

# EIR

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LaRouche Backs Peres on Peace Talks With Syria  
State Reps Introduce LaRouche Bill To Stop Foreclosures  
On Vernadsky's Space: More on Physical Space-Time

## Forward to the Land-Bridge, And a Cultural Renaissance

CONCEPT RENDERING  
THE LA ROUCHE COOPER SUPER TSA INFRASTRUCTURE PLAN

### **WEST COAST HIGH SPEED GROUND TRANSPORTATION CORRIDOR**

Near Mt. Shasta, CA



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# EIR

## From the Managing Editor

The juxtaposition between our cover painting—in which maglev trains sweep down the California coast, linked up to the World Land-Bridge of the future—and Helga Zepp-LaRouche's speech on the need for a new cultural Renaissance (p. 4), illustrates *EIR*'s unique perspective. As Lyndon and Helga LaRouche have long argued, it is only by uplifting citizens' *image of man*, that we can successfully motivate them to put an end to what Italian economist Dr. Nino Galloni, at the Schiller Institute's Kiedrich conference, called our "schizophrenic economy" (p. 31). It is also the only way we can head off the drive for a new war that is emerging from the offices of Vice President Dick Cheney and his British masters.

This is also Lyndon LaRouche's challenge to his youth movement: that only by re-creating history's scientific breakthroughs on universal physical principles, *and, at the same time*, mastering the principles of Classical musical and artistic composition, can an individual become competent in any of these domains—as well as in economics and statesmanship. LaRouche's article in the *Science* department develops some aspects of the matter, with reference to a newly translated work by the late Vladimir I. Vernadsky.

Our coverage of the Kiedrich conference began in last week's issue, including LaRouche's keynote and the panel on "Russia—Eurasia's Keystone Nation." This week, along with Helga LaRouche's speech, we publish the panel on "Projects for the Eurasian Land-Bridge." Future issues will feature "Technologies to Reconstruct the World," and "Rebuilding Civilization."

The *Editorial* provides a preview of Lyndon LaRouche's Oct. 10 webcast: Don't miss it!

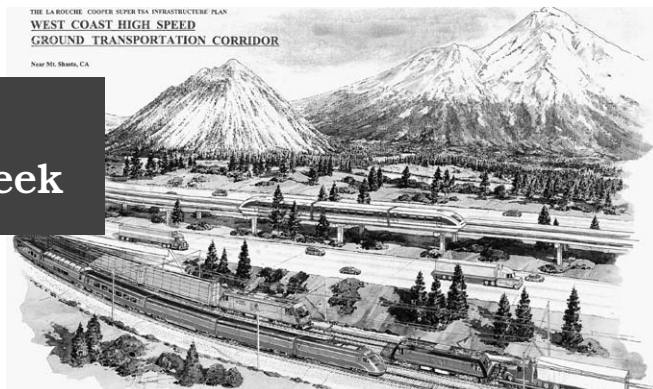
The *Economics* section documents important developments in the fight to pass LaRouche's "Homeowners and Banking Protection Act," as resolutions in support of the bill have been submitted to several state legislatures, for memorialization to Congress. But as Jeffrey Steinberg reports in *National*, Congress is virtually supine, with the Democratic leadership bowing and scraping before Cheney's insane buildup for war against Iran. What is needed is some very persuasive and percussive pressure applied by constituents to the relevant Congressional backside.





## Cover This Week

*Maglev and high-speed rail, in an artist's conception of a U.S. portion of the World Land-Bridge.*



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### 4 A New Cultural Renaissance in the Coming Age of Reason

Schiller Institute founder Helga Zepp-LaRouche gave this speech opening the second day of the Institute's conference, "The Eurasian Land-Bridge Is Becoming a Reality!" which was held on Sept. 15-16 in Kiedrich, Germany. With the world in the worst economic crisis since 1931, she said, "what we need to do, is to combine the Eurasian Land-Bridge, which is an alliance of sovereign nation-states for the common aims of mankind, with the idea of a cultural Renaissance. And by focussing on the best, highest traditions, highest cultures of all cultures, to form a dialogue among those."

### Projects for the Eurasian Land-Bridge

#### 10 Strategic Importance of Rail Corridor Links

Dr. Hal Cooper, consulting engineer, spoke on "The Worldwide Strategic Importance of the Intercontinental Rail Corridor Connections Between the Eurasian and North American Land-Bridges."

#### 24 Scandinavia and the Eurasian Land-Bridge

By Dr. Markku Heiskanen, Senior Fellow at the Nordic Institute for Asian Studies and former Deputy Director of Planning of the Foreign Ministry of Finland.

#### 29 The Sicily-Tunisia Tunnel: Link to Africa

By Italian economist Dr. Nino Galloni.

#### 30 Dialogue on Eurasian Land-Bridge Projects

Discussion that closed the Sept. 15 panel on "Projects for the Eurasian Land-Bridge."

## Science

### 32 On Vernadsky's Space: More on Physical Space-Time

By Lyndon H. LaRouche, Jr. A gift of a translation of V.I. Vernadsky's *On the States of Physical Space*, prompted LaRouche to renew an earlier challenge he had given to a LaRouche Youth Movement scientific team, to discover the methods that Carl Gauss used in his scientific breakthroughs. Gauss responded to the difficulty of working in an environment hostile to science, by demonstrating his results, without revealing the method he had used to arrive at them.

## International

- 36 LaRouche Backs Peres on Peace Talks With Syria**  
Lyndon LaRouche responded to Israeli President Shimon Peres's call for Israeli-Syrian peace talks by giving it his full backing, and calling for Israel to make Syria its partner in a nuclear desalination program.

- 38 Years of Instability Now Haunting India**

- 41 India Gets an Offer for Thorium Reactor**

- 43 In Khrushchov's Footsteps: Bush at UN Threatens 'Brutal Regimes'**

- 44 LaRouche in Italy: 'Politics Must Now Submit to Morality'**

During his Sept. 18-20 visit to Italy, Lyndon LaRouche addressed Italian political leaders about his proposal to build a "firewall" to protect citizens and the banking system from the financial conflagration overtaking the hedge funds.

- 51 International Intelligence**

## National

- 52 Cheney's Ouster May Be Last Chance To Stop World War III**

How much longer will Congressional Democrats continue offering excuses and capitulation, before acting on their popular mandate to impeach Vice President Cheney?

- 54 Gravely Wounded Still Shut Out of Treatment**

- 55 National News**

## Economics

- 56 State Reps Sponsor LaRouche's Bill To Stop Foreclosures**

LaRouche Youth Movement organizer Lewis Whilden reports on the resolutions that have been filed in several state legislatures, calling for the implementation of the Homeowners and Bank Protection Act, as a result of the LYM organizing initiative.

- 58 Pennsylvania Action To Stop Foreclosures**

State Rep. Harold James (D) submitted this resolution, which so far has 35 co-sponsors.

- 59 Congress Hears Testimony on Housing Crisis, But No Solutions**

**Documentation:** Testimony by Martin Eakes, CEO of the Center for Responsible Lending, and by Judith Liben, Housing Attorney at the Massachusetts Law Reform Institute, before the U.S. Congress's Joint Economic Committee, on the threat to the broader economy of the housing foreclosure crisis.

- 66 A Dialogue on the Bank of the South: It's a Time for Revolutionary Changes**

A discussion on a radio station in Quito, Ecuador, between Pedro Páez, president of Ecuador's Presidential Technical Commission for the Design and Creation of the Bank of the South, and Dennis Small, Ibero-American editor of *EIR*.

## Editorial

- 72 Republic Versus Empire**

# A New Cultural Renaissance In the Coming Age of Reason

by Helga Zepp-LaRouche

*Helga Zepp-LaRouche is the founder of the Schiller Institute, and its chairwoman in Germany. She gave this speech opening the second day of the Institute's conference, "The Eurasian Land-Bridge Is Becoming a Reality!" held on Sept. 15-16 in Kiedrich, Germany. (Subheads have been added.)*

*Following Mrs. LaRouche's remarks, we publish speeches from the Sept. 15 evening panel, titled "Projects for the Eurasian Land-Bridge." See last week's EIR for the morning panel of that date; the rest of the conference presentations will appear in future issues.*

Dear guests of the Schiller Institute. . . . You all know that the danger of a new war is looming over our heads, and the effects of a collapse of the financial system would be probably equally devastating, if no remedy is found.

Now, everybody knows that the 20th Century was a century of great tragedies for the world, and even if for 62 years in western Europe, we did not have war, but peace, one can say absolutely with clarity, if there is not a dramatic change in policy today, there will be another tragedy. The idea which was pronounced by Jochen Sanio, the head of the German credit authority, BaFin, that we are right now in the worst financial crisis since 1931, is a total understatement of the problem, but it is useful, because it does remind people that after 1931, we had 1933. We had Hjalmar Schacht in Germany, but we fortunately had FDR in the United States.

But, out of great economic and financial crises, there *is* the danger of fascism and war.

And we should all remember, that in 1971, Lyndon LaRouche had a very famous debate with an economist with the name of Abba Lerner, in which Lyn got this Abba Lerner to say, "If people had accepted Hjalmar Schacht, we would not have needed Hitler." And that is exactly the problem. We don't have a new Hitler, at least he's not in Europe anywhere

visible; but there are people who have the absolute determination that the outcome of this global financial crisis should be a Schachtian solution. In other words, that you go for a dramatic reduction of the living standards of the population. Certain oligarchs are talking about a 30%, 40% reduction of living standards. If you take the food price inflation, the cuts in the health sector, and similar things, it is quite easy to see how this would function.

## Germany Has No Plan for Survival

Now, the problem is that the financial system is disintegrating. And let me only speak for the German government, but I think everybody can fill in their own government as they see fit. The German government at this point, has no plan for survival. Our Chancellor Merkel, in January of this year, at a meeting of the Bundesbank, said, there will be no orgy of state intervention to regulate the hedge funds. Well, I am normally not for orgies, but in this case I think one would not be so bad! [laughter]

In June, at the meeting of the G-8, the German government did something laudable, namely, they were the only government of the G-8 countries to call for transparency. This is at least something—it's an impotent approach, because even if you had transparency, and you knew how many trillions in unregulated monies are running around the world every day, you still would not have a mechanism to control it. And the German government completely failed in getting this transparency, because there was not even one European government which supported them, and the British and the American governments violently opposed that this be put on the agenda.

Even in July, representatives of the German Finance Ministry, in public meetings, said that they want transparency—but the German Finance Ministry essentially sees the role of



EIRNS/James Rea

*Helga Zepp-LaRouche told the conference that if we combine the grand design for a Eurasian Land-Bridge and related projects, with the idea of a cultural Renaissance, we can truly form an alliance of nation-states in the interests of the “common aims of mankind.”*

the hedge funds as a positive thing.

This happened at a time when the German industry, *Mittelstand* [small and medium-sized] industry, social housing—even villas, even castles—everything was violently taken over by the financial “locusts.” And the German government did not do *anything* to protect the German economy, the German common good, the German people, from these assaults. That has to change. And if there is no other force in this country than this organization, we are going to make the biggest mobilization ever, to get similar “firewall” protection for German industry, for the German common good, as we are trying to do it in the United States, with Lyn’s [Lyndon LaRouche’s] Homeowners and Bank Protection Act. Instead of a firewall policy, you have an insane media campaign against so-called “Chinese” and “Russian” investments in Germany, which are supposedly the big threat! No talk about the British-controlled hedge funds, more than 80% of which have their headquarters in the Cayman Islands.

So, what is the problem with German policy? Well, with the U.S. Presidential candidates, it’s very clear; they have made it public: They have taken *millions* of dollars from the hedge funds for their campaigns, and therefore, they’re very unlikely to make legislation and campaigns against the hedge funds. But what is the problem in Europe? Are the hedge funds also buying German, French, Italian, Scandinavian politicians? I don’t know! It’s not clear. Maybe they are. But I

think what one can say for sure, is that our society is in such a big danger, because people do not yet understand what Lyndon LaRouche has been emphasizing, also yesterday: that you cannot understand the strategic situation if you do not see that the key conflict in the world today, is between the British empire and the sovereignty of the nation-states.

Until 1989, there was a so-called idiom, or proverb, which said that the best-kept open secret of NATO was that Germany was an occupied country. Well, that was clear to everybody. You had politicians who had the *vorausseilender Gehorsam* of an occupied country, the self-control imposed even without orders. But one would have thought, that with German unification, Germany had earned the right to be a sovereign nation.

With the peaceful revolution of 1989, Germany had gained sovereignty. And it was a peaceful revolution, it was not a *Wende* [change] as it was sophistically called afterwards, in trying to stamp out the revolutionary peaceful impulse which this revolution had meant. It was a peaceful revolution.

But then, you look at it, and you can see that a lot of things went wrong. The German government had no contingency plan for the situation of unification, and that despite the fact that there was an entire ministry, the Ministry for Unification, which had no other task in the entire post-war period, than to think about this case. But when the Wall came down, they did not know what to do. And the German government, when they finally published the documents around German unification in 1997, they admitted, they had no contingency plan.

Well, *we* did—I mentioned it yesterday—we had the program of the Productive Triangle. We had later, the Eurasian Land-Bridge. And the only reason I’m mentioning it, is that we have to rub it in, because we have the same problem today, again! We have a collapse of a system, and there is no contingency plan. In 1990, when the Wall came down, and we campaigned for the Productive Triangle, I personally made dozens, if not more, speeches, where I said that if you impose on the bankrupt communist system the equally bankrupt free-market economy system, that maybe you could postpone the big collapse for a couple of years, but then, eventually it would come, and it would come with a much bigger vengeance, and it would cause a much bigger crisis than even the collapse of the Soviet Union. And that’s exactly where we are now: If this free-market economic system blows up, it will be much, much more devastating than even the collapse of the Soviet Union.

Now, a couple of other things which happened, we should





Bundesbildstelle/Lehnartz

*A midnight celebration of German reunification at the Reichstag in Berlin, Oct. 3, 1990. This moment of national jubilation and hope soon turned sour, as unified Germany was stripped of sovereignty by the creation of the European currency union, and free-market “locusts” moved in on eastern Germany.*

consider. One is, that on Nov. 30, 1989, Alfred Herrhausen, the head of Deutsche Bank, was assassinated by the (non-existent) RAF, the so-called third generation of the Baader-Meinhof, which, you know, is a totally virtual existence. It has never been found; there have never been people arrested. And it did not exist. The man on whom “Mr. X” of the movie “JFK” was based, correctly mentioned that the assassination of Herrhausen was indeed, for the German nation, as strategically important as was the assassination of John F. Kennedy for the United States.

Now, if you take the book by John Perkins, a man of the Establishment, *Confessions of an Economic Hit Man*, where he describes how this oligarchical system has been functioning, by eliminating systematically those people who stood up for the common good, who took the courage to stand for the development of sovereignty and the national interest, how they were almost every time gotten rid of, then you understand why this happened. This happened all over the world: It happened with African leaders, it happened in Latin America, and many other places.

Immediately after the assassination of Herrhausen, at the European Union summit in December of ’89, [then-Chancellor Helmut] Kohl described what happened at the summit as the “darkest hours” of his life. Because the entire European Union leadership turned on him, pounced on him, and basi-

cally forced him to accept the early currency union, without the political union of Europe, where it was clear to Kohl—who said it at that time—and to many others, including us, who violently emphasized that it could not function! You could not have a currency union in Europe, when you didn’t have a political union.

Kohl, at one point, made a very ominous remark, namely that he had to accept this, because, to accept the euro and give up the d-mark, would have been a question of war and peace. Now, that is very ominous: 1989, 1990, an issue of war and peace? This same point was made by Jacques Attali, the key advisor and *éminence grise* of [then-French President François] Mitterrand, in his biography of Mitterrand, where he also said that the issue at that time, was that Mitterrand had communicated to Kohl, that if he would not give up the d-mark for unification, that basically he would organize another Triple Entente against Germany, and that war would be the result.

That is what these people said. We can only take note of it. And history went the way it did: Germany, instead of gaining sovereignty, lost control over its own currency, and therefore, in a certain sense has less sovereignty than before! Because, with the Maastricht Agreement, it does not really matter if you vote for this government or that party coalition, because the economic policy is not made by the German government. It is

made, essentially, in Brussels by the ECB [European Central Bank] and by the Maastricht process. And with Maastricht, Germany and all the other European governments, who are basically agreeing to that, are really colonies of the new Roman Empire, which is the British empire, and its U.S. lackeys, the neo-cons.

Now, one has to say to his credit, that with Chancellor Gerhard Schröder, Germany did gain certain maneuvering room, mainly because Schröder *did* oppose the Iraq War, and I take the pride that it was our BüSo campaign in Germany, which we did from February to August, warning of the impending Iraq War, which, then, four months before the election, caused Schröder to make a 180-degree shift and oppose the war, and he did win the election, and that, in turn, had a very important impact on President Chirac in France to also oppose this war.

Schröder also did something positive in his relation to Russia, which also meant a certain amount of maneuvering room, not only for Germany, but for Europe as a whole.

But unfortunately, most of that has gone with the Grand Coalition and Chancellor Merkel. Because Mrs. Merkel had nothing better to do than, at the summit with Putin in Samara, earlier this year, to give Putin a lecture about human rights and similar things. She went to China recently, and she had nothing better to do than to talk to the Chinese leadership about global warming. Then the next thing, she had nothing better to do than to invite the Dalai Lama, which angered the Chinese government a lot. I have nothing against the Dalai Lama—he can do whatever he wants; Merkel can meet him in whatever function privately; there’s nothing to be said against it. But she cannot be so naive as not to understand that even a mild invitation of the Dalai Lama in this context, has to be seen as part of the encirclement policy which is conducted by NATO against Russia, and by the whole neo-con British empire against China, as well.

So therefore, even if Schröder did make many mistakes, with the Agenda 2010, Hartz IV, and all of this, I must give him credit for his recent statements, where he blasted the European Union for unnecessarily causing frictions with Russia, and pursuing an imperial policy.

### **The Only Chance for Germany**

So, having stated these facts, I want to make it very clear here, that the only chance Germany has to survive as a country in these coming storms, is to ally, not with the European Union in this policy, but to ally with a changed United States, with the strategic partnership with Russia, China, and India. And I don’t mean the United States as an adjunct to the British empire, where the United States’ role is essentially with the British having the brain, and the United States representing the muscle—a policy which has been the subversion of America as a republic going back to the evil policies of H.G. Wells, Bertrand Russell, Samuel Huntington, and similar evil spirits. But I mean in the tradition of the American System versus the

British System, in the way that Friedrich List defined that, when he spent several years in the United States: that the American System of political-economy was represented by Alexander Hamilton, the idea that the state has to be in favor of the common good, and that all the economic laws have to be made in this tradition, as *totally* in opposition to the British system of uncontrolled free-market economy policies.

So that is where we stand. And it will be the question, can we organize ourselves, our countries, to act in the self-interest of the 21st Century? Can we give ourselves an order for the next 50 years, which makes it possible for us, as a civilization, to survive? Now, I’m of the absolute opinion, that Europe can only do that, if we are a Europe of the Fatherlands, in the way de Gaulle was talking about it, and that, in that sense, we have to have Fatherlands of Europe playing a role in Eurasia.

Now, we want to have development of Eurasia, and not like the European Union as the largest imperial power, as Robert Cooper, the former assistant of [EU foreign policy representative] Javier Solana, was describing it, that the European Union would be the largest imperial power in history. But, as a sovereign nation-state alliance, for Eurasian development.

We have to go back to the ideas of Leibniz, who said that Europe has to have a mission of developing the world. France, he said, has the mission to develop Africa. Germany should help to develop the East. Now, obviously, in the modern world this is not limited, and I only want to use it as a metaphor, meaning that Europe has to use its very rich tradition of the last 3,000 years, which has produced more scientific discoveries, and more knowledge, and more great discoveries in art, than many other places of the world; that we have to use this heritage to make it a good for the common development of mankind.

### **Take the Advice of Nicolaus of Cusa**

That has to become our sense of identity. And I’m absolutely convinced, that the great thinker of the 15th Century, Nicolaus of Cusa, the founder of the modern nation-state and the founder of modern natural science, was absolutely right, when he said that *concordantia* in the macrocosm can only happen if you have the maximum development of the microcosms, and that each microcosm takes as its self-interest, that the other microcosms develop in the best way. Now, if you apply that to nations, it *is* absolutely in the self-interest of every nation to further the maximum development of all other nations, and vice versa, and take that as their self-interest.

As you probably have recognized already, that was the principle of the Peace of Westphalia. And I’m totally convinced that it was the ideas of Nicolaus of Cusa which laid the foundation for this monumental work of the Peace of Westphalia, which was the beginning of international law, the beginning of people’s law—that which is trampled upon presently by the Washington Administration, but which we have to uphold, because it was a big civilizational breakthrough to



have international law ruling over the affairs of nations.

And I also believe that Nicolaus of Cusa was right in another thing, namely, he said that you cannot fix the problem with side-orders, but you have to bring cohesion into affairs, and you have to have cohesion between cosmic order, the laws of the macrocosm, and the political order, and the economic order.

That, for example, applied to modern-day politics, means to take the interest of the other into account. We will hear shortly, about the question of the danger of a new war against Iran. Well, if you want to have a solution to this problem, we have to take into account the interest, the security, and the economic interest of Iran, like every other country! You cannot have different standards in policy.

## The Aesthetic Education of Man

Now, the Eurasian Land-Bridge is really a beautiful thing, because if you think it through, we want to have an economic order which allows the economic development, not only of Eurasia, but through extension into Latin America and into Africa. We want to have something on the table, which you can only call “the common aims of mankind.” This is a question which I think we should discuss a lot, not only in this conference, but among public forums. It is the old issue, which was raised in the *Federalist Papers* of the young American Republic, namely, the question: Can society govern itself? Can we give ourselves, as mankind, an order, which allows ourselves to live peacefully and for the progress of all? It is the same question which was raised by Friedrich Schiller in his beautiful treatise about the “Laws of Solon and Lycurgus,” in which the wise lawgiver Solon was asked, “What is the purpose of society?” And Solon answered: It is *Fortschreitung*, it is improvement, it is the moral perfection of man.

This is one of the reasons we are pushing infrastructure. A young boy was asking yesterday, who had the first idea to build the [tunnel across the] Bering Strait, and why? Why should you build such a thing? And I thought this was a beautiful question, because it is exactly because infrastructure projects have a civilizing effect! The Danes fortunately have now recognized this old principle; that at the moment you start building bridges, highway, railroads, maglev, it has an impact on people: It changes people. It makes people more rational.

So, this is exactly what we need to do. Because the world, right now, is in terrible condition. Not only the financial system is in terrible shape, but morally, we are *bankrupt* as a civilization. And I want to recall what the great German scientist Krafft Ehrlicke—who was the one who developed the Apollo rocket for the Moon-landing program—what he said in the final months of his life before he died, unfortunately, of cancer. He said that we have to have space travel, not only because we have to explore the universe, and find out how its laws function, which we can do better when we are out there, but because of the “extraterrestrial imperative.”

And what he meant by that, is that the moment mankind undertakes a serious effort to have space travel, then you have to become more rational. Because you cannot just leave a space ship, and have a fit! It’s not good for your health if you do that! So, there is a certain mandate to be rational. Krafft Ehrlicke also said that it is not technology which is the problem, because technology can be used for good or for bad purposes, always. But it is the question of man, and the moral condition of man which is relevant. And therefore, he, at the end of his life, *fully* endorsed the Schiller Institute’s idea that you have to have the aesthetic education of man to go along with technology, because otherwise man is not capable.

That is why I absolutely agree with Lessing, with Schiller, on the question of the aesthetical education, which has to be part of our endeavors. Because, when Schiller, after the collapse of the French Revolution, said, that “A great moment had found a little people,” and that therefore the development of the *Empfindungsvermögen*, the education of the subjective and intellectual-emotional apparatus of man, was the most important task of his world, he absolutely was right, and today, this is even more the case.

Both Lessing and Schiller knew and wrote that the *worst thing* for the cultural development of the population, is everything which has a mass effect: everything which occurs in thousands and thousands of people. And if you look at popular culture today, that’s exactly what it is. Pop concerts, you have Dionysian masses in orgiastic movements; soccer games, the world championship of soccer last year in Germany, you had thousands and hundreds of thousands of people in orgiastic motions; tourism. Soap operas—just think how many *millions* of people watch soap operas every day! Instead of using their intellect, they’re living the life of somebody else! Think how many hundred millions of youth are playing video games every day.

That is why I’m saying that mass culture is the enemy, and I think it is very important that we contrast that with the work of the LaRouche Youth Movement, which is really the old idea of Wilhelm von Humboldt: namely, that you have to have the development of the character, and the beauty of the soul, as the aim of education, and not these mass activities.

Now, why has Lyndon LaRouche emphasized the work of the chorus so much? You have seen now two examples, yesterday and today, how this functions. Now that is, in a certain sense, the example of a Socratic dialogue. I contrast that to the talk shows: In a talk show, you have talking heads—somebody says, “the tree is green”; then the next person says, “yeah, the Green Party is doing a lot of global warming”; and then somebody says, “yeah, I’m warming my soup.” So, you take from every sentence, one thing, and you take it to some other issue, and you have no coherence, and people are babbling away.

As compared to the Classical method, which is: You have a poetical idea, or a musical idea, and then you exhaust it through thorough-composition, and you develop that idea un-



EIRNS/Julien Lemaître

*Members of the LaRouche Youth Movement chorus perform at the Schiller Institute's Kiedrich conference on Sept. 15. The idea in Classical composition, said Mrs. LaRouche, is not just to sing your own notes, but to create a form of Socratic dialogue with the other voices.*

til it is completed. And obviously, in the chorus, when it functions well—and you know, the LaRouche Youth Movement chorus members are trying to work on this, to enact the principle of the Pythagorean comma, where you're not just singing your notes, but you're interacting with the other voices, and you find the best possible way of making the choral piece really sound as the composer has intended it. And that is a form of Socratic dialogue, because you have to take into account the other voices, you have to interact on the same musical idea. And that is Classical thinking, as compared to this other stuff.

## We Can Create a Renaissance

So, I think we are really in a very good situation, in one sense, because we actually have the potential to make a Renaissance. We have studied what causes cultures to collapse; we have studied the empires, the Roman Empire; we have studied the collapse of the Middle Ages in the 14th Century; and we have studied how mankind can come out of these periods, by going back to the best traditions of civilization. Because the Italian Renaissance could only occur, because people went back to the Greek Classics; the German Classical period could only occur, because we took up the ideas of the Italian Renaissance and the Greek Classics before.

So therefore, what we need to do, is to combine the Eurasian Land-Bridge, which is an alliance of sovereign nation-states for the common aims of mankind, with the idea of a cultural Renaissance. And by focussing on the best, highest traditions, highest cultures of all cultures, and form a dialogue among those.

I'm an optimist—actually, I'm an incurable optimist—because I believe in the nature of man: that man *is* essentially good, and that Leibniz *was* correct, that a great evil brings forward an even greater good and force of good in man. And therefore, I believe if we keep doing what we are doing, that we will turn the Schiller Institute, beyond this conference, into a forum where the question of a rational discussion, how should this world be organized and reconstructed, can occur. And I want to make the Schiller Institute website a forum of such papers, because we have gotten a lot more papers than we can present at this conference, and create a forum of discussion for the reconstruction of the world after the crash of the present system.

And I believe that the present state of affairs, where you have oligarchies, where you have greed, where you have billionaires, and I think even the first trillionaire is now around—that all of this will be looked at in a very short period, as the “childhood diseases” of mankind. And you will equate oligarchism with measles, chickenpox, mumps, and so forth, where basically, once you have them, you can build antibodies, and then your immune system eventually becomes strong enough, and when you reach adulthood, these things are a question of the past.

I think we have the tiger by the tail, because we have the method of creating a Renaissance! The LaRouche Youth Movement is the best expression of that. And therefore, I just want to say, let's go with optimism in the next period: Put a rational question of a new world economic order on the table, and be an example of what governments *should* be doing, and let's force them to do it!

## Strategic Importance Of Rail Corridor Links

*Dr. Cooper is a consulting engineer (Cooper Consulting Co., Kirkland, Wash.), who has done extensive work on the proposed Bering Strait rail and tunnel project, the Alaska-Canada railroad connector, and related programs. This is his paper submitted to the Kiedrich Conference on Sept. 15. Its full title was "The Worldwide Strategic Importance of the Intercontinental Rail Corridor Connections Between the Eurasian and North American Land-Bridges." His speech was a summary of this paper, using his extensive map collection to show the audience where construction will occur. We use a small selection of maps and tables here.*

### Introduction

The present paper is based on the results of a detailed technical and economic analysis of the proposed Alaska-Canada railroad connector project, in a feasibility study prepared for the Canadian Arctic Railway Company of Vancouver, British Columbia in Canada by the Cooper Consulting Company of Kirkland, Washington in the United States. This feasibility study has been concentrated on the construction and operation of the proposed Alaska-Canada railroad project

from Fairbanks, Alaska to Prince George, British Columbia and Dawson Creek, British Columbia over a 2,190 mile (3,515 km) route distance. This feasibility study has evaluated the expected impacts upon the Alaska-Canada railroad project resulting from the construction of the proposed Alaska natural gas pipeline from Prudhoe Bay to Alberta and the Midwest. This feasibility study has also examined the impact of the proposed construction of the Bering Strait railroad tunnel between Alaska and Siberia upon the viability of the Alaska-Canada railroad connector project and of the entire region as a part of an overall 12,500 mile (20,000 km) railroad network to connect North America with Eurasia, as part of an overall worldwide direct rail network.

One of the issues of current consideration is that there is a considerable benefit in the combined construction of the natural gas pipeline and the railroad between Alaska, Canada, and the Lower 48 States, in terms of construction cost and maintenance access for equipment and materials. However, public sector efforts alone have been unable to bring these projects to fruition, in spite of their common benefits to both countries. The primary reason has been because of the inability to date to provide either public-sector or private-sector financing, or a combination thereof, in order to implement the project. A recent feasibility study completed by the Yukon Territorial Government and the State of Alaska has attempted to address some of these questions. However, the Alaska-Canada rail project as contemplated in this publicly funded feasibility study suggested service only to adjacent ports and did not address other traffic considerations, including a continued gas pipeline-railroad line corridor in the region to foster economic development between Alaska and Alberta.

It was felt that private sector participation would be necessary to bring these projects to reality, where significant efforts began to be made in the late 1990s. A feasibility study was commissioned in August of 2002 by the Canadian Arctic Railway Company of Surrey, British Columbia to the Cooper Consulting Company of Kirkland, Washington, which was completed in February of 2006. The purpose of conducting this feasibility study was to evaluate the technical and economic viability of constructing a new railroad line between Alaska and Canada, with connections to the Lower 48 States, as a private sector activity. This feasibility study was based on an extrapolation of previous studies in Alaska and Canada conducted in the years since World War II, as well as on additional data, and some projections of expected future trends. In addition, this feasibility study addresses the question of the construction of the Bering Strait railroad tunnel, in addition to the Alaska-Canada Railroad

This feasibility study was commissioned to



EIRNS/Julien Lemaître

*Engineer Hal Cooper presents Helga Zepp-LaRouche with a painting of the proposed Bering Strait Railway Tunnel, a project dear to both their hearts.*



determine the proposed routings and physical characteristics of the proposed railroad corridor, as well as the freight and passenger traffic-generation potential and associated revenues, plus the overall estimated capital costs of construction, plus operating and maintenance costs. It was then intended to make the necessary economic cash flow projections of available income and net income after debt service, as well as depreciation and taxes. The necessary financial performance of the proposed Alaska-Canada railroad connector project could then be evaluated in terms of its potential rate of return on investment, as well as project payout period plus other economic and financial criteria for being able to assess its viability, based on expected cash flow projections. The potential impact of the construction of the Bering Strait railroad tunnel upon the Alaska-Canada railroad system was also evaluated in terms of its traffic-generation potential.

The original geographic extent of the feasibility study was limited to the corridor between the end points of Fairbanks, Alaska, and Prince George and Dawson Creek, British Columbia. This study was later expanded to include a connection through Alberta and Saskatchewan to North Dakota, and then to Texas and Coahuila over the route commonly referred to as the Central North America Trade Corridor (CNATCA). It was later recognized that the possible future construction of the proposed Bering Strait tunnel between Alaska and Chukotka would have a dramatic impact on the proposed Alaska-Canada rail connector, in terms of both traffic volumes and track capacities. As a result, it was decided to incorporate the consideration of future freight and passenger traffic flows between Asia and North America by way of the railroad corridors in northeastern Russia. There were two routes considered in parallel to the Pacific Ocean as well as the Arctic Ocean via a proposed tunnel under the Bering Strait between Alaska and Russia. Two routes were also considered to the southwest, in Yakutsk in the Sakha Republic in Russia, plus to China, Korea, and Japan, as well as to the West along the Arctic Ocean to western Russia and Europe.

There is growing interest in the expansion of the North American rail network with the recently announced sale of the British Columbia Railway to the Canadian National Rail-

FIGURE 2

## Proposed Bering Strait/Alaska-Canada Rail Connector to Lower 48 States, Plus Existing Lines



..... Existing Tracks

—— Proposed Alaska Canada Railway Corridor

way in parallel with the extension of the Alaska Railroad. These recent announcements revive the earlier plans to extend the British Columbia Railway to Fort Nelson, which were completed in the 1960s, and the effort to complete the rail line to Dease Lake in the 1970s which were not completed. There had been earlier studies of expanding the Canadian railroad network to the Yukon Territory in the 1960s and 1970s by the Canadian National and Canadian Pacific Railroads, as well as by the Province of British Columbia. However, these efforts never went beyond the study plan. A feasibility study of the Alaska-Canada railroad was recently completed by the Alaska and Yukon governments, to connect resource extraction activities with the available port facilities in Alaska and British Columbia in June of 2007.

Considerable interest and expense have gone into the efforts to study the feasibility of a new natural gas pipeline from Alaska to Alberta and the Lower 48 States. The interest in and possibility of constructing a new natural gas pipeline from Alaska to the Lower 48 States has proceeded in parallel to the possibility of connecting Alaska, Canada, and the Lower 48 States by a direct railroad network. The U.S. Congress has recently passed legislation offering incentives for the construction of the proposed natural gas pipeline between Alaska and the Lower 48 States through Canada, through a combination of tax credits and economic incentives. The State of Alaska has recently issued a Request for Proposals from private organizations to construct a 3,500 mile (5,600 km) natural gas pipeline from Prudhoe Bay to Chicago, but no provision is included for a railroad as part of this natural gas pipeline project.

This detailed technical and economic analysis of the proposed Alaska-Canada railroad connector project has been undertaken in the text of the present feasibility study. This feasibility study has been concentrated on the construction and operation of the proposed Alaska-Canada railroad project from Fairbanks, Alaska to Prince George, British Columbia and Dawson Creek, British Columbia over a 2,190 mile route distance over several route options. This feasibility study has evaluated the expected impacts upon the Alaska-Canada railroad project resulting from the construction of the proposed Alaska natural gas pipeline from Prudhoe Bay to Alberta and the Midwest. This feasibility study has also examined the impact of the proposed construction of the Bering Strait railroad tunnel between Alaska and Siberia upon the Alaska-Canada railroad project, over the broad route network through the Bering Strait tunnel, with two routes in Asia as well as in North America.

## Route Description

There are two major routes for the proposed railroad linkages to the Bering Strait from the Eurasian side and two routes on the North American side. The two main rail links on the Eurasian side are a northern route to Moscow and Europe, to the north and west along the south shore of the Arctic Ocean,

as well as a southern route to the south and west to the Sakha Republic and to China by way of Yakutsk. On the North American side, there are two main routes, with a northerly and easterly extension via the Tintina Trench and the Liard River, through Watson Lake and Fort Nelson, to northeastern British Columbia and Alberta, plus a southerly and westerly route via the Alaska Highway and northwestern British Columbia to Dease Lake and Prince George.

There are numerous connecting routes to the proposed Eurasian-North American Land Bridge connector corridor via the Bering Strait. On the Asian side, the railroad extension in an east-west direction through China to Beijing and Shanghai could be connected to the already underway South Asian development corridor from Urumchi to Istanbul via Kazakhstan, Uzbekistan, Turkmenistan, Iran, and Turkey. This railroad corridor is already under development as a single standard-gauge route for hauling intermodal containers and crude oil, plus other commodities, between Asia and Europe, with a major 8-mile-long rail tunnel to Istanbul at its western terminus. The development of this rail corridor will tie all of the South Asian and Middle Eastern countries together to foster peaceful relations and economic development as a far preferable alternative to endless wars over oil in the Middle East, as is now the United States policy, to the great detriment of the World as a whole.

There are the parallel east-west railroad corridors through Russia along the recently completed Baikal-Amur Mainline to the north, as well as the older Trans-Siberian Railway to the south. The Baikal-Amur Magistral needs to be connected to Sakhalin Island via a 5-mile-long bridge at the north end over the Tatar Strait. It also needs to be connected at the south end by a 32-mile-long tunnel under the La Perouse Strait to Hokkaido, to the existing Seikan rail tunnel to the main island of Honshu in Japan. Separate north-south rail corridors through North Korea need to be developed between China or Russia and South Korea to promote peaceful relations and economic development on the Korean Peninsula. The electrification of the Trans-Siberian Railway was recently completed over its entire distance, so that no oil is needed to provide the energy for transportation, and so that oil can be saved for export while preparing for nuclear power to be implemented.

In North America, there are two major north-south connecting rail corridors which can be developed to the Alaska-Canada railway and to the Bering Strait. One new rail corridor would upgrade the existing rail lines from Prince George, British Columbia in Canada to Tijuana, Baja California in Mexico, through Washington, Oregon, and California. This new electrified rail corridor would be intended for both freight and passenger transport, with several major infrastructure expansion projects with tunnels under the Fraser River near Vancouver and under the Columbia River near Portland. There would need to be a new 8-mile-long tunnel under the Siskiyou Mountains south of Ashland, Oregon, plus a rebuilding of the existing rail line through the Sacramento River Can-

FIGURE 2

## The Eurasian Land-Bridge: Proposed Links to a Worldwide Rail Network



EIRNS

yon to the north of Redding, California. A new 32-mile- (50-kilometer-) long electrified rail tunnel under the Grapevine Grade north of Los Angeles is needed to haul both passengers and trucks in order to reduce traffic congestion and air pollution and road repairs.

The main rail corridor extension of the Alaska-Canada rail connector would be along the eastern end from Edmonton, Alberta to Portal, North Dakota along the existing routes, in parallel to a new natural gas pipeline. A new rail line along the proposed Central North America Trade Corridor would then need to be built from Portal, North Dakota to Del Rio, Texas for hauling coal, oil, gas, farm products, and other commodities. This new rail line could then be extended from Mexico to Columbia through Central America to South America. This rail-line corridor could then be extended through South America, in parallel to a proposed new natural gas pipeline from Venezuela to Argentina. This new Latin American railroad corridor could then serve as the focus for economic development and peaceful relations, so that the present need for immigration to the United States could be reduced if not eliminated.

The linchpin of this entire railroad network is the 65-mile-long (105 km) Bering Strait railroad tunnel. This rail tunnel would be built at 100 feet (30 meters) below the water depth, which is a maximum of 200 feet (65 meters) deep through the

Big Diomedé and Little Diomedé islands in the center of the Bering Strait. There is a relatively steep mountain range known as the Tenkanyi Mountains to the west in Chukotka, which would probably have to be circumvented by building to the north. This railroad tunnel would have three tubes of approximately 26 feet (8 meters) diameter, with three tracks and two parallel utility corridors between the three tubes. The entire railroad tunnel would be built with electrified operation throughout, as part of a 1,000 mile (1,600 km) central three-track connector between Egvekinot, Chukotka in Russia, through Fairbanks, Alaska to Jakes Corner in the Yukon Territory of Canada, and double-track elsewhere.

### Traffic Potential

The proposed major traffic potential for the Bering Strait railroad tunnel project involves hauling construction materials and equipment, plus coal and crude oil, plus natural gas-derived liquid fuels, forest products, potash, metallic ores, and containers. The completion of the Bering Strait railroad tunnel would make it possible to haul containers between China and North America in 10 days or less, as compared to 20 days or more by the present rail-ship mode via West Coast port, at equivalent or lower cost. Coal of high quality and low sulfur could be hauled from Alaska to China to help reduce its serious air pollution problems. Crude oil and petroleum products could





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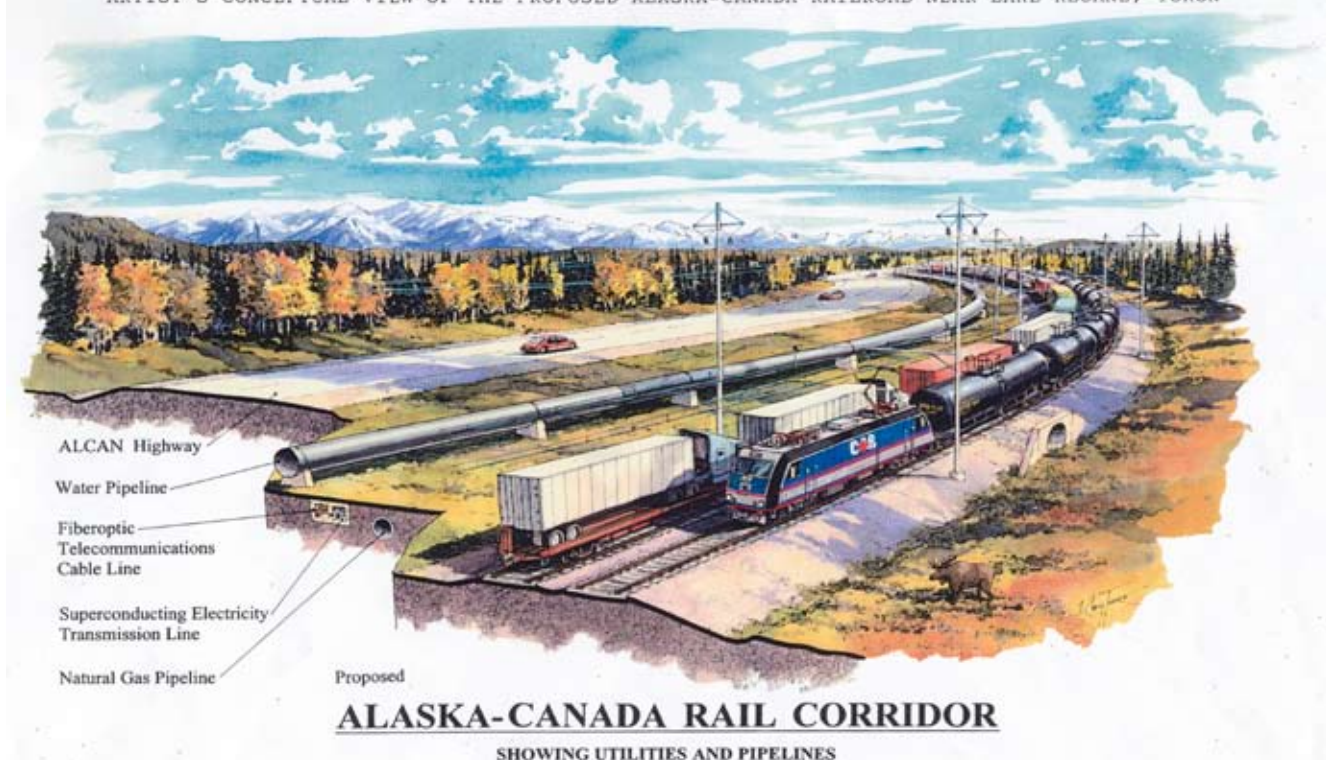
be hauled from Russia or Alaska or northern Canada to the Lower 48 States by this railroad. There could also be significant commodity movements from Russia to China, plus passenger transport over the entire system. The economic viability of the proposed Alaska-Canada railway connector could be substantially enhanced in the short term, because of the considerable freight traffic generated for equipment and material transport by the construction of the Alaska natural gas pipeline between 2010 and 2017. The construction of the Alaska natural gas pipeline, simultaneously with or immediately following the completion of the Alaska-Canada railroad connector, will substantially increase the freight traffic on the railroad by 10 to 30 million tons per year in the short term, following start-up after 2010. These increased freight traffic volumes will be especially great for the Fort Nelson route option, which substantially parallels the pipeline over most of its route distance in the early years, where freight traffic volumes of up to 120 million tons per year can result over the Alaska-Canada railway, without the Bering Strait tunnel being built. With the Bering Strait tunnel, freight traffic volumes of up to 300 million tons per year become possible over the entire route or greater. The cost savings to the natural gas pipeline project from reduced material transport costs with the prior construction of the Alaska-Canada railroad could nearly equal the cost of the railroad between Alaska and British Columbia.

The economic feasibility of the Alaska-Canada railroad connector is also examined for the reverse case of the potential impacts of the Alaska-Canada railroad construction upon the proposed Alaska natural gas pipeline. It has been determined that the technical feasibility of the Alaska-Canada railroad connector is basically independent of the proposed Alaska natural gas pipeline, because it can be built independently and in advance of or simultaneously in conjunction with the proposed Alaska natural gas pipeline. However, there is some commonality in the facilities which can act to mutually benefit both the railroad and pipeline projects along common rights-of-way. It may also be possible to haul natural gas as well as crude oil by rail, from producing fields to end use point, so as to avoid the need to build the pipelines altogether. If so, this crude oil and/or liquefied natural gas traffic alone would be sufficient to justify building the Alaska-Canada railroad. In addition, gas-to-liquids plants being constructed in the northern Yukon and Northwest Territory and in northern Alaska along the Arctic Ocean, could substantially increase railroad freight traffic on the Alaska-Canada rail connector route, by hauling natural gas-derived liquid fuel products to demand centers in the Lower 48 States.

The expected train traffic flows and freight volumes from the three route options with the Alaska-Canada railroad connector are as follows. The freight traffic is expected to gradu-

Figure 4

ARTIST'S CONCEPTUAL VIEW OF THE PROPOSED ALASKA-CANADA RAILROAD NEAR LAKE KLUANE, YUKON



©J. Craig Thorpe

ally increase from 6 to 50 trains per day between 2010 and 2050, following completion of the Alaska Canada railway connector. The expected train traffic would increase to 35 to 37 trains per day and then decrease after the period between 2010 and 2020, depending on whenever the proposed Alaska-Canada natural gas pipeline is completed. In addition to the pipeline, the expected transport of liquefied natural gas and crude oil can add significantly to the freight traffic base of the proposed Alaska-Canada railway connector. If a new natural gas pipeline were to be built from Prudhoe Bay to Delta Junction to parallel the existing crude oil pipeline to Valdez, gas could then be liquefied and hauled by train from Delta Junction to Alberta or the Lower 48 States. A second natural gas pipeline would then be built from Prudhoe Bay to Delta Junction to Valdez, to facilitate constructing a gas liquefaction loading terminal. Otherwise a new rail line would need to be built from Fairbanks to Prudhoe Bay to haul the natural gas.

The expected freight train traffic on the Alaska-Canada railroad line via the Dease Lake route would be expected to increase from 6 trains per day in 2010 to 30 trains per day in 2030. The average total freight tonnage moved would then be expected to increase from 10 million tons per year in 2010 to 50 million tons per year in 2030 assuming food, lumber, coal, oil, machinery, and other commodities would be moved for the minimum traffic growth scenario. The construction of the

proposed natural gas pipeline would require as much as 110 million tons of all materials to be moved, including earthworks, which would largely be on the Fort Nelson line, but would also occur on the Dease Lake line to a lesser degree. The development of the proposed Bering Strait railroad tunnel would increase the traffic volumes over the rail network to as much as 300 million tons per year, with train traffic movements of as many as 250 to 300 trains per day or more between Chukotka and Alaska.

The hauling of intermodal containers by rail through the Bering Strait railroad tunnel between China and North America could act to reduce port traffic along the west coast of North America. It is possible that as many as 5 to 7 million containers per year could be hauled by way of the Bering Strait railroad tunnel, which could be as much as 10% of the total intermodal traffic flows between Asia and North America. In addition to the traffic benefits, the diversion of container traffic from west coast ports to the Bering Strait railroad tunnel could reduce the air pollution emissions from the Los Angeles-Long Beach port complex. Now it is reported that air pollution from the Los Angeles-Long Beach port complex may contribute as much as 25 to 30% of the total emissions in the Los Angeles Basin. The commodities most likely to add to the freight traffic base for the Alaska-Canada rail connector are crude oil and petroleum products as one category, intermodal trailers and containers as



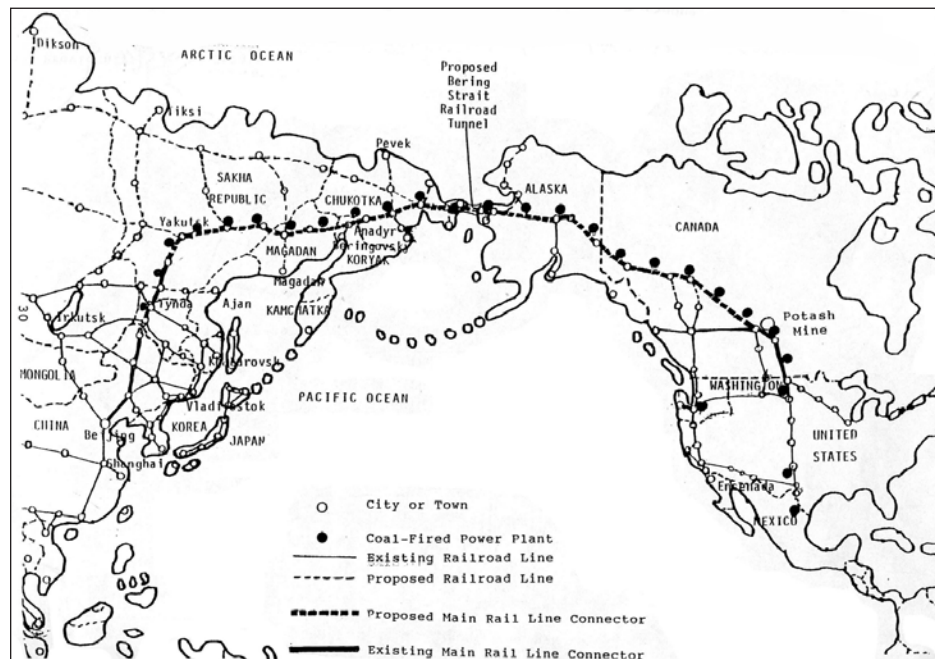
a second category, and forest products as a third category, plus various other commodities which will be significant for the Alaska-Canada rail connector. The proposed Alaska-Canada railroad connector can then serve as the engine for the overall economic development of the entire northwestern North America, especially for the native reserves and communities along the route where new energy facilities, mines, forestry operations, and industrial facilities would be located. In addition, natural gas transport by rail from Alaska, the Yukon Territory, and the Northwest Territories would provide a separate justification for building the Alaska-Canada railway connector.

The expected freight traffic volumes on the other connecting railroad lines in North America will generally increase from the range of 5 to 10 million tons per year in the first 3 to 5 years, between 40 and 50 million tons per year over a 20 to 30 year period. In addition, it is expected that the proportion of the freight traffic hauled over the Alaska-Canada rail connector will be between Alaska and the Upper Midwest and Eastern States, with an expected 65 to 75% of the total. A relatively small proportion of 25 to 35% of the expected freight traffic will originate or terminate in the Pacific Northwest, as at present. In fact, it is likely that there may be substantial political opposition to the proposed Alaska-Canada rail connector project from the maritime interests in the Puget Sound area, whose businesses would be adversely affected as Alaska's trade center shifts to the east from Seattle to Minneapolis.

The completion of the Port MacKenzie port project and the resulting large container traffic volume would virtually guarantee an economically viable Alaska-Canada railway connector and ultimately lead to the Bering Strait tunnel. The completion of the proposed Bering Strait railroad tunnel between Alaska and Chukotka would dramatically increase the expected freight traffic levels all along the Alaska-Canada rail connector and on other rail lines as well. As a result, there would be a need to double-track all connecting main railroad lines on both continents once the Bering Strait tunnel is completed, plus to have a triple-track route between Whitehorse, Yukon Territory in Canada, and Egvekinot, Chukotka in Russia. Also, the proposed Bering Strait railroad tunnel will need to be built with three tubes instead of two, because of the very large freight (and passenger) traffic volumes to be expected in

FIGURE 3

### Proposed Route for the Intercontinental Railroad Line Corridor Between Asia and North America Across the Bering Strait, Employing Power Plants and Transmission Lines



Cooper Consulting Co.

the future between North America, Europe, and Asia, as economic growth and integration accelerate, including coal traffic to China and oil traffic to the United States from Russia, Canada, and Alaska.

The proposed Alaska-Canada railroad connector will make it possible to haul large quantities of crude oil at low transport rates from Alaska to northwestern Canada, to refineries located in southern Canada (if allowed) as well as existing or new refineries located in the Northern Tier of the United States. In addition, the proposed Bering Strait tunnel will make it possible to haul crude oil from fields in North Dakota, Montana, and elsewhere. It will be very desirable to expand crude oil production in Alaska, with oil transported by rail to refineries located in North Dakota and elsewhere in the Upper Midwest. It is also possible that petrochemical production could take place using natural gas, ethanol, or crude oil feed stocks in Saskatchewan, Alberta, Montana, and North Dakota. The major development of heavy oil deposits in Alaska could significantly increase the Alaska-Canada rail connector's freight traffic. This development should be greatly encouraged, as well as from the Athabasca tar sand deposits in northeastern Alberta, as a way to increase the railroad traffic base. The development of the Athabasca tar sand deposits near Fort McMurray, Alberta, and the associated heavy oil and tar sand deposits in Alberta and Saskatchewan, necessitate the immediate construction of the natural gas pipeline



from the MacKenzie River Delta to Fort McMurray, because Alberta's gas production is now beginning to decline, after peaking in 2001. The Alaska natural gas pipeline is a separate project to serve the United States. The pipe would be supplied from the planned steel mill near Eagle Plain in the Yukon Territory using iron ore from the Crest deposits. This proposed new steel mill could also supply rail plus reinforcing steel for the proposed Bering Strait railroad tunnel, as well as for other construction projects. This steel mill would justify the construction of a new railroad line from the mouth of the MacKenzie River through the northern Yukon Territory to the main Alaska-Canada railroad line, for the purpose of carrying both steel products and natural gas-derived liquid fuels.

The completion of the proposed Alaska-Canada railway connector will then greatly benefit the economies of Alaska and northwestern Canada. The development of mineral and energy resources will be greatly benefited, because previously inaccessible resources will become accessible because of their reduced transportation costs. A particular benefit will be to either encourage the construction of new natural gas pipelines or, alternatively, make it possible to transport natural gas by rail from the Arctic Slope to Alberta and the Lower 48 States, in liquid tank cars, by way of the Alaska-Canada railroad line, as well as for natural gas liquids processed along the Arctic Ocean.

It may also become possible to transport crude oil from northern Alaska or northwestern Canada, to refining centers in Alberta and the Lower 48 States in the interior. It is also possible to complete the upgrading of the rail link from Alberta to North Dakota and Texas. The completion of this rail line would make it possible to haul crude oil produced by thermal oil recovery from the tar sands and heavy oil deposits in Alberta and Saskatchewan and Alaska, to as far south as Houston on the Texas Gulf Coast. This crude oil traffic alone would justify the construction of the Central North America Trade Corridor through the Great Plains, between North Dakota and Texas. In addition, it is expected that passenger traffic will add 5 to 10% to the railroad revenue base for tourist and cruise trains, plus passenger service for business and pleasure. It is expected that this passenger traffic will increase train operation by 10 to 20% over the Alaska-Canada railroad connector. There will also be a great public relations benefit of the passenger traffic, which will greatly accentuate the political acceptability of the Alaska-Canada railway.

## Implementation Plan

The expected route characteristics and capital costs for construction of the

proposed Alaska-Canada railroad connector are as follows. The estimated capital costs of the Alaska-Canada railroad with diesel power are then expected to be \$3.715 billion for the Dease Lake route option, as compared to \$4.220 billion for the Fort Nelson route options, and \$6.185 billion for the combination route option. It is planned that the Dease Lake route connector will be built initially to connect Alaska and the Yukon Territory with British Columbia, to be followed by the Fort Nelson to Whitehorse connection, with the natural gas pipeline to create the combination route option to both Prince George and Dawson Creek.

The program of implementation for the Alaska-Canada railroad connector is based on single-track routes employing diesel power. An initial single-track line of 1,355 miles in length would be built between Prince George, British Columbia and Fairbanks, Alaska via the western Dease Lake route in four years, at an estimated total capital cost of \$3.715 billion. The construction of this railroad line would employ 3,000 to 5,000 workers during the planned four-year construction, with an operating staff of 1,000 to start, increasing to 1,500 within ten years after its starting operation. The comparable capital cost of the alternative eastern route via Fort Nelson between Fairbanks and Prince George, would be approximately \$4.220 billion for the 1,435 mile route, which would require five years to complete if built completely separately. The combination route would have an estimated capital cost of \$6.185 billion U.S. for the 2,190 mile route, and \$9.45 billion if the Tintina Trench route is also included, for a 3,075 mile total route distance in northwestern North America.

The recommendation is to build the Dease Lake line first as a single-track route, with siding spaced at 20 mile intervals, and centralized traffic contract signaling and diesel locomotive traction. It is expected that there would be a two-year

TABLE 1

### Route Characteristics and Capital Costs of the Proposed Alaska-Canada Railroad Connector Project

Specific Factor	Units Employed	Dease Lake Route Option	Fort Nelson Route Option	Combination Route Option
Route Distance	Miles	1,355	1,435	2,490
	Kilometers	2,175	2,305	3,995
Ending Points	Start	Fairbanks	Fairbanks	Fairbanks
	End	Prince George	Dawson Creek	Both Cities
Capital Cost Diesel	U.S.\$ (Million)	3,715	4,220	6,185
	CN.\$ (Million)	4,645	5,275	7,730
Electric	U.S.\$ (Million)	5,320	5,785	9,470
Unit Capital Cost Diesel Power	U.S.(\$/Mile)	2,741,695	2,940,765	2,483,935
	CN.(\$/km)	2,135,630	2,288,500	1,934,920
Electric Power	U.S.(\$/Mile)	3,926,200	4,031,360	3,104,420
	CN.(\$/km)	3,057,470	3,137,200	2,963,705

Source: Cooper Consulting Co.

evaluation and design period followed by a four-year construction period, with operation to begin in 2013. The siding spacing would be reduced to 10 miles by 2015 and 5 miles by 2020 as traffic increases and the line is progressively converted to double-track operation by 2030 as the full line capacity is reached. The railroad line connection from Whitehorse to the east to Watson Lake in the Yukon Territory and to Coal River, British Columbia, would be built along the Liard River of the Fort Nelson route. The rail and gas pipeline routes would continue in the combined line to the Beatton River, north of Fort. St. John, where they would diverge from each other in the Peace River region.

It would then be planned to add a single-track line to connect near Jake's Corner in the Yukon Territory to the east to Watson Lake by 2012, and to Fort Nelson, British Columbia and then to the east to High Level, Alberta by 2015. Construction on this line would begin at the same time as for the Dease Lake line and be completed in one year, with an additional connection between Dawson Creek and Fort St. John to completed by 2020. At the same time, the eastern extension of the Dease Lake line to the east via Tumbler Ridge to Grand Prairie, Alberta would begin construction in 2010 and be completed by 2015, from the east side of the existing tunnel to the west of Tumbler Ridge on the existing rail line.

The completion of the Tintina Trench Railway between Dease Lake and Faro in advance, will begin with an investment of \$1.2 billion (U.S. [all dollars are U.S.—ed.]) but will allow for startup freight traffic to be built up in advance of completing the rail connection between Dease Lake and Fairbanks at an estimated capital cost of \$3.7 billion. The estimated capital cost for completing these two rail links will be \$4.9 billion, with the total capital cost for the complete rail links of \$9.4 billion for a 3,075 mile (4,935 km) system. This capital cost will be \$3.2 billion greater than from the initial proposal of \$6.2 billion for a 2,190 mile (3,515 km) system, with an overall increased distance of 885 miles (1,420 km). The completion of the railroad line through the Tintina Trench between Watson Lake and Carmacks in the Yukon Territory then makes it possible to exploit the large copper, lead, zinc, gold, silver, platinum, and other metal and mineral resources in the area along the rail line. In addition, it would probably be desirable to build one or more metal smelters to

Construction Materials	Application Utilized	Unit Factor Tons/Mile	Single Track Tons	Double Track Tons
Wood	Construction Wood	31	62,390	112,700
	Railroad Ties	56	112,700	232,050
	Subtotal	87	175,090	344,750
Steel	Railroad Rails	923	1,857,535	3,824,680
	Reinforcing Bars	354	712,425	1,466,885
	Plates and Girders	150	301,875	621,565
	Major Bridges	10,000	90,000	140,000
	Subtotal	1,471	2,961,385	6,053,130
Metals	Aluminum, Copper	106	213,325	439,235
Concrete	Cement	557	1,120,965	2,308,070
	Aggregate	442	889,525	1,831,535
	Sand	327	658,085	1,355,005
	Gravel + Rock	442	889,525	1,831,540
	Subtotal	1,768	3,558,100	7,326,150
<b>Total</b>	<b>Dry Basis</b>	<b>3,363</b>	<b>6,908,350</b>	<b>14,163,265</b>
	<b>Wet Basis</b>	<b>3,808</b>	<b>7,840,975</b>	<b>16,075,305</b>

Material Required	Diesel Single Track Tons	Diesel Double Track Tons	Electrification Tons	Total System Tons
Wood	175,000	345,000	65,000	410,000
Steel	2,960,000	6,050,000	450,000	6,500,000
Copper + Aluminum	215,000	440,000	375,000	815,000
Concrete	3,560,000	7,325,000	605,000	7,930,000
<b>Total</b>	<b>6,910,000</b>	<b>14,160,000</b>	<b>1,495,000</b>	<b>15,655,000</b>

Source: Cooper Consulting Co.

process these ores in the Tintina Trench region, to generate added traffic for the railroad, but additional electric power would be needed.

The entire eastern line from Dawson Creek to Tumbler Ridge to Grand Prairie east to Edmonton, Alberta would then begin and be completed by 2020. In parallel, the existing Canadian National Railways branch line from Edmonton, Alberta to Lloydminster and Saskatoon in Saskatchewan would be upgraded for full-scale freight traffic by 2015. This line would then extend to Regina, Saskatchewan, and ultimately to Lampman, Saskatchewan to Minot and Max, North Dakota, as a new railroad line by 2020, to connect with the Central North America Trade Corridor being built between Minot and Del Rio, Texas between 2010 and 2020. In parallel, the new railroad line from Melville to Lampman, Saskatchewan would

TABLE 3

### Expected Employment Creation Potential and Payroll Generation for the Alaska-Canada Railroad Connector

Employment Type	Employment Activity	Employment No. of Jobs	Payrolls Million \$/Year
Direct	Construction	3,000-7,500	200-500
	Operation	1,000-1,500	75-125
Indirect	Construction	7,500-18,750	400-1,000
	Operation	2,500-3,750	125-190
<b>Total</b>	<b>Construction</b>	<b>10,500-26,250</b>	<b>600-1,500</b>
	<b>Operation</b>	<b>3,500-5,250</b>	<b>200-315</b>

Source: Cooper Consulting Co.

be built to allow a direct connection to the Hudson Bay Railroad line at Churchill, Manitoba, to connect with the Central North America Trade Corridor, to facilitate oil development in the Bakken Formation of the Williston Basin in North Dakota, South Dakota, Montana, Manitoba, and Saskatchewan.

The entire combination route for the Alaska-Canada railroad connector would then be completed for both the Dease Lake and Fort Nelson routes as a single-track route by 2015. A second track would be added for the common route segment between Fairbanks and Whitehorse to Jake's Corner by 2020. In addition, it would be planned to electrify the entire railroad route of the Alaska-Canada railroad connector between 2015 and 2020, as both diesel fuel prices and freight traffic volumes progressively increased into the future. It would also be planned to build a series of power plants burning coal and/or other fuels to serve the electrification needs of the railroad estimated as increasing from 500 megawatts in 2020 to 3,000 megawatts in 2050. Additional electric growth would serve the needs of the railroad, as well as facilitate regional economic development for the native reserves, mines, factories, and local communities along the route of the Alaska-Canada railroad connector, through ancillary power demands.

The expected implementation schedule for the Alaska-Canada railroad connector will occur between 2010 and 2020. The project cash flow projections are based on a rail connector startup between Fairbanks and Prince George via Dease Lake in 2008, but an expected startup in 2013 might be more realistic. It is expected that the Fort Nelson connector to Jake's

TABLE 4

### Expected Economic and Employment Benefits of the Proposed Alaska Canada Railway Connector Project

#### A. Economic Benefits:

Expected Benefit	Units Employed	With Railroad	Without Railroad	Net Difference
Transport Time	Days	5-10	3-5	2-5
Transport Cost Savings	Million \$/Year	—	500-1,000	500-1,000
Increased Payrolls	Million \$/Year	—	800-1,800	800-1,800
Increased Activity	Million \$/Year	—	5,000-10,000	5,000-10,000

#### B. Employment Creation:

Political Jurisdiction	Employment Creation Number of Jobs	Population Increase Number of People
Alaska	100,000-150,000	250,000-350,000
Yukon Territory	25,000-75,000	75,000-150,000
British Columbia	50,000-100,000	125,000-250,000
<b>Total</b>	<b>175,000-300,000</b>	<b>450,000-750,000</b>

Source: Cooper Consulting Co.

TABLE 5

### Estimated Capital Cost of the Overall Russian and North American Railroad Connector Network

Railroad System	Name of Corridor	Route Distance		Capital Cost—Million Dollars <sup>1</sup>	
		Miles	Km	Single Track <sup>2</sup>	Double Track <sup>3, 6</sup>
North America	Central Trade Corridor	2,055	3,298	4,896	11,370
	Hudson Bay Connector	1,097	1,760	1,662	5,675
	British Columbia Connector	503	807	200	985
	Canadian Prairie Connector	1,360	1,605	3,794	7,320
	Alaska-Canada Connector	2,490	3,995	5,489	14,745
	Western Alaska Connector	710	1,140	4,189	8,680
<b>Total North American Network</b>		<b>8,215</b>	<b>12,605</b>	<b>20,320</b>	<b>48,775</b>
Bering Strait	Bering Strait Tunnel	65	105	15,400 <sup>4</sup>	25,000 <sup>5</sup>
Russian Asia	Uelen-Egvekinot Connector	275	441	1,075	2,825
	Yakutsk-Chukotka Magistral	1,690	2,715	4,163	10,665
	Yakutsk-Amur Magistral	1,320	2,120	2,600	4,910
	Yakutsk-Irkutsk Magistral	1,140	1,830	2,860	6,280
	Near Polar Magistral	3,125	5,019	10,805	16,265
<b>Total Russian Network</b>		<b>7,550</b>	<b>12,125</b>	<b>21,505</b>	<b>40,945</b>
<b>Total Route Entire Network</b>		<b>15,830</b>	<b>24,835</b>	<b>56,735</b>	<b>114,720</b>

1. All capital costs are reported in 2003 constant U.S. dollars.

2. The single track configuration is based on diesel traction with 20-mile siding spacings.

3. The double track route configuration is based on electrified operation with 5-mile crossings.

4. This cost factor for the Bering Strait tunnel is based on a two-tube tunnel.

5. This cost factor for the Bering Strait tunnel is based on a three-tube tunnel.

6. The double track configuration includes 1,240 miles of triple track on the North American side (Wales-Whitehorse) and 275 miles of triple track on the Russia side in Chukotka/Uelen-Egvekinot.

Source: Cooper Consulting Co.



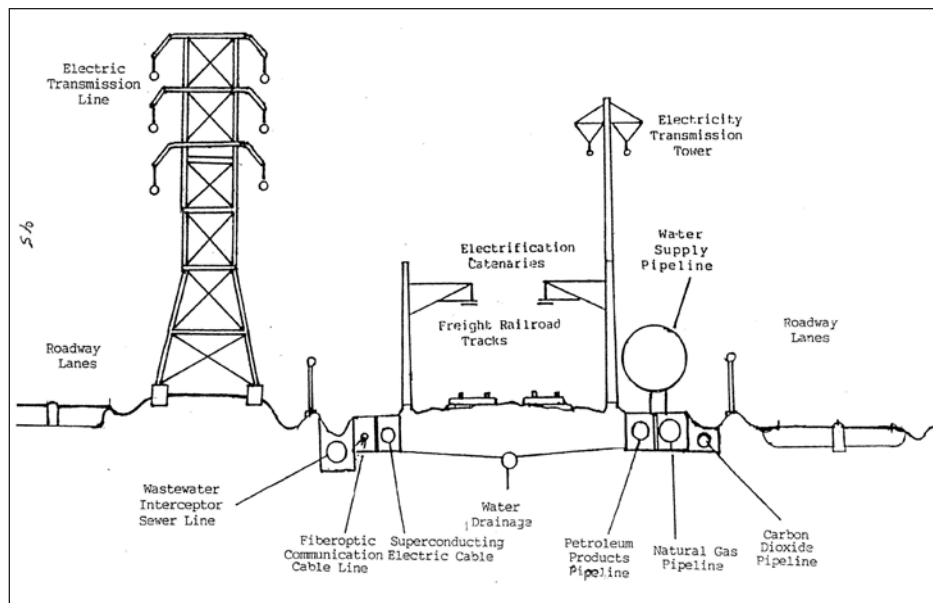
Corner would be completed between 2010 and 2012, with double-tracking to begin in 2015 and electrification after 2015. The proposed development of the Bering Strait railroad tunnel would be expected to have a major impact upon the Alaska-Canada railroad connector after 2020, with the planned infrastructure expansions to be completed between 2015 and 2025 over the entire route. The potential electrification of the Alaska-Canada railroad connector would mandate the construction of a series of regional power plants to supply the railroad operation itself, plus for regional economic and industrial development. The overall generating capacity requirements for these power plants would be expected to increase from 500 megawatts in 2020 to 1,000 megawatts in 2050 without the Bering Strait railroad tunnel as compared to 3,000 megawatts with the Bering Strait tunnel, being completed. There would be an initial requirement of two parallel 250 megawatt units to be built near Whitehorse plus two additional units in British Columbia by 2050, without the Bering Strait tunnel being built.

A total of 12 generating units would be required by 2050 if the Bering Strait railroad tunnel were to be constructed for the railroad operation. The use of coal at these power plants would require initially 1.5 to 1.0 million tons per year in 2020, to increase to between 3.0 and 4.0 Million tons per year by 2050 without the Bering Strait railroad tunnel being built. There would be a total of 9 to 12 million tons of coal required by 2050 for these power plants if the Bering Strait railroad tunnel were to be built for the rail operation alone, because of the then greatly increased freight traffic volumes. The coal traffic being hauled over the rail line would increase with the freight traffic volume being transported.

The electricity from the power plants would then be sold to the railroad for its electrified operations. The possible use of the CEFCO Process at these coal-fired power plants for air pollution emission control, plus chemical and fertilizer production, would result in added byproduct sales revenues of initially \$300 million per year, to increase to \$600 million per year without the Bering Strait tunnel, and to \$1.8 billion per year with the Bering Strait tunnel being built. The electrification option with the power plants will act to foster the economic development of mines and industries in northwestern North America over the long term in these mineral-rich regions, so as to serve industries and residences and commercial activities, as well as the railroad

FIGURE 4

## Proposed Conceptual Arrangement of the Railroad-Utility-Roadway Transportation Corridor as the Basis for Economic Development Between Cities Incorporating the Land-Bridge Idea



Source: Cooper Consulting Co.

propulsion throughout the entire region.

The proposed implementation for the Alaska-Canada railroad connector is as follows. The initial effort will be to complete the 805 mile connector between Dease Lake and Eielson Air Force Base, so that Alaska and British Columbia are joined through the Yukon Territory. The second phase of the project will be to complete the 500 mile link between Jake's Corner in the Yukon Territory with Fort Nelson, British Columbia. The third phase of the project will be to upgrade this entire 1,300 miles (2,085 km) of new railroad and to prepare for double-tracking and electrification over the route network in Alaska, the Yukon Territory, and British Columbia. The final phase would then be to extend the Alaska-Canada railroad to the west from Fairbanks to Wales at the Bering Strait. It is ultimately planned to have the entire route network as double track between Jake's Corner and both Prince George and Dawson Creek, British Columbia, with a triple-track section from Fairbanks to Jake's Corner. There will be a major maintenance facility in Whitehorse, plus smaller maintenance facilities in Fairbanks and Prince George. There will be planned to be intermodal terminals for the railroad in Fairbanks, Whitehorse, Dawson Creek, and Prince George. The operational center for the railroad is expected to be in Whitehorse, at the approximate central junction point for the overall network.

### Economic Benefits

The initial financial analysis of the proposed Alaska-Canada railroad line is based upon an initial capital investment of

\$3.7 billion. This project will have an estimated rate of return on investment of over 15% per year, with a project payout period of 5 to 8 years from the end of construction, for the minimum freight traffic growth scenario, with the Fort Nelson route. For the higher traffic growth scenarios, the expected rates of return on investment will be greater, and the project payout periods will be shorter. The advantage of the proposed Alaska-Canada rail connector from a financial standpoint, is that the freight traffic hauled will go over a long distance of 1,100 to 1,300 miles, as a high unit revenue generation source with a consummately high income level, as compared to conventional rail operations.

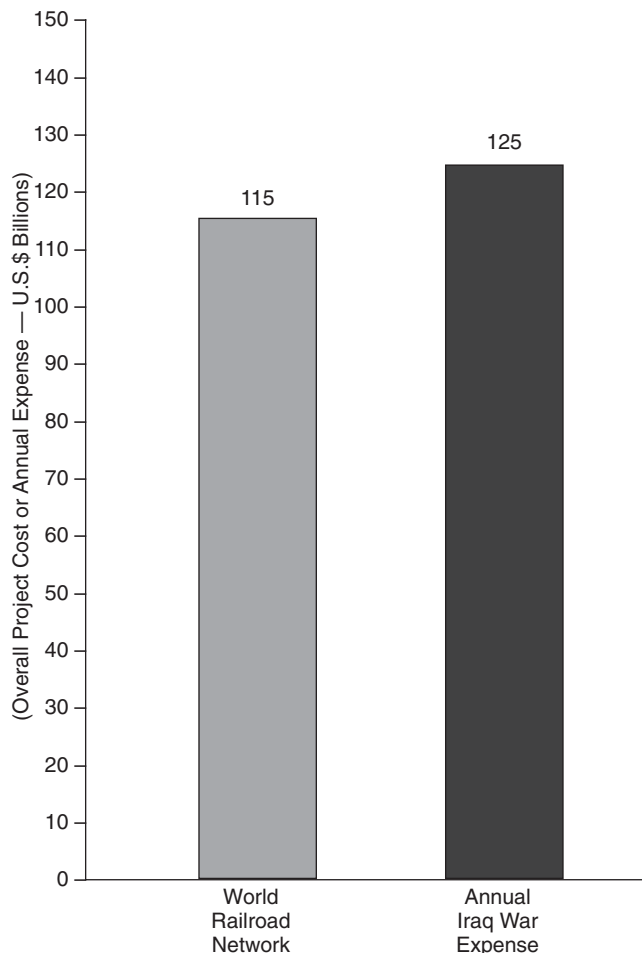
The total capital cost of the 2,400 mile (4,000 km) railroad network will be \$6 to \$10 billion for a diesel powered system, as compared to between \$10 and \$15 billion for an electrified railroad operation. The total estimated capital cost for the overall direct 8,000 mile connector (13,000 km) between North America and Eurasia via the proposed Bering Strait railroad tunnel, is \$65 to \$75 billion. The expected overall capital cost for the entire 12,000 mile (20,000 km) railroad route network between North America and Eurasia, with double-track electrified operation throughout, will be \$125 to 150 billion for the rail system alone. This overall worldwide railroad network will require between 10,000 and 12,000 megawatts of new electric generating capacity, to be supplied through a series of regional power plants, plus electric transmission lines to support the electrification. There will also be additional electric power generation required to support the ancillary local industries, mines, farms, and other businesses, plus for residential and commercial activities. The railroad transportation corridors will necessitate parallel pipelines, plus electric transmission line and utility cables, to be built as the core of an economic development program, as the core of the LaRouche precept in northwest North America.

The proposed plan for the construction of the railroad line connected with or in advance of the natural gas pipeline proposed to be built, would be reduced by between \$2.4 and \$2.7 billion, from a \$20.0 billion estimated total capital cost for transport cost alone, plus another \$1.2 to \$1.5 billion for reduced welding needs. This capital cost savings in the proposed pipeline construction cost, is equivalent to the direct construction cost of \$1.25 billion for the Dease Lake option of the Alaska-Canada rail connector. The capital cost savings for the natural gas pipeline, primarily based on building the Fort Nelson railroad line, would be greater, at \$2.65 billion, as there is a greater haul distance for construction materials and equipment than by the Dease Lake route.

The proposed Alaska-Canada rail project is expected to have a rate of return in investment of 10 to 15% per year, with a repayment time of 15 to 20 years or less, along with an average debt service coverage ratio of 2.0 to 3.5. As a result, it would then be possible to justify some type of long-term loan or bond financing over a 30-year period from 201 to 2040, as traffic increases. The total maximum capital investment for all

FIGURE 5

### Comparative Capital Costs for the Proposed Worldwide Connector Railroad Network and the Iraq War Annual Cost



Source: Cooper Consulting Co.

of the connecting railroad lines in North America and Asia is expected to be \$120 to \$175 billion over a 30 year period. This amount is less than that of the present Iraq War, estimated as \$800 billion to date, which is also the estimated total recovery cost from Hurricane Katrina.

The Fort Nelson railroad line route option will have a higher capital cost than the Dease Lake line, as it is longer, with a greater distance of new line to be constructed. There is more difficult terrain to encounter, especially through the Liard River Canyon to the east of Watson Lake. However, it is expected that the freight traffic volumes on the Fort Nelson line, will be greater in the early years than on the Dease Lake line because the hauling of materials for the natural gas pipeline will occur over its entire route, as compared to only a part of the route with the Dease Lake option, to provide for a short-

er payout period and a higher unit debt-service-coverage ratio. The total capital cost of the Alaska-Canada railroad connector, with both the Dease Lake and Fort Nelson routes included, is expected to be \$6 billion for the diesel power and \$10 billion with electric power for the combination route option, and as much as \$12 billion with the Tintina Trench included.

As a result, the rate of return on investment for the Fort Nelson line is expected to be equivalent to or slightly greater than for the Dease Lake line, if only one route is built to start. The capital cost will be greater for the Fort Nelson line, but its traffic base during the early years of operation will be greater because of the pipeline. However, over the longer period, there is expected to be more freight traffic flowing over the Dease Lake line, because of its shorter distance and more gentle terrain. In conclusion, both lines need to be built at the start, in spite of the greater expense. The payoff will result when the railroad tunnel at the Bering Strait is completed and in operation. Major freight traffic increases are then expected to occur to a level two to three times greater than without the tunnel, so that very large freight traffic revenues will result after its completion. The initiation of passenger service along the Alaska-Canada railroad and the Bering Strait railroad tunnel route to Asia will add an estimated 10 to 20% to the train traffic flows and 5 to 10% to the overall traffic revenues.

The proposed Alaska-Canada railway connector is expected to bring major benefits to the economies of Alaska, the Yukon Territory, and British Columbia. There is expected to be a reduction in the transport times of goods of 2 to 5 days, as compared to the present ship or truck transport, with a potential cost savings of \$500 to \$1,000 million per year in the shipments of these goods. There are also expected to be new direct and indirect payrolls of \$0.8 to \$1.8 billion per year throughout the region. There would also be increased business activity of \$5 to \$10 billion per year over the long term, as a major economic benefit to Alaska, British Columbia, and the Yukon Territory.

The proposed Alaska-Canada railroad connector will have a considerable direct and indirect employment creation potential, along with increased payroll generation from its construction and operation. The construction of the railroad itself will create between 3,000 and 7,500 jobs over a 4 to 5 year period, with annual payrolls of \$200 to \$500 million. The operation of the railroad will create long-term benefits of 1,000 to 1,500 direct permanent jobs over a 30 to 50 year period, with annual payrolls of \$75 to \$125 million per year to the employees, over the life of the project, on a direct basis.

It is estimated that the total employment creation potential of the Alaska-Canada railroad connector will be 10,500 to 26,250 jobs during the construction phase, plus 3,500 to 5,250 jobs during operation. It is expected that there will in actuality be a long-term construction work force for the Alaska-Canada railroad connector, as it is gradually expanded in both distance and capacity over time of 3,000 to 5,000 workers, plus between 1,000 and 1,500 operating employees. As a result,

the total employment potential for the Alaska-Canada railroad connector would be 4,000 to 5,500 direct jobs and between 15,000 and 31,500 total jobs created over the long term throughout the region, including both direct and indirect jobs created by the project.

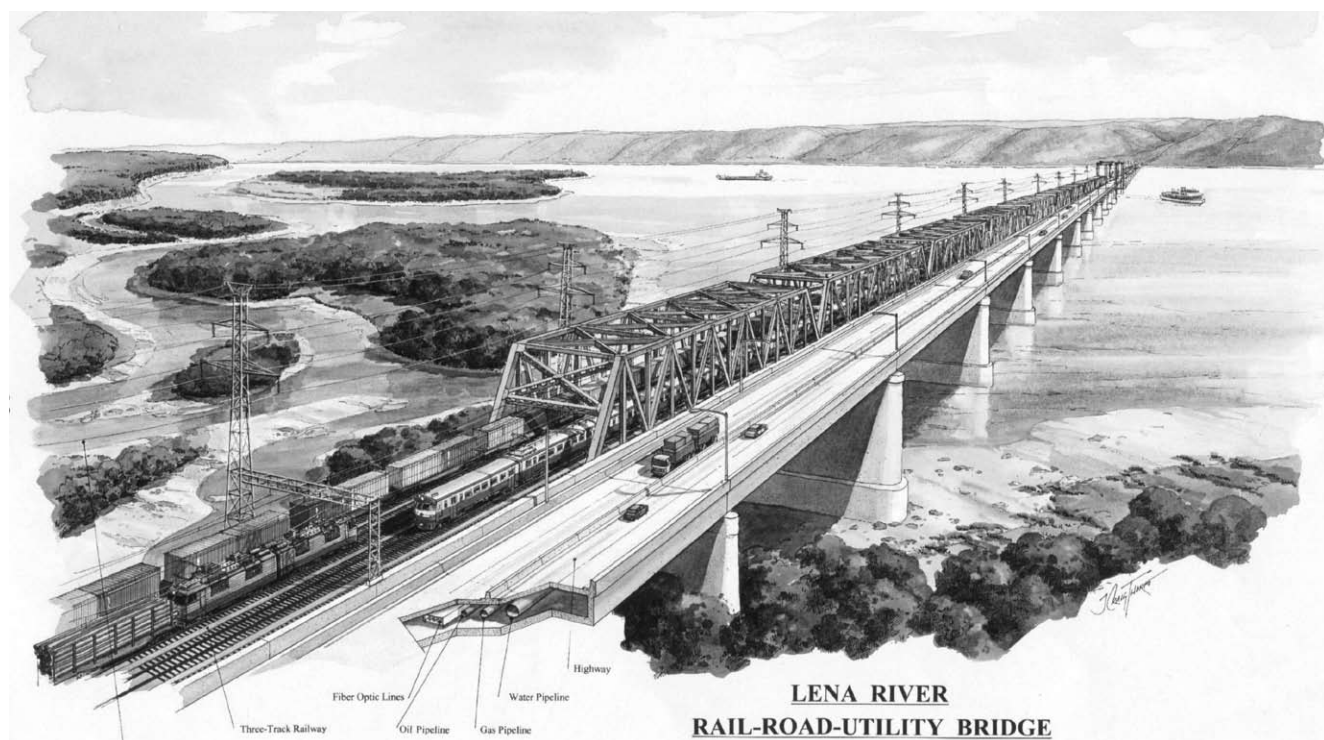
Probably more important than the direct and indirect jobs which are created by the construction and operation of the Alaska-Canada railroad, are the economic expansion opportunities it can create in the affected regions with improved transportation infrastructure. While further studies will be necessary to define its exact magnitude, it is estimated that between 175,000 and 300,000 new jobs would be created in northwestern North America, with the increased business activity resulting from completion of the Alaska-Canada railroad connector. It is expected that between 100,000 and 155,000 new jobs could be created in Alaska, plus between 25,000 and 50,000 jobs in the Yukon Territory, plus between 50,000 and 100,000 new jobs in British Columbia, with new industrial, mining, and trade and transportation-related businesses which result following completion of the Alaska-Canada railroad between Fairbanks and Prince George.

## Conclusion

A technical and economic feasibility study was commissioned of the proposal to build a new railroad line 2,400 miles in length in northwestern North America by the Canadian Arctic Railway to close an 800 mile gap between Alaska and British Columbia. This new railway will be designed to carry goods and machinery to Alaska, the Yukon Territory and northern British Columbia, to foster economic and social development as well as to take natural resources from these northern regions to the rest of Canada and the Lower 48 States of the United States. The proposed Alaska-Canada railway connector is planned as the first critical link in a future worldwide railroad network to connect Asia and Europe and Africa with North America and South America, through a new 65-mile-long railroad tunnel at the Bering Strait between Russia and Alaska.

The major conclusion of the feasibility study is that the proposed Alaska-Canada railroad connector is both technically and economically feasible. There are no serious or overwhelming technical issues which would prevent the Alaska-Canada railroad connector from being built, as existing rail technologies would be able to be used. In addition, there are no overwhelming physical barriers, such as rivers or oceans or mountains, which could prevent its construction or make it cost-prohibitive for the Alaska-Canada railroad connector. There is a technical issue in going through the Bering Strait railroad tunnel to Russia, because of the difference in gauges between standard (4 ft., 8.5 in.) and Russian (5.0 ft.) railways. It is suggested that there be temporarily two parallel tracks built in Russia, with one in each gauge, until a longer-term conversion to a single gauge occurs by the Russian rail system, to standard gauges.





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*The proposed land-bridge would cross the Lena River near the city of Yakutsk, in Russia's Sakha Republic, creating a rail link that would sweep east to Alaska, and south to China.*

The proposed Alaska-Canada railroad connector project is a technically and economically feasible project with no immediately apparent prohibitive impediments. The project will require \$4.0 to \$6.0 billion to complete the 800 to 1,300 miles (1,285 to 2,085 km) of new rail line to be constructed, plus up to 900 miles (1,445 km) of line to be upgraded. The construction of the Dease Lake line is to be followed by the Fort Nelson line, to form an integrated 2,190 mile (3,515 km) railroad network, plus the Tintina Trench line. This project can then serve as the basis for the construction of an 8,000 mile (13,000 km) initial direct rail linkage between North America and Eurasia, at an estimated capital cost of \$65 to \$75 billion over a ten-year period with electric power. This network will then be expanded to a more extensive 12,500 mile (20,000 km) overall electrified route network, which will require up to 10,000 megawatts of added electric generating capacity.

The present feasibility study of the proposed Alaska Canada railway connector concludes that the project is both technically and economically feasible. The estimated capital cost of the new railway project is \$4.0 to \$6.0 billion initially, and ultimately between \$9.0 and \$15.0 billion. Initial project is \$4.0 to \$6.0 billion initially and ultimately between \$9.0 and \$15.0 billion. Initial construction of the Alaska-Canada railway connector is expected to take between four and five years, to be followed by an ongoing construction program of system expansion over the following 10 to 20 years. The proposed Alaska-Canada railway connector is expected to haul freight

in volumes which will progressively increase from 10 to 120 million tons per year over the life of the project, with passenger traffic of 1,000 to 5,000 passengers per day. Major commodities hauled will include coal, oil, natural gas, metal ores, steel, forest products, chemicals, containers, and consumer goods to and from Alaska, the Yukon Territory, and British Columbia. The amount of cargo to be hauled could increase to as much as 300 million tons per year with the completion of the proposed Bering Strait railroad tunnel project. The proposed Alaska-Canada railway connector is expected to generate revenues of \$2.0 to \$6.0 million per year, with net income expected to range from \$1.0 to \$3.0 billion per year over the life of the project. The debt-service-coverage ratio for the project is expected to range from 0.5 to 4.6 in the extreme, with intermediate values of 1.5 to 3.5. The expected rate of return on investment for the project is expected to range between 10 and 20% per year with a project payout period of 5 to 20 years in the extreme case with expected intermediate values of 15% per year and 15 years, respectively. The freight traffic revenues are expected to increase to between \$50 and \$75 billion per year with the onset of full-scale operation. This income, as compared to operating and maintenance expenses of \$35 to \$40 billion per year, with debt payments of \$10 billion per year and fixed expenses of \$5 billion per year, plus transit fees of \$5 billion per year.

The completion of the Alaska-Canada railway connector project is expected to result in 3,000 to 5,000 direct jobs dur-

ing construction plus 1,000 to 1,500 permanent operating jobs upon its completion. The completion of the Alaska-Canada railway connector will make it possible for substantial new economic development to occur throughout all of northwestern North America, with substantial employment, business, and tourism increases. Similar economic benefits will occur throughout all of Eurasia. The total number of direct jobs during the construction of the overall worldwide railroad network as proposed would be as much as 25,000 to 50,000 jobs for as much as 20 years with 5,000 to 10,000 operating jobs for 50 years or more for the railroad itself. The completion of the Alaska-Canada railway connector will set the stage for the joining of the entire worldwide railway system into a unified network to benefit peace and prosperity. Employment creation potential resulting from the completion of the Alaska-Canada railway connector the rest of North America could result in the creation of as many as 175,000 to 300,000 new jobs from expanded business opportunities plus as many as 450,000 to 750,000 new residents throughout northwestern North America. The overall capital cost of joining the worldwide railroad network is expected to be \$125 to \$150 billion, or less than half of the cost of the Iraq war to date.

It is recommended that a combination of public-sector as well as private-sector financing be used with long-term, low-interest-rate loans or bonds. The total capital investment of \$125 to \$150 billion could be collateralized by the pledging of gold reserved in the amount of 200 to 250 million ounces (6,000 to 6,500 tons), based on a present gold price of \$650 per ounce. The interim system revenue need could be supplied by the sale of crude oil on an interim basis of \$10 billion per year to cover initial debt service payments with 150 million barrels per year, until system revenues become sufficient to generate profitable operation for the railroad.

The support of regional government leaders is essential for the Alaska-Canada rail project, from Alaska Governor Sarah Palin, Yukon Premier Dennis Fentie, and British Columbia Premier Gordon Campbell. In addition, U.S. President George Bush, Canadian Prime Minister Stephen Harper, Russian President Vladimir Putin, and Chinese President Hu Jintao all need to provide the support basis for implementing these projects to the mutual benefit of all in terms of worldwide job creation by means of the Northern Strategy for energy and economic development. (It is suggested that this summit meeting would take place in Nome, Alaska, because there is no place like Nome for the meeting to occur!) It will be especially important to involve the aboriginal communities along the route of the proposed Alaska-Canada railway connector, because of its potential impact on their lands and benefits to their peoples. These native aboriginal groups include the Native Corporations in Alaska, the First Nations in Canada, and the Indian Tribes in the Lower 48 States. The respective importance of these native aboriginal groups along the Alaska-Canada railway connector cannot be overestimated, in obtaining the support base for these projects to come to fruition.

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Dr. Markku Heiskanen

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## Scandinavia and the Eurasian Land-Bridge

*Here is an edited transcript of the remarks by Dr. Markku Heiskanen, Senior Fellow at the Nordic Institute for Asian Studies and former Deputy Director of Planning of the Foreign Ministry of Finland. He spoke on the panel discussion, "Projects for the Eurasian Land-Bridge." Subheads have been added.*

Good evening, ladies and gentlemen. It's a pleasure for me to be here, and I would like to thank the organizers for inviting me again, to this meeting. I was here in Bad Schwalbach four years ago, and my presentation was more or less relating to the same subject; to put it briefly: the relations between Northern Europe and Northeast Asia along the so-called Eurasian Land-Bridge.

Let me say, first, that when we speak about the Eurasian Land-Bridge and Eurasia in general, there are different interpretations, first of all, for the concept of Eurasia. I remember, in August 2001, I was in Seoul, participating in a conference on the Korean question, and there was my colleague from Sweden, and myself from Finland. And in my presentation, I said, "You may wonder what do Swedes and Finns do in Korea to discuss the Korean question?" And I said, showing the map, that, "Look, in fact, we are on the same continent, the continent called 'Eurasia': Finland and Sweden in the western part of Eurasian continent, and Korea in the eastern part of the Eurasian continent.

In fact, geographers very much agree that, to cut the Eurasian continent into two parts, divided by the Ural Mountains, is a very artificial division, so that it's very well founded and rational to speak about Eurasia as a whole continent. Especially in my case, and when we are speaking about the developing transportation networks along the Eurasian continent, I think it doesn't matter whether there are Ural Mountains dividing Europe and Asia, or not, because it's more or less one and the same continent. . . .

Before going into the substance of my speech, let me say that, during this conference, we have been discussing very much future projects relating to the Eurasian Land-Bridge, and the question has been put, "Is the Eurasian Land-Bridge becoming a reality?" And my answer is "yes," but we need some patience; we should proceed step by step. But some very concrete steps have been taken already, recently, and more concrete steps are going to be taken in the near future, especially as far as the railway network and

railway connections between Europe and Asia are concerned.

## The History of the ‘Eurasian Dimension’

Let me say a few words, also, about the history of Eurasia and the Eurasian Land-Bridge, or as I call it, the “Eurasian Dimension.” In fact, Eurasia was used already, in very concrete terms, in connection with the Russian Empire, during the 19th Century, expanding toward the East, up to the Pacific Ocean. And in 1808-09, there was a war between Sweden and Russia, and Finland had been, for 650 years, a province of Sweden. And after Sweden lost the war, Finland became a Grand Duchy, an autonomous part of Imperial Russia. And in fact, at that time, let’s say after the middle of the 19th Century, there was a Eurasian empire, extending from the Aaland Islands, which used to belong to Sweden, close to the Swedish western coast, up to Alaska. As you certainly know, Russia conquered and owned Alaska up till 1867, when Alaska, which has been very much discussed today, was sold to the United States.

At that time, even before the Trans-Siberian Railway was completed in 1902, there were many Finns who travelled to northeast Asia, and even up to Alaska, using then, mainly the sea lanes, and so on. And at that time, this northern Eurasian continent belonged to one state, and even from the westernmost part of this empire, a few inhabitants of small Finland could move up to Alaska, and there were hundreds of Finns working there, and even two Finnish governors.

Then, in 1902, the huge project was concluded, that is, the Trans-Siberian Railway, which is about 10,000 kilometers long. And I think during today’s discussions, it was pointed out that if this new railway will be constructed to the Bering Strait, it’s going to be very difficult work; but let’s keep in mind that the Trans-Siberian Railway, was constructed more than 100 years ago, using technology of that time. So, I think it’s rather now a question of the political will, and how to allocate the budget, when we want to realize such projects which probably sound a little bit futuristic.

Let me concentrate now on what is going on in the Eurasian railway system today: There are several corridors in the northern part of Eurasia, along which the rail traffic is running more or less normally. The northernmost route is the Trans-Siberian route from Moscow to Vladivostok, which was completed in 2002. It’s now a two-track railway corridor, fully electrified, and also it’s now computerized, so that when containers are moved from Europe to Asia, and vice versa, the customers can always know where their containers are. It has been working very well, and a couple of years ago, I think it was 2004-06, there was an explosive increase in container cargo traffic along this Trans-Siberian Railway. But then, suddenly, Russian Railways increased the tariffs, so that the sea lanes became more competitive, and the cargo on the Trans-Siberian Railway dropped almost to zero. Now, the Russian Railways have lowered the tariffs and so, the traffic is reviving again.



EIRNS/Julien Lemaître

*Dr. Markku Heiskanen, a Senior Fellow at the Nordic Institute for Asian Studies in Finland, addressed the Schiller Institute conference on the role of Scandinavia, and the Trans-Siberian Railway, in the Eurasian Land-Bridge.*

I had the opportunity to be in Lianyungang in China—it’s a harbor city—also in Shanghai, in 2002, when there was a ten-year celebration of a railway transportation line which the Chinese called the Euro-Asian Transport Corridor, that was solemnly opened in 1992 by the Prime Minister of China. And the idea was a very good one, to open a railway route from eastern China to Western Europe, from Lianyungang, to the port of Rotterdam in the Netherlands. It was quite symbolic, I think, to the success of this good idea, that there were about 200 invited guests in Lianyungang. I was the only one from Europe, and I was there because I happened to work on this Eurasian railway issue in Copenhagen. There was nobody from Holland, nobody from Rotterdam. And the explanation was that this railway corridor “does not work.”

Why doesn’t it work? It doesn’t work, therefore, it wouldn’t be technically feasible. The problem is that you have to cross so many frontiers—and not even that is a big problem, to cross the frontiers. You have a frontier between Finland and Russia; the trains can cross the frontier in one hour, or even less. But the problem is, that you have so many different cultures, and then you have many countries where the administration is not—should I say—not working very legally. You have corruption, very bureaucratic systems, and so on. And really, it hasn’t been feasible.

So, most recently, besides this Trans-Siberian Railway, which is working very well, there have been efforts to open, in the northern part of the Eurasian continent, some other rapid, or more or less rapid railway transportation lanes. And one is from Finland through Russia, to Manchuli which is on the



# The Northern East-West (N.E.W.) freight corridor



Courtesy of Transportutvikling

Russian-Chinese frontier, and then across this frontier, up to Tianjing, Beijing, and other cities in China. It's working. We have had some test trains, and it's working relatively well. I think you can do it in some 12 days from Helsinki to Tianjing; it's about one-third of the time that's needed if you send the same cargo by ship, and the price is more or less about the same at the moment. But this is still being tested and there's no regular traffic.

There is one possibility and one alternative, which in principle works, but not so well in practice, which is a corridor from Russia through Mongolia to China.

## **The 'Iron Silk Road'**

But then, the most interesting and exciting, I should say, option relating to this Northern Eurasian railway system, is the project to open the so-called "Iron Silk Road," from the Korean Peninsula to Europe. And this is an idea proposed by [then] South Korean President Kim Dae-jung in 2000 when he met North Korean leader Kim Jong-il in Pyongyang. And then, they agreed—the North and South Korean leaders—that they should cooperate to open the Korean Peninsula for traffic to be connected to the Trans-Siberian Railway and to the Chinese railway corridors.

There was positive and concrete progress after this summit in 2000 in Pyongyang; and as you certainly remember, the so-called North Korean nuclear issue broke out in October 2002, and froze most of the axioms of so-called "Sunshine Policy" of South Korea. But South Korea was insisting to the United States that this railway project must be continued, and it was amazing that in June 2003, two railway corridors were opened across the Demilitarized Zone between the two Korean states, the frontier which is characterized as the most heavily guarded frontier in the world.

I saw a documentary shown by South Korean generals, how this work was done, because there were thousands of mines along these corridors, which were still used about 50 years ago before the Korean War broke out. And the two corridors in cooperation between South and North Korea were opened by June 2003, and there were very low-profile—unfortunately, very low-profile—ceremonies where the rails were linked. So that the North and South Korean engineers were just putting together the rails, and that was symbolically a very big step forward. This was not covered by the world news media. They covered all the negative news very punctually from Korea, but when something very positive happens—no coverage in general, in the Western press.

Well, after reconnecting the rails, there was some break in this development of the Iron Silk Road. One of the last dramatic obstacles for making that a reality, that is, to connect South Korean and North Korean railway systems further to Trans-Siberian and Trans-China railways, was the nuclear test which was done by North Korea in October of last year. But then, suddenly, the United States changed its policy toward North Korea.

I think there were many reasons for that change.

I think one of the factors for how the process was started in a more positive way, was that Assistant Secretary of State Christopher Hill was appointed special envoy of the United States for the so-called Six-Party Talks to tackle the North Korean nuclear issue. And the Six-Party Talks as you surely know have been extended, so that now also economic cooperation has been one of the subjects, including also, at least indirectly, this railway cooperation.

Perhaps now, I will use some minutes to explain to you what is the present situation relating to this Iron Silk Road project. It's characterized often as a railway line from Pusan to Paris, and I think even Mr. LaRouche has been using this same concept. When we are in Finland and in the Nordic countries, we always emphasize that there is another mainline to the northern part of Europe, and I think, also referring to what Hal Cooper said about the multimodal system [see above]: There's a project of the International Union of Railways to open a railway corridor from China, also through Russia, Finland, Sweden, to Norway; and from Norway, from the Port of Narvik, to start a multimodal transportation corridor to the eastern coast of North America.

But I think the most recent, or most concrete prospect for opening this so-called Iron Silk Road is that, before the South and North Korean railway networks are connected, we make one little step, but very relevant step, forwards: And that is, that from the Russian-North Korean frontier, there's about 50 km to a port called Rajin in North Korea, and in South Korea, Najin. And this is a port to which there is a railway track also, of the same gauge as Russia has; and Finland, from the time when we were part of Imperial Russia, we have had the same gauge. The gauge, as I think Hal Cooper said, is nowadays a problem; you can change the bogies, I think they call them, very easily, but if you have the same gauge, it's a certain benefit.

## **The North-South Korea Rail Link**

And now, North Korea, South Korea, and Russia are negotiating how to open this port of Rajin for traffic, so that it would be connected to the Trans-Siberian Railway. And when it's estimated that to link the South and North Korean railway network to the Trans-Siberian Railway, it will cost between \$5-7 billion; that's mainly to renovate the North Korean railway system, and this would take between five to seven years. So, this the first step to open the first part of the Iron Silk Road, from North Korea, via Russia to Western Europe, I think it is not cheap, but one estimate I have seen is about \$2 billion and it can be done, I think, in one or two years, or even faster.

Well, this is very, very promising, and let's see what's going to happen in this project. If and when this Korean connection is realized, so the Trans-Siberian Railway can be utilized in full, the Trans-Siberian Railway from Moscow from Vladivostok, is 9,288 km, and if it is open from Pusan, the south-



ernmost port of South Korea, one of the biggest container ports in the world, so it's going to be about 12,000 km. It's longer than the route across China, using the different corridors that I mentioned: the Manchuli, Mongolia, and then trans-China to Kazakstan, and from Kazakstan to various parts of Europe.

But the benefit is that we can estimate that when there is a deal between South and North Korea that the trains can transit through North Korea to Russia and to China, most likely there's no heavy control on the frontier; and in the case of the Trans-Siberian Railway, where the train leaves Pusan, the next frontier to be crossed is between North Korea and Russia, and most likely, that will be also quite flexible. Then, this will take about two days across the Korean Peninsula. From the frontier between North Korea and Russia, to Moscow—I think it's about nine days. And then, if you then go on to Finland, in our case, so you can do the whole thing from Pusan to Helsinki, in about two weeks. Once more, it's about one-third the time that's needed by using shipping sea lanes.

So, that's a quite attractive option, and most likely is also becoming quite competitive. There are other programs—I'm not going to go into details—with the sea traffic. Now, that traffic is rising, I think one of the main reasons is that the Chinese imports need more and more ships, container ships. And then, there are congested ports, in various parts of the world. And then, I think one very competitive factor when you have the trains, is that they can move in all weather conditions; if you have minus 40°C, ice and snow storms in Siberia, it doesn't matter—the trains move. And also, nowadays they are very punctual: When the customer knows the train is leaving Vladivostok, or let's say Pusan in the future, on Sunday, he knows that next week on Wednesday at 5 o'clock, it's in Helsinki, or in some other part of Western Europe. And all the time, you have the satellite monitoring; all the time, the customer knows where the container is.

And then, I think, last but not least, one common belief which is based on the past, is that people are asking if it's secure? They have been hearing that cargo, or even whole trains have disappeared. That was true once upon a time, a little bit, I think paradoxically, when the Soviet Union collapsed. When the Soviet Union existed, for instance, the Japanese car companies were using the Trans-Siberian Railway to transport cars to Europe. But when the Soviet Union collapsed and there was a certain uneasy period in Russia, it also had an influence on the Trans-Siberian Railway. And so, for

instance, the Japanese car companies and other big companies lost their interest in the Trans-Siberian Railway, and it's very difficult to regain that confidence again. But I think it's quite possible.

### **Transporting Oil From the Russian Far East**

Then, I think my last example, about the quite huge—I should say—approach as far as this Iron Silk Road connection from Korea to Europe is concerned, is that, there are some Russian oil companies, operating in the Russian Far East, which are interested in utilizing an oil refinery which is in North Korea in this port I mentioned, the port of Rajin. They're interested in reactivating this oil refinery. And they are estimating the production of refined oil from Rajin, could reach the amount of 6 million metric tons/year. And this refined oil would be then transported by train, along the Trans-Siberian Railway, to Western Europe, to various destinations in Western Europe. And the experts estimate that the volume of this oil transportation would be about 200,000 TEUs [tons of oil equivalent].

To give some background to this figure of 200,000 containers a year, I think the present annual capacity of the Trans-Siberian Railway is about 450,000 containers, and the peak of the transportation grid in 2004 was about 150,000 containers. So, it's a question of really, a very important prospect.

Then, one thing about logistics—I'm not a logistics expert myself; I'm probably something like a political economist. But, one of the rules in logistics, anyway, is that the shortest distance is not always the most feasible, and not even the fastest, and not even the cheapest. And one example in the case of Finland, was, that most of that traffic—which was about 150,000 TEU containers in 2004—most of that traffic crossed the frontier between Russia and Finland. And then, for instance, I think mainly the exports and the cargo came from South Korea and China, from Shanghai and Pusan, electronics and many other similar products, which were shipped to Vladivostok, and then transported by train to Finland. And then the Finnish enterprises in Finland delivered the electronics and so on to the Russian market. So that was the most feasible way. After the tariffs went up, that ended, but the logistical law worked. And now the same electronics and same products come again to Finland, but now using the sea lanes. So, I think this is very interesting.

Politically, I think if the railway traffic through the Korean Peninsula can be started; it is certainly a very important confidence-building measure. And in May this year, the first test trains, after 56 years, crossed the inter-Korean frontier. And it remains to be seen, now, when on Oct. 2, the South Korean President Roh Moo-hyun is going to travel for an official visit to North Korea, whether he will go by train, as he has expressed the wish. If he could do it by train, I think it's a huge, symbolic sign to the world that the Korean deadlock can also be solved.

Thank you very much.

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## The Sicily-Tunisia Tunnel: Link to Africa

*Italian economist Dr. Nino Galloni spoke on the panel, "Projects for the Eurasian Land-Bridge," on the topic, "The Sicily-Tunisia Tunnel and the Extension of the Eurasian Land-Bridge into Africa."*

The Italian Agency for Alternative Energies (ENEA) and the Sicilian Regional government have recently presented a feasibility study concerning underground and underwater segments of up to 60 kilometers, for a tunnel across the Channel of Sicily, connecting Italy with Tunisia. Therefore, in the case under examination, researchers have suggested the construction of four intermediate islands which will be built with the excavated material; in this manner, the cost of waste disposal will also be reduced. In addition, the four islands would represent a financial asset in the operation, because they can be utilized for stocking the local sea fauna and selective fishing, as well as for quality tourism.

The plan takes on particular value if it is better integrated into the network of global infrastructure going from the Bering Strait (connecting the Americas to Asia and, therefore, to Europe), to the Mediterranean and Africa; those infrastructure networks also include the bridge over the Messina Strait and the Gibraltar tunnel between Spain and Morocco (ca. 37.8 km). In this way, there would be uninterrupted circulation of means of transport of goods and passengers along the Mediterranean coast, going through Italy, France, Spain, Morocco, Algeria, Libya, Tunisia, and, of course, all of the bordering countries.

The financial plan based on the estimation of costs performed by the ENEA researchers calls for 20 billion euros [ca. \$28 billion], and proposes to collect the money through advanced sales of tolls which, once the project is finished, can be resold, used, or transformed into shares of the state-run, or mixed public-private firm that runs or owns the infrastructure. According to the same researchers, the presence of the four islands will allow for reducing finishing costs even under the projected ten years, as each section can be reduced to only 30 km.

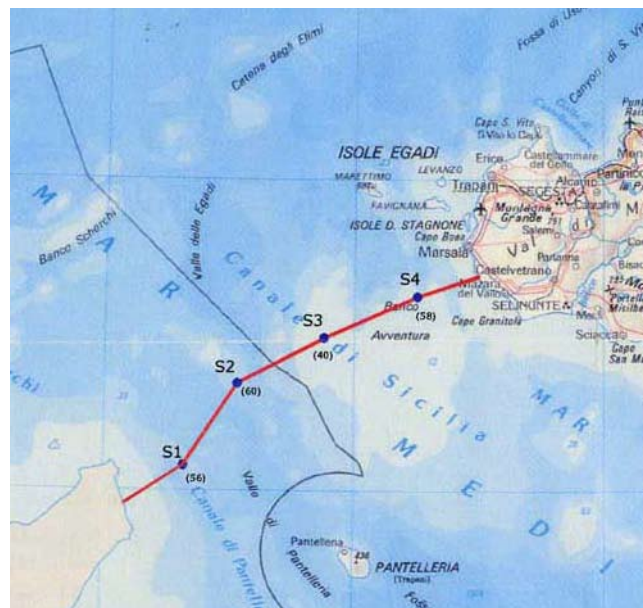
Any shares or tolls will be issued for a price of 100 euros



EIRNS/Julien Lemaître  
Dr. Nino Galloni

(it should double in ten years), and applied to the equivalent of one medium-tonnage truck. Considering a transit frequency of one truck every five seconds, in both directions, for 20 hours a day, you have 20 billion euros to be amortized over 40 years at constant value, but in half the indicated time, if the values or prices of tolls double every ten years; of which, the initial ten years coincide with the completion of the work, and the next ten years with the first decade of activity. Therefore, the project seems to be sustainable, and governments can ask private investors for money, or issue currency that will not create inflation, exactly because it will start to generate income ten years later. (Thus, one could also choose to consolidate currently circulating short- to medium-term speculative financial instruments at high risk of insolvency, and instead spread them out in a project which is long term, real, and generates income.)

States and governments can maintain majority control and raise funds through the methods described above, not forgetting that a significant portion of income will be generated by the management of the islands for fishing and tourism, which on both the Sicilian and Tunisian sides, already have an ancient and deep-rooted tradition.



● Artificial island — Tunnel route

ENEA

*Planimetric scheme for the tunnel under the Channel of Sicily for the Europe-Africa rail link.*

# Dialogue on Eurasian Land-Bridge Projects

*Here are selections from the discussion that closed the Sept. 15 evening conference panel on “Projects for the Eurasian Land-Bridge.”*

**Q:** This bridge across the Strait of Messina and then to Tunisia: How long is the bridge from Italy to Messina, to Sicily? And then how long is it to Africa, in kilometers?

**Nino Galloni:** From the west of Sicily, Marzara del Vallo to Capo Bona, Tunisia, is 138 km of sea. Messina is 270 km, that’s the east of Sicily. The bridge over Messina is less than 3 km. I used to swim that, when I was younger, between Messina and the Reggio Calabria.

The southern tunnel is 138 km. Yes, its submarine and sub-terrain is 150 km, about 100 miles, because the tunnel surfaces near the four artificial islands we spoke about before.

**Q:** What is the maximum depth of the water?

**Galloni:** The depth is almost 60 meters, it’s not very deep.

**Q:** It’s very similar in some respects to the Bering Strait. You have a longer connection, similar depth of water, and a double track railroad tunnel—that’s what you plan to build?

**Galloni:** Yes, yes.

## On the Ground in Canada

**Q:** Hi, I’m Rob Ainsworth from the Canadian LaRouche Youth Movement, and we just finished a trip into Alberta, to organize the Westerners around this Bering Strait Tunnel project, so I thought I’d just add a couple of things in terms of intelligence from the ground, on what Canadians are thinking about this. Well, the Canadian government’s standpoint on the Bering Strait Tunnel is that it doesn’t exist. So, we’ll just get that out of the way—but that’s to be expected from what we’ve got in power right now.

However, there are openings within the population, and what we found was that the people are extremely excited about this. For the first time, they see something that can unite the entire country around a common mission.

At the same time, in Alberta, they are planning to build two 1,100-MW reactors in northern Alberta, that Hal Cooper mentioned earlier. They’re also now considering a high-speed rail network between Edmonton and Calgary, which

are the two main cities in this province, so of course that line would connect right into the Bering Strait Tunnel and the related railroads. So, that’s the situation there.

And you’re seeing a whole change across the country toward nuclear power right now. They’re building eight new reactors in Ontario; they’re building some out on the East Coast as well.

So, in terms of what we see here, and how this would connect into the rest of Canada, what are your thoughts in terms of the work that you’ve done in Canada, and what you think on this? Because there’s another option to build a railroad right across to Churchill—maybe we could rename it Roosevelt in the future.

**Hal Cooper:** In my feasibility study, I actually look at that corridor, coming from The Pas, just inside Manitoba, over south of Fort McMurray. With all of the development that’s going on there, that’s a significant corridor. And in addition to that, the extension of the tar sands, the heavy oil deposits, actually goes down along the border of Alberta and Saskatchewan into Montana.

I’m glad that that nuclear reactor idea is going forward, because there isn’t going to be enough natural gas. And you didn’t say anything about what your prognosis is about the pipeline from the MacKenzie River delta, but would you like to offer one?

**Ainsworth:** Pipeline for natural gas?

**Cooper:** Yes, from MacKenzie River down to Fort McMurray: Is that going to happen, or not?

**Ainsworth:** We’re going to have to see. I don’t know, really.

**Cooper:** My understanding is that the First Nations up in the Delta area are very much in favor of the gas, and ones south of them have said, “You’re going to build it over our dead bodies.” And they can’t come to a resolution. And the feeling that I’m getting from there, is: Don’t count on that pipeline being built at all! Unless you go through the Yukon. Is that yours, too?

**Ainsworth:** Yes, well, we’re going to have to address some definite cultural issues, as Mr. LaRouche was saying earlier, in terms of what’s been done to the aboriginal peoples, the ideology. And just the general environmental ideology in Canada.

**Cooper:** Imperial Oil, as you probably will agree, is acting like “imperial oil”!

**Ainsworth:** But anyway, things are very positive, at least in the population, they’re much further ahead. And the interesting thing about Albertans is that they have a sense that they’re building something.

**Cooper:** Oh, no doubt about it. If you could find a way to get those revenues that they’re getting, to put some of those projects together, they’ll get built, because Alberta—I’m sure it’s your experience as well as mine—it’s just one big boom-

town. You know, believe it or not, they now have air service every morning, to fly people from Edmonton to Fort McMurray, and back in the evening, who work there! They commute by air. Because there's no housing in Fort McMurray to speak of.

**Ainsworth:** Yes, you've got people at McDonald's making \$30 an hour.

## Maghreb Development and the British

**Q:** Yes, I'm from Germany here, and I would like to ask a question to Dr. Galloni. You've been talking about the bridge between Sicily and Tunisia, about the bridge between Spain and Morocco. I would like to ask, how do you see the problem of the West Sahara conflict and the Polisario, affecting the development of the Maghreb region?

**Galloni:** I have to remember to think of my family, to respond to you. Because when my grandfather died, the only song my grandfather, who had the same name as I do, Antonino, went to Cairo to study with relatives. And he was walking along the streets of Cairo, at the beginning of the last century, and he was very angry over the English colonialists who had fought the people, going with [tanks] into the roads, and fought the people.

So, in my family, for a century there has been an anti-English sentiment because of this thing my grandfather mentioned in his lifetime.

Think how many people are being embattled, martyred, injured by worse—not coming from good things, because worse always comes from bad things. But at the same time, we have had centuries of cooperation between the Mediterranean area and Italy, and especially Sicily and the North of Africa. For example, Arab people say, "Sicily is the only Islamic land without war." It's a joke, but there are the roots to think toward cooperation, fraternity. We have the goal to put in front of our lives, solidarity, fraternity, and economic, cultural, and social cooperation.

Of course, both solutions are possible: war in all manners—I mean, economic, military, physical, nuclear, or what you want—or cooperation and a peaceful program and goals. This is my answer to your question.

## Economic Schizophrenia

**Q:** What is the status, if any, of the proposal to build a tunnel under the Strait of Gibraltar between Spain and Morocco? Is there anything going on with that, because I know feasibility studies have been done.

**Galloni:** The status of the project is that it has been approved by the Spanish government, but in the beginning phases. The problem of these infrastructures—I mean the bridge over Messina, the tunnel between west Sicily and Tunisia, and the Morocco bridge or tunnel, and so on—is the financial means: If we don't understand that it's possible today to have these means, projecting the revenues coming

from works in operation, then it is impossible to raise these funds.

Because we are in a schizophrenic economy: We have on the one hand, the derivatives, financial speculation—worth 60 times the world production. On the other side, we haven't the money when we need something to make good investments or to have the money to buy the bread for people. This is the schizophrenia of our economy.

**Q:** You have spoken now about the major lines. How do these concepts of transport come down to the local level, to the regional level? How is this being organized? You have the major arteries, the development corridors, but then, how is it organized to go down to the local level, and really reach the ground, the villages?

**Markku Heiskanen:** It's everyday business. In the case of Finland, I told you that the major part of the Trans-Siberian Corridor to the west, came to Finland, and we have very big delivery stations there, a number of companies.

There are Finnish companies, of course; there are South Korean companies, there are Chinese companies, which take care of cargo. So that most often when a container—let's say for instance, from Samsung, one of the big customers—when their TVs, computers and so on, arrive in a city called Kuopio, or nowadays by ship to the Finnish harbors, it's only a few hours before they are loaded onto the trucks, and the trucks take them then to Russia and also of course to their Finnish destinations. So that it's working, it's working very well.

The volume has gone down for a while, as far as railways are concerned. But as I told you, according to the logistical laws, when the tariffs on sea lanes were lower, the same products come from South Korea and China, to the Russia market, through the Finnish ports.

**Elke Fimmen, Moderator:** Today, you have heard a lot of very necessary concepts to be realized. And obviously not all the projects which are necessary, which are already in discussion, could be presented. I would just like to mention the campaign of the Schiller Institute in Denmark, on the question of the Kattegat Link via magnetic levitation trains, where we have really created a huge political discussion.

But I think, what also became clear today, is that what we need is a political fight, to use this period where the financial system is breaking down, to create and build a new future on the level of the physical economy, which has at its center, the idea of increase of productivity, but also the idea of the image of man, which is really the most important resource in the economy.

So, this idea that technological progress and the culture renaissance really must go together, is what is guiding our conference, as you have seen today. . . .



ON VERNADSKY'S SPACE

## More on Physical Space-Time

by Lyndon H. LaRouche, Jr.

September 13, 2007

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*My receipt of the translation of Academician V.I. Vernadsky's **On the States of Physical Space** as a Festschrift for the occasion of my 85th birthday, prompts the following remarks: as this effect upon me was probably intended by my relevant dear friends.*

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One may wonder: how well did Carl F. Gauss know the orbit of the asteroid Ceres? The orbit, as Gauss defined it correctly at that time, is known; but, the universe in which Gauss's thinking was located, remains poorly understood, even among professionals, still today.

The time came, when I was to meet with that LaRouche Youth Movement (LYM) team of volunteers which had been chosen by others, and then assembled, with me, for beginning its mission of reliving of the actuality of the process of Gauss's discovery of that orbit. That was the occasion on which I first challenged the LYM to discover the often overlooked difficulty which confronts any student of Gauss's relatively successful result in this matter.

The problem, I emphasized, then, as now, is that Gauss, then, after the death of Abraham Kästner in 1800, as still later, was working within that hostile environment for European science which had been created by a succession of adverse circumstances. These were conditions shaped by both the Napoleonic wars and, under the regime of Prince Metternich and his like from the period of 1815 onwards.<sup>1</sup> Under those spe-

cial, menacing political conditions, which were widespread in the science-environment of that time, prudence impelled Gauss, often, out of an understandable sense of discretion, to hold back some among the most significant, controversial features underlying many among his leading discoveries: where my native, outwardly militant disposition would not have permitted me to do so.

I warned those assembled for this mission, that they must ask themselves: *What were those hidden features, and why was Gauss committed to suppressing certain among the relevant, underlying facts about his own discoveries? What is the difference between the method Gauss employed for his discoveries, and his method of presenting the proof of that which he had achieved with such justified pride? Why is there such a difference?*

The source of the problem lay not in Gauss himself, but in the state of mind of most among the audience to which virtually all of his discoveries were presented for publication in those times.

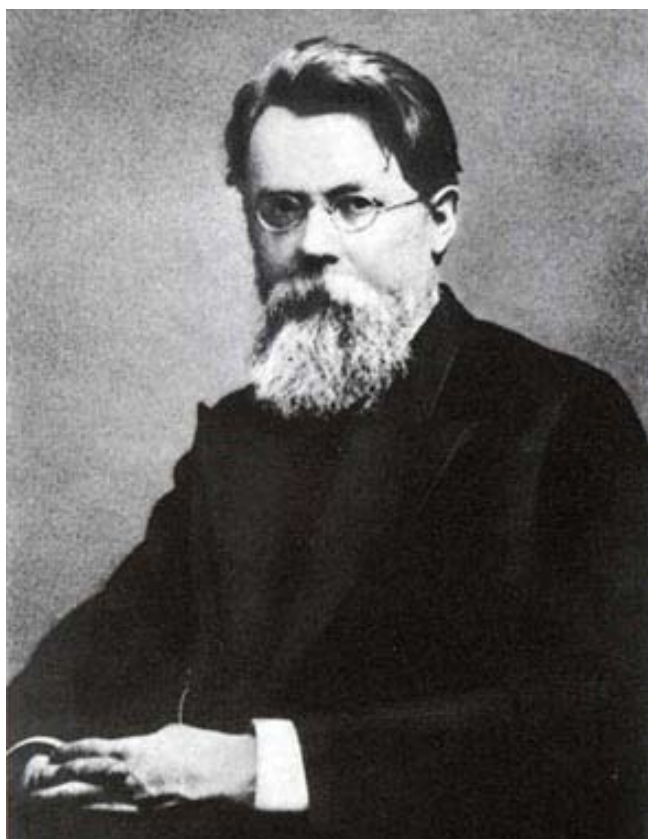
That fact of the matter is illustrated by the exemplary case of Gauss's reference to his own earlier discovery of an anti-Euclidean mode in physical geometry.<sup>2</sup> The Gauss living under the political conditions menacing early Nineteenth-Century science, often chose to present his discoveries *without taking the political risk* of fully uncovering the actual method by which he had achieved them; this is the case even for some among his most notable discoveries. In such cases, his explanation of the discovery, which, although an accurate

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1. The period from Napoleon Bonaparte's installation as Emperor onward was a time of a deep and widespread cultural decadence, called Romanticism. Romanticism's influence as a form of corruption infecting newborn generations of prominent figures of science and artistic composition and its performance, is typified by the influence of the corrupt Augustin Cauchy in physical

science, and Liszt and Richard Wagner in music. See Heinrich Heine on the subject of the Romantic School, for an example of the problem.

2. C.F. Gauss to C.L. Gerling Feb. 14, 1832: in Kurt-R. Biermann, *Carl Friedrich Gauss: Der "Fürst der Mathematiker" in Briefen und Gesprächen* (Munich: Verlag C.H. Beck, 1990), pp. 27, 137.



*A birthday gift of an original translation of Vernadsky's On the States of Physical Space inspired LaRouche to write this piece, in which he locates the crucial discoveries of the great Russian scientist in the tradition of the Pythagoreans and Plato.*

description of the result itself, often differed significantly from the means which he had actually employed for those publicly reported achievements.<sup>3</sup> The sometimes heated quality of the correspondence between Gauss and Jónas and Farkas Bolyai, son and father (and others), on the subject of non-Euclidean geometry, typifies the kind of challenge which those who would be serious students of Gauss, must face and resolve.<sup>4</sup>

That kind of challenge to today's student, was not manifest in that problematic form, in the written reports of their own work by predecessors of Gauss such as Kepler and Leibniz. It is also notable, that Gauss's follower Bernhard Riemann, was to be much franker about the method of his own

3. Typical is Gauss's treatments of his argument against the empiricists in the matter of the Fundamental Theorem of Algebra, and the related matter of quadratic reciprocity. See note, below.

4. Loc. cit. There was, and remains, a fundamental difference in principle between the Riemannian *anti-Euclidean* geometry which was the impulse of Gauss's teacher Abraham Kästner, and the modified form of Euclidean geometry typified by the work of Lobatchevski and Jónas Bolyai. As Albert Einstein was to emphasize, Riemannian physical geometry was already implicit in the principal discoveries of Kepler, and also, as Einstein would probably have concurred, in Cardinal Nicholas of Cusa's *De Docta Ignorantia*.

discovery, where Gauss had often been cautious on this point.<sup>5</sup>

On that occasion, I cautioned the LYM team, that, therefore, before jumping, prematurely, to what might appear to be obvious conclusions, they must concentrate on digging deeply into the virtual map of the way in which Gauss's mind actually worked on the Ceres project, and, also, in work on other subjects treated by him at later times. I warned the LYM team that their special challenge in this case would be, that although Gauss provided his readers with a description of the results of his discoveries, such as the Ceres orbit, their task would be to seek out the pattern of evidence which underlies the actual outlook and method which Gauss had employed for the actual process employed in certain among his crucial discoveries, such as, already, in the case of the discovery of the orbit of Ceres.

So, in a comparable sort of case, there is often a crucial difference between the acceptable quality of the honest explanation which a manufacturer might provide the professional employing that manufacturer's product, and the different, deeper nature of the scientist's duty of informing both his colleagues, and future generations, of the method by which the discovery had been actually generated. The requirement of reports on discovery of principles of science, is providing other scientists, or students in science, with *the act of experiencing* that relevant quality of experience which corresponds to an exact description of the actual quality of experienced mental process by which the product's crucially relevant features had been discovered.

In science: if you, as student, for example, have not replicated what I shall clarify here, as the relevant act of specifying the parameters of design required for the relevant proof-of-principle experiment, you, like most who have been trained scientifically in the empiricist or positivist schools, do not actually know, yet, what you are talking about.

### **‘Quadratic Reciprocity’**

This set of considerations obliges us to turn our attention to the most profound of the issues of the method required for scientific progress in general.

From the work of the ancient Pythagoreans and Plato, through the crucial discoveries, as by Nicholas of Cusa, Leonardo da Vinci, Kepler, and Leibniz, as capped, thus far, by that of Riemann, Einstein, and Vernadsky, all actually competent science is always to be rooted in the subject of astrophysics. There is nothing merely coincidental in that choice. For those among us who are thinking clearly today, those relevant, better-known ancients, such as the Pythagoreans and Plato, used the concept of the “universal” to signify either the notion of the entire existence of the known, stellar universe, or a physical principle which could be implicitly attributed, pervasively, to be characteristic of the whole interior of the domain of

5. As in the opening two paragraphs of Riemann's 1854 habilitation dissertation.

that universe, so defined.

At first impression, the starry universe appears to be spherical. Why is that so? Does that appearance not imply that a quality of “sphericalness” bounds the universe? If so, does something else, of a still higher authority, bound that apparently spherical quality of boundedness? These are not merely coincidental questions; these questions imply a different question of deadly seriousness: How was this stubbornly persistent appearance of spherical boundedness generated for the mind of man?

Two great questions are implied in that set of questions. *The first of these questions*, is expressed in the form of the elementary notion of an anti-Euclidean geometry of the type underlying the physical science of the Pythagoreans and the related circles of Socrates and Plato. *The second, deeper question, which is also implied in certain features of their work, as also the famous argument of Heraclitus*, is, *to what degree is the way in which we acquire reliable scientific knowledge, itself a reflection of the “architecture” of what appear to be the specifically biological conditions under which all valid human knowledge of the universe is organized?*

Kepler’s uniquely irreplaceable, original discovery of the principle of universal gravitation, has continued, in fact, to typify the proper modern use of the term “universal” to the present time.

In the course of time, one member of the team working on Gauss’s discovery of the Ceres orbit brought up the matter of Gauss’s ominous remarks on the subject of *quadratic reciprocity*. Gauss’s emphasis on that matter should have startled the reflective scientist; it startled the LYM team. Thinking, hours later, of the discussion which that question had provoked, I was delighted! At the next opportunity to present my case, on the following morning, I presented the team my thoughts in explanation of Gauss’s remarks. I also presented them with a footnote I had prepared the previous evening for intended publication in a major paper of mine in progress of completion at that time. This bears on a crucial feature of Vernadsky’s *On the States of Physical Space*.<sup>6</sup>

That observation, on quadratic reciprocity, typifies, exactly, the distinction to be made between Gauss’s actual method of discovery, and the frequent manner in which he not only presented, but defended his actual discovery later. I am as gratified as a “proud papa” by what that LYM team itself has done, actually independently of my explicit direction, to that effect.

## Kurt Gödel’s Paradox

As I emphasized in the referenced location, the general implication of Gauss’s famous remark on quadratic reciprocity, is a reference to the fact that we humans are a very special type of species among living processes; this implication points

6. See Section I:13 of this Vernadsky work itself; also the entirety of Section II. A provisional English translation of this 1938 Vernadsky paper was presented as part of the Festschrift for my 85th birthday.



arttoday.com

*Conditions imposed by the Napoleonic wars and the regime of Prince Metternich, impelled Gauss, “often, out of an understandable sense of discretion, to hold back some among the most significant, controversial features underlying many among his leading discoveries.” The challenge LaRouche posed to a Youth Movement team was to discover those hidden features. Here, Gauss with his collaborator Wilhelm Weber.*

attention to the underlying fact of the way in which we must envision the means by which our living physical organization carries within each of us, a certain set of what might be regarded, for purposes of pedagogical exercises, as a set of deep, quasi-axiomatic-like characteristics; these characteristics express, in themselves, the conceptual powers associated with our ability to form experimentally validated conceptions of the lawful characteristics of our universe. This, for example, is a relevant, much deeper implication of Kurt Gödel’s famous work exposing the systemic fallacies permeating Bertrand Russell’s *Principia Mathematica*.<sup>7</sup>

As a matter of a relevant bit of my own autobiography, I had always despised the customary form of secondary education in Euclidean geometry. That is to say, from about the first moment, during my adolescence, I had encountered it. That dislike, with its accompanying theological implications, turned out to be, later, over the years, one of my most important, most crucial personal achievements, respecting the benefits this would produce in my progress during that and later decades of my life’s work. *A priori* presumptions, as typified by the disgusting hoax known as the definitions, axioms, and postulates of a so-called Euclidean geometry, are to be recognized by the attentive mind, as the very essence of formalist

7. Lyndon H. LaRouche, Jr., “The State of Our Union: The End of Our Delusion,” *EIR*, August 31, 2007. See note 42, p. 37.





EIRNS/Will Mederski

When a member of the team of LaRouche Youth Movement scientific explorers, working on Gauss's discovery of the Ceres orbit, raised a question about Gauss's concept of quadratic reciprocity, LaRouche reports he was as "delighted" as a "proud papa." Here, LYM members work on geometry, in Seattle.

types of the school of Sophistry to which Euclid himself adhered. Whoever clings to Euclidean or kindred assumptions, has thus crippled, if not ruined, what would have been, otherwise, his or her ability to think clearly about the most crucial qualities of scientific and other matters.

A valid form of primitive scientific method, rejects the notion of the functionally ontological existence of a Euclidean, or Cartesian, "four-square" space. All competent mathematical thinking proceeds, initially, primarily, from spherical functions such as those familiar from the work of the Pythagoreans, Plato, et al. Physical space-time is then located "outside" a spherical universe, but in a special way. Spherical space is the virtual screen on which our notion of events in physical space are projected.

However, there are certain crucial complications.

First, as I have emphasized in my August 29, 2007 "Music & Statecraft: How Space Is Organized,"<sup>8</sup> human mental sense-perception is usually defined primarily in terms of the contradictory experience of vision and hearing, as Kepler's discovery of the general principle of Solar gravitation illustrates the point. In fact, the mutually contradictory of all of the relevant senses employed in a particular experience, define the "dimensionality" of the relatively immediate experience of physical space-time. The universal physical principles expressed within that framework of sense-experience, rather than either visual or auditory space, define the proximate reality of knowledge relevant to sensory experience.

Thus, although we must reference experience to that notion of sensory interactions, rather than a single quality of sense-perception, it is the product of that multi-sensed view of

our experience which informs our useful view of events within the frame of reference of functional spherical space. That provides us the general perspective on the notion of physical space-time.

However, that is not the end of the matter. As man's ability to discover and employ universal physical principles informs us, we do not live within a fixed ordering of the universe. The universe which we human beings know, is *anti-entropic*. Not only do discovered universal physical principles exist; the human aptitude for more advanced discoveries, is an active principle of the universe which we occupy, and which we, thus, to a large degree of approximation, may define.

Here lies the deepest implication of Kurt Gödel's exposure of the hoax in not only Bertrand Russell's *Principia Mathematica*, but the incompetence of all devotees of Russell's argument, such as Pro-

fessor Norbert Wiener, John von Neumann, and their neo-Malthusian and other followers today.

That refutation of Russell's argument, is the implicit principle of Riemannian physical space-time.

The virtually *a priori* universe we inhabit, is defined for us by what we are, functionally, in our universe. This pertains to both the way the paradoxical juxtaposition of our sense-organs' functioning defines a real world distinct from that of crude sense-certainty. However, since the human individual contains a manifest, principled form of power over "nature" lacking in all animal species, it is not sufficient to recognize the way in which our biological organization determines the axiomatic features of the way which define physical science, and related matters. We are also distinct from all other living creatures in respect to the creative powers which separate us from the beasts.

There, in those higher powers which distinguish us as a species, lies the faculty of the true scientific method through which we are uniquely equipped, differing thus from other living species. Our knowledge of scientific principles lies in that special quality we express as members of a human species. There, precisely here, lies the essence of scientific method.

In short, it is the prescience of an individual mind's original discovery of a new (anti-entropic) physical principle of the universe, which must be included as both a supplement to, and as superior to the function of the interaction of the senses. It is the whole nature of mankind, including that principle of creativity which is absent in the beasts, which defines the organism man, and, in this way, defines the principled properties which the creative individual human expresses as mankind's power in, and over the universe.

8. *EIR*, Sept. 21, 2007.

# LaRouche Backs Peres on Peace Talks With Syria

by Dean Andromidas

On hearing of Israeli President Shimon Peres's call for Israeli-Syrian peace talks Sept. 18, Lyndon LaRouche gave it his full backing, adding, "Isn't it time for a war-proof design for nuclear desalination? Isn't Syria a likely partner for Israel for such an agreement?"

On Sept. 26, LaRouche added: "I think that the time has come for Peres to do something like what he has proposed—negotiations with Syria—and that Peres is ideal for this purpose. I fully support Shimon Peres's proposal. I understand that there are a lot of problems around it, but we've got to get something started now. We have to start someplace. It's obvious that Syria will be willing to cooperate, not as a patsy, but in the sense of getting into discussion. So—let's do it. The key thing here—forget about making a package deal. You have a package in mind, we'll get to that, but don't start with the package.

"The key to breaking this thing... is the Israel-Syria negotiations. No other condition.... The idea that you get this guy, this guy, this guy together. No! You want to make this the personal pride of a faction in Israel and a faction in Syria. Make it their personal baby, and they will make it work. When you try to get too many people involved in it and too many conditions—'this here deal'—no! No 'this here deal.' Just take Peres's thing in my name. I'm backing Peres personally.

"After this deal is made, it opens up the door for other things. Trying to get too many things in there, agreement of too many parties on a big deal, is the mistake. What I did as a proposal some years ago, was right. But, to get action now, you have got to have something exceptional. And Syria and Israel are an exceptional proposition. And Shimon Peres is exactly the guy to do it....

"It's necessary not to get everyone in on the act, because

you won't get an agreement. What you want to do is demonstrate that the basis for agreement exists between Israel and Syria on the idea of peace between them, which we would hope would be spread throughout the region—to inspire others. Let's not waste this opportunity by trying to make it too complicated.

"Peres is reliable for this. He's really the only figure in Israel who has any credibility for this kind of operation. Others may come in and become credible, but he's the one who has the credibility now. I'm confident that he does have the credibility, and that he has a better understanding than many other people do. Give the guy a chance to win. Let him go ahead and get something. We do not have to dictate what he has to accomplish. I understand that he understands, that something has to be done in this direction, to get off this damned stalemate. And it's in the vital interests of both Syria and Israel."

The Peres initiative came out publicly on Sept. 18, when he told a group of foreign reporters at his Jerusalem office: "The nervousness in relations between ourselves and Syria is over. We are ready to negotiate directly." Hours earlier, the Israeli newspaper *Ha'aretz* reported that Prime Minister Ehud Olmert had said that he is prepared, under the right circumstance, to begin peace talks with Syria "with no preconditions." Olmert was speaking with Russian journalists at the time, who had asked him about U.S. opposition to Syrian participation in the upcoming Middle East peace conference in Washington.

## A Time of High Tension

The talk of peace with Syria comes at a time of high tension in the region, which is bracing for what is seen as an in-

evitable U.S. attack on Iran, with possible Israeli participation. Then, on Sept. 6, the tensions rose, when Israeli warplanes allegedly penetrated deep into Syria, triggering fears of an Israel-Syria war.

Syria denounced the overflights as a “flagrant aggressive act,” but the Israeli government neither confirmed nor denied the event, and continues to keep an ironclad silence. The Syrian government said it would “retain the right to respond in an appropriate way,” and in the face of Israeli silence, gave this report on the events: Israeli aircraft had penetrated Syrian airspace along the Syrian-Turkish border where they were intercepted and confronted by Syrian anti-aircraft fire near Deir Ezzor, a town near the Turkish border. The Israeli planes then retreated at high speed, breaking the sound barrier, and jettisoning munitions and their extra fuel tanks, one of which landed on Turkish territory.

A look at a map strongly suggests that the flight path of the Israeli aircraft was vectored for a strike on Iran, a suggestion shared by intelligence sources.

In contrast, the British *Sunday Times* and *Jane's Defense Weekly*, along with neo-conservatives such as former U.S. envoy to the UN John Bolton, spewed outrageous claims that the Israelis were targetting secret nuclear weapons—or missile bases—backed by the Iranians or the North Koreans. This disinformation was obviously intended to raise tensions between Israel and Syria, and propagandize for a U.S. and/or Israeli strike against Iran.

But another Israeli initiative—an apparent attempt to defuse the tensions created by the Israeli overflights—came, when well-known Israeli commentator Ron Ben Yishai, who writes for Israel's largest daily *Yedioth Ahronoth*, filed a report from the Turkish border town Deir Ezzor, where the Israeli planes reportedly met Syrian fire. Ben Yishai interviewed local residents who said they heard Israeli war planes break the sound barrier on Sept. 6, but had seen no bombs. A photo showed Ben Yishai standing in front of a sign at the Dair Ezzor Research Center, an agricultural research institute which was presumably the site described by Western media as anything from a secret North Korean-backed nuclear facility to an Iranian-backed missile facility.

Confirming the Syrian report on what had happened, one resident said, “There were a few Israeli planes here that



U.S. Embassy, Tel Aviv/Matty Stern

*President Shimon Peres at a press conference with Secretary of State Condoleezza Rice in Jerusalem on Sept. 20. Peres is the only figure in Israel, LaRouche said, who has the credibility to successfully negotiate an agreement with Syria. Syrian President Bashar al-Assad (above, right) has called many times for reopening of negotiations with Israel.*



UN Photo/Eskinder Debebe

made supersonic booms over the city and maybe even dropped something. We didn't hear any explosions on the ground.”

Ben Yishai also visited Damascus and the Syrian-controlled side of the Golan Heights. Since Syria is considered an “enemy country,” his visit had to have had the approval of the highest levels of the Israeli government—and obviously, also high-level approval from the Syrians. It is also notable that the owner of *Yedioth Ahronoth* is said to be a good friend of Shimon Peres.

But this fact-finding mission was blacked out by the Western media. And instead, the day after Ben Yishai's report on Sept. 26, neo-con John Bolton continued, and intensified, the drumbeat for war, with another claim that Israel had bombed a Syrian nuclear or missile facility backed by North Korea.

## The Real Name for Peace Is Water

Despite these tensions, and the crude war-party propaganda, the reality is that, as LaRouche notes, the time is ripe for peace. Syrian President Bashar Assad has been calling on Israel for months to open negotiations. In an Israeli-Syria conflict, neither side could win a war worth calling a victory. It would be even worse for Israel than the 2006 Lebanon War, where, despite a massive bombing campaign against Lebanon, the militant group Hezbollah was able to rain rockets over half of Israel. Syria has rockets that could hit anywhere in Israel.



Until now, the Bush-Cheney Administration has *blocked* Syrian-Israeli peace talks, but a strong lobby of retired U.S. military officers, diplomats, intelligence officers, politicians, and peace activists has been pushing the Israeli government to open talks. These circles know that peace talks with Syria would strongly complement peace talks with the Palestinians, who are now deeply divided between Hamas and Fatah.

LaRouche hit the mark when he recommended the one substantive issue that can be addressed: freshwater, and the prospects of nuclear-powered desalination as the only means of expanding the overall supply. In fact, all the countries in the region have initiated efforts to acquire nuclear power reactors for electricity and desalination—especially Israel, Egypt, and Jordan—the three countries that made peace agreements with one another long ago.

In August, Infrastructure Minister Benjamin Ben Eliezer announced that Israel intends to build a nuclear power reactor to generate electricity, and for water desalination (it would be Israel's first civilian nuclear power plant). He said that Israeli would consider a joint project with a neighboring country. The major obstacle is that Israel has not signed the Nuclear Non-Proliferation Treaty (NPT), *and* it is a undeclared nuclear power with, allegedly, 200 weapons. Israel is reportedly approaching the Nuclear Suppliers Group of the International Atomic Energy Agency about an exemption from NSG technology controls. But, this would only be possible in the context of successful regional peace talks.

Also in August, Jordan announced through its Committee for Nuclear Strategy, its intention to build a nuclear power station by 2015, and have 30% of Jordan's power needs provided by nuclear energy by 2030. Jordan also has uranium resources that could be exploited.

Then there is Egypt, which in 2006, announced the completion of a feasibility study to establish a nuclear power station for electricity and desalination at El Dabaa on the Mediterranean coast. By 2015, it hopes to have completed the construction of a 1,000-megawatt reactor.

Syria, which has a chronic electricity shortage, has been considering a nuclear power reactor for the last decade. In 2003, it was in serious discussions with Russia for a \$2 billion dollar reactor for power generation and desalination. But the plans were shelved by Russia because of the Bush Administration's aggressive policy against Russia-Iran nuclear cooperation, and the Bush-Cheney hostility to Syria as well.

These projects could now be integrated into a regional program, as proposed in LaRouche's "Oasis Plan" for regional development, in the fields of transport infrastructure and nuclear power generation for electricity and desalination. It has been three decades since LaRouche made this proposal; the time is more ripe than ever to carry it out.

# Years of Instability Now Haunting India

by Ramtanu Maitra

India will most likely undergo midterm elections in the Lok Sabha, the Lower House of Parliament, sometime in 2008, almost a year before the present Congress Party-led minority coalition government, the United Progressive Alliance, completes its five-year term. The Indian Communists, with 61 parliamentary seats, have made clear that they are no longer willing to support the UPA government, and, as a result, the Manmohan Singh-led UPA will have to step down, yielding to the call for an early election.

It is almost a certainty, however, that the coming elections will fragment the Indian political scene even further. Both national parties—the Congress Party and the Bharatiya Janata Party (BJP), which together hold 250-odd seats in the present 540-seat Parliament—may further lose their grip in the next Parliament. Neither national party is offering solutions to the dire economic problems, which is why they are in so much political trouble. Their fragmentation would enable a mishmash of regional parties, each with 40-50 seats, and no national program or national vision, to emerge together as winners of a large majority of parliamentary seats.

It is a foregone conclusion that any government that comes to power under those circumstances cannot have a lifespan of more than two years.

Despite the danger, the likelihood of an early election is very real, and most of the political parties—small and large—have already begun preparing for it.

With the intent of rejuvenating the party by inducting new leaders, the Congress Party, a shadow of its past under the organizational leadership of Mrs. Sonia Gandhi, has asked all eight party general-secretaries to resign—a signal that elections are around the corner.

The second largest party, the BJP, during its three-day National Executive session in Bhopal, Madhya Pradesh, Sept. 21-23, called upon party members to "re-dedicate" themselves to wrest power from the "divided" ruling coalition at the Center.

The issue on which the government will be brought down has not fully emerged, although the Indian Left's opposition to the India-U.S. nuclear deal is often cited as the likely issue. The Left has urged Premier Manmohan Singh to delay implementation of the controversial nuclear deal by six months, raising apprehensions that during that period, the Left expects that India will have a new government, which would re-evaluate the entire nuclear deal.



Press Information Bureau of India

*India's Prime Minister Manmohan Singh may face new elections very soon, because of the government's failure to develop infrastructure and improve conditions for the rural poor. The problem is that none of the opposition forces has a national vision or program for moving the country forward.*

## The Left's Powerplay

General Secretary Prakash Karat of the Communist Party of India-Marxist (CPI-M) told the government that the nuclear deal should be put on ice until it resolves differences with leftist parties which oppose the India-U.S. agreement. Indian leftists allege that the nuclear deal would bring India too close to the United States and undermine New Delhi's independent foreign policy.

So far, on paper, the Manmohan Singh government has not yielded to the Left's demands. Nonetheless, it is reported that the Indian Atomic Energy Commission chairman, Anil Kakodkar, who attended the Sept. 16 annual meeting of the International Atomic Energy Agency in Vienna, did not negotiate with the IAEA authorities a safeguards agreement necessary to make the India-U.S. deal operational.

Finalizing an India-specific safeguards agreement is one of the key steps to move the deal forward. Now it is mired in political controversy, with the Left parties threatening to withdraw support from the government if it goes ahead with the IAEA negotiations on safeguards.

The nuclear pact would give India access to American and other Nuclear Non-Proliferation Treaty (NPT) signers' nuclear fuel and equipment, even though India has tested nuclear weapons and has not signed the NPT.

Despite the ruckus created by the Left over the nuclear issue, many Indian analysts claim that the Left will pull the rug out from under the UPA government only over an economic issue, such as, the government's deviation from the Common Minimum Program adopted in 2004. India's Left parties did not join the United Progressive Alliance, but gave their support from the outside, in essence endorsing the Common Min-

imum Program as a way of providing to their own constituents a rationale for such an odd arrangement. Although the Common Minimum Program was part of the arrangement of parties to form the government, it was formulated after the 2004 elections and was not endorsed by the people.

The main points covered in the Minimum Program are:

- The scrapping of key elements of the previous BJP government's privatization program. The new government will not sell off profitable state-run firms, and the privatization of loss-making firms will be decided "case-by-case."
- A pledge to raise spending on education to 6% of Gross Domestic Product and to encourage more foreign investment in the oil and energy sector;
- A promise to "fully empower" women;
- Equal treatment in education and work for religious and caste members;
- Giving a "fresh thrust" to relations with the Arabic world of West Asia. The government also said it stood by India's commitment to an independent Palestinian homeland.

In recent months, CPI-M, the main component in India's parliamentary Left, has claimed that the UPA government has reneged on its promise to adhere to the Common Minimum Program.

## Failed Economic Agenda

Be that as it may, it seems that India's Left finds no reason to attach itself any longer to the UPA government, because its observations suggest that the government-in-power has become highly unpopular and politically weaker. There is no doubt that in this observation the Left is not off the mark.

One does not have to travel the length and breadth of India to see that the UPA government has done precious little for hundreds of millions of Indians, and it did even less in developing the physical infrastructure of the country. The country's power situation is in total shambles and a vast majority of India's rural poor have no access to safe drinking water.

Education is no longer a concern of the government and it has been handed over, lock, stock, and barrel, to private investors who have seized upon it as yet another money-making opportunity. As a result, the cost of education has reached a level that neither the poor, who never really had an opportunity, nor a vast segment of the middle class, who earlier had the capability, can afford it any longer. Subsequently, the UPA government's further dilution of its commitment to the already inadequate comprehensive employment-guarantee program for the country's rural poor, suggests that the issue of joblessness was not a matter of serious concern at the highest levels.

To begin with, the reason the previous BJP government was summarily thrown into the dustbin by the Indian electorate in 2004, was its inability to bring about a change on the employment front. The BJP suffered from a lack of vision and did very little in the way of developing India's basic physical infrastructure. It is astonishing that Manmohan Singh and his coterie failed to realize that a country with a billion-plus pop-

ulation and without an adequate level of physical infrastructure—power, water, faster railroads, health, education, and so on—can pursue an economic policy which focusses entirely on a higher GDP growth rate.

## **Despair in India's Farmland**

In addition, the deepening crisis facing India's vast multitude of farmers threatens to spoil the party in Mumbai, where India's main stock exchange seems to be on steroids, and in Bangalore and Hyderabad, the two major IT centers. Because thousands of farmers' suicides could not be kept under wraps any longer, India's Minister of Finance (and darling of Wall Street) Palaniappan Chidambaram put agriculture at the center of India's last budget. But, these have turned out to be mere empty words.

A cynic may point out that Chidambaram's shedding of crocodile tears, over the farmland destruction presided over by the last two administrations in India, was centered on the fact that one of the ironies of democratic India is that it is the poor who vote. And, this could well be the current government's principal reason for placing agriculture at the center of the last budget.

With annual growth in manufacturing and in services each topping 11%, agriculture's 2.3% growth rate not only pulls down the overall growth rate—the object of worship of the Manmohan Singh government—but explains the despair that haunts India's millions of rural poor.

India, which has the potential to feed the world, could not meet its basic need for food grains during the early years of the nation's independence. The Green Revolution of the 1960s and 1970s dramatically improved yields in the country. By the end of 1980s, India boasted that it had achieved not only self-sufficiency in food grains, but had become a grain-exporting nation. In 2006, however, for the first time since the Green Revolution—and in part because of changes in agricultural policy—India had to import wheat. India will again have to import food grains in 2007.

The Congress Party-led government-in-power has taken yet a further step downward. While farmers struggle to stay alive, agricultural production cannot meet demand. Rising food prices are fueling inflation, causing further suffering among at least 500 million Indians who struggle to live on less than \$2 per day. In addition, there is a mini-housing bubble, triggered by foreign investors pouring in to convert water-starved, low-profit agricultural lands into residential areas in and around India's metropolises, and easy housing loans made available by the government to the beneficiaries of India's present distorted economic policy.

In this context, the rise of the Maoists in the vast economically underprivileged belt of India is not simply a phenomenon of bad governance: The root cause is the feeling of hopelessness among a large number of rural poor. No doubt, there are other ingredients involved in making the Maoists so powerful that they seem to pose a threat to the security of the nation.

To begin with, the strengthening of the Maoists in Nepal in the north played a crucial role in rejuvenating the Maoist movement in India. That rejuvenation is not based upon the re-emergence in a different form of the tested and failed ideologies, but the successful development of a smooth conduit of arms and drug money.

The Maoist insurgency in Nepal has been waging a "People's War" since early 1996, with the purpose of overthrowing the state and replacing it with a New People's Democracy under its control. Over the years, the Nepali Maoists (CPN-M) have not only strengthened their position inside the country, but have established links with Maoist groups across the border, in particular, with the People's War Group (PWG) and the Maoist Communist Centre of India (MCCI), based in the Indian states of Andhra Pradesh and Bihar. There have been reports that the PWG, the MCCI, and the CPN-M have virtually set up a Compact Revolutionary Zone stretching from Nepal, across Bihar, Jharkhand, Chattisgarh, Orissa, and Madhya Pradesh to Andhra Pradesh and Karnataka in India. If this zone is fully established, it will facilitate the Maoist groups in India and Nepal procuring weapons without interruption, and facilitate the exchange of goods.

## **Real Leadership Is Lacking**

There is every reason to believe that a mere fresh set of parliamentary elections will not undo the damage that has already been done. Both the national political parties of India—Congress and the BJP—have leaders who have no vision and have been largely marginalized in such large states as Uttar Pradesh, Bihar, West Bengal, and Tamil Nadu. Their administrative performances during the last eight years, briefly described here, have alienated them from the vast majority of the Indian population. State-level elections during the period speak clearly of their utter organizational and administrative failures. In most of the Indian states, these two parties are no longer trusted.

As a result, regional parties like Telegu Desam (TD) in Andhra Pradesh, the Samajwadi Party (SP) and the Bahujan Samaj Party (BSP) in Uttar Pradesh, Janata Dal (U) in Bihar, DMK and AIADMK in Tamil Nadu, National Congress Party (NCP) in Maharashtra, and the Left in West Bengal and Kerala, have elevated their position from kingmakers to potential kings. Most of these parties have a single-state presence and would not garner more than 40 seats. (The Left is an exception, having the potential to win as many as 60 parliamentary seats.)

Although some of the leaders of these regional parties have done well in administering their respective states, they have no national program and no real understanding of the country as a whole. Despite all these shortcomings, the 1 billion-plus Indians will still have to depend on them for leadership in the coming years. It is a tragedy which can cause serious damage not only to the Indian nation, but also to the increasingly volatile and unsettled populous South Asian region.



# India Gets an Offer For Thorium Reactor

by Ramtanu Maitra

The Indian Atomic Energy Commission received an offer in September of a novel type of thorium breeder reactor from the California-based Dauvergne Brothers, Inc. This is a significant development, because India has been considered a pariah state since its rejection of the Nuclear Non-Proliferation Treaty (NPT) and testing of nuclear explosives in 1974 and in 1998. Since 1974, India has been prohibited from getting any nuclear-related technologies, or other technologies that the nuclear-weapons states consider can be transformed for utilization in India's nuclear power development.

The proposed Dauvergne reactor is fuelled with a fissile start-up material like uranium only once, when the reactor begins operation. After that, the reactor runs for its full operational life on uranium-233 (U-233) which is bred in the reactor core from thorium.

It is likely that New Delhi will ignore the offer, because it would undermine India's already developed plutonium-triggered thorium-reactor program, and it is thought to have been floated primarily to curb India's ongoing plutonium-extraction process. It is also suspected in New Delhi that the offer has the backing of the Bush Administration, which wants India to stop its production of plutonium.

Dauvergne Brothers, Inc. (DBI) was founded in June 1965 by Hector A. D'Auvergne. In 1968, the company initiated research on the packaging of thorium in a nuclear reactor in order to produce hydrogen as an energy carrier, thus creating a new commodity in thorium as an energy source. DBI has continued advancing its thorium program, with ongoing concentration on nuclear vessels and biomass to produce a commodity for the replacement of gasoline.

Sustained research by DBI scientists and engineers resulted in the company's development of a thorium-fuelled reactor, according to its website. DBI claims that its reactor "starts up using conventional uranium-based nuclear fuels, and incrementally converts to an all-thorium fuel cycle over a period of 10 years, using India's abundant supply of thorium ores to maintain energy independence."

Computer simulations of the DBI thorium breeder reactor show that a single load of 25% uranium-oxide fuel and 75% thorium-oxide will keep the reactor running for a decade. "In that time, enough U-233 will be bred in the thorium oxide fuel to increase the output power of the DBI reactor core by 50% adding only fresh thorium oxide as fuel," the DBI website reports. After that, no uranium ores are needed.

DBI claims that after approximately ten years of opera-



Department of Atomic Energy, Government of India

*India's Kakrapar Atomic Power Station, two units of 220 megawatts each, came on line in 1993 and 1995. Both make use of thorium fuel; eight other Indian reactors in the planning stage, will also use thorium.*

tion, much of the activated thorium fuel would be transferred, without any reprocessing necessary, into a second-generation DBI reactor core that would have higher power output than the first. "Fresh thorium breeder bundles will be added to perpetuate the cycle." In addition, DBI claims, unlike the zirconium fuel cladding of most breeder reactors, the DBI fuel capsules are derived from an industrially available material that is much less expensive than nuclear-grade zirconium alloys.

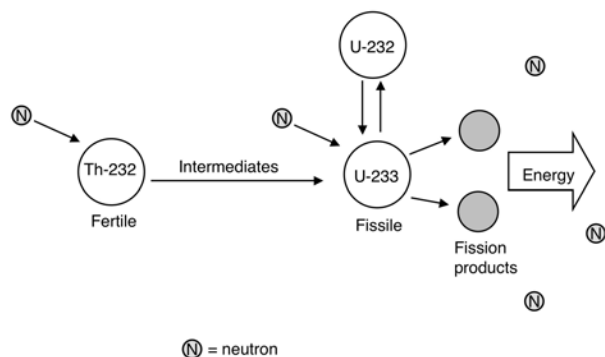
## India's Own Thorium Reactor

From the initial look of things, the offer is laudatory. Thorium, which India has in plenty, cannot be directly burned in a reactor, but has to be converted into fissile U-233. India's own thorium utilization strategy hinges on reprocessing the spent fuel from the thorium reactor—a contentious issue between India and the United States because of the plutonium involved. Thus DBI claims that its reactor design, which eliminates reprocessing, is tailor-made for the Indian situation.

However, in a research program that took India almost three decades, Indian scientists and engineers have designed a thorium-fuelled nuclear reactor which is planned to be India's "bread and butter" in generating nuclear-power-based electricity to deal with the nation's power-starved situation. The design of the indigenous thorium reactor took almost seven years to reach its present level. In contrast, the proposed DBI reactor is still pretty much at the blueprint stage.

In August 2005, Indian nuclear scientists V. Jagannathan and Usha Pal unveiled before the international community the revolutionary design of an Advanced Thorium Breeder Reactor, the ATBR, that can produce 600 megawatts of electricity for two years "with no refueling and practically no control maneuvers." India is presently developing its commercial version of this thorium reactor. Designed at the Mumbai-based Bhabha Atomic Research Centre, the ATBR has been

FIGURE 1  
Simplified Diagram of the Thorium Fuel Cycle



The neutron trigger to start the thorium cycle can come from the fissioning of conventional nuclear fuels (uranium or plutonium) or an accelerator. When neutrons hit the fertile thorium-232, it decays to the fissile U-233 plus fission fragments (lighter elements) and more neutrons. (Not shown is the short-lived intermediate stage of protactinium-233.)

acknowledged as far more economical and safe than any other power reactor in the world.

The ATBR does not require natural or enriched uranium, which India is finding difficult to import; the reactor uses thorium. It requires plutonium initially as “seed” to ignite the reactor core. Eventually, the ATBR can run entirely with thorium and fissile uranium-233, which is bred inside the reactor, or obtained externally by converting fertile thorium into fissile uranium-233 by neutron bombardment.

According to Indian scientists, the ATBR will annually consume 880 kg of plutonium for energy production from “seed” rods, while converting 1,100 kg of thorium into fissionable uranium-233. This 230 kg gain in forming fissionable fuel makes the ATBR a kind of thorium breeder.

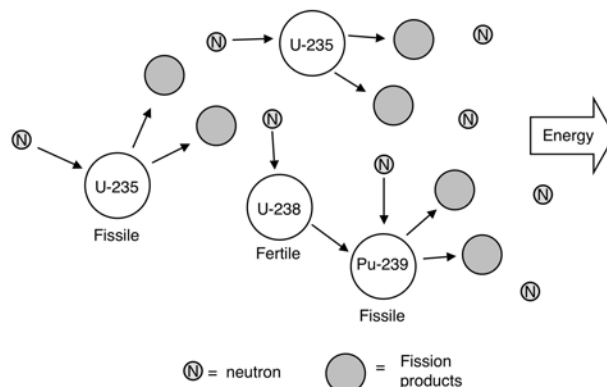
The uniqueness of the ATBR design is that there is almost a perfect “balance” between fissile depletion and production that allows in-bred U-233 to take part in energy generation, thereby extending the core life to two years. This does not happen in the present-day power reactors, because fissile depletion takes place much faster than production of new fissile fuel.

## The Caveat

In the light of recent developments vis-à-vis the ongoing discussions on the U.S.-India nuclear deal, the DBI offer creates problems. To begin with, while India is still debating how to make the nuclear deal work, DBI’s offer is considered in India to be that of an anxious party making its bid to enter the Indian market, with the backing of Washington.

In addition, some observers point out that the offer, for all practical purposes, has been made to undermine India’s unique thorium-fuelled reactor design. India expects that its thorium-fuelled reactors, which can be built in sizes ranging from very small to large power-generation capacities, will not

FIGURE 2  
Simplified Diagram of the Uranium Fuel Cycle



In the conventional uranium fuel cycle, the fuel mix contains fissionable U-235 and fertile U-238. A few fast neutrons are released into the reactor core (for example, from a beryllium source), and when a neutron hits a U-235 nucleus, it splits apart, producing two fission fragments (lighter elements) and two or three new neutrons. Once the fission process is initiated, it can continue by itself in a chain reaction, as the neutrons from each fissioned uranium nucleus trigger new fissions in nearby nuclei. Some of the U-238, when hit by a neutron, decays to plutonium-239, which is also fissionable.

only help India to overcome its electrical power deficiency, but will enable the country to become an exporter of commercial reactors.

DBI, on the other hand, is unlikely to find the production of small reactors “profitable,” although small reactors are what India needs for water desalination and rural development uses.

Underlying all this, there is a bigger caveat. It is widely acknowledged that India has nuclear weapon capabilities, and the Indian population is not at all ready to give up this option, considering that no other country that has developed nuclear weapons is ready to do the same.

In this context, India’s plan to breed plutonium had always been the cynosure of the nuclear-weapons states alone. In the ongoing discussions of the India-U.S. nuclear deal, the breeding of plutonium is an up-front issue. The form the nuclear deal has taken so far, indicates that India will be allowed to breed plutonium for its commercial power generation.

But DBI makes clear that India no longer has any reason to breed plutonium, based on DBI’s version of the thorium-fuelled reactor. In justifying its offer to India, DBI stated: “international agreements between India and uranium-source nations to use proliferation-resistant fuels in the DBI Reactor Program, subject to IAEA [International Atomic Energy Agency] monitoring, could sever the link between civilian and military nuclear programs in India, without adversely affecting India’s ability to scale up the DBI Reactor Program using native thorium in future generations.”

## Bush at UN Threatens 'Brutal Regimes'

by William Jones

Not since Nikita Khrushchov gave his unforgettable shoe-thumping performance in 1960, has the United Nations General Assembly been subject to such a rant as that by President George W. Bush in his speech to the United Nations on Sept. 26.

While the President's remarks at this year's General Assembly were clearly aimed at garnering support for tightening the noose around the neck of Iran, he mentioned Iran only once in his speech. Bush allowed French President Nicholas Sarkozy, his new replacement for British Prime Minister Tony Blair (who traditionally carried the water in these fora), to take the offensive. In comments to the press on Sept. 25, Sarkozy declared that an Iranian nuclear weapon would be "unacceptable."

What Bush did in his speech, to the surprise of many of those who had come to hear him, was to significantly expand his "axis of evil" list (now redubbed by him as "brutal regimes"), from three to eight: Burma (Myanmar), Syria, Iran, North Korea, Sudan, Zimbabwe, Cuba, and Belarus.

Hypocritically quoting the UN Charter on Human Rights, the "Decider-in-Chief," who brought us the horrors of Abu Ghraib and Guantanamo, now demanded that the General Assembly rally to support *his* "human rights agenda," otherwise known as "regime change."

"This great institution must work for great purposes," Bush pontificated, "to free people from tyranny and violence, hunger and disease, illiteracy and ignorance, and poverty and despair." Assembly members looked on, some with astonishment, others with a sense of amusement over the irony of the moment. "Every member of the United Nations must join in this mission of liberation." Bush said.

He continued in the same vein: "All civilized nations must work together to stop them [i.e., "brutal regimes"] by sharing intelligence about their networks, and choking their—off their finances, and bringing to justice their operatives." While his primary goal was to sway the UN Security Council in support of tighter sanctions, his words also carried a warning tone for those who might not want to join Bush's crusade.

Bush announced that he was prepared to bring "peaceful change" to Burma by tightening economic sanctions on its leaders and their families, and supporting the efforts of "humanitarian groups"—that is, those "non-partisan" instruments of change, the non-governmental organizations that

have become so effective in overthrowing governments in the recent "color revolutions" in Georgia and Ukraine.

There was also the element of the absurd in Bush's metamorphosis as he called for a reform (really, the abolition) of the UN Human Rights Council, a real bugaboo for the Administration because it has consistently condemned Israeli military incursions in Gaza and into Lebanon, operations for which the United States had given the green light.

But behind all the bluster there was a more immediate goal Bush hopes to achieve: to ratchet up the pressure on Iran from the UN Security Council in order to "turn the screws" on them, all the time trying to build a consensus among U.S. military circles for an attack on Iran.

Bush continued his ravings the next day at a forum called by Sarkozy on the situation in Darfur. With some back-handed praise for the deployment of some 7,000 UN forces to Darfur, Bush complained that this was simply not enough.

During Bush's UN speech, the Cuban delegation walked out of the Assembly Hall, while the Sudanese appeared somewhat bemused by Bush's rhetoric, obviously fully aware of the fact that the U.S. President had included them among the "brutal regimes." The Myanmar delegation didn't seem to pay much attention to Bush's comments, perhaps because, as one commentator wryly noted, the country has long since changed its name, so perhaps the delegates were not aware that Bush was talking about them.

Other speakers, however, responded in their own way to Bush's ravings. South Africa's Thabo Mbeki noted the way the difference between the "dominant" and the "dominated" nations reflected itself in the international institutions. "Because the nations of the world are defined by the dominant and the dominated, the dominant have also become the decision makers in the important global forums, including at this seat of global governance," Mbeki said. "Naturally the dominant and the powerful very often respond positively to agreed programs if these would advance their own narrow interests."

Argentina's Néstor Kirchner, who called for the creation of a new financial system, pointed out that one "model" does not necessarily fit all countries. He noted further that Argentina had opposed Bush's Iraq War and expressed support for the UN Human Rights Council.

Most anticipated, however, was the speech of Iran's President Mahmoud Ahmadinejad, who in his somewhat meandering speech, interspersed with apocalyptic references, presented a critique of how the UN Security Council had been consistently hijacked to the agenda of unnamed "arrogant powers." While the U.S. delegation had walked out before the Iranian President spoke, and Sarkozy had conveniently arranged a press conference to coincide with Ahmadinejad's speech, most delegates were intent on hearing from him. The warm reception Ahmadinejad received by delegates both before and after his speech was less a sign of support for him, than of disdain for Bush's attempts to browbeat the General Assembly into submission.



# LaRouche in Italy: ‘Politics Must Now Submit to Morality’

*Lyndon LaRouche concluded a visit to Italy Sept. 18-20, where he addressed Italian political leaders about his proposal to build a “firewall” to protect the population and the banking system from the financial conflagration overtaking the hedge funds. On the last evening, he addressed about 20 members of the Christian Democratic Party, along with the Mayor and members of the City Council in the town of Segni, not far from Rome. The conference was organized by LaRouche’s friend and collaborator, economist Nino Galloni, who introduced the American statesman to the group. Here is a transcript of his speech and the discussion that followed. Subheads have been added.*

On the 25th of July of this year, I delivered a webcast, broadcast internationally, on the subject of the presently ongoing, terminal collapse of the present world monetary-financial system. This crash is the product of degeneration, at least in terms of generations; there were mistakes made following the death of President Franklin Roosevelt in the United States, which led, about 20 years later, to the increasing power of the British financial system, the Anglo-Dutch financial system—not the British people—but the Anglo-Dutch financial system, the banking system. This resulted in certain changes in custom, in international institutions and in the United States. In 1971-1972, there was a change in the international monetary system, from a regulated system of parity among currencies, to a predatory system, in which certain financial interests internationally, began to loot whole countries, and started a crisis, which we know of as the crisis in South and Central America, for example.

During the period 1977 through 1981, under the Carter Administration, the United States destroyed the entire system which had been built up by Franklin Roosevelt. Since that time, there has been a degeneration of the economy of Europe, and of the United States, and this was associated with the running to international markets for cheap labor, and destroying the production in agriculture and industry in Europe, as well as in the Americas. This led into the October 1987 crisis in the financial system in the United States.

## The ‘White-Collar’ De-Generation

The reaction to that crisis in 1987 has been the destruction of the world economy, today. These processes take some time to unfold, usually. I’m 85 years of age, and to me, these things are very familiar things, from my experience. Thus, to younger

generations—and my generation is dying out; when I look at people who attended secondary school with me, they’re mostly dead; I can’t find more than one or two left, that attended the school system in my youth, who are still alive. The younger generation, which was born after 1945, has really no experience with society as it existed, say, from 1920 on—they don’t know anything about it from experience. This is complicated by the fact that the so-called “white-collar generation” that was born between 1945 and 1958, that generation which is also known as the “68ers” in the European experience, as well as U.S. experience: This generation has lost a quality which all earlier generations I know of, in the United States, had. That is, the United States was born of a generation that began migrating into North America, during the first half of the 17th Century; and some of my ancestors were part of that migration, both by way of Canada, indirectly into what became the United States, and directly into the English colonies.

This was associated with a great moral degeneration in the population of Europe and of the United States. Because, the Baby-Boomer generation, which is really sophisticated, lost the sense of older generations: of thinking of one’s own life in terms of the conditions of the life you produce for your children and grandchildren. For example, immigrants into the United States in the late-19th Century or 20th Century, came from Europe, often, fleeing from poverty in Europe. They would come into the United States, and they would work hard at low wages, often. But they would think about the future they were building for their children and grandchildren. Let’s say, someone from Italy would come to the United States as a laborer, and their grandchildren would be physicians and scientists. And there was a corresponding respect for ancestors. As in Italy, the beautiful cultures that are preserved because they are objects of a memory of a people.

And the essential thing is, of course, the practical sense of immortality, human immortality. The animal lives and dies. But man is not an animal. Man’s body is that of an animal, but the power of ideas, the power of discovery, the power of devotion to coming generations, is something which is peculiar to human beings. A generation which has lost that sense of connection, lacks morality! As in the *I Corinthians* 13 of Paul: Without this passion which Paul refers to as *agapē*, the quality of humanity is not realized, the sense of immortality of the human individual personality is not realized. And the motives are not that.



EIRNS/Daniel Grasenack-Tente

*Lyndon LaRouche (center, right) is greeted by economist Nino Galloni (second from left), in Segni, Italy, where he addressed members of the Christian Democratic party. Referring to the ongoing global financial meltdown, LaRouche told them, "We have a window of opportunity between increasing pain and disaster, where we can still make decisions which would stop this process."*

So therefore, you get an egotistical form of society, which thinks about "my immediate pleasure within my lifetime, of my circle of friends, in my lifetime." There's no sense of mission, or purpose in life. There is really no morality in it—a certain kind of practical code of behavior, but no morality. And therefore, you have, in Europe, as this generation, sometimes called the 68ers, became more and more influential, the concern for the future of humanity disappeared. And the achievements of rebuilding in the post-war period, as in Europe, were lost! Agriculture was destroyed; industry was destroyed; scientific studies were destroyed. All the kinds of motives and skills which people acquire, in order to contribute something to humanity—this was put to one side. And a shrinking part of the total population, particularly of the Baby-Boomer generation, the 68er generation, organized society, as they gained more power, for their peculiar pleasures and appetites. As a part of this, production was abandoned, agriculture was destroyed more and more, industry was destroyed; basic economic infrastructure, power systems, sewage systems, all the things we need, were destroyed.

What happened especially from about 1971-72, is that you had a great increase in the amount of money in circulation. You could measure this per square kilometer, you could measure this per capita: What you had is, the physical production, the physical productivity of society *collapses* per capita and per square kilometer, while the *money* in circulation, the nominal financial assets, went skyrocketing. And the destiny of the lower 80% of the income brackets of the population, sank. Since you had a generation which was interested only in its monetary wealth, not the real wealth of society, the generation which no longer had a recognition of its own soul, but only its own pleasure, the point came, that the curve going up, of debt and finance, and the curve going down, of real production, and real satisfaction of real human needs [went off the

charts] (see **Figure 1**). And it became more and more difficult to resist these trends.

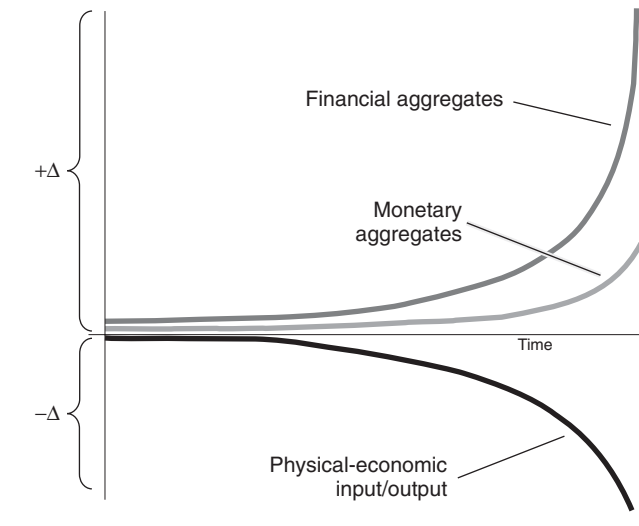
### A Critical Point Has Been Reached

Now, what happened this past July, was that a critical point was reached in the long historical process; the present world monetary system went into a final collapse phase: This system will not live much longer. The crisis on the markets is only the beginning of worse to come. The best model for the situation is what happened to Germany in 1923. Because of the policy of the Versailles Allies, in punishing Germany in the 1920s, Germany was saddled with a great artificial debt imposed upon it by the Versailles organization. And the Germans then had to pay this, but also, the German factories were in large part shut down. So, the ability of Germany to pay debt collapsed, under the Versailles conditions. The debt, however, increased—without relief. The German government printed money; they kept printing money. In 1923, by June of 1923, the German system under the Weimar Republic was finished. And people still had money in June. But by October, the beginning of November, the money was worthless (see **Figure 2**).

The world, has, since the Summer, since July, when I first warned that this decisive development was in process, that is exactly the pattern that's happened with debt, and credit and money, in the recent months. In such systems, because of the voluntary characteristic of the human will, you can never precisely predict mechanically, how something is going work out: You can not draw statistical projections. What you can do, is you find boundary conditions you're approaching. When you're moving toward a boundary, sooner or later you will hit that boundary, or that boundary will hit you. I would say, it's unsafe to assume that this system would last through December. It might last longer; it might collapse quicker. That I can not forecast. But I can forecast, assuming that this could

FIGURE 1

### LaRouche's Triple Curve: Schematic of a Typical Collapse Function



last beyond December, were crazy.

We have a window of opportunity between increasing pain and disaster, where we can still make decisions which would stop this process. So, I've taken a decision on this issue. This doesn't explain everything I intend to do, but it does explain some aspect of it. Because a lot of this debt increase was done by mortgages in the case of Italy—same kind of thing. Largely the financial expansion in the United States, during the past 15 years and more, has been based on use of mortgages as a lever in a rising price of mortgages for supporting the financial system in speculation.

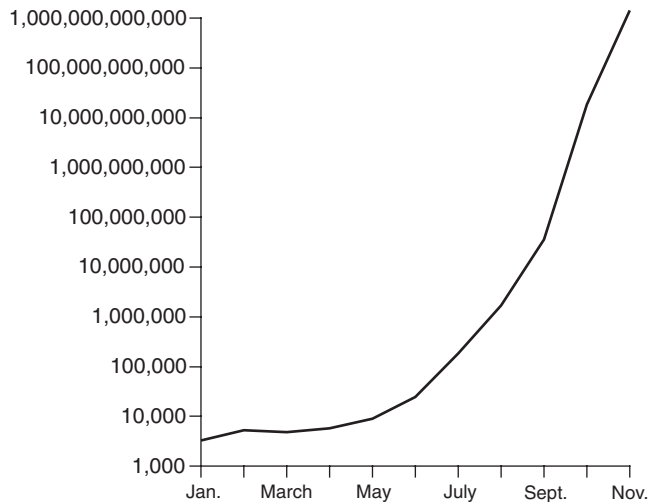
So, as a result of that, you've had a great inflation in mortgages. The price of houses—very poor quality houses—has soared! The mortgages created for the banking system, by this system, have been used to expand credit, greatly! The credit went into the hands of people outside the banking system, such as hedge funds. There is not a single bank in Western or Central Europe, or the United States, which is not insolvent. The cash, the credit, is in the hands of these international hedge funds. Now, we have the mortgage prices collapsing. And the collapse—we're talking about thousands of mortgages collapsing, foreclosures. This is already a serious social disaster in the United States. It's also in England; it's also in Spain; it's also in most countries in Europe. So, at the present rate, we're looking at a potential social disaster, in terms of home mortgages being foreclosed on.

We're also faced with the regular banks, that is the banks which are private banks, but chartered by the national government, or banks of states of the United States, which are chartered by the states; regular banks, where people save money, where mortgages used to be loaned and that sort of thing:

FIGURE 2

### Weimar Hyperinflation in 1923: Wholesale Prices (1913 = 1)

(logarithmic scale)



These kinds of institutions no longer have power.

So, under the present situation, what we're going to have is a social disaster, in which both mass evictions of citizens, on a large scale, and also the collapse of the banks on which they depend, is what is being threatened.

Now, since I have association with some leading people in finance, as well as in politics in the United States, before making my proposal as to what we should do, I talked to them. What I propose is entirely my own responsibility. But I did not put it out until I had their agreement and recognition that this was the right thing to do. So, what I did, is—it's now a proposed law before the Congress of the United States: Under this law, the Federal government would enact a Federal law to prevent the foreclosures on mortgages. Nobody is evicted. They will pay a negotiated amount each month, instead of a mortgage fee, to the relevant bank. And only the regular banks will get this benefit. Because, as you know, we must protect the local bank on which the community depends. The ordinary business of the community, hmm? Therefore, we said, "we protect the banks in the states, as in the national community; we protect the homeowners. The speculators will have to suffer." Because, we must defend the social institutions of society.

If we do that, there are measures, further measures we can take, which can assure the stability of society, and also an economic recovery. It will be a time of rebuilding. It will not be a period of sudden wealth, but it will be a good time, for those who still think in the old ways.

The other side of this, which is the social side, is that, if you try to run politics on the basis of desperation, you will get an animal, not a human being. You must appeal to the princi-





Creative Commons/Alex Gunningham

*LaRouche's proposal for a "firewall" to protect people and banks, will prevent a 1930s-style panic, and keep families in their homes. "The speculators will have to suffer," he said. Here, the run on Britain's Northern Rock bank, on the morning of Sept. 14, 2007.*

ple of *agapē*. In modern European civilization, we have two crucial examples of the role of *agapē* in making policy for civilization. One, the Peace of Westphalia; the existence of the modern nation-state in a civilized form depends upon the Treaty of Westphalia. The principle of the "benefit of the other": *Agapē*. And the U.S. Constitution is based on the same principle. You have it as the law defined by Gottfried Leibniz, which he spelled out in his second rebuttal of the British system, which again, was called the commitment of the dynamics, of humanity, of the "pursuit of happiness" of the individual, meaning happiness in the theological sense. Which is also the fundamental principle of the Constitution of the United States, in the Preamble. So, the law that I'm proposing is based on the Preamble of the Constitution. Which is the same principle that Franklin Roosevelt as President used to organize the recovery in the United States.

The organizing politically on behalf of the legislation which I indicated to you—the obvious thing to me, and to others with whom I had consulted, is that you would not get the initiative for such a law coming from the Congress of the United States as such: It would come from the people who live in the states, as citizens of the Federal states. Because their immediate representation is in the local state government. They live in those states, they pay taxes in those states, they look to local government to help them be secure. The local politicians, like the state legislators, are much closer to the people than the members of the U.S. Congress. And the best way is to have the people and the politicians from the states, light fires under the rear ends of the politicians in Washington.

But the important thing is not the people taking vengeance, shall we say, on the politicians; the principle is *agapē*. Because the principle of *agapē* is not just an obligation. The principle of *agapē* is much more positive than a simple negation of something. *It's an act of love of humanity.* And when you appeal to the principle of *agapē* in a practical way, but with a devotion to that intention, you bring out the *best* in the people. Whereas if you appeal to greed or something else, you bring out the *worst* in them.

The principle of leadership in society, of true leadership, is *love of mankind*. Without that, there is no good politics. To do good, is the morality. To sacrifice oneself, if necessary, to do good, is good for humanity.

So, I can say: We are at a crisis point. If we are greedy and stupid, then we are facing the worst crisis in modern human history. If we can mobilize to act for love of mankind, we get the opposite result. So, politics must now submit to morality.

That's the test. Can we pass that test?

Thank you.

## Dialogue With LaRouche

**Q:** I thank you for your contribution.

I have two questions for you: Hillary Clinton has a new proposal for health insurance in the United States, since there is a U.S. population of 40-50 million without insurance. People who get sick, have to die. With the growing aging population, they must be involved in activities that keep their minds active, and physically active. So, if we don't deal with this problem, it's going to be impossible to manage a public health-system for senior citizens. So that's my first question.

The second question: I'm very interested in recent magazines of *EIR* on the question of banks, in which it's discussed that the government has to help the banks, for necessary social requirements for development. But what is the action of hedge funds that is so problematic? Because most institutions both right and left have close links to those hedge funds.

**LaRouche:** Well, on the second question, which is easier, the problem is, the hedge funds represent something which should not be allowed in law! The hedge fund was established, with the help of the United States, by the British, as a British system, in the 1970s. When I was running for President, for the Democratic nomination for President in 1979, for the 1980 nomination, the big problem we had, was that the Trilateral Commission, which controlled the Carter Administration, had

legalized usury! They destroyed the protection of agriculture, destroyed the system of protection of industry, destroyed fair trade, and legalized usury! And we stopped investing in developing agriculture and industry, at least our system of agriculture and industry.

The example is, if you study the United States infrastructure—that is, the public side of infrastructure, power systems, water systems, bridges, highways, railways and so forth—you find that there’s been a net shrinking of infrastructure per capita and per square kilometer in the United States since 1967! Most infrastructure, such as railways, bridges, and power stations, and so forth, are designed to have to be refinanced within 30 years, 25-30 years. Therefore, in society, you have to have the basis of maintaining your infrastructure based on at least a 25-year cycle: that is, you must think about replenishing 25% of your infrastructure, constantly.

All right, the reason I put the second question first, is because the first question is also a simple answer: In the Second World War, at the time when I was in military service, we had 17 million people in military service from the United States. We had developed a system of health care in the military to service that population. It was a very good system. There were mistakes made, as there always are mistakes made.

At the end of the war, we had the intelligence to realize that this experience in warfare, of military medicine, could be applied to the whole population of the United States. So, we had a law adopted then, called Hill-Burton, which covered essentially the Federal assistance to states and localities in having adequate, full-service hospital care in every community. And together with the veterans hospital system, we would have also the public-health system. In order to have sufficient, qualified physicians, we would train people and subsidize the training of medical professional personnel, in order to have a sufficient supply of that personnel, for national needs, as for emergencies, for example. So, for example, a physician was subsidized in receiving medical education and training. Then they were expected to be willing to put in a certain amount of service, to assist in public health care.

Under Nixon we destroyed the system. And you will find, where there used to be hospitals, fine hospitals, fine institutions, they don’t exist today! And the changes are stupid! I mean, they’re not only wrong, they’re stupid. As some of you may know, who have medical experience, the best institution to have, is a general clinic, like a general hospital, where a patient goes in with a complaint, and you have various specialties of functioning in that hospital, where the whole clinic is treating the patient. Each patient—they go to one doctor, if that’s not the problem; they go to another office. Then the patient, through the patient’s selection of physician, has access to this permanent care.

For example, if you’re a public institution, and you are maintaining a medical facility, what do you want? You want a hospital clinic which can take care of the whole community. Instead of treating the disease, you treat the patient.



EIRNS/Daniel Grasenack-Tente

*“The principle of leadership in society, of true leadership, is love of mankind,” LaRouche said. “Without that, there is no good politics. To do good, is the morality. To sacrifice oneself, if necessary, to do good, is good for humanity.”*

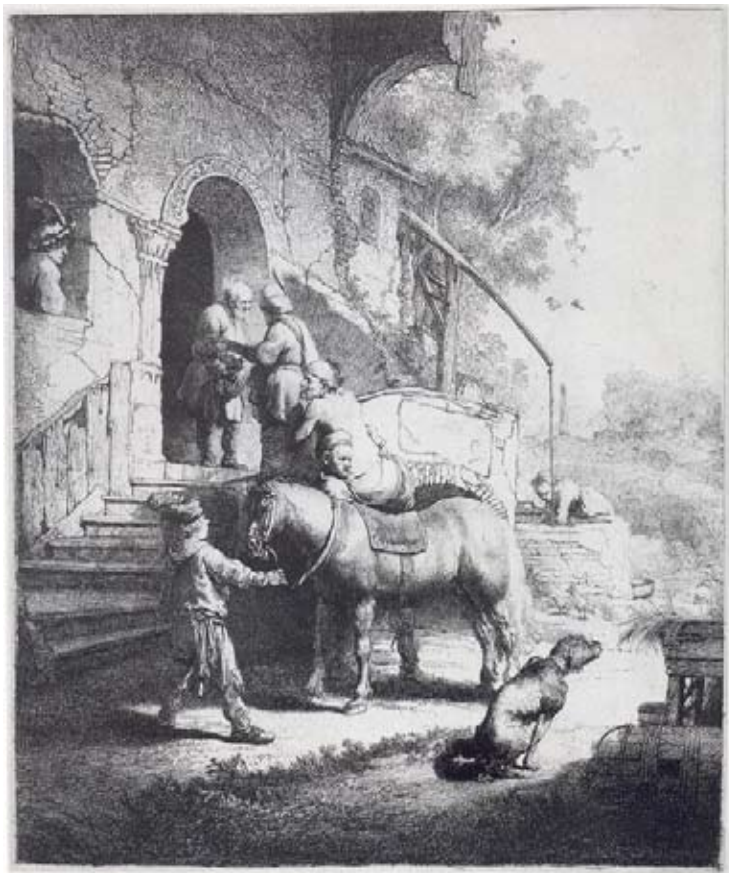
Where Hillary Clinton made a big mistake with her health-care plan, was she was trying to adapt to a system that was no good. What you need are scientifically powerful medical institutions, where a patient can walk in, just as a human being, especially from their own community, and they walk out of that institution, having their problems of life diagnosed: You diagnose the life of the patient, the condition of the patient, the condition of the community. And you have all the people there with the various skills, who together, in consultation, can bring that to bear as necessary. Who can use the wisdom and experience of that community to know what the problems are in that community: What to look for, what to expect, what kind of diseases do we have here?

Just the same way you need schools that do the same things for students. Each student may have a different need. But you have a community, which can say, “Well, we have an institution that covers all these different kinds of needs.”

So that the best system, is a system of recognizing that the common needs of a people, are best handled by a public community service.

So, that’s, I think, the answer. It’s an attitude: What’s our attitude about human beings? On the one hand, we want to give the greatest possible freedom to the individual to make a contribution, according to their own will. At the same time,





*Embedded in the U.S. Constitution is the principle of the commitment to do good. "It's like the Good Samaritan conception," LaRouche explained. "Do the good, where the need is there. You're there, the need is there: Do good." This etching of "The Good Samaritan," by Rembrandt van Rijn (1633), was produced during the Thirty Years' War.*

we must take care, collectively, of the needs of all of the community. Whether we do it privately, or publicly, really, is not that different.

The first modern hospital was developed in the end of the medieval period, the beginning of the modern civilization in France. Helga and I visited that place once, it's now a museum. It was actually a part of the Renaissance, part of the 15th-Century Renaissance.

But so, it doesn't make any difference whether it's public or private, but you have to have it. But the recognition of public responsibility is what's important.

## The Purpose in Society Is To Do Good

**Q:** I wanted to reflect on something you said. You touched on the question of the New Deal. Essentially, Roosevelt established a system of correcting distortions in the economic world, a new economic model that succeeded in returning a certain amount of stability to economics. However, there's another aspect which I was struck by, and that's the question of morality, which is now lacking. Which was lost when a model was created which was centered on the question of consump-

tion, also. This lack of morality: Does this lack of morality go back to a model of production, or where consumption is now going into a crisis, and also environmental consumption, and also the problems we've seen in the Third World? So, maybe we should redefine a new model of consumption, a new model of relationship with the environment, to reconstruct a new way of living together socially. Because my impression is, that certain aspects of John Stuart Mill spoke of educating and favoring not only consumption of material goods but also of immaterial goods. So probably the great limit of our society today is that we stopped with the consumption of material goods, so we created a very distorted model which we have to intervene into, and change this model of consumption. Thank you.

**LaRouche:** Well, there was actually no change in Roosevelt's policy from the founding policy of the United States. The problem was, that repeatedly, we had a number of Presidents and others, who were traitors to the United States. All of these Presidents were British agents. For example: Andrew Jackson was such an agent; his successor as President was such an agent. We still have, today, a great struggle with the British system, against the British system.

That's the problem. Two Presidents who favored the British—Coolidge and Hoover—brought the United States down, and Roosevelt was able to return the United States to its Constitutional principles. The evils of which you speak, are a result of what's called, today, British Liberalism, which is essentially a hedonistic system. It's a creation of an infamous character called Paolo Sarpi, who created the system of Liberalism. The system of Liberalism is greed, and no morality.

The American conception, which was against this aspect of the British system, or the Anglo-Dutch Liberal system, was the commitment that the purpose in society, is to do good. It's the principle that you must function on truth, not on Liberalism, and the purpose of life is to do good, which is the principle of the Constitution, the Preamble: the principle of the commitment to do good. The obligation, the sense of obligation to do good. It's like the Good Samaritan conception: Do the good, where the need is there. You're there, the need is there: Do good.

That is very profitable, really, in the long run. Not in the sense of getting riches, but in the sense of creating a better future for coming generations, than any other policy. The greatest policy is love of humanity.

## The Role of the British

**Q:** Brief question. I'm very curious about this question of Great Britain, which you say has had an important role in the United States. In light of the United States, it certainly did have a role 200 or 300 years ago. So, I was very interested and



curious, because we all thought, at least nowadays, we all thought it was the United States which sets the course and makes the policy towards Great Britain. For example, the war in Iraq. There was a close—

**Galloni:** But the U.S. population doesn't want the war in Iraq!

**Q:** So, who wanted it first—Blair, or not Blair? So, I'm very curious.

**Galloni:** We're talking about principles in the culture. When you talk about principles, the principles of Liberalism, and then there's the principle of responsibility, Christian social responsibility. Our friend here, we talked about social commitment, that's the meaning of being in politics. We could be in the Communist Party, or whatever, but that's the idea of being in politics, the purpose.

Today this has changed, because culture has changed. It's worsened.

**Q:** Before you answer, Professor [LaRouche], I was interested by this, especially the banking part. I agree with what you presented on that. The only thing which sort of worried me: I was in the university in 1968, but the interpretation the professor gave about this generation, is, if this generation were the social—more than the political, but the social component which somehow destroyed, in a certain sense destroyed good manners, or good ethics, that is, thinking about the future. So, I want to give a few examples: I think '68 was a break with what was going on, not proposals, but a break, at least that's the way we saw it in Italy, a break. You know, a character couldn't go out with the child of a worker, or girls who went outside, their mothers told them to go with "good families." So there was social discrimination.

If we go even deeper, up to then, 1968, the rights of workers—the unions were not trusted to protect the workers. The problem is I might have only seen my father every 32 hours. I didn't see him much at all, because he had no rights. So, the 1968 movement was seen as liberation.

Now, what happened in San Francisco or other places, this phenomenon was seen as "spoiled brats," just having fun, I really understand this. [This was followed by more back and forth between the questioner and Galloni.]

**LaRouche:** Let me just finish up on that question, because the 68er generation was not a biological generation. What it was, was that at the end of the war, World War II, there was a policy by certain people in Britain and in the United States, to have a certain conditioning of the so-called white-collar class, born between 1945 and 1958. You could call these "the children of Paolo Sarpi," because he was the one who brought in Ockhamite Liberalism as a policy for his faction of the Venetians. You have the so-called Frankfurt School of existentialism, of Heidegger, or Arendt, and so forth. They destroyed culture, systemically, and they used the training of the children in their possession to do it!

So, that was the problem. This is why the immorality is there: If you believe in Liberalism—and Liberalism is not being nice; Liberalism is denying the existence of morality; denying scientific truth or any other truth, the substitution of consensus for truth.

On the case of the United States, the United States was actually founded from the early part of the 17th Century under the influence of, guess who? Cardinal Nicholas of Cusa, who was already dead then. It was Cusa, who was the author of the design of the modern nation-state, and also of physical science, modern physical science; who was responsible for the policy in response to the Fall of Constantinople, the policy of going out from Europe to other parts of the world, to find other peoples, and to build nations, or build communities, which would be the alternative to what was happening in Europe with this crisis.

The founding of the United States occurred, biologically, essentially in the 17th Century. The people who left Europe for North America, did not leave, in fleeing away from Europe. It was recognized that in order to save humanity, you had to get free of the oligarchical tendencies which were controlling Europe. So the people who went to North America, for example, went, carrying the best traditions of Europe, but free of the oligarchical tradition.

The British Empire was actually founded at the Peace of Paris in February 1763. This resulted in a split in the English colonists in what became the United States. So, you had the force of the American Revolution, as typified by Benjamin Franklin. You had a faction inside what became the United States, which was tied to the British East India Company. The faction of Paolo Sarpi's descendants, including William of Orange.

So, always in the United States, to the present day, we have a faction in the United States which is tied to London, which is generally associated with Wall Street finance. So, what you really have, is you have a split in the English-speaking population, of leading layers, those who represented the patriotic tradition of the United States, as opposed to those who continued to represent part of the extended British policy, that is the British aristocratic policy.

In 1971-72, with the breakup of the Bretton Woods system, the British got control again. It is London and Amsterdam that control the international financial system today. Look at the Maastricht Treaty, and the new Treaty of Amsterdam—

**Q:** What do you think about the ECB [European Central Bank]?

**LaRouche:** Totally British. Take the case in Italy, of the *Britannia* yacht! The Bank of Italy is controlled by the British, through the takeover on the British yacht, the *Britannia*.

**Galloni:** *Bene!* [applause] I think Lyndon gave us a very interesting cross-section of his ideas....

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# International Intelligence

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## ***Ecuador's Correa Blasts 'Millennium Goals' Fraud***

Finally! A head of state has stepped forward, like the child in Hans Christian Andersen's tale, to point his finger at the fraud of the UN's so-called "Millennium Development Goals" (MDGs), adopted by consensus in March 2002 as the new cloak for imperial, genocidal, free trade.

Human beings have the right to more than mere subsistence; they have "the right to enjoy a life worthy of being lived," Ecuadorian President Rafael Correa stated in his address before the UN General Assembly Sept. 26.

"Mr. President, Your Excellencies: We believe that to have the goal of living on a dollar plus one cent a day, to, supposedly, overcome extreme poverty, or keep from dying prematurely, as could be inferred from the MDGs, does not signify living a dignified life."

Who could oppose preventing the premature deaths of children and mothers? "However, by focusing only on that, we run the risk of resigning ourselves to the idea that human life is simply a process of resistance whose purpose is to extend people's existence a few hours longer," Correa said.

"We propose ... common goals not only for life's minimums, but for social maximums," Ecuador's President countered, referring to the "minimum" Millennium Challenge goals which have been conditions for international aid since they were put forward in 2002 by megaspeculator George Soros and President George W. Bush.

To conform to these "minimums" would be to legitimize today's unacceptable reality, Correa affirmed. We believe it is possible to secure for all "a job which guarantees the right to earn one's own sustenance, to have time for contemplation, artistic creation, and recreation." We fight for "the recognition of the equal dignity of all human beings"—including those forced to migrate in search of a dignified life.

"For the government of Ecuador, there are no illegal human beings, and the United Nations should insist on this point. There is no such thing as illegal human beings. That is inadmissible!"

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## ***Hungary Bucks EU, Fights For Energy Production***

The ongoing financial crisis is feeding the impulse to act in the national interest, and reject the European Union's dictates.

Hungary will enact legislation to protect its energy company, MOL, from a hostile takeover by Austria's OMV oil company, the *Financial Times* reported. The legislation will be part of a broader law that would give the nation the right to veto acquisitions in what it calls "strategic industries," and flies in the face of EU free-trade rules.

Hungary "considers it important to have control over companies that have strategic importance for public supply," the *Financial Times* said.

EU Commissioner Charlie McCreevy's spokesman said that the EU is monitoring the situation in Hungary very closely, "in view of the potential conflicts with European treaty rules guaranteeing the free movement of capital."

Italy and Spain are being threatened with EU legal action for blocking foreign takeovers of power and transport corporations.

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## ***China Catches On: Global Warming Hoax Is Genocide***

China has caught on to the fact that the purpose of the "carbon dioxide causes global warming" fraud is genocide—and that China itself is the leading target.

The global warming hoax provides a thin cover for the policy of elimination of "undesirable" peoples by eugenics, the policy which British establishment figure and UNESCO founder Julian Huxley demanded in 1946 be the continuing focus of world strategy, despite the fact that Hitler "had given it a bad name." The specific use of the global warming hoax as an instrument for population reduction was introduced into U.S. scientific circles by Dame Margaret Mead in 1975.

Forcing China to adopt carbon emission reductions is to be a focus of the United Nations sessions beginning Oct. 1. But the Chi-

nese have shown that they understand the real purpose of these measures.

In a review of two books exposing manipulations behind global financial policy, Wang Jisi, the Dean of Peking University's School of International Studies, notes: "On almost every issue, the Chinese harbor suspicions that the U.S. has malignant plans to restrain the growth of China's power and to take advantage of its vulnerabilities. In terms of climate change, for instance, a conventional view is that Western countries, having polluted the air in their long process of industrialization, are attempting to slow China's economic growth by pressing it to reduce carbon emissions."

John Perkins' *Confessions of an Economic Hit Man*, and a new Chinese work, *Currency Wars*, are two of the bestselling books in China, Wang notes.

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## ***First Maglev Rail Gets Green Light in Germany***

The German state of Bavaria has signed an agreement for the construction of a 23-mile magnetically levitated rail line between the city of Munich and its airport. The agreement was signed by the state government, the German railroad company Deutsche Bahn, and the manufacturers of Germany's maglev.

A solution was found for the project's financing, which will cost 1.85 billion euros (about \$2.4 billion), according to a 2002 feasibility study. The German federal government will contribute EU 925 million, and the rest, including possible cost increases, will be distributed among Bavaria, Deutsche Bahn, the Munich Airport, the EU, and the manufacturer.

The maglev line will reduce travel time from Munich to the airport from 40 minutes to 10, but its significance is larger than that: The German maglev technology, called the Transrapid, has been implemented only in China until now, due to Green Party opposition at home. Now, the Munich project could be the beachhead for a wider implementation of this innovative technology, including the Eurasian line proposed by the LaRouche movement.

# Cheney's Ouster May Be Last Chance To Stop World War III

by Jeffrey Steinberg

The latest word from the Democratic chicken-coop on Capitol Hill is that, if President Bush orders military strikes against Iran, both he and Vice President Dick Cheney will be immediately impeached. This is the newest prize-winning excuse-of-the-week being circulated by a number of leading Democratic lawmakers to their key constituents, who remain fit-to-be-tied over the Dems' capitulation to Speaker of the House Nancy Pelosi (D-Calif.), who has declared, for months, that impeachment is "off the table."

Just when you thought that things couldn't get worse, Congressional Democrats, having failed to support Rep. Dennis Kucinich's (D-Ohio) H.R. 333, calling for the impeachment of Cheney, have now gone one step further towards capitulating to another devastating Cheney-Bush war, through legislative acts of treachery that have given the White House a green light to bomb Iran back to the Stone Age—even as internal political developments in Iran suggest that the war party in Tehran has been weakened.

On Sept. 26, by a vote of 76-22, the U.S. Senate approved an amendment to the defense authorization bill, calling on President Bush to list Iran's Revolutionary Guard Corps (IRGC) as a "foreign terrorist organization," subject to a wide range of economic sanctions. Military experts consulted by *EIR* confirmed that, while the designation principally authorizes economic measures, the ambiguities of the Bush Administration's so-called "Global War on Terror" makes the Senate vote a de facto endorsement of military action.

As the result of the amendment, which was introduced by two of Cheney's leading Senate allies—Joe Lieberman (I-Ct.) and Jon Kyl (R-Ariz.)—President Bush can order a bombing campaign against Iran at any time, without having to go to Congress for further authorization, according to a number of constitutional scholars and military analysts.

While two particularly egregious sections of the amendment were removed after protests by Sen. James Webb (D-Va.), prompting some Senators to claim that the vote was not a de facto authorization to go to war, it remains to be seen whether the White House, particularly Cheney, will abide by that strict "interpretation."

The same day that the Senate was providing Bush and Cheney with their backhanded authorization for war, the House of Representatives was caving in similarly. By an overwhelming vote of 408-6, the House passed the Iran Sanctions Enabling Act, which would impose sanctions against any foreign or American companies investing more than \$20 million in Iran's energy sector. According to Inter-Press Services' Jim Lobe, the Iran Sanctions Enabling Act has been the number-one legislative priority of the Israeli Lobby since the beginning of the year.

Once again, the stage has been set for a Bush-Cheney preemptive war. As Lyndon LaRouche has been warning for months, the only sure-fire war avoidance option left is the immediate ouster of Dick Cheney from office.

## Scenario for World War III

On Sept. 25, retired CIA officer Philip Giraldi penned a frightening piece for antiwar.com, which took up the potential consequences of a U.S. military confrontation with Iran. Under the provocative title "What World War III May Look Like," Giraldi spelled out an unfortunately realistic scenario for an escalation of military conflict between the United States and Iran, triggered by a low-level skirmish between U.S. and Iranian soldiers along the Iraq border. Under Giraldi's scenario, a full-scale war erupts between the United States and Iran, which soon spreads to Iraq, where Shi'ite insurgents engage in large-scale asymmetric combat with American sol-



diers, who finally have to shoot their way out of the country, at tremendous loss of life. Ultimately, the conflict spreads to the Eastern Mediterranean, Central Asia, and the Indian subcontinent; it sparks a war between India and Pakistan, a violent coup in Afghanistan, a war between Israel and Syria/Lebanon, rioting throughout the Muslim nations of the Asia Pacific region, and, ultimately, U.S. use of nuclear weapons, which draws both Russia and China to the brink of intervention. As Giraldi concludes, "World War III has begun."

While we are hopefully some distance away from such an Armageddon nightmare, the onrushing global financial meltdown, and the tensions and war-moves throughout Southwest Asia make it a most appropriate time to take seriously the warnings offered by the former CIA officer.

Furthermore, according to a variety of Washington military sources, the U.S. Air Force is stepping up war plans against Iran through a planning unit called Project Checkmate. Created in the 1970s to plan out strategic warfare against the Soviet Union, Project Checkmate was revived in the early 1990s, as the air-war planning unit for Operation Desert Storm. In June of this year, Project Checkmate was reactivated, to plan for future wars, targetted immediately at Iran, and, in the longer term, against North Korea and China. According to a Sept. 23, report in Rupert Murdoch's London *Sunday Times*, Project Checkmate is the Air Force's *primo* planning agency. Col. John Warden (USAF), who ran Project Checkmate in the 1990s, told the *Times* that the unit is vastly better situated to plan out the next war than the staff at the Central Command. "The Centcoms of this world are executorial—they don't have the staff, the expertise, or the responsibility to do the thinking that is needed before a country makes the decision to go to war. War planning is not just about bombs, airplanes and sailing boats," he told the *Times*' Sarah Baxter.

A wide array of Washington insiders interviewed by *EIR* confirm that there is a humongous faction fight inside the Bush Administration, over war on Iran. Vice President Cheney remains the chief proponent of preventive war, and Defense Secretary Robert Gates, with the backing of the Joint Chiefs of Staff and the CIA, opposes it, arguing instead for robust diplomacy. One centerpiece of the fight is the still-pending National Intelligence Estimate on Iran's nuclear program. The report was, according to several sources, completed in February and submitted in draft to the White House; but it has been sent back to the intelligence community at least four times. The reason? The report concludes that Iran will not have the capacity to build a nuclear bomb until sometime in the next decade—after Bush-Cheney have left office.

### **Giving Ahmadinejad the Saddam Treatment**

One of the more clearcut indications that the war party is still pressing for an attack on Iran came during the visit of Iranian President Mahmoud Ahmadinejad to New York City, to address the United Nations General Assembly. U.S. intelligence sources have confirmed that Ahmadinejad was sent to

the United States, under orders from the Supreme Leader Ayatollah Ali Kamenei, to signal that *Iran is prepared to compromise and avoid war*. In appearances at Columbia University, on CBS-TV's "Sixty Minutes," and in a closed-circuit broadcast into the National Press Club in Washington, the Iranian President was repeatedly insulted and ridiculed. As one long-time Middle East observer put it, "Ahmadinejad was given the Saddam Hussein treatment," referring to an early 1990s Diane Sawyer interview with Saddam, in which he was publicly trashed, as a signal that the United States was turning towards war.

Just hours after Columbia University President Lee Bollinger delivered a 30-minute "bill of indictment" against the Iranian leader, in introducing him to a university audience, a group of scholars and journalists gathered at the Washington, D.C. campus of Johns Hopkins School of Advanced International Studies (SAIS), to discuss the Iranian situation. One speaker, M.J. Rosenberg of the Israel Policy Forum, an organization created after the 1993 Oslo Accords to promote a two-state solution to the Israel-Palestine conflict, lamented that Dr. Bollinger's behavior had reminded him of "the Soviet Union."

The forum was convened to release a new book by SAIS graduate Dr. Trita Parsi, on the complex and treacherous relationship among Israel, Iran, and the United States. Dr. Parsi and the other speakers highlighted the recent signals by the government in Tehran, that it wishes to resolve all the issues of conflict with Washington, through diplomacy and compromise, not military conflict. The re-emergence of Ayatollah Akbar Hashemi Rafsanjani, as a counterweight to President Ahmadinejad; the recent progress in Iranian negotiations with the International Atomic Energy Agency (IAEA) over Iran's nuclear energy program; and the Iranian government's release of a number of Iranian-American dual citizens from custody, were all cited as evidence of a turn in Iranian diplomacy towards the United States. Furthermore, Dr. Parsi cited the May 2003 communiqué between then-Iranian President Seyyed Mohammad Khatami and then-U.S. Secretary of State Colin Powell, offering comprehensive bilateral talks "with no preconditions," as evidence that Iran has been seeking a diplomatic rapprochement with Washington for a long time. That May 2003 offer was flat-out rejected by the Bush White House, with Cheney and then-Defense Secretary Donald Rumsfeld most aggressively opposing any talk with Iran.

*EIR*'s own sources emphasize that Iran's top leadership has woken up to the fact that at least some factions inside the Bush White House are intent on a military confrontation with Iran, before leaving office, and that the Iranians are attempting to demonstrate that they are prepared to negotiate.

It is in this context that LaRouche has again warned Congress that its failure to force Dick Cheney's ouster from office could go down as the fatal act of cowardice that destroyed the American Republic.

# Gravely Wounded Still Shut Out of Treatment

by Carl Osgood

Despite four and a half years of scandals and bad publicity, horror stories continue to emerge about the poor treatment of soldiers and Marines, wounded in combat in Iraq and Afghanistan. The continuing scandals are feeding a growing movement of activists who are dedicated to moving the Bush Administration and the Congress to provide the care that many of these veterans will need for the rest of their lives. The exposés, however, as much as they have accomplished in putting a spotlight on the problem, avoid the crucial issue: that is, the nature of the Bush/Cheney regime that has put so many of these young men and women in harm's way, not for "freedom," as they claim, but to further their imperial schemes, on behalf of the international financial oligarchy, as the global financial system is blowing apart.

The impact of the war policy on those sent into combat was evident at a forum co-sponsored by the U.S. Naval Institute and the Military Officers Association, in Washington, D.C., on Sept. 18, on the subject of the treatment of "wounded warriors," particularly on panels focused on traumatic brain injury (TBI) and on post-traumatic stress disorder (PTSD). The lack of screening for symptoms of mild to moderate TBI, which results from blast exposure, is an ongoing scandal. Even speakers from the Defense Department, who were mostly military doctors, admitted that the DoD is not doing enough to screen combat veterans for these grave medical problems. Too many soldiers and Marines who have been exposed to repeated blast incidents but have no visible injuries are being discharged from the military for "personality disorders" and other specious reasons. Those who receive discharges have no benefits and, therefore, no access to the care they really need. The transition of the wounded from the Defense Department medical system to that of Veterans Affairs remains a serious issue as well.

Col. Peter Bunce, a retired Air Force officer, described the difficulties he has had getting help for his son, a Marine who was wounded by a roadside bomb in Iraq's Al Anbar province in March of 2004. He described his own experience trying to get his son through the transition from the DoD system to the Veterans Administration, which, he said, "didn't work." He called the mountains of VA paperwork "daunting," and because of his son's injuries, he cannot handle it alone. Just the previous day, Bunce reported, the VA sent a letter threatening to cut off his son's benefits because he is unable to manage his own affairs. Dr. Susan Connor, the CEO of the Brain Injury Association, confirmed Bunce's experience; she explained

that the frontal lobe of the brain "is where it's all processed," that is, thinking, judgment, memory, speech, and other cognitive functions. If a person sustains a brain injury and has pages of paperwork shoved in front of him, he will not be able to handle it. The administrative processes in the DoD and the VA "seem to be against everything that an individual with brain injury is able to handle," she said.

## No Screening for Brain Injury or PTSD

As bad as the VA system is, however, the scandal of the lack of systematic screening for TBI and PTSD means that many soldiers and Marines who need the benefits are not even getting into the VA system. Veterans' advocate Steve Robinson told this reporter that, "visible injuries to the head get you into the system." The problem is what happens to those whose injuries are not visible. There is no mechanism, Robinson said, to record the exposure of soldiers and Marines to the kinds of blast events that result in non-penetrating injuries. Neurocognitive changes that have not been diagnosed look like malingering or any number of other disciplinary or behavioral problems and, too often, are treated as such.

Charles Gittens, a lawyer who has represented many discharged soldiers, told the forum that "too many military personnel with trauma have been identified with problems that become legal problems." Oftentimes, he said, when someone gets into legal trouble, it is the first time that a commander even knows that that person has a problem. When that person is forced out of the military with other than an honorable discharge, or a bad conduct discharge, that discharge cuts them off from the benefits they may need, and even becomes an impediment to being properly evaluated. "The military has to have a way of taking care of people who have been psychically injured, even if their service ends badly," Gittens said.

The Congress continues to keep an eye on this ongoing scandal, as well, as shown by a Sept. 26 hearing of the National Security Subcommittee of the House Oversight Committee on continuing problems at Walter Reed Army Medical Center, and in the Army medical system in general. Oversight Committee chairman Henry Waxman (D-Calif.), reported that the committee has received "deeply troubling" reports from Fort Carson, Colo., "that soldiers with PTSD and TBI are being dishonorably discharged under the pretense of having preexisting personality disorders. We've heard of one soldier who was ordered back to Iraq despite a diagnosis of PTSD and TBI." Waxman also noted that both the Army and the VA have hundreds of unfilled psychologist and psychiatric positions, despite the huge need for mental-health care. At the same hearing, the Government Accountability Office testified that, although some improvements have been made at Walter Reed and elsewhere in the Army's medical system, critical staffing shortages mean that 46% of the soldiers entering the medical system are still not getting the coordination of their care that the Army has promised.

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# National News

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## New War Powers Bill Defies Cheneyacs

On Sept. 25, Rep. Walter Jones (R-N.C.) filed the Constitutional War Powers Resolution, an initiative to stop the war drive against Iran, although it does not mention Iran directly. Instead, it attempts to stave off unitary executive action on any preventive or preemptive war action. The bill has been referred to the House Foreign Relations Committee and to the House Rules Committee.

In introducing the measure, Jones said, "...Too many times this Congress has abdicated its constitutional duty and allowed Presidents to overstep their constitutional authority.

"As James Madison said, and I quote, 'In no part of the Constitution is more wisdom to be found than in the clause which confides the question of war or peace to the legislature and not to the executive department.'

"...I have today introduced legislation, H.J. Resolution 53, the Constitutional War Powers Resolution that seeks to establish a clear and national policy for today's post-9/11 world. This resolution is a result of the dedicated work of the Constitutional Project and its War Powers Initiative."

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## British Mercenary Aegis Blackwater's Overseer?

Blackwater, a U.S. government-funded private mercenary force, in trouble for its out-of-control actions in Iraq, is based in North Carolina, but may actually answer to a creation of the current incarnation of the British East India Company.

National Public Radio reported Sept. 27 that in the wake of the scandal over Blackwater employees killing Iraqi civilians, questions are being raised about another firm, the British-based Aegis Defence Services. The CEO of Aegis is a friend of former Prime Minister Tony Blair, Lt. Col. Tim Spicer. Earlier, Scotsman Spicer headed Executive Outcomes and Sandline, two firms closed down for wrongdoings.

"Aegis has been granted a two-year \$475 million contract, the largest-single security contract in Iraq," said the broadcast. The company is hired "to oversee coordination of all other contractors in Iraq and provide intelligence services and security."

The Government Accountability Office, Congress's investigative arm, "faulted the company for not performing adequate background checks on its employees." NPR quoted Rep. Marcy Kaptur (D-Ohio), who said, "In November 2005, there was an Internet video that surfaced that showed an Aegis contractor firing wildly at civilian cars on an Iraqi highway, to the tune of 'Mystery Train' by Elvis Presley."

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## More Scientists: Missile 'Defense' Is a Threat

MIT physicist Ted Postol has continued his offensive, to demonstrate how and why the elements of U.S. missile defense proposed for Poland and the Czech Republic threaten Russia's ICBMs. The American Association for the Advancement of Science posted the graphics from Postol's Aug. 28 Capitol Hill briefing on its website (see *EIR*, Sept. 14), in advance of a Sept. 27 briefing Postol gave in Washington.

The day before, AP reported on interviews with five other physicists who have studied the material, some doing their own calculations, who agree with Postol's conclusions. These are: George Lewis, associate director of the Peace Studies Program at Cornell; Pavel Podvig, at Stanford's Center for International Security and Cooperation; Richard Garwin, former nuclear bomb designer, and anti-SDI spokesman; Philip Coyle, former associate director at Lawrence Livermore Lab, and former assistant Secretary of Defense in the Clinton Administration; and David Wright, a physicist at the Union of Concerned Scientists.

Postol's basic point is that the Missile Defense Agency has understated the speed of the proposed Poland-based interceptor missiles, and overstated how long it would take to track a missile in order to launch the interceptors, to conclude that the Russian

ICBMs could not be hit. The MDA felt enough pressure from Postol et al., that it has issued a five-page rebuttal, saying Postol had overestimated the performance of the proposed system. Postol's reply, quoted in the *Wall Street Journal*, is that if this is so, "then they can't defend places that they said they could defend, either," meaning, in Europe.

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## Kennebunkport or 'Big Trouble,' Say Russians

The negotiations on the Russian proposal for joint Russian-U.S. use of the Gabala radar installation in Azerbaijan, had better be successful, or there will be "big trouble," Sergei M. Rogov, director of Russia's U.S.A. and Canada Institute, and member of the Russian Academy of Sciences, stated on Sept. 25. Rogov was replying to a question from *EIR* reporter Michele Steinberg, directed to a panel of U.S. and Russian ambassadors from the last three decades, who appeared at the Carnegie Endowment for International Peace in Washington, D.C.

Thirteen former ambassadors from the United States to Russia, and from Russia to the United States, were present at the event, which commemorated the 200th anniversary of diplomatic relations between the two countries.

Steinberg raised the Kennebunkport initiative by Putin, to offer U.S.-Russian cooperation on the Gabala radar installation, in exchange for the United States dropping its plan to install ABM systems in Poland and the Czech Republic. Steinberg asked about the role of the commission that includes Henry Kissinger and Dr. Yevgeny Primakov, which was set up to pursue U.S.-Russian cooperation.

Several participants are either on the commission, or work with it, including Ambassador Yuli Vorontsov, Thomas Graham from Kissinger McLarty Associates, and Rogov, who is an advisor.

Vorontsov said that the Kissinger-Primakov commission of senior advisors has a broader purpose in discussing cooperation, which has nothing to do with negotiating the Gabala proposal per se.



LAROCHE YOUTH MOVEMENT BUILDS GROUNDSWELL

# State Reps Sponsor LaRouche's Bill To Stop Foreclosures

by Lewis Whilden, LaRouche Youth Movement

A political earthquake erupted in the Pennsylvania State House, followed by a significant tremor in the State House in Michigan, with the introduction of resolutions in both states, calling on the Federal government to adopt Lyndon LaRouche's Homeowner's and Bank Protection Act (HBPA). Pennsylvania State Rep. Harold James and Michigan State Rep. LaMar Lemmons, Jr. introduced the measures in their respective states on Sept. 27, in what are the latest in a cornucopia of endorsements and resolutions put forward by state officials from Missouri, New Hampshire, Tennessee, and Alabama. *However*, if these were the only resolutions to be filed in the United States, then LaRouche's plan for an immediate moratorium on home foreclosures would be stopped cold, eaten by the hedge-fund crocodiles before a single member of Congress could be moved to act. It is now the end of September, and LaRouche's deadline for Federal intervention is approaching. This extremely important activity at the state level is the first step to bringing LaRouche's HBPA to the Congress. To make this a reality, we must escalate!

The LaRouche Youth Movement recently deployed into the Pennsylvania State House in Harrisburg to organize representatives to co-sponsor Harold James's resolution. There, we found a unique, fertile field of potential, mainly because of the leadership that James has shown throughout the years. It is no coincidence that the first major shot in this fight was in Harrisburg. Representative James was the first elected official to endorse LaRouche for President in 2004. In 1996, he also introduced legislation to tax speculative financial transfers, as a means of generating the funds to provide for the general welfare of the citizens of Pennsylvania. The breakthrough on the HBPA is the result of the cumulative effect of our organizing in Pennsylvania throughout the years. The legislators we spoke to were very knowledgeable about LaRouche's leadership, and had a lot of respect for Harold James. As of this writ-

ing, James's resolution has 35 bipartisan co-sponsors: 31 Democrats 4 Republicans, including 13 Democratic committee chairmen, 2 Republican committee vice chairmen, and 1 republican caucus leader. In all, this represents 17% of the legislature, and nearly one third of the Democrats in the Pennsylvania House.

The groundswell for LaRouche's "firewall" policy is an initial blow to the hedge fund lobby that is looking to obstruct any impulse among Congressmen to protect the general welfare. With the resolutions in Harrisburg and Lansing, we have punctured the enemy lines, and now, to win the war, we must charge through with everything we've got. Imagine, if once the American forces at Normandy had made it to the beach, only then to take off their shirts and start to sunbathe. That is not the kind of war we are running!

It is important to immediately spread this momentum to the state houses in the Midwest, West Coast, New England, the South, and *all* of the states that are hit hardest by the mortgage crisis. In this way, you can insure that the Pennsylvania and Michigan resolutions do not become a target of the oligarchy. To guarantee the success of this fight, the LaRouche Youth Movement has targeted state houses throughout the country.

One representative in Harrisburg, while also ripping into his own Congressman for his inaction on everything, expressed doubt that the Congress would do anything if given a resolution from the Pennsylvania State House. We told him that our own mobilization involves getting resolutions passed in Massachusetts, New Hampshire, Connecticut, Rhode Island, New York, Texas, Alabama, Michigan, Ohio, California, Washington State, Missouri, i.e., all of the states in which our youth movement is either directly involved in statehouse organizing, or we have legislator collaborators who are introducing LaRouche's legislation, as Representative James has

done. The legislator responded “Now that’ll work. I’ll support this resolution, if that’s what you’re doing.”

What follows is a small glimpse at what the youth movement is doing.

## Our Fight in the Midwest

The Harrisburg effect spread first to Michigan, where our organizing has resulted in Rep. LaMar Lemmons, Jr.’s resolution receiving, at the time of this writing, 20 co-sponsors—one-fifth of the entire legislature, and nearly one-third of all the Democratic representatives in the State House!

The eyes of the world right now are on the Midwest, a region hit devastatingly hard not only by home foreclosures (with the Detroit area being #2 in foreclosure rates), but also the theft of the citizens’ means for survival with the shutdown of industry and manufacturing. The government of Michigan is threatening shut down due to its bankruptcy, and the state of Ohio is similarly bankrupt. Because of the Midwest’s past in the development of our nation, as a center for the implementation of new technologies, it has been an area targetted for destruction. The Midwest, however, is also the region where a revolution of the type LaRouche is calling for is most likely to start because of this history. As one organizer said to a state representative who wanted to know if anyone had introduced our resolution at the Federal level, “You are not going to find anyone, because the nation is looking to the Midwest to show leadership on this.”

We’ve intervened in the state house in not only Lansing, Michigan, but also Columbus, Ohio. In both state houses, we found ourselves fighting the localist attitudes of the legislators. They are obsessed with solving the immediate crisis for their constituents who are becoming homeless, but we insisted that if they do not fight for an FDR solution on the Federal level, then they are wasting their time. Why only give the man in the desert a glass of water, when you can take him out of the desert!

In Columbus, our strategy was to play LaRouche’s “Fire-wall Chat,” an 8½-minute audio statement on the foreclosure crisis, to everyone we met with, and managed to play it 18 times with a lot of good responses and questions afterward. We had a total of 32 meetings. We were also able to have many impromptu meetings, and there was a level of openness in Columbus that we have never experienced there before. This was perhaps due to the current crisis, with many Ohio cities being amongst the top 100 areas in foreclosures, and the developing crisis with the impaired mortgage assets of the state-chartered National City Bank.

Our organizers were very enthusiastic about the potential of the legislators they met with, and we received general support, but some work needs to be done to show the Ohio legislature how to be leaders. The legislature is comprised of Franklin Roosevelt Democrats and McKinley Republicans, but one organizer compared their behavior to owls: “WHO are you guys talking to? WHO has endorsed this resolution? WHO in Washington is willing to introduce this legislation?

WHO? WHO? WHO!” It seems that no one, at this point, is willing to introduce the resolution, until they get some sort of approval from others. They may move with the idea, but no one yet is willing to stick their neck out onto the hedge funds’ chopping block. The situation in Ohio requires a leader. *who* will it be?

## Foreclosed in New England?

Our organizers in Boston have travelled to state houses all over New England—the capitals of Massachusetts, New Hampshire, Connecticut, and Rhode Island, as well as New York—where they have been well-received. New England has many cities listed in the top 100 foreclosure rate list. We also attended hearings held by the Massachusetts Attorney General on the crisis in four of the state’s hardest-hit cities (see *EIR* Sept. 28).

In Connecticut, we took advantage of an emergency session of the legislature. Our strategy in was to have meetings with the representatives’ aides, followed up by calling the lawmakers “off the floor.” The reps we talked to were most enthusiastic about the idea of their states participating in a national mobilization. We briefed them extensively about our activities in state houses around the country.

When we talked to one aide in her office, she had just gotten off the phone with an LaRouche PAC organizer from our national center in Leesburg, Virginia, with whom she had already discussed the HBPA. She told us about her own family’s experience with a bad mortgage that ended up in the hands of a company other than the bank that originated the mortgage. When we pulled her representative off the floor of the House, he agreed that it was necessary to deal with the crisis now, but thought he couldn’t do much because of the bureaucracies in both the state house and the Federal government. We challenged him to see that it was precisely the bureaucratic policies in Washington that have destroyed the economy, and that the issue of leadership is having the courage to buck this bureaucracy.

Another rep expressed the common argument that “the market” ought to sort this out. Concerning the revaluation of mortgages in the foreclosure moratorium stage, he asked, “Shouldn’t the law of supply and demand determine that?” Our organizers compared the law of supply and demand to somebody’s libido determining their daily decisions, and attacked Adam Smith as the originator of the idea that economy is driven by society’s sex drive. After this polemic, the legislator asked seriously, “What’s your plan?”

With the targeting of multiple state houses in the New England area, and the damage that the foreclosure crisis has done to New Englanders, a breakthrough on the northeastern flank is imminent.

## And California?

As emphasized earlier, the key to the success of this mobilization is to spread the Harrisburg effect. The pressure

that will force the Congress to act must come from the states. To win this fight, many more local leaders around the country have to put the kind of pressure on their Congressmen that is as unbearable as the reality of the crisis is for the average citizen. The region that is thus far conspicuously missing from this fight is California, a state that has one of the highest foreclosure rates in the nation. This silence comes despite the intensive work of the LYM and State Assemblyman Mervyn Dymally. When Dymally tried to introduce this to a recent California Legislative Black Caucus meeting, the resolution was shot down in favor of discussing Governor Schwarzenegger's energy policies. Besides this go-along-to-get-along farce, the LYM have contacted 70 city councils out of the 90 in Los Angeles County, and have maintained a continuous presence at the state house in Sacramento.

With the victories in Pennsylvania and Michigan, the first few bricks in LaRouche's firewall have been laid!

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## Documentation

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# Pennsylvania Action To Stop Foreclosures

*Pennsylvania State Rep. Harold James introduced the following resolution, HR 418, on Sept. 27. It has already been co-sponsored by 35 members of the legislature (see [www.larouchepac.com](http://www.larouchepac.com) for list of co-sponsors.)*

## Resolution

Memorializing Congress to take emergency action to protect homeowners and banks and enact a Homeowners and Banks Protection Act.

WHEREAS, The onrushing financial crisis involving home mortgages, debt instruments of all types and the banking system of the United States threatens to set off an economic collapse worse than the Great Depression of the 1930s; and

WHEREAS, Millions of Americans are faced with foreclosures and loss of their homes over the coming months; and

WHEREAS, The hedge funds which spread this financial collapse among markets worldwide, by dominating speculation in all those markets, are now going bankrupt and demanding government bailout of their securities and derivatives, and the nominal value of the derivatives based on mortgages alone is the size of the combined GDP of the nations of the world; and

WHEREAS, This financial crisis threatens the integrity of

both Federal and State chartered banks, as typified by the run on deposits of Countrywide Financial Corporation in California on August 16, which could wipe out the life savings of too many American people and drastically undermine the economic stability of our states and cities; and

WHEREAS, Under similar circumstances in the 1930s, President Franklin D. Roosevelt successfully intervened to protect banks and homeowners, addressing Congress with a "declaration of national policy" on April 13, 1933, which stated "that the broad interests of the Nation require that special safeguards should be thrown around home ownership as a guarantee of social and economic stability, and that to protect homeowners from inequitable enforced liquidation in a time of general distress is a proper concern of the Government"; therefore be it

RESOLVED, That the House of Representatives of the Commonwealth of Pennsylvania call upon Congress to take emergency action to protect homeowners and banks by enacting a Homeowners and Banks Protection Act specifically to:

(1) Establish a Federal agency to place Federal and State chartered banks under protection, freezing all existing home mortgages for a period of time, adjusting mortgage values to fair prices, restructuring existing mortgages at appropriate interest rates and writing off speculative debt obligations of mortgage-backed securities, financial derivatives and other forms of financial pyramid schemes that have brought the banking system to the point of bankruptcy.

(2) Declare a moratorium on all home foreclosures for the duration of the transitional period, allowing families to retain their homes. Monthly payments, the equivalent of "rental payments," shall be made to designated banks, which can use the funds as collateral for normal lending practices, thus recapitalizing the banking system. These affordable monthly payments will be factored into new mortgages, reflecting the orderly deflating of the housing bubble, the establishment of appropriate property valuations and reduced fixed mortgage interest rates. While this may take several years to achieve, in the interim period no homeowner shall be evicted from his or her property, and the Federal and State chartered banks shall be protected so that they can resume their traditional functions, serving local communities and facilitating credit for investment in productive entities.

(3) Authorize governors of several states to assume the administrative responsibilities for implementing the program, including the "rental" assessments to designated banks, with the Federal Government providing the necessary credits and guarantees to assure the successful transition;

and be it further

RESOLVED, That a copy of this resolution be transmitted to the President of the United States and to each member of the Pennsylvania Congressional delegation for immediate action.



# Congress Hears Testimony on Housing Crisis, But No Solutions

Developments on Capitol Hill continue to reflect the fact that Congress has still not gotten the message from the population, that it must act to save the homeowners and the banks, but *not* the hedge funds. Legislative efforts have been focussed on pushing through a so-called FHA (Federal Housing Administration) modernization bill in the House of Representatives. Otherwise, hearings on the mortgage crisis became a platform for the likes of Federal Reserve chairman Ben Bernanke to claim that the mortgage crisis would soon blow over, and that the “fundamentals were sound.”

The House, on Sept. 18, passed by a 348 to 72 vote, HR 1852, called a “comprehensive reform of the Federal Housing Administration.” This Act would put the FHA in the subprime mortgage lending-insurance business, allowing it, for the first time, to insure mortgage loans which involve no initial down payment, are issued to “high-risk” borrowers, and are what are colloquially called “jumbo loans,” up to 125% of the average home price, even in “high-cost states” like California, Florida, etc.

The comparable Senate bill, sponsored by Connecticut Democrat Chris Dodd (a devotee of Felix Rohatyn), has already passed the Senate Banking Committee.

At the Sept. 19 meeting of the Joint Economic Committee (JEC), chaired by New York Democrat Sen. Chuck Schumer, a dramatic picture of the current crisis, as it is reflected in the housing debacle, was presented. Schumer himself said he expected 2 million households to face foreclosure over the next 12 months, and the crisis being caused by declines in housing prices was detailed by numerous witnesses. However, the level of “solutions” proposed amounted to the equivalent of a Consumer Protection Agency for mortgages—i.e., nothing.

We excerpt here, the testimony of two witnesses before the JEC. One, from the CEO of the Center for Responsible Lending, provides a broad review of the current foreclosure crisis. The second, given by a housing attorney for the Massachusetts Law Reform Institute, presents a little-known picture of how renters are being affected by the subprime mortgage crisis. Although neither witness touches the crucial fact that it is the whole financial system, not just subprime mortgages, which is blowing out, they give a sensuous picture of a slice of the social problem being created, which will get much worse, unless LaRouche Homeowners and Bank Protection Act is adopted soon.



EIRNS/Stuart Lewis

*“For Sale,” “Auction,” and “Foreclosure” signs are popping up everywhere; this photo was taken in Leesburg, Virginia.*

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## Documentation

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### Subprime Lending Disaster Threatens Broader Economy

*Testimony (excerpted and without footnotes) of Martin Eakes, CEO of Self-Help, and CEO of the Center for Responsible Lending, before the U.S. Congress Joint Economic Committee, on the “Evolution of an Economic Crisis? The Subprime Lending Disaster and the Threat to the Broader Economy,” Sept. 19, 2007.*

Chairman Schumer, Ranking Member Saxton, Vice Chair Maloney, and members of the Committee, thank you for holding this hearing to focus on how the alarming rate of losses on subprime mortgages is affecting consumers, the U.S. economy, and global financial markets. We commend you for focusing on the problem and seeking positive solutions.

I testify as CEO of Self-Help ([www.self-help.org](http://www.self-help.org)) which consists of a credit union and a non-profit loan fund....

Self-Help is a subprime lender, and our loan losses have

been less than one percent per year. We are small compared to the commercial finance companies that have produced most subprime loans, but we, too, provide mortgages to people who have lower incomes and credit blemishes. The biggest difference is that we avoid making loans that begin, from the first day, with a high chance of failing; we assess whether the borrower can pay the loan back; and we structure the loan in a way that promotes sustainability. This is Risk Management 101, a course that lenders in the prime market have followed for decades.

In addition to my experience with Self-Help, I am also CEO of the Center for Responsible Lending (CRL) ([www.responsiblelending.org](http://www.responsiblelending.org)) a not-for-profit, non-partisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. We work with many other concerned groups to eliminate predatory lending practices and encourage policies that protect family wealth.

During these past few months—as subprime foreclosures shot up to alarming levels, as over 100 mortgage companies closed their doors and laid off tens of thousands of employees, as investments collapsed and banks on several continents felt compelled to take action—the mortgage industry has tried to downplay the enormous damage caused by reckless subprime lending.

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## I. State of the Market

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Today I want to make these points:

- The rate of foreclosures on subprime loans is severe.
- The problem of foreclosures on subprime mortgages is widespread, and has already had a significant negative impact on people with and without subprime mortgages, as well as the economy at large.
- Subprime foreclosures will get much worse in the near future.
- Tightening of credit has been caused by an industry that has run too loosely and without sufficient regulation.
- Market forces are not correcting the situation.
- The impact on homeowners is devastating. We provide one real-life example out of millions....

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## III. State of the Market—Discussion

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### A. The foreclosure problem is severe.

Every credible quantification of subprime foreclosures reveals that the problem is severe. The 2nd Quarter National Delinquency Survey, recently released by the Mortgage Bankers Association (MBA), shows that foreclosures on all types of loans have increased, but, as expected, foreclosures in the

subprime market are most severe. New foreclosures on subprime adjustable-rate loans in the second quarter 2007 are **90%** higher than the same time last year, compared with a 23% increase on prime fixed-rate loans.

At the same time, the MBA's "point in time" foreclosure statistics mask the extent of the foreclosure problem, because their figures fail to include the high number of subprime loans that were originated recently and have yet to enter their peak foreclosure years. CRL issued a study in December 2006 ("Losing Ground") estimating that **one out of every five subprime mortgages made in 2005 and 2006 ultimately will end in foreclosure**. This projection refers to *actual homes lost not late payments or foreclosures started but not completed*.

When we released our report on subprime foreclosures, the lending industry claimed that our findings were overly pessimistic. Even today, the Mortgage Bankers Association continues to insist that the foreclosure problem is relatively small, and that only about 250,000 households with subprime mortgages will lose their homes. Their figure comes from a mis-reading of the research described in the Losing Ground report....

By any measure, these estimates represent an epidemic of home losses. These foreclosures will not only harm the families who directly lose their homes, but the ripple effects have already begun to extend to the wider local, national and international communities.

### B. The foreclosure problem is widespread.

The MBA's recent delinquency report also shows that mortgage loans entering foreclosure have increased in 47 states since this time last year. On average, the increases were 50% higher. Only four states—North Dakota, South Dakota, Utah and Wyoming—did not experience increases in new foreclosures. Less than two percent of the American population live in those states.

When releasing the survey, the MBA downplayed new foreclosures by focusing only on changes between the last two quarters. But any minor changes from one quarter to the next are largely meaningless. **The foreclosures occurring today are the worst they've been in at least 25 years.** In essence, the MBA's defense of a dismal situation is, "The house is on fire, but the temperature has dropped by three degrees in most rooms."

The MBA has also been quick to claim that the performance of subprime loans is primarily a result of local economic conditions, not loan products or underwriting practices. In fact, it is not an either-or proposition. Local economic conditions can affect house prices appreciation and unemployment levels, which affect foreclosure rates. However, subprime loans have typically included features that are known to increase the rate of foreclosure. Economic studies and empirical research also have shown that the incidence of foreclosure escalates quickly due to "layered risk" factors (e.g. low downpayments, high debt-to-income ratios, adjust-

able interest rates, etc.)—exactly the types of loans that have dominated the subprime market in recent years.

Furthermore, if local economic conditions were the dominant factor in subprime loan performance, then there would be little distinction between the performance of subprime loans and FHA loans, which are also aimed at riskier borrowers. However, the MBA's own statistics show subprime loans perform worse than FHA loans *in the same market* [Table 1].

Lastly, the MBA has claimed that defaults on non-owner occupied properties are the major driver for increased subprime foreclosures. However, 88% of foreclosures are suffered by people living in their primary residence. A higher rate of foreclosures on investor properties is not a new development—default risks have *always* been significantly higher for investor properties compared with owner-occupied homes. We question why the MBA is surprised by this result, if lenders were making subprime loans with loose underwriting standards to this even-riskier class of borrower. Moreover, this type of lending did nothing to increase homeownership, and instead fueled speculative home-buying, short-term run-ups in house prices, and now increased foreclosures and falling home values that are hurting all the families in these neighborhoods.

The cost of the subprime problem extends far beyond lost homes and ruined neighborhoods with dropping property values. Over 100 mortgage lenders already have gone out of business and thousands of workers have lost their jobs. It's harder for mortgage lenders and firms in other business lines to get credit from once-burned, twice-shy investors. The stock market is increasingly volatile and the housing market is facing its first national decline since house prices started being measured in the 1950s. All these factors spell slower (or even negative) economic growth in the U.S. and—with German banks worried about subprime loans made in Chicago—bleak prospects for help from players in other global financial markets....

### C. Subprime foreclosures will get much worse in the near future.

It is important to recognize that while the rate of subprime foreclosures is alarming today, the worst is still ahead. With as many as 1.7 million foreclosures predicted to occur in the next two to three years, it is imperative that Congress take action to assist homeowners struggling today, not just protect future subprime borrowers.

Even with the recent modest cut in interest rates, many subprime borrowers will face 40 percent or greater increases in their monthly mortgage payments once their initial “teaser” rates expire and their fixed interest rates reset into higher-rate variable rates. As the chart below shows, a large majority of these rate resets will occur in early 2008 [Figure 1].

TABLE 1

### Outstanding Loans in Foreclosure at End of 2Q 2007

(Percent)

	Subprime	FHA
<b>Northeast</b>	5.76	2.42
<b>North Central</b>	8.76	3.45
<b>South</b>	4.50	1.76
<b>West</b>	4.40	1.23
<b>United States</b>	5.52	2.15

Source: MBA National Delinquency Survey, 2Q 2007.

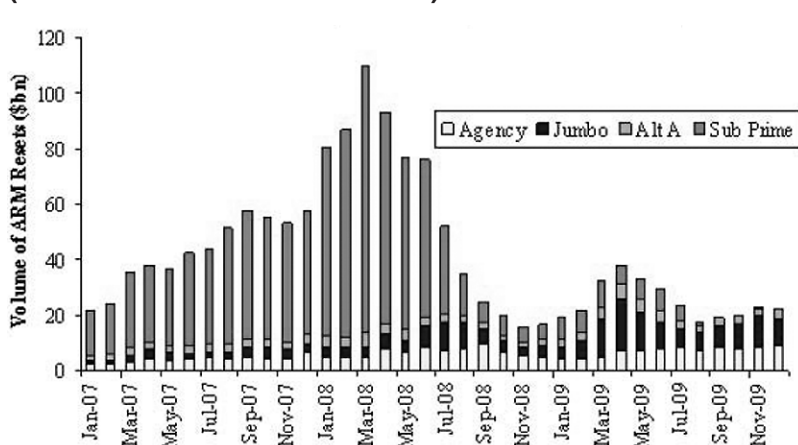
### D. Tightening of credit has been caused by an industry that has run too loosely and without sufficient regulation.

The mortgage industry has argued for years that regulation of subprime lending would have the unintended consequence of restricting credit. Today it is apparent that the current tightening of credit has been caused by the *lack* of adequate regulation and the reckless lending that followed. If subprime lenders had been subject to reasonable rules—the kind of rules that responsible mortgage lenders in the prime market have always followed—it is safe to say we would have avoided the massive problems we are seeing today.

It is possible to structure subprime loans in such a way that homeowners have a high chance of achieving sustainable ownership. Unfortunately, that's not what most subprime lenders have done in recent years. In fact, they have done the opposite. Typical subprime mortgages have been refinances that include adjustable interest rates, prepayment penalties, and little or no documentation of the borrower's income. In the “Losing Ground” study, we examined subprime mortgages made from 1998 through 2003 to assess the relationship

FIGURE 1

### Monthly ARM Reset Schedule by Sector (Securitized + Non-Securitized)





between specific loan characteristics and the loan's performance....

Some of these loan characteristics can work fine for homeowners when their lenders have carefully evaluated the loan's risk. For example, adjustable-interest rates are a reasonable option for families that are not already stretched to make their payments or those who expect a future increase in income. But in recent years, the subprime market became dominated by adjustable rate mortgages that allowed families no chance to sustain them: they were set only to go up, could not go down, and had such high margins (6% to 6.5%) over a cost of funds index (LIBOR) that they quickly jumped to highly unaffordable levels (currently 12% plus). Further, typical subprime loans included multiple higher-risk features that became even more lethal when packed together in one loan. The 2-28 subprime "exploding ARMs" comprised "nearly 80% of subprime originations in 2006."

For the past decade, subprime lenders have been aggressively marketing these dangerous loans and touting the easy availability of mortgages. Now, because of their actions, the market is tighter for everyone.

### **E. Market forces are not correcting the situation.**

Normal market forces are *not* correcting the subprime crisis. That's because the subprime mortgage market as currently structured doesn't have adequate incentives to police itself; in fact, subprime lenders continue to have strong incentives to make harmful loans. Consider these facts:

- Mortgage brokers, who make approximately 70% of subprime mortgages, are not required to offer loans that are in the borrowers' best interests.
- Subprime mortgage lenders provide financial incentives (compensation for interest rate bumps, called "yield-spread premiums") to mortgage brokers for putting borrowers in higher interest loans than they deserve. Lenders also provide brokers incentives to include prepayment penalties costing thousands of dollars and carrying significantly higher chances of foreclosure.
- Lenders, until recently, reaped huge profits by ignoring a homeowner's ability to repay the loan and/or neglecting to document the homeowner's income.
- Unscrupulous lenders gain a competitive advantage over honest lenders when they *exclude* the costs of taxes and insurance from monthly mortgage payments.
- Lenders make more money when they steer people into subprime loans—even when those people are qualified for a lower-cost prime loan.
- Since loans typically pass from brokers to lenders to investors, it has been easy to avoid accountability for abusive mortgages.

All of these market incentives point in one direction: If the subprime market continues running without any rules, borrowers will continue to receive abusive loans that lead to foreclosure. The market may tighten up temporarily, but with these perverse incentives firmly in place, future abuses are inevitable.

We support responsible subprime lending, in fact, we've done it since 1985, but we are opposed to the reckless way that subprime lending has been conducted in recent years. When subprime mortgages are made with care, they are a valuable tool for giving families a secure foothold in the middle class. Sustainable homeownership is one of the best options for helping struggling families. But offering a false promise of homeownership is like serving tainted water. If we care about sustainable homeownership, and if we want good credit to be more abundant in the future, then we need to require lenders to return to common-sense loan assessments....

## **Foreclosure Threatens Thousands of Renters**

*Testimony (excerpted) of Judith Liben, Housing Attorney at the Massachusetts Law Reform Institute, before the House of Representatives Committee on Financial Services, Sept. 20, 2007.*

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### **I. Introduction.**

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Good morning, Mr. Chairman and Members of the Committee. My name is Judith Liben. I am a housing attorney at the Massachusetts Law Reform Institute in Boston. MLRI is a nonprofit statewide legal services support center....

Thank you for this opportunity to alert you to the plight of thousands of people who are innocent victims of the current mortgage foreclosure crisis and whose stories until recently have been largely ignored by the media and government officials.

I am referring to tenants living in foreclosed rental properties in cities and towns around the country. The buildings these renters resided in may have been owner-occupied, but more often they were owned by investors and speculators hoping to profit on the rents, who then defaulted on their mortgages, with the properties going into foreclosure. These foreclosed rental properties are typically smaller buildings, condominiums, and single-family rented homes. They are found in cities and surrounding suburbs, in lower-income and also more upscale neighborhoods—in short, almost everywhere.... As more information comes to light, it is now clear that, nationwide, tenants who did nothing wrong except to rent from a defaulting owner are suffering harsh collateral damage from the mortgage fallout. We urge the Committee to look carefully at this pressing issue.

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## II. Renters in Foreclosed Properties Are Quickly Put Out of Their Homes.

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In most states, foreclosure terminates a tenancy, and, if the foreclosing bank takes title, it evicts the renter households very quickly—usually with only three to thirty days’ notice. For example, in **Nevada**, a legal services lawyer reports: “The Housing Hotline in our office in Las Vegas receives dozens of calls each day from tenants who are being evicted after foreclosure. In Nevada, the new owner need only give 3 days’ notice to tenants telling them to get out.”

And in **Oregon**, a housing lawyer describes the plight of these families and individuals:

We get calls from tenants who are given a two-week notice to quit after a bank forecloses on a home. This puts the tenants in a terrible position in that they have to locate, apply, receive approval, and move all in 14 days or risk an eviction on their record. I would say that, in 99% of these cases, the tenants become homeless, double-up in another family’s home, or remain in place until they are evicted through court procedures and incur further costs as a result. We have never seen a bank give a family a longer period of time in which to leave or offer them a short-term lease in order to assist the family in moving.

The director of the Housing and Economic Rights Advocates in Alameda County, San Francisco County, and Contra Costa County, in Northern **California**, describes the situation there:

We have heard from HUD-certified housing counseling agencies and consumer credit counseling agencies that they are receiving calls for assistance from tenants renting homes that have been foreclosed. The tenants’ complaints include the foreclosing bank failing to provide utilities as required under state law and high-pressure tactics and outright threats by the foreclosing lender or its agent trying to force the tenant out of the property on an accelerated timeline.

Many of these tenants are renting single-family homes in middle-class neighborhoods that were owned as investment properties by individuals. Notably, my office started getting calls in July of this year from homeowners who were going into foreclosure on their single-family investment properties with high-cost, subprime mortgages that they could not keep up with.

And in Riverside and San Bernardino counties in California, housing lawyers see two basic scenarios:

First, a tenant in a home where the landlord loses title through foreclosure is served with a 30-day notice. Because there are no defenses that the tenant can raise, the tenant will have a judgment against him or her for possession and, usually, for money damages, which absolutely ruins their chances for obtaining other housing for up to seven years and will ruin what is usually already-precarious credit.

The second situation, which involves an “invalid” tenant, occurs during times when there are a lot of foreclosures. Scam artists study the Notices of Default published in newspapers and go to the addresses. If the house is vacant, they break in, change the locks, clean the place up just a bit and advertise them for rent. People then come, pay a heavy security deposit, and rent the house “as is.” After paying rent to the fake landlord for three or four months, lo and behold, there’s that pesky notice to quit posted on the house by whoever owns through foreclosure, an entity the rent-paying tenant has never heard of. The same procedure as in the preceding example then takes place.

Further aggravating the problem, displaced tenants are now competing with evicted foreclosed homeowners who are looking to rent. This means that, in some areas, rental markets are becoming tighter and more expensive....

A recent article in the Summer 2007 issue of the Housing journal *Shelterforce*, entitled, “Losing Ground,” describes what is happening in **New York City**.

Not only are rampant foreclosures helping to accelerate change in the economic and racial make-up of these neighborhoods, but they are also exacerbating the lack of affordable housing in New York City. Foreclosures on two- to four-family and larger multifamily homes have led to wholesale evictions of lower-income tenants. Tenants in multifamily homes suffer as a result of foreclosures when landlords walk away from the home, stop making needed repairs, and fail to communicate with tenants about their housing status. As new owners take over the buildings, particularly in gentrifying neighborhoods, lower-income tenants are driven out to make way for higher rents.

Foreclosing banks claim, often with no support or data, that they must evict all tenants because empty buildings will sell more easily. The banks rarely consider that in many cases it would be more prudent and more profitable to keep the buildings occupied with rent-paying tenants while they search for a new owner. A typical situation is described by a legal services lawyer from Chester, **Pennsylvania**:

I represented a Section 8 tenant. When the landlord lost the property through foreclosure, the bank bought at the sheriff’s sale and promptly served the tenant with an action in ejectment. The Housing Authority

was caught off-guard because the landlord had been giving assurance that the mortgage default was being settled. The Housing Authority immediately offered to assign the Section 8 contract and payments to the bank, but the bank refused and instead insisted on proceeding with the ejectment. My thought was that someone at the bank clearly wasn't thinking when they passed up the chance to get paid a few months' rent and opted instead to pay lawyers to start an ejectment action.

In **Massachusetts**, we have found that the banks often are unable to justify their insistence that all tenants must be put out of their homes; their lawyers and brokers merely repeat that the client wants the tenants out, no matter if they are good, rent-paying tenants who have lived in the property for years. As in other states, the banks in Massachusetts claim that they can't sell the buildings unless they are empty. But when a tenant's lawyer (in the rare case where the tenant has obtained legal counsel) or a neighborhood housing advocate asks what price the bank is asking for the building and whether they could work out a deal in which a local nonprofit purchases the property, the answer from the bank is still "no." The banks' lawyers and brokers have their marching orders: get the tenants out. . . .

To move the renters out fast, in most states the banks send out agents with "cash for keys" offers, which go something like: "If you leave in five days, we'll give you \$500. Otherwise, we'll evict quickly and you'll get nothing." Many households, assuming the courts will evict them anyway, take these offers, although the money is hardly sufficient to find new housing. And, to make things worse, most tenants can't get the return of their security deposits or last month's rent that they gave to the original owner. . . .

Even where post-foreclosure evictions are prohibited by state, local, or, in the case of Section 8 leases, federal law, housing advocates report that the banks often ignore the law and threaten tenants with eviction. For example, under the law in the District of Columbia, a foreclosing bank cannot evict a tenant unless it has good cause. Nevertheless, as a housing lawyer from DC explains:

Banks typically send 30-day notices to vacate immediately upon foreclosing, despite the tenants' absolute right to stay and rent after the foreclosure. The majority of tenants are frightened into moving by these notices, even though the notices lack any legal basis. In recent weeks, we have seen a rise in the number of tenants seeking help in responding to these notices to vacate. When tenants do show up in court to fight the eviction, the banks dismiss their cases—but then begin pressuring tenants into 'cash for keys' deals that barely offer enough for security deposit on a new place.

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### III. When Banks Own Rental Properties After Foreclosure, They Refuse to Maintain the Buildings and Often Stop Providing Utilities.

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Let me describe how the process typically works in many states.

First, tenants often have no idea that their landlord has defaulted on the mortgage, that foreclosure is threatened, or that a foreclosure court procedure or sale has actually occurred. In many cases, the original owner may continue to collect rent from the unwitting tenants even after he has lost the building in foreclosure. A foreclosing bank may choose not to collect rent in hopes that it won't be viewed as the landlord of the building it now owns. Tenants often don't know what to pay or to whom. . . .

In Massachusetts, we have seen banks refusing to accept rent and then suing the tenants for nonpayment of "use and occupancy" in an amount higher than the rent—an amount never agreed to by the tenants. Low-income tenants, especially, do not have the financial or emotional reserves to deal with these uncertainties. This happens even where there are Section 8 leases (which courts have held survive foreclosure), but the banks, emboldened by the lack of clarity with all other tenants, attempt to evict Section 8 households, anyway.

The foreclosing bank, often from another state or another country, refuses to recognize any responsibility to existing tenants, may refuse to pay the utility bills, and will not make repairs, no matter how serious the problem. Tenants are literally left in the dark, with no idea about whom to call in emergencies. . . .

In Brockton, Massachusetts, a legal services lawyer reports:

Our office sees a lot of these cases. I recently represented a single mother, a domestic violence survivor who had always been an ideal tenant. She was up-to-date in her rent and didn't cause any problems. Her landlord was foreclosed upon and the bank stopped paying the electricity, which got shut off. After two weeks of trying to get the electric turned on (prior to our representation), the tenant actually had to call the electric company and establish an account for the entire building in her name, as the electric accounts weren't subdivided. The tenant was so diligent she even continued to pay her rent to her landlord for one month after the foreclosure happened. There is no reason for someone like this woman to have to end up facing eviction.

In Oakland, California, the City Attorney and local officials are alarmed as a growing number of households in foreclosed rental properties lose essential services and face displacement. See September 15, 2007, story in the *Oakland Inside Bay Area*, "Mortgage Crisis Hurting Tenants: Some Renters Illegally Evicted From Buildings in Foreclosure." . . .



As the subprime mortgage loan crisis rattles the financial and real estate markets and exposes the vulnerability of many home owners, it also is hitting a hapless population that had nothing to do with the loans—renters in buildings in foreclosure. Across Oakland, scores of renters like Bryson [the subject of the story] are being served eviction notices or being told to move out as banks take over buildings from defaulting landlords.... Tenants caught in between the banks and their errant landlords may face difficult straits, he said, including eviction. In some cases, building utilities have been turned off because landlords stopped paying the bills. “Some of the stories are very sad,” Russo [the Oakland City Attorney] said. “A 75th Avenue apartment has not had water for two weeks, and a woman who is pregnant lives there.... The cases are accelerating,” Russo said. “It’s becoming a humanitarian crisis.... I think it is unethical and illegal for financial institutions to foreclose and shove tenants out,” Russo said. “These folks in many cases paid their rents and did nothing wrong.”...

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## IV. The Problem Is Significant and Widespread.

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In Minnesota, officials in Hennepin County keep careful track of foreclosure activity and report that a high percentage of recent foreclosures are on rental properties. A housing lawyer at the Foreclosure Relief Law Project of the Housing Preservation Project in St. Paul summarizes the findings:

The impact of foreclosures on tenants is significant in Minnesota. In Hennepin County, which includes Minneapolis and the surrounding suburbs, there were 3,039 foreclosures in 2006 (this represented a nearly 100% increase over 2005). An astounding 38% of those foreclosures involved rental properties. The percentage of rental properties is even larger if you look at just the City’s share of foreclosures. In Minneapolis, more than half (56%) of the 2006 foreclosures involved rental properties. (These figures are supplied by Hennepin County Taxpayer Services.)

In the City of St. Paul (where foreclosures nearly tripled from 2005-2006), the percentage of foreclosed properties occupied by renters is disproportionately large. The City is divided into 17 districts, and the percentage of foreclosures involving rental property ranges from 30% to approximately 70%, with an average of about 40%. (This data supplied by the City Council’s research team.)

We have anecdotal evidence from Hennepin and Ramsey County homeless service providers telling us that more and more people are seeking shelter because their landlord lost the building to foreclosure. Legal Aid/Legal Service organizations tell us that

the number of tenants calling for help because of a foreclosure has increased exponentially over the last several months....

When journalists from **Maryland’s** *Baltimore Sun* started to research this issue for a special report, they found that “[p]roperties belonging to ‘nonowner occupiers’—usually investors—accounted for nearly 30 percent of the city homes that lenders were trying to foreclose on during the first three months of [2007]....

In Chicago, the Executive Director of the Lawyers’ Committee for Better Housing writes:

We have a presence in eviction court every day, with a staff attorney and volunteers from Chicago law firms providing representation to 400-500 families each year. We are seeing a huge jump in the number of cases where tenants are being evicted due to the foreclosure of their landlord. Our social services specialist spoke with four tenants from the same building one day this month who had just been evicted due to foreclosure. Three of them were current on their rent and were good tenants. With 14-day orders of possession granted to the mortgage holder, they did not know what hit them, didn’t know where to turn, and were at risk of homelessness. Seven of the last 46 tenants who contacted us regarding eviction hearings had landlords whose building had been foreclosed. This was over a two-week period.

Although we know of no comprehensive data collection in Massachusetts, the severity of the problem emerges from various sources. For example, during just one week in August, the Massachusetts Housing Court in the western region of the state saw 35 tenant/foreclosure evictions and the Legal Services Center in Boston got calls from 29 clients. In Suffolk County, during a recent 11-week period, 13 percent of the 526 foreclosure auctions advertised involved units occupied by Section 8 tenants assisted by the Metropolitan Boston Housing Partnership. This statistic represents only a portion of rented units involved in foreclosures, since it does not take into account the Section 8 tenancies administered by the Boston Housing Authority and, of course, all the non-subsidized tenancies in the county.

There is every reason to assume that the data from Minnesota and other places would be replicated elsewhere if other jurisdictions collected similar information, especially in urban areas. Although nationwide about 68% of residential units are homeowner units and 32% are rentals, in cities there are often more rentals. For example, the 2006 American Community Survey reports that about 59% of residential units in Boston are rentals, 54% in Houston, 58% in Cincinnati, and 60% in Los Angeles. Thus, it is safe to assume that the proportion of foreclosures affecting rental properties is significant in cities and, as in Hennepin County, also in nearby surrounding suburbs. The anecdotal information and media reports in this testimony do not represent a few isolated cases....

# A Dialogue on the Bank of the South: It's a Time for Revolutionary Changes

*On Sept. 12, 2007, the following dialogue was held on Patrio Pillajo's Radio 530 AM program "Popular Opinion," in Quito, Ecuador, between Pedro Páez, president of Ecuador's Presidential Technical Commission for the Design and Creation of the Bank of the South, and Dennis Small, Ibero-American editor of Executive Intelligence Review.*

**Pillajo:** Greetings to Mr. Dennis Small, who is on the editorial board of the international magazine *Executive Intelligence Review* of the United States, and a member of a group of advisors to former Democratic Presidential candidate Lyndon LaRouche. We are also extending a welcome to Dr. Pedro Páez, who is president of the Presidential Technical Commission in charge of the new financial architecture. And with them, we are going to have an exchange of ideas on this very question of the creation of the Bank of the South, which is one of the issues which that commission is in charge of.

In light of what is happening internationally, Dennis, Sept. 11 left not only political-human wounds, but also economic ones. As various analysts have said, this has been the shadow of 9/11, part of a series of economic developments which are disturbing the economy of the United States, and which also has to do, in the final analysis, with the shake-up of the housing sector in the States. The figures are very disturbing—even the action of the U.S. Federal Reserve, injecting more than \$40 billion to address the crisis. What scenario are we facing, Dennis? And welcome.

**Small:** Yes, good day.

We indeed have a mortgage and real estate crisis in the United States, which is enormous, huge, which has received a lot of international news coverage, but which is simply a symptom of a systemic crisis, of the collapse of the entire international financial system. In a certain sense, the problem we are facing here with the mortgages is similar to the problem of the illegitimate debt that many countries in South America, and throughout the Third World, are facing.

It's straightforward. What has happened with this international system—which must be replaced by a new financial architecture—is that they have perpetrated a tremendous fraud in the generation of unpayable debt, which is then converted into assets for the next round of more unpayable debt. And a pyramid is thus being created, a huge international financial bubble, with leveraged loans on top of leveraged

loans. We've reached the point that, today, we have international financial instruments that exceed \$800 trillion—various kinds of speculation, including derivatives and whatnot—when the gross domestic product of all the countries of the world combined is not even 5% of that total. And the derivatives and the bubble are growing like a cancer, at a rate of about 20% per year, while the gross domestic product at best is growing at 2-3% annually.

The reflection of this, inside the United States, is that we have a situation in which the real estate market is dramatically collapsing, and a crisis is spreading throughout the entire banking system, not only in the United States but internationally. Between September and March of next year, more than 2 million foreclosures are expected in the United States—that is, mortgage loans that cannot be paid—and that could lead to some 7 million people evicted from their homes.

What Lyndon LaRouche is saying, in sum, is that a "fire-wall" must be put in place to stop all this. All foreclosures should be stopped, cold; no one should be thrown out on the street. And a situation also has to be created in which banks are protected from those unavoidable defaults, while the entire real estate market and the entire international financial system is reorganized down to a level that corresponds to real production.

**Pillajo:** Okay, Dennis, if you will allow us to now turn to Prof. Pedro Páez. Dr. Páez, welcome to the program.

How can the Ecuadorian economy, in general, be protected against these things? It is said that when the United States sneezes, Ecuador and the rest of the world catch a cold. But this is no sneeze. It appears to be much more serious. How to protect our interests? Is it possible?

**Páez:** Many thanks for the invitation and I am very happy to be here, in international contact with Dennis.

Our commission, if I may say so, is doing everything possible to strengthen and develop these contacts that allow for rigorous, responsible dialogue and debate with regard to the new international financial architecture, which is precisely the response to what you are saying. That is, the problem that we have now is something similar to what Ecuador experienced in the financial crisis that exploded in '98 and '99. In reality, the financial crisis was affecting us in Ecuador well before that. Already in '96, we had symptoms: the collapse of the Banco Continental, which was happening and being replicated more or less in all the banks. And with artificial respi-



Central Bank of Ecuador

*EIR Ibero-American editor Dennis Small (left) and Dr. Pedro Páez, a leading Ecuadorian economist, engaged in a dialogue, broadcast on a popular Quito radio program, on why Ibero-America needs the Bank of the South.*

ration, the bubble was rolled ahead, further ahead, and further ahead—but at the cost of compromising more and more massive amounts of the Ecuadorian economy, and compromising the savings of increasingly broad segments of the population.

And then, at a moment in which it was no longer possible to keep postponing the explosion of the crisis, the big bankers had already strategically organized their withdrawal, to leave the poor people in the country, the millions of Ecuadorians, to bear the burden.

Something similar is happening on an international level. The roots of the crisis have been growing for a long time and, as Dennis correctly noted, what is now happening is symptomatic of much, much deeper processes. That is, the problem of the crisis is not exclusively in the housing market. The housing market doubtless has all sorts of ramifications, but that is just the tip of the iceberg of much more complex processes that are taking place in the international economy and, specifically, in the dynamic of the U.S. economy.

So, the problem we have now is that a series of mechanisms have been developing all this time, which are now accelerating, to make the rest of the world, the dominated nations, the dominated, subordinate social classes, bear the burden, pay for the mess. The new financial architecture that we are proposing, the Bank of the South, for example, would, in the first place, serve as part of the armor with which we would be able to defend the interests of Latin America, to respond in the best way possible under these international circumstances.

**Pillajo:** But this armor is going to be set up over the long term.

But, in the meantime, what can be done? Dennis, you say—explaining the views of former candidate LaRouche—that is it necessary to put up a firewall. The President of the United States, George Bush, announces aid for mortgage-indebted families, among other measures. The intent—they say—is to make the functioning of the Federal Housing Administration more flexible, so that it can guarantee the debt of homeowners in trouble. Is that a barrier that could work? And moreover: Is there still time to put on armor in the middle of this worsening situation?

**Small:** No, what Bush is proposing would in no way serve as armor or a firewall. What he is doing is simply talking about a means to inject more liquidity into the real estate market—not to bail out the homeowners, but to bail out the hedge funds, which own those mortgages.

What must be done is to completely freeze payments on mortgages, because they are rising dramatically with rising interest rates here.<sup>1</sup> You can't keep making those payments. The hedge funds, the same vulture funds that tried to destroy Argentina and that now want to destroy Ecuador and all the countries of the Third World, cannot be refinanced nor bailed out. *They* are the ones that must sink. The basic functions of the banking system, in the sense of providing credit for development and not credit for speculation, that is what must be protected.

And so the legislation proposed by Mr. LaRouche—which right now is under consideration by a number of U.S. Congressmen—is to create a Homeowners and Bank Protection

1. Small is referring to rising adjustable rate mortgages, and other subprime mortgages, many of which are set to go up this Fall.



Act that will ensure that people are not evicted, and that mortgage payments are frozen while the entire speculative bubble is reorganized, that is, dramatically reduced.

What Bush is proposing is exactly the opposite: to further feed the cancer, and destroy the patient. What LaRouche proposes is to save the patient by extirpating the cancer.

And I see a parallel between this and what has been proposed—what Dr. Páez is saying and what the Argentines, the Venezuelans and others have said—regarding the functioning of the Bank of the South, which is a proposal that, for that very reason, Mr. LaRouche has supported.

**Pillajo:** But the architecture, the re-engineering proposed, is medium- to long-term. What about now?

**Small:** No. What we believe is not only that this *isn't* long term, but that it *cannot be* long term. We are at a moment in which the entire financial system—not only the postwar system, but in fact the system going back 200-300 years—is sinking. We are in a systemic crisis. We are at a point comparable to that which happened with the collapse of the Soviet Union in '90-'91. And we are going to have, perhaps by September or October, a systemic banking crisis that is going to require dramatic short-term measures, whether we like it or not.

**Pillajo:** That's really serious! What impact will this have on the economy, that is, instances of tangible impact on our society, in our countries, Dr. Páez?

**Páez:** Well, part of the problem is uncertainty itself. Your question, in fact, brings up a fairly dramatic situation regarding what is going to happen. It all depends; we don't hold the reins of our destiny, because everything depends on what's going to happen in the United States, how the United States decides to resolve "its crisis," or decides to try to fix things with band-aids, as Dennis mentioned, right?

The problem is that it is crucial for countries like ours to organize themselves, not necessarily with medium- or long-term solutions (there could be more immediate solutions), to improve or to raise their degrees of sovereignty. That is, their capacity to make decisions about their destiny and to have relative autonomy with regard to the course of events of the international markets, above all, the international financial markets. It is suicidal to continue to be subject to the dictatorship of the international financial markets, all the more so when those financial markets are in total collapse.

In the case of Ecuador, we are in a particularly dangerous situation—in the Latin American context—because if all of Latin America gets pneumonia when the United States catches a cold, in the case of Ecuador, it is worse, because we are tied to the dollar. And thus, we have renounced mon-



Courtesy of the World Bank

*The economy of Ecuador, like that of other Ibero-American countries, dependent on the U.S. When the U.S. sneezes, Ecuador, which has a dollarized economy, catches cold. Without the Bank of the South, the people of Ecuador will be condemned to unending poverty and back-breaking labor, like this sugar-cane cutter.*

etary policy, we have renounced exchange policy. We pretty much have a ruined fiscal policy, and so our ability to be able to respond to any exogenous blow, any external blow, is minimal.

It is fundamental to accelerate our efforts, in a serious and responsible way, to build institutions that will enable us to defend the country's situation, the situation of the lives of the people, the production of the people, for the immediate future, but also for the longer term.

**Pillajo:** What can and should the Bank of the South do as an institution, or any other proposed institution that is created in the framework of this so-called financial architecture? What could an institution established by so-called financial re-engineering do, Dennis, to protect not only Latin America, but we're speaking of global interests in the sequels of this crisis?

**Small:** Well, I began with a discussion of the nature of the systemic crisis, because you have to start with the diagnosis in order to know exactly what measures are the right ones to prescribe: It's the same in medicine as it is in economics. The fact is that the countries of South America not only must defend themselves—as we were discussing a moment ago—but they must also simultaneously link up with those international forces that are in the process of working for a total change of the international financial system.

If we don't achieve that broader change, if we don't manage to resolve the problem of the dollar, adopting measures like those adopted by Franklin Delano Roosevelt, for example, in 1933—he also stopped foreclosures and evictions, in the same way that LaRouche is proposing. So, those international changes have to be brought about.

What I believe is extremely important regarding the Bank of the South is that it is, simultaneously, a step to defend and armor the economies of South America so that they can develop, and not continue to be looted through the payment of an illegitimate leveraged debt; but it is also a step in the direction of a new international financial architecture.

Now, concretely, I think it is very important that there *not* be free convertibility of Ibero-American currencies, or of any monetary unit that might be created, with the dollar. There have to be exchange controls, there have to be capital controls, and you have to establish, not only in South America but internationally, a fixed-exchange-rate system. We have to return to the original idea of the Bretton Woods system.

Now, I recognize, and it is a fact, as Dr. Páez just said, that Ecuador has a very special problem, due to the dollarization that was imposed on the country through a horrible looting process. But allied to other countries of South America, and with that group allied in turn to forces in Russia, China, India, and within the United States itself, which are organizing to bring about this international change, then there *is* a way to defend the economies and living standards of the population, while at the same time achieving that new international architecture or re-engineering.

**Pillajo:** Is the question of currency, the international environment, let us say, central to this kind of response, Dr. Páez? Because many people are frightened that even the political system has become the hobby horse for a lot of people: “We are going to defend the dollar by putting it in the new Constitution, because we all want the dollar.” In fact, let me tell you, Dennis, it is a proposal for a referendum that economic sectors in the province of Guayas are calling for: “defend the dollar”—they say—“at any cost, since we are going to change the Constitution.”

But, is the issue of the currency the essence of the question facing our country?

**Páez:** Well, anecdotally, it turns out that here we are more Catholic than the Pope. There are those who want the Con-

stitution that is going to be drafted in the upcoming Constituent Assembly to state that the dollar is the national currency. But the funny thing is that not even in the United States itself does the Constitution state that the dollar is the national currency.

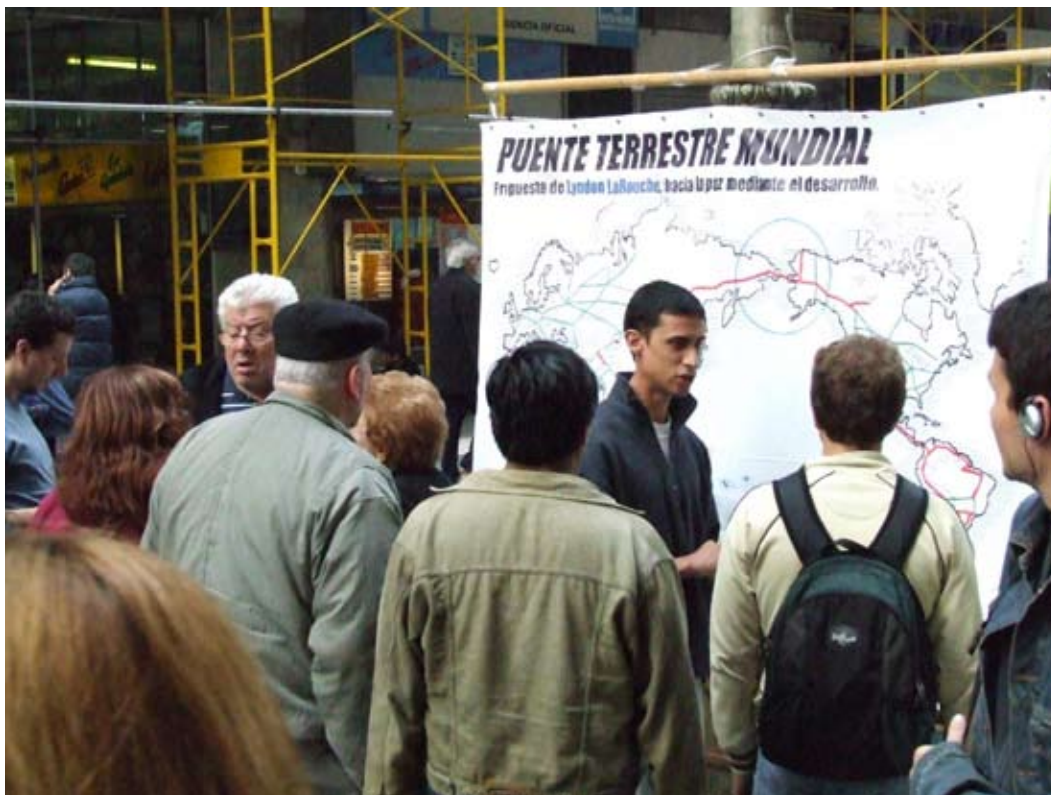
The real problem, I repeat, is that there are different kinds of measures that can be implemented, obviously each country at its own pace, its own opportunities, shall we say. On the specific issue of currency: First, it is necessary to emphasize the fact that the creation of this unit of account is linked to the establishment of a system of parities, to a system of terms of payment, and that it doesn't necessarily have anything to do basically with the accounting management of the central banks, in its first phase. It doesn't necessarily have anything to do with the circulation of currency. That is, it will leave the Argentine peso in Argentina, the real in Brazil, the bolívar in Venezuela, and, if it's wanted here, the dollar in Ecuador. That is, it doesn't have anything to do with this.

The pace that is being proposed, the impetus which Ecuador is pushing in terms of the need to integrate the different pillars into a single effort, into a single qualitative leap in the process of Latin American integration, is the need to link the problem of the development bank—that is, the Bank of the South—with the creation of Latin American central bank functions, and with the function of this regional currency, that would allow us to have alternatives to the falling dollar.

On a global level, the international organization of credit is changing. And even if they don't say it, even the closest allies of the United States are taking precautionary measures against a process that could prove to be similar to a bank run in the case of the dollar. In other words: The countries that were part of the old Soviet Union, which, after the fall of the Berlin Wall became very close allies of the United States, are thinking very seriously about Russia's proposal to turn the ruble into a reserve currency, for example. There are oil-producing countries that are already beginning to ask their buyers to not pay them in dollars, but in other currencies—yens, euros.

**Pillajo:** Something a little stronger. . .

**Páez:** Of course. So, the artificial world demand that the dollar has enjoyed, stemming from the privilege of being the world's hegemonic power in terms of currency, is beginning to deflate. What is deflating is the artificial demand that allows the United States to have the luxury—for example, you just mentioned a moment ago the fact that the Federal Reserve, the Central Bank of the United States, injected the equivalent of one year's GDP in Ecuador, more than \$40 billion. That's the equivalent of one year's GDP for Ecuador! They injected it in the past month to bail out—as Dennis has correctly said—not the people, the homeowners, the people who produce things, the workers of the United States—but to bail out the vulture



*Lyndon LaRouche's proposals for legislation to protect homeowners and banks, and for a Eurasian Land-Bridge are being carried to nations throughout the world. Here, members of the LaRouche Youth Movement organize for the "World Land Bridge" in Buenos Aires, Argentina.*

EIRNS

funds—right? To avoid a collapse on the stock market of those kinds of speculative mechanisms and speculative bubbles that have been operating, and that have sustained such artificially high levels of profit.

And so, as the indications of problems begin to worsen on the international markets, then we have to be careful to not be the last in line, and have them tell us that there's no more money.

It is important that there be a process in which there is a reorientation, for example, of reinvestments of Latin America's international currency reserves, which today are also basically financing the war in Iraq, for example.

**Pillajo:** Professor, what Mr. Small recommends is that there not be free convertibility between the regional currencies and the dollar. What are the implications of this suggestion? What would the objective be?

**Páez:** Well, look, it is indispensable to re-think the whole international monetary scheme, without a doubt. The market itself is spontaneously generating a reorganization of the distribution of credit internationally, in that the role which Manhattan and the City of London played before, as hegemonic banking powers, is shrinking in the face of the rise of the European financial markets and the Asian financial centers. And therefore it is important that Latin America also have its own financial market that can establish its own rules. Within that effort, it is very important to consider other sound

exchange-rate measures that will permit the recovery of sovereign macroeconomic management of a country.

**Pillajo:** Who else, Dennis, could join that grand accord, that international re-engineering, that New Bretton Woods?

**Small:** In fact, right now, three days from now, a conference is going to be held in Germany with Mr. LaRouche and representatives of various Eurasian countries—China, Russia, India, European countries—and the U.S. itself, and Mexico, to discuss this bankruptcy reorganization of the international financial system and the need to organize a New Bretton Woods, a new international system, around the idea of credit generation *not to pay the cancer*, but rather to generate development and especially great infrastructure projects.<sup>2</sup>

Mr. LaRouche's proposal is that an alliance of four powers, in particular, could be the axis around which the rest of the countries of the world could ally in order to force through this change. And those four powers are Russia, China, India, and, necessarily, the United States. But not a United States on the policy-line of George Bush and Dick Cheney, but rather a U.S. oriented along the lines of Franklin Delano Roosevelt, which is what Lyndon LaRouche represents.

What is required, indeed, is a dramatic international change. This is not something for the distant future. It is some-

2. This is the Sept. 15-16 conference of the Schiller Institute in Kiedrich, Germany. See *EIR*, Sept. 28, and this issue's *Feature* for more.



thing which, whether we like it or not, is already on the agenda at this time, because of the crisis. And a reorganization has to be brought about, such that the world dollar system is put through a process of bankruptcy reorganization. That is, all of these \$800 trillion in speculative financial instruments will be frozen, and the financial and banking system will be reorganized so that it can fulfill the requirements around which the United States was originally founded, in other words, the American System of economy.

In fact, this is a subject about which Ecuadorian President Correa has written quite a bit. We, in the United States, were founded *against* the British colonial system of speculation. And if the U.S. can return to this original path of the American System of Washington, of Lincoln, and of Franklin Delano Roosevelt, that will greatly help the very positive efforts underway in other regions—the Bank of the South in South America, some of the efforts we were just discussing in Russia, China, India, and elsewhere—and it would create an international force strong enough to put an end to this disastrous system of globalization, once and for all.

We cannot continue to pay over, and over, and over again, on a debt which is illegitimate, and which is destroying the productive economy. We have to reorganize it all, to strengthen the economy and the great infrastructure projects. This is Mr. LaRouche's intention in his political activity in the United States. And we are pleased, therefore, to be able to have this kind of exchange with people who are thinking about and addressing very similar problems in their respective nations.

**Pillajo:** We now turn to listen to our guests' concluding remarks. Dennis, since we have run up against a time limit, your synthesis and conclusion, please.

**Small:** We are at a time of great changes and of national and international financial earthquakes. Whether we like it or not, this is what is happening with the U.S. and the world crisis. Such revolutionary moments require revolutionary changes. The current system is going to sink. If we all sink with that system, we are going to have a New Dark Age, a horrible economic depression, and situations very similar to those that brought Hitler, Mussolini, and Franco to power in Europe. We cannot allow that to happen.

What is required is an international financial reorganization, a New Bretton Woods, such as that proposed by LaRouche. And within that, the steps taken towards the Bank of the South—with an important contribution being made by Ecuador—are extremely positive and important internationally.

Within Ecuador as such, those who propose that dollarization is the answer—well, it's a bit laughable. Speaking from the United States, I can tell you that that's like supporting cancer, and saying that we have to vote for cancer. Dollarization is a problem; it is not beneficial to Ecuador, in my view.

**Pillajo:** Well, many here see it from the standpoint of the activation of consumption, that it's nice to have dollars, that it has given us stability. And we were saying this week, that we should instead look at the ends, rather than the means. We should choose—with the dollar, with the yen, with the euro, and with the new sucre—to have stability, to have certainty regarding our economic management, our monetary management. Thanks, Dennis, for your conclusions.

Finally, we ask Dr. Páez: And when, when will we have the Bank of the South, if that is a valid alternative to face these problems.

**Páez:** Well, we're moving forward. And not only are we moving forward with the construction of the Bank of the South, but the mere presence of the serious, technical negotiation groups for the construction of the Bank of the South are moving the other institutions of the financial system under the old financial architecture, to hurriedly show that they are trying to change. We have seen how the World Bank is quickly making internal changes. For the first time, the International Monetary Fund, the candidates of the International Monetary Fund, are tripping over themselves to campaign for the posts and to say, "I am the candidate of reform; with me, things will change." Why? Because those paradigmatic institutions of the old international financial architecture are bankrupt. Not only is there a *moral* bankruptcy, because of the generalized rejection of neoliberal policies and the failures of what those neoliberal policies have produced, but because of the fact that their assets have collapsed: no one is borrowing from them.

At the same time, Mr. Bush himself was recently in Montevideo and he offered \$50 million, and promised to raise another \$150 million from his oil-producing Arab friends, to inject resources precisely into areas which have been publicized as the priorities of the Bank of the South: food sovereignty, micro-businesses, energy sovereignty, and other social issues that have been ignored by the existing banks.

Therefore, we should be optimistic. There are a number of problems, and there are various pressures for the Bank not to come into being, obviously, because we are threatening truly very powerful interests. There are going to continue to be pressures. One can't know exactly what political path things are going to follow. But at the technical level, the commissions are at work; the structure of the Bank of the South, the design of the Bank of the South, and the new international financial architecture, continue to develop. And, beyond political decisions and political pressures, the force of events requires that our people have these instruments, which will allow them to defend themselves in such a volatile international financial setting.

**Pillajo:** Thank you very much, Dr. Páez. . . . Dennis, thank you very much. Have a good day.

**Small:** Good day.

### *Republic Versus Empire*

On Oct. 10, at 1 pm Eastern Time, American statesman, economist, and Democratic Party leader Lyndon H. LaRouche, Jr. will hold an international webcast, where he will elaborate on the *only plan* to save the American Republic from destruction by its historic mortal enemy, the British Empire. The webcast will be broadcast live at [www.larouhepac.com](http://www.larouhepac.com).

“We are now at a particularly crucial moment,” LaRouche said on Sept. 27, because the British are going for end-game, the final destruction of the United States. They are banking on the help of traitors within, led by people like Dick Cheney.” Key to the British plan, LaRouche said, is to push the United States to stay on a confrontational, permanent-war track in Southwest Asia and globally. You see the British hand in Southwest Asia where they are going for what some have called “managed chaos.” You see it in the provocations against Russia and China.

Under this new version of the old British imperial game, Israel is now expendable, a throwaway as far as the British Empire is concerned. Intelligent Israelis know this, and so there is an Israeli impulse to break from the British game. You see this in the recent move by Israeli President Shimon Peres to offer peace negotiations to Syria. The success of this bilateral initiative represents the only hope for averting a new dark age.

The key to the future of Southwest Asia and the world lies in the Shimon Peres forces in Israel aligning themselves with like-minded circles in the Syrian leadership, to make peace, and set the precedent for nuclear desalination of seawater as one key development initiative to win the peace. Such a peace deal, with no added complicating factors, will fundamentally split the Sunni world: on the one hand, those who want to forge “a peace of the brave,” to use the late Yitzhak Rabin’s words; on the other hand, those aligned with Saudi Arabia, which is an extension of British imperialism. The Saudi operations to foster a Sunni-Shi’ite split are pure British. This is the real essence of the BAE-Saudi “Al-Yamamah” deal.

Equally crucial to the British gameplan, is to let the United States destroy itself by failing to take sovereign action to prevent the devastating financial-economic

breakdown in process under the name of the “mortgage crisis.”

The approach being taken by Ben Bernanke and the international financial powers-that-be has to be recognized as purely British. The British System is a money system, based on manipulating and controlling money in order to maintain the power of an oligarchy over the life and death of mankind as a whole. Under such a money system, the only consideration is maintaining power, not providing for the needs of the population.

The American System, to the contrary, is a *credit* system, devised by our first Treasury Secretary, Alexander Hamilton, and carried out by our greatest Presidents, Abraham Lincoln and Franklin D. Roosevelt, as a means of improving man and nature through economic and scientific development. When the money system threatens the generation of credit for those physically productive purposes, it must be *frozen*, and reorganized. As LaRouche put it recently, the laws of the market have to be cancelled when they are leading to inhuman consequences.

That is the difference between a republic (America) and an empire (the British).

LaRouche has provided solutions to block both British strategies. Domestically, he is leading a national effort for passage of an emergency law called the Homeowners and Bank Protection Act of 2007, which has now been introduced in three state legislatures, with bipartisan support, and is generating enormous pressure on Congress for immediate action to prevent foreclosures, and save the U.S. chartered banks. Internationally, LaRouche is escalating his decade-long campaign for a New Bretton Woods and Eurasian Land-Bridge, and has launched a new initiative in support of Israeli President Peres’s call for one-on-one talks with Syria.

Unless Americans return to their identity as republicans fighting the British Empire—as did President Franklin D. Roosevelt—the United States is well on its way to being destroyed. LaRouche is leading the war to save and restore our republic. To find out his strategy at this point, watch his webcast on Oct. 10.

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By Lyndon H. LaRouche Jr.

- AN ARC OF KNOWABILITY: *On Cubic Roots*  
By Merv Fansler



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By Abraham Kästner

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• COSTA MESA TimeWarner Ch.35; Thu: 5:30 pm  
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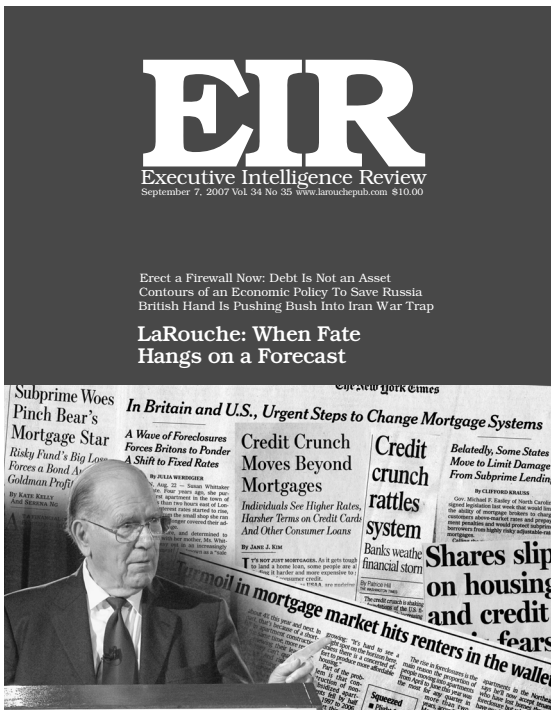
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