sense of mortality, lack a real sense of immortality, and are thereby blinded to the importance of immortal ideas which have ruled, and will continue to rule, when contemporary mere opinion lies, as an object of disgust, in the gutters of abandoned cities.

According to Aeschylus' *Prometheus Bound*, freedom is the right of Prometheus to enable mortal human beings to discover and use universal physical principles. That Olympian Zeus is the virtual Satan who condemned human beings to live in an imposed state of bestiality, in which they become, like beasts, ignorant of universal physical principles. In opposition to those who keep men and women as like Zeus's cattle, such as Olympian Zeus and the oracle of Delphi, the contrary view was expressed by the Classical Greece of the Pythagoreans, Solon of Athens, and Plato, who defined the discovery of the knowledge of universal physical principles as Socratic freedom, and the expression of the natural condition of mind and will of free people.

In modern Europe, two approaches to imposing the type of mind-slavery demanded by the Olympian Zeus, were prevalent. One, the old Venetian Party's way, as typified by promotion of the fraud of the cult of Claudius Ptolemy even by means such as the Inquisition. In the alternative, the equally evil system of the New Venice faction of Paolo Sarpi, systematically denied the existence of any knowable universal principles outside the bounds of that empiricist method of induction typified by the emergent Anglo-Dutch Liberal faction of Cartesianism, as expressed by John Locke, Bernard Mandeville, François Quesnay, David Hume, Lord Shelburne's lackeys Adam Smith and Jeremy Bentham, and the Voltairean circles of Euler and Lagrange.

The problem in the usual discussion of the subject which is headlined "freedom," is that the usual discussion, as, for example, by the doctrinaires affiliated with the sentiments of the Mont Pelerin Society, refers to predatory, animal freedom, rather than human freedom, rather than freedom from the cruelty intrinsic to ignorance. This means freedom from such

as populist prejudices, freedom as expressed by the commitment for a search for truth in the sense of scientific truth.

Let us, thus, designate the use of the word "freedom," to point to a quality of choice specific to the human individual's nature, but absent from the beasts. Freedom then means freedom from the satanic tyranny of that Olympian Zeus portrayed by Aeschylus, and from the tyranny typified by Lycurgus' Sparta.

This dynamic notion of a constant struggle on behalf of freedom, ought to be the pivotal feature of the design of the modern sovereign nation-state republic, and, thus, the basis for defining the way freedom should be expressed in such particular subjects, as the matter of crafting the way in which responsible governments steer the movement of prices in such a fashion that prices evolve to the common advantage within and among modern republics.

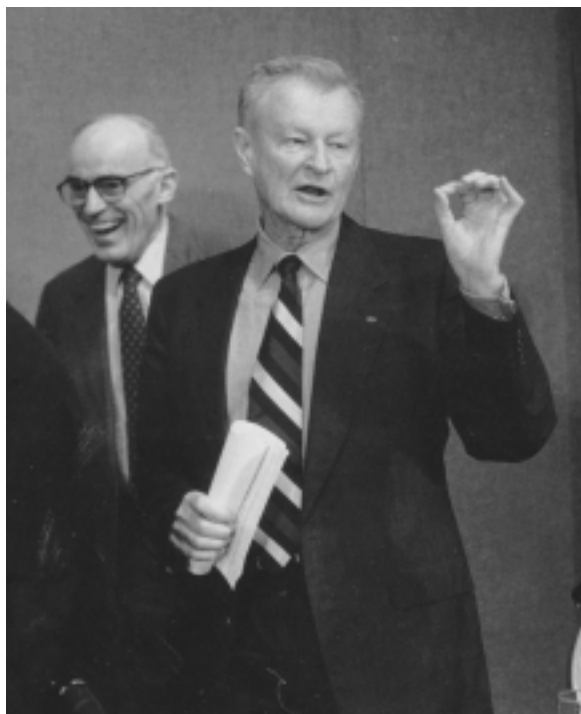
3.1 The Obligation to the Future

Approximately half of the total physical throughput of a healthy form of modern economy is devoted at least as much to creating benefits in service of the future, a future as much or more than a generation or two ahead, as to the marketable product produced for consumption in the relatively short term of a year or two.

The result of that fact is, that a competent assessment of the current economic performance of a nation is not the current year's accounting result, but a calculated measurement of the increase of that economy's recent change in dynamically defined potential, five, ten, twenty-five, and fifty years ahead. These forward points are determined, and reflect the reality of the long-term range of current capital investments which have life-spans of respectively five, ten, twenty-five, and fifty years ahead. Instead of measuring performance during recent years to date, measure the change in future potential projectable from the recent changes in capital factors. Think of today's investment in a recently born child who, in today's U.S.A., will reach adult economic maturity a quarter-century ahead.

Under the American System of political-economy, the dominant element in the creation and maintenance of basic economic infrastructure, is the role of the state at the Federal, state, and local levels, as had become traditional among us, prior to the predatory and ruinous actions of 1977-1981 led by the Trilateral Commission's Zbigniew Brzezinski. The creation of chartered public utilities as protected facilities operating in the general public interest and used for the savings of citizens, illustrates the proper ways in which private capital cooperates with public authority in this domain. Similar arrangements have existed in Europe in times past, to the former satisfaction of typical, ordinary citizens there.

Now, during the recent forty years since approximately 1965-1966, but, more emphatically, since 1971-1972, the leading nations of the Americas and Europe have destroyed the greater part of the combined basic economic infrastructure



EIRNS/Stuart Lewis



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These two former acolytes at the Satanic altar of Nashville Agrarian William Yandell Elliott, Harvard's Zbigniew Brzezinski (left) and Henry Kissinger, initiated "outsourcing" during their respective terms as National Security Advisor.

and modern productive capacity and living standard on which the ability of society to produce a net physical margin of profit over current necessities had depended; these have been shrunk down to currently negative values. This destruction has been accomplished chiefly by a shift in cultural paradigm from that we associate with the U.S. Franklin Roosevelt Administration and the immediate decades which followed, to a so-called "post-industrial," "services economy," combined with the systematic destruction of the power to produce in the formerly leading economies of Europe and the Americas. This change, to "outsourcing," was made for the sake of looting foreign nations at prices below the level needed to prevent their merely apparent, constricted growth from being overtaken by the mass of a vastly larger portion of their populations for which no adequate provision has been made, or would be possible, even during the long term, under current world prices and trends.

This destruction, launched fully during the terms as National Security Advisors of Nashville Agrarian fanatic and Harvard Professor William Yandell Elliott's former acolytes at the Satanic altar, Henry A. Kissinger and Zbigniew Brzezinski, was institutionalized on a large scale during those 1970s, approximately thirty years ago.²⁹ Since the normal life-

time of typical investments in public works and the like, as in the case of public power utilities, is one to two generations, by 2005 we are reaching a point of exhaustion of much of the basic economic infrastructure on which the existence of the U.S. economy had depended, during the intervening decades. This consideration, in and of itself, should warn us that the presently onrushing financial-monetary collapse has qualitatively far more severe implications than the collapse in Europe and the U.S.A. of the 1928-1933 interval. This, itself, points a warning finger toward the imminence of a general breakdown-crisis, rather than a mere depression.

Thus, were the nations to rely upon the earned accumulation of investable capital holdings for the maintenance of society, a global, virtually genocidal collapse of civilization would be inevitable. The current political, social, and economic stability of the nations and people of Europe and the Americas (for example) now depends on the massive creation of state debt-capital for large-scale programs of development of modern basic infrastructure and production capacities, by means of which to bring the level of production of goods, per capita and per square kilometer, above a level of physical-economic breakeven. This required state investment is massive. There is no adequate supply of private investment-capital, for this kind of purpose, presently in existence. It would have to be created, by governments and agreements among governments.

If, and when the required strategy, just indicated, is applied, we will have reversed the currently disastrous trend in world finances and physical economy. During the recent

29. The Nashville Agrarians, which Elliott represented, was an association founded by the generation of grandchildren of the founders of the Ku Klux Klan. The reference to Kissinger and Brzezinski as "acolytes at a Satanic altar" points to Dostoevsky's famous allegorical allusion to the Satanic Grand Inquisitor Tomás de Torquemada.

decades, in the U.S.A., Europe, and elsewhere, we have been maintaining a nominal rate of profit in financial markets, chiefly the speculative aspect of these markets, by increasing the effective mass of an increasingly dubious long-term debt more rapidly than the generation of apparent short-term financial and related gains. *Meanwhile, poor, credulous fools seek to fend off their own fears by an effort at gloating: "Ah, you are wrong! See what the market is doing today!"* The case of the monstrous, and now highly explosive mortgage-based-securities financial bubbles, even those in the English-speaking nations alone, are a sufficient explosive charge within the banking and related systems of the world to bring about, not merely a world depression, but a breakdown-crisis which might be envisaged as a Germany 1923 collapse re-enacted on a global scale.

This now inevitable economic breakdown of the existing world monetary-financial system, is a breakdown which has been created for today by the follies of leading powers, and by the growing foolishness of popular opinion, too, over the recent forty years.

Under the present actual conditions of an onrushing breakdown-crisis, the issue of crafting a new general policy for pricing is not a matter of generalities; this requires concrete specifications for a concrete, global crisis-situation.

How To Craft a Price

The estimation of the relative price of anything, must not start from the attempt to define the price of a particular article. It must divide the total output of a national economy, or group of national economies, among several large categories, which include, obviously, the cost of living of the entire population. The amount of physical, rather than monetary income required by those households, taken as a whole, is the starting-point for the calculation of prices.

This factor of aggregate household incomes is not a self-standing one. You must be reminded, once more, that we are dealing with a process which can be competently understood only as a dynamic process, not the mechanical one which is foolishly adopted for the customary statistical studies and related national reports upon which credulous governments and others usually base the crafting of the rationalizations offered in the attempt to delude the public into sympathy for some government policy.

Dwell briefly on the kinds of conceptual tasks we must face in asking ourselves what the proper level of income of households must become. For example: What is the cultural level we must sustain within the household and the communities within which the household exists as an organic part of a dynamic system? In other words, what is the level of cultural development which that standard of physical income in that community must reach?

The span of life in modern society runs to a level in excess of eighty years, provided presently available choices of trends in sanitation, diet, preventive medicine, and other health-care

could be assumed.³⁰ In modern society, we, thinking as physical economists, must assume, for modern European civilization, the allocation of the first quarter-century of the individual life-time for education, and similar asymptotes for other parts of the world population over the coming two generations.

At this point, we encounter a great force. We are now forced to look back to the material which I had insisted, in the preceding sections of this report, was a scientific requisite for forming today's policies of economic recovery. For this stage of our argument, call it the Heracleitus Principle.

By "change" we must understand the actual implications of Heracleitus's aphorism, as Plato's *Parmenides* dialogue illustrates this, still, as clearly as when it was written: the apparently insoluble confusion, like that of the dialogue's Parmenides himself, among the typically methodologically reductionist professors of Economics, and others, today. *The substance of reality lies in the process of change, not the products of that process of change.* In no domain of current importance, is that distinction more important, more urgent a topic of reflection, than in the matter of escaping the doomed economic way of thinking prevalent in the world at large today.

Whereas foolish pedants teach that the order of nature requires an explanation of the connection between two self-evident states of particular existence, we, who prefer to be sane adherents of the cause of human species, must follow the example of Kepler's unique discovery of universal gravitation, the principle of Leibniz's unique discovery of the infinitesimal calculus, Leibniz's catenary-cued universal principle of physical least action: *it is that principle of change itself which generates particular states of existence, which is the ontologically primary reality to be considered in a dynamic system*, as dynamic systems were defined by the ancient Pythagoreans, for example, and for modern European experimental physical science by Cardinal Nicholas of Cusa and his avowed followers, such as Luca Pacioli, Leonardo da Vinci, and Johannes Kepler.

The point to be emphasized at this immediate interval in the present report, is that the only functional difference between the members of a lower species of apes and human

30. It should be noted, in passing, at this point in the report, that the physical state of health of the human intellectual faculties, apparently depends, perhaps even more than simply biological health, upon the beneficial biological effects of intensive creative and related thinking by the individual. Simply exercising the memory appears to have such beneficial therapeutic effects. Notable, however, is the tendency, as reported by the late Professor Lawrence S. Kubie, for the all too obvious incidence of the ossification of the mental powers of formerly gifted young university scientific graduates after entering the ranks of their profession. Their induced, fearful reluctance to change their axiomatic assumptions, from about the time they pass through the fire of their pre-doctoral orals and dissertations, and later struggle to secure tenure, is often the key visible feature, in my relevant experience with such observed cases of relative intellectual ossification of once brilliant young professionals.

beings, is that human beings are able to change their superficially apparent species-nature for the better through an appropriate kind of act of will, the act of discovery of an experimentally demonstrable universal physical principle of the universe. It is the realization of these discoveries for practice, which expresses that principle of change which sets the human individual above a mere monkey.

Then, there are those, who, like monkeys, excel in achieving nothing of importance to their species, by their skill in climbing to the top of a family tree.

The problem is, that most taught economic theory was written as an assumed description of the behavior of monkeys, taught by professors who, perhaps out of a sense of species-pride, sought, like Chicago's Milton Friedman and George Shultz, or Norbert Wiener and John von Neumann, to make monkeys of not only their students, but all of those among their dupes who have been induced, in one way or another, to believe in the statistical doctrine of the "magic of the marketplace."

The relevant feature of physical science which corresponds to the role of transformations called scientific discoveries, is that which is implicitly subsumed by the Riemannian *physical hypergeometry* premised upon the foundation of Riemann's application of what he termed "Dirichlet's Principle," which I have previously referenced as subsuming the domain of his Theory of Abelian Functions. The continuity of those ordered hypergeometric changes corresponding to physical-economy-relevant sequences of discovery of universal physical principles, identifies the type of sequences of events which correspond to the ontologically actual principle of change within which we must locate the characteristic function of a successful form of human economy.

Restated in layman's terms, it is the rate of realization of relevant technological upshifts in social practice, which is the characteristic "Heracleitan" event upon which the notion of the substance of physical-economic processes must be premised. This notion, which, admittedly, does involve considerations beyond the capacity of most working economists today, can be approximated in effect, by saying that we, working as economists, must instruct our peers to assume a certain practically demonstrable type of realizable rate of physical-technological progress in the productive powers of labor. This pragmatic choice must be employed as representing the effect of this Riemannian upshift in a healthy economic process.

That means, in practice, that we assume that the process of general education in schools will be oriented away from reductionist thinking, toward emphasis on the students' experience of the rigorous act of discovery of a universal physical principle previously unknown to that student. We must assume that we are building in the habit of revolutionary discovery of that kind into the experience of the young, so that society will cease today's "environmentalist" practice of seeking to make virtual monkeys of our children and youth.

To the extent that we can justly assume that constant factor

of more or less directed technological upshift in the ordinary social and workaday habits of our population, we can assume a reasonable rate of increase of the productive powers of labor per capita and per square kilometer.

In that case, when we can make that working assumption, we have two additional sources of actual physical profit built into the organization of the national economy.

In this case, the power expressed by technologically progressive activity of the labor force complements and intersects dynamically improvements made over time in both the abiotic domain and the Biosphere generally.³¹ If we include the effect of progressive development and expansion of the combined Biosphere and basic economic infrastructure of society and its production, then a view of this relationship as a truly dynamic process means that the application of technological progress in the expressed powers of current labor, multiplies the benefit stored up in the improvement of long-term accumulations of both long-term capital investments in production and basic economic infrastructure. With all these factors combined, the net output of society per capita, would be significantly greater than were the improvement to be limited to the development of the members of the labor force otherwise.

Thus, it has been fairly said in times past, the greater the margin of current product which we can channel to savings invested in the form of useful basic economic infrastructure and capital improvements of production, without undercutting a healthy standard of living, the greater the rate of increase of the benefit from the improved productive powers of employed labor, and the greater the benefits for the households of that labor as they grow older, and the greater the rate of increase of good quality of employment opportunities. This, of course, is an appropriate rejoinder to the Luddite who proposes that technological progress "takes away jobs," or the deranged fanatic, who suggests that technological progress is bad.

So, therefore, once we take into account even these broadly described considerations, we should begin to see more clearly how the improvement of the intellectual productive powers of labor, defines a relationship to not only the productive process as a whole, but to the members of the population so represented as a labor force, and of family members otherwise.

In first approximation, we should be attempting to "optimize" the balance of relations among the allocations for the environment and productive capital investment and the re-

31. For example, a modest increase in the carbon-dioxide level in the atmosphere must tend to promote a significant, potential net increase in plant-life, which would increase the rate of absorption of Solar radiation by the Biosphere. The utilization of that by promoting plant-life has benefits for the productivity of the nation per square kilometer of land-area and also per capita. The application of technological progress to this "opportunity" involves what may be fairly termed, loosely, as a "multiplier factor."

quired real family-household incomes of the population of the labor force. The fair assumption for today, is that basic economic infrastructure, when properly defined as to qualities of content, should converge presently upon approximately half the total output.

This translates quickly into a projected demand for a full-employment policy consistent with those stated requirements. We can not afford to have unemployment, not merely because of the incurred costs of supporting the families of the employed, but, because we can not afford the diversion of a significant part of the population constituting the potential labor force, into employment in non-productive, or of relatively non-productive forms of employment, such as personally demoralizing make-work offered as an alternative to unemployment.

Furthermore, we must not employ people at reduced levels of technology by our choice, whether for production, or for basic economic infrastructure. That policy, in turn, requires emphasis on more or less intensive (physical) capital investment in that sector.

Therefore, without continuing merely to elaborate points here which should be obvious among economists and related categories, we are now adequately situated to define the principled way in which the subject of prices should be approached.

Optimization As a Price Determinant

Once these types of options for optimization are put on the table, the question of optimization is transformed from current cost-accounting, into a matter of national medium- to long-term economic policy.

First, the government must choose a set of scientifically determined, physical values which correspond to a standard incomes-policy of reference. It must translate this, by extension, into a foreseen rate of technological and related progress, and, therefore, of consequent upshifts in the composition of the set of physical values composing the level required for a standard incomes-policy.

Second, government must define, scientifically, a necessary level of proportionate long-term commitment to development and management of basic economic policy for infrastructure.

Third, the government must define agro-industrial and other scientific/professional/technological functions needed as services to all sections of the economic process otherwise. This anticipates a certain rate and direction of scientific-technological progress for agriculture and industry, and for society otherwise.

Fourth, it must define agricultural and industrial objectives, taking into account the function of relative *physical* capital-intensity.

The base-line of monetary policy must be derived, primarily, from the use of commitment to scientific and related technological progress, as the lever for achieving the targeted,

continually improved levels of development of the potential labor force as a whole, and the improvement of its incomes. It should be obvious that there is a certain base-line level for household income in general, and supplemental adjustments made to meet the requirements of particular classes of employment. However, the base-line, as adjusted so, supplies the indicated price-level for the currency throughout the economy.

The development of these broad objectives is required for a dynamic approach in policy-shaping, to improving the physical productive powers of labor per capita and per square kilometer of territory.

On this and related accounts, the best experience of the past shows that government can become informed to the degree that it can foresee general lines of forward development of technology, and can assemble the expert advice through which to assess the general rate at which such progress might be enabled to occur. The U.S. space-program, as it operated through the manned Moon-landing program, is a demonstration of the way in which science-driver "crash programs" have the effect of a "spill-over" into increased potential productivity of labor within the economy at large.

However, otherwise, the potential of the individual members of society can not be predicted in any simple, mechanical way. We might suspect which quarters in society were likely to produce a certain type of useful discovery, but foreknowledge of exactly who will present such a benefit, or exactly when, often escapes us.

However, apart from making reasonably accurate good guesses in this matter, the history of Germany's development under the U.S.A.-inspired Bismarck reforms, from 1877 on, as the cases of the role of Siemens and Rathenau from that period attest, shows that science driver programs do work in projects on a large scale, but also provide the environment in which the smaller, closely held machine-tool and kindred smaller enterprises make an essential contribution, as a class of enterprise, to the leading achievements which are only more conspicuous in the successes of the large enterprises.

Thus, we must provide a significant margin for variations on these accounts; we may not be able to predict exactly when and where certain benefits will be generated; but, we can and must foster the preconditions under which such occurrences might happen, and the emergence of such developments be recognized, received, and assimilated appropriately.

That margin of eminently desirable uncertainty in this matter, defines a desirable margin of eccentricity in the social system; in fact, the greatest ration of scientific, technological, and Classical-artistic progress may be supplied from within that margin of eccentricity. The higher the degree of development of the population, the greater this margin of eccentricity, a point of potential increase of general happiness which had been conspicuously overlooked by the ideological mismanagers of the often technologically stultified entities within the Soviet civilian-economy system.

Therefore, we must build a corresponding degree of flexibility into prices, profits, wage-rates, and so forth in the economy at large. Indeed, the larger the margin of productive innovation within the economy as a whole, the higher the rate of net growth of that economy, the success of its enterprises, and the real, physical level of incomes.

Experience of recent centuries in Europe and in the U.S.A., especially since the U.S. victory over the Confederacy, has demonstrated, repeatedly, that the factor of growth which can be foreseen as the result of a combination of predetermined tasks and flexible innovation by individual and other private initiative, is paramount in determining desired differentials. What can be foreseen as required, is that primary considerations are at what rate we choose to aim to cause the physical-economic output of the economy to grow per capita and per square kilometer, in both a planned and also spontaneous way, to such combined effect as to cause some sectors to grow in particular ways, including such options as emphasis on especially high rates of intended increase of capital-intensity, as for science-driver programs, more than others.

Take, for example, the investment-tax-credit program associated with the U.S. John F. Kennedy Administration.

Under well-crafted such investment-tax-credit programs, the fellow who runs off to spend his profits as conspicuous personal income, or investment in some form of gambling, pays the standard full rate of taxation on that income. However, the fellow who reinvests substantially in long-term reinvestments for expanding the economy and in raising the level of technology and physical productivity, or is performing a needed service not supplied by government, is doing something for the nation, which the government would have to spend to do otherwise. His tax-rate is lowered accordingly.

To indicate some extremes which prove the rule, take the matter of taxation-rates on illegal income, as for income from drug-trafficking. He pays a premium, in addition to his imprisonment; moreover, his tax-liability becomes his added vulnerability to detection by anti-drug agencies.

The most general case of this type, is government's proper affection for the class of unexpected technological benefits, especially those which contribute significantly to accelerating the rate of physical-economic growth per capita and per square kilometer.

Those are matters in which foreknowledge is largely dictated by successful experience during former, happier decades of agro-industrial and related economic life. Now, shift



Hong Kong Trade Development Council

The looming threat of crisis in India and China is masked by the delusion that the benefits of globalization to a minor fraction of their populations, defines these nations as the superpowers of the future. Here, an assembly line in Hong Kong during the 1980s. Since then, manufacturing for export has exploded, with sweat-shop conditions for the labor force, and vast poverty in the rural regions.

our attention to a crucial, enormously important change about to strike the economy of the world very soon, provided we escape the presently threatened lurch into a planetary new dark age.

The Noösphere Factor

If we might presume that our governments will decide not to allow the continuation of those current, pro-monetarist policies which condemn the planet to an early and prolonged new dark age, rising population-densities of the nations of the southern and eastern rim of Asia contain the already burgeoning seeds of what might be termed, euphemistically, as a great crisis of expectations. That looming threat of crisis is presently masked by the widely popularized delusion, to the effect that the benefits of globalization to a minor fraction of the population of, respectively, India and China, for example, define these nations as the already predestined superpowers of the future.

There are hopeful alternatives for the nations of Asia generally, but those alternatives depend upon radical changes from currently prevalent ways of thinking about, and among, not only these nations, but the world at large.

The advantages some Asia nations appear to have secured through globalization of "free trade," involve setting the prices of their exports to the world market below the level of national export income required to relieve the economic oppression, which is often worsening presently, among those, or similarly situated other nations' poor. This aggravation of poverty of the great mass of the poor, reflects the effects of

the margin of price-advantage for export by these nations, on which those nations actually depend, presently, for a marginal factor which past economics convention has termed “primitive accumulation”: the augmentation of the relative income of the nation, through the looting of a relatively enormous part of its own, or other nations’ territory and population.

We are, presently, at the rotting threshold of a sudden, global monetary-financial collapse, a collapse originating, chiefly, in North America, Europe, and Japan, which, once unleashed, would mean a general collapse of the export markets of nations which have been recently the recipients of recent decades’ gains in export-margins, gains generated by the acceleration of “outsourcing” terms and practices of the nations of North America, Europe, and some other most notable locations. This collapse would bring the impact on these nations of the vast population of their poor, bringing the potential crisis within Asian nations to the fore with virtually inevitable, explosive consequences.

If, on the contrary, we of Europe and the Americas not only come belatedly to our senses, but soon enough to escape the presently onrushing general breakdown-crisis of the present world system, the implications of the vastly expanding population of the desperately poor in Asia will be the manifest challenge then immediately before us. This brings the Vernadsky factor into play, as follows.

This poses a new quality of challenge, beyond the imagination, or concern of most of the governments of the world today, the present U.S. Bush government most emphatically included. This is the challenge implicit in that work of Vernadsky which I have referenced, once again, in this present report.

Begin with the exemplary question of primary raw materials and closely related resources.

The traditional primary sources for such resources are within the Biosphere, plus an increasing margin of resources extracted from fossil-like accumulations within the Noösphere. There is some stubbornly persisting question whether petroleum might be, unlike fossil coal, a product of continuing non-living processes within the planet. Otherwise, usually, “primary raw materials” signifies the fossil portion of the Earth’s crust which is part of the Biosphere.

Here, for example, formerly living bodies have left their mark, as a concentration of minerals not otherwise accessible in this way, except as by mining. In fact, of course, the ocean regions are presently vastly more significant for the future than the land areas, on this account. The atmosphere itself is chiefly a fossil element of the Biosphere.

Then, of course, the planets of the Solar System are chiefly a fossil of the Sun’s activity since its earlier existence as a virtually solitary, fast-spinning Keplerian body, a Solar System whose natural Periodic Table was chiefly generated, almost certainly, by something like polarized thermonuclear fusion in the immediate vicinity of the body of the Sun’s sphere, but, as Vernadsky has emphasized, has been experi-



Russia’s Czar Peter the Great. The legacy of Russian experience in management of raw materials reaches back to his visits to the mining and science center in the German city of Freiberg. Russia’s experience is of crucial importance for the future of the planet today.

encing radioactive, isotopic decay of much of the Sun-created Solar System’s Periodic Table of elements over the relevant billions of years to date.

As the ratio of Noösphere to Biosphere increases, and the ratio of the Biosphere to the mass of our planet also increases, mankind’s relationship to our planet and to the Solar System also changes radically. So, during the recent centuries, approximately A.D. 1400-2005, the relationship of mankind to the planet, and, therefore, to the Solar System, has been undergoing what would be measured, on a geological time-scale, as a rapid transformation in mankind’s functional interrelationship, a dynamic, rather mechanistic interrelationship, with both our planet, and also our Solar System. Today, with the presently onrushing general collapse of the world’s current monetary-financial system, these long-term developments have run—smack!—into the immediate future of the nations of the southern and eastern rim of Asia and its associated islands.

At least, this is most emphatically the case for the present time. However, although the immediate impact is implicitly experienced there, the functional, planet-wide implications of this development featured in Asia now, will have immedi-

ate, and qualitatively profound impact, requiring changes in crucial elements of belief and policy in Europe, the Americas, and elsewhere.

Take as one example, the crucial role which must be played by Russia's historic role and present scientific and other attributes as a Eurasian nation. The management, including transmutation of the stocks of essential mineral resources, alone, could not be undertaken without reaching to the centuries-long legacy in Russia, since the visits of Prince and Czar Peter the Great to the mining and science center of the present Academy, and sometime University of Freiberg, in the present German state of Saxony. Russia's pre-Soviet, and Soviet experience in these and related matters, in Siberia and related areas, is of crucial importance for the planet today.

The challenge before us, which I have just pin-pointed, is accentuated by the problems posed by the climate of Siberia, which is perhaps the focus of the world's principal single concentration of land-based relevant mineral resources. The challenge of mining is significant, sometimes seemingly outrageously so, but there is a deeper, scientific issue, which involves the special scientific competence of these Russian and related scientists, and extends into the area of unresolved challenges left over from the unfinished work of Russia's discoverer of the Periodic Table, Vernadsky's one-time Professor Mendeleyev.

What is to be learned from this region of the world, whose particular importance lies in long-term relations with Japan, the Koreans, China, India, and so forth, is the relevance of this region of the land-based shield whose future role is paradigmatic for the medium- to long-term development of corresponding large regions in Africa, South America, and elsewhere.

When we assemble reflections on the implications of the case of the Asia problem which I have just summarized, we should recognize that mankind has come to the end of a long period of relatively primitive provisions for our species' existence. The world has now entered a time in which there is no room for Robinson Crusoes. We can no longer rely upon extracting natural resources left behind by the development of the Biosphere; we must now undertake the generation of isotopes and other options of an improved practice of physical chemistry, on which the means of existence of growing world populations will now come to depend.

There is, contrary to those habitual hysterics known as "environmentalists," no objective shortage of the needed materials for sustaining progress in the scale or quality of human life. Rather, we have reached the point, that we must now depend more and more, on producing what we were formerly accustomed to stealing.

The immediate challenge in all this, takes us back to the paradigmatic problem we have just referenced for the present, exemplary case of India and China. The physical cost of living, and the physical price of the products of nations such as India, China, and comparable cases, must be increased substantially. We must provide the growth of per-capita in-

come sufficient to bring the poor of Asia out of perpetual poverty, this done through physical-economic development, including the fulfilment of the goals of scientific development to which I have just pointed. The physical costs of doing that, must be charged against prices, and must be met.

This challenge could not be met without a reversal of the trends of the recent forty or so years in the economies of North America, Europe, and so on. We must now return, as if with a vengeance, away from the mass-suicidal lunacy of the idea of "service economies," to what will be a production-oriented, aggressively scientific, technologically progressive, "energy"-dense set of capital-intensive modes in basic economic infrastructure and in production. The impact of that will be a presently indispensable change in orientation—a change without which civilization could not survive. That choice must be made now, or the price of not making it will be the destruction of civilization for a considerable period of time to come.

Reflection on Alexander Hamilton

The lessons of this report are, first, that the time has been reached, at which the continued existence of civilization is now the only important question of policy-making considered by sane governments at this time. The foremost question is, are we finally prepared to expel the Venetian legacy which reigns still in the form of slave-like states which dwell and

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labor under the tyranny of today's euphemistically so-called independent central banking systems, systems of financier-oligarchical tyranny, which have currently brought the world as a whole to the verge of a planetary new dark age of unforeseeable duration? Monetarism, in its permutations as a mass-murderous pestilence, must be expelled, or civilization as we have known it will be taken from us by dark-age desperadoes erupting from within our midst.

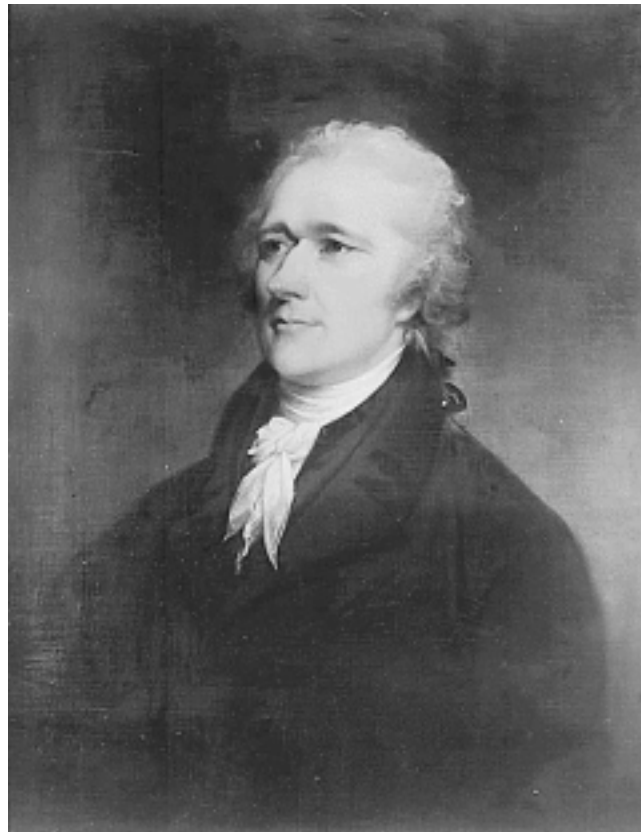
Therefore, the habits of pricing policy which must be eliminated for reasons to which I have already pointed, must be regarded from a different starting-point than issues of monetary pricing doctrines as such. It is the elimination of the new Venetian systems of "independent central banking systems" which must be eliminated through their urgently needed absorption into government-directed bankruptcy proceedings, thus forcing the issues of pricing back into the domain of national banking.

It is therefore most helpful to digest the implications of the reports which the first U.S. Secretary of the Treasury, Alexander Hamilton, presented to the U.S. Congress, especially his reports on the subjects of banking and manufactures. Europeans' heads must be cleared on this matter, for obvious reasons, reasons of the commonplace, wrongheaded opinions about U.S. internal history, among even putatively well-educated and cultured Europeans today.

To clear away the expected debris from around such a discussion, the special role performed by the close collaboration between President Washington and Hamilton, as distinct from the confused state of mind which the French Revolution provoked, after the death of Benjamin Franklin, in such figures as Jefferson, Madison, and both John Adams and, especially, his wife Abigail, must be put in relevant perspective. Washington's and Hamilton's shared differences with Jefferson and the Adams household during this period, are most relevant.

Typically, the events in France, which horrified most of the former supporters, from both the U.S.A. and inside Europe, of the cause of U.S. freedom, divided the disoriented former pupils of Franklin, such as Jefferson, pushing him toward seeking a favorable faction within the French Revolution's process, and the Adams household's leaning toward Britain as the proverbial "lesser evil," an error of the Adams household which Secretary of State and President John Quincy Adams corrected most richly and generously in his time.³²

32. John Quincy Adams virtually created the modern U.S. Department of State, and moved from his father's earlier concern for U.S. relations with London on the matter of the Atlantic fisheries, to define the future boundaries of the U.S. continental territory, both north and south, and from Atlantic to Pacific. The problem of President John Adams is typified by the way in which that President was duped by the published frauds of the British Foreign Office's Sir John Robison, whose New York-published *The Roots of the Conspiracy* was used to cover up the fact that it had been Lord Shelburne's British Foreign Office creature, Jeremy Bentham, who had orchestrated the



National Archives

It is essential for Europeans to master the implications of the reports by the first U.S. Treasury Secretary, Alexander Hamilton, on the subjects of banking and manufactures, in order to clear their heads of wrongheaded opinions about U.S. history. Here, a portrait by John Trumbull.

During these dark days of the Washington Presidency, Hamilton was Washington's stalwart. Moreover, Hamilton was among those close associates of Benjamin Franklin among the founders of the U.S. constitutional Federal republic, who was best schooled in the influence of Gottfried Leibniz's science of physical economy. Hamilton's Dec. 5, 1791 Report to the U.S. Congress *On the Subject of Manufactures* typifies this.

This work of Hamilton's, in addition to being the most thorough early summary of the conception of an American System of political-economy, contrary to the Anglo-Dutch Liberal, neo-Venetian models prevalent in European thinking still today, has two outstanding qualities of relevance for the matter which has been under discussion in this report thus far.

role of Philippe Egalité in the July 14, 1789 incident of the Bastille, the role of London-trained and London-directed Danton and Marat in Paris, had been behind the Jacobin terror of Robespierre, and whose London-controlled Martinist freemasonic order had created Napoleon Bonaparte's rise to dictatorship and unleashed ruinous war throughout the continent of London's rival, Europe.



FDR Library

President Franklin Roosevelt in 1944. Everything that has been done to wreck his legacy in the United States, especially since the right-wing counterrevolution of 1969-1981, typifies the way in which the U.S.A. has ruined itself, and much of the world besides.

First, it defines the organization of a physical economy around the central, interacting roles of the science-driven (“artificial labor”) development of agriculture, infrastructure, and manufactures, and, second, it defines the role of protectionism in the development of an economy organized according to that American System.

Like his other reports to the Congress, this report of his is alert to the implications of the systemic differences between an American System of political-economy, and the existing European systems, the Anglo-Dutch Liberal system most emphatically. That is to say, he understood clearly, as this is reflected in relevant parts of his other reports to the Congress, the compelling strategic necessity of accommodating to the practical implications of the differences between the Anglo-Dutch Liberal European and American systems. Later, Secretary of State John Quincy Adams’ crafting of what became known as the Monroe Doctrine of defense of the Americas against the combined rapacity of Britain and Metternich’s Holy Alliance, emphasized this continuing strategic concern of the young U.S. republic and its friends to the south. On these points, the conscious connection of President Franklin Roosevelt to the policies of Hamilton’s ally, and that Presi-

dent’s ancestor Isaac Roosevelt, helps greatly to bring Hamilton’s language up to date, showing, implicitly and otherwise, the continuity of the differences between the American System of political-economy and the Anglo-Dutch Liberal models, from the late Seventeenth-Century to Franklin Roosevelt’s time.

From a negative standpoint, everything which was done contrary to the legacy of President Franklin Roosevelt, specifically those wrecking actions launched in force beginning the right-wing counterrevolution of 1969-1981, under the influence of the circles typified by National Security Advisors Kissinger and Brzezinski, typifies the relevant way in which the U.S.A. has ruined itself, and much of the world besides, within the relevant time-frame. There is a specific importance of emphasizing the role of Secretary Hamilton at this point in my report.

In pointing to the wreckage produced by the influence of Arthur Burns, George Shultz, and Henry Kissinger, under the Nixon and Ford Administrations, and the wrecking of the internal and world economy under the direction of the Trilateral Commission’s Zbigniew Brzezinski, I am indicating that array of ruinous changes in U.S. law and other policy, the which has done the most to ruin the U.S. economy and its people during the recent thirty-five or more years. I am therefore also pointing to the system of regulation which must be restored to nothing less than prevailed before Kissinger and Brzezinski, for example, entered high office.

The determination of price must be governed by first consideration to the conditions of life and work of the total national labor force, with its associated households, not only within respective nations, but, more and more, on a global scale. This determines the idea of the magnitude of private income as complemented by essential public and related services to households. This estimation of the total physical price of labor, so defined in terms of households, is compared with the product of the labor of those households: basic economic infrastructure, agriculture, manufacturing, and essential services, including those supplied by government. This configuration must be described from the standpoint of several factors, including physical-capital formation, and rates of generation of and application of science-driven technological progress.

The further refinement of the division among those assorted components, should be programmatic. Such a program has two leading, overlapping distinctions. Division of labor, within and among these categories, as defined according to the requirements of fulfilling an adopted national mission of a certain rate and direction of physical-economic increase of the productive powers of labor. The mission-orientation of national economic and related policy is not present to future, but future to present: a sane society creates the basis for a future which the present must overtake.

Once again: the relationship among these components is dynamic, Leibnizian, never mechanical.

Why America Needs To Build Nuclear Power Plants—Fast

by Paul Gallagher

The vague vaporings of the George W. Bush Administration about “getting back to designing some nuclear power plants by 2010” (the President on Aug. 8 in New Mexico), are worse than inadequate to the United States’ immediate need to have a sizable nuclear power construction program under way—tomorrow. The same White House which has exhaustively mounted a desperate bully pulpit trying to undo 70 years of Social Security, has done nothing more to revive nuclear power, than occasionally to indicate its generally favorable views on the subject. Combined with an increasingly deregulated, “market-driven” power industry—which is interested in monopolizing existing nuclear power plants because they produce electricity so efficiently, but little interested in expending the capital and risk to build new ones—White House policy is aimed toward building a molehill, of perhaps two or three new nuclear plants by 2015 or so.

The 2005 energy legislation just passed by Congress, initially the work of Dick Cheney’s oil dollar-hungry “energy task force,” gives the power industry protection against long regulatory delays, for only six prospective new nuclear plants. Meanwhile, it pushes further the disastrous deregulation of the power industry (see following article). There are various “incentives” to nuclear power in the legislation, and there are petitions from cities and towns which want plants built; but the electric power industry sees even the three-plants-by-2015 goal as ambitious.

The nation needs, by contrast—in the hard and minimal estimations of engineers and experts on the power industry—to build *30 times that many nuclear power units* by the middle of the next decade, if it hopes to revive manufacturing, industry, and infrastructure. And it needs to swiftly *re-regulate* the electric power industry, as well as to take other steps to forcefully revive national capabilities to produce power components, or else such a necessary nuclear construction

drive simply cannot occur.

Coal-fired additions to power generation in America have essentially ceased. Recent exclusive reliance on new natural gas-fired turbine plants, most of which add only “part-time power,” is lowering the efficiency and raising the cost of producing more electricity. The only technology capable of large-scale additions to continuous baseload power generation, highly efficient and energy-dense, safe, and pollution-free, is nuclear power.

Aging Coal Infrastructure

U.S. electricity generation fired by coal has increased by only 9.6% in the ten years from 1994-2004, and coal-electric generation in 2005 is projected to be no greater than that of 2003. Very few coal-fired electric plants have been added to the U.S. grid, and the existing stock of plants is aging and badly polluting. Ohio, for example, which has among the highest dependence upon coal for electricity of any state, leads all states in carbon monoxide and carbon dioxide air pollution, and is second in sulfur dioxide pollution.

The retrofitting of a 40-year-old coal-burning plant to meet anti-pollution standards, in many cases is as great an investment as building an entirely new plant. Hundreds of coal-electric plants will either have to be expensively upgraded, or replaced in the next ten years. But the Energy Information Administration (EIA) forecasts (in its May 2005 *Annual Energy Outlook*) the almost-negligible addition of only 6,000 megawatts of new coal-fired electric capacity in the ten years to 2015.

An example: On Dec. 3, 2004, Cincinnati Gas and Electric (which goes by the new-age moniker Cinergy, in the Enron age of deregulated power-merchant companies), with 20% of Ohio’s power capacity, announced that it wanted to add 800 megawatts by building a new coal-gas electric plant. CG&E

hasn't brought any new capacity on line since the coal-fired Zimmer power plant—14 years ago. The new plant, if built and running by, say, 2008, would complete an addition of only about 4% to Southwest Ohio's power capacity over a 17-year period 1991-2008. Ohio's population growth has turned negative over that period, while the state's once-dominant industry has collapsed and poverty has overwhelmed its once-booming cities. Furthermore, since Ohio's legislature in 2000 adopted the cutthroat "electricity deregulation" regime, Cinergy is demanding a rate increase of 5% from its customers to pay for the plant, *before* it builds it. During 2005, two other major Ohio utilities have also moved for rate increases. The state has only one operating nuclear plant, the 1,200-megawatt Perry unit near Cleveland, and depends almost entirely on coal and natural gas-fueled electricity capacity.

Large amounts of coal, for Ohio and many other states' power production, is moved down the Ohio River, and this coal delivery depends upon a system of locks and dams, which itself is 40-50 years old, and older. If those locks and dams go out of maintenance, coal barges on the Ohio River stop flowing. The nation's major freight railroads, particularly the Union Pacific and CSX, are running so many "unit trains" to haul coal for power stations across the country, that rail transport of *all other kinds of freight* has been squeezed into steady decline for more than 30 years.

Depending on 'Virtual' Nuclear Power Additions

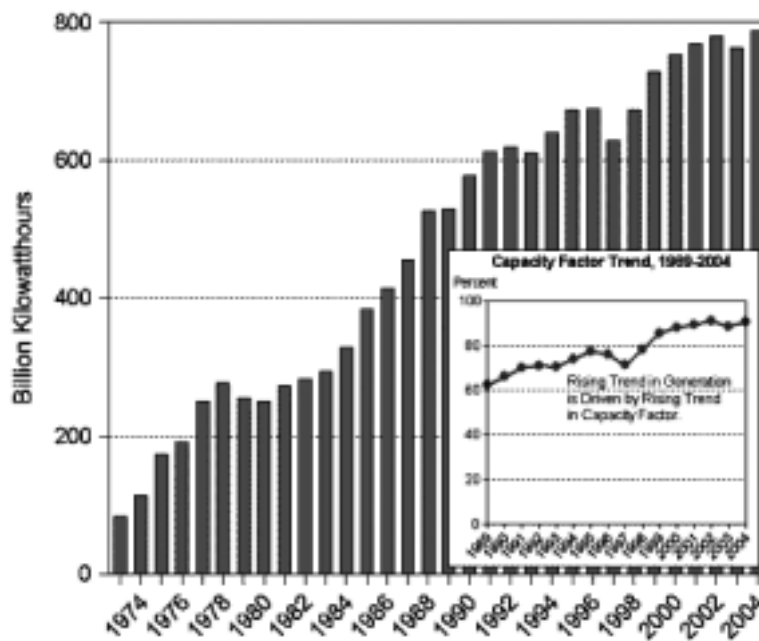
Where, then, have the major additions to baseline, year-round power production and consumption come from, since 1994? The answer is ironic, and economically significant: from nuclear power.

Total nuclear-electric power production has increased from about 630,000 gigawatt-hours in 1994, to 790,000 gigawatt-hours in 2004, a steady rise of 26% in ten years—without bringing a single new nuclear unit of electric generating capacity on line; and in fact, having retired or idled about 7,000 megawatts of peak capacity during that time. Technological improvements have rapidly increased the efficiency and "load factor" of all nuclear power plants combined—essentially, the percentage of the year's time they spend producing at or near full capacity—from 70% to over 90%, far higher than power from other fuels (see **Figure 1**).

This increase has given the *virtual equivalent of adding at least 20 full-sized nuclear power plants to the grid during that decade*. This is why there has been such a "free-market" rush by power marketers to buy nuclear plants, leading to their near-monopoly by three large companies, Exelon, Entergy,

FIGURE 1

Nuclear Generation, 1973-2004



Source: U.S. Energy Information Administration.

Technological improvements in existing U.S. nuclear power plants have increased their efficiency—and therefore, power generation—so dramatically in the past ten years, that the effect is as if 20 new nuclear plants had been built and added to the national electricity grid. This "virtual" added capacity now has to lead to rapid construction of actual new nuclear plants.

and Dominion Power—while the same companies have not built any new nuclear units.

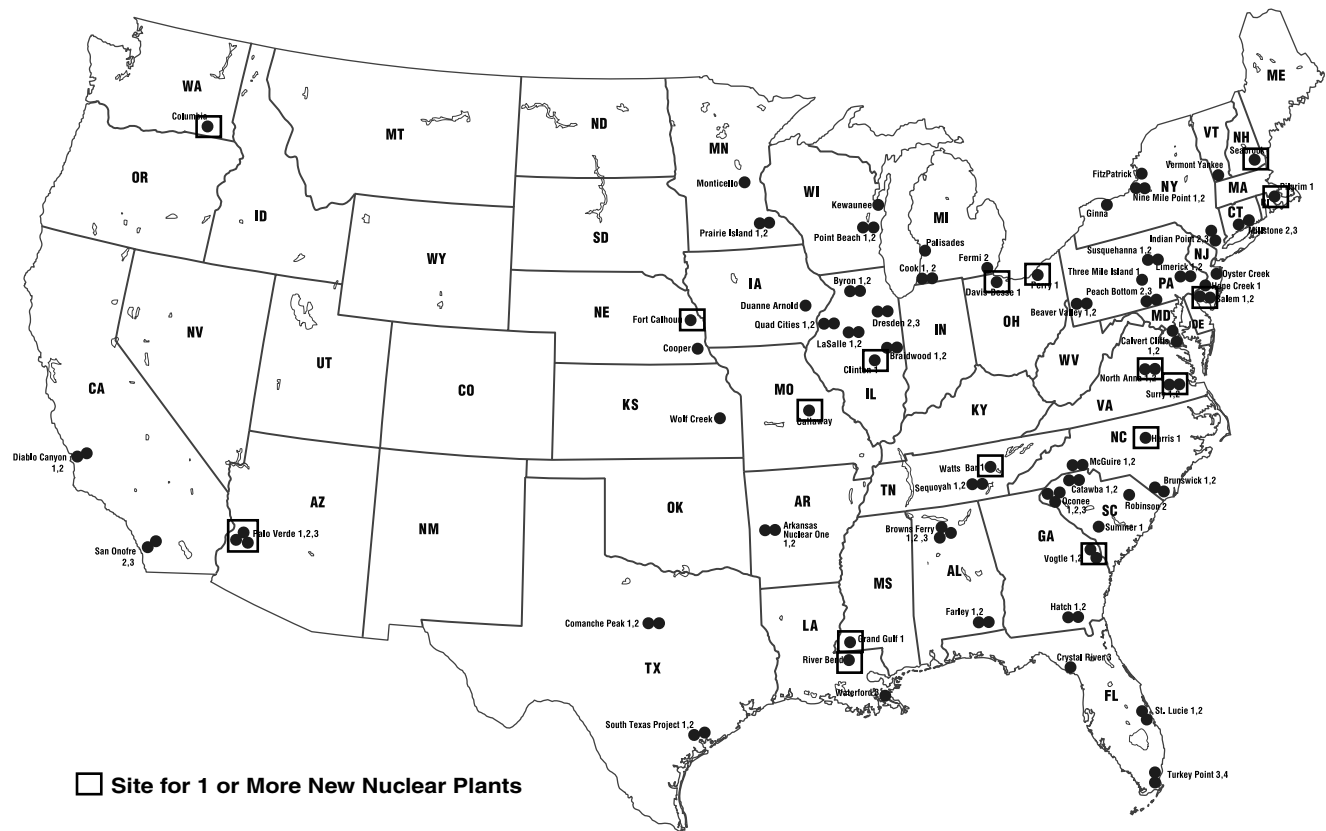
But this "virtual capacity" increase is now essentially fully accomplished. The only way to continue it, is to add actual new capacity—build new nuclear plants.

Otherwise, natural gas turbine plants, usually as small as 50-200 megawatts, have accounted for over 90% of the number of plants added to America's electric capacity in the decade since 1995; and the EIA currently thinks they will account for more than 80% of capacity additions over the next ten years as well.

This is a case of growing economic folly. The small gas-electric turbines have spread in the deregulated power industry because they are quick, cheap, and easy to build. But they don't really add to "baseline" power load capacity, especially that needed by industry, because most of them are used only during Summer and Winter "consumer use-peaking" periods; and their wild proliferation has been associated with an abrupt tripling of the cost of natural gas in North America. Thus, their use is inherently economically inefficient, and is now building up a powerful pressure to balloon electricity rates upwards. The cost of gas to electricity generating companies, in dollars per thousand BTU-equivalent of electricity generation, is already ten times that of nuclear fuel.

FIGURE 2

Ready Sites for 28 New Nuclear Plants, at 17 Current Nuclear Power Locations



Source: Nuclear Energy Institute.

New Plants Needed This Decade

The chairman of the Nuclear Energy Institute, Adm. Frank “Skip” Bowman, as reported in the Aug. 15 *Washington Times*, estimated that the United States needs to build and operate 60 new nuclear plants within the next 10 years. The head of the Federal Nuclear Regulatory Commission, Dr. Nils Diaz, earlier this year estimated a current need for 100 more American nuclear units.

These estimates—so far out of line with Bush’s “hope” that design of a few new nukes might start by 2010—are necessary just to maintain nuclear’s current share of electric power in America, if electricity use grows during that period with infrastructure building, industrial revival, and population growth; and assuming some of the oldest operating nuclear plants may go out of service.

Since 2000, in the world as a whole, 22 new nuclear electric plants have been put on line. Some 25 more are in construction phases now—and recently, nuclear power plants have been completed very rapidly in some Asian countries—but that includes none in the United States, and only three in European countries outside Russia. The overall global number is still very small, compared to the 6,000

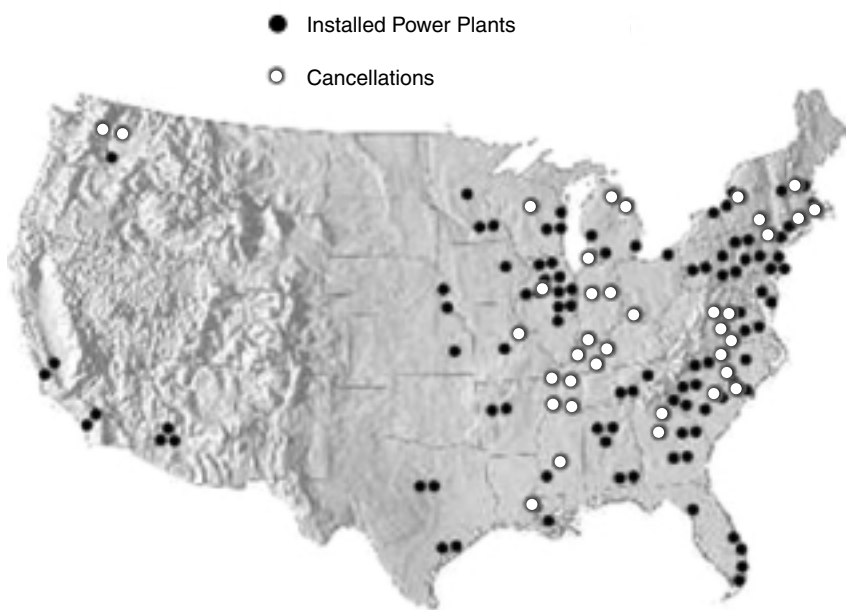
nuclear units which engineers have long known are needed, if the nations of the world are to have and use anything like the electricity per capita, per year, which is used in Western Europe, the United States, and Japan (see James Muck-erheide, “How To Build 6,000 Nuclear Plants by 2050,” *EIR*, June 17, 2005).

The United States now has 104 of the world’s 430 operating nuclear plants; but America had 112 operating in 1991. Since that time, about 7,000 megawatts of nuclear (the equivalent of about seven large nuclear-electric units) have been taken off line because of age and/or the economic costs of refurbishing or relicensing; and 6,000 megawatts of those units’ capacity has been decommissioned; that is, permanently shut down. During the next 10 years, another 30 nuclear power units will reach their original licensed operating lifetime age of 30 or 40 years; many of them have either already been relicensed to keep operating, or have such relicensings under review by the Nuclear Regulatory Commission; but half a dozen have not yet had any step taken by their operating power companies toward relicensing.

So by 2015, without forceful intervention by government, it could be 25 years since nuclear power plants stopped going

FIGURE 3

U.S. Nuclear Power Plants and Cancellations Since 1980



on line in America; and we may well have lost the equivalent of 10-12 full-sized nuclear units, because of age, in that quarter-century.

Yet the most “ambitious” plans of the George W. Bush Administration so far—as emphasized again by the President when he signed the new energy act on Aug. 8—aim at adding those two to three new nuclear plants to the U.S. electricity grid by 2015! Compare this to the baseline necessity for construction of 100 new plants, as estimated by NRC head Nils Diaz.

Can We Build Them?

In several Asian nations, the time needed actually to construct a nuclear plant and bring it on line, has recently been as little as four years. But American industry is in the same paradoxical situation with regard to building nuclear power plants, as it is for going to the Moon: We did it in the past; we cannot do it now, without having to import major elements in the process.

In order to restart the nuclear construction critically needed for the U.S. power grid, the government will have to intervene to guarantee quick approval of both sites and advanced designs, committing credits to construction if necessary. **Figure 2** shows, for example, 17 locations around the nation where up to 28 new plants could be built on sites which already have operating nuclear power units. **Figure 3** indicates where another 36 nuclear plants were cancelled over the years, many after their site selection had been approved.

But the Congress also immediately has to re-regulate the electric power industry, to place the emphasis back upon utilities *producing* growing volumes of reliable power and transmission capability, rather than on the Enron model of *buying, moving, and marketing* electricity across state lines.

And Congress will also need to launch a national investigation and inventory of the industrial capabilities the nation still has for production of nuclear plant components and systems, and those it no longer has; so as to guide an immediate intervention, with credit and incentives, to bring back those industrial capacities which have been lost, but at 21st Century levels of nuclear technology.

Such an immediate initiative for fact-finding, and then Congressional re-regulation of the economy to revive its ability to build modern infrastructure, is a critical aspect of the policy Lyndon LaRouche circulated to Congress and the country in March, under the heading *Recreate Our Economy*.

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How Electricity Dereg Causes Blackouts

by Marsha Freeman

During the Winter of 2000-01, citizens in California watched while rolling blackouts shut the lights off in their homes and workplaces. The previous Summer, the state's utilities watched while an unregulated power mafia drove electricity prices from \$30 to \$3,000 per megawatt-hour. Deregulation had opened the state to manipulated "shortages" designed to drive up prices—and to power marketers like Enron, which made a financial killing trading on the volatility of the market. Deregulation eventually drove the state's largest utility, and the state itself, into bankruptcy.

In early 2001, Lyndon LaRouche proposed a straightforward—and the only—solution to the crisis: Re-regulate the electric utilities. Go back to the framework set up in the 1930s by President Franklin Delano Roosevelt, which established that the provision of universally available, reliable, affordable electricity is a public good, and a government responsibility.

An increasing number of state legislators agreed with LaRouche that that might be the right thing to do, as the California crisis worsened. But, they protested, "You can't put the toothpaste back in the tube." LaRouche replied, "Oh, yes, you can." And there is no other choice.

Now, a study released on Aug. 24, conducted by a group of engineers with years of high-level experience in the electric power industry, documents in detail what had been the case in the earlier California crisis: that the Northeast blackout that affected 50 million people on Aug. 15, 2003, was caused by deregulation.

Power Engineers Supporting Truth (PEST) was formed in 2003 in order to review and evaluate then-forthcoming reports from investigations of the 2003 blackout. As retired executives, they said, they are "no longer constrained from speaking out by employment or financial ties." They report that they were "disheartened by the failure of the leadership" of professional organizations which did not speak out, when incompetent, if not compromised, investigations into the blackout were being carried out.

According to George Loehr, a PEST founder, more professionals do not speak out either because they are afraid, or they have been "bought off" with bonuses and other financial carrots. What had been a "culture of cooperation," he says, after the 1965 blackout in New York City, was destroyed by

deregulation. "Commercial entities" infiltrated the industry, with Enron being the most aggressive, to promote policies and water down reliability standards to see "how much power they could push around the system."

The PEST report, "Contributions of the Restructuring of the Electric Power Industry to the Aug. 14, 2003 Blackout," states unequivocally that "deregulation and the concomitant restructuring of the electric power industry in the U.S. have had a devastating effect on the reliability of North American power systems, and constitute the ultimate root cause of the Aug. 14, 2003 blackout."

The Danger of Putting Profits First

Deregulation was based on "an almost fundamentalist reliance on markets to solve even the most scientifically complex problems," the report states. Optimizing reliability has been replaced by a "total dependence on immediate profits." With deregulation, "the emphasis shifted from technical knowledge and competence to financial and marketing knowledge. Economic theory replaced engineering fact."

What have companies done to be "competitive"? According to the report, between 1990 and 2000, investment in new transmission capacity fell at a rate of about \$50 million per year. Between 1990 and 1999, the labor force in the generation industry decreased from 480,000 to 350,000. There was an additional ratchet collapse in manpower from 1999 to 2000, when the number of employees in power-generation fell from 350,000 to 280,000, and in transmission and distribution, from 196,000 to 156,000.

To maximize profits, companies reduced or eliminated the training of professional engineers and systems operators. Senior personnel were encouraged to take early retirement, "effectively ending the transfer of essential expertise from one generation to the next."

The transfer of operation and oversight of transmission assets from professionals in the industry to Federal regulatory agencies, put electricity delivery in the hands of bureaucrats with little or no knowledge of the complexity of the transmission system. The notorious Federal Energy Regulatory Commission (FERC), from its inception has been staffed largely with pro-deregulation neo-conservative ideologues, who lack any knowledge or expertise for their positions, "or are beholden to certain segments of the industry," the report states. (Enron's financing of President Bush's career, its role in formulating Vice President Cheney's energy "policy," and its role in "recommending" who gets chosen for key energy regulatory positions are well known.)

The engineers' report ridicules the conclusion of previous studies of the 2003 blackout, conducted for the Department of Energy, for blaming untrimmed trees, lack of communication, and other specifics, rather than finding the root cause. The problem is "not an error or two in procedures or protocols," but "a belief system." An indication of this, it says, "is the

fact that, despite such evidence as the California Meltdown, unprecedented price spikes, the criminal actions of Enron and others, and the most devastating blackout in our history, policy makers still steadfastly deny that deregulation and restructuring had anything at all to do with any of it. Sociologists call this 'cognitive dissonance.' ”

The engineers conclude that unless the root causes of the 2003 blackout are reversed, “the likelihood of future blackouts will increase.”

From Bad to Worse

That the lessons of the California crisis and the Northeast blackout are yet to be learned is shown by the repeal of the Public Utility Holding Company Act (PUHCA), in the recently enacted Energy Bill. PUHCA, promulgated by Franklin Roosevelt, prevented holding companies from extending their service area into noncontiguous territories, limiting them to serve their regions. It barred foreign purchase of U.S. utilities, and allowed very limited non-utility investments by electric companies. PUHCA built a wall between the regulated electricity company, and any unregulated subsidiaries it might hold, to prevent customers from being milked to bail out failed, high-risk investments. It required holding companies to register with, and meet the standards set by, the Securities and Exchange Commission (SEC). As FDR intended, the law drove Wall Street and speculators out of the utility industry, and broke up the holding company conglomerates which had had a stranglehold on the industry.

Congress and Federal (de)regulators had been nibbling away at the restrictions and protections under PUHCA since the push for deregulation started in earnest in 1992. At that time, Congress legislated that American utilities would be allowed to purchase foreign utilities, and vice versa. The Securities and Exchange Commission moved into a more “flexible” interpretation of PUHCA, as utilities merged and the number and assets of holding companies mushroomed.

A day after President Bush signed the Energy Policy Act of 2005, which repealed PUHCA, Aug. 8, the General Accountability Office of the Congress released a report suggesting that the SEC should more *strongly* enforce PUHCA's restrictions! Over a decade, the GAO reports, the number of holding companies registered with the SEC went from 15 to 31 in 2004. An additional 81 claimed, and were granted, exemptions from SEC standards.

There are already shadows of what lies on the horizon with PUHCA repeal. Southern Company, which produces power and delivers it to millions of consumers in the Southeast, spun off an unregulated subsidiary, Mirant Corp., to get in on the speculative frenzy of Enron-inspired power marketing. Mirant is now bankrupt, and is suing Southern. Will electricity customers end up bailing out the power pirates, the very thing that PUHCA had prevented?

But even the SEC itself finally thought FERC's granting

of approval for far-flung mergers, and its own rubber stamp, had gone a bit too far. On May 3, SEC Administrative Law Judge Robert G. Mahony ruled that the acquisition by Ohio-based American Electric Power Co. of Central & South West Corp. of Texas in June 2000 violated a key provision of PUHCA.

PUHCA, as even the *Wall Street Journal* noted, had been made nearly “moot,” as the SEC joined FERC in making deregulation *de facto* Federal law, in many cases, without Congressional approval or oversight. So what convinced a bipartisan majority in the Congress to repeal a law that for 70 years had protected the American people from abuses?

The Congress has fallen, once again, for the siren song of deregulation promises. “I'll invest \$10-15 billion in the capital-starved energy sector, if you just repeal PUHCA,” says mega-speculator Warren Buffett, through his Berkshire Hathaway-owned MidAmerican Corp., just as Enron CEO Ken Lay had promised gullible California state legislators in 1996 that the price of electricity would be lowered dramatically, if they passed a deregulation law.

Deregulation, which was sold to the public as a way to increase “competition,” has, in fact, led to a consolidation of the industry, where utilities that have merged now own power plants spread across ten or more states, making it impossible for state utility commissions and regional reliability councils to maintain control over their regions of responsibility. Now, with the repeal of PUHCA, “merger mania” is expected, and new “players” will enter the field. (See “Will Warren Buffett Be the New Samuel Insull?” *EIR*, Aug. 26, 2005.)

Not everyone has been hoodwinked. In July 2004, Public Citizen filed a lawsuit which challenges a key tenet of deregulation. The suit charges that FERC is in violation of the Federal Power Act. That Federal law states that wholesale rates will be set that are “just and reasonable,” not what the market will bear. FERC's “market rate” regulation scheme, in which companies virtually set their own price for selling electricity, allowed them to manipulate the “market” and overcharge consumers billions of dollars. The suit was filed in the District of Columbia Circuit U.S. Court of Appeals by State Attorneys General of New Mexico and Rhode Island, state agencies in Colorado and Utah, the National Consumer Law Center, and consumer advocacy organizations,

The attorney of record, Lynn Hargis, who worked for FERC for ten years, says there will be a “massive consolidation” of the industry now that PUHCA is repealed. The oil industry, known for monopoly control and price fixing, she says, will now buy up utilities. The prospect that investment banks will also join the merger spree is “frightening.” FDR's purpose in PUHCA, she says, was not just to regulate the electricity industry for the benefit of the consumer, but to “control the investment banks.”

No patchwork of proposals to mitigate the disaster caused by deregulation will restore this critical infrastructure. The only solution is to “put the toothpaste back into the tube.”

Corruption in America: Big Three Execs Get Huge Pay To Ruin Auto Sector

by Richard Freeman

Since 2000, driven by shareholder value, the Big Three global automakers—GM, Ford, and DaimlerChrysler—have fired 100,000 American workers, more than 65,000 of them skilled auto production workers. In this process, they have utterly destroyed the advanced machine-tool capacity embedded in the U.S. auto industry. This year, the process of destruction intensified, with GM and Ford walking toward the cliff of bankruptcy. Yet for their efforts, the CEOs are treated to huge compensation packages instead of more deserved long jail sentences. The chiefs of each of the Big Three—GM's Rick Wagoner, Ford's William Clay Ford, Jr., and DaimlerChrysler's recently retired Jürgen Schrempp—have each hauled in between \$10 and \$25 million in total annual compensation.

GM and Ford executives have recently portrayed the problem at their companies, as being the payment of allegedly “expensive” worker health and pension benefits. GM publicly cries that it is being put at a competitive disadvantage by having to pay health-care benefits. But GM is hiding corruption behind this public complaint. The management teams of these companies, often trained at the Harvard or Stanford Business School, are shutting down valuable capacity, and incompetently driving their companies into the ground, guided by the idea of adding a few extra pennies increase to the

company's stock price or dividends. Often, the executive's compensation level is tied to the company stock price or other similar targets. Moreover, for this history of incompetence, the auto company stockholders reward the executives with higher salaries, bonuses, and stock option plans.

Lyndon LaRouche has called this “shareholder corruption” and said on Aug. 11 that stockholders bear equal blame with the executives. The morally corrupt shareholders are only concerned about their investment: They will permit and encourage executives to destroy their companies, “to maximize return” in the short term; and then, when the company is ruined, demand that the U.S. government bail them out.

What is true for the Big Three automakers, applies equally to the airline industry, which is trying to throw off its pension and health-care costs, and to most sections of U.S. manufacturing and industry.

We examine each of the Big Three automakers, to see to what extent this damaging shareholder corruption has progressed, hollowing out the core of U.S. manufacturing:

General Motors: Since the beginning of 2000, GM has slashed U.S. hourly production workers from 140,000 to 115,000. Then this year, CEO Rick Wagoner, who has presided over this destruction since 2000, closed down five GM production facilities: its Saginaw, Michigan malleable iron plant; its Linden, New Jersey assembly plant; its Baltimore, Maryland assembly plant; and both a body plant and a chassis assembly plant in Lansing, Michigan. All told, another 7,900 workers were laid off.

On June 7, Wagoner psychotically boasted to a stockholders meeting that he will oversee the elimination of 25,000 more hourly United Auto Worker production workers' jobs, accompanied by the closure of an unspecified number of production facilities—probably seven—all by 2008. Given the speed with which GM is being dismembered, many of these cuts in production and employment will occur in the immediate future. *In toto*, since 2000, this would mean the axing of 57,900 production worker jobs by Wagoner's company. During May, GM's bonds were reduced to junk status, producing seizures among hedge funds and the world's \$400 trillion derivatives market, and threatening systemic breakdown to the world's financial system.

For this unparalleled helmsmanship, according to GM's 10K report for 2004 filed with the Securities and Exchange



General Motors/Joe Polimeni

General Motors Chairman and CEO Rick Wagoner (left) and Vice Chairman Bob Lutz. Of course they are smiling: Wagoner got paid more than \$10 million and Lutz \$6.4 million in 2004—while they slashed GM's workforce.



Ford Motor Co.

Ford Chairman and CEO Bill Ford, Jr. and his father, William Clay Ford, Sr. Another smiling pair. Ford, Jr. hauled in \$22 million in compensation in 2004, while cutting thousands of Ford Motor Co. jobs.



DaimlerChrysler

DaimlerChrysler Chairman Jürgen Schrempp, who left the position in August 2005, was paid \$12 million in 2003 alone for his wrecking job.

Commission, Wagoner received a \$2.2 million salary that year; plus a \$2.46 million bonus; plus 400,000 stock options valued at \$5.1 million; plus \$78,000 in perks including “personal use of company aircraft”; plus \$79,000 as a GM contribution to his “savings plan.” Counting some other benefits, Wagoner’s total compensation came to over \$10 million; this does not include an additional lavish pension benefit.

GM’s Chairman Bob Lutz, and its chief financial officer, John Devine, each received total compensation packages of \$6.4 million in 2004. It is estimated that the GM top management team took in more than \$50 million in compensation for the year.

Emulating Big Brother GM

Ford: Since 2000, Ford Motor Company has eliminated 22-25,000 American hourly production jobs; shut down four production facilities, and cut 10,000 salaried jobs as well. A Ford Motor Company spokesman told *EIR* Aug. 15, “We don’t print for the public the exact number of production workers; I doubt we can tell you that.” Ford is planning to close an additional one-to-four production facilities, including the Hazelwood plant near St. Louis. In May 2005, Ford’s bonds were reduced to junk status,

The individual who has overseen this take-down, first as a top officer, and then as CEO since October 2001, is William Clay Ford, Jr. Ford is a total “green”-nut. The Jan. 1, 2002 issue of *HighBeam Research* characterized Ford as “a vegetarian birdwatcher partial to auto paint made from soybeans.” In 2001, Ford anted up \$25 million to launch the Center for Environmental Leadership In Business, which preaches about global warming. He has spent tens of millions more to spread Gaia-ism throughout the United States. As a genuine Baby-Boomer, Bill Ford, Jr. is not the least disturbed that Ford’s biggest sellers are gas-guzzling SUVs, or that he is destroying tens of thousands of workers’ livelihoods.

Although worth many hundreds of millions of dollars, in 2004, Bill Ford was awarded by Ford stockholders with \$12

million in Ford stock—mostly as a “bonus”—and a stock option grant worth another \$9.9 million. In addition to this \$22 million, there were other benefits bestowed on him. In 2004, Ford President Jim Padilla was awarded \$7.1 million in total compensation.

DaimlerChrysler: Since 2000, DaimlerChrysler has cut 17-20,000 hourly workers in the United States, and an additional 5,000 salaried workers.

In 1998, Daimler Benz purchased Chrysler Corporation. The man at the head of the wrecking operation was Jürgen Schrempp, who was CEO of DaimlerChrysler until early August 2005. In May 1995, Daimler Benz Chairman Edzard Reuter—who had supported some infrastructure-building in the Middle East, among other locations—was replaced by Schrempp. By about late 1997, the unhinged Schrempp had reduced the number of Daimler Benz units from 35 to 23, and had axed 63,000 Daimler workers.

Upon completion of Daimler’s merger with Chrysler in 1998-99, Schrempp turned the same “shareholder value” process loose against Chrysler’s production in the United States. Schrempp was assisted by his Satanic little helper, Dieter Zetsche, who two weeks ago, replaced him as DaimlerChrysler CEO.

Chrysler does not list the compensation level of its executives in its 10K reports to the SEC. However, the July 7, 2004 print issue of *Deutsche Welle* reported that in 2003, in return for the havoc he wrought, DaimlerChrysler CEO Schrempp hauled in total compensation of \$12 million. Further, the *Daily Oakland Press* reported on April 11, 2004, that “as a group, the board of management had collected more than \$48 million in compensation during 2003.” In 2004, the compensation was at least at that level.

EIR has determined that since 2000, the top executives for the Big Three U.S. automakers have collectively, and obscenely, looted their companies for between \$500-\$750 million in total compensation—equal to the wages of 15,000 production workers for one year. Instead, they should have fired themselves.

Housing Bubble Means Workers Can't Afford A Home Where They Work

by Mary Jane Freeman and
Richard Freeman

Most working Americans cannot afford to buy a home where they work and many cannot afford to rent there, as Federal Reserve Chairman Alan Greenspan's policies have driven up the price of homes and the rental market in the United States. A just-released national survey, "Paycheck to Paycheck: the Cost of Housing in America," by the Center for Housing Policy (CHP), found that "the median price of a home rose 20% [from \$186,000 to \$225,000] in just a year and a half" ending the first quarter of 2005. Yet, "at the same time, wages for key community workers . . . in the majority of cities nationwide remained flat."

This confluence of skyrocketing housing costs with flat wages comports with Lyndon LaRouche's economic forecasts, and with *EIR*'s own "Paychecks" analysis of the actual decades-long erosion of the buying power of the lower 80% of Americans by income. Yet, driven to keep up with the Joneses, and desperate for a decent place to live, many working people are now enslaving themselves to very high-risk mortgage schemes to buy a home. Some are just looking for decent housing; but others, deluded that the housing market will keep rising, are resorting to exotic financing, and assuming huge debt, in hopes they can buy and sell before the bubble pops and still get out with their shirt on.

The CHP survey hones in on reality: A single, and in many cases double, 40-hour work-week salary for a household no longer provides enough income to buy a home. When one compares astronomical home and rental prices, to median incomes of key essential service workers—e.g., police, firemen, school teachers, nurses—one sees that they do not earn enough to afford to buy a home in 50-90% of the 183 cities surveyed; nor are their incomes sufficient to rent a two-bedroom apartment in many locations, and still have enough left over to meet other basic living costs such as food, transportation, health care, and clothing.

The CHP assumes the Department of Housing and Urban Development (HUD) premise that the combined cost of owning a home—mortgage, insurance, and taxes—should be no more than 30% of a household's income. Thus, if the median cost of owning a home is \$30,000 per year (\$2,500 or more per month)—as it is in Boston, New York, Los Angeles, or San Francisco—a family would need a \$100,000 annual

income to buy and make mortgage payments on that home, to keep to spending only 30% of its income. Rental costs, too, are not to exceed 30% of income.

EIR has used the same method for the last decade to show that families cannot afford housing (see *EIR*, May 16, 2003).

Taking the median price of a home in a given market, CHP applied the 30% rule to determine what annual income was needed to qualify to buy a home. With that affordability determination, the survey then compared *median home prices* in 183 U.S. cities, with the *median annual salary* for 63 different job types—retail clerks, police officers, licensed practical nurses, and so on. The least affordable places in the country, with the highest home prices, were: San Francisco (\$705,000 median price); San Diego (\$455,000); and Northeast cities such as Boston (\$355,000), New York (\$417,000), or Washington, D.C. (\$339,000). The most affordable places were in the Midwest, such as Peoria, Ill.; Waterloo, Iowa; Lima, Ohio; or Topeka, Kan.

The report's lead author, Barbara Lipman, who has done prior studies, warned that because of "the flatness of the wage growth and the increased pressures on home prices and rents," cities such as Minneapolis and Tulsa, traditionally considered affordable, are becoming a "problem. It used to be a bi-coastal problem affecting California and New York. That is not the case any more."

Some Workers Can't Afford Anywhere

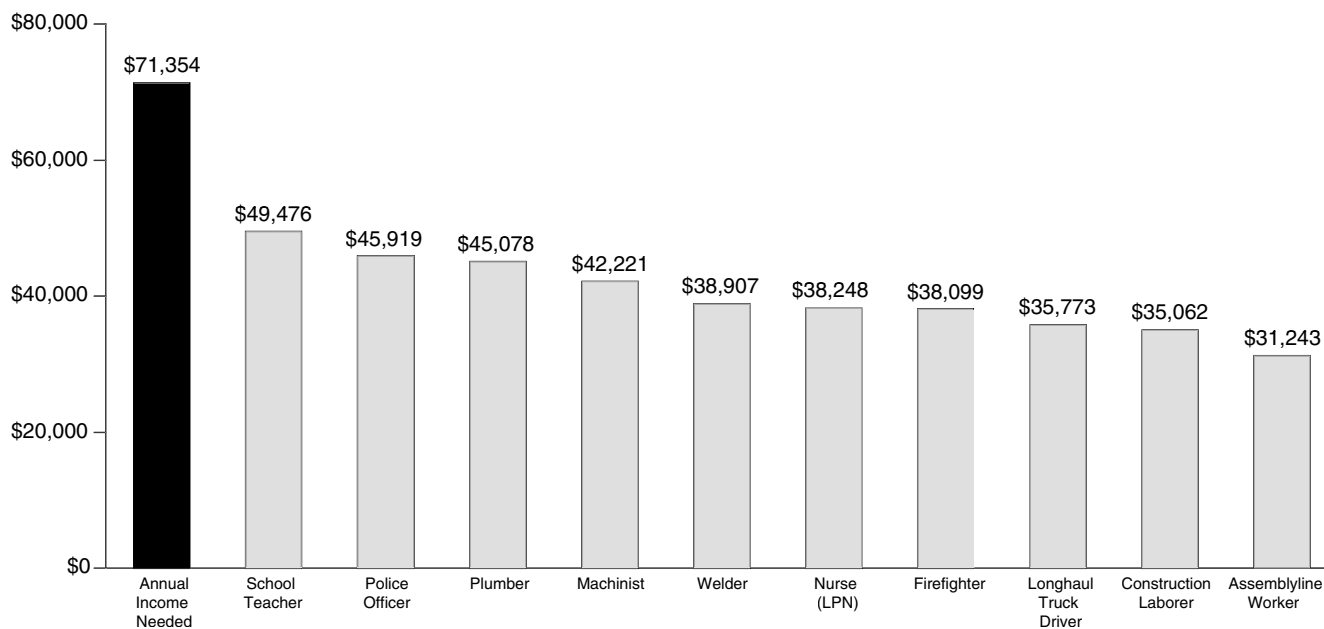
Indeed, look at the Minneapolis market where the median home price is now at the national level, \$225,000. **Figure 1** shows that the median annual income needed to buy a home there is \$71,354. *EIR* used the CHP database to look at ten basic jobs there, and found that none would give the job holders enough to afford buying a home. Even doubling the income of an assemblyline worker or construction laborer, he or she still falls short. Let's say the spouse of one of these workers is a bank teller, cashier, data entry keyer, nursing aide, or retail salesperson. Adding their two incomes together still fails to earn the household enough to afford that home.

Clearly, this situation of ballooning home prices with stagnant wages has priced most low- to moderate-income families out of the housing market. A look at the rental market reveals a similar picture. CHP's data track monthly rental costs. *EIR* took its two-bedroom apartment costs, as against the median hourly wage for the same ten jobs. **Figure 2** looks at the Boston rental market for these jobs. Here, a two-bedroom apartment median rent is \$1,266 per month, requiring an hourly wage of \$24.35. Of the ten selected jobs, only the secondary school teacher makes above the hourly wage needed—and that by only 73 cents—to rent such an apartment.

We then looked nationally at the income data for the eight occupations listed in **Table 1** in all 183 cities. Retail clerks, on their earned income, cannot afford to buy a home in any of the 183 cities surveyed; nor could they afford to rent a two-

FIGURE 1

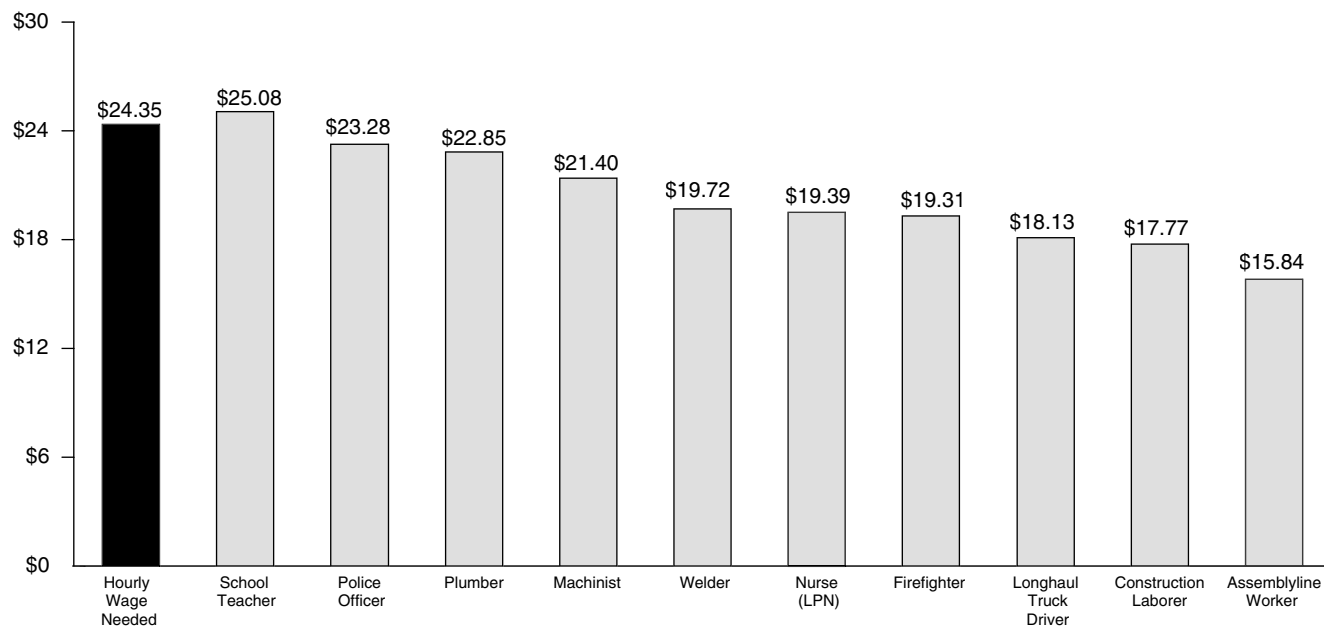
Who Can't Afford a Home in Minneapolis/St. Paul



Sources: National Housing Conference's Center for Housing Policy, "Paycheck to Paycheck: the Cost of Housing in America"; *EIR*.

FIGURE 2

Who Can't Afford to Rent a 2-Bedroom Apartment in Boston



Sources: National Housing Conference's Center for Housing Policy, "Paycheck to Paycheck: the Cost of Housing in America"; *EIR*.

TABLE 1

Who Can't Afford a Home or Apartment, in 183 U.S. Cities

Occupation	Can't Afford a Home: Cities/Percent	Can't Afford a 2-Bedroom Apartment: Cities/Percent
Retail Clerk	183/100%	155/85%
Assemblyline Worker	173/95%	65/36%
Construction Laborer	164/90%	37/20%
Fire Fighter	152/83%	20/11%
Nurse (LPN)	151/83%	22/12%
Machinist	135/74%	11/6%
Police Officer	117/64%	9/5%
Secondary School Teacher	103/56%	2/1%

Sources: National Housing Conference's Center for Housing Policy, "Paycheck to Paycheck: the Cost of Housing in America"; *EIR*.

bedroom apartment in 85% of them. Retail clerks, in today's "shop 'til you drop" service economy, number 24 million—about 15% of the workforce. And among our nation's first responders, firefighters' median income does not afford them the opportunity to buy a home in 83% of the cities; police officers can't afford a home in 64% of them.

In the cities where some of these workers' incomes would qualify them to apply for a standard 30-year mortgage, the margin of their income *above* that needed is minimal. An assembly line worker would qualify in ten cities, but in six of those 10 the margin of annual income over and above the annual income needed for a median priced home was a mere \$1,000 or less. Similarly, for police officers, in eight of the 66 cities where they'd qualify, and fire fighters in nine of the 31 cities where they'd qualify, the margin of their incomes above the needed annual income was \$2,000 or less.

Table 1 presents a cross-spectrum of occupational incomes. One could have used any low-end wage earner, with a result that nearly all are unable to afford a home. This swath shows that the wage-to-home price problem is endemic to the consumer society America has become.

For none of the occupations in Table 1, except the school teacher, does the median income provide enough money to rent a two-bedroom apartment in Boston, Mass.; in Orange County, San Diego, San Francisco, or San Jose, Calif.; or in Washington, D.C. In Los Angeles, only the teacher, police officer, and machinist could rent a two-bedroom apartment.

Out on a Limb

Despite hot house prices and flat wages, Americans' desires for a home and their delusions about the economy are driving many more home-buyers to go out on a limb, loading up with debt obligations well beyond their means. In California, the least affordable market, a study released Aug. 17 found that an incredible 20% of the state's recent home buyers have put *more than 50% of their monthly income* into their

mortgages! And fully 40% of all California households with mortgages, are beyond HUD's 30% proscribed limit. The only way this phenomenon works in the short term, as home prices climb, is the use of exotic lending gimmicks.

For example, during 2004, in California, an astounding 60% of homes were purchased using either "interest-only" or "negative amortization" mortgages. For the first kind, assume the mortgage payment on a home is \$1,600 per month—\$1,300 in interest, \$300 in principal. In an interest-only loan, for the first five or so years, the home buyer agrees to pay \$1,300 in interest, and zero principal. In a negative amortization loan, the home buyer pays, for example, \$1,000 in interest—less than the

required amount—and zero principal. The unpaid interest is added to the principal due on the mortgage. Once the original "bargain" terms are over—a few years later—the monthly mortgage payment jumps up by as much as 50%.

Yet another such gimmick is the piggy-back mortgage. During the first half of 2005, nationwide, 48% of home-buyers used these mortgages (this percentage had risen sharply, from 19% in 2001), in which, to be able to afford the home, the purchaser had to take out not one, but two mortgages.

These very gimmicks, enticing people into markets they can't afford, are feeding and pumping Greenspan's housing bubble. And there are many Baby Boomer realtors who are in the market to make money, not to house working people. During the first four months of 2005, "investors" accounted for 9.9% of new home mortgages, and another 7.2% of new home mortgages went for second homes; that is, 17.1% of U.S. home purchases were not for normal home-living arrangements. The comparable rates for these two categories as recently as 2001, were only 6.2% and 2.2%, respectively.

The bursting of this bubble will come, as it must. With that event, the mechanisms Lyndon LaRouche has called for, need to be in place to protect the working families who have overextended themselves in order to have a home. So too, must a commitment be made to build affordable housing, of which there is a scarcity now.

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Business Briefs

Public Health

Europe, Asia Brace for Avian Flu Pandemic

The European Union on Aug. 25 adopted a "proposal for a directive" on establishing "EU-level measures on the control of avian influenza." A press release says, "The newly proposed legislation will require EU Member States to introduce and reinforce surveillance and control measures against the low pathogenic viruses, aiming to prevent virus mutation and highly pathogenic forms of the disease." Contentious issues include bird vaccinations and how to avoid restricting trade in poultry.

EU veterinarians met the same day to discuss preparations for the arrival of H5N1 strain of bird flu in Europe. The U.K. has about 120 million poultry, including chickens, turkeys, ducks, and geese, of which 25% of the egg-laying flock are kept outdoors and 10% of chickens raised for meat, are free-range. German farmers have been advised to put all their poultry under cover as of Sept. 15. The Netherlands ordered this same measure as of Aug. 22.

Top Russian epidemiologist Gennady Onishchenko, meanwhile, told Reuters that he expects wild birds to start migrating out of Russia in the latter half of September. He said that at present, "deaths of wild fowl continue to occur, although less intensively. In Russia, we intend to keep the current situation within the existing framework, and will try to reduce the affected through culling all domestic birds [in affected sites] until wild fowl leave the country." The H5N1 strain of flu has been officially registered in six Russian regions in inner Siberia and the Urals. Some 14,000 wild and domestic birds have died.

Infrastructure

Mississippi River Panel Calls for Water Projects

The Ohio River was re-opened to barge traffic above the Mississippi River confluence in August, as U.S. Army Corps of Engineers

spokesmen stressed the need to complete lock and dam upgrades. The Mississippi River Commission conducted an inspection of four low-water sites from Aug. 13-26, in order to prepare a report to Congress and the White House.

Near Cairo, Illinois, a seven-mile stretch of the lower Ohio was closed in mid-August, until the Army Corps could dredge a deeper channel. The outmoded locks and dams of the lower Ohio guaranteed a gigantic backup of barge tows. The water level has dropped many feet below normal, under current drought conditions. The Ohio supplies some 60% of the Mississippi River flow.

Larry Banks, watershed chief for the Corps' Mississippi Valley Division, said on Aug. 20, that if the Olmsted Locks and Dam (located above the Mississippi confluence) were in operation today, the barge tow bottleneck above Cairo would have been all but eliminated quickly. "With the capacity they will have there to lock, they would have freed that traffic up, and the barges would have saved days of time during the crisis." But the Olmsted construction site—a \$1.4 billion project, due for completion by 2012, is half-finished, and awaiting Congressional funding approval for another year. At Ohio Lock and Dam 53 (Olmsted), and 52 (Brockport, Ill.), two new lock chambers are being built on the Illinois shore, each 1,200 feet long and 110 ft wide.

Petroleum

Battle Over Resource Rages in Ecuador

Social protests in Ecuador's two major oil-producing provinces, Sucumbios and Orellana, and a ten-day strike there that led to violent clashes with the military and the declaration of a state of emergency in those provinces, have placed the question of who gets to control the nation's oil revenues front and center.

Since Aug. 21, sixty delegates (the majority of them elected officials, who led the protests) from the two affected provinces—which produce more than three-quarters of the state's oil production and one-half of private oil production—have been negotiating

with representatives of the Palacio government and oil companies, to end the stand-off. Their demands have ranged from kicking Occidental Petroleum, the largest private company in Ecuador, out of the country for long-term violation of contract, to allocating a larger portion of the tax collected on private oil profits toward local development. As one protest leader put it, "We want at least 50% of oil revenues to stay in Ecuador. . . . Occidental takes 84% and leaves us 16%."

As of Aug. 25, a number of concessions had apparently been made to the protesters, including oil company agreement to pave 160 miles of new roads and government agreement to allocate about two-thirds of the 25% income tax paid by the oil companies for local needs. The oil companies refuse to approve immunity from prosecution for the protesters, who are threatening a hunger strike if they do not get immunity, and a possible renewal of sabotage of the oil installations.

The financial community is upping the pressure. An International Monetary Fund mission was in Quito at the end of August, demanding new austerity measures, along with firm assurances that foreign debt payments will take priority in the national budget. And Standard & Poor has announced that it may cut Ecuador's CCC+ credit rating, "if the current impasse results in greater financial stress."

Automotive

Moody's Cuts GM, Ford Debt to 'Junk' Status

Moody's Investors Service became the third rating agency to downgrade the debt of Ford and General Motors on Aug. 24. It lowered GM's debt rating by two levels to Ba2, citing continued operating losses in North America (\$1 billion in the second quarter) and challenges to restructuring for long-term viability. Moody's also cut GM's finance arm, General Motors Acceptance Corp., to junk status. The downgrades affect about \$170 billion of outstanding debt, Moody's said.

Ford's debt rating was cut one level to Ba1, and Ford Motor Credit Co.'s rating was cut to the lowest investment grade.

Will Senator Warner Move To Block BRAC Atrocity?

by Carl Osgood

When the Defense Base Closure and Realignment Commission (BRAC) released its initial recommendations several months ago, this news agency denounced BRAC as a blatant “real estate scam,” which had to be fought tooth and nail. Indeed, the BRAC plan contained so many outrageous proposals—from the proposed shutting of the technological heart of U.S. submarine capability, at Portsmouth Naval Shipyard and New London, to the shutting of the premier military hospital in the United States, Walter Reed—that it provoked an unprecedented bipartisan uproar against BRAC. Thousands swarmed to town meetings around the country, to protest the proposed shutdowns, and lawsuits were filed in Illinois, Pennsylvania, and Tennessee, to prevent the closing of vital Air National Guard locations.

This author had warned, however, that the Administration was playing a political game, aimed at pitting one section of the country against the other, and thus saving the core of its “transformation” of U.S. military capacity, to real estate profits. With BRAC’s final recommendations, issued Aug. 26, it appears that this strategy has succeeded to the point where Congressional acceptance of the final report, which has to be accepted or rejected in full, is nearly guaranteed.

What the BRAC panel did was classic. On the one hand, it acceded to both reason and pressure, by removing both the Portsmouth Naval Shipyard in Kittery, Maine, and the New London, Conn. facility from the list to be canned. It did the same with Ellsworth Air Force base, even though the beneficiary of the shutdown would have been Bush’s own state of Texas. But, at the same time, the panel approved most of the recommendations, including the most egregious example of the real estate scam: the shutdown of Walter Reed Army Medical Center, and the removal of a massive amount of Pentagon office space out of one section of Northern Virginia, into another.

The Walter Reed and Northern Virginia decisions essentially insulted, and threw down the gauntlet to Virginia Senator John Warner, Republican head of the Armed Service Committee. Senator Warner, one of the principal authors of the BRAC law which set the criteria for base closings, had publicly challenged the Commission on its criteria for recommendations, and argued that they did not fall within the mandate of the law. As early as July 12, the Senator had threatened to file suit to block the recommendations, on the basis that they violated the law.

Will Senator Warner now file suit? It is likely that this is the only way the BRAC travesty can be prevented, given the divide-and-conquer decisions of the commission, which have undercut the likelihood of a Congressional rejection. As Lyndon LaRouche remarked Aug. 25, the ball is in Sen. Warner’s court, and he is not the kind of cheap politician who can be bought off with promises to his constituents. As a leader in the “Gang of 14,” which thwarted Vice President Cheney’s May attempt at a coup d’état, Sen. Warner has demonstrated the guts to fight, and lead. Now, he has to decide whether to do so again.

Day One: Rumsfeld Loses a Couple

The BRAC began its final deliberations on Aug. 24, and the blows to Rumsfeld began late in the morning. The two most significant proposals to be shot down included the plans to close both the New London submarine base and the Portsmouth Naval Shipyard. According to earlier BRAC testimony, these two proposals accounted for an alleged 38% of the 20-year savings that the Navy had projected, making this proposed takedown a substantial part of the Navy’s overall plan.

Supporters of the New London sub base led a vigorous fight against the closure plan. These included Rep. Rob



CDC/Dr. Edwin P. Ewing, Jr.

You'd have to be crazy, or a salivating real estate scammer, to close down the symbol of U.S. military medicine, Walter Reed Army Medical Center in Washington, D.C. But that's what the Rumsfeld Pentagon asked for, and the BRAC Commission agreed to do.

Simmons (R-Conn.), whose district encompasses New London; Connecticut Governor Jodi Rell (R); Connecticut's two Democratic Senators, Chris Dodd and Joe Lieberman; as well as experts such as Electric Boat President John Casey, and John Markowicz, a 1965 Naval Academy graduate who was the president of the Sub Base Realignment Coalition. Simmons repeatedly pointed out errors in the Navy proposal, including its failure to count one of the three dry docks, and the gross underestimates for the costs of moving the submarine school to Kings Bay, Ga. Casey warned of the detrimental effects that closing the base would have on his company, because of the very close relationship that exists between New London and Electric Boat, in the building of new submarines as well as the maintenance of boats currently in service.

The arguments of New London's supporters had a visible effect on the commission. Commission chairman Anthony Principi called the sub base "truly a center of excellence in submarine warfare" which would be "difficult to reconstitute at another location." He warned, "If we close New London, we'll never get it back." Not surprisingly, Simmons was ecstatic after the commission vote.

The commission's consideration proceeded similarly on Portsmouth. During the July 6 regional hearing in Boston, proponents of the shipyard demonstrated that were it to close, there would be insufficient "surge capacity" left in the Navy's three remaining shipyards, a finding with which the commission staff concurred. This appears to have been the tipping point in Portsmouth's favor, but its other attributes also impressed the commission. Principi called it "the pre-eminent shipyard in the Navy" which is also a "model for labor management relations." As with New London, "once we lose it, we won't get it back."

But Pentagon Gets Most of What It Wants

In terms of the sheer number of recommendations, however, the Defense Department got most of what it wanted in

the first two days of the BRAC deliberations. The commission regarded most of the recommendations as non-controversial, such as the hundreds of proposals to close and consolidate Army Reserve and Army National Guard centers. The only Army recommendation that was turned back, was the proposal to close the Red River Army Depot in Texarkana, Tex., which is heavily committed to repair and maintenance of war-damaged wheeled vehicles from Iraq. The commission voted to retain the vehicle maintenance activities and realign other activities at Red River, as proposed in the recommendation. As of this writing, however, the commission has yet to take up most of the Air Force recommendations, over which there has been a great deal of heat, particularly those regarding the Air National Guard.

The commission also voted to approve the recommendation to close Fort Monmouth, N.J., a center of communications and electronics research and development. These activities will be moved to Aberdeen Proving Ground in Maryland, providing that the Secretary of the Army certifies that there will be "no degradation" of ongoing programs or their support to the ongoing war on terror, or any other military contingency operation. This came on a 7 to 2 vote, after the commission rejected a motion by commissioner Philip Coyle to strike the recommendation altogether.

Sheer Madness

The commission also voted, on August 25, to approve the plan to close Walter Reed Army Medical Center in Washington, D.C., a facility that commissioner Lt. Gen. Lloyd Newton (ret.) had, himself, described as the symbol of U.S. military medicine, when he toured the facility on June 10. Commission chairman Anthony Principi expressed concern that the estimated one-time cost of \$989 million to close Walter Reed and build a new hospital on the campus of the Bethesda Naval Hospital was an underestimate, but he decided, with the agreement of the rest of the panel, that the cost was worth it to

replace the “old” facility at Walter Reed because “medicine has changed.”

Not mentioned during the hearing is that Walter Reed also happens to sit on the most desirable 113 acres in the city, from the standpoint of commercial and residential real estate development, a point made very loudly by the *Washington Post* on May 23, as well as by LaRouche. Said one developer quoted by the *Post* at the time, “There’s not 113 acres anywhere around here that’s going to be available. The size allows you to do a lot of different things that can really have an impact.”

The loss of Walter Reed’s capability, in the course of the overall takedown of hospitals in the United States, is nothing less than insane. Walter Reed is the symbol of U.S. military medicine, and the center of a health-care system that provides care to 150,000 service members, their families, and retirees in the Washington area. The hospital includes every medical specialty except for obstetrics, burns, and Level III trauma.

Walter Reed has drawn attention in more recent years, because of its role in treating combat casualties from Iraq and Afghanistan. One result of that is that the hospital has developed a special competence in treating amputees, because there have been so many of them from service in Iraq. More than 6,900 people work at the 113-acre campus, including 5,000 on staff at the main hospital.

In addition, the facility represents a critical capability to deal with any national security emergency.

Warner Gets Snubbed

While Rumsfeld took some hits, the commission appears to have ignored the counsel of Senate Armed Services Committee chairman Warner altogether. From at least his July 7 testimony to the regional BRAC hearing in Arlington, Va., Warner has been warning the commission that the Pentagon’s proposals for moving out of leased space in Northern Virginia are violations of the BRAC law. In his prepared statement to the July 7 hearing, Warner testified that that goal “was the guiding principle for many of these recommendations not military value, cost savings or any other legislated criteria. This is not permitted by law.” Warner reported that while it was not official policy to vacate leased space during the Pentagon’s BRAC process, “there was a general sense that being in the NCR [National Capital Region] is not good . . . most space in the NCR is leased, so the connection was made that vacating leased space is favorable,” according to one Feb. 17, 2005 internal Pentagon memo.

Warner repeated his arguments in letters and memoranda to the commission several times over the following weeks, but when the commission considered the leased space proposals, on Aug. 25, it all but ignored his concerns. Commission chairman Principi said, in effect, that leased space fits the definition of a military installation provided by the law and is, therefore, under the purview of the commission.

The only dissent came from commissioner Coyle, who

first asked commission analysts if there were recommendations that fell into the category of “just want to get out of leased space,” as opposed to those that enhance military value, to which the answer was “yes.” The second question he asked was whether or not any of the leased facilities had actually been assessed for force protection, since one of the Pentagon’s arguments for getting out of leased space is that it is more vulnerable to terrorist attacks than facilities on military bases, to which the answer was always “no.” The commission approved all of the Pentagon recommendations involving leased space, by 7 to 1 votes, with one abstention.

The commission also ignored Warner in the matter of Oceana Naval Air Station in Virginia Beach. The Navy had not originally included Oceana in its BRAC recommendations. As it developed testimony on the Navy plans, however, the commission decided, on July 19, to add Oceana to the list for possible closure, on the basis that commercial encroachment around the base interferes with effective training of carrier pilots. That decision caused the state of Florida to come forward with a proposal to re-open Cecil Field, outside of Jacksonville, as a replacement. Cecil Field was closed in 1999 as a result of the 1993 BRAC round, which found that not only was Cecil Field excess infrastructure, but also that the site had potential future air encroachment. The commission agreed to consider Florida’s offer to reopen Cecil Field, even though Warner warned them that the law does not provide the authority to reopen a previously closed base.

On Aug. 24, the commission voted to keep Oceana open, on the condition that the cities of Virginia Beach and Chesapeake, along with the state of Virginia, stop future encroachment within six months, and begin to roll back current residential and commercial development within the accident potential and noise zones, a stipulation that could cost as much as \$268 million to meet. If those communities fail to meet those conditions, then the Navy must close Oceana and reopen Cecil Field. Commission member Newton expressed the view that efforts by Virginia Beach authorities to address encroachment, after the commission put Oceana on the list for possible closure, were nothing more than delaying tactics. The stipulation on Florida is that it must continue to make the infrastructural improvements that it has promised, buy out current lease holders at Cecil Field, and continue its land purchases to prevent future encroachment.

Florida officials treated the commission decision as an eventual victory. “There was a clear statement that on a long-term basis, Oceana is not the logical place for the master jet base,” said Florida Gov. Jeb Bush (R) after the commission decision. Warner’s response, according to the *Fredericksburg Lance Star*, was that while he’s glad BRAC decided to keep Oceana open, he “cannot in good conscience” urge local officials to make big commitments to Oceana “unless the Pentagon is going to be a strong partner” in keeping Oceana open in the future. Warner had also suggested possible legal action should the commission act to close Oceana.

National News

Pat Robertson Urges Assassination

Televangelist Pat Robertson, speaking of Venezuelan President Hugo Chavez on Robertson's "700 Club" TV show on Aug. 22, said: "If he thinks we're trying to assassinate him, I think that we really ought to go ahead and do it. . . . We have the ability to take him out, and I think the time has come that we exercise that ability. We don't need another \$200 billion war to get rid of one, you know, strong-arm dictator. It's a whole lot easier to have some of the covert operatives do the job and then get it over with." Robertson added that we need to stop Venezuela from being a "launching pad for Communist infiltration and Muslim extremism."

Prior to Robertson's statement, Defense Secretary Donald Rumsfeld had made critical remarks about Venezuela. Sen. Arlen Specter (R-Pa.) responded with a letter to Rumsfeld, saying, "I suggest it may be very helpful to U.S. efforts to secure Venezuela's cooperation in our joint attack on drug interdiction if the rhetoric would be reduced."

Robertson is a strong supporter of the lunatic "spoon-bender" faction in the U.S. military which was exposed in last week's *EIR*. According to a May 28, 2004 article circulated by Religious News Service, at the time of the controversy over Deputy Undersecretary of Defense for Intelligence Gen. William "Jerry" Boykin's attack on Islam as a "Satanic" religion, Robertson's Christian Coalition started an on-line petition in support of Boykin and posted it on its home page. Robertson's 700 Club asked Chuck Holton, a former Army Ranger who had served under Boykin in Somalia, to attend a church service at which Boykin spoke, record it, and then report on it for Robertson's Christian Broadcasting Network, which he did.

Venezuelan Vice President José Vicente Rangel described the Robertson affair as "a very delicate situation. . . . There is a legal measure in the United States that condemns and punishes statements of this nature," referring to laws dealing with television broadcasts. "The response from the U.S.

government and its legal institutions . . . puts to the test the U.S. government's anti-terrorist discourse."

Bush-Cheney Iran Nuke Claims Debunked

A study conducted for the International Atomic Energy Agency concluded that traces of weapons-grade uranium found in Iran came from contaminated equipment bought from Pakistan, and are not a sign of any Iranian nuclear bomb program, according to a front-page story in the *Washington Post* on Aug. 23. The secret nine-month IAEA study was carried out by a panel of scientists from the United States, France, Japan, Britain, and Russia.

The *Post* quoted an anonymous senior U.S. government official as saying, "The biggest smoking gun that everyone was waving is now eliminated with these conclusions." The study confirmed Iran's contention about the uranium traces and refutes Bush Administration claims. The findings will reportedly be released to the IAEA in the first week of September.

Mohammad Saeedi of Iran's Atomic Energy Organization commented, "Accurate scientific investigation by the IAEA has proved that U.S. accusations were unfounded."

Schwarzenegger Project Is in Big Trouble

The "Schwarzenegger Project," launched by synarchist kingpin George Shultz in the Summer of 2003, may be on its last legs, according to an Aug. 29 article in the weekly newspaper *New Federalist*. Shultz's plans for "sweeping reforms" to loot the economy of California have been dashed by the inability of his "Golem," Gov. Arnold Schwarzenegger, to either cajole or terrify legislators to back his destructive plans to "streamline" state government, leaving Shultz and his banker friends with one last hope: that desperate and frightened voters

will give the Governor near-dictatorial control over the budget process, by voting for Proposition 76 on Nov. 8.

This ballot initiative, titled "The Live Within Our Means Act," but known among the cognoscenti as "The Make Arnie Dictator Act," would give the Governor the power to bypass the legislative process in order to make across-the-board spending cuts when revenues fall below expenditure levels. Neoccons around the country are hoping it will pass, to set a precedent for other states.

Shultz backed Hollywood figure and boorish prankster Schwarzenegger for Governor during the October 2003 Recall election, believing that his celebrity would enable him to convince Californians to slash their own throats, by giving the "Governator" the power to impose brutal austerity measures. But Arnie's status has fallen from that of a political behemoth to being the butt of jokes. His approval rating in the polls has dropped from above 60% last December, to around 33% today.

Drive Grows for Bush To Abandon Iraq Policy

"What I think the White House does not yet understand, and some of my colleagues: The dam has broke on this policy. . . . It won't be four years. We need to be out. . . . Staying the course is not a policy."

Sen. Chuck Hagel (R-Neb.) made this tough statement about the Iraq War on ABC's "This Week" on Aug. 21. His statement came in the wake of remarks by Army Chief of Staff Gen. Peter Schoomaker, that the Army was preparing for the possibility of keeping the current level of soldiers in Iraq (approximately 138,000) for another four years, as a "worst case" scenario.

Hagel, a Vietnam veteran, had voiced skepticism about the war before the Administration launched it, and has maintained a realistic appraisal of the "progress" being made. "I don't know where he is going to get these troops," Hagel told ABC. "There's no way America is going to have 100,000 troops in Iraq, nor should it, in four years. It would bog us down. It would further destabilize the Middle East."

BüSo Rallies Berliners To Stop Cheney's War Drive

by Muriel Mirak-Weissbach

What can you do to prevent a war against Iran?

This was the question at the center of a heated debate in Germany's capital on Aug. 22, at an election campaign event of the Civil Rights Movement Solidarity party (BüSo), titled, "Requirements for German Foreign Policy." As BüSo candidate for Chancellor Helga Zepp-LaRouche defined it, this question must be addressed politically, and in full cognizance of the military dimensions, as laid out at the meeting in dramatic detail by Col. Jürgen Hübschen (ret.), a former military attaché at the German Embassy in Baghdad.

Tragically, the threat of war with Iran, which should be at the top of the agenda of every government and legislature, is only being discussed in most major capitals behind closed doors. Forcing the issue out into the open—which also entails breaking through the criminal blackout by a corrupt press—is the most effective way of defeating the plans drafted by Vice President Dick Cheney, for a military attack, which would even include nuclear weapons, Zepp-LaRouche said.

The nature of the threat itself, as BüSo board member Frank Hahn said in his introductory remarks, is so frightening, that the common reaction is to block it out psychologically, out of fear. But, Hahn said, the purpose of such a discussion is not to spread fear. On the contrary, it aims at informing citizens, to take responsibility for political action. In such a situation of crisis, both Hahn and Zepp-LaRouche stressed, it is precisely small political parties, like the BüSo, which can catalyze an effective response, because they are not bound by taboos; they act on the power of their ideas, not on the number of their members.

Zepp-LaRouche opened the meeting, attended by 80 activists, supporters, diplomats, representatives of political institutions, and press, with a briefing on the war danger, and how to thwart it. After a former CIA officer reported in *The American Conservative* magazine Aug. 1, that Vice President

Cheney had ordered the Pentagon to have draft contingency plans in the Strategic Command (STRATCOM) for a military attack on Iran—including nuclear weapons—she said that Lyndon LaRouche issued a warning on July 27 on Cheney's "Guns of August," and his movement mobilized worldwide to distribute hundreds of thousands of leaflets. Key to Cheney's war plan, Zepp-LaRouche said, was the orchestration of a terrorist attack against U.S. targets on American territory, which would provide a pretext for aggression against the Islamic Republic. Massive propaganda, she said, like that we all—and especially the American people—were subjected to after Sept. 11, 2001, would blame Iran and set the stage for war.

Zepp-LaRouche reported that the FBI, and other agencies, have already issued several warnings of imminent attacks against the United States, and in the wake of the July 7 bombings in London, the propaganda machines are churning out stories of suspected Pakistanis, or Somalis—or, to be expected soon, Iranians.

Hübschen: Iran Is Not Iraq

What such an attack would provoke, was presented by Colonel Hübschen. Speaking as an independent, from no political party, Hübschen drew on his years-long experience in Iraq and his in-depth knowledge of the region, to emphasize that Iran is not Iraq, but "is another kettle of fish." From a military standpoint, attacking Iran would be "sheer madness," he said, and would unleash a "firestorm."

He located Iran in the context of the raging regional crisis, which was created, first, by the Afghan war, then by George W. Bush's war on Iraq. In a rapid overview of the region, he characterized the current Iraq situation as "catastrophic," and described the country's neighbors, one by one.

Turkey, he said, which should function as a transit corridor



EIRNS/Wolfgang Lilige

Chancellor candidate of the BÜSo party, Helga Zepp-LaRouche, addresses a party forum in Berlin, Aug. 22. Seated (from left) are Col. Jürgen Hübschen (ret.), former German military attaché in Baghdad, and BÜSo leader Frank Hahn. Small parties can change history, Zepp-LaRouche said. "These are not ordinary times."

for Iraq's trade, and also provide it with water for irrigation, is under attack by the terrorist PKK, a Kurdish separatist group.

Iran, having overcome the animosity of the eight-year war with Iraq, is now providing it with electricity, as is Syria. Iran's nuclear program, Hübschen said, is completely legal, and it could help stabilize Iraq.

Kuwait, under the pressure of the U.S. military presence, is basically off limits, except for 20% of its territory.

Saudi Arabia, once a leading U.S. ally, is fragile and subjected to terror attacks.

Jordan is sandwiched in, between the Iraq mess and the Israeli/Palestinian conflict, whose solution is a precondition for stability in the region.

Syria, which complied in record time with United Nations Resolution 1559, with a "logistical feat" of pulling its troops out of Lebanon, got nothing—or worse—as thanks. Syria's rapprochement with Iraq is also key for Iraq's stability, Hübschen said.

If there have been any positive developments with Iraq's neighbors, even against all odds, a new war targeting Iran, would explode the entire region.

An Insane Policy

Why would anyone seek to ignite such a conflagration? And who would be involved in such a mad adventure, characterized by all competent military experts as "insane"?

To answer this, Zepp-LaRouche related the incredible

(but true) story of the "spoon-benders," the faction of utopians which has infiltrated the U.S. military institutions, with its belief in parapsychological methods for waging "Mind War." Referring to the Aug. 26 *EIR*, "Cheney's 'Spoon-Benders' Pushing Nuclear Armageddon," she named the leading military kooks involved: former head of U.S. Army Intelligence Gen. Albert Stubblebine, Army Chief of Staff Gen. Peter Schoomaker, former Commander-in-Chief of the U.S. Special Operations Command Gen. Wayne Downing, Deputy Undersecretary of Defense for Intelligence Jerry Boykin, and so on. And she gave the audience a sense of the mad fantasies this faction has imposed on military doctrine.

Such detailed documentation of the ideology and personalities of the network, which ultimately links up with names associated with the 9/11 airplane hijackings, is crucial in the campaign to prevent war, Zepp-LaRouche said. Thus, the importance of the mass distribution of the "Guns of August" warning, and related material throughout the world.

The urgency of escalating the mobilization could not be greater, the Chancellor candidate said, pointing to two key pressure points on the White House, which explain why Cheney et al. are being driven to a military option now. First is the growing Watergate-style scandal encroaching upon the White House, and especially the office of the Vice President. The

investigation led by Independent Counsel Patrick Fitzgerald into who "outed" Valerie Plame, the wife of former Ambassador Joe Wilson, as a covert CIA agent, is closing in on Cheney. Now word has it that a sealed indictment against Cheney's chief-of-staff, Lewis Libby, is ready to be served.

The other pressure point is the onrushing, global financial breakdown crisis, which could be triggered any day, anywhere, by the bursting of one of many speculative bubbles—in the housing or derivatives market, for example.

Thus, the drive for war.

Direct Questions

The debate that followed was anything but academic. First to speak from the audience, was the Ambassador from Syria, who wanted to know, point blank, if his country were also targeted, and how to stop the war drive. A related question from the floor was: How can we bring this into the public domain? Why is the press ignoring this?

Yes, Syria is on the target list, Zepp-LaRouche answered, and she reiterated the need to bring the full picture of the war threat to the public. To illustrate how corrupt the major media are in Germany, she recounted how one national TV network, ARD, has contacted the BÜSo, asking for opportunities to film campaigners, and to interview the Chancellor candidate. The TV did film footage of the LaRouche Youth Movement in Leipzig, but used the occasion to ask provocative questions, alleging "anti-Semitism," "Holocaust denial,"

Zepp-LaRouche: 'I Know What Has To Be Done!'

This is the text of the one-and-a-half-minute television ad by BüSo chairwoman Helga Zepp-LaRouche, who is running for Chancellor in the Sept. 18 Federal elections. The ad, which the government will run four times, was first aired in prime-time on Aug. 24.

Back to the D-Mark! [Footage shows BüSo deutschemark leaflet and LaRouche Youth Movement banner]

Germany has no chance to overcome its mass unemployment of 10 million jobless, as long as we stay with the euro. For, a state that does not control its currency, controls nothing at all.

So back to the D-mark! We will be facing the greatest financial collapse of all time, when the global real estate

bubble bursts or the oil price hits \$80 to \$100 [per barrel].

This collapse is also the real reason why the Cheney-Bush Administration is holding "all options open" vis à vis Iran. But a new war, with the deployment of so-called "clean nuclear weapons," would trigger a global asymmetric war.

We must remove the war danger and overcome the world financial and economic crisis through a new financial architecture: a New Bretton Woods system in the tradition of Roosevelt and his New Deal.

For this, we need a new transatlantic partnership between Europe and the United States. This is not impossible, because a positive shift in Washington can emerge very quickly.

Therefore, back to the D-mark! Vote me in as Chancellor, and I will activate the Stability Law from 1967 and implement a state investment program, to create 10 million new productive jobs.

Trust me: I know what has to be done!

and similar slanders, against the BüSo, and then had the gall to recontact Zepp-LaRouche for an interview. "So we are dealing not only with a press blackout," she said, "but a targetted slander." She urged supporters to contact the press to force honest coverage.

To deal with the corruption of the press, especially in the United States (which Zepp-LaRouche compared to the Goebbels press under Nazism), she said one has to develop true citizens, "who not only go to vote, but who qualify themselves to be able to conduct foreign policy, as if they were to become ministers in government." It is fine, she added, that Chancellor Schröder has picked up on the Iran war danger, but that is not sufficient. Unless he also denounces the plans to orchestrate a terrorist incident, this is too little, Zepp-LaRouche said.

Hübschen also denounced those who remain silent in such a crisis, saying "to be silent is to play along." He further stressed that it is not enough to be "against" something, but one must also be "for" a positive alternative.

What the positive alternatives are, to Cheney's spoonbenders' fanatsies, were laid out extensively by both speakers. For Zepp-LaRouche, the underlying cause of war, the financial breakdown crisis, must be removed, by introducing a worldwide monetary reform (New Bretton Woods), parallel to which Germany must restore the D-mark, and with it, re-acquire sovereignty over its economic, financial, and monetary policy. These monetary measures she envisions as part of a new, worldwide Peace of Westphalia, in which the commitment of each is to promote the advantage of the other.

Hübschen's term of reference for a new ordering of world

affairs is a "code of conduct" among nations, whereby differences among nations and cultures are respected, and no pre-established models are imposed on others. He stressed the importance of eliminating the double standard, for example, whereby Pakistan, India, and Israel are allowed to have nuclear arms, without signing the Non-Proliferation Treaty, whereas Iran, which has signed the NPT, is denied fuel-cycle technology.

German Foreign Policy

As for the specific tasks of German foreign policy, Zepp-LaRouche recalled the missed opportunity of 1989-91. After the fall of the Berlin Wall, she recalled, there were two options for German foreign policy. One was proposed by LaRouche, in his 1988 Berlin speech, which was echoed by Deutsche Bank chief Alfred Herrhausen in 1989, for Germany to launch East/West development through credit allocation and cooperative industrial growth of Eastern Europe, beginning with Poland. That option was killed with the Herrhausen assassination in November 1989, and the "Soros" option of looting the East was imposed instead. As a condition for German reunification, then-Chancellor Helmut Kohl was forced to accept the European Monetary Union, Maastricht, and its austerity prescriptions.

This development perspective must be revived, she said, by reversing the Maastricht Treaty and other monetarist measures imposed on Germany, which are thwarting growth. The broader perspective for development is the Eurasian Land-Bridge, which has been progressing across the continent.

Hübschen's recommendations for German foreign policy contain concrete proposals, especially regarding Iraq and the

region. Calling for a “road map for Iraq,” he outlined steps to be taken as a precondition for re-establishing Iraqi independence and sovereignty: withdrawal of foreign forces, first to outlying areas, or for border protection; settlement of border questions with neighbors; elimination of military checkpoints; separation of the Iraqi government from the occupying powers; abrogation of economic contracts made under occupation; and a vast program of economic and technological help through “sponsorships” by various cooperating countries.

One point both speakers converged on, although from different points of emphasis, was the need to distinguish between a political regime (be it Saddam Hussein’s or Bush’s) and the country and people involved. “Saddam Hussein is not Iraq,” said Hübschen, and “Bush is not America.” He pointed to LaRouche as a “patriot” representing the best American tradition and referenced his own years-long experience of fruitful cooperation with the American military.

In this context, he also drew a devastating picture of the degeneration of the U.S. Army, in particular, as a result of the unjust war in Iraq. He compared the American system to the German system, whereby the American soldier is loyal to his President, regardless. “Such a system requires total trust in the President,” he said, “and now that trust has been shattered because of the fact that the President lied.” The case of war protester Cindy Sheehan, camping out at the President’s Crawford ranch, demanding to know the reason for the war in Iraq in which her son died, is becoming a cause célèbre, and the attempt to hide the growing number of casualties is failing, Hübschen said.

‘These Are Not Ordinary Times’

One participant raised the eerie contrast between the image of the United States in Europe 60 years ago as the “liberator,” to the image of America of Bush and Cheney today, whose crimes are threatening to surpass those of the Nazis.

Zepp-LaRouche developed this theme, in terms of the two historical traditions in America, “something which most Europeans do not understand.” She traced the history of the conflict between these two traditions, from the successful, unprecedented American Revolution against the British oligarchical system, through the centuries, to the present, showing how the British continuously intervened, with wars and assassinations, in order to re-establish imperial control. The continuing fight for the American System, as seen in the 20th Century achievements of Franklin Delano Roosevelt, Martin Luther King, and the LaRouche movement today, is what gives hope that the spirit of the American Revolution can be restored, and prevail.

Again, referring to the role of small political movements in this history, she said, “in times of crisis, these movements, like our own, can win. I, as Chancellor candidate, in ordinary times might have as much of a chance as a snowball in Hell,” she quipped, “but these are not ordinary times.”

Interview: Anton Giulio de’Robertis

FDR Wanted UN To Ensure Rule of Law

Anton Giulio de’Robertis is Professor of History of Treaties and International Relations at the University of Bari, in the southern Italian region of Apulia, and senior analyst at the National Research Center (CNR) in Rome. He has been a consultant and Italian representative in various international institutions for security and foreign relations, such as the Atlantic Council. De’Robertis is the author of several books on the role played by President Franklin Delano Roosevelt in shaping an international agreement for peaceful coexistence and cooperation. This discussion with EIR correspondent Paolo Raimondi took place in late July in Rome. It has been translated from Italian.

EIR: I see that you have recently given interviews to some Italian dailies in which you raised a number of important issues related to the system of international relations. You say international relations have changed dramatically and in a dangerous manner, particularly in the past 10 to 15 years, after a long period of relative stability after World War II. Can you explain your thoughts a bit further to our readers?

de’Robertis: My concept is the following: During the so-called Cold War, in the Western world we followed a path in international relations, and in the orientation of our democratic political forces, that conceived of the international system as basically peaceful, facing the Soviet threat which was very effectively contained by the deterrence strategy put in place by NATO.

In the Western world, international relations were to follow a path coherent with the principle of democracy which was present in society. That means that relations among states, in a certain sense, had to adapt to the structure that was characteristic of the relations among citizens in democratic countries. In other words, the use of force in international relations was considered a very negative approach, and the rule of law was active, not only in domestic affairs, but also in international affairs.

War was considered the absolute last resort; the use of force was considered something to be avoided in all cases, apart from cases in which the international community, as a whole, considered the basic elements of international law to have been violated. In that case, military force could be used to contrast an action considered to be in contradiction with the rule of law. In that situation, we would not be faced with an act of war, but rather an act of military force carried out to

stop a violation of the rule of law by a single state considered to be an aggressor. That was the pattern that we followed in the Western world until the end of the Cold War.

When the Cold War ended, when Gorbachov and Bush, Sr.—even more than Reagan—came to terms on joint action, aimed at the reconstruction of the international system along what both of them used to call a new international order, at that point they used words that in a certain sense were not new at all. The new international order was the word used by Roosevelt's aides for post-war reconstruction, the so-called New Dealers, to define the characteristics the international system had to take on after the end of the war. This new international order did not come into existence, and could not become a reality because of the difficulties that arose inside the United Nations, between the Western powers and the Soviet Union. But that was in a sense the program, although its implementation was stopped.

And looking at it from the perspective of the very fruitful years of cooperation between the Administration of Bush, Sr. and Gorbachov, you almost get the impression that this program was not actually stopped, but only suspended, its implementation delayed. And looking with the eyes of history, you almost have the impression that Bush and Gorbachov had, in a sense, taken up an old path again, a path which had been initiated by the "New Dealers" and by Roosevelt, a path interrupted by the death of Roosevelt and by the Cold War. So it was finally restarted with these new Presidents, Bush and Gorbachov, who both seemed to be concerned with the common interests not only of their own countries, but of the entire international community and system. This was the line of development of international relations until a very sad moment when all these developments suddenly came apart, for a number of reasons we can talk about now.

EIR: In your published analyses, you have written that until very recently there was a rejection of what was called the "policy of power."

de'Robertis: Yes. You are referencing what I would call the theoretical basis of this Roosevelt policy aiming at the establishment of this new international order. In 1942-45, the American planners considered it necessary to establish a new world order, because in analyzing the development of international relations over the previous couple of centuries, and with the contribution of scholars with outstanding reputations in the United States as well as in the rest of the Western world, they came to the conclusion that the traditional "policy of power" waged by the great powers during the modern age was dominated by the attempt to further each great power's national interest as much as possible, following the rationale of what the French very effectively called *raison d'état*. This kind of policy had a necessary result: the great wars. World War I first, and then World War II. And before these two wars, other wars broke out because of the clash of national interests between major powers.

This policy of pursuing national interests at the expense of the interests of other nations, fatally clashing with the national interests of others, was a policy which necessarily led to war. Wars that in the 20th Century—it became clear to everyone—were too destructive, and thus it became clear that nations could no longer afford to follow this policy. People understood that it was absolutely necessary to end this practice, and to do so, a change was necessary in the basic inspiration of the policies of the great powers. Their policies had to be oriented not to the fulfillment of their national interests, but to the fulfillment of some kind of international legitimacy through the establishment of a general, global, international organization that was able to ensure the security of all countries; collective security. And in this context, each member country of the international society could also enjoy what I would call its basic interests.

For instance, one of the first steps we can find in this direction is the so-called Atlantic Declaration of August 1941, made by Roosevelt and Churchill. In a way, its contents foreshadowed the Declaration of the United Nations, which came later. The ideology, the basic principles of the international system as agreed upon in terms of principle by the great powers, had already been set out in 1941-45, from the Atlantic Charter to the approval of the charter of the United Nations. This was the result of the wisdom developed by the politicians involved in international relations, who recognized the madness of great wars in modern times, and the need to find a way to regulate international affairs without war being the means of solution of international disputes.

EIR: In this sense, the strategy of preventive wars in the context of a Clash of Civilizations promoted by neo-con forces around Dick Cheney and company in the United States, and internationally, is operationally—

de'Robertis: These people prove to have a very short memory, because the conclusions reached regarding the international situation, by those who started this concept of collective security in the 1940s, were laudable, because they realized that great wars had become too destructive in the modern age. It is wise to note that these conclusions were reached even before the development of nuclear weapons. With the present availability of nuclear weapons, wars have become even more unacceptable, and there is an even greater need to find a system for managing international relations and conflicts without resorting to war, the classic notion of war.

My evaluation of these people today is this: There is a very well-known saying not only in Italy but around the world, which says, those who do not know their history are condemned to repeat it. That is the most worrying observation I can make, faced with this kind of approach that forgets the price paid in the past, and is based on the illusion of avoiding paying the same price in the future—which for me is absolutely inescapable, based on the repetition of the mistakes of the past. This will involve the tragic repetition of the dangers

and consequences deriving from those mistakes in the past.

EIR: For many years, you were a scholar of the teachings and contributions of President F.D. Roosevelt and his program to reorganize national institutions, the economy, and international relations as well. Tell us some of the ideas you developed in your studies, and what you think Roosevelt's most significant contributions were.

de'Robertis: The principle that the basic interests of each country must be respected by everyone else in all other countries. We have the first important statement in the eight-point declaration later called the Atlantic Charter of 1941, where Roosevelt and Churchill agreed on the basic rights of countries with democratic institutions to have the possibility of developing their economies, with free access to energy and raw materials. This declaration already indicated the essence of what would become the system inspired by what I would call international democracy, on the issue of rights.

Then we have the formulation of the institutions that would have to be in charge of implementing the respect for these rights. At the beginning, there were discussions between the British and the Americans about the form of these new international organizations, whose statute was discussed at length among Roosevelt and his aides, who took the responsibility of comparing their views with those of their British allies, as well as the views of the Russians and Chinese. There were consultations among these four countries before the call for the conference of San Francisco in June 1945, when the United Nations Organization (UNO) was formally established. What is very important is to focus more attention on the very first article of this statute, where clearly stated is this vision of an international peaceful order, in which the use of force is excluded as a means for solving international disputes, and where all countries have the right to reach a just level of development, and are guaranteed freedom of access to sources of energy and raw materials etc.

With the simple fact of being members of the UNO, all the countries had in a sense accepted these principles, and it is very hard for me to understand how the change of attitude can be justified in the international system as a result of certain events of the past 30 years. I am not thinking so much of the terrible, tragic events of Sept. 11. I am thinking of the difficulties that U.S. administrations encountered in some of their peace-keeping activities. I follow developments in inter-



Library of Congress

Winston Churchill resisted, and tried to slow down Franklin Roosevelt's efforts to promote the end of colonialism, says de'Robertis. At the Casablanca Conference in January 1943, FDR bluntly told Churchill that the U.S. did not get into World War II to defend the British colonial empire. In this photo, FDR (left), obviously in good spirits, and Churchill are giving a press conference after the Casablanca Conference.

national affairs rather closely; I try to keep acquainted with the attitudes adopted by different governments, etc., but for a very long time I never had to mention this concept of national interest in international relations. Even when we had some difficult negotiations in Brussels over European Community policies, it was very obvious that certain countries were taking steps aimed at protecting their national interests.

The first change in this policy came when the United States had serious problems in peace-keeping operations in Somalia. President Clinton said that in the future, American involvement in peace-keeping operations would only take place in order to defend American national interests. This was the first time the United States had adopted this policy since 1945.

EIR: As early as 1974, Henry Kissinger had produced National Security Study Memorandum 200, in which he identified access to raw materials as a question of national interest, and stated that the growth of population in several developing countries, such as Brazil, which would have led to a growth in the consumption of resources by these countries, represented a threat to the national security of the United States.

de'Robertis: Well, first of all, Kissinger is a very peculiar thinker. All his analyses can be seen from different standpoints. But the analysis made by a scholar is one thing, and the

declaration of the President, the head of an Administration, is another. It is something different—a statement of a policy of a country. Even if scholars did not mention the question of national interest for a certain period of time, they never forgot it. But when an Administration mentions it in a form of policy, it is something totally different.

EIR: Roosevelt had fundamental differences with Churchill. These are reported in the book written by Roosevelt's son: FDR had a totally different concept on how the post-war world had to be organized, in particular the rights, and the role to be played by the so-called developing countries, that at that time were still colonies of various European empires and nations. Colonialism and everything that goes with it had to disappear. Churchill did not like this idea at all, did not like independent, sovereign states emerging from the colonial system.

de'Robertis: It is interesting to know that Roosevelt, in a conversation with a very well-known American journalist who worked in China and in the Far East, in talking about his experiences in diplomatic negotiations with Churchill and others, agreed with this journalist that after the Atlantic Charter, it was necessary to prepare a Pacific Charter, in order to more clearly state the intention of the United States to end the practice of colonialism in the Pacific. On the contrary, the U.K., France, and others still supported the interests of colonialism. Roosevelt felt that the problem of colonialism was perhaps even stronger in the Pacific than in the Atlantic.

That is the basic difference between Roosevelt and Churchill. I would say that in their negotiations on the question of ending colonialism, which also included Stalin, Roosevelt acted as the promoter, Churchill resisted and tried to slow the process down, and Stalin had a very crafty attitude, listening, supporting, and making things easier for Roosevelt, instead of being the promoter of such ideas himself.

EIR: Then there is the Roosevelt who laid the framework for what became the Bretton Woods system. There is a lot of discussion on this question today. The Bretton Woods system created the preconditions for the period of economic reconstruction after World War II, a period of development and stability. After 1971, and in particular in the last decade, there was a process of complete deregulation and destruction of any system based on rational rules. What can you say about these events from an historical standpoint, and today?

de'Robertis: The problem of the first post-war period was the lack of liquidity. The Bretton Woods system was established in 1944, before the acute problems of the immediate post-war period became evident, and was able to provide a means of payments—the dollar—anchored to a gold reserve which functioned as a sort of guarantee for this means of payment. This anchoring was very necessary in that period, because international trade always relied on a very solid value as a reference value for exchange.

It is a fact that at present, traders accept the solidity of the

economic system of the counterpart as a guarantee. The fact that the connection between the dollar and gold was cut has not been so destructive for trade relations in the world. As for the future, I think we are faced with the development of multiple means of payment; multiple currencies, I mean. The euro, even if there is no state behind it, has so far proven to be rather successful as a means of payment, and the Chinese yuan also looks to be on its way to becoming something like this. I think that we must be able to balance the relations among currencies and allow each one of them to play a role in its national society which corresponds to the one played in international relations. It would be crazy to have a currency which has one value in international exchange and another value in the domestic economy. This is my worry.

EIR: One of the main characteristics which succeeded in guaranteeing stability in the first Bretton Woods period was the system of fixed parities among currencies. Since 1971, we have had a system of complete flexibility, of floating exchange rates, which has taken power away from national authorities and institutions, and given complete freedom of activity and speculation to the so-called financial markets.

de'Robertis: This is what I meant. The role played in the international arena by a single national currency must correspond to the role and value it has in the domestic economy. The abandonment of the idea of establishing some kind of coordination between currencies is tied to certain changes in the international economic system, where we have some large economic powers that have to establish their role and their position. I think we still need to wait a number of years before making any kind of reassessment of this situation.

EIR: As you know, we are promoting a big campaign for a New Bretton Woods—

de'Robertis: Yes, I know. Indeed, it is very interesting and very important. In order to establish an agreement of the dimension of a New Bretton Woods, we need to have some kind of stabilization of the role of the yuan, the Indian rupiah, and possibly the Brazilian currency. . . . There is a quickly evolving situation that needs to reach some kind of stabilization before we can really take a stand on this issue, because it is not only a matter of relations between the euro and the dollar. Now there are more players in the game.

EIR: I know that your recent book on Roosevelt was translated into Russian, and you presented it a few months ago in Moscow and St. Petersburg. Can you tell us how the Russians, Russian elites and intellectuals, look at these aspects of history?

de'Robertis: I was really satisfied, because my book was translated and published by the publishing house of the St. Petersburg State University. The book was translated by a professor, a political expert, of the Political Science Faculty of St. Petersburg. I then had the opportunity to present it and discuss it at the Faculty of International Relations in St.



UN Photo

Roosevelt envisioned the UN as an organization to guarantee the rule of law in the international arena, and thought it was necessary to have the highest concentration of power—the most important countries—to cooperate in defense of this principle. Show here is an early UN meeting at temporary UN headquarters in Lake Success.

Petersburg. Perhaps even more interesting, was the opportunity to present it at the Institute of International History of the Academy of Sciences in Moscow.

The book focussed on the problems of enforcement within the UNO system, as it was conceived and shaped by the Roosevelt Administration during the planning of the UN. In St. Petersburg I found significant support among the Faculty of International Relations. In Moscow, I presented my work in front of a packed room at the Institute of International History, with basically all the members of the Institute in attendance. The most prominent professors who study the history of America, the Cold War and World War II, were present, and, honestly, I was delighted with their comments on my analysis, as they expressed their full agreement with my presentation of the basic inspiration behind the Roosevelt policy—a policy aimed at ending any kind of long-term opposition between America and Russia, with the hope that the solution of certain disagreements could also have helped the development of a system more open to democratic attitudes in the Soviet Union.

What we—my Russian colleagues and I—agreed on at the conclusion of the discussion of the book, was that the main obstacle to eliminating all these contrasts between Russia and the United States was in fact the difference of systems, that the Soviet Union was a Communist dictatorship. The present nature of the Russian state, generally accepted as a developing democracy—perhaps not a perfect democracy, but in a sense a country that is moving towards a fully democratic system—offers the opportunity to have the two countries in reciprocally acceptable positions. This allows us now to fully implement the programs, the plans developed in 1945. They were

in full agreement that the two countries can now restart this pact I was speaking about earlier. And in limiting the national interest that we spoke of before, it is important now that both consider the basic national interests of the other. This is the starting point in their relations now.

EIR: Lyndon LaRouche is leading a campaign to bring back the teachings and programs of Roosevelt. What do you think the most important aspects of Roosevelt's thinking would be today, for the United States, and globally?

de'Robertis: The basic inspiration of Roosevelt which is still valid today is a vision of the international system as an arena where the rule of law is present. This is the basic point. His concept was that it was necessary to have a system and an organization able to guarantee these principles: respect and the rule of law in the international system. In order to reach this situation, he understood that it was necessary to first achieve a basic agreement among the most powerful countries, in order to have the growing power of all these countries behind this approach. In individual countries, the state has a monopoly on violence; in the same manner, it was necessary to line up the highest concentration of power behind the defense of the rule of law at the international level. And to succeed in doing this, the most important countries had to come to an agreement on this point: cooperation among them to defend the rule of law. In this case we would not have any more wars, because wars take place between countries that have roughly the same level of strength. (If you have a stronger power assigned to defend the rule of law, you will then simply have police actions in the event of violations.) I hope we will be able to build on this principle.

Russia Warns of Lower Nuclear Threshold

by Rachel Douglas

Russian President Vladimir Putin took the opportunity of his participation in Russian strategic force maneuvers Aug. 17, to state bluntly his opposition to the increasing readiness to use nuclear weapons. Interfax reported Putin's remarks from onboard the Navy cruiser *Peter the Great*: "I think that lowering the threshold for the use of nuclear arms is a dangerous trend, because somebody may feel tempted to use nuclear weapons. If that happens, the next step can be taken—more powerful nuclear arms can be used, which may lead to a nuclear conflict. This extremely dangerous trend is in the back of the mind of some politicians and military officials."

In tune with the President's remark, several Russian media drew attention to U.S. Vice President Dick Cheney's reported preparations for a nuclear strike on Iran. In addition to the circulation of Lyndon LaRouche's July 27 warning, "Cheney's 'Guns of August' Threaten the World," on Russian-language websites based in Russia and Ukraine, coverage of Cheney's moves included an Aug. 3 Inforos.ru dispatch titled "War With Iran Will Be Nuclear."

The Aug. 16-17 exercises in which Putin personally took part, involved two legs of Russia's strategic nuclear triad: the Air Force and the Navy. After opening the MAKS-2005 Air Show, a high-tech event at a Moscow airfield, Putin went to an Air Force base, from which he took off in a supersonic Tu-160 ("Blackjack") strategic bomber, piloted by Gen. Maj. Anatoli Zhikarev, Deputy Chief of the Strategic Air Command. Putin sat in the commander's seat for the five-hour flight to Olenogorsk, in the far North, during which missiles were fired by his and another Tu-160, and there was a mid-air refueling. "A new, high-precision, long-range cruise missile was tested today," Putin announced, "and it hit the target."

Asked by Interfax why he had made the flight, Putin said, "I think that a person in my position ought to know firsthand, to see, to feel how this works." Highlights of his flight were broadcast on national television and video-posted on the Kremlin website.

On the second day, Putin was aboard the *Peter the Great*, flagship of Russia's Northern Fleet. Sailing out of Murmansk for exercises in the Barents Sea, the cruiser was joined by the aircraft carrier *Admiral Kuznetsov* for maneuvers, during which two Dolphin submarines launched RSM-54 Sineva (named SSN-23 in the West) long-range ballistic missiles, which hit targets in Kamchatka Peninsula on Russia's Pacific coast.

Close on the heels of these strategic force exercises came eight-day joint military exercises by China and Russia, the first of their kind. They began Aug. 18, with consultations between Chinese People's Liberation Army Chief of the General Staff Liang Guanglie and his Russian counterpart, Gen. Yuri Baluyevsky, who opened the exercises at the Russian Pacific Fleet base. Code-named *Peace Mission 2005*, the exercises then moved to Shandong Peninsula in China, and nearby waters.

Some 1,800 Russian and 8,000 Chinese troops took part in strategic consultations and battle planning, transportation, and deployment of troops, and combat practice, Liang said. The exercises do not mean the two sides are forming any military bloc, Baluyevsky said, nor were they aimed at third countries. The Russian Chargé d'Affaires in Beijing told the Chinese news agency Xinhua that the exercises were preparation for a possible joint fight against international terrorists, national separatists, and religious extremists. "Let them have a look at our joint military exercises and think it over, whether it is worth continuing their activities," he said, adding that more such exercises, possibly involving more troops, would be held by members of the Shanghai Cooperation Organization (SCO), under whose auspices the Chinese-Russian practice took place.

Defense Ministers and military experts from other SCO members—Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan—attended, with guests also invited from SCO observer nations Mongolia, India, Pakistan, and Iran. Indian press reported Aug. 19 that Indian-Russian maneuvers will be held in October in Rajasthan, involving naval, ground, and air forces from both nations, and will be the first of annual joint exercises. Commercial military cooperation is also advancing. China is also a major purchaser of Russian weapons systems, and the opportunity for Chinese officers to see them in action was another factor in the Chinese-Russian exercises.

Several commentaries in the Russian media questioned the staging of large-scale, nearly simultaneous military practices in far-flung areas, and treated Putin's Tu-160 flight as merely the opening salvo in his political campaign for an as-yet-not-legal third term. Well-known military columnist Alexander Golts wondered in *Yezhednevny Zhurnal*, "to what extent these war games prepare the army to counter real threats." Calling the naval and air force exercises "a rehearsal for repelling large-scale aggression by a major adversary, which is another way of saying the United States," Golts wrote that he found it "hard to believe, of course, that Russia's Defense Ministry is seriously planning to fight the United States," but that, unfortunately, "the nation's strategists know no other military scenario."

Given the current posture of the United States under Cheney and George Bush, it would be foolish not to realize that that military scenario has not been forgotten in nuclear great power Russia, and that Eurasia's other powerhouses, China and India, are preparing for the contingencies of global conflict, as well.

Brazil Has Cards of Its Own To Play, Too

by Gretchen Small

Like the energizer bunny, the corruption scandal against President Lula da Silva's government and allied parties just keeps going, and going, and going. What started in June as a Congressional bribery scandal, had expanded to charges of illegal financing of President Lula's 2002 election by Aug. 11, only to engulf Wall Street's once-beloved Finance Minister Antonio Palocci himself, the next week. Allegations that Palocci took kickbacks from a garbage disposal company while he was a mayor in the 1990s, grew to charges that he still works for "the trash mafia."

Not long ago, the Lula Administration was held up as the model government by the International Monetary Fund (IMF). Now, the global financier oligarchy has turned on it, and Lula faces the possibility of impeachment. Opposition parties, led by the PSDB party of the international bankers' favorite former President, Fernando Henrique Cardoso, caucused in mid-August about ordering their lawyers to prepare grounds for impeachment, to be ready—if the decision is taken. But the President can still mobilize significant social forces, and public opinion isn't ready, opposition leaders cautioned. So, week by week, the charges pile up, unrelenting.

Endgame in South America

As the global breakdown crisis drives every nation in the Americas toward disintegration, what is at stake in Brazil is no political-financing mess, no matter how sordid. Look at what is going on in South America! Vice President Dick Cheney just deployed Defense Secretary Donald Rumsfeld to Paraguay and Peru on Aug. 16-18, as part of a drive to organize a "splendid little war" in South America (*EIR*, Aug. 26).

Ecuador is blowing apart again, as the Bush Administration prepares the way for the overthrow of President Alfredo Palacio. His crime was that he announced immediately upon taking office in April 2005, that his government would make its first priority investments in the needs of Ecuador's people, before debt payments, and mooted following Argentine President Nestor Kirchner's debt policies. (As Michael Shifter of Fernando Henrique Cardoso's Inter-American Dialogue put it to the *New York Times* on Aug. 24: "Palacio thought he could pursue a different course, have a greater emphasis on a social agenda," but the "international community" is showing him otherwise.)

Self-professed fascists are crawling out of their crypts, to seize the moment. If you want real "garbage," the kind that organizes mass killings, look at the calls for feudalism and

global war spewed out at the 60th anniversary celebrations of the Peruvian History Society on Aug. 8 and 15, attended by top Spanish fascists. At the same time, their synarchist counterparts met on the other side of the Andes at the "VIII Buenos Aires Meeting on Catholic Training."

This is endgame time, and Brazil, because of its size and situation, still has a "kicking power" in South America which makes it a potential threat to the oligarchy.

In an Aug. 25 memorandum addressing the role of the British-Nazi Moonie cult in setting up the South American war that Cheney and Rumsfeld seek, Lyndon LaRouche warned that Ibero-America faces "a panoply of intersecting operations, all aimed at a great raw-materials-control grab by the Anglo-Dutch Liberal financier interest, an operation which includes the supporting objective of breaking up and crushing all nationalist political power in Central and South America."

For all its fervent adherence to the foreign financiers on domestic economic policy, the Lula government is a linchpin for regional resistance to those operations, centered on its organizing for a South American Community of Nations pivoted on great continental infrastructure projects. Although yet to confront the IMF's power, Brazil has attempted to shore up its neighbors, as exemplified by Foreign Minister Celso Amorim's discussion of the "economic-financial integration" of South America, during his Aug. 15-17 trip to Bolivia and Ecuador.

When initially hit by the scandal, President Lula went to his trade union and popular base, and charged that there was a conspiracy to bring his government down. Slammed by the financiers for "populism," he back-pedalled fast, and now emphasizes every place he can, that his regime will stay the course on IMF policy. "There will be no short-term, electoral event which will make us change economic policy," he assured businessmen on Aug. 23.

Were he to continue this course, Lula would lose, and Brazil would go down with him. Why not tell Brazilians and the world the truth of why their country is under attack? Which, after all, is more bankrupt: the Brazilian government, or the global financial system to which it is indebted? Why not join the fight for a New Bretton Woods?

Allies are available. Brazil's neighbor, Argentina, will insist that the reform of the international financial system be included in the agenda on the Nov. 3-4 Summit of the Americas in Buenos Aires, Deputy Foreign Minister Jorge Taiana told the state news agency Telam on Aug. 16. There is much agreement on adopting common policies for the region, Taiana said, because a good number of governments are reviewing the policies applied in the 1990s, whose "panacea of privatizations and open economies, without any regulation, wasn't positive for our peoples and translated into greater inequality and exclusion." Governments will understand the crucial regulatory role of the state, as part of their search for a development model to guarantee productive employment and the generation of real wealth, Taiana forecast.

Editorial

Target Cheney, the Spoon-Bender-in-Chief

Can a new 9/11 in the United States, and a follow-up nuclear attack on Iran, be stopped? The answer lies in the hands of those collaborating with Lyndon LaRouche, both in the United States and internationally, in exposing the network of “spoon-benders” around the Vice President, who are the prime suspects for carrying out such acts. And it is a race against time.

EIR’s Aug. 26 feature, “Cheney’s ‘Spoon-Benders’ Pushing Nuclear Armageddon,” is currently at the center of the effort to derail the Vice President’s evil plans. By e-mail and in hard copy, this thoroughly researched package is now shaking up a lot of policymakers and others, who have preferred not to think about the fact that they have the responsibility to determine what our government does, not just respond to it. Well-connected D.C. sources report that this sharp reminder of how murderous utopian military kooks have been permitted to penetrate to the core of the U.S. defense establishment, has prompted some soul-searching, and rethinking. Presumably, this will include some short-term action as well.

Lyndon LaRouche’s political action committee, LPAC, has announced that it will immediately produce a mass pamphlet including the “spoon-bender” material, entitled *Soldiers of Satan*. This will begin circulating during the first week of September, as the LaRouche forces escalate their drive to *prevent* a new 9/11-style attack.

The key, LaRouche has emphasized, is to mobilize maximum political firepower against Dick Cheney, who personally is at the center of the drive for triggering a new, this time *nuclear*, war. Anyone who thinks that George Bush is running the U.S. government is simply deluding him or herself. Either Cheney is taken out of a position of power, or disaster looms.

It is notable, the extent to which sane Republicans have begun to realize this fact. On the issue of the Iraq War, and even some economic issues, the lunatic core around Cheney, Bush, and Rumsfeld is becoming increasingly isolated. Their base is narrower and narrower, and over their shoulders, they can see the prosecutors coming: perhaps first for AIPAC, and then House Majority Leader Tom DeLay. But, can they be assured

that Lewis Libby, Cheney’s chief of staff, won’t be next, for his involvement in the Plame case? Can they be sure that Halliburton won’t begin to get its just deserts for ripping off the public trough?

Surely, the insane ravings of Pat Robertson, a close Bush-Cheney ally, about how the Bush Administration should assassinate President Chávez of Venezuela, speak volumes about the state of mind of Bush Administration loyalists these days. It is notable that the Administration felt no compunction to denounce, or even strongly disavow, this public assassination threat.

A politically weakened and embattled Administration, run by a thug who has been pushing since the early 1990s for a pre-emptive nuclear war, represents a danger that had better be dealt with right away.

Do you think that Cheney couldn’t be insane enough to “facilitate” a terror attack against the United States in order to get an excuse to launch war against Iran? Was he insane enough to launch war against Iraq, when it was clear that it would create the endless horror it’s now become? Is this a man you think can be counted on for sound judgment?

We have proven, beyond the shadow of a doubt, that the capability for Cheney to instigate such a “Reichstag Fire”-type attack exists: It’s right there in *EIR*’s “spoon-bender” package. The United States has permitted the continuation of a military faction which is willing to carry out horrendous, Nazi-style crimes in the name of defeating the enemy. Is there any reason to believe that they would refuse to be deployed by Cheney’s faction, to achieve the “Armageddon” he and they so fervently wish?

We at *EIR* will have more to say soon about the spoon-bender grouping, including their ties to the Nazi-spawned Moonies, and other filthy operations now threatening South America, and elsewhere. But you can’t afford to wait. To stop Cheney’s new 9/11 and Iran war, organize up a storm against him and his faction *now*. Send him and Libby to jail! Expose his crimes! Let the world know that if there’s a new 9/11, Cheney did it! That’s the way to stop it, while we still have a chance.