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LaRouche Advises, 'How To Defend Your Dollar'
Bloomberg's Fascist Plot To Steal the U.S. Election
Russians Reply to Provocations, Warn of Nuclear War

Hyperinflation Is Here!
This Economic Breakdown



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EIR

From the Managing Editor

In the 1920s, people liked money, and tried to get as much of it as they could. But in Weimar Germany, their delusions evaporated in 1923, when that nation was deluged by hyperinflation, like the drowning gentlemen on our cover (illustration from a contemporary German magazine).

Think it couldn't happen here, and now? As Lyndon LaRouche reports in our *Feature*, the so-called bipartisan stimulus package that the U.S. Administration and Congress have agreed to, has put us *directly on the trajectory to a hyperinflationary breakdown crisis*. Accompanying his article, "The Basement Team" (mostly members of the LaRouche Youth Movement) presents the first in a series of pedagogical features and web-based animations on the economy. This one provides documentation of how Germany's economy was deliberately destroyed by the British and their accomplices, through the Versailles Treaty—with Nazism being the lawful result.

Now, as then, political and economic leaders are clueless:

President Herbert Hoover, after two days of carnage on the stock markets, said, on Oct. 25, 1929: "The fundamental business of the country, that is, production and distribution of commodities, is on a sound and prosperous basis."

President George W. Bush, on Dec. 20, 2007: "My view of the economy is that the fundamentals are strong, that we've had strong growth for a reason; that we're competitive, we got a flexible workplace, that we kept taxes low, exports are up."

Now, as then, movements toward fascism are in the wings. Our *National* section includes a dossier on New York Mayor Michael Bloomberg's "man on a white horse" campaign for the Presidency—a Mussolini option. Even their "infrastructure programs" are the same!

But just as Franklin D. Roosevelt saved the United States from depression and fascism, so today, there is a way out. LaRouche has spelled it out, and personified it, for many years—and in this week's *Editorial*, he identifies a crucial aspect for U.S. financial policy.

And don't miss our *Economic History* report: Washington Irving's story of the Mississippi Bubble, the hyperinflation created by English speculator John Law, which deluged the early 18th Century.



Cover This Week

"The Deluge" (detail), from a magazine in Weimar Germany, 1923. An accompanying poem wails that "we have money ... but not even weeds belong to us.... We do not live, we do not die—we just count."



Simplicissimus

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In 1819-20, the American writer, historian, and patriot, Washington Irving, set out to educate his fellow-citizens about the folly of succumbing to financial bubbles created by rampant speculation. He used the example of "The Great Mississippi Bubble" of 1719, which was created by English speculator John Law in France, whereby Law sent the French economy into a speculative mania of soaring interest rates and hyperinflation, based only on the *promise of future land values* in France's Louisiana Territory around America's Mississippi River, which left the nation in ruins when the bubble burst.

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HYPERINFLATION IS HERE!:

This Economic Breakdown

by Lyndon H. LaRouche, Jr.

January 23, 2008

The insane U.S. decision, over the past week, to launch a “stimulus” package for the U.S.A. economy, has committed the U.S.A. to its present entry into a new trajectory: that of a hyper-inflationary economic breakdown-crisis. This is a crisis whose effects, unless reversed very soon by the measures I have recently specified, would certainly radiate world-wide, almost certainly bringing the entire planet, soon, into a “new dark age” comparable to that triggered by the Fourteenth-Century, medieval Venetian system’s Lombard banking firms, such as the notorious House of Bardi. I had expressed the fear, on various public occasions since 1968 developments, that the changes in U.S. and other nations’ economic, monetary, and financial policies launched, successively by the combination of the Nixon Administration’s cancellation of the Bretton Woods fixed-exchange-rate monetary system, and the wrecking of the U.S. physical economy by the Carter Administration’s implementation of the policies of the Rockefeller-Brzezinski Trilateral Commission, must, if not reversed, lead, ultimately, into not only the establishment of fascistic policies inside the U.S.A., as exactly this outcome has been in progress around Shultz, Rohatyn, Bloomberg, and Schwarzenegger, but, also, into a general breakdown-crisis of not only the U.S. economy, but the world’s economy as a whole.¹

During the past two weeks, the U.S.A. and the United Kingdom both entered such a general, hyper-inflationary form of general economic breakdown crisis, into a period of an hyperinflationary form of monetary stimulus comparable to that of 1923 Weimar Germany. Unless this presently ongoing

trend in policy-shaping in process is stopped, there is no part of the world which would not be soon swept into world-wide effects of a form of global breakdown-crisis comparable to that of Europe’s Fourteenth Century.

This threat could be stopped, even now; but failure to take the kinds of U.S. emergency reforms which I have prescribed, would now ensure a chain-reaction form of global hyper-inflationary collapse, threatening to carry the entirety of our planet into a prolonged new dark age. Such, for example, are the only really important issues to be considered by the current U.S. Presidential pre-election campaign. All other concerns are almost irrelevant.

In this way, between the time of my relevant January 17, 2008 international webcast and Tuesday morning, January 22nd, the trans-Atlantic, English-speaking world had committed itself, at least for the moment, to enter into a global hyper-inflationary crisis of its own, one broadly comparable to that which struck Weimar Germany in 1923. However, there are some important differences between Germany then and the situation today.

Germany, then, was enslaved, under threat of destruction by allied military forces, to meet demands for payment of so-called war-reparations to Britain, France, and others. These demands could not be met in reality, but Germany, under these conditions, was forced to meet them at the point of French bayonets. Therefore, Germany resorted to uttering the currency needed to deliver that tribute, a process of uttering which led into the Autumn 1923, hyper-inflationary breakdown of the German economy.

There is no such external restriction on the U.S.A. or Britain, or the nations of continental Europe today, except that restriction either self-imposed upon our U.S.A. by a certain kind

1. See my 1971 Queens College debate, on the issue of fascism, with Professor Abba Lerner. Excerpts in *EIR*, March 12, 2004.



Library of Congress

A Berlin woman, during the Weimar hyperinflation, fuels her stove with worthless Reichsmarks. Inset: a 50 million mark note—not worth the paper it's printed on.



The German satirical magazine Simplicissimus, Oct. 29, 1929, depicts the Lorelei—the German equivalent of the Odyssey's Sirens—luring Germans to accept hyperinflationary policies.

of legalized madness, or imposed directly, or implicitly, on continental Europe by the predatory Thatcher-Mitterrand Maastricht conditions. The restriction imposed on continental European nations is in the form of a lunatic ideology sometimes called “post-industrial society” or “globalism,” the ideological pranks of the type concocted by degenerates such as Britain’s H.G. Wells and Bertrand Russell and their devotees.

Nonetheless, whether in the case of 1920s Germany or much of the world today, a world enslaved to belief in the alleged inevitability of such lunatic practices is just as surely doomed as much by such adopted current beliefs, now, as by the threat of outright, crushing military force, then. The time has now been reached, that, if the U.S.A. and other nations do not now, very soon, adopt certain essential remedial steps which I have prescribed, there is little hope for either the peo-

ple of the U.S.A., or most of mankind as a whole, for generations still to come.

These necessary changes in policy, must represent a radical change in direction, away from what have been, on balance, the prevalent policy-trends of the 1968-2008 interval to date. The crisis which is striking us now, is the fruit of the trends of change in U.S. economic policy and direction of evolution of practice over that entire period to date. To sum up the immediately present situation, that recent trend in direction must be suddenly, and radically reversed, if our republic

is to outlive the hyper-inflationary crisis spreading from the Transatlantic centers at this time.

To understand this present crisis in a competent way, we must see it as being, essentially, like that which struck post-Versailles Germany of the early 1920s. Like that 1920s case, we must locate the continuing causes of this disaster in, chiefly, a product of the long-standing British reaction against the victory of the U.S.A. of President Abraham Lincoln over that Britain's Foreign Office puppet, the Confederate States of America.

I explain.

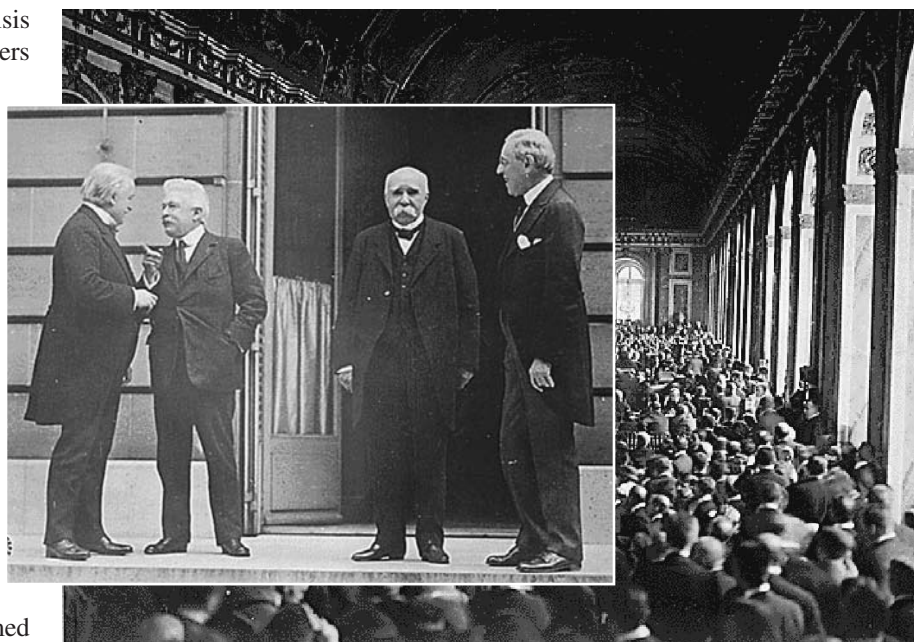
The Factor of Geopolitics

In brief, the role of what is termed geopolitics in creating this present situation, is as follows.

The rapid development of President Lincoln's U.S.A., aided and continued by the transcontinental railway development of the victorious U.S.A. into a unified and rapidly developing continental nation, constituted what imperial London's Anglo-Dutch Liberal financier oligarchy considered an implied *geopolitical* threat to British maritime power's imperial supremacy over the continents of Eurasia and Ibero-America. The rise of the agro-industrial power of Germany, Russia, and development of other nations into effectively sovereign powers, reflected an influence which had been inspired by the development of the U.S. since Lincoln's inauguration, and was a development which the successors of the British Foreign Office's Jeremy Bentham and Lord Palmerston were resolved to ruin. The British fear of this kind of influence of even the mere example of this U.S. achievement, has been the dominant motive of British imperial geopolitical ventures globally, from the death of Lord Palmerston to the present day.

This was Britain's motive in inducing the Prince of Wales' royal dupe, Germany's Kaiser Wilhelm II, into dumping Chancellor Bismarck. It was the motive of Britain's same Prince Edward Albert (later King Edward VII) in organizing a so-called "great war," so-called "World War I," between the nations of his nephews, Kaiser Wilhelm II and Czar Nicholas II. It was also the motive of Britain, aided by President Woodrow Wilson's Secretary of State Lansing, in orchestrating, at Versailles, that fraudulent "German war-guilt" myth which was the key to the organization of what became the infamous hyperinflationary crisis of 1923 Weimar Germany.

This was also, later, the motive of London's head of the Bank of England, Montagu Norman, and his U.S. financier



National Archives

The Versailles Treaty of 1919 imposed impossible demands for reparations on Germany, which resorted to printing currency, leading to the hyperinflation of 1923. Shown are the Council of Four leaders of the victorious powers (left to right): Britain's Lloyd George, Italy's Vittorio Orlando, France's Georges Clemenceau, and America's Woodrow Wilson.

accomplices such as Harriman's Prescott Bush, in putting Adolf Hitler into power in Germany in 1933. It was also the motive for the hatred against the policies of U.S. President Franklin Roosevelt, such as Roosevelt's anti-imperialist policies, a hatred expressed, immediately following President Roosevelt's death, by the pro-British imperialist policies of that shameless Winston Churchill accomplice, U.S. President Harry S Truman.

Similarly, later, the 1971-1972 action by the U.S. Nixon Administration, in destroying the Bretton Woods fixed-exchange-rate monetary system, the role of the so-called Trilateral Commission in organizing the 1977-1981 self-destruction of the internal U.S. economy, the drive toward so-called "globalization," and former Vice-President Gore's obscene lust for "post-industrial society," have all been explicitly expressions of the hatred of the U.S.A.'s constitutional tradition by the imperial form of Anglo-Dutch Liberal, globalist financier interests centered in London.

Those revolutionary measures of self-destruction of our nation, measures known, chiefly, as the sweeping reforms by the Nixon and Carter Administrations, have been crucial in bringing about the self-destruction of our republic from that decade forward to today.²

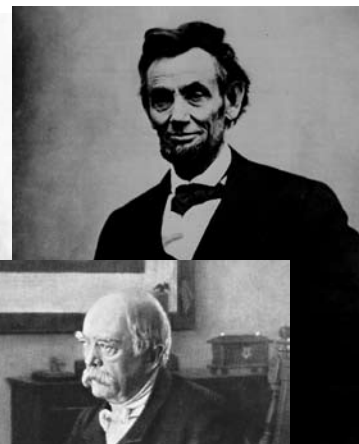
In brief, our Anglo-Dutch Liberal enemy's more efficient choice of means for destroying a powerful nation such as our

2. Jimmy Carter as U.S. President, was a catastrophe; but, he later turned out to be among the best of our living ex-Presidents.



National Archives

The American System of political economy spread internationally in the wake of President Lincoln's development of the transcontinental railway—to the horror of the Anglo-Dutch Liberal financier oligarchy. Chancellor Otto von Bismarck of Germany (center) and Russia's Count Sergei Witte (bottom) fostered their nations' industrial powers and sovereignty.



Library of Congress

U.S.A., was to induce that U.S.A. to destroy itself as it did under the terms of Presidents Nixon and Carter, chiefly by the hand of its own, corrupted, leading political and financial institutions. This had also been the essential feature of the method of the Roman Empire, of the Byzantine system, and the of role of the Venice-centered financier interests in deploying the Norman chivalry, to destroy the legacy of Charlemagne. This is also the artistically insightful theme of Oscar Wilde's "The Picture of Dorian Gray."

The fact, that I have warned consistently against these developments, as since August 1971 and later, suffices to demonstrate that there was never any reasonable excuse for doubting those facts to which I am referring now, when my warnings have now been so copiously, and so often demonstrated as fact. On the matter of the systemic basis for those forecasts, the performance of every visible rival of mine among economic forecasters of recent decades has been as much a complete failure, repeatedly, as we should recognize in statistician Myron Scholes' notorious part in promoting what became the U.S.A.'s 1998 financial crisis.

The crucial relevance of that evidence is that it demonstrates two facts of crucial significance for understanding the situation which presently menaces the world. First, that the generally accepted doctrines of economics taught in today's universities and otherwise, have been grossly incompetent, scientifically and otherwise. Secondly, that the root of so-called "business cycles" and kindred phenomena are to be sought in scientifically principled considerations usually unknown in economics-relevant academic and related conversation.

Thus, my part in the treatment of the leading topic of this edition of EIR, concentrates on the matter of those deeper scientific considerations, leaving the remainder of the subject to the reports provided by my associates.

All Empires Must Collapse

All of the principal empires known to history are expressions of what the Greek Classical period defined as "the oligarchical model." In short, this is the Olympian model portrayed in such famous locations as Aeschylus' *Prometheus Bound*. The gist of that case, is that the charge made against Prometheus by the Olympian Zeus of that drama, was that Prometheus had informed mortal human beings of their access to knowledge of the use of "fire" (e.g., nuclear fission). So, as Aeschylus' Zeus had prescribed, the Sparta of Lycurgus condemned the helots to submit to those kinds of slave-chains which are the depravity of ignorance, as did the Sophists whose role was promoted by the influence of the Delphi Apollo-Dionysus cult, and as do the so-called "environmentalist" cults of today.

The same issue was expressed to the same effect, but in a different mode as a featured aspect of the scientific disputes of Europe's Eighteenth Century, when perverts such as de Moivre, D'Alembert, Euler, and Lagrange sought to root out

that concept of scientific principle, *the principle of the ontologically transfinite* (i.e., “*the principle of fire*”), developed by Nicholas of Cusa, Kepler, Fermat, and Leibniz, from then contemporary physical science. This campaign by the empiricist followers of Venice’s Paolo Sarpi (i.e., the so-called “Liberals” in the tradition of William of Ockham), disallowed the introduction of the use of actually discovered universal principles from scientific practice, but did permit, as a substitute, *mathematical descriptions* of measured mathematical results, such as implicitly digitalized “formulas,” as a substitute for knowledge of actually experimentally demonstrated physical principles as such.

This Delphic tradition of the Olympian Zeus and the Apollo-Dionysus cult, insists, for today, that even the very idea of an actual universe does not exist in Liberal opinion on any subject-matter.

In other words, the Liberals, like the Apollo cult of the Olympian Zeus of *Prometheus Bound*, prohibited knowledge of actual “fire,” the ability to discover known principles of human individual scientific and related creativity which distinguish mankind from the apes and other lower forms of life.

The subject I have thus introduced here, is, on this account, the most profound aspect of human scientific and related knowledge. It is also the key to understanding, and preventing the great planet-wide breakdown-crisis which is menacing not only the U.S.A. and the British empire today, but there is no part of this planet which would escape this collapse of all parts of the world’s economy.

On that account, in this location, I must come directly to the matter of the significance of this fact for the matter of the rise and fall of empires, such as the present-day Anglo-Dutch Liberal system of financier tyranny. The essential fact to be emphasized, is the issue of the way in which the potential relative population-density of the members of a specific human culture is regulated to such effect as shaping the inevitable collapse of any empire ever established.

The ability of the human species to achieve a potential relative population-density above that of any nearly comparable animal species, is lodged within the potential of those creative mental powers implicitly referenced in *Genesis* 1, which do not exist among lower forms of life than human beings. These creative mental powers are expressed in the form of what we might recognize as analog functions, but do not exist in the form of digital functions. This defines the relevant intersection of two considerations, considerations on which escape from the presently onrushing, global breakdown-crisis depends.

The Principle of Physical Economy

First, we must emphasize that the establishment of a culture premised upon the use of certain discovered universal physical principles, defines a culture with a certain upper limit on its potential relative population-density. However, no such fixed level of potential can be sustained indefinitely,

since attrition of used resources will lower the potential, until scientific progress, as in modalities of increased effective energy-flux densities, corrects this problem. Therefore, cultural progress, including advances in discovery and application, as by capital investment, of the kind of universal physical principles actually expressed only in the modalities of analog functions, were necessary if a presently achieved level of population-density were to be sustained.

If the population suffers generally from the kind of suppression of creativity reflected in the inherently digital, anti-Leibniz dogmas of de Moivre, D’Alembert, Euler, and Lagrange, or Laplace, Cauchy, Clausius, Grassmann, Weierstrass, et al., or of such wretches as Ernst Mach, Bertrand Russell, or such devotees of Russell as Professor Norbert Wiener, and John von Neumann, the influence of such decadent minds will tend to destroy the creative potential of the minds of those persons which they influence. This is typified today by the effects of a computer culture based upon digital assumptions in ruining the cognitive potential of the individual, a cognitive potential which can be expressed only in “analog,” rather than digital modalities.³

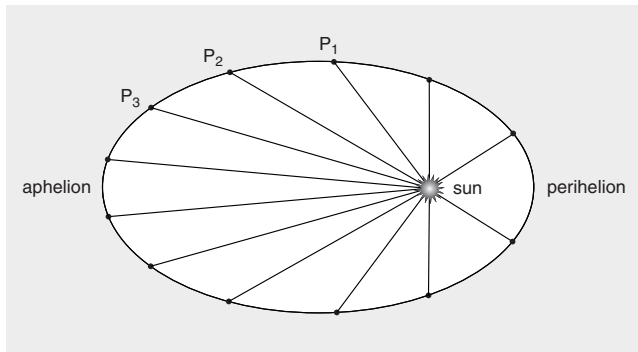
This distinction is otherwise located in the function of crucial physical experimentation in physical science, and in the role of Classical modes of irony in musical polyphony, in Classical poetry and drama, and in the tradition in art of Leonardo da Vinci, Raphael Sanzio, and Rembrandt. In respect to physical economy, the primary requirement for the maintenance of a society’s level of potential relative population-density lies in the development of, and investment in basic economic infrastructure and in production (per capita and per square kilometer). However, without fertilizing the modes of communication in a parallel fashion, in the modalities of human mental processes associated with analog functions, physical-scientific creativity will be aborted.

The Function of Dynamics

The most notable factor of pervasive incompetence in the current practice of professional economic forecasters, their political dupes, or in related categories, is the emphasis on statistical methods cast more or less in the tradition of Cartesian mechanics. Virtually all of today’s notable economic forecasters, or their substitutes of the like of poor scapegoats such as Ben Bernanke and George W. Bush, Jr., are completely incompetent in the conduct of their office on even this account alone.

Competent science is, in all aspects, including economics, essentially a matter of dynamics (in the form of analog functions), as opposed to the inherently digital modalities of mechanics. This is a tradition traced in European history from Thales and such among his followers as the Pythagoreans and

3. Cf., *The Devil in Your Laptop*, LaRouche PAC, November 2007; Sky Shields, “What Exactly, Is a Human Being? Analog, Digital, and Transcendental,” *EIR*, Jan. 4, 2008.



Kepler's constraint for motion of a planet along an elliptical orbit. The attempt to explain the generation of such an orbit by quadrature is "absolute incompetence," LaRouche writes. "In fact, this distinction is the most crucial distinction of actual mathematical physics from sophistry."

Plato. This method, termed *dynamis* in ancient Greek, was revived as a term, *dynamics*, by Leibniz. The implications of Leibniz's use of the concept of dynamics, were brought forward by Bernhard Riemann's 1854 habilitation dissertation, and by Riemann's consequent further development of that notion. All competently mapped social processes, including national physical economies (rather than merely monetary ones), are to be expressed in the essential form of "multiply interactive" forms of Riemannian dynamics. All contrary representations of modern social and economic processes are intrinsically incompetent ones.

The kind of universe which the competent scientist must adopt as a scheme of reference for describing the universe in general, or social processes such as economies and their associated cultures, is essentially in the form of a Kepler-Riemann universe as more adequately elaborated in terms of the dynamics of Vernadsky's Biosphere and Noösphere.

In earlier times, prior to the metamorphal emergence of the "middle class 68ers" in their adult form, a significant degree of true creativity was expressed among some members of our populations. In Europe, for example, this was typified by the Humboldt reforms in education, as this was echoed in some degree in better practice within the U.S.A. This was expressed in the fact, that under President Franklin Roosevelt, or during two later decades, it was possible for industries to recruit secondary school graduates "from the streets," to obtain, thus, with a certain amount of sifting, a labor-force capable of "doing the job" in fields of practice beyond the level of their education. This was a benefit of the factor of what might be termed "incidental" creativity common (according to my experience) among populations such as those of the U.S.A., Germany, and Northern Italy.

With the rise of influence of a specifically "68er" anti-blue collar, anti-industrial population, the populations of the U. S.A. and Europe, for example, degenerated in respect to their potential for actually assimilating the benefits of scientific thinking, and for technologically progressive modes of pro-

ductive forms of social functions. The process of "greening" became an increasing, generative factor of incompetence and cultural decadence within the "white collar"-oriented portion of the stratum born, chiefly between 1945 and 1958, to household cultures of what had been typed during the 1950s as "White Collar" and "Organization Man" family-household cultures.

This cultural flaw more or less characteristic of that indicated "68er" type, so defined, has been an increasingly significant factor in the increasing decadence expressed as the increasing rate of degeneration of our national popular and related culture into the modalities of "post-industrial," general and economic cultures of the U.S.A. and western and central Europe. England possesses, in net effect, among the most successfully self-destroyed populations on this account.

This process of cultural decadence, radiating from the "68er" generation on down today, has been a crucial factor in the degeneration of the economies and cultures of North America and western and central Europe, in particular. The most crucial aspect of this, from a long-term standpoint, is the vanishing of the cultural factors which had been essential to promotion of physical-economic and moral progress in populations of (notably) Europe and North America, during the recent four decades.

This, by itself, did not cause the present onrush of a general, global economic-breakdown-crisis; but, it has been a crucial social factor in permitting that moral degeneration to occur.

The Core of the Global Crisis

The process called "globalization," better known as a return to the Tower of Babel, has resulted in a shifting of production from regions of the world in which productive potential was relatively a highly developed feature of the characteristics of the population and its economic-cultural setting, to cheap labor working in relatively debased circumstances and cultural standards of household and community environments. The resulting shift of production from ruined areas to relatively degraded ones, has been a general lowering of the planet's overall potential relative population-density, including such examples as the increasingly murderous degeneration of the conditions of life among the population of North America and Europe. *The effect is, thus, a net lowering of the sustainable level of potential relative population-density, per capita and per square kilometer, throughout the planet overall!* The collapse of the physical standard of living of the population of Mexico, the U.S.A., and western Europe, now approaching catastrophic conditions, is exemplary.

This occurs at the same time, recently, that the upper strata of the population, who are chiefly worse than merely parasites, enjoy income-levels which are morally indecent in and of themselves, income-levels enjoyed solely through the savage looting of the obligations which should have been met for sustaining the general population.

However, after those and kindred considerations have been taken into account, we must turn to the most crucial of all the relevant issues: the issue of individual creativity in the sense that only so-called “analog” functions of the individual human mind actually correspond to the essential power of creativity which separates the human individual from the beasts.

The nature of this power of genuine creativity is illustrated very well by the signal case of Johannes Kepler’s discovery of universal gravitation, especially when what Kepler intended by gravitation is understood as a rejection of Archimedes’ elementary error in presuming that the generation of a circle could be defined by quadrature.

That is to say that quadrature may be used as an attempt to describe the effect of the process by which a circle, or ellipse might be generated as a construction. However, when a process in nature assumes the trajectory of a circular or elliptical orbit, most emphatically an elliptical orbit, the attempt to explain the generation of that orbit by quadrature is absolute incompetence. In fact, this distinction is the most crucial distinction of actual mathematical physics from sophistry.

The modern rebirth of the competent physical science which had been established in ancient Greece during the span from the initiatives of Thales, through the work of the Pythagoreans and Plato, was brought forth by the Socratic midwifery of the Cardinal Nicholas of Cusa who re-discovered the principle of all competent physical scientific practice by discovering a crucial error in Archimedes’ quadrature of the circle. All subsequent, competently crafted creativity in modern European science has been derived, from Johannes Kepler on, through Fermat, Leibniz, Gauss, Riemann, and others, on the foundation of that great principle of “analog” modes of discovery of universal physical principles.

For example: What generates the elliptical orbit of a Solar planet is an impulse which can be competently identified only as ontologically infinitesimal: that is, an action so dense that there is no interval of action which is small enough not to be generated there by the action of a universal physical principle. That is the same concept as the Leibniz discovery of a calculus fitting Kepler’s specification for the assignment of this task to “future mathematicians.” It is otherwise a reflection of the Leibniz-Bernouilli universal physical principle of least action.

Therefore, the makers of policy for today, must come to know what they must reject, are the fraudulent, arbitrary assumption of Eighteenth-Century empiricists such as de



President Franklin D. Roosevelt’s leadership appealed to those qualities that distinguish the human being from the beast. This gave civilization a chance to survive, and can do so again today.

Moivre and Euler. They must recognize that our universe is organized in a form which our minds must recognize as congruent with the notion of an intrinsically non-linear physical universe which operates on the basis of what are to be regarded as, in physical principle, analog, not digital functions. They must recognize that intense conditioning to computer routines which are intrinsically digital promotes serious mental disorders of a type associated with “killer” computer games, disorders which tend to de-humanize the habituated (e.g., “addicted”) player.

They must recognize, that to the degree education used in general practice digitalizes the subject-matters in a fashion typified by “programmed learning” methods in education and related applications, the distinctly human cognitive powers of the individual are disrupted, with more or less dangerous effects for the individual and the society alike.

When man digitalizes, he ceases to think creatively. Then, his behavior, in-

cluding his morals, comes, quite naturally, to resemble more and more a certain awful likeness to the behavior of the adult male chimpanzee, a result which we are enabled to witness widely today, by attention to such matters as television exhibitions of the relatively depraved popular culture to which the gibberish expressed by most political campaigns in action is appealing.

For a change, let us go back to being human once more. It could save our culture; it could also save our nation, and, for a time, at least, your life.

With those stated considerations in mind, situate a return to cultural sanity within the context defined by the wonderful achievements of President Franklin Roosevelt, in returning the U.S.A. from the abyss dug by Theodore Roosevelt, Woodrow Wilson, Calvin Coolidge, and Herbert Hoover, to its true self. There is very little which needs to be remedied today which would not benefit from the precedents provided by the way, rooted in the great constitutional principle of the 1648 Peace of Westphalia, in which Franklin Roosevelt saved both the U.S.A. and gave civilization as a whole at least a fair chance of surviving, too. It is the distinction of the human soul from that of the beasts, a distinction expressed as the expressed development of those creative powers of mankind lacking in beasts and empiricists alike, to which President Franklin Roosevelt’s leadership appealed, an appeal which served our nation and the planet well in that time.

We can save this imperilled nation, thus, even now, if we can find the will to do so.

Yes, That Is a Stimulus Package, And No, I'm Not Happy To See You

by The Basement Team

The only time a nation destroys itself, a civilization destroys itself, is when it becomes *efficient* in enforcing mediocrity.

—Lyndon LaRouche, Dec. 16, 1977

The hyperinflationary frenzy which engulfed Weimar Germany in the years immediately after World War I, is a dramatic example of what can happen to a nation when its productive capacity is destroyed, and it turns to the printing of money to preserve its economy. It also serves as a road map of where the United States, indeed the world, is headed, if we continue

down our present path.

Most people today think of economics in monetary terms, and thus tend to regard the Weimar hyperinflation as having been caused by monetary policy—but that view is wrong. The crisis in Weimar Germany came about as the result of a coordinated effort to destroy the nation of Germany after World War I, orchestrated primarily by the British Empire, with the assistance of France. Thus, the productive capacity of the German agro-industrial economy was deliberately stripped, at the same time that Germany was hit by debilitating demands for war reparations payments, leaving it in the position of either imposing savage austerity upon its own population, or cranking up the printing presses.

Unwilling to commit national suicide through austerity, the Germans chose the printing-press method, in the hope that they could muddle through, and in the process unleashed a hyperinflationary dynamic which destroyed the value of their currency. The Germans wound up triggering the very austerity they had hoped to avoid.

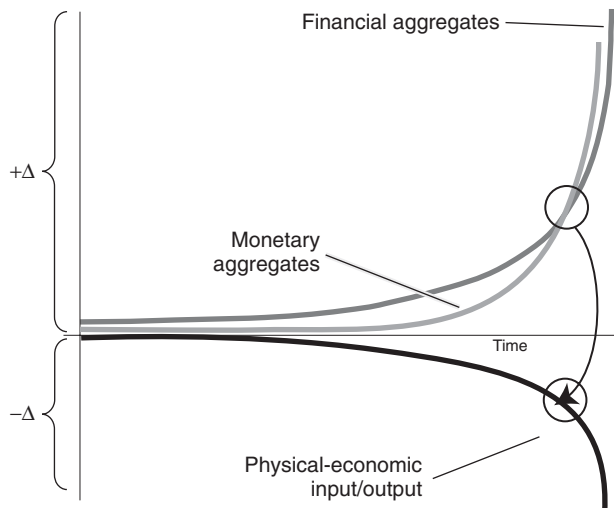
The parallels to our current situation should be obvious. Like Weimar Germany, the productive capacity of our agro-industrial economy has been consciously destroyed, and we have taken to living on debt, paid for by the printing press and its electronic equivalents. Unlike Weimar Germany, however, which was forced at the point of a gun, we have done this to ourselves, through our adherence to the belief in globalization.



Gutenberg and the Billions-Press, "I never intended this!" From the German satirical magazine Simplicissimus, 1923.

FIGURE 1

The Collapse Reaches a Critical Point Of Instability



Lyndon LaRouche's "Triple Curve" shows how hyperinflation cannibalizes the physical economy. If the policies of the United States are not soon changed, the rate of growth of monetary and financial emission will converge on something like the 1923 Weimar hyperinflation.

Controlled Disintegration

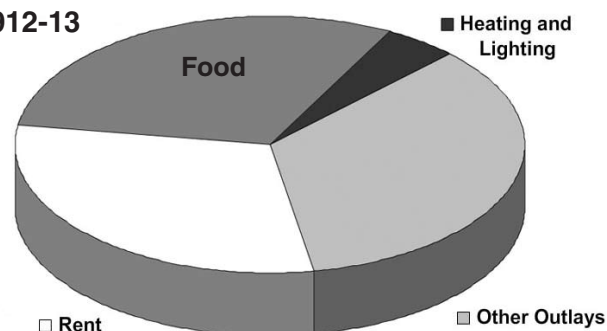
After his defeat in World War I, Kaiser Wilhelm II of Germany abandoned his throne, and the monarchy was replaced by a republic, which committed itself to alleviating the afflictions the population had suffered during the war. This new government went to the Versailles peace conference in June 1919, hoping for fair treatment, but what it got instead, was the lash of a vindictive British whip. The victorious powers imposed upon Germany the full responsibility for the costs of reconstruction of Europe, an impossible burden for a defeated nation. Germany was also ordered to give up virtually its entire fleet of merchant marine ships and much of its railroad rolling stock, crippling its ability to trade. Though it was a net importer of food, Germany's food production was also targeted, and it was forced to give up much of its livestock—horses, bulls, cows, sheep, and other farm animals. On top of that, Germany was ordered to turn over significant territories rich in farmland, minerals, and people. By these methods, the productive capacity of the German people was crushed. What followed, was the inevitable effect of the intent of the policy.

Human societies thrive by increasing their mastery over the principles upon which the universe is governed, both in terms of scientific discoveries and the implementation of new technologies based upon those discoveries, as well as the ability to communicate them through enhanced modes of communication, i.e., irony, all of it driven by the power of reason of the human mind. As a society develops intellectually, it in-

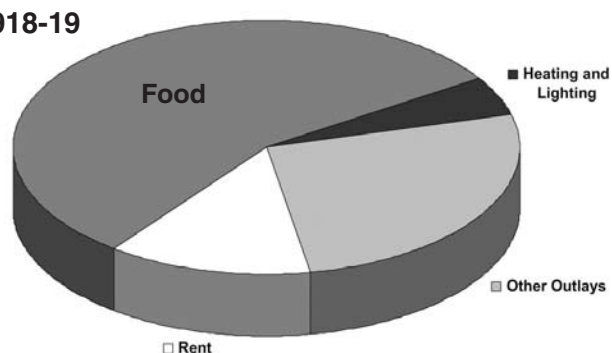
FIGURE 2

Germany: Household Expenditures

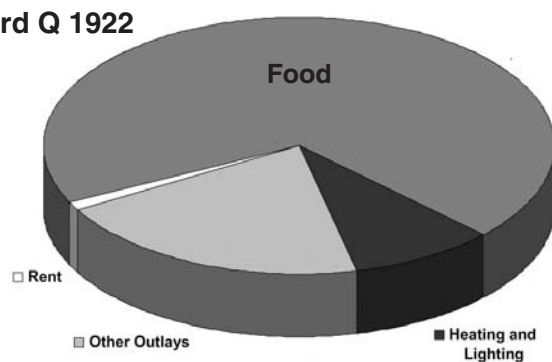
1912-13



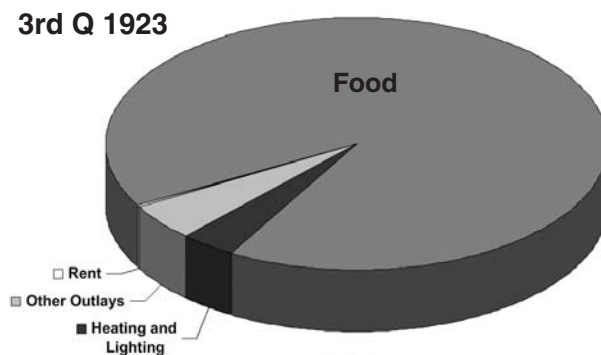
1918-19



3rd Q 1922

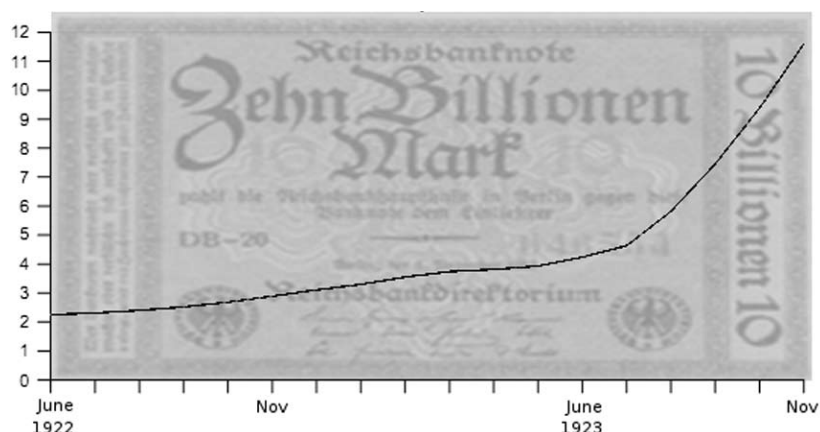


3rd Q 1923



Source: Data from Bernd Widdig, *Culture and Inflation in Weimar Germany* (Los Angeles: University of California Press, 2001).

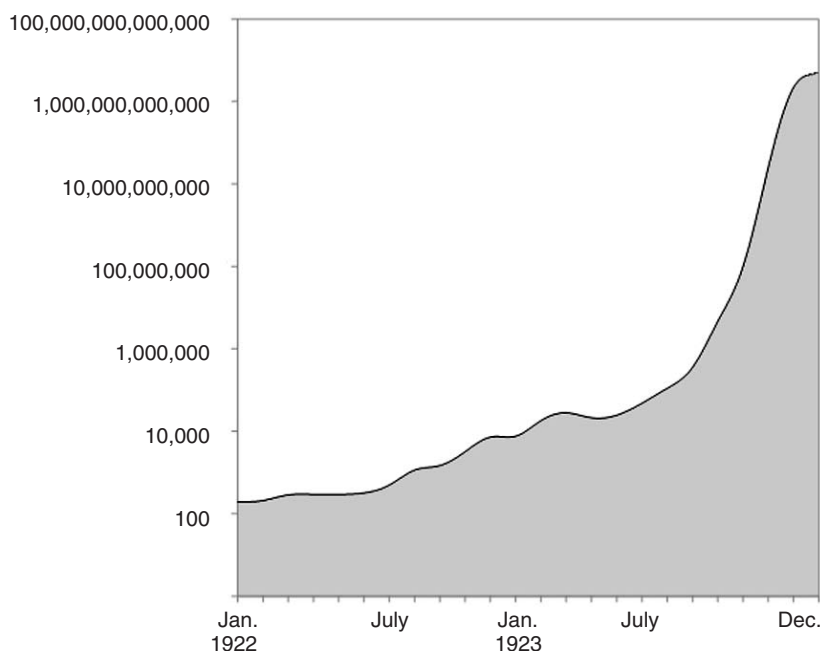
FIGURE 3
Growth of German Currency in Circulation*
 (Reichsmarks, Billions)



* Graph shows amounts in logarithms of actual values. Example: 180 (Billions) = 2.26 (Billions).

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FIGURE 4
Dollar Exchange Rate of the Paper Reichsmark in Berlin



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creases its ability to support larger populations per unit-area of land, which we measure in terms of relative potential population density. Over time, the population grows in response to this rising potential.

The reverse can also happen, when a nation is subjected to the steep drop in living standards of the sort imposed on Weimar Germany. There, the technological downshift imposed,

diminished the ability of the nation to support its population. It also caused a drop in the real valuations of Germany's physical asset-base, since the economic benefits of those assets were reduced by the devolving economy.

It was this economic devolution, imposed by a deliberate policy crafted to remove Germany as a world power and rival to the British Empire, which sowed the seeds of the hyperinflation that would soon emerge.

The Explosion

In May 1921, British Prime Minister Lloyd George presented Germany with the final Allied Reparations demands: Germany would have to pay 132 billion gold marks, enforced by the threat of a military occupation of its Ruhr industrial heartland. The German government refused the demand and resigned in protest, but the successor government of Josef Wirth capitulated, and paid the first 2 billion mark installment. Five months later, the League of Nations, acting on behalf of the British, delivered yet another blow to Germany by giving the rich industrial basin of Upper Silesia to Poland and Czechoslovakia.

To pay for these reparations, the government imposed heavy new taxes upon a population and an economy that could not pay them, and the printing presses began to roll. The reichsmark, which had begun in 1918 at a value of five to the U.S. dollar, fell to 62 to the dollar when Lloyd George delivered his demands, and by November of that year, had fallen to 262 reichsmarks to the dollar.

The situation took a turn for the worse with the post-Rapallo assassination of German Foreign Minister Walter Rathenau in June 1922, and the seizure of the Ruhr in January 1923, further demoralizing the German population and weakening its political will to resist. Within the month, the reichsmark plunged from 345 to the dollar, to 1,254, and ended the year at 7,600.

With the devaluations came soaring increases in the cost of living, compounded by the growing shortages of foodstuffs and other

necessities of life. This process of paying more while receiving less, accelerated the implosion of the German economy, and the hyperinflation. By May of 1923, the reichsmark had fallen to 48,000 per dollar, then plunged to 110,000, and 353,000, in succeeding months. As bad as that was, it was only the beginning, as the nation was hit with an inflationary shockwave of almost unimaginable intensity. The reichsmark



"They certainly don't have a visa...." From *Simplicissimus*, 1923. The Versailles Treaty was not simply a monetary prison for the Germans. The bulk of the reparations required Germany, a food-importing nation, to fork over livestock and farm goods to the Allied nations. The intent was not to repair the damage supposedly done by Germany during the war, but to destroy Germany and her people.

plunged to 4.6 million to the dollar in August 1923; to 98.9 million in September; 25.3 billion in October; and 2.2 trillion in November, ending the year at 4.2 trillion reichsmarks to the dollar.

Friedrich Kroner, in his *Überreizte Nerven* (Overwrought Nerves), captured the effects of this process of disintegration upon the German population:

"It pounds daily on the nerves: the insanity of numbers, the uncertain future, today, and tomorrow become doubtful once more overnight. An epidemic of fear, naked need: lines of shoppers, long since an unaccustomed sight, once more form in front of the shops, first in front of one, then in front of all.... Rice, 80,000 marks a pound yesterday, costs 160,000 marks today, and tomorrow perhaps twice as much.... The piece of paper, the spanking new banknote, still moist from the printers, paid out today as a weekly wage, shrinks in value on the way to the grocer's shop. The zeroes, the multiplying zeroes!...

"They rise with the dollar, hate, desperation, and need—daily emotions like daily rates of exchange. The rising dollar brings mockery and laughter: 'Cheaper butter! Instead of 1,600,000 marks, just 1,400,000 marks!' This is no joke; this is reality written seriously with a pencil, hung in the shop window, and seriously read."¹

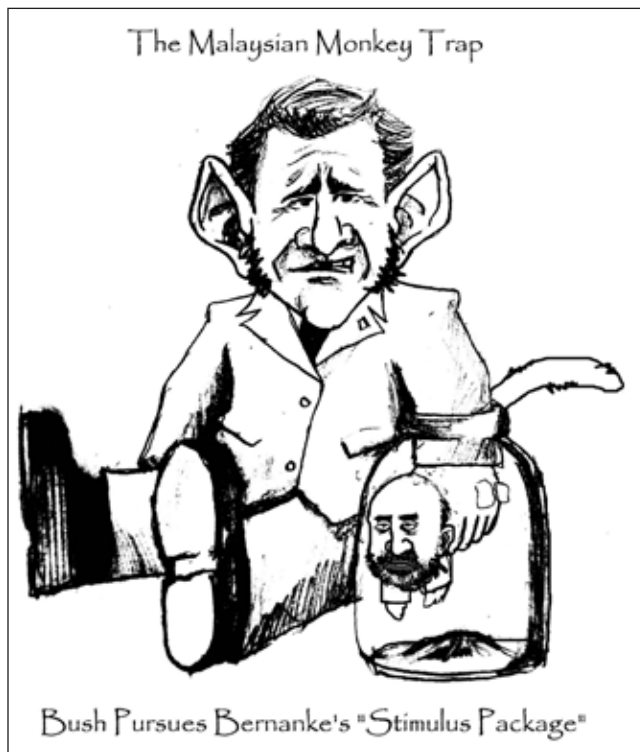
1. Quoted from Bernd Widdig, *Culture and Inflation in Weimar Germany* (Berkeley: University of California Press, 2001).

On the Edge

Today, Lyndon LaRouche warns, the entire global economy is in a period equivalent to Weimar Germany in the Autumn of 1923, conditions primed for the same sort of hyperinflationary shock which exploded then. The insane injections of ever more cash by the central banks is the monetary equivalent of throwing gasoline on a fire. The stimulus plan being pushed by Treasury Secretary Henry Paulson is more of the same. Pumping more money into a hyperinflationary system is the worst possible move, a repeat of the error of Weimar Germany, and one which will produce similar results.

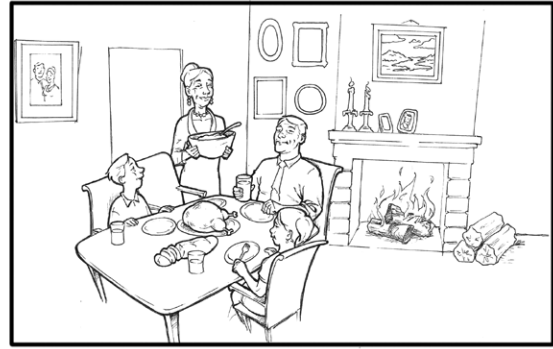
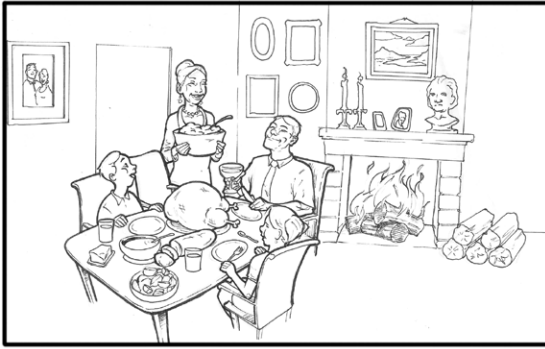
Just as Weimar Germany was deliberately targetted by the British Empire to remove it as a competitor on the world stage, the United States has also been deliberately targetted by the British, who are now egging us on to stimulate our economy.

The only way, at this late date, to break the deadly dynamic is to admit the truth—our financial system is awash with trillions of dollars of worthless paper which cannot be saved, and accept that in trying to save it, we will only destroy ourselves. Unlike Weimar Germany, we are not being forced at the point of a gun—we have a choice, and a chance, if we will only take it.



Will U.S. citizens bring about their own demise, at the hands of the financial slime-mold, through foolish adherence to belief in the potency of President Bush's, and leading Presidential candidates' "stimulation packages"?

EIRNS/Chris Jadatz



EIRNS/Matthew Eret

Russians Reply to Provocations By Warning of Nuclear War

by Nancy Spannaus

Gen. Yuri Baluyevsky, Chief of Staff of the Russian Armed Forces, issued a direct warning to Western governments on Jan. 19, that Russia reserves the right to conduct preventive war, including the use of nuclear weapons, if the sovereignty of Russia or its allies is under immediate threat. Speaking at a Military Academy conference in Moscow, he declared, “We have no plans to attack anyone, but we consider it necessary for all our partners in the world community to clearly understand . . . that to defend the sovereignty and territorial integrity of Russia and its allies, military forces will be used, including preventively, including with the use of nuclear weapons.”

The General’s sharp words came on the eve of Presidential elections in Serbia; the threat of a unilateral declaration of independence by the Serbian province of Kosovo poses an immediate threat to Russian relations with Europe and the United States. But the Kosovo provocation is only one of a series of aggressive efforts by Western nations, led by Great Britain, to “cut Russia down to size,” if not destroy the re-emergent nation. Among the provocations to which Baluyevsky was responding—in addition to the eastward expansion of NATO, the plans for Ballistic Missile Defense deployment in Poland and the Czech Republic, and meddling in Russia’s internal affairs—was a new self-styled “Grand Strategy” initiative, promoted under the auspices of the Center for Strategic and International Studies (CSIS), among others. This document calls for revamping NATO doctrine to include a pre-emptive nuclear strike option.

The Russian daily *Izvestia* reported Jan. 23 on comments by Gen. Leonid Ivashov, formerly head of the International Department of the Russian Ministry of Defense, on the “Grand Strategy” initiative (see accompanying article). *Izvestia* quoted Ivashov saying that the project “is aimed at preparing a

precedent for the USA to make first use of a nuclear strike against countries it doesn’t like.”

Ivashov, whose views often reflect the thinking in broader Russian military layers, continued: “I personally know all of the signatories to this report, and I am certain that the idea for it, as well as the content and the decision to publicize it, do not belong to them, but rather to the ‘hawkish wing’ of the U.S. Administration. Most likely the authority of these officers is being exploited for the purpose of preparing a precedent for the USA to make first use of nuclear weapons against countries that refuse to submit to their hegemony, Iran first and foremost. Since it won’t be possible to keep these nations obedient and subservient by ordinary means, the question is being raised once again, of reining them in by using tactical nuclear weapons.”

Putin’s Extraordinary Offer

Russia under the leadership of President Vladimir Putin has gone to great lengths to try to avoid being drawn into the confrontation which the British-Cheney forces desire. Russian Foreign Minister Sergei Lavrov has outlined the perspective several times, most recently in his official summary of Russian foreign policy in 2007. In that statement, issued Jan. 3 and posted on the Foreign Ministry website, Lavrov warned that 2008 could see “breakdowns in world affairs . . . which might be provoked by unilateral actions of some states, or groups of states, and their attempts to operate outside international law, in violation of the principle of equal security.”

Vowing that Russia will not be dragged into such confrontations, Lavrov cited recent remarks by Putin. “What President Vladimir Putin called a moment of truth in European and global politics is almost ripe. The current stage of world his-



Presidential Press Service

Russian President Putin (left) and Foreign Minister Sergei Lavrov. Russian leaders are warning about the possibility of a “breakdown in world affairs” or even the use of nuclear weapons, while Gen. Leonid Ivashov (ret.) (right) denounces a CSIS “Grand Strategy” report on how the U.S. should use nuclear weapons first.



Réseau Voltaire

tory is in the nature of a watershed, and this will largely determine the challenges facing Russian diplomacy in 2008.” Lavrov reminded readers of President Putin’s speech at the Munich security conference in February 2007 (*EIR*, Feb. 23, 2007). Noting recent frictions in trans-Atlantic relations, Lavrov wrote, “This is why President Putin, speaking in Munich, called on our international partners to engage in open and honest discussions, in order to reach a common understanding of present-day realities and coordinated principles of international cooperation.”

Lavrov addressed the controversy surrounding the deployment of missile defense systems in Central Europe: “Moreover, Russia has made unprecedented steps in the spirit of strategic openness, by proposing collective monitoring of and joint responses against potential missile threats to the European continent (with the participation of interested European countries). We were compelled to reinforce our words with deeds, by announcing a moratorium on the Treaty on Conventional Forces in Europe (CFE).”

While Lavrov did not discuss the onrushing global financial collapse in any depth, he did cite “the inseparability of security and development in a globalized world.” The foreign minister’s warning about “breakdowns in world affairs” in 2008 clearly reflects Russian concerns about the potential spread of chaos across Eurasia and around the world.

British Take the Lead

While the naive might see the emerging confrontation between Russia and NATO as strictly the result of U.S. actions, leading circles in Russia have expressed a dawning awareness

that the initiative comes from Great Britain—with respect not only to British-Russian bilateral tensions, but also broader imperial scheming. Exemplary was Putin’s statement on July 24, 2007, in which he scathingly denounced Britain for demonstrating “obvious vestiges of colonial thinking” in its demands toward Russia.

The open British offensive against Russia has included accusations on the murder of former KGB agent Alexander Litvinenko, and the insistence on maintaining offices of the British Council cultural organization throughout Russia, despite Russian insistence that these be shut down for violations of Russian law. Nor is it to be ignored that Great Britain provides a base of support for a number of individuals Russia has accused of being responsible for terrorism, and refuses to respond to requests for extradition. The first days of 2008 saw the publication, and international circulation through Johnson’s Russia List and other Internet venues, of a British plan to cut Russia down to size. Titled “Russia & the West: A Reassessment,” Shrivenham Paper #6 of the Defence Academy of the U.K. was written by James Sherr, a British military analyst of Russia since the late Soviet period. While a disclaimer says that the content may not “reflect the views of the Ministry of Defence or Her Majesty’s Government,” the report dramatizes the hostility to Russia on the part of leading circles in Britain. Sherr writes: “A powerful Russia is once again a fact of life. . . . They have recovered pride in their own traditions and are determined to advance their own interests. . . . The post-Cold War partnership, founded at a time of Russian disorientation and weakness, is over. . . . Although Russia is not a global threat, it seeks to be both enabler and spoiler.”

Above all, Sherr berates Western leaders for having “underestimated” the Russian leadership’s assumption that it should have “equal say” with other nations, concerning security issues in Europe. The British analyst proceeds to catalogue weaknesses of the current Russian system, which could contribute to cutting Russia down to size. He expresses particular interest in the potential for internecine strife in the Russian intelligence and law enforcement community, to undercut Putin’s authority while he is still in office, or to disrupt an orderly succession. In the economic field, Sherr points to vulnerabilities in Russia’s energy sector, which “is seen by many in the Kremlin as a foundation of the country’s power and an engine of economic growth and modernization.”

Sherr concludes that “Russia is underestimating its own shortcomings and our potential leverage,” and opines, “We should not.”

A Kosovo Trigger?

When all is said and done, the Kosovo situation is the most likely trigger for a sharper confrontation between Russia and NATO countries. A new Kosovo government was elected in early January, and is headed by Hashim Thaci, who promises an early declaration of independence.

The first round of the Serbian Presidential elections, held Jan. 20, set the stage for a Feb. 3 run-off between incumbent President Boris Tadic and Serbian Radical Party leader Tomislav Nikolic, the top vote-getter in the first round. A staunch opponent of Kosovo independence, Nikolic voices confidence in Russian support for his stand. (And Moscow has not failed to exploit Serbia’s need for support: On Jan. 22, Russia’s Gazprom acquired a majority stake in NIS, the Serbian national oil company, in a deal with no competitive bidding, which some Serbian officials denounced as a politically motivated “humiliation” for Belgrade.)

On Jan. 17, Lyndon LaRouche called on U.S. officials to order Richard Holbrooke to shut his mouth. The former top State Department official has been a leading provocateur on the Kosovo issue, promoting its unilateral independence from the Serbian Republic, and pushing for both U.S. and European Union endorsement of it. Thaci himself was a virtual protégé of Holbrooke’s Wellsian cohort, former Secretary of State Madeleine Albright.

Lavrov put a sharp point on the crisis, specifying that a declaration of independence by Kosovo, backed by NATO powers in circumvention of the United Nations, would be one of the threatened global “breakdowns” he talks about—a “red line,” as he has also called it. *Vremya Novostei* of Dec. 21 quoted Lavrov: “If NATO and the EU now state, after ignoring all legitimate legal mechanisms that exist in the United Nations, that they will decide on how to divide Serbia, how to bite Kosovo off from it, and how to prevent Serbs who live in Kosovo from expressing their opinion on the matter, they will put themselves above international law.” Lavrov added that such a “dangerous game” would mean that these Western

countries no longer respect the UN, and intend to decide major matters outside of it.

Speaking on Vesti-24 TV Dec. 21, Lavrov warned once again that—though he said it is not Russia’s policy to promote this—independence for Kosovo will be taken as a precedent by the administrations of Abkhazia and South Ossetia, autonomous regions within the Republic of Georgia that are “in fact functioning on their own” already.

Rachel Douglas contributed to this article.

Top Brass Hoodwinked By New CSIS Fraud

by Tony Papert

The CSIS Europe and International Security Programs, in partnership with the Noaber Foundation, hosted on Jan. 10, the launch of “Towards a Grand Strategy for an Uncertain World: Renewing the Transatlantic Partnership,” under the signatures of some of the most respected retired military leaders of the United States and Western Europe.

Last November, LaRouche PAC exposed the fraud of the CSIS (Center for Strategic and International Studies) report, “Alternative Futures for Russia,” in which a provocative script of assassinations, dictatorship, and executions in Russia was smuggled into a collation of expert forecasts.

Now, CSIS has produced a hoax which is far more crooked. While the names of U.S. Gen. John Shalikashvili; Gen. Dr. Klaus Naumann of Germany; Gen. Henk van den Breemen of Holland; Britain’s Field Marshall The Lord Inge; and French Adm. Jacques Lanxade are featured, these grey-bearded generals are nothing but simple victims of a hoax. The actual authors of the 155-page report are a mating pair of twenty-something “Strangeloves”; far-out neo-conservatives Douglas Murray of Britain, and Benjamin Bilski of the Netherlands. Murray’s first book was a biography of Oscar Wilde’s homosexual lover; his latest is *Neo-Conservatism: Why We Need It*. Both authors belong to the Muslim-baiting school recently made infamous by the blasphemous “Danish cartoons.” Murray, born 1979, is



Douglas Murray

a frequent confederate, in these outrages, of David Horowitz, who runs a right-wing campus witchhunt on behalf of Bush-Cheney policies. His British website, Center for Social Cohesion,” mimicks Horowitz’s Muslim-baiting in the U.S., and reportedly wants to halt all immigration of Muslims into Europe.

Bilski, for his part, sponsors and translates anti-Muslim blasphemies by the Iranian émigré Afshin Ellian. His specialty at the University of Leiden, where he teaches, is “Social Cohesion and the Role of the Right.”

Both young military-strategic gurus are completely innocent of any military or strategic experience. They are also obviously very well-acquainted with each other: sort of the “Cohn and Shine” of the McCarthy era.

Call for Pre-Emptive Nuclear Strikes

Under the misused names of these top generals, Bilski and Murray call on NATO to be prepared to launch pre-emptive nuclear attacks to prevent use of weapons of mass destruction by its enemies. They call first-strike use of nuclear weapons an “indispensable instrument” as part of an overall “grand strategy” to deal with the current dangerous world. Key to that “grand strategy” is inducing uncertainty in the mind of the enemy, so that he has no idea what to expect. “Nuclear escalation is the ultimate step in responding asymmetrically, and at the same time the most powerful way of inducing uncertainty in an opponent’s mind.” Then in language reminiscent of Richard Nixon’s “madman theory,” they declare that “unpredictability is an important element of any strategy that aims at conflict prevention and termination. Opponents must never know which step could be the next one, and must never have a chance to rule out any of the options in their opponent’s arsenal.”

The duo writes that the “risk of further proliferation is imminent and, with it, the danger that nuclear war fighting, albeit limited in scope, might become possible. The first use of nuclear weapons must remain in the quiver of escalation as the ultimate instrument to prevent the use of weapons of mass destruction.” Due to the spread of nuclear technology, there is “simply no realistic prospect of a nuclear-free world.” They call for allowing the use of force without UN Security Council authorization when “immediate action is needed to protect large numbers of human beings.”

They want a large-scale reform of NATO and a new pact among NATO, the U.S., and the EU to sanction such action.

According to British press reports, this hoax has been presented at the Pentagon and to NATO Secretary General Jaap de Hoop Scheffer. They even claim it will likely be on the agenda of the NATO summit in Bucharest in April.

In addition to the usual neocon drivel about “Islamist terrorism,” the two also include a huge freakout about China in Africa. They complain that China’s willingness to invest in and give aid to African countries is “detrimental” to “good governance.”

‘Rogue Trader’ Triggers Collapse

Lie-Masters Invent New Fairy-Tale

by Helga Zepp-LaRouche

The author is chairwoman of the Civil Rights Solidarity Movement (BüSo) in Germany. This article was translated from German.

Now we can all breathe a sigh of relief! The world financial system isn’t in the throes of a systemic crisis after all! Monday’s worldwide stock market crash was caused by a lone perpetrator, who swindled the French bank Société Générale out of EU4.9 billion over the course of the past year, and who was able to avoid triggering the control mechanisms which normally kick in at sums in the EU100-200 million range and higher. And the poor fellow didn’t even do it for his own enrichment: He gambled away EU5 billion because he had been traumatized by the death of his dad!

This outrageously tall tale was served up by this week’s British press—and also, in slightly modified form, by the German *Spiegel* online—while French commentators preferred to point instead to its timing, coming just before Société Générale is to release its latest annual report. The fact that the crash began in Asia and not in Paris, gives the theory a small blemish, though—one which many would rather simply conceal underneath one of those tidy little band-aids.

But these were not the only places that are coming to resemble scenes from the theater of the absurd as staged in Charenton. Already on “Black Monday,” we were regaled with a flood of pictures of teary-eyed stock traders tearing their hair. And by Tuesday, the panic suddenly turned to euphoria, as the European Central Bank came in with a new financial injection, and the U.S. Federal Reserve lowered its rate by 0.75%. But as the U.S. economy slides ever more deeply into depression, threatening to bring the rest of the world economy down with it, only a few scattered idiots still harbor the illusion that yet another long-lasting orgy of profits might be set into motion after the announcement of Bush’s “stimulus package” with its tax and interest cuts. As U.S. economist Lyndon LaRouche stressed, a stimulus program within the current collapsed world financial system, will simply bring on hyperinflation all the more quickly, and is therefore the stupidest thing one could possibly do. Unless there is some drastic re-thinking, this dynamic can easily spread over the entire planet, plunging the world into

a new dark age, comparable only to the dark age of the 14th Century.

Meanwhile, Professor Schwab's lucrative mega-party at Davos is once again highlighting the astounding incompetence of most top corporate executives, Nobel Prize holders, and politicians, who are taking out just enough time from their *après-ski* and photo ops, to demonstrate how utterly confounded they are about how to get out of the crisis. But of course, they can still cast electronic votes on which risks they consider to be the most dangerous.

Irresponsible Homeowners

Anyone who follows how the media are reporting on the financial crisis nowadays, can't help but conclude that all these journalists and financial experts, like German TV stock exchange analyst Anja (Ver)Kohl,¹ must have taken courses with Baron Münchhausen.² *Bild*, for example, runs a box on its front page nominating a ZDF reporter as a "loser," simply because this gentleman was honest enough to advise small investors to sell their shares. In other newspapers, the collapse of the U.S. subprime mortgage market is blamed on "irresponsible" homeowners—and not on Alan Greenspan, the man whose low-interest policy in fact created the mortgage bubble which the financial system had so urgently needed, following the collapse of the "new market."

And naturally, it was the homeowners' fault for having taken on mortgages with variable interest rates just when the rates were practically zero, after which the rates had nowhere to go but up. The fact that the victims don't see it that way, is demonstrated by a growing flood of fraud lawsuits against the financial institutions which had only vaguely hinted at the risks facing their clueless customers. And now we have belated advice from William Poole, head of the Federal Reserve in St. Louis, who told MarketWatch.com: Trust neither what the Federal Reserve says, nor its competence. This is a lesson that cannot be repeated often enough.

It must have become quite evident, that the principle that "profit is for the few, and losses are unloaded upon the many," has deeply shaken people's trust in politics and financial system. Incredible but true: Wall Street mogul and wannabe Presidential candidate Michael Bloomberg stood up before the press, along with Schwarzenegger, and claimed the contrary: It's the private investors who carry the risk, and the state reaps the benefit! And this crisis in confidence is made even worse by the behavior of diverse "economic experts." The head of the IFO Institute, for example, Professor (Un-)Sinn,³ argues against substantial

wage increases, since these would be poisonous, considering the U.S. crisis that is threatening the world economy. Germany's economy, he says, has remained competitive in recent years thanks to wage restraint, and this success shouldn't be frittered away.

The only truth in his argument, is that real wages in Germany have in fact declined over the past ten years. What Professor Unsinn doesn't tell us, though, is that wage-earners have the introduction of the euro currency to thank for this. Because ever since German institutions relinquished their power to regulate via interest rates, their only remaining tool for setting economic standards, was to decrease wages—and that is the underlying cause of the weakness in Germany's domestic economy.

Golden Parachutes

And if the workers and their trade unions—who with each new day are surprised by multimillion-dollar golden parachutes for failed top executives, and whose jobs are disappearing because companies like Nokia, even after it made billions in profits, still wants to send its production abroad in order to make still more profits—are now demanding compensation for inflation and a small raise above that: then they have every right to do so. But the head of the DIW [German Institute for Economic Research], Klaus Zimmerman, says that demands for an 8-10% wage increase "aren't in keeping with the times." Hagen Lesch of the Cologne Institute of the German Economy (DIW) says they don't fit "in the landscape." And so, they resurrect the old cliché that it's the workers' excessive demands which are to blame for inflation and for the world economic crisis. They display a post-modern, but unfortunately, not relativistic understanding of space-time.

The brutal reality lurking behind all these contortions and Münchhausen-style tall tales, is that the international financial oligarchy and its acolytes aim at nothing less, than to "solve" the international financial crisis by enforcing a drastic reduction in the population's living standard.

And just as we can be certain that the short-term blindness of the greedy will soon be followed by the next panic attack, so also can we be certain that there is only one alternative to the policy of austerity in the tradition of Hjalmar Schacht, as is being advocated by "experts" such as Professor Unsinn. That alternative is the policy in the tradition of Franklin D. Roosevelt, as proposed by Lyndon LaRouche, of a New Deal, and of a new financial architecture, a new Bretton Woods system. And if we are to prevent the complete disappearance of popular confidence amid the peaking of the world economic and financial crisis—a crisis which is as certain to come as "amen" in the church—and if we are to prevent a repetition of Weimar conditions, then these ideas need to be put at the top of the agenda.

1. *Verkohl* is the German word for "hoax."

2. Baron Münchhausen was a famous teller of tall tales.

3. *Unsinn* is the German word for "nonsense."

Italian Government Is Brought Down

by Andrew Spannaus

With the beginning of the new year, and the sudden admission by broad sectors of international political and economic institutions that the global economic catastrophe can no longer be ignored, we are seeing an acceleration of the attempt to strip European nations of what remains of their economic sovereignty. In Germany, as denounced by Helga Zepp-LaRouche, the Parliament is preparing to incorporate the

Italian Senator: Crisis Threatens a New Fascism

Italian Sen. Lidia Menapace, who invited Lyndon LaRouche to speak in front of the Senate Defense Committee last June, commented in her newsletter on the fall of the Prodi government: "The situation is very dangerous, and to us, fascism of the 21st Century appears—that is, authoritarian democracy which oppresses and subjugates peoples, while thus far, we have been unable to put a brake to the ever more evident crisis of leadership, authority, and effectiveness of political, economic, and social balances of globalization."

In an earlier newsletter, entitled "authoritarian democracy is a product of Clean Hands," Menapace had warned that, "the threat of fascism I have warned against for months, is not a copy of the original fascism, but a process towards 'authoritarian democracy' which is dangerously going on." A very strong component of this slide, wrote Menapace, started with the "Clean Hands" scenario, a political/judicial witchhunt targeting political leaders in the 1992-93 period.

Clean Hands was first exposed by *EIR* as a British-controlled operation, aimed at eliminating the Italian constitutional system, connected to the enslavement of Italy to the supranational dictatorship of the Euro-Maastricht government and to the massive sellout of its national economy.

Maastricht budget-balancing criteria into the Basic Law, or Constitution (*Grundgesetz*); France is angling to have its Parliament approve the proposed European Constitution, which essentially codifies those same Maastricht criteria, without a popular referendum (which would surely fail); and in Italy, the government of Prime Minister Romano Prodi has just been brought down, and numerous establishment forces are pushing for a "technical" government which would slash social spending and ensure compliance with the monetarist diktats coming from the European Commission and Central Bank.

This operation, which would represent a further step toward the suicide of Europe, has been scripted by the same British financier oligarchy which promoted the Maastricht Treaty itself in the early 1990s, as a method of blocking any large-scale economic development throughout the continent, precisely at the time that the major nations on the continent—led by Germany—could have marked a decisive shift away from the disastrous post-industrial, free-market policies of recent decades, through a program of large-scale infrastructural and industrial growth aimed at extending development throughout Eastern Europe and Asia.

On the one hand, European nations have been induced to relinquish any power over economic policy. National governments must now follow the budget criteria set by the European Commission. Monetary policy and currency creation is in the hands of the European Central Bank; and the goal is to eliminate state-intervention from the economy entirely. On the other hand, numerous "chaos" operations have been launched, aimed at dismembering nations outright, or threatening such dismemberment in order to further weaken the state. The most visible such operation currently, is represented by the Flemish independence movement in Belgium, but there are numerous other situations which could be heated up at any time with the right dose of outside manipulation.

Italian Government Crisis

The acute nature of the disintegration of the real economy has created the perfect context for the government crisis in Italy. Over the past year, worsening living conditions have provided the pretext for a populist upsurge, pushed by various circles, aimed at discrediting the nation's political institutions in general, and opening the door for either a soft, technocratic dictatorship, or a more explicit, fascist-style strongman. In following a distinct pattern visible internationally, Romano Prodi's center-left government won the general election in 2006 on a wave of discontent with the inability of Silvio Berlusconi's coalition government to deal with the real problems facing the population. Not surprisingly, however, Prodi's government, although it promised a more socially oriented policy, has been unable to deliver, for two reasons: first, enormous pressure from financial circles to toe the Maastricht austerity line; and



Italian Prime Minister Romano Prodi's (left) government was toppled, as part of the drive by British oligarchical circles to destroy the nation-states of Europe. Italian central bank head Mario Draghi (right) is being promoted by those same circles to replace him.

second, the failure to face the root causes of the economic collapse.

In this situation, a large-scale media campaign has promoted a book titled *The Caste*, which details all of the privileges which Italian politicians have (money for taxis, party newspapers, cellphones, large pensions, etc.), promoting the idea that anyone who works for the state does so only for personal gain. The amount of publicity given to this book, and the various blogs which promote similar views, is staggering; in recent months, for example, this author has found himself in conversations with people from all sorts of political backgrounds, or even with no political background at all, who have spontaneously brought up the line promulgated by *The Caste*: The political class is totally corrupt, and there's no way you're going to change anything without kicking them all out.

The second pillar of this Jacobin-style offensive, is that represented by the comedian Beppe Grillo, who has served as the megaphone for the *Caste* program. His videos and widely read blog have led to the creation of a "citizens' movement" whose stated purpose is to purge all corruption from Italian politics. In a period of widespread disaffection with the inability of political institutions to resolve the problems people face in their everyday lives, such a movement is rapidly morphing into a second coming of the "Clean Hands" corruption scandals which decimated Italy's political ruling class at the beginning of the 1990s; as then, the result will undoubtedly be the elimination of what little remains of the country's political sovereignty. Corruption certainly exists, but the creation of an "anti-politics," Jacobin movement clearly plays into the hands of those who wish to break any institutional opposition to fascism in a period of crisis.

It was in this context that Prodi's government lost a confidence vote in the Senate on Jan. 25. The ostensible reason was the defection of several Senators from the party of the former Justice Minister Clemente Mastella, who, along with his wife, is under investigation for corruption and political favors in the Campania region. However, the government's survival was already in question due to threats from former Prime Minister and Central Bank director Lamberto Dini, who complained of the left's resistance to additional austerity, necessary to "shore up" the country's finances. Observers of parliamentary systems, and Italian politics in particular, will recognize the

script: small parties are able to blackmail the majority, and bring down the government whenever somebody pulls the right strings.

A key aspect in this process was the promotion of a popular referendum on changing the country's dysfunctional electoral system. The referendum, which was recently cleared by the Constitutional Court, was aimed at further weakening the role of Italy's political parties, by moving toward a "majority" system, in which party platforms would give way to more populist, media-based campaigns centered on individual candidates. This attempt to prevent Parliament from deciding on how to reform the electoral law, which was promoted by the same oligarchical crowd that is attempting to eliminate institutional resistance to free-market reforms, was a major factor in pushing small parties such as Mastella's to jump ship and force new elections before their role would be drastically reduced.

The Draghi Option

The government crisis is now officially underway, and the President of the Republic will decide what course of action to take by next week. There are essentially two options: call new elections before the Summer, while leaving Prodi as a caretaker Prime Minister, possibly with the task of modifying the electoral system; or use the electoral reform as an excuse to create a non-political, technocratic government, which would then proceed to implement "urgent structural reforms." The term "structural reforms" is code for large-scale austerity, through across-the-board cuts in pensions and other social programs. The plan is apparently to have Bank of Italy governor Mario Draghi, a former Goldman Sachs executive, and current head of the international "Plunge Protec-

tion Team,” preside over the process. Former President of the Republic Francesco Cossiga—although not known for his defense of national sovereignty in the past—denounced the scheme in a statement made the day the government fell. He said that Draghi is the real candidate to succeed Prodi, and that if he does, “we will have another wave of sell-offs of national assets.”

Support for the Draghi option is already coming from various individuals associated with the command center of the British oligarchical faction in Italy, centered around the grouping which controls the nation’s leading daily, *Corriere della Sera*. This group, which calls itself the “family,” includes individuals such as Luca Cordero di Montezemolo, the President of FIAT and the national industrialists’ association Confindustria, who has already come out in favor of a technocratic government.

Another glaring example of the radical free-market line being pushed by this crowd, is economics professor and *Corriere* columnist Francesco Giavazzi, falsely considered by many to be an authority on economics. In a webcast sponsored by *Corriere*, Giavazzi stated that the current crisis is merely a temporary blip due to an excess of optimism, as has often happened in the past, and that the important thing is to continue with “financial innovation” and liberalization, the only path towards economic growth.

Giavazzi was challenged by this author, representing the LaRouche movement in Italy. The author pointed out, that Giavazzi had forgotten to mention such details as widespread poverty, fascist dictatorships, and war. He then challenged all of the speakers to address the need to abandon the current financial system and rebuild the real economy on the basis of Lyndon LaRouche’s proposal for a New Bretton Woods. Giavazzi chose to babble on about how it would be a “disaster” to have advanced countries produce real goods, instead of services, assuming that the financial elite attending the event wouldn’t dare question his authority. Much to his chagrin, his arrogance as a lackey of the Wall Street and City of London financier oligarchy was challenged again by the next person to ask a question, who also addressed the real economy: “I would like to know,” he asked” how Professor Giavazzi plans to have 400 million Europeans survive on services alone.”

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India, China Push for Greater Understanding

by Ramtanu Maitra

Indian Prime Minister Manmohan Singh’s Jan. 13-15 visit to China took place at a time when the world was in the midst of a financial meltdown. However, his discussions in Beijing with Chinese Prime Minister Wen Jiabao did not address this burning issue, a high-level source told *EIR*, and neither did the two leaders, each representing more than 1 billion people, make any serious effort to lay the foundation for protecting their large populations from the effects of that financial collapse. For that reason alone, Singh’s visit can best be described as a missed opportunity.

In India, the slowdown of the six major industrial sectors, has already begun. In the April to November 2007 period, the core sector index grew 6%, as against 8.9% in the same period of the previous year. Most of these industries, such as power and petroleum, have been hit by supply constraints. Five of the six sectors in the index slowed, coal being the only exception. The growth rate in the index of six infrastructure industries in November 2007 halved to 5.3%, from 9.6% a year ago.

Next Door, But Still Distant

One possible reason that the two leaders were unable, or unwilling, to address these issues, is that China and India, despite their geographical proximity and the age-old interaction between their peoples, have remained politically and economically distant, and little long-term planning has taken place which involves both countries. This is despite the fact that both countries are generating wealth more rapidly now than they had done over the preceding centuries.

However, a number of important issues were addressed during this short visit. Both sides showed a great deal of interest in enhancing bilateral trade. While the trade situation may change due to the economic downturn that is stalking the world, the discussion itself indicates an attempt by each side to ensure a better life for the other. It was pointed out that China has become India’s biggest trade partner, surpassing the United States, which held that position for a long time. India-China trade reached \$38.6 billion in 2007, increasing 53% over the \$24.9 billion in 2006, adding \$13.7 billion in one year. During this period, India-U.S. trade was valued at \$34.6 billion, according to Indian government sources.

Both leaders seem confident that the present trend of trade growth will continue, and they revised their existing target of bilateral trade for 2010 from \$40 billion to \$60 billion. It must



Indian Prime Minister Manmohan Singh (left) and Chinese Prime Minister Wen Jiabao exchange signed documents in Beijing on Jan. 14. They took small steps toward cooperation, but there is much more work to be done.

be noted that given the large populations of these two countries, such trade figures are still very low.

However, the growth in bilateral trade has not brought un-mixed joy to New Delhi. Analysts point out that while India managed a surplus of \$7.8 billion with the United States in 2007, according to preliminary figures, India had a deficit of \$9.6 billion with China in that same period. The deficit exists mostly because India supplies raw material in bulk to China, and imports capital goods items.

A statement by Indian Commerce Minister Kamal Nath was welcomed in certain quarters in India. Responding to a joint Sino-Indian task force report that recommended a free-trade agreement (FTA) between the two countries, he pointed out that “negotiations on a free trade agreement between India and China will not start in the near future this year. The Prime Ministers of both India and China in their recent meeting had decided to recommend the report of the joint task force to the commerce ministers of both the countries. We will be holding a meeting on this to decide what we should do.” The statement that nothing would happen immediately was welcomed, because of the weakness of India’s small and medium-sized industries, which suffer an acute shortage of power, water, and other basic physical infrastructure. By contrast, China has invested heavily and successfully in these sectors, and is capable of virtually wiping out a good chunk of India’s tottering small and medium-sized industries, if free trade is established pell-mell between the countries.

During Singh’s visit, India and China signed 11 documents that covered five Memoranda of Understanding,

including cooperation in such important areas as railways and sustainable development of agriculture.

Agricultural Cooperation

It is widely acknowledged in India that strong cooperation between India and China in the agricultural area is of great importance. Once a food-sufficient nation, China, with 1.2 billion of its own people to feed, has now become dependent on imported food grains—rice, in particular. While world food experts worry that China would soon start buying off the entire world rice surplus, and thus make the world food situation more vulnerable, Chinese leaders realize that a powerful country like China should not remain vulnerable to the manipulations of the world food cartel. Such vulnerability, over a

period of time, would not only compromise China’s economic and foreign policymaking capabilities, but would surely undermine its long-term security.

In 2005-06, China imported roughly 5 million tons of wheat and 7 million tons of corn and rice. China does export some specialty rice, but not much. It was a remarkable achievement for China to boost food grain production from 90 million tons in 1949, to 398 million tons in 1997-98. But from 1999 to 2004, production dropped by 70 million tons.

To begin with, China, though almost nine times the physical size of India, has a meager 121 million hectares of arable land, compared to India’s 163 million hectares. In addition, China is losing its arable land rapidly. In the 1990s, China had 125 million hectares of arable land, and observers point out that that may be reduced to 118 million hectares before this decade comes to an end. Analysts point to two reasons why this dangerous situation has been allowed to develop: the demand posed by increasing industrialization and urbanization—commonly identified as a “land-grab” by the *nouveaux riches*—and the perpetual water shortage.

Cooperation in agriculture will benefit India enormously. Indian leaders, lured by exports and foreign exchange reserves, have virtually run down the agricultural sector. Growth in India’s agricultural sector during the present decade averaged close to 1.5%, while GDP growth during the same period averaged about 7.5%.

India’s food production kept pace with China’s, increasing from 50 million tons in 1949, to about 220 million tons today. The tonnage in India appears to be lower than that of

China, but it is not really so. The Chinese include tuber crops like potatoes, taro, cassava, and many other field-grown items in their food grain statistics. Also quite a bit of Chinese production is feed grains, as opposed to food grains.

Because of the land's relatively poor productivity, due to lack of adequate government investment in the agricultural sector and rural infrastructure, India's grain production barely meets demand, and is falling. India now imports wheat in large quantities—about 5 million tons in 2007.

Further, New Delhi's unwillingness to provide adequate credit to farmers has resulted in farmers' large-scale indebtedness to high-interest-gouging private lenders. The drop in agricultural productivity, occasional failures of crops, and the need to borrow money at an exorbitant rate of interest have led to mass suicides by farmers.

The Rural Finance Access Survey 2003, carried out by the World Bank and the National Council of Applied Economic Research in two large Indian agricultural states—Uttar Pradesh (UP) and Andhra Pradesh (AP)—showed that only 19.9% of rural households in UP, and 24% in AP, were indebted to formal credit institutions.

Water and Power

The Chinese news service Xinhua pointed out in 2005 that water shortage in China is expected to reach a climax in 2030, when the country, with the population estimated at 1.6 billion, would have a per-capita water supply of 1,760 cubic meters, according to the Ministry of Construction. It said that this would classify China as suffering a medium-level shortage of water, according to the standard of the United Nations, said Vice Minister Qiu Baoxing.

China has been short of water for centuries, but this is increasingly becoming a critical issue, with large-scale industrialization and overall growth. China supports 21% of the world's population with 7% of the world's water resources, Qiu said. Growing water pollution adds difficulties, he said. In China, 200 billion tons of wastewater is discharged into rivers annually, causing pollution of varying degrees to 90% of the rivers in the country.

The official also warned of excessive exploitation of underground water, which results in subsidence of land in many cities; Qiu cited Beijing as an example, saying it has sustained land subsidence of nearly one meter a year since the early 1950s.

As the arable land decreases and water shortage increases, China has to put extra effort into making itself once again self-sufficient in food.

The energy requirement has given rise to another problem: Beijing wants to invest heavily in biofuels, which require both large quantities of water and arable land to grow corn or other crops which are made into ethanol and other fuels.

Biofuel investments have increased as China's growing economy has led to record oil imports, reaching 181.6 million tons last year. Zhu Ming, president of the Chinese Acad-

emy of Agricultural Engineering, estimates that the country could produce biofuel equivalent to 150 million tons of petroleum. However, Zhu admits that China's limited land resources, as compared with its huge population, have made policymakers very cautious about developing grain-based biofuels.

Last March, China's State Forestry Administration announced that it would develop 13 million hectares of oil-rich trees—such as *jatropha* or *huanglianmu* (*Pistacia chinensis* Bunge)—for biomass energy production in the coming decade. Two months earlier, the state-owned China National Petroleum Corporation (CNPC) and the Forestry Administration signed a framework cooperation agreement to exploit forestry-based biofuels. The CNPC plans that by 2010, it will attain annual production capacities of 2 million tons of ethanol fuel and 200,000 tons of biodiesel.

Breaking the Ice on Nuclear Power

Indian Prime Minister Manmohan Singh and Chinese Prime Minister Wen Jiabao also opened up new areas of cooperation, the most important of which is nuclear power. Cooperation in this area could ensure a very satisfying resolution of China's and India's power and water shortages. Both China and India are power-starved nations with very high growth rates, and both have come to the conclusion that for long-term growth, they have to rely on nuclear power.

There is no doubt that the two countries can cooperate in this area effectively, to chart out the mode of power generation and also the mode of consumption nuclear power. For instance, both India and China are short of water, and small nuclear reactors generating high amounts of thermal energy are most suitable for water desalination and to meet the demands of rural areas. It is necessary for both countries to make rapid strides in jointly developing these small reactors for immediate use.

India has developed its next generation of reactors, which will be thorium-fueled. These will probably come into production within three or four years. While India has the second-largest known reserves of thorium in the world, China has none. At the same time, the Indian design for these reactors calls for breeding uranium-233 (a fissile material not available in nature) from thorium-232 (a fissionable material available in nature), with the use of plutonium. China's enriched-uranium-fueled nuclear reactors will continue to produce plutonium, which, besides its usage in developing nuclear weapons, is not of much use to Beijing.

In addition, the two leaders decided to hold a second military exercise in India. "We have agreed to continue deepening mutual understanding and trust between our armed forces and welcome the successful first exercise in Kunming," Singh said. On the outstanding boundary question, the two sides had "successful" discussions, the Indian Prime Minister said, at a press conference after the talks at the Great Hall of the People.

Behind Gore's Genocidal Fraud: Why Baby Boomers Hate Science

by Laurence Hecht

The global warming fraud, concocted to provide justification for denying the benefits of modern civilization to the majority of the non-white population of the world, has recently been shown to rest on a faked record of global temperatures.

The scientific case against this latest of the fraudulent claims for the global warming hoax, is readily demonstrated. However, it will not be properly grasped in today's cultural context, without reference to the reasons why and how a large portion of the educated population of the United States and Europe was worked up into a Luddite hysteria against the application of scientific progress in general. Therefore, in this brief report we interweave the essentials of the scientific argument with an examination of the cultural problem that allowed the widespread acceptance of this and related hoaxes.

In order to establish an actually meaningless increase of 0.6°C (about 1°F) in global temperature over the last century, climate modellers, many working out of Britain's East Anglia University, used statistical jiggery-pokery to eliminate data that worked against their claimed increase, and have refused to reveal where much of their data came from. The data are overweighted towards temperature stations in the United States (less than 2% of the global surface), which have been shown to be in disrepair, and often record temperatures 2° to 5° higher than properly maintained independent stations in the same area.¹

The real average global temperature increase for the past century, is probably in the range of 0.3°C, according to best estimates. This slight warming has absolutely no provable connection to man-made carbon dioxide, and is due instead to the emergence of the climate out of a little Ice Age which lasted from the 16th into the 19th Century, and to short-cycle fluctuations in solar output and cosmic radiation.

The actual historical record of atmospheric carbon dioxide content, like the temperature record, has been covered up, and a false record concocted to prove a non-existent case for man-made global warming, ignoring specialist

warnings, and the rules of truthful inquiry.

The Earth's climate, and hence the cycle of glaciation, is driven by three astronomical parameters—precession of the equinox, obliquity, and ellipticity of the Earth's orbit—none of which have anything to do with human industrial activity. The Earth emerged from a 100,000-year cycle of glaciation between about 18,000 and 8,000 years ago, into the current epoch, known as an interglacial. The astronomical factors determining the solar radiation received at the Earth's surface, especially in northern polar regions, will drive the Earth's climate into a new Ice Age at some near point in the future.

These are facts known to all competent climatologists.² The refusal of a large part of both the specialist and general population to accept such relatively elementary facts can only be understood as a cultural phenomenon.

Gore's Lying Sophistry

For example, Al Gore is not atypical of that privileged strata of the Baby Boomer generation which continues to hold tenaciously to its belief in global warming, among other anti-scientific frauds, despite all evidence to the contrary. Gore's ego-inflated performance in the dazzling box office flop known as "An Inconvenient Truth," was recognizable as a piece of lying sophistry to any person possessing normal measures of sanity and intelligence. The problem today, is that these qualities too rarely appear together in the same individual. One cannot expect people who perform similar feats of babbling and feel-good phrase-mongering in the course of their everyday social and political life, to easily recognize the flaw in another.

The special feature of the Gore performance is its anti-scientific character. This is the feature of Baby Boomer experience which has distinguished this currently ruling generation of Americans, born between approximately 1945 and 1958, as the first in American history to explicitly reject the principle of scientific creativity as the guid-

1. Gregory Murphy, "Computer Climate Models: Voodoo for Scientists," *EIR*, Aug. 10, 2007, pp. 61-63.

2. Zbigniew Jaworowski, "CO₂: The Greatest Scientific Scandal of Our Times," *21st Century Science & Technology*, Spring-Summer 2007, pp. 14-28. www.21stcenturysciencetech.com/Articles%202007/20_1-2_CO2_Scandal.pdf



Courtesy of Anthony Watts/surfacestations.org

How to “prove” global warming: Locate your temperature sensor next to a trash barrel, air conditioner outlet, or other heat source, like this official temperature station in Tahoe City, Calif. For a list and photographs of many more such recording stations, see www.surfacestations.org/odd_sites.htm.

ing principle of society.

It might be said, in defense of their behavior, that they came by it, if not honestly, at least lawfully. The anti-science hysteria characteristic of these social circles is the calculated outcome of a program of social engineering targetted at the generation of which Gore is the exemplar. The aim was to destroy the powerful impulse towards solving the world’s problems by application of science and technology which the United States, among the nations of the world, most clearly represented.

It required a massive effort of social engineering, beginning with the post-war attack on Classical culture embodied in the formation of the Congress of Cultural Freedom, and leading through the 1960s establishment of the rock-drug-sex counterculture, to bring about the change. It began with the capitulation of their parents’ generation to Trumanism—otherwise known as McCarthyism—and the cultivation, especially within white-collar homes, of a philosophy of “go along to get along,” or lying, i.e., an emphasis on social acceptance above truth. (“Don’t say anything that might get the family in trouble, or threaten Daddy’s job.”) Intended or not, the added benefit of that trial run for fascism was to soften up the children for the next phase of onslaught.

The End of Scientific Progress

The intent of the takeover of U.S. policymaking by British Empire interests, which followed the death of Franklin Roosevelt, was to put an end to the American System of un-

ending scientific and technological progress. The takeover of the Truman Administration by British Empire assets had significantly settled the question in key areas of policymaking, but had not crushed the organic impulse of the American people toward scientific solutions. The principal obstacle to slowing down the rate of U.S. scientific and technological progress was the Soviet military capability. The Bertrand Russell-led peace movement was to be the vehicle for reducing that danger.

The process, beginning about 1956, with the organizing of the first Pugwash Conference and leading through the 1963 Nuclear Test Ban Treaty, had assured the Russellite faction, by about the time of the assassination of President John F. Kennedy, that the assault on scientific progress could begin in earnest. The terrifying experience of the Cold War, including events such as the Cuban Missile Crisis, had already propelled a significant minority of youth, mostly from educated layers, into a denial of scientific progress, on the premise that science means nuclear annihilation. The ban-the-bomb movement, personal-

ly led by the same Bertrand Russell, who had a decade earlier called for pre-emptive nuclear attack on the Soviet Union, was a recruiting and testing ground for what was to come: the mass-based student anti-war movement of the later 1960s, the latter leavened by the terrifying fear of the draft. The hysteria of the 68ers was channeled into the anti-industrial, anti-blue collar tendencies which first sunk the Democratic Presidential efforts of 1968 and 1972, and then became the fertile ground for the Trilateral Commission-steered effort at deindustrialization of the later 1970s. Environmentalism was the code word for Luddite destruction of industry, and of the crucial scientific capability embodied in the space and nuclear-related industries.

No one should delude themselves that there is anything original in the arguments Gore and such types put forth. The global warming hoax was a part of a package of anti-technology frauds concocted in the 1960s and 1970s to accomplish the end just described.³ Whether the victims of this Luddite hoax can find the strength of character to admit their error, and get on with scientific progress, is not a matter that can be forecast. We can say with certainty, that either they do so, or learn, perhaps as from Lynne Cheney’s favorite fascist, “what rough beast, its hour come round at last, slouches toward Bethlehem.”⁴

3. Marjorie Mazel Hecht, “1975 Endangered Atmosphere Conference: Where the Global Warming Hoax Was Born,” *EIR*, June 8, 2007, pp. 50-55. www.21stcenturysciencetech.com/Articles%202007/GWHoaxBorn.pdf

4. William Butler Yeats, “The Second Coming.”

Bloomberg's Fascist Plot To Steal the U.S. Election

by Michele Steinberg

If George Washington were alive today, and President of the United States, New York Mayor Michael Bloomberg would be tried and hanged for treason. Bloomberg, the financiers' candidate for a Mussolini-style fascist takeover of the United States, through a "Third Way" Presidential candidacy—a plot being implemented even *as you read this*—openly denounced the American Revolution to the annual conference of the British Tory Party in Blackpool, England on Sept. 30, 2007. After being introduced by fellow British-backed fascist, California Gov. Arnold Schwarzenegger, who spoke via satellite, Bloomberg declared:

"We share a language. Forgive us for mangling it. We share a history. *Forgive us for 1776, and we'll forgive you for 1812.*"

Bloomberg boasted that he has a home and company offices in Britain; that his two daughters carry British passports; and that Schwarzenegger, who was already planning the next round of brutal budget cuts in education and services in California, is his "soul mate."

Over the past week, the drive to establish Bloomberg as the "man on a white horse" has gone into high gear. On Jan. 19, Bloomberg and "soul mate" Schwarzenegger created a new Mussolini-style front to implement fascist economics (see following article). Then, on Jan. 24, Bloomberg was fêted at the U.S. Conference of Mayors, where he received an award for battling "global warming."

Lyndon LaRouche announced on Jan. 25, "We are going to oppose this fascist effort to steal the U.S. Presidency so as to *remove this threat to the freedom of our citizens*. Bloomberg is affiliated with a foreign power which has long been our adversary, and declares himself to be a faithful supporter of that adversary. His money—\$11 billion—comes via ill-gotten gains; he has robbed us. He has ruined education in New York

City—which our teachers are protesting—by privatizing schools; setting up schools that he exempts from reporting or auditing. This fascist option has to be destroyed."

LaRouche's campaign is vital to saving the U.S. Constitution, and the American System of economics.

When traitor Bloomberg spoke last September at Blackpool, the British Tories glowed with approval as he praised the Thatcherite record of public-private partnerships and privatization, and called it his model. They knew full well that they were hosting the "independent" option for the U.S. Presidency. "Benito" Bloomberg's London debut was an important step in the vetting process, which has deeply involved billionaire and media mogul Sir Rupert Murdoch, owner of the Tory-allied London *Times*, and the *New York Post*, which can make or break the Bloomberg option in the U.S.A.

Indeed, Murdoch, along with Felix Rohatyn, the fascist financier who put Augusto Pinochet in power in Chile in the 1970s; and Lally Weymouth, heiress to the *Washington Post* empire (which owns the *Post* and *Newsweek*, where she is a senior editor) are the key operatives behind Bloomberg and the plot to steal the Presidential election. In June 2007, Murdoch hosted Bloomberg as guest of honor at the annual Eric Breindel Awards in New York. Weymouth introduced Bloomberg, gushing: "Everybody in New York that I know thinks he's a brilliant mayor.... And everyone thinks he would be a brilliant president."

Weymouth's *Newsweek* put Bloomberg on the cover of its Nov. 12 issue, which featured a 7,000 word puff-piece saying that he "has the means to make one of the most significant third-party bids for the White House in American history." A few days earlier, on Nov. 1, Bloomberg spoke at the ultra-right-wing, British-model think tank, the Manhattan Institute, alongside Rohatyn, who applied the fascist economic meth-



"Fascist in the wings" Presidential candidate Michael Bloomberg begged the British Tory Party to "forgive us for 1776." Now, he is taking his treason on the road, as he pretends not to campaign for the Presidency.

ods to New York in the 1973 financial crisis, through the Municipal Assistance Corporation (Big MAC). Rohatyn praised Bloomberg for continuing the tradition that he, Felix, had established: busting the unions and the traditional politics of New York City's working class.

For the last several months, as Republican Presidential candidates have disintegrated before the eyes of the American electorate, and Bloomberg has demurely insisted that he is not sure if he will run for President, a nasty operation to secure ballot status for the Independence Party of American (IPOA) in all 50 states has been afoot. This "stealth" plan would relieve Bloomberg of the impossible task of getting on the ballot in all states, *after* the GOP and Democratic candidates are already chosen, by essentially buying up small state parties, like the Green, Reform, and Independence parties that already have ballot status.

According to Frank MacKay, head of the Independence Party of New York, and the newly anointed head of both IPOA and the Reform Party of America (both "national" parties are being disputed because of alleged irregularities): "I was in 26 states in the last 76 days. . . . Every single state that I've been in, we're talking ballot access." MacKay admits that Bloomberg has not agreed to run, but MacKay says that even if God came out of the sky, he would still push Bloomberg as the candidate. The IPOA has not reported any of its contributions to the Federal Election Commission, but Washington observers believe that there will be no surprises when their

funding sources are made public. As MacKay once told the *Village Voice*, about his affiliation with Bloomberg, which began in 2000, it pays sometimes to have "a billionaire owe you a favor."

And while the Democratic Party remains oblivious to the real danger of this Mussolini option, because of its toleration of Bloomberg backers such as Rohatyn, LaRouche is leading the national movement to defeat this British traitor. On Jan. 18, *EIR* published its cover story on Bloomberg. LaRouche wrote that "the intention . . . by certain very powerful international financial interests is the election of a man-on-a-white-horse, New York City's Mayor Bloomberg, to become what historians would describe with a shudder as the American Mussolini dictator or, perhaps, even worse, of January 2009."

The *EIR* feature was the result of an investigation begun in August 2007, of the financier oligarchy's plans to steal the U.S. elections, and impose a dictatorship which will squeeze the blood out of the lower 80% income bracket of the U.S. population. The financial system is gone, LaRouche had warned on July 25, 2007, and he anticipated that the GOP's so-called front-runner, Rudy Giuliani, would go down in flames because of his organized crime links, both family and business, leaving the Democrats to be ambushed by a so-called "man on a white horse," after the super-wealthy financial parasites had succeeded in playing the Democrats against one another.

And what better candidate than one of their own, the "\$11 billion man," Bloomberg, a political chameleon promoted by financier fascists Michael Steinhardt and Felix Rohatyn of the Democratic Leadership Council (DLC), who has morphed from Democrat (until 2000) to Republican (2001-06) to Independent (2006-present).

The financiers will move quickly, said LaRouche, because they are determined to *never* allow the emergence of another Franklin D. Roosevelt to defend the General Welfare during a financial collapse. In the oligarchy's mind, this time—unlike the 1930s—the United States would not be saved from fascism, as FDR had saved the country. When he sounded the alarm on Bloomberg, LaRouche was already in the midst of the battle for his Homeowners and Bank Protection Act, Federal legislation to erect a firewall to protect the real economy and legitimate banks from the already destroyed system of financial speculators, and to prevent the eviction of millions of families from their homes in foreclosures. The HBPA is precisely the kind of FDR policy that the Anglo-Dutch oligarchs are determined to prevent.

Bloomberg's Strange Bedfellows

Although Mayor Bloomberg has surrounded his bid for an independent Presidential candidacy with star-studded political personalities, like Schwarzenegger, former Senators David Boren (D-Okla.), Sam Nunn (D-Ga.), and John Danforth (R-Mo.); current Sen. Chuck Hagel (R-Neb.); and former

New Jersey Gov. Christine Todd Whitman (R), in his past two campaigns for mayor of New York City, he has relied on Lenora Fulani and the Independence Party for crucial backing. And if past is prologue, he is once again counting on the Independence Party to put him on the ballot, should he decide to pony up a billion dollars and take the Presidential plunge.

At the grassroots level, Bloomberg is dependent on truly “strange bedfellows” from the New York and New York City Independence Parties (two separate, currently feuding, political operations): Frank MacKay, a former nightclub owner and heavy metal rock group promoter, who owns a PR company with his brother Gordon, which books circuses and daredevil entertainment; and Fulani, the two-time independent President candidate, who is described as the “greatest creation” by Fred Newman, the sex-cult founder of the late “Centers for Change” psychiatric commune, which grew up in Manhattan in the early 1970s. Newman, Fulani, and a handful of other Newmanites, Jackie Salit, Harry Kresky, and others have been the core of Bloomberg’s Independence Party backing in New York City since the 2001 election when, without the Independence “Line C” ballot, he would have lost to Democrat Mark Green.

MacKay just completed a 23-state tour, lining up party backing for Bloomberg’s “independent” Presidential bid. It seems that Bloomberg’s money, alone, cannot buy the White House. At least 13 states, according to LaRouche PAC sources, have very restrictive requirements for independent ballot access, so Bloomberg’s man MacKay is touring the country, attempting to pressure state parties to lend their ballot access to Hizzoner. According to the *Daily News*, MacKay’s lust for the Reform Party’s ballot status in four states is a matter of survival for his effort. These states—Florida, Louisiana, Mississippi, and Kansas—represent 15% of the signatures required for a Presidential candidate to be placed on the ballot nationwide, and would be a significant problem for a late-entering candidate.

In the past, Bloomberg has used the power of the purse to secure Independence Party backing. Indeed, in his first mayoral bid, in 2001, it was the 59,000 votes that Bloomberg received on the New York Independence Party line, that put him over the top. Along the way, Bloomberg had to swallow a lot. On Sept. 20, 2001, Fulani wrote a *New York Post* op-ed, saying that the United States was to blame for the Sept. 11, 2001 attacks, due to American aggression abroad. She described the attacks as “revenge” for American evil. When Bloomberg demanded that she retract the statement or he would bolt the Independence Party ballot line, Fulani and company stood their ground, and even sued Bloomberg to take his name off the ballot over his criticism of Fulani. But the wannabe mayor backed down, for fear of losing the tight November race, and the Newmanite suit was withdrawn, the *Village Voice* reported.

After his victory, Bloomberg, according to the *Voice* and other news outlets, teamed up with Gov. George Pataki, another beneficiary of the Independence Party ballot line, to se-

cure Fulani and company an \$8.7 million municipal bond, to finance the construction of a new arts center. In 2005, when Bloomberg ran for reelection as mayor, he was once again endorsed by Fulani and appeared on the Independence Party ballot line. In turn, he kicked in \$270,000 of his own money to the party, according to an Oct. 4, 2005 story in the *Voice*. Independence Party lawyer Harry Kresky has also been a Bloomberg appointee to the City Charter Revision Commission, attempting to push through a non-partisan election reform. Despite efforts by MacKay—still being contested in court—to purge Fulani and the Newmanites, and shut down their New York borough chapters—Bloomberg was still attending and being photographed at major Fulani events such as the NYCIP’s “Anti Corruption Award” event. The list of perks is, according to a number of city newspapers, quite long.

As Bloomberg moves closer to his Mussolini-modelled “anti-partisan” Presidential campaign, MacKay is attempting damage control on the Fulani ties—with only limited success. Beginning in 2005, he has tried to purge Fulani and four of her close allies from the central committee of the New York State Independence Party, citing 1989 statements accusing Jews of committing genocide against African-Americans. This, despite the fact that MacKay has been a longtime Fulani ally inside the party. But recently, Fulani herself repudiated those remarks—during a press conference announcing possible plans to run for mayor of New York in 2009, when, one way or the other, Bloomberg leaves City Hall.

MacKay himself is a well-connected low-life, whose nightclub-owner friends include owners of heavy metal “mosh pit” dives. In the 1980s, the MacKay brothers started a heavy metal promotions company, which ran into money difficulties. To solve that, they set up a heavy metal promotional newspaper called *The Network*, which was eventually bought out after it secured “financing and distribution.” Who put up the money for this effort, begun by an 18-year-old go-getter, remains a matter of investigation. One anomaly is that when MacKay got married, it was Mayor Giuliani who officiated. It should also be noted that Mark Green, the Democratic mayoral candidate in 2001, was hated by Giuliani, according to the *New York Times*. Was Giuliani involved in the Bloomberg party-switch/Independence Party endorsement that MacKay helped to orchestrate?

MacKay’s background made him a perfect “coalition builder” for the alliance with Fulani and her guru, Fred Newman. MacKay says he himself introduced Newman to Bloomberg, to convince Newman to back Hizzoner in the 2001 election. MacKay also attended dozens of meetings with Newman and his Independence Party followers, often engaging in intense one-on-one discussions with Newman, MacKay told the *Village Voice*. But what passes for politics in New York has to be swept under the rug—at least temporarily—for a national campaign. Thus, MacKay is battling in the courts and in the press to keep Fulani as far away as he can from the national effort.

Bloomberg's Bloody Cuts

When he first became Mayor of New York, out of the smoke and panic of the 9/11 attacks, one of the first things that “\$11 Billion Man” Bloomberg did, was sit down with fellow-Wall Street fascist Rohatyn, to discuss what to do about the economic breakdown in New York City, picking Rohatyn’s brain for how to sell his austerity policies. Bloomberg had already been in Felix’s political orbit through Michael Steinhart, the hedge fund plutocrat, who, with Rohatyn, financed the Democratic Leadership Council, which has been trying to create a third party, “Bull Moose” option against the Democrats since at least 2002. In those days, the DLC floated a John McCain-Joe Lieberman ticket, but now, Lieberman, who had to become an Independent after being crushed in a Democratic primary in 2006, and who was financed by Bloomberg, has said that he favors Bloomberg, not McCain, if he were to consider a Vice Presidential run.

Bloomberg’s first target of destruction was education, and here the parallels to Mussolini’s economic structures (see article below) are chilling. Bloomberg came into office not only determined to impose budget cuts against poor people, but to *break* the New York Board of Education and the Teachers’ Union, as the major obstacles to his privatization of education. Once the education tradition was busted up on the idea that he could “reform” the school system, so that it would operate on “market principles”—i.e., making a profit and putting money, not education first—then, busting the remaining city services and infrastructure—police, firefighters, health care, public housing, and urgent services for the large number of HIV-positive residents—would be simple.

The education case study, briefly described here, is not only a deadly failure—but is “Made in Britain.”

The designers and implementers of this Bloomberg education reform include three sets of personalities who are in the forefront of the global fascism being pushed by the oligarchy: Tony Blair, and his personal director of the ruinous educational reform in Great Britain, Sir Michael Barber, who became a full advisor to Bloomberg; Bill Gates, whose educational expertise comes in designing and pushing the murderous killer-training video games, and who has poured some \$50 million into New York City education “reform”; and the Murdoch-Rohatyn Anglophile fascist network, through the Fund for Public Schools (see below), and other education reform fronts.

On June 12, 2002, Bloomberg abolished the City’s Board of Education, and replaced it with a Department of Education, which gave him dictatorial control over education. He then set out to use “charter schools” and other privatization schemes as a sledgehammer against the New York teachers, with the aim of breaking contracts, tenure, and pensions.

In October 2002, Bloomberg and the Department of Education opened the Office of Strategic Partnerships, which oversees PPPs (public-private partnerships) and the philanthropic “investment” in schools. By 2003, a private organization for the super-rich, the Fund for Public Schools, a tax-

exempt so-called charity, became a private means for Bloomberg to fund his “reforms.” Not accidentally, two of the super-rich heavies on the Board of Directors of the Fund for Public Schools are Elizabeth Rohatyn (Mrs. Felix), and Wendi Murdoch (Mrs. Rupert).

In November 2002, Bloomberg announced \$215 million in cuts to the school budget to reduce the deficit; this time, there was no outcry against the cuts, as the privatization plan had already succeeded in closing many public schools and replacing them with dubious “charter schools”—32 in New York City. The *New York Times* applauded Bloomberg for his Board of Education-busting scheme, and crowed that fiscal crisis “can drive managerial innovation.”

What kind of management? In January 2003, Bloomberg announced he was eliminating the city’s 32 community school boards. From now on, Bloomberg said, “the chancellor [his appointee, Joel Klein] will dictate the curriculum and pedagogical methods.” Even the Bloomberg-loving Manhattan Institute was skeptical; its Sol Stern said, “dictate”; Klein did—telling teachers how to arrange desks, chairs, rugs, and bulletin boards, while he also imposed a new reading program despite no evidence that it worked.

In 2005, Sir Michael Barber arrived from London, with a seven-year record of shutting down schools so infamous, that his henchmen were known in the British press as “Barber’s hit squad.” Barber now works for Bloomberg’s New York Board of Education, as a highly paid consultant, overseeing the next phase of Bloomberg’s school “reform.” Barber has been known to say that George Bush’s disastrous “No Child Left Behind” program is the best education legislation to ever be passed in the United States.

The record of Bloomberg’s 32 charter schools was thoroughly exposed in the December 2006 report, “Broken promise: How the charter school experiment is falling short,” put out by New York State United Teachers, the federation of 1,200 New York State local teachers’ unions.

A few months ago, drawing on state legislation, the New York State Comptroller, Thomas DiNapoli, announced that he would conduct an audit of the 32 charter schools in New York City, and the 29 charter schools in other locations in the state, to establish accountability for how they spend their tax dollars (these schools receive Federal, state, and local tax dollars). In response, a coalition of the major New York city charter schools filed a law suit against the Comptroller seeking a permanent injunction to prevent him from carrying out this legal audit. On Jan. 17, the New York State United Teachers declared that it would soon file a friend of the court brief supporting the Comptroller, charging that 16 city charter schools get 91% of their funds from public sources. Still, aside from unreliable “private” audits, it is not known what the schools do with the funds, nor what standard they use to “pass” students.

Richard Freeman, Mary Jane Freeman, Anton Chaitkin, and Jeffrey Steinberg provided research for this article.

Schwarzenegger and Bloomberg: ‘Soul-Mates’ for Mussolini Fascism

by Nancy Spannaus

“How do you answer those who, given both of your records in killer austerity policies, would just say that this infrastructure initiative is another form of Mussolini corporatism?” Faced with this question by a member of the LaRouche Youth Movement attending their widely touted press conference announcing a “Building America’s Future” coalition, California Gov. Arnold Schwarzenegger and New York City Mayor Michael Bloomberg made no effort to deny the charge.

“Well, first of all, let me just say that, whatever you call it, the bottom line is that we need to build the infrastructure,” Schwarzenegger replied. Bloomberg ducked the issue altogether.

In response to a follow-up question on why they were promoting rip-off “public-private partnerships,” instead of FDR-style public infrastructure projects, they were equally unabashed. “Well, first of all, times change, and we see now that there’s more money in the private sector than in the public sector,” Schwarzenegger answered. Bloomberg followed with: “I think another thing. With private capital, you can do

things that you can’t do with the public’s money.”

Schwarzenegger and “Benito” Bloomberg are lying, of course. Their promotion of infrastructure projects follows the model of the Felix Rohatyn Big MAC plan in New York City during the 1970s, as well as that of Mussolini himself: Schachtian austerity against the poor, while providing a publicly guaranteed revenue stream for their favorite private financiers, who will take over existing infrastructure, or build some limited new facilities. They are not motivated by the need to fill the dramatic infrastructure deficit in the United States, but rather the coffers of fascist financiers like Felix, and his close Republican ally and collaborator in supporting the murderous Pinochet regime in Chile, George Pratt Shultz. Just like Mussolini (see following article).

Draconian Austerity

Both Bloomberg and Schwarzenegger, who have described themselves as political “soul-mates,” have taken the lead nationally in imposing “non-partisan” budgetary policies—i.e., draconian cuts. The Governor has declared a “fiscal emergency” and imposed a 10% budget cut across the board, in full knowledge that this slash will condemn millions of poor to misery, if not death. His budget, presented Jan. 10, contains \$4 billion in cuts to already inadequate education funding; reduction of Medi-Cal health services to the poor; harsh cuts in aid to the low-income elderly, blind, and other disabled.

On top of the murderous cuts, Schwarzenegger asked the state legislature to change the state’s constitution so as to force automatic cuts, whenever a shortfall looms. This would require a referendum, which he has asked the legislature to place on the November ballot.

Bloomberg, who is seeking to pad his “credentials” to become a “non-partisan” President (read: dictator) of the United States, has a much smaller budget to work with, in New York City, but has taken a similar approach. He brags of having



Office of the Governor

“Soul-mates” Schwarzenegger and Bloomberg, pictured here at a California press conference Jan. 19, announced their Mussolini-style infrastructure program. Both believe FDR’s anti-depression policies to be “outdated.”

“tightened our belts” by cutting his budgets and workforce as of November, by a 2.5% margin, while other government entities, such as the Federal government, were spending “with reckless abandon.” Not surprisingly, given the billionaire’s drive to “rebuild” New York City as the world’s glitziest financial haven, the brunt of those cuts have hit the poor. On Jan. 24, when he announced his budget, he increased the across-the-board cuts to 5%.

Explicitly Against FDR

The Bloomberg-Schwarzenegger infrastructure initiative, which is being funded by the Rockefeller Foundation, has been widely touted in the press as “taking a page from FDR.” Nothing could be further from the truth.

Schwarzenegger, who was personally selected for his position by George Shultz, has been on record for more than three years, as a prime pusher of public-private partnerships, which are explicitly aimed at providing funds for the private sector. Like Rohatyn, who controls much of the Democratic Party apparatus in California top-down, Schwarzenegger considers FDR’s Constitutional, general welfare approach to building infrastructure “outdated.”

Bloomberg, who personally contributed over \$44,000 to Schwarzenegger’s 2006 re-election bid, has fully endorsed Schwarzenegger’s approach. The question is whether the Democrats can finally buck the Rohatyn control, and expose these fascists for what they are.

Mussolini Program Was Model for Today’s PPPs

by Claudio Celani

In 1922, as soon as he was installed as Italy’s Fascist Prime Minister, Benito Mussolini adopted a scheme drafted by a group of Milanese industrialists for a concession to build the first Italian (and, it seems, European) highway, the Milano-Laghi, to connect the industrial cities of Milan, Varese, and Como. The concession was to last 50 years, after which the highway would be given to the state. The concession included the status of public interest for the work, so that land expropriations could be quickly (and, presumably, cheaply) made; it included a fund guaranteed by the state of up to one-third of the total cost, which the private investors were to able to use in case they ran out of money; and, of course, a toll system to repay investment costs.

That scheme was to be applied to the construction of all highways under Mussolini, for a total of 479 km, which would be operative between 1924 and 1935, with some variations; for instance, for the 23 km-long Naples-Pompeii highway (1925-29), private investors spent double per kilometer as on the other highways, and received a fixed rate of interest from the state. The Venetians, for the Padova-Mestre highway, got one-third financing from local governments, and two-thirds from an agency formed by the same local governments and the state. For the Milano-Bergamo highway, the state put in two-thirds of the money.

The Fascist PPP (public-private partnership) model under Mussolini was based on the same hoax promoted today by Schwarzenegger-Bloomberg: The economy needs public infrastructure, but the state has no money. The private sector has the money, and investors are willing to take the risks to build such public infrastructure. Contrary to what Presi-



Mussolini’s corporativist road-building program was a farce, just like today’s PPPs, promoted by modern-day fascists Michael Bloomberg and Arnie Schwarzenegger. Il Duce, shown here, in an Alfa Romeo race car.

dent Franklin Roosevelt did with his massive public works projects, like the Tennessee Valley Authority, during the last Great Depression, Mussolini's program was not part of a general infrastructure-building and economic recovery plan, and could not be so, because the only thing that private investors were looking for, was to make a profit. Eventually, projections of highway traffic were revealed to be over-optimistic, so that profits failed to hit the mark. At that point, the state came in and bought back the infrastructure.

'Going Ahead Without Money'

For example, the Milano-Laghi: The project was based on a projection of 1,000 automobiles travelling per day; as of Sept. 30, 1925, the number was 800 cars. In 1926, the annual traffic was 421,406 vehicles—still low. Consider that, in 1922, Italy had one car per 1,000 inhabitants, compared with the U.S.A., with 100 cars per 1,000 inhabitants. Under Mussolini, mass motorization never occurred. So, one by one, the PPP infrastructure projects were bought back by the state, as profits failed to meet demands of private owners. When, in 1933, the Milano-Laghi was taken over by the state, the condition of the highway was disastrous, due to the lack of investment in maintenance.

Starting in 1929, the investment policy was inverted: After the crash of the free-market economy, the private interests had no money, and the state had to bail them out. Mussolini then became a statist, in favor of "big government." As concerned roads, the government established a national corporation, the Azienda Autonoma Strade Statali, whose task was to maintain existing roads and build new ones. The AASS was a failure, because the Fascist government was unable to generate credit. In fact, from 1923 to 1938, with the exception of the new highways, the Italian national road network shrank, from 20,622 to 20,324 km; provincial roads remained unchanged (42,578 km), and only communal roads rose from 106,800 to 110,280 km. Even the national roads, which were more modern, were not paved.

AASS was such a failure, that Italians called it *Andiamo Avanti Senza Soldi* (Going Ahead Without Money).

Ironically, from a technical standpoint, the first generation of Italian highways were well constructed, reflecting the high skill level of Italian engineering and of American machines! To pave with the Milano-Laghi with cement, engineer Piero Puricelli bought five large Koehring-Paving machines in the United States, able to produce 1,200 square meters of conglomerate per day. Also, due to the orography of the Italian territory, many bridges, viaducts, etc. had to be built. Had the highway program been part of an FDR-like general recovery plan, financed with public credit, it would have been successful. As a profit-maker, it was doomed to fail from the start.

Campaign 2008: It's The Economy, Stupid!

by Debra Hanania Freeman

As the decisive Feb. 5 primaries draw near, the fight for the Democratic nomination is clearly between Hillary Clinton and Barack Obama. Dennis Kucinich, who never seriously thought he could capture the nomination, has withdrawn to focus on what promises to be a tough bid to return to the House of Representatives; and John Edwards' \$400 haircut, multi-million-dollar mansion, and the fact that he has repudiated his own past positions more times than most people can keep track of, have made his raw populism less than credible.

The media have tried to define the race between Clinton and Obama as one of gender vs. race: Will the Democrats produce the first woman President or the first black President? Because, according to those same pundits, the policies of the two top Democrats are more or less the same. In reality, nothing could be further from the truth.

Following what was an anticipated (and hardly decisive) loss in Iowa, the Clinton camp was shaken by what was clearly a top-down operation to boost Obama's candidacy, that included a barrage of lies in the media that were heavy enough to threaten Clinton's anticipated win in the New Hampshire primary. As *EIR* has documented, the intent was to hand the Obama campaign the momentum needed to knock out Clinton, and then pave the way for a corporatist "national unity" ticket headed by New York City Mayor (and billionaire) Michael Bloomberg. Although it took some time for the Clinton campaign to figure out who was behind the operation against her, it didn't take long for them to see that there *was* a dirty operation underway.

A Critical Shift

It was the beginning of a critical shift in the Clinton campaign strategy and, more importantly, of a fundamental change in the candidate herself. As a result, despite the dirty operations, she won a clear victory. On the night of the election, she explained, "Over the last week, I listened to you and in the process, I found my own voice." It wasn't just campaign rhetoric.

Campaign strategists had advised Clinton to more or less bypass Nevada and to concentrate on the big Super Tuesday states. She ignored the advice and flew to Nevada the next morning. When she arrived there, she went directly to the base of the population, to the people who she said in New Hampshire "had been invisible for too long." She went door to door in working class neighborhoods in Las Vegas, met with laid-

off construction workers, and with workers who had managed to keep their jobs, but who had lost their health care. A campaign that had originally been structured on the idea of Clinton becoming the first woman President changed, to focus on the economy, and the needs of the nation.

On Jan. 11, Clinton unveiled an aggressive \$70 billion emergency economic assistance package for those Americans hardest hit by the current economic crisis, and called on the Congress to enact it immediately. The package included a \$30 billion Emergency Housing Crisis Fund to assist state and cities mitigate the effects of mounting foreclosures, including a moratorium on subprime foreclosures, and an automatic rate freeze on subprime mortgages of at least five years, \$25 billion in energy assistance to help people meet skyrocketing heating bills, and \$10 billion to extend and broaden unemployment benefits for those Americans struggling to find work.

In unveiling the package, Clinton said that it would by no means solve the problems we face as a nation, but that we had to take immediate steps to keep people in their homes and to “stabilize” the situation. She warned that she anticipated that the economic situation was likely to worsen and that, as such, Congress had to stand ready with an additional \$40 billion in direct tax-rebates.

Clinton not only went on to win the Nevada primary, she also forced the other candidates to address the reality of the economic crisis. Several days later, both Obama and Edwards came out with plans of their own. To this day, Hillary Clinton is the only national figure, aside from Lyndon LaRouche, who has called for a freeze on both foreclosures and adjustable mortgage rate increases, although her proposals still fall short of placing Federal and state chartered banks under protection in order to create a necessary “firewall” against a collapse of the banking system. Only LaRouche’s Homeowners and Bank Protection Act (HBPA) takes that critically necessary step.

As the effects of the economic collapse that LaRouche identified as having occurred back in July 2007 continue to intensify, Clinton has kept her central focus on the economy. Some have accused her of trying to channel her husband’s 1992 campaign strategy forged by James Carville’s now famous slogan “It’s the economy, stupid.” But, while it still may be the economy, this is no carbon copy of Bill Clinton’s 1992 platform.

On Jan. 17, Clinton’s campaign requested and got an interview with the *New York Times* specifically to discuss her economic policy. In that interview, which ran on Jan. 21, Clinton laid out a view of economic policy that differed in many ways from that of her husband. Bill Clinton campaigned on centrist views, and as President, he based far too much of his economic policy on deficit reduction and trade agreements.

Clinton told the *Times* that economic conditions today were very different from what they were when her husband ran for office and that, while they share similar views on a

wide range of economic issues, that she has always been “skeptical about the benefits of free trade agreements and other aspects of a free-market economy.” She called for stronger protection for American industries, and a return to “appropriately regulated financial markets,” as well as “large-scale public projects like the interstate highway system and the space program.” That night, at the Democratic debates, she led with the economy, and again put the focus on her call to freeze home foreclosures. The next morning, on her way to campaign in New Jersey, she held an emergency press conference in response to the Dow’s 500 point plunge and the Federal Reserve’s surprise move earlier that day lowering interest rates by .75%, declaring that we were in the midst of “a global financial crisis.”

Saying that the situation inside the United States had to be viewed in the context of that crisis, she again focused on her remarks on the home mortgage crisis and the need to provide some stability for the millions of American families facing foreclosure. She also talked about the rest of her call for an emergency “stimulus” package, but differentiated hers from the many other such proposals by demanding that any approach not leave out the poorest, the elderly, and other “non-taxpayers,”—an estimated 50 to 70 million Americans—as the Bush plan (which Senate Majority Leader Harry Reid and House Speaker Nancy Pelosi later endorsed) would do. She said it wouldn’t just be “incredibly short-sighted” to do so, but that it would also be immoral and contrary to our nation’s history.

LaRouche, although he has remained very critical of all of the candidates’ failure to publicly acknowledge the fact that the system is bankrupt, has noted that “Hillary Clinton is, at least, in the real world.”

Felix’s Friends Are Not Amused

On the other side, however, the Felix Rohatyn-dominated leadership of the Congress is less pleased. In a Jan. 24 press conference, House Financial Services Committee chair Barney Frank declared a moratorium on foreclosures and a freeze of subprime interest rates to be “outside the purview of Congress and unconstitutional.” In a far more explicit freak-out, EU Trade Commissioner Peter Mandelson, the architect of Tony Blair’s “New Labour” fiasco, made a direct British intervention into the U.S. election with a broadside attack against Hillary Clinton. In an interview with the *Daily Telegraph*’s Ambrose Evans-Pritchard (best known for his role in pushing the impeachment of Bill Clinton), Mandelson accused Hillary of “inflaming protectionist sentiment in the United States” and said that if she were to be elected, she would end free trade and turn the United States into a protectionist country. Calling it “a serious concern,” he said that Clinton’s critiques of free trade reverberate around the world and, in a somewhat ominous tone, said that “while I don’t think it is irretrievable, I do think she should cut it out.”

LaRouche PAC Mobilizes Pennsylvania For Homeowners and Bank Protection Act

by Philip Valenti

The City of Hazleton on Jan. 23 became the 35th Pennsylvania municipality to adopt a resolution calling on Congress to enact the Homeowners and Bank Protection Act (HBPA), the emergency economic legislation designed by economist Lyndon LaRouche, with a dramatic 4 to 1 city council vote reported by local television news broadcasts and a detailed article in the daily newspaper covering all of northeastern Pennsylvania. Local elected bodies representing over 2.4 million Pennsylvanians are now on record demanding action by Congress on the HBPA.

Interest in the HBPA has exploded, in reaction to LaRouche's Jan. 22 warning of an "imminent hyperinflationary blowout" caused by the "stimulus" package backed by the Bush Administration and Congressional Democratic leaders, and the attempted bailout of trillions of dollars of mortgage-backed securities and other financial derivatives by the Federal Reserve. "I read Mr. LaRouche's memo," a township official in western Pennsylvania said, "and it is very, very sobering." "I agree with you 100%," said the mayor of a small borough in central Pennsylvania. "The stimulus plan will add to the crisis." "Oh my God, the Weimar Republic!" one borough official exclaimed, when briefed on LaRouche's analysis of the hyperinflation in Germany in 1923. "That's what led to Hitler."

A borough council member in central Pennsylvania, who is also a leader of the area Chamber of Commerce, agreed with LaRouche's warning of hyperinflation, and reported that local banks are "sweating bullets" over the financial crisis. "There is fear on the local level," he said. "The tsunami is coming."

Broad Support for the HBPA

Longtime observers of Pennsylvania politics have been astounded at the breadth of support for the HBPA, which cuts across traditional ideological and regional divisions in the Commonwealth. Statewide support has rallied around State House Resolution 418, a bipartisan resolution calling on Congress to enact the HBPA, sponsored by veteran Philadelphia Democratic legislator Rep. Harold James. "There may be no precedent for this since the days of the protective tariff movement in the early 1800s, or the mobilization of volunteers after the firing on Fort Sumter," one observer said, referring to the way the traditional hostility between Philadelphia and the rest of the state, and the division between eastern and western Pennsylvania is being overcome.

For example, a township supervisor from a strongly conservative Republican central Pennsylvania county wrote to Representative James: "I read the provisions of HR No. 418 and I fully support the content of this bill. It is in the best interests of this Commonwealth to enact legislation asking the Federal government to intercede in this unprecedented financial crisis which was brought on by the hedge funds fiasco."

City council member Gloria Martin-Roberts from the state capital of Harrisburg wrote, "I support with all my being House Resolution No. 418 and remain prayerful that Congress will have the wisdom, commitment to our citizens, and the integrity to ensure that the home mortgage crisis will be reversed through their positive action. Please let Congress know that Pennsylvanians want them to enact the 'Homeowners and Bank Protection Act.'"

Pressure on Congress

The Hazleton vote is a political bombshell dropped in the middle of the Congressional District represented by Paul Kanjorski (D-11), the 12-term second-ranking Democrat on the House Financial Services Committee. All 19 members of the Pennsylvania Congressional delegation, and Senators Arlen Specter (R) and Bob Casey (D), are under growing pressure from their constituents to sponsor the HBPA in Washington. "It is time for the Commonwealth of Pennsylvania and our Congressional delegation to take national leadership, in the Spirit of 1776," James said in his Nov. 29, 2007 testimony on HR 418 before the House Intergovernmental Affairs Committee.

Freshman Democrat Chris Carney has three significant municipalities in his district, Carbondale, Shamokin, and Sunbury, calling on Congress to act on the HBPA. The Johnstown City Council, hometown of veteran Democratic Rep. John Murtha, passed an HBPA support resolution unanimously; four other councils in his district also passed resolutions. Every member of the city councils of both Philadelphia and Pittsburgh not only voted for an HBPA support resolution, but co-sponsored it as well. That action affects the districts of Democratic Congressmen Mike Doyle, Chaka Fattah, Robert Brady, and Allyson Schwartz. Republicans, such as John Peterson, Phil English, Jim Gerlach, and Bill Shuster, all have significant HBPA support in their districts, in the form of resolutions adopted by borough and city councils.

Local councils representing over 155,000 people in Kanjorski's district alone, are on record calling on Congress to

Municipalities That Have Supported the HBPA and HR 418



* The Scranton City Council sent a letter of support.

enact the HBPA. Support resolutions have been passed by the city council of Wilkes-Barre, the Luzerne county seat; and the borough councils of Nesquehoning, Berwick, and Jim Thorpe (the county seat of Carbon county). The city council of Scranton, the largest municipality in the district, sent a letter of support to Representative James on Nov. 21, 2007, saying: “It is with great pleasure that Scranton City Council offers their full support for House Bill 418. It is their hope that our Legislators will support this and take emergency action to protect homeowners and banks by enacting a Homeowners & Bank Protection Act. This will be of great importance to the citizens of the City of Scranton to protect their assets during this period of financial unrest that is leading to home foreclosures in record numbers.”

The daily *Hazleton Standard-Speaker*, which serves five counties in northeastern Pennsylvania, reported the city council debate on the HBPA in detail in its Jan. 24 edition: “The City Council voted for a resolution supporting State HR 418, which calls on Congress to enact a Homeowners and Bank Protection Act. The vote was 4 to 1, with [Council member Evelyn] Graham casting the lone ‘no.’” The article quoted at length from HR 418, emphasizing that the “mortgage crisis threatens to set off an economic collapse worse than the Great Depression of the 1930s,” and reported on the interchange between Graham and council members Robert Nilles and Jack Mundie, who presented and seconded the resolution, respectively:

“‘I do not believe it is the job of the government to protect

banks who made bad choices about to whom to lend money,’ Graham said.

“Mundie said he agreed in general, but added he thought some borrowers had been misled by predatory lenders. . . .

“‘I believe this is a firewall between banks and predatory lenders,’ Nilles said. ‘And it will stop protection of predatory lenders.’”

National Organizing

At the National Mayors’ Conference in Washington, D.C. on Jan. 24, LaRouche PAC (LPAC) organizers found that many mayors were eager for information about the HBPA. “We’re dealing with problems, and we need real solutions,” said Mayor Douglas Palmer of Trenton, N.J., the conference chairman.

In Concord, N.H., the state legislature held hearings on the HBPA on Jan. 22. An LPAC representative testified in support of the resolution. The vote will come next week.

New endorsements came from **Maple Heights, Ohio** (a Cleveland suburb); **St. Louis, Mo.**, and **Port Isabel, Texas**. The resolution was introduced into the City Council of **Lorain, Ohio** on Jan. 23.

‘A TIME OF UNEXAMPLED PROSPERITY’

The Great Mississippi Bubble

by Washington Irving

Introduction: Rampant speculation, bank blowouts, and panic on the stock exchange are not unavoidable “cyclical phenomena,” as some would have us believe. Rather, they are the product of a looting policy conducted by financial powers determined to maintain their own power, and bankrupt their rivals. Famous examples include the Dutch Tulip Craze of the early 17th Century, and the Mississippi and South Sea bubbles of the early 18th Century.

In 1819-20 the American writer, historian, and patriot, Washington Irving (1783-1859), set out to educate his fellow-citizens about the folly of succumbing to these bubbles. In a short story entitled, “The Great Mississippi Bubble,” published in a collection of essays and stories entitled “The Sketch Book of Geoffrey Crayon,” Irving described the 1719 bubble created by English speculator John Law in France, whereby Law—having enlisted the like-minded Regent of France, the treacherous Duke of Orleans—sent the French economy into a speculative mania of soaring interest rates and hyperinflation, based only on the promise of future land values in France’s Louisiana Territory around America’s Mississippi River. When the bubble finally burst, the “Big-Money Boys” got their inflated profits and pulled out, leaving the smaller speculators holding the bag, and the nation in ruins.

It is up to the reader to decide whether any resemblance



Library of Congress

The American writer Washington Irving was an active member of the patriotic U.S. intelligence networks that included James Fenimore Cooper and Samuel Morse, among others.

between John Law and Alan Greenspan or Ben Bernanke—or even today’s stock market gambler—is purely coincidental; or whether the situation in France in 1719 in any way resembles that of the United States in recent several years.

We publish substantial excerpts of Irving’s story below.

* * * * *

In the course of a voyage from England, I once fell in with a convoy of merchant ships, bound for the West Indies. The weather was uncommonly bland; and the ships vied with each other in spreading sail to catch a light, favoring breeze, until their hulls were almost hidden beneath a cloud of canvas. The breeze went down with the sun, and his last yellow rays shone upon a thousand sails, idly flapping against the masts.

I exulted in the beauty of the scene, and augured a prosperous voyage; but the veteran master of the

ship shook his head, and pronounced this halcyon calm a “weather-breeder.” And so it proved. A storm burst forth in the night; the sea roared and raged; and when the day broke I beheld the late gallant convoy scattered in every direction; some dismasted, others scudding under bare poles, and many firing signals of distress.

I have since been occasionally reminded of this scene, by those calm sunny seasons in the commercial world, which are known by the name of “times of unexampled prosperity.”



The South Sea Bubble was based on John Law's Mississippi Bubble: "The English had brought the vast imaginary commerce of the South Seas in aid of their banking operations. Law sought to bring, as an immense auxiliary of his bank, the whole trade of the Mississippi." Shown, an engraving of the South Sea Bubble, by E.M. Ward.

They are the sure weather-breeders of traffic. Every now and then the world is visited by one of these delusive seasons, when "the credit system" as it is called, expands to full luxuriance; everybody trusts everybody; a bad debt is a thing unheard of; the broad way to certain and sudden wealth lies plain and open; and men are tempted to dash forward boldly, from the facility of borrowing.

Promissory notes interchanged between scheming individuals, are liberally discounted at the banks, which become so many mints to coin words into cash; and as the supply of words is inexhaustible, it may readily be supposed what a vast amount of promissory capital is soon in circulation. Every one now talks in thousands; nothing is heard but gigantic operations in trade; great purchases and sales of real property, and immense sums made at every transfer. All, to be sure, as yet exists in promise; but the believer in promises calculates the aggregate as solid capital, and falls back in amazement at the amount of public wealth, the "unexampled state of public prosperity!"

Now is the time for speculative and dreaming or designing men. They relate their dreams and projects to the ignorant and credulous, dazzle them with golden visions, and set them maddening after shadows. The example of one stimulates another; speculation rises on speculation; bubble rises on bubble; every one helps with his breath to swell the windy superstructure, and admires and wonders at the magnitude of the inflation he has contributed to produce.

Speculation is the romance of trade, and casts contempt upon all its sober realities. It renders the stock-jobber a magician, and the exchange a region of enchantment. It elevates

the merchant into a kind of knight-errant, or rather a commercial Quixote. The slow but sure gains of snug percentage become despicable in his eyes: no "operation" is thought worthy of attention that does not double or treble the investment. As he sits musing over his ledger, with pen behind his ear, he is like La Mancha's hero in his study, dreaming over his books of chivalry. His dusty counting house fades before his eyes, or changes into a Spanish mine; he gropes after diamonds, or dives after pearls. The subterranean garden of Aladdin is nothing to the realms of wealth that break upon his imagination.

Could this delusion always last, the life of a merchant would indeed be a golden dream; but it is as short as it is brilliant. Let but a doubt enter, and the "season of unexampled prosperity" is at an end. The coinage of words is suddenly curtailed; the promissory capital begins to vanish into smoke; a panic succeeds, and the whole superstructure, built upon credit, and reared by speculation, crumbles to the ground, leaving scarce a wreck behind:

"It is such stuff as dreams are made of."

When a man of business therefore, hears on every side rumors of fortunes suddenly acquired; when he finds banks liberal, and brokers busy; when he sees adventurers flush of paper capital, and full of scheme and enterprise; when he perceives a greater disposition to buy than to sell; when trade overflows its accustomed channels, and deluges the country; when he hears of new regions of commercial adventure; of distant marts and distant mines, swallowing merchandise and

disgoring gold; when he finds joint stock companies of all kinds forming; railroads, canals, and locomotive engines, springing up on every side; when idlers suddenly become men of business, and dash into the game of commerce as they would into the hazards of the faro-table; when he beholds the streets glittering with new equipages, palaces conjured up by the magic of speculation, tradesmen flushed with sudden success, and vying with each other in ostentatious expense; in a word, when he hears the whole community joining in the theme of “unexampled prosperity,” let him look upon the whole as a “weather-breeder,” and prepare for the impending storm.

The foregoing remarks are intended merely as a prelude to a narrative I am about to lay before the public, of one of the most memorable instances of the infatuation of gain to be found in the whole history of commerce. I allude to the famous Mississippi bubble. It is a matter that has passed into a proverb, and become a phrase in every one’s mouth, yet of which not one merchant in ten has probably a distinct idea. I have therefore thought that an authentic account of it would be interesting and salutary, at the present moment, when we are suffering under the effects of a severe access of the credit system, and just recovering from one of its ruinous delusions.

The Great Mississippi Bubble

Before entering into the story of this famous chimera, it is proper to give a few particulars concerning the individual who engendered it. John Law was born in Edinburgh, in 1671. His father, William Law, was a rich goldsmith, and left his son an estate of considerable value, called Lauriston, situated about four miles from Edinburgh. Goldsmiths, in those days, acted occasionally as bankers, and his father’s operations, under this character, may have originally turned the thoughts of the youth to the science of calculation, in which he became an adept; so that at an early age he excelled in playing at all games of combination.

In 1694, he appeared in London, where a handsome person and an easy and insinuating address gained him currency in the first circles, and the nickname of “Beau Law.” The same personal advantages gave him success in the world of gallantry, until he became involved in a quarrel with Beau Wilson, his rival in fashion, whom he killed in a duel, and then fled to France to avoid prosecution.

He returned to Edinburgh in 1700, and remained there several years; during which time he first broached his great credit system, offering to supply the deficiency of coin by the establishment of a bank, which, according to his views, might emit a paper currency equivalent to the whole landed estate of the kingdom.

His scheme excited great astonishment in Edinburgh; but, though the government was not sufficiently advanced in financial knowledge to detect the fallacies upon which it was founded, Scottish caution and suspicion served in place of

wisdom, and the project was rejected. Law met with no better success with the English parliament; and the fatal affair of the death of Wilson still hanging over him, for which he had never been able to procure a pardon, he again went to France.

The financial affairs of France were at this time in a deplorable condition. The wars, the pomp, and profusion of Louis XIV, and his religious persecutions of whole classes of the most industrious of his subjects, had exhausted his treasury, and overwhelmed the nation with debt. . . .

In this state of things Law ventured to bring forward his financial project. It was founded on the plan of the Bank of England, which had already been in successful operation several years. He met with immediate patronage and a congenial spirit in the Duke of Orleans, who had married a natural daughter of the king. The duke had been astonished at the facility with which England had supported the burden of a public debt, created by the wars of Anne and William, and which exceeded in amount that under which France was groaning. The whole matter was soon explained by Law to his satisfaction. The latter maintained that England had stopped at the mere threshold of an art capable of creating unlimited sources of national wealth. The duke was dazzled with his splendid views and specious reasonings, and thought he clearly comprehended his system. Demarets, the Comptroller-General of Finance, was not so easily deceived. He pronounced the plan of Law more pernicious than any of the disastrous expedients that the government had yet been driven to. The old king also, Louis XIV, detested all innovations, especially those which came from a rival nation: the project of a bank, therefore, was utterly rejected.

Law remained for a while in Paris, leading a gay and affluent existence, owing to his handsome person, easy manners, flexible temper, and a faro-bank which he had set up.

The shifting, adventurous life of Law, and the equivocal means by which he appeared to live, playing high, and always with great success, threw a cloud of suspicion over him wherever he went, and caused him to be expelled by the magistracy from the semi-commercial, semi-aristocratical cities of Venice and Genoa.

The events of 1715 brought Law back again to Paris. Louis XIV. was dead. Louis XV. was a mere child, and during his minority the Duke of Orleans held the reins of government as Regent. Law had at length found his man.

The Duke of Orleans has been differently represented by different contemporaries. He appears to have had excellent natural qualities, perverted by a bad education. . . . His mother, the Duchess of Orleans, expressed his character in a *jeu d’esprit*. “The fairies,” said she, “were invited to be present at his birth, and each one conferring a talent on my son, he possesses them all. Unfortunately, we had forgotten to invite an old fairy, who, arriving after all the others, exclaimed, ‘He shall have all the talents, excepting that to make good use of them.’”

Under proper tuition, the duke might have risen to real



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The wily John Law (above) convinced the degenerate Duke of Orleans (right), Regent for the child-king Louis XV, to buy into his money-making schemes. "Law met with immediate patronage and a congenial spirit in the Duke of Orleans, who had been astonished at the facility with which England had supported the burden of a public debt, which exceeded in amount that under which France was groaning.... The duke was dazzled with his splendid views and specious reasonings...."



greatness; but in his early years he was put under the tutelage of the Abbé Dubois, one of the subtlest and basest spirits that ever intrigued its way into eminent place and power. . . .

[The Regent] surrounded himself with a set of dissolute men like himself, who, let loose from the restraint under which they had been held during the latter hypocritical days of Louis XIV, now gave way to every kind of debauchery. With these men the Regent used to shut himself up, after the hours of business, and excluding all graver persons and graver concerns, celebrate the most drunken and disgusting orgies, where obscenity and blasphemy formed the seasoning of conversation. For the profligate companions of these revels he invented the appellation of his *roués* the literal meaning of which is, men broken on the wheel; intended, no doubt, to express their broken-down characters and dislocated fortunes; although a contemporary asserts that it designated the punishment that most of them merited. Madame de Labran, who was present at one of the Regent's suppers, was disgusted by the conduct and conversation of the host and his guests, and observed at table, that God, after he had created man, took the refuse clay that was left and made of it the souls of lackeys and princes.

Such was the man that now ruled the destinies of France. Law found him full of perplexities from the disastrous state of the finances. He had already tampered with the coinage, calling in the coin of the nation, restamping it, and issuing it at a nominal increase of one fifth, thus defrauding the nation out of twenty per cent. of its capital. He was not likely, therefore, to be scrupulous about any means likely to relieve him from financial difficulties; he had even been led to listen to the cruel alternative of a national bankruptcy.

Under these circumstances Law confidently brought forward his scheme of a bank that was to pay off the national debt, increase the revenue, and at the same time diminish the taxes. The following is stated as the theory by which he recommended his system to

the Regent. The credit enjoyed by a banker or a merchant, he observed, increases his capital tenfold; that is to say, he who has a capital of one hundred thousand livres, may, if he possess sufficient credit, extend his operations to a million, and reap profits to that amount. In like manner, a state that can collect into a bank all the current coin of the kingdom, would be as powerful as if its capital were increased tenfold. The specie must be drawn into the bank, not by way of loan, or by taxation, but in the way of deposit. This might be effected in different modes, either by inspiring confidence, or by exerting authority. One mode, he observed, had already been in use. Each time that a state makes a recoinage, it becomes momentarily the depository of all the money called in belonging to the subjects of that state. His bank was to effect the same purpose; that is to say, to receive in deposit all the coin of the kingdom, but to give in exchange its bills, which, being of an invariable value, bearing an interest, and being payable on demand, would not only supply the place of coin, but prove a better and more profitable currency.

The Regent caught with avidity at the scheme. It suited his bold, reckless spirit and his grasping extravagance. Not that he was altogether the dupe of Law's specious projects; still he

was apt, like many other men unskilled in the arcana of finance, to mistake the multiplication of money for the multiplication of wealth, not understanding that it was a mere agent or instrument in the interchange of traffic, to represent the value of the various productions of industry; and that an increased circulation of coin or bank-bills, in the shape of currency, only adds a proportionably increased and fictitious value to such productions. Law enlisted the vanity of the Regent in his cause. He persuaded him that he saw more clearly than others into sublime theories of finance, which were quite above the ordinary apprehension....

It is certain that it met with strong opposition from the Regent's ministers, the Duke de Noailles and the Chancellor d'Anguesseau, and it was no less strenuously opposed by the parliament of Paris. Law, however, had a potent though secret coadjutor in the Abbé Dubois, now rising, during the regency, into great political power, and who retained a baneful influence over the mind of the Regent. This wily priest, as avaricious as he was ambitious, drew large sums from Law as subsidies, and aided him greatly in many of his most pernicious operations. He aided him, in the present instance, to fortify the mind of the Regent against all the remonstrances of his ministers and the parliament.

Accordingly, on the 2d of May, 1716, letters patent were granted to Law to establish a bank of deposit, discount, and circulation, under the firm of "Law and Company," to continue for twenty years. The capital was fixed at six millions of livres, divided into shares of five hundred livres each, which were to be sold for twenty-five per cent. of the Regent's debased coin, and seventy-five per cent. of the public securities, which were then at a great reduction from their nominal value, and which then amounted to nineteen hundred millions. The ostensible object of the bank, as set forth in the patent, was to encourage the commerce and manufactures of France. The louis-d'ors and crowns of the bank were always to retain the same standard of value, and its bills to be payable in them on demand.

At the outset, while the bank was limited in its operations, and while its paper really represented the specie in its vaults, it seemed to realize all that had been promised from it. It rapidly acquired public confidence and an extended circulation,



Bubble cards, like the one pictured here, dated 1720, circulated widely, lampooning the madness of those who were seduced by the South Sea scheme. The caption says, "The Headlong Fools plunge into South Sea Water..."

and produced an activity in commerce unknown under the baneful government of Louis XIV. As the bills of the bank bore an interest, and as it was stipulated they would be of invariable value, and as hints had been artfully circulated that the coin would experience successive diminution, everybody hastened to the bank to exchange gold and silver for paper. So great became the throng of depositors, and so intense their eagerness, that there was quite a press and struggle at the back door, and a ludicrous panic was awakened, as if there was danger of their not being admitted. An anecdote of the time relates that one of the clerks, with an ominous smile, called out to the struggling multitude, "Have a little patience, my friends; we mean to take all your money;" an assertion disastrously verified in the sequel.

Thus by the simple establishment of a bank, Law and the Regent obtained pledges of confidence for the consummation of farther and more complicated schemes, as yet hidden from the public. In a little while the bank shares rose enormously, and the amount of its notes

in circulation exceeded one hundred and ten millions of livres. A subtle stroke of policy had rendered it popular with the aristocracy. Louis XIV. had, several years previously, imposed an income tax of a tenth, giving his royal word that it should cease in 1717. This tax had been exceedingly irksome to the privileged orders; and, in the present disastrous times, they had dreaded an augmentation of it. In consequence of the successful operation of Law's scheme, however, the tax was abolished, and now nothing was to be heard among the nobility and clergy but praises of the Regent and the bank.

Hitherto all had gone well, and all might have continued to go well, had not the paper system been farther expanded. But Law had yet the grandest part of his scheme to develop. He had to open his ideal world of speculation, his El Dorado of unbounded wealth. The English had brought the vast imaginary commerce of the South Seas in aid of their banking operations. Law sought to bring, as an immense auxiliary of his bank, the whole trade of the Mississippi. Under this name was included not merely the river so called, but the vast region known as Louisiana, extending from north latitude 290 up to Canada in north latitude 40.... As the bank was to co-operate with the company, the Regent ordered that its bills

should be received the same as coin, in all payments of the public revenue. Law was appointed chief director of this company, which was an exact copy of the Earl of Oxford's South Sea Company, set on foot in 1711, and which distracted all England with the frenzy of speculation. In like manner with the delusive picturings given in that memorable scheme of the sources of rich trade to be opened in the South Sea countries, Law held forth magnificent prospects of the fortunes to be made in colonizing Louisiana, which was represented as a veritable land of promise, capable of yielding every variety of the most precious produce. Reports, too, were artfully circulated, with great mystery, as if to the "chosen few," of mines of gold and silver recently discovered in Louisiana, and which would insure instant wealth to the early purchasers. These confidential whispers, of course, soon became public; and were confirmed by travellers fresh from the Mississippi, and doubtless bribed, who had seen the mines in question, and declared them superior in richness to those of Mexico and Peru. Nay more, ocular proof was furnished to public credulity in ingots of gold, conveyed to the mint as if just brought from the mines of Louisiana.

Extraordinary measures were adopted to force a colonization. An edict was issued to collect and transport settlers to the Mississippi. The police lent its aid. The streets and prisons of Paris, and of the provincial cities, were swept of mendicants and vagabonds of all kinds, who were conveyed to Havre de Grace. About six thousand were crowded into ships, where no precautions had been taken for their health or accommodation. Instruments of all kinds proper for the working of mines were ostentatiously paraded in public, and put on board the vessels; and the whole set sail for this fabled El Dorado, which was to prove the grave of the greater part of its wretched colonists.

D'Anguesseau, the chancellor, a man of probity and integrity, still lifted his voice against the paper system of Law, and his project of colonization, and was eloquent and prophetic in picturing the evils they were calculated to produce; the private distress and public degradation; the corruption of morals and manners; the triumph of knaves and schemers; the ruin of fortunes, and the downfall of families. He was incited more and more to this opposition by the Duke de Noailles, the Minister of Finance, who was jealous of the growing ascendancy of Law over the mind of the Regent, but was less honest than the chancellor in his opposition. The Regent was excessively annoyed by the difficulties they conjured up in the way of his darling schemes of finance, and the countenance they gave to the opposition of parliament; which body disgusted more and more with the abuses of the regency, and the system of Law, had gone so far as to carry its remonstrances to the very foot of the throne.

He determined to relieve himself from these two ministers, who, either through honesty or policy, interfered with all his plans. Accordingly, on the 28th of January, 1718, he dismissed the chancellor from office, and exiled him to his estate

in the country; and shortly afterward removed the Duke de Noailles from the administration of the finance....

The system now went on with flowing sail. The Western, or Mississippi Company, being identified with the bank, rapidly increased in power and privileges. One monopoly after another was granted to it—the trade of the Indian Seas, the slave-trade with Senegal and Guinea, the farming of tobacco, the national coinage, etc. Each new privilege was made a pretext for issuing more bills, and caused an immense advance in the price of stock. At length, on the 4th of December, 1718, the Regent gave the establishment the imposing title of the Royal Bank, and proclaimed that he had effected the purchase of all the shares, the proceeds of which he had added to its capital. This measure seemed to shock the public feeling more than any other connected with the system, and roused the indignation of parliament....

The worst effect of this illusive system was the mania for gain, or rather for gambling in stocks, that now seized upon the whole nation.... The shares of the company went on rising in value, until they reached 1,300 percent. Nothing was now spoken of but the price of shares, and the immense fortunes suddenly made by lucky speculators. Those whom Law had deluded used every means to delude others. The most extravagant dreams were indulged concerning the wealth to flow in upon the company from its colonies, its trade, and its various monopolies. It is true nothing as yet had been realized, nor could in some time be realized, from these distant sources, even if productive; but the imaginations of speculators are ever in the advance, and their conjectures are immediately converted into facts....

Paris now became the centre of attraction for the adventurous and the avaricious, who flocked to it not merely from the provinces, but from neighboring countries.... Shares of stock passed from hand to hand, mounting in value, one knew not why. Fortunes were made in a moment, as if by magic....

To ingulf all classes in this ruinous vortex, Law now split the shares of fifty millions of stock each into one hundred shares; thus, as in the splitting of lottery tickets, accommodating the venture to the humblest purse. Society was thus stirred up to its very dregs, and adventurers of the lowest order hurried to the stock market. All honest, industrious pursuits and modest gains were now despised. Wealth was to be obtained instantly, without labor and without stint....

In fact, the usual distinctions of society had lost their consequence, under the reign of this new passion. Rank, talent, military fame, no longer inspired deference. All respect for others, all self-respect, were forgotten in the mercenary struggle of the stock-market. Even prelates and ecclesiastical corporations, forgetting their true objects of devotion, mingled among the votaries of Mammon. They were not behind those who wielded the civil power in fabricating ordinances suited to their avaricious purposes. Theological decisions forthwith appeared, in which the anathema launched by the Church



"Paris now became the centre of attraction for the adventurous and the avaricious.... Shares of stock passed from hand to hand, mounting in value, one knew not why. Fortunes were made in a moment, as if by magic...." In this engraving of "The Street of Speculators" in Paris during the Mississippi Bubble, the hunchback in the foreground made \$10,000 by letting people use his back as a desk.

against usury was conveniently construed as not extending to the traffic in bank shares!...

Luxury and extravagance kept pace with this sudden inflation of fancied wealth. The hereditary palaces of nobles were pulled down, and rebuilt on a scale of augmented splendor. Entertainments were given, of incredible cost and magnificence. Never before had been such display in houses, furniture, equipages, and amusements. This was particularly the case among persons of the lower ranks, who had suddenly become possessed of millions....

The wealth of Law rapidly increased with the expansion of the bubble. In the course of a few months he purchased fourteen titled estates, paying for them in paper; and the public hailed these sudden and vast acquisitions of landed prop-

erty, as so many proofs of the soundness of his system....

The course of illusory credit went on triumphantly for eighteen months. Law had nearly fulfilled one of his promises, for the greater part of the public debt had been paid off; but how paid? In bank shares, which had been trumped up several hundred per cent. above their value, and which were to vanish like smoke in the hands of the holders....

Toward the latter end of 1719 the Mississippi scheme had reached its highest point of glory. Half a million of strangers had crowded into Paris, in quest of fortune. The hotels and lodging-houses were overflowing; lodgings were procured with excessive difficulty; granaries were turned into bedrooms; provisions had risen enormously in price; splendid houses were multiplying on every side; the streets were crowded with carriages; above a thousand new equipages had been launched.

On the eleventh of December Law obtained another prohibitory decree, for the purpose of sweeping all the remaining specie in circulation into the bank. By this it was forbidden to make any payments in silver above ten livres, or in gold above three hundred.

The repeated decrees of this nature, the object of which was to depreciate the value of gold and increase the illusive credit of paper, began to awaken doubts of a system which required such bolstering. Capitalists gradually awoke from their bewilderment. Sound and able financiers consulted together, and agreed to make common cause against this continual expansion of a paper system. The shares of the bank and of the company began to decline in value. Wary men took the alarm, and began to realize, a word now first brought into use, to express the conversion of ideal property into something real.

The Prince of Conti, one of the most prominent and grasping of the Mississippi lords, was the first to give a blow to the credit of the bank....

This was the signal for other drains of like nature. The English and Dutch merchants, who had purchased a great amount of bank paper at low prices, cashed them at the bank, and carried the money out of the country. Other strangers did the like, thus draining the kingdom of its specie, and leaving paper in its place....

In February, 1720, shortly after Law's installment in office, a decree came out uniting the bank to the India Company, by which last name the whole establishment was now known. The decree stated, that, as the bank was royal, the king was bound to make good the value of its bills....

The bank, it was said, had by this time issued notes to the amount of one thousand millions, being more paper than all the banks of Europe were able to circulate....

Equal abuses had taken place under the colonizing proj-

ect. In his thousand expedients to amass capital, Law had sold parcels of land in Mississippi, at the rate of three thousand livres for a league square. Many capitalists had purchased estates large enough to constitute almost a principality; the only evil was, Law had sold a property which he could not deliver. . . .

With all these props and stays, the system continued to totter. How could it be otherwise, under a despotic government that could alter the value of property at every moment? The very compulsory measures that were adopted to establish the credit of the bank hastened its fall, plainly showing there was a want of solid security. Law caused pamphlets to be published, setting forth, in eloquent language, the vast profits that must accrue to holders of the stock, and the impossibility of the king's ever doing it any harm. On the very back of these assertions came forth an edict of the king, dated the 22d of May, wherein, under pretence of having reduced the value of his coin, it was declared necessary to reduce the value of his bank-notes one half, and of the India shares from nine thousand to five thousand livres!

This decree came like a clap of thunder upon shareholders. They found one half of the pretended value of the paper in their hands annihilated in an instant; and what certainty had they with respect to the other half? The rich considered themselves ruined; those in humbler circumstances looked forward to abject beggary.

The parliament seized the occasion to stand forth as the protector of the public, and refused to register the decree. It gained the credit of compelling the Regent to retrace his step, though it is more probable he yielded to the universal burst of public astonishment and reprobation. On the 27th of May the edict was revoked, and bank-bills were restored to their previous value. But the fatal blow had been struck; the delusion was at an end. Government itself had lost all public confidence equally with the bank it had engendered, and which its own arbitrary acts had brought into discredit. . . .

A general confusion now took place in the financial world. Families who had lived in opulence found themselves suddenly reduced to indigence. Schemers who had been revelling in the delusion of princely fortunes found their estates vanishing into thin air. Those who had any property remaining sought to secure it against reverses. Cautious persons found there was no safety for property in a country where the coin was continually shifting in value, and where a despotism was exercised over public securities, and even over the private purses of individuals. They began to send their effects into other countries; when lo! on the 20th of June, a royal edict commanded them to bring back their effects, under penalty of forfeiting twice their value, and forbade them, under like penalty, from investing their money in foreign stocks. This was soon followed by another decree, forbidding any one to retain precious stones in his possession, or to sell them to foreigners;

The South Sea Bubble

One of the defining moments of the implementation of the Anglo-Dutch Liberal system was what was later known as the "South Sea Bubble." It was a scheme based on the insane discovery of the Bank of England (1694) and the British East India Company (1696) that speculation in government debt to fund wars was one of the so-called great advances made by the 1688 "Glorious Revolution." This is the origin of central banking in the modern era. It was modeled on the earlier Bank of Amsterdam (1609), which was in fact modeled on the Venetian banking system.

As Washington Irving points out in his "The Great Mississippi Bubble," the South Sea bubble was modeled on the Mississippi bubble of John Law. It is very suggestive that Law was in Venice before he returned to France and got the funding scheme through, and he died in Venice. However, the South Sea Chartered Company developed a scheme that took a certain portion of the government debt and issued stock against it. The English government paid 5-6% interest to the company, and the

company got the monopoly for issuing stock to holders of this debt, and also lending the government monies at interest. The reason a holder of government debt would take stock for it is based upon the massive up-valuation of the stock. So the government debt was literally "securitized."

On April 14, 1720, the stock was sold at £300 per share. On April 29, it was £400. On June 17, it was sold at 1,000, and again on Aug. 24 it was £1,000 per share.

By October 1720, the stock had crashed to £230.

As fast as bubbles go up, they come down faster and harder. The entire British monarchy was involved in the scheme; most of the Parliament, and thousands of small investors were wiped out. Estimates are that 30,000 people—one quarter of the population of London—were bankrupted.

It was not just merely a swindle; it was in fact the actual theory behind the Anglo-Dutch system, a system based on looting—in this case the public treasury. It doesn't work and always collapses. Bubbles are always the result of these Venetian systems, which, in every case, are played out to their conclusions, leading to the destruction of both the country that uses it, and dark ages for mankind.

—Gerald Rose

all must be deposited in the bank in exchange for depreciating paper!...

About the middle of July, the last grand attempt was made by Law and the Regent to keep up the system and provide for the immense emission of paper. A decree was fabricated, giving the India Company the entire monopoly of commerce, on condition that it would, in the course of a year, reimburse six hundred millions of livres of its bills, at the rate of fifty millions per month.

On the 17th this decree was sent to parliament to be registered. It at once raised a storm of opposition in that assembly, and a vehement discussion took place. While that was going on, a disastrous scene was passing out of doors.

The calamitous effects of the system had reached the humblest concerns of human life. Provisions had risen to an enormous price; paper money was refused at all the shops; the people had not wherewithal to buy bread. It had been found absolutely indispensable to relax a little from the suspension of specie payments, and to allow small sums to be scantily exchanged for paper. The doors of the bank and the neighboring street were immediately thronged with a famishing multitude seeking cash for bank-notes of ten livres. So great was the press and struggle, that several persons were stifled and crushed to death....

The continued and vehement opposition of parliament to the whole delusive system of finance had been a constant source of annoyance to the Regent; but this obstinate rejection of his last grand expedient of a commercial monopoly was not to be tolerated. He determined to punish that intractable body.... On the 20th of July, early in the morning, all the doors of the parliament-house were taken possession of by the troops....

This despotic act, says Voltaire, would at any other time have caused an insurrection; but one half of the Parisians were occupied by their ruin, and the other half by their fancied riches, which were soon to vanish....

As to the exiled parliament, it lived gayly and luxuriously at Pontoise, at the public expense; for the Regent had furnished funds, as usual, with a lavish hand. The first president had the mansion of the Duke de Bouillon put at his disposal, all ready furnished, with a vast and delightful garden on the borders of a river. There he kept open house to all the members of parliament. Several tables were spread every day, all furnished luxuriously and splendidly; the most exquisite wines and liquors, the choicest fruits and refreshments of all kinds, abounded....

During all this time the system was getting more and more involved. The stock exchange had some time previously been removed to the Place Vendôme; but the tumult and noise becoming intolerable to the residents of that polite quarter, and especially to the chancellor, whose hotel was there, the Prince and Princess Carignan, both deep gamblers in Mississippi stock, offered the extensive garden of their Hotel de Soissons as a rallying-place for the worshippers of Mammon. The offer

was accepted. A number of barracks were immediately erected in the garden, as offices for the stock-brokers, and an order was obtained from the Regent, under pretext of police regulations, that no bargain should be valid, unless concluded in these barracks. The rent of them immediately mounted to a hundred livres a month for each, and the whole yielded these noble proprietors an ignoble revenue of half a million of livres.

The mania for gain, however, was now at an end. A universal panic succeeded. "*Sauve qui peut!*" was the watchword. Every one was anxious to exchange falling paper for something of intrinsic and permanent value. Since money was not to be had, jewels, precious stones, plate, porcelain, trinkets of gold and silver, all commanded any price, in paper. Land was bought at fifty years' purchase, and he esteemed himself happy who could get it even at this price. Monopolies now became the rage among the noble holders of paper. The Duke de la Force bought up nearly all the tallow, grease, and soap; others, the coffee and spices; others, hay and oats. Foreign exchanges were almost impracticable. The debts of Dutch and English merchants were paid in this fictitious money, all the coin of the realm having disappeared. All the relations of debtor and creditor were confounded. With one thousand crowns one might pay a debt of eighteen thousand livres....

In the meantime, Law was dismayed by the increasing troubles, and terrified at the tempest he had raised. He was not a man of real courage; and, fearing for his personal safety, from popular tumult, or the despair of ruined individuals, he again took refuge in the palace of the Regent. The latter, as usual, amused himself with his terrors, and turned every new disaster into a jest; but he, too, began to think of his own security.

In pursuing the schemes of Law, he had, no doubt, calculated to carry through his term of government with ease and splendor, and to enrich himself, his connections, and his favorites: and had hoped that the catastrophe of the system would not take place until after the expiration of the regency.

He now saw his mistake—that it was impossible much longer to prevent an explosion; and he determined at once to get Law out of the way, and then to charge him with the whole tissue of delusions of this paper alchemy. He accordingly took occasion of the recall of parliament in December, 1720, to suggest to Law the policy of his avoiding an encounter with that hostile and exasperated body. Law needed no urging to the measure. His only desire was to escape from Paris and its tempestuous populace. Two days before the return of parliament he took his sudden and secret departure....

As soon as Law was fairly out of the way, the Duke of Orleans summoned a council of the regency, and informed them that they were assembled to deliberate on the state of the finances and the affairs of the India Company....

Pushed to the extreme, the Regent avowed that Law had



LAW IN A CAR DRAWN BY COCKS

The Duke of Orleans "determined at once to get Law out of the way, and then to charge him with the whole tissue of delusions of this paper alchemy.... [Law's] only desire was to escape from Paris and its tempestuous populace...." This cartoon shows Law fleeing Paris in a carriage drawn by cocks.

emitted bills to the amount of twelve hundred millions beyond what had been fixed by ordinances, and in contradiction to express prohibitions; that, the thing being done, he, the Regent, had legalized or rather covered the transaction, by decrees ordering such emissions, which decrees he had antedated....

From all the circumstances of the case, I am inclined to think that others were more to blame than Law for the disastrous effects of his financial projects. His bank, had it been confined to its original limits, and left to the control of its own internal regulations, might have gone on prosperously, and been of great benefit to the nation.... The vital principle of a bank is security in the regularity of its operations, and the immediate convertibility of its paper into coin; and what confidence could be reposed in an institution, or its paper promises, when the sovereign could at any moment centuple those promises in the market, and seize upon all the money in the bank? The compulsory measures used, likewise, to force bank-notes into currency, against the judgment of the public, was fatal to the system; for credit must be free and uncon-

trolled as the common air....

The investigation of the affairs of the company by the council resulted in nothing beneficial to the public. The princes and nobles who had enriched themselves by all kinds of juggles and extortions escaped unpunished, and retained the greater part of their spoils. Many of the "suddenly rich," who had risen from obscurity to a giddy height of imaginary prosperity, and had indulged in all kinds of vulgar and ridiculous excesses, awoke as out of a dream, in their original poverty, now made more galling and humiliating by their transient elevation.

The weight of the evil, however, fell on more valuable classes of society—honest tradesmen and artisans, who had been seduced away from the slow accumulations of industry, to the specious chances of speculation. Thousands of meritorious families, also, once opulent, had been reduced to indigence by a too great confidence in government. There was a general derangement in the finances, that long exerted a baneful influence over the national prosperity; but the most disastrous effects of the system were upon the morals and manners of the nation. The faith of engagements, the sanctity of promises in affairs of business, were at an end. Every expedient to grasp present profit, or to evade present difficulty, was tolerated. While such deplorable laxity of principle was generated in the busy classes, the chivalry of France had soiled their pennons; and honor and glory, so long the idols of the Gallic nobility, had been tumbled to the earth, and trampled in the dirt of the stock-market.

As to Law, the originator of the system, he appears eventually to have profited but little by his schemes.

"He was a quack," says Voltaire, "to whom the state was given to be cured, but who poisoned it with his drugs, and who poisoned himself." The effects which he left behind in France were sold at a low price, and the proceeds dissipated. His landed estates were confiscated. He carried away with him barely enough to maintain himself, his wife, and daughter, with decency. The chief relic of his immense fortune was a great diamond, which he was often obliged to pawn. He was in England in 1721, and was presented to George the First. He returned, shortly afterward, to the Continent, shifting about from place to place, and died in Venice, in 1729. His wife and daughter, accustomed to live with the prodigality of princesses, could not conform to their altered fortunes, but dissipated the scanty means left to them, and sank into abject poverty. "I saw his wife," says Voltaire, "at Bruxelles, as much humiliated as she had been haughty and triumphant at Paris." An elder brother of Law remained in France, and was protected by the Duchess of Bourbon. His descendants acquitted themselves honorably, in various public employments; and one of them was the Marquis Lauriston, sometimes Lieutenant-General and Peer of France.

How To Defend Your Dollar

British special interests backed by the ECB's arrogant Trichet, have declared war upon the U.S. economy through tricking the foolish President of the U.S.A., his foolish Speaker of the House, and the foolish Federal Reserve Chairman Ben Bernanke, into cheapening the U.S. dollar; while Trichet et al. brag about tricking the U.S. dollar into ruining itself. Were the U.S.A. to adopt my recommended policy for defense of the value of the U.S. dollar, speculators betting on Trichet's slyness, could be dumped into a taste of their own bankruptcy, an experience which would tend to promote better behavior from them in future weeks.

The U.S. must dump the recent, foolish, pro-hyper-inflationary policies of Federal Reserve Chairman Ben "Helicopter money" Bernanke, for a two-tier U.S. Treasury policy of uttering currency on capital account. The general price of monetary emission by the U.S. Treasury (i.e., by the Treasury, or Federal Reserve System) must be a two-tier policy: a.) One price for the open market, at a significant number of points higher than the ECB, and b.) a special, protected price for long-term to medium-term credit uttered for the benefit of protected prime categories such as household mortgages enjoying Federal bankruptcy protection, and regular (Federally or state-chartered) banks. The latter category should be priced as loans at between 1% and 2% per annum.

The purpose is not to injure our European

neighbors' governments and financial authorities, especially multi-national agencies, but to encourage them to return to recognizing the benefits of civilized modes of cooperative behavior consistent with that 1648 Peace of Westphalia which governs all among the actually civilized nations of Europe.

This correction of the ignorant behavior of the present U.S. President and Chairman of the Federal Reserve, is an indispensable, included feature of any competent defense of the U.S. and its people from the currently onrushing, hyper-inflationary breakdown-crisis now gripping the trans-Atlantic community as a whole. Without the specific measures which I have stipulated here, the U.S.A. would soon be bankrupted, and our people ruined, by the foolish policies recently adopted by both Mr. Bernanke and by the U.S. President and the foolish Speaker of the House.

European speculators beware, the U.S. tiger is wounded, but still has claws and teeth. Continue the stunt which some in Europe are attempting against the U.S.A., and many much-too-greedy European speculators will wake up soon, much poorer, but a little wiser, in the morning. Were I President, I would guarantee such effects by morning; Americans who do not support my policy will suffer suddenly and badly enough that they will be "quicker on the draw" on the next weekend this problem might come up again.

—Lyndon H. LaRouche, Jr.

January 25, 2008

WORLDWIDE LAROUCHE YOUTH MOVEMENT



"The mobilization and development of the 18-30 age group, as a force of leadership to inspire the rest of the population to move to necessary actions and decisions, is the future of humanity. {Nothing else will work.} Everything else will fail, without that factor." - Lyndon LaRouche

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- VAN NUYS
TW Ch.25: Sun 5:30 pm

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- GROTON CC Ch.12: Mon 5 pm
- NEW HAVEN CC Ch. 23: Sat 6 pm

DISTRICT OF COLUMBIA

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Ch.10: Irregular Days/Times

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

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- CHICAGO
CC./RCN/WOW Ch.21: Irregular
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IN Ch.22: Sun 7:30 pm

- QUAD CITIES
MC Ch.19: Thu 11 pm

IOWA

- QUAD CITIES
MC Ch.19: Thu 11 pm

KENTUCKY

- BOONE/KENTON COUNTIES
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am; Tue 6:30 pm
- P.G. COUNTY CC Ch.76 & FIOS
Ch.38: Tue/Thu 11:30 am
- MONTGOMERY COUNTY
CC Ch.21: Fri. 11 pm. (start Jan.4)

MASSACHUSETTS

- BRAINTREE CC Ch.31 & BD
Ch.16: Tue 8 pm
- CAMBRIDGE CC Ch.10: Tue 2:30
pm; Fri 10:30 am
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Sat 4 pm
- WALPOLE CC Ch.8: Tue 1 pm

MICHIGAN

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

MINNESOTA

- CAMBRIDGE
US Ch.10: Wed 6 pm
- COLD SPRING
US Ch. 10: Wed 6 pm
- COLUMBIA HEIGHTS
CC Ch.15: Wed 8 pm
- DULUTH CH Ch.20: Mon 9 pm;
Wed 12 pm, Fri 1 pm
- MINNEAPOLIS
TW Ch.16: Tue 11 pm
- MINNEAPOLIS (N. Burbs)
CC Ch.15: Thu 3 & 9 pm
- NEW ULM TW Ch. 14: Fri 5 pm
- PROCTOR
MC Ch. 12: Tue 5 pm to 1 am
- ST. CLOUD AREA
CH Ch.12: Mon 9:30 pm

- ST. CROIX VALLEY
CC Ch.14: Thu 1 & 7 pm; Fri 9 am
- ST. LOUIS PARK CC Ch.15:
Sat/Sun/M/T Midnite, 8 am, 4 pm
- ST. PAUL CC Ch.15: Mon 10 pm
- ST. PAUL (S&W Burbs) CC Ch.15:
Wed 10:30 am; Fri 7:30 pm
- SAULK CENTRE
SCTV Ch.19: Sat 5 pm
- WASHINGTON COUNTY (South)
CC Ch.14: Thu 8 pm

MISSOURI

- ST. LOUIS CH Ch.22:
Wed 5 pm; Thu 12 Noon

NEVADA

- WASHOE COUNTY
CH Ch.16: Thu 2 pm

NEW HAMPSHIRE

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

NEW JERSEY

- BERGEN CTY TW Ch.572: Mon &
Thu 11 am; Wed & Fri 10:30 pm
- HADDON TWP
CC Ch.9: Sun 10 am
- MERCER COUNTY CC
Trenton Ch.26: 3rd & 4th Fri 6 pm
Windsors Ch.27: Mon 5:30 pm
- MONTVALE/MAHWAH
CV Ch.76: Mon 5 pm
- PISCATAWAY
CV Ch.22: Thu 11:30 pm
- UNION CC Ch.26: Irregular

NEW MEXICO

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

NEW YORK

- ALBANY TW Ch.18: Wed 5 pm.
TW Ch.572: Mon & Thu 11 am;
Wed & Fri 10:30 pm
- BETHLEHEM
TW Ch.18: Thu 9:30 pm
- BRONX CV Ch.70: Wed 7:30 am
- BROOKLYN TW Ch.572: Mon &
Thu 11 am; Wed & Fri 10:30 pm
- CHEMUNG
TW Ch.1/99: Tue 7:30 pm
- ERIE COUNTY
TW Ch.20: Thu 10:35 pm
- IRONDEQUOIT
TW Ch.15: Mon/Thu 7 pm
- JEFFERSON/LEWIS COUNTIES
TW Ch.99: Irregular
- ONEIDA COUNTY
TW Ch.99: Thu 8 or 9 pm
- PENFIELD TW Ch.15: Irregular
- QUEENS TW Ch.35: Tue 10:30
am; TW Ch.572: Mon & Thu 11 am;
Wed & Fri 10:30 pm
- QUEENSBURY
TW Ch.71: Mon 7 pm
- ROCHESTER
TW Ch.15: Sun 9 pm; Thu 8 pm
- ROCKLAND CV Ch.76: Mon 5 pm
- SCHENECTADY
TW Ch.16: Fri 1 pm; Sat 1:30 am

- STATEN ISLAND
TW Ch.35: Thu Midnite.
Ch.34: Sat 8 am. Ch 572: Mon &
Thu 11 am; Wed & Fri 10:30 pm
- TOMPKINS COUNTY TW Ch.13:
Sun 12:30 pm; Sat 6 pm
- TRI-LAKES
TW Ch.2: Sun 7 am, 1 pm, 8 pm
- WEBSTER TW Ch.12: Wed 9 pm

NORTH CAROLINA

- HICKORY CH Ch.3: Tue 10 pm
- MECKLENBURG COUNTY
TW Ch.22: Sat/Sun 11 pm

OHIO

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

OKLAHOMA

- NORMAN CX Ch.20: Wed 9 pm

OREGON

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

RHODE ISLAND

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

TEXAS

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

VERMONT

- GREATER FALLS
CC Ch.10: Mon/Wed/Fri 1 pm
- MONTPELIER
CC Ch.15: Tue 9 pm; Wed 3 pm

VIRGINIA

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

WASHINGTON

- KING COUNTY
CC Ch.29/77: Tue 10 am
- TRI CITIES CH Ch. 13/99: Mon 7
pm; Thu 9 pm
- WENATCHEE
CH Ch.98: Thu 1 pm

WISCONSIN

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

WYOMING

- GILLETTE BR Ch.31: Tue 7

MSO Codes: AS=Astound; BD=Beld; BR=Bresnan; BH=BrightHouse; CV=Cablevision; CB=Cebridge; CH=Charter; CC=Comcast; CX=Cox; GY=Galaxy; IN=Insight;

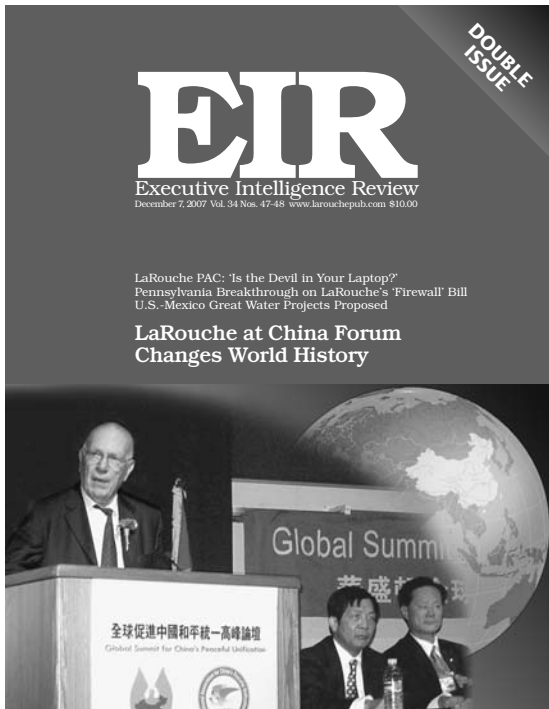
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