

# EIR

Executive Intelligence Review

August 2, 2013 Vol. 40 No. 30

[www.larouche.pub.com](http://www.larouche.pub.com) \$10.00

LaRouchePAC Demands Action on Glass-Steagall This Week  
The TVA: A Key FDR Program Under Attack  
LaRouche Warned: Detroit Could Have Been Saved in 2005

## FDR or Fascism: That's the Question Before Us Today



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EIR (ISSN 0273-6314) is published weekly  
(50 issues), by EIR News Service, Inc.,  
P.O. Box 17390, Washington, D.C. 20041-0390.  
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**Postmaster:** Send all address changes to EIR, P.O.  
Box 17390, Washington, D.C. 20041-0390.

# EIR

## From the Managing Editor

As the juggernaut for revival of Glass-Steagall becomes an unstoppable force throughout the nation, the ghost of Franklin Roosevelt casts its shadow over the land—much to the dismay, and even terror, of the heirs of those Wall Street banksters he so deftly defeated four-score years ago.

This week we focus on Glass-Steagall as the alternative to fascism, which, by 1933, was already overtaking Europe, and which today is making a frightening comeback on both sides of the Atlantic. We begin with our Feature, in which Helga Zepp-LaRouche explains “How To Stop the Global Financial Meltdown Over a Weekend”—the title of her July 27 webcast. “We in Europe reacted to the Great Depression of the ’30s, with fascism,” she states. But, “in the United States, Franklin D. Roosevelt chose a completely different approach,” which pulled the U.S. out of the Depression and built the “Arsenal of Democracy,” that won the war against fascism. Today, Argentina, under the Kirchners, reflects the FDR principle; see “Who’s Out to Destroy Argentina, and Why?”

In *Economics*, we turn to FDR’s “Arsenal,” Detroit, where the machine-tool-design genius embedded in the auto industry was converted to war production. “LaRouche Warned You: Detroit Could Have Been Saved in 2005” shows how the imposition of Wall Street’s post-industrial looting and rejection of LaRouche’s Economic Recovery Act destroyed that national treasure.

An interview with TVA president Bill Johnson, “The TVA: A Key FDR Program Under Attack,” revisits the brilliant achievements of that great hydropower project, now threatened by the same madness which has destroyed the city of Detroit.

Another FDR success story was presented by Harley Schlanger in his address to the June 29 Schiller Institute conference: “California, the Pacific, and the Fight for Glass-Steagall” in *National*, where you will also find the latest news on the accelerating support for the FDR measure; and a book review of *Act of Congress*, “a thinly veiled hatchet job” against Glass-Steagall.

*International* brings you a proposal for how the U.S. can bring peace to Egypt; and Lyndon LaRouche’s response to a question from Belarus.



## Cover This Week

*President Roosevelt (center) at the dedication of the Boulder (now Hoover) Dam, Sept. 30, 1936.*



Franklin D. Roosevelt Library

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A July 27 webcast speech by Helga Zepp-LaRouche, directed at Europe and Argentina in particular. While the banksters are demanding fascism, there is an alternative to the economic/financial crisis: that chosen by President Franklin D. Roosevelt, who took on the Wall Street banking system and introduced the Glass-Steagall separation of commercial and investment banks.
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# FDR or Fascism: That's the Question Before Us Today

July 29—On the eve of the decisive battle over Glass-Steagall in Washington, D.C., the *Executive Intelligence Review* pulled together an international webcast, which posed the crucial questions that will determine the survival of Western Europe and the Americas in the immediate period ahead. As featured speaker Helga Zepp-LaRouche, founder of the Schiller Institute, put it starkly in her presentation, the choice before mankind is the road to prosperity taken by President Franklin D. Roosevelt, or a new global fascism that will depopulate the world. It's up to today's patriots to choose.

Under the title “Glass-Steagall: How To Stop the Global Financial Meltdown Over a Weekend; Who Is Out To Topple the Kirchner Government in Argentina, and Why,” Zepp-LaRouche and *EIR*'s Ibero-American editor Dennis Small laid out the current crisis in graphic detail, and the economic solution to provide a real global recovery.

The webcast participants came from three continents. Zepp-LaRouche spoke from Germany, Small spoke from the Washington, D.C., area, and a grouping of citizens gathered in Buenos Aires, Argentina, and sent greetings and questions to the event. There were also participants, through questions and just listening, in Mexico, Spain, Peru, Chile, and likely numerous other nations across Europe and the Americas.

Below, we bring you Zepp-LaRouche's keynote, which was followed by a presentation by Dennis Small, and a question-and-answer period. As a backup to Small's presentation, *EIR* simultaneously released a White Paper on who is out to topple the Argentine government, which we include here. The entire discussion can be found at [www.larouhepac.com](http://www.larouhepac.com).

# How To Stop the Global Financial Meltdown Over a Weekend

by Helga Zepp-LaRouche

*Here is Zepp-LaRouche's keynote address to the July 27 EIR webcast.*

I am very happy to address you all.

This is a rather unusual format for a webcast, bridging the Americas and Europe. But I think the special issue which we are addressing today, actually warrants such an approach, because we are right now confronted with an unbelievable danger to human civilization. We are very immediately threatened by what could become a global fascist regime. We are also in the middle of a financial breakdown, and quite related to that, we are also on the verge of a third world war, which easily could and would become a thermonuclear war, and therefore leading to the extinction of civilization.

The reason I'm saying that, given the fact that I'm speaking from Germany—I have the example of what happened in the '30s in Europe, and even though the situation today is much more dramatic, there are, parallels from which we can learn lessons. Because, as the world very bitterly had to experience, we in Europe reacted to the Great Depression of the '30s, with fascism. We had Hitler, we had Mussolini, Franco, and the Pétain regime in France. And out of these fascist economic solutions and fascist regimes, came World War II.

Fortunately, in the United States, Franklin D. Roosevelt chose a completely different approach, and that was actually to take on the banking system of Wall Street, to im-

plement Glass-Steagall separation of the banks, to go for a Pecora Commission to put the criminals into jail; and then, with the New Deal and an infrastructure program, he successfully led the United States out of the Depression.

These two examples are also, today, the two possible roads that we can take as a human civilization. Today, very literally, you have Wall Street and the City of London, and the EU Commission, going for fascist solutions, and they're quite open about it, as I will shortly illustrate. The good thing is that the fight for a return to Glass-Steagall is making tremendous progress in the United States. Just in the last two weeks, we had an unprecedented mobilization in the United States, in the Congress, in the Senate, in a nationwide mobilization, and now you have a bill in the Congress, which has so far been co-sponsored by 71 Congressmen. We have two different bills in the Senate, also for Glass-Steagall,

and we have many, many national and regional organizations, who have come out demanding the immediate imposition of Glass-Steagall.

## **Congress Must Adopt Glass-Steagall Now**

Today is the 27th of July. Congress will go into recess on the 2nd of August, and we are trying nothing less than to get the Congress to adopt Glass-Steagall before the recess, or, to stay in Washington, because the crisis is so immediate, that a postponement could prove to be too late, and fatal.

The situation is very urgent:



EIRNS/Christopher Lewis

*"We have to shift to the true identity of mankind," Zepp-LaRouche declared, "to invent new physical principles, to compose beautiful Classical music, to write beautiful Classical dramas and poetry."*

The system is hopelessly bankrupt. There are presently \$1.4 quadrillion in outstanding derivatives contracts, and if these come due, nothing in the world can save this system. If one of the “too big to fail” banks fails—it is not going to be one bank—it would immediately bring the danger of what has been called a “supernova,” namely the evaporation of the entire financial system.

This is completely known to the financial oligarchy, after five years of the bailout policy, which already was a gigantic transfer of wealth from the poor to the rich, in a period in which the gambling debts of these speculators have been transformed into public state debt. That option is still on the table; they’re still printing money, but it has been exhausted, and therefore, they’re now trying to do an additional thing, apart from hyperinflationary money printing, so-called quantitative easing—they have come up with a new “tool” so-called, which is called the “bail-in” tool.

The first time the world has seen what this bail-in tool is, was the so-called Cyprus model, the Cyprus template, in which they just expropriated, on one fine day, all the investors and depositors of the Cyprus banks, and basically gave them a “haircut,” cutting down the deposits by 60%. And this, as a consequence, has caused an immediate reduction of life-expectancy, whose figures I will show you momentarily.

Now, the Cyprus template was only the first step. This is supposed to be done everywhere. The second such model was executed just now in Detroit, where the same template was applied, in which, according to a so-called “creditor hierarchy,” the large banks, speculators, and traders would get 80% of their money, while the pensioners and other public employees would only get pennies on the dollar. This was just ruled by Kevyn Orr, the emergency financial manager of Detroit.

The bail-in is basically an expropriation of the depositors. This tool has been worked out by Financial Stability Board, which is a sort of a subsection of the Bank for International Settlements, in collaboration with the ISDA, the International Swaps and Derivatives Association, which consists of the 20 or so too-big-to-fail banks, or the G-SIFIs, the global systemically important financial institutions, which have worked together with the EU Commission on legislation which is being debated right now in the European Parliament, and which already exists in Great Britain and in Switzerland as law, and in the United States.

According to this “creditor hierarchy,” derivatives are exempt from expropriation, while the real assets of

the people, the living standards, the pensions, the wages, all of this, is being cut to a tiny percentage. And it is very clear: If you apply the Cyprus template, or now, the Detroit template, to the entire Eurozone, which is what the idea is, and to the entire United States, you will kill millions of people! They’re now openly calling for fascist solutions.

## Bankers Demand Fascism

J.P. Morgan, which is one of the too-big-to-fail banks, recently published a [16-page paper](#), “The Euro area adjustment: about halfway there,” in which they say that they have only succeeded halfway in establishing a banking dictatorship, and that what has to be removed now, is the obstacle to implementing a full dictatorship, namely, the constitutions, especially of southern Europe, which were adopted as an answer to fascism, and therefore, they still had principles in them which make it impossible to impose the measures the bankers want to impose. These constitutions, for example, have basic human rights provisions, and they have protectionist principles, which protect wages, pensions, and the dignity of human beings and so forth.

That call by J.P. Morgan was then seconded by a paper from the Boston Consulting Group, the world’s second-largest management consultancy; they openly said that the kind of austerity which they want to implement in Europe, but also in the dollar zone, requires solutions like in the ’30s, an environment like in the ’30s, meaning very clearly, fascist governments. And then they say that the average “haircut” which they propose for the Eurozone would be 34% of all assets, but some countries would have to take more, like Greece, 47%; Spain, 56%; Portugal, 57%.

That is presently the official policy of the G20. Because at the recent G20 meeting in Moscow in July, they put out a statement endorsing the Financial Stability Board guidelines for a bail-in policy. The IMF, for its part, in its new assessment of the Eurozone crisis, said, this is all not enough; we need to have an immediate banking union, a central European cross-border resolution authority. What that means is that all the depositors of every country, every savings bank, every person who has deposits in these banks, would be called upon: If you have, for example, the gambling debts of one of the large hedge funds of an investment bank causing the default of such a bank, and because Dodd-Frank has that already in it, you would have not only European-wide cross-border resolution authorities, but



Creative Commons/Ed Yourdon

*The nation of Greece is being systematically crushed, its people subjected to brutal austerity, on orders of the financial predators. Here, a woman begs for money in the center of Athens.*

international ones. So, every person in the Eurozone and in America would basically be expropriated if these banks should collapse.

The President of the Bavarian Cooperative Union, Mr. Stephan Götzl, called this law an “enabling law,” like that which the Nazis did in the ’30s; and Mr. Götzl said, “We in Germany have, unfortunately, bad experiences with enabling laws,” and therefore, he is rejecting this. The reason is, that the German savings banks do not want to be held accountable if large gambling banks collapse.

If this is implemented—and that is planned for this Fall—given the size of the outstanding debt, and given the other problems of the world economy, such as, the existing food shortage, which is caused by a combination of the EU agricultural policy, the agricultural policy of the Obama Administration, and misuse of food for biofuels, the non-compensation for droughts and floods which have destroyed large agricultural production areas, the failure of the energy policy in Germany—this puts the real economy in a terrible crisis!

So therefore, this bail-in would mean the *instant death* of millions of people, and it would lead to chaos. And obviously, the idea is to implement fascist dictatorships simultaneously in the entire trans-Atlantic region.

## The Four Horsemen

Now, I know from absolutely reliable sources, that in the circles of the EU Commission, there is discussion among themselves, that they want to reduce the life ex-

pectancy of the population to 66 years. Because, they say, with all these demographic changes, people are getting older; we can not afford to pay the pensions any more. How do they want to reduce the life expectancy to 66 years? Well, it’s the known, proven method of the financial oligarchy, with the Four Horsemen of the Apocalypse: Hunger, Pestilence, War, and Death. And that is being used.

So, if you see these political measures, it’s not innocence, and incompetence: They want deliberately to cull the human population, and they want to implement the policy of the British Empire, which has said openly, repeatedly, the aim is to reduce the world population from presently 7 billion to 1 billion human beings!

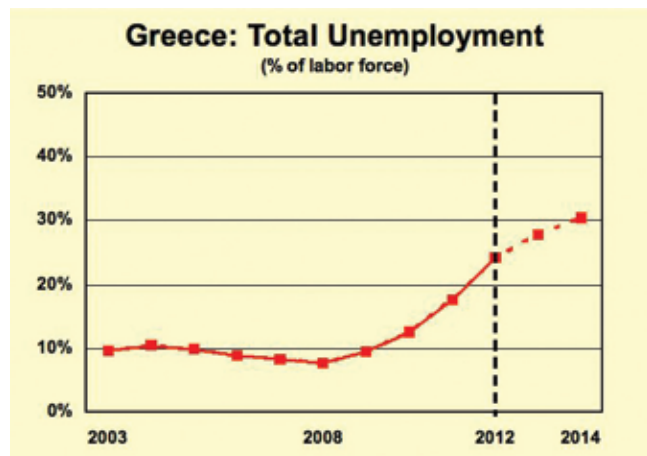
There is a direct correlation between economic policies and the destruction of productive capacity and life expectancy. For example, the Robert Koch Institute in Germany just put out a study showing that the rich in Germany, which is still a relatively wealthy country, live 11 years longer than the poor. The German Medical Association put out a statement in May that there is a direct correlation: The lower the income, the lower the life expectancy will become. They call it “a shame,” saying that in a rich country like Germany, this should not be the case.

But the number of poor, even in Germany, has massively increased in the last 10 years. In other countries it’s even more dramatic. For example, in Glasgow, Scotland, in the poor district of Calton, the median life expectancy for men is 54 years; in the rich district of the same city, in Lenzie, it is 82. In the fourth poverty report of the German government, which recently came out, they say that the wealthiest 10% of the population owns more than 53% of all assets, while the lower half only possesses less than 1% of all assets.

In Greece, the picture looks even more dramatic. The UN Human Rights inspector Cephias Lumina accused the Troika—that is the IMF, the ECB, and the EU Commission—of having massively committed violations of human rights, through austerity, liberalization, privatization, reduction of wages, layoffs, excessively rigid measures. Unemployment in Greece has massively gone up, to about 27%; 64.2% youth unemployment; homelessness has gone up by 25%; there is a poll now, which shows that people in Greece



FIGURE 1



have lost all hope; they're only governed by rage and despair.

People were asked, "What is your perception of the economy?" and 98% said "bad." "What is your trust in the government?" 90% said "none." The population was reduced by 1 million out of 10 million, so 10% disappeared, through emigration and early death. The birth rate has gone down 10%. Stillbirths, in a European country, have increased 20%!

There is a complete collapse of the health-care system. The supplies for life-saving medications—for cancer, antibiotics, and other things like anesthetics—have gone down by 90%; 15% of the people are without any health care; they are lacking 6,500 doctors and 20,000 medical staff. And the number of children who are now in the category of suffering "severe material deprivation" has gone up to 320,000! Now, that is a

FIGURE 2



quite sizable city of children, living in complete poverty. Suicides in Greece increased 26%, in one year from 2010 to 2011.

### The Cyprus Template

Now, let's look at the Cyprus template. Let's first look at the figure, "Greece, Total Unemployment" (Figure 1). Here you have the success story of the IMF (Figure 2). These are the figures I just had mentioned.

Now, let's go to the "Cyprus template": The bail-in robbed the depositors of 70% of domestic deposits. A study just showed that the economy, as a result of this, is shrinking by 60%. It means that all the little stores, the family stores, what people are living off, have just been eliminated. With the present policy, Cyprus has *no chance* of recovery! The unemployment is expected to go up to 40% by 2015 (Figures 3 and 4).

FIGURE 3

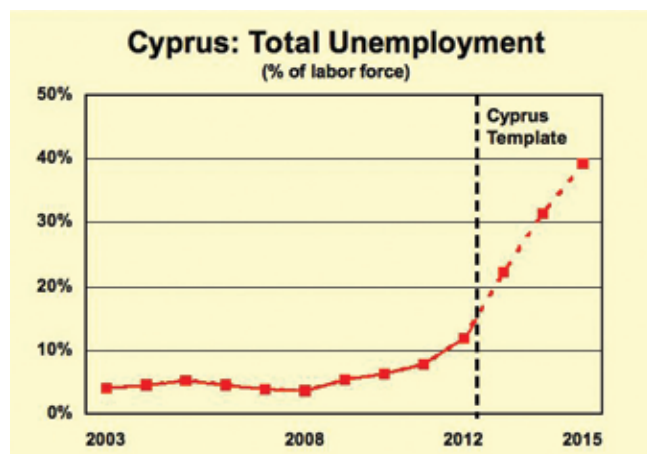


FIGURE 4

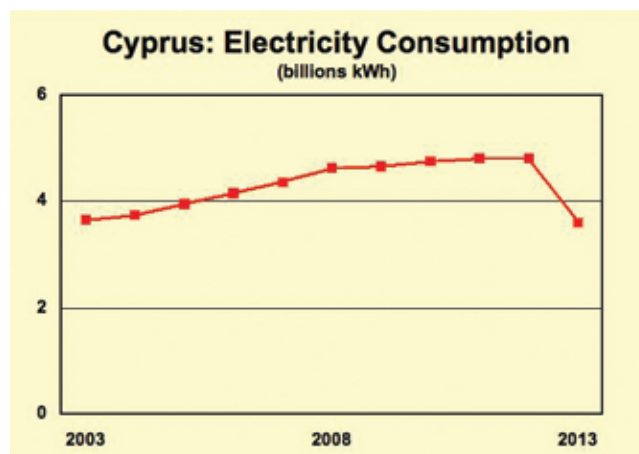
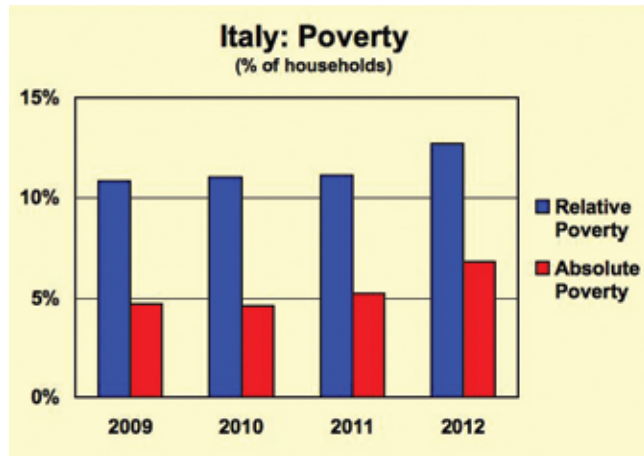


FIGURE 5



Now, Italy, which is after all, the third-largest country in the EU, is also targeted for murder (**Figures 5 and 6**). One of the co-authors of the Club of Rome, which is one of the evil oligarchical institutions responsible for the lie of the “Limits to Growth,” which is one of the founding organizations of the worldwide ecologist movement—one of the *Limits to Growth* co-authors, Jorgen Randers, just correctly said that the EU Commission represents an “elitocracy,” meaning an aristocracy of the elite, which has been able to impose measures on these countries that would never have been able to be implemented by nationally elected governments—which is absolutely true.<sup>1</sup>

Then he praises the Monti government, for having

1. See “Eurobankers Drive for Financial Fascism,” *EIR*, July 26, 2013.

FIGURE 7

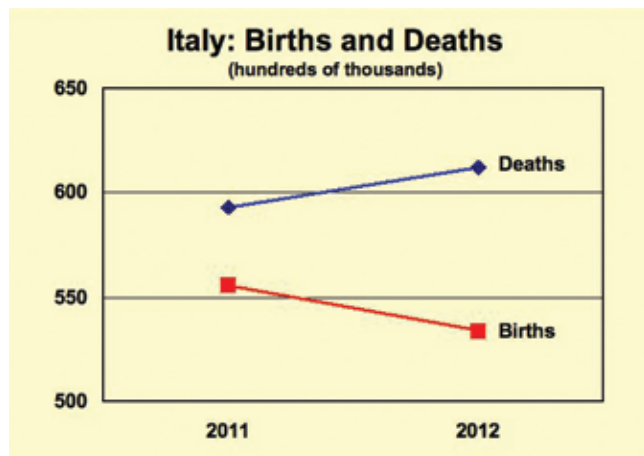
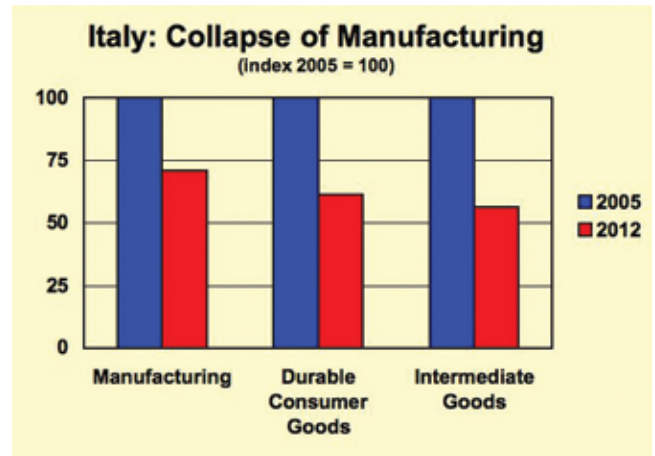


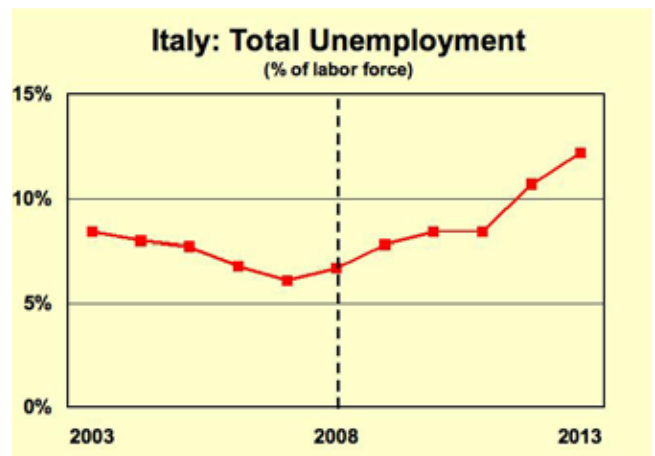
FIGURE 6



implemented measures in Italy which have caused the lowest birth rate *in the world*—and that, in a Catholic country—namely only 1.3 children per woman, and has created conditions where women have to choose, to either work or to give birth, but they can not do both at the same time (**Figure 7**). In 2012, as a result of this, there was a negative demographic record: 12,000 fewer babies than in 2011, and a higher death rate, namely 19,000 more people died, so the total reduction in the population was 78,697, which is the size of a small or medium-size city.

Youth unemployment had a 45% increase; unemployment is now at 12.20% (**Figure 8**), and health expenditures have been reduced by 1.9%. Patients allowed into hospitals, 500,000 fewer; available hospital bed, 15% less; and the suicide rate has gone up massively there as well.

FIGURE 8



## As Detroit Goes, So Goes...

If you think this is only the case in the poor, southern European countries, I can assure you, that the same condition exists also for the United States. The *Journal of the American Medical Association* just put out a report saying that the life expectancy in the United States is 78 years of age. But in many areas, the division between the poor and the rich is equally dramatic: For example, in McDowell County, West Virginia, average life expectancy for men is 63.9; in Fairfax, Virginia, it's 81.7. Now, the United States, in the list of OECD countries, has now only placed 27th in life expectancy, and you can see with Detroit the same tendency as in Greece, Cyprus, and Spain (**Figures 9, 10, and 11**).

One should really say, this is not a natural catastrophe, and it is completely unnecessary. In Detroit, in 2005, Lyndon LaRouche intervened when the auto crisis reached really a crisis point, by proposing the retooling of the machine-tool sector—to retool the

machine-tool-design and machine-tool areas of the auto industry; to build other things, such as large agricultural vehicles, maglev trains, high-speed trains, sluices for waterways; and this would have saved the very important capacity of the auto industry, which now is totally collapsed, and has been shut down.

What happened instead, was that they went to fix the shortfalls in the pension funds, with a complex of financial deals; they took out \$1.4 billion to purchase a series of derivatives for hundreds of millions of dollars. Two service corporations then established trusts which then sold the so-called “pension obligation certificates of participation” to investors. The city, in order to cover itself, also bought credit insurance, which was supposed to reimburse the investors if these trusts should default. The banks which were involved in this were Merrill Lynch, UBS, Dexia, Commerzbank, and others.

The interest rates of these hedges quickly became a problem, and when, in 2009, the credit rating of Detroit was downgraded, it triggered a clause forcing Detroit to buy itself out of the deal, and that cost several *hundreds* of millions of dollars; the city then signed a deal that backed future payments with tax revenues from the city's casinos. And that had the nice side-effect of turning these banks from unsecured creditors into secured creditors. This is why now, when the insolvency of Detroit was declared, these banks harvested 80% of available assets, while the pensioners and others get nothing or pennies.

The cost of these credit default swaps was also largely increased through the criminal Libor manipulation, in which the 20 or so largest banks in the world manipulated the Libor interest rate over decades, causing the 75% of all cities in the United States which participated, a total of *three-digit billions* in losses! They also caused massive losses to American hospitals, to nursing homes, to townships in Europe, and they have literally killed al-

FIGURE 9

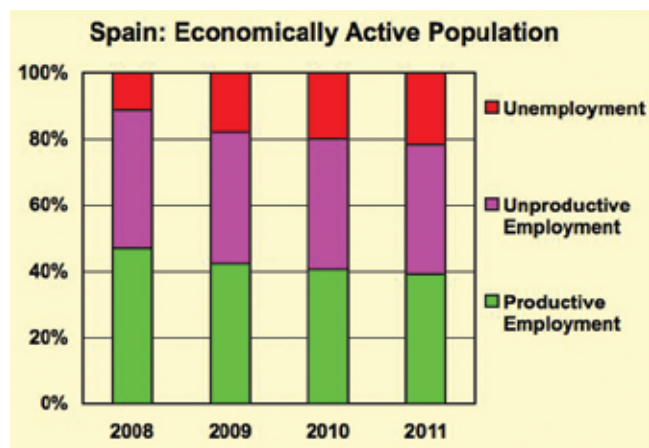


FIGURE 10

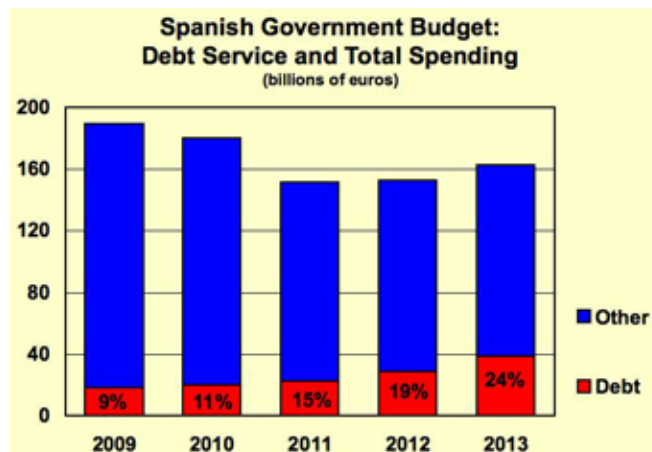
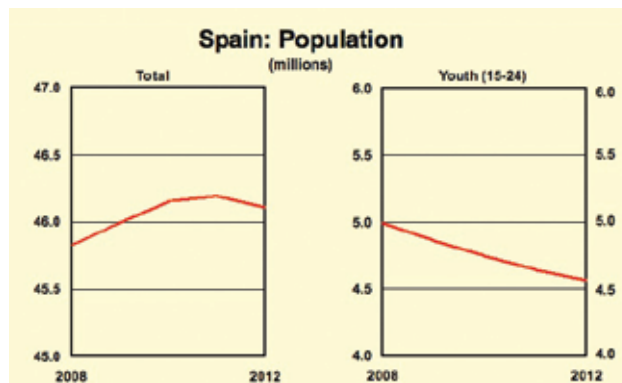


FIGURE 11





EIRNS/Steve Carr

*The once-great city of Detroit has been subjected to the same “template” as the nations of southern Europe, albeit, in slower motion. Here, an abandoned Studebaker plant.*

ready many, many people through these effects.

This is a total violation of the constitution in Michigan, and we have declared the fight for Detroit to be the turning point for this banking fascism in the United States. And we will do everything in our power to not let this go through.

We’ve also worked out a plan for the economic development of southern Europe, which could be implemented *immediately*, if the political will could be mobilized. This is a kind of a Marshall Plan for Southern Europe and the Mediterranean, which would eliminate poverty, it would start to create productive workplaces, and it would give hope and a vision to the population there. This is ready-made. It could be started tomorrow.

### **Glass-Steagall or World War III**

But the problem is, that Wall Street and the European banking sector have developed into a large, criminal monster, sucking the blood out of the population. They also have established a perfidious revolving door, whereby banks own parliamentarians, deploy their employees to become parliamentarians, or work as aides in the Congress, or in the Bundestag, or in other parliaments, and then pay them large sums for their deals.

The problem is, that the *only way* that we can get rid of this crisis, *is* through the immediate implementation of Glass-Steagall. We have to bankrupt Wall Street, we have to bankrupt the City of London, and those investment banks which are behind this fascist scheme. If Glass-Steagall would be implemented by the U.S. Congress right now, we would protect the commercial banks and everything which has to do with the real economy, and you would force the too-big-to-fail banks to clean up

their books by themselves, without having access to the deposits of the depositors, without bailout packages from the taxpayers.

And given the nature of the system, they would all have to declare bankruptcy, and we don’t need them! *We do not need* derivatives, we don’t need investment banks, but we need national credit generation coming from the sovereign government, and then we can create as much credit as is needed to get the real economy going as necessary. This is exactly what Roosevelt did in 1933.

And right now, there is almost a revolutionary process going on in the

United States; and we have introduced similar bills, for example, there are five such bills in Italy; there is a huge discussion about Glass-Steagall in many countries in Europe; and if the United States would go for Glass-Steagall, it could lead to an immediate, dramatic change of the world situation.

There is another aspect of why we need Glass-Steagall, without delay: We are on the edge of World War III. Through the revelations of Edward Snowden, the biggest scandal in the history of the world has come out. The NSA is spying practically on everybody in the United States, in Europe, Latin America, and many other countries; they have established a global surveillance of all communications, from e-mails, texts, phone conversations, and everything else. And it is such an unbelievable violation of human rights and privacy that the Brazilian President was quite correct to call for a UN General Assembly meeting to discuss this.

Now, more from the funny side: There is a German economist with the name of Helmeyer, who has said that, in an alliance, there should be the principle of equality, so, why don’t the U.S. banks and other institutions give all their e-mails and phone data to the European banks, to the European firms, the European governments, and other institutions, so that everybody in Europe and Latin America can look into the private communications of lawyers, judges, Congressmen in the United States? And that way, we would have all equal conditions. Now, that is a proposal for consideration, as well.

### **The Drive for Global Empire**

But more on the serious side: What is causing the United States and Great Britain, with their Tempora



program—which is, according to Snowden, even worse than the NSA spying—what causes them to be so absolutely obsessed to spy on the whole world in this way? Well, unfortunately, it has everything to do with “globalization,” or the idea that they are really trying to subject the whole world to a global empire.

Now, that idea—to risk thermonuclear war and potentially even go for preemptive nuclear war against Russia and China—has the same reason: global empire. The official journal of the U.S. Air Force, a couple of months ago, had an absolutely outrageous article, in which they wrote that, due to technological developments in nuclear weapons technologies, in the delivery system, in targeting, and acquisitions, the previous NATO doctrine MAD [mutually assured destruction], is no longer valid. That the implementation and use of nuclear weapons no longer leads to the necessary destruction of everybody, but you can now take out the nuclear arsenal of an opponent, without nuclear fallout; and therefore, the United States could survive a preemptive nuclear strike against Russia and China.

Now, that that article was not a lone reaction is demonstrated by a new article in the [Yale Journal of International Affairs](#), written by Prof. Amitai Etzioni, which I also would advise our listeners and viewers to read themselves. In it, Professor Etzioni is ringing the alarm bells, so to speak, saying that there are, right now, plans by the Obama Administration to launch a preemptive nuclear strike against China. That the Air-Sea Battle doctrine is compelling the United States to do exactly that; and he says that there must be an urgent debate among elected officials about the fact that this *is* the plan of the United States!

And I agree! There must be an urgent debate internationally, because, according to the Nuremberg Tribunal, according to the UN Charter, and every international law, not only is the preparation for aggressive war a crime against humanity, but all the more, the preparation of a nuclear war! And I think we need to have an *immediate, international discussion* and revolt against such a doctrine.

Also, the Assistant Treasury Secretary in the Reagan Administration, Paul Craig Roberts, just put out a very alarming video, in which he said the same thing, that the U.S. is preparing for nuclear war.

## We Can Change the Paradigm

So, we need to have Glass-Steagall. Because *only* if we implement Glass-Steagall can we derail such insane

plans, because we need to change the entire paradigm. We are right now, as a human civilization, at the abyss of extermination, and we need to change the paradigm, completely, away from oligarchism, greed, monetarism, the idea that man can only know about reality through sense-perception, because man is supposedly only a higher form of animal; or even as the Greenies are saying, a parasite against nature, and the fewer human beings the better for nature. Or, that the only identity for man is to find the pleasure in the here and now.

But we have to shift, to the true identity of mankind: Mankind is the only creative species. We are the only ones who can make willful changes in our mode of existence, and the fact that we have increased our population capacity, from a couple of million, to presently 7 billion, and can easily extend that to several two-digit billions of people, is only possible, because man, in his cognitive identity, can, again and again, through technological and scientific progress, change the mode of his own existence.

We need to have completely new ideas, and a vision about what should the future of human civilization be. We must have human beings, not competing with swine and pigs, like certain bankers are doing in trying to get to the trough first; but we have to have human beings who have their identity as creative human beings, who are capable to all the time invent new physical principles, to compose beautiful Classical music, to write beautiful Classical dramas and poetry.

Now, this is the conception of man, which man needs if we, as a species, are going to not only come out of this crisis, but to guarantee our existence over the next several millions of years, as mankind in space. Because mankind is not sitting on a planet which is in a vacuum, but we will have to confront dangers like asteroids, we will have to deal with problems which will be taking place with the Sun, a very long time from now. But we have to just simply change our entire way of thinking, and develop a human species which is worthy of the dignity of man.

I think we are capable of doing that. I'm absolutely optimistic that the human species is the most beautiful creation in this universe, and that we can get out of this crisis. But it will only be possible if we change the paradigm, if we implement Glass-Steagall, if we establish a sovereign alliance of perfectly sovereign republics in the tradition of John Quincy Adams. And then, we have the most beautiful future ahead of us.

# What Europe Can Learn from Argentina

July 29—In his July 27 webcast presentation, *EIR*'s Dennis Small noted that British homicidal hatred of the two Kirchner governments—Néstor (2003-07) and Cristina (2007 to present) is easily understood by looking at just two exemplary graphs.

The countries of southern Europe that universally followed IMF/Troika dictates to slash government spending and renegotiate their speculative debt, purportedly to *lower* their high debt/GDP ratios, all ended up with vastly *higher* debt/GDP ratios as a result of these insane policies. From 2003 to the present, Portugal's debt/GDP ratio rose by 114%; Spain's increased by 81%; Greece's by 65%; and Italy's and Cyprus's went up by 25% each.

Argentina, which adopted the exact opposite policy, and instead imposed a sovereign renegotiation with a 60% haircut of its \$85 billion debt, saw its debt/GDP ratio plunge by 72%. Argentina's current ratio is 43%, as compared to 87% for Spain and Cyprus, about 130% for Portugal and Italy, and 160% for Greece.

The effect of these policies on their respective physical economies is indicated by the key parameter of youth unemployment. In the nations of southern Europe, over the last decade youth unemployment generally quadrupled, from the 10-15% range, to the deadly 40-60% range today. In Argentina, under the Kirchners' policy of emphasizing science-driver industrial development, youth

unemployment dropped by nearly half, from 35% when Néstor Kirchner took office in 2003, down to under 20% today.

Small wonder the British Empire is intent on wiping the Kirchner government off the face of the globe, before others in the Europe get the idea that there indeed is life after the IMF and after the euro.

FIGURE 1

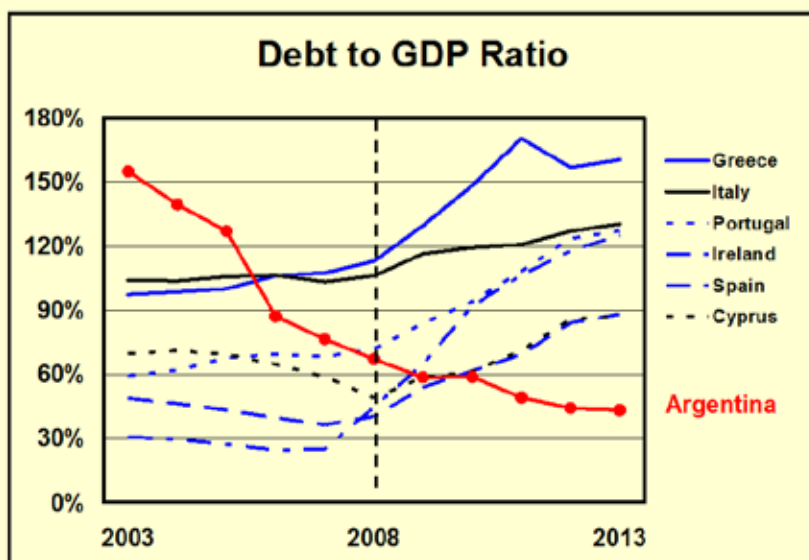
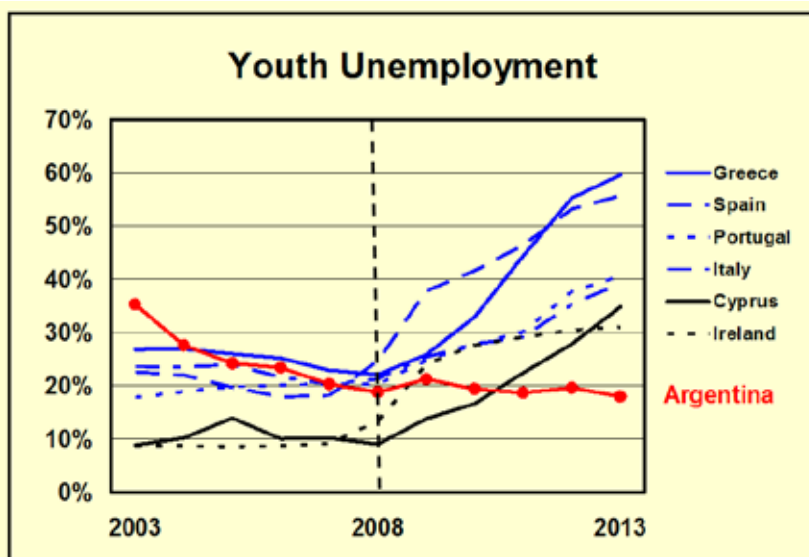


FIGURE 2



# Who's Out To Overthrow the Argentine Government and Why?

by Cynthia R. Rush

July 27—The human race now confronts a decisive moment in history. The global financial system is disintegrating at breakneck speed, and the only policy on the table now that can address that reality, is the 1933 Glass-Steagall law enacted by President Franklin Roosevelt, bills for whose reinstatement have been introduced into the U.S. House and Senate. By separating commercial banks from investment banks, Glass-Steagall and the investigative Pecora Commission that accompanied it, restored financial sanity to the United States, in the midst of the Great Depression, and put a number of banking criminals into prison where they belonged.

Reinstatement of Glass-Steagall today is urgently required to bankrupt the Wall Street financial predators and their City of London allies, who are intent on imposing a global fascist dictatorship and exterminating most of the human race in an insane attempt to salvage the casino economy they have created. Glass-Steagall is the necessary first step in a larger process, to include the establishment of a Hamiltonian credit system and national banking, to put the United States and the world on the path to a true economic, scientific, and cultural recovery.

The battle to achieve that goal is being fought out hour by hour, in Washington and elsewhere. The British monarchy and its hired guns know how high the stakes are, which is why they have deployed so thuggishly against the mobilization for Glass-Steagall in the United States, led by Lyndon LaRouche, and against any nation that dares to defy their genocidal dictates.

Argentina, beginning in 2003 under the Presidency of Néstor Kirchner, embarked on a path of sovereign economic and scientific development opposed to the International Monetary Fund's (IMF) austerity policies; it has thus been in the crosshairs of the Anglo-Dutch financial oligarchy and its allied speculative vulture funds, particularly after it defied these predators by restructuring its \$85 billion in defaulted debt in 2005,

forcing creditors to take a 60% haircut. When the international financial crisis exploded in 2008, with the subsequent imposition of savage austerity on nations such as Greece, the Argentine debt restructuring model began to be debated as an alternative.

Horried bankers feared that nations such as Greece, Spain, Italy, and others would not only see Argentina's model of default, sovereign debt restructuring, and economic development as an alternative to the IMF and City of London austerity dictates that were killing their citizens, but might also take the required additional steps of dumping the euro, reestablishing sovereign national currencies, and separating productive from speculative banking, as stepping stones to creating an entirely new credit system.

They feared not so much that Europe would follow Argentina's *specific* steps—which in fact fall short of the thorough-going Glass-Steagall and Hamiltonian credit system prescribed by LaRouche—but rather that they would join Argentina in adhering to the principle that *people* come before banks, that production must replace speculation, and that national sovereignty must prevail over globalization.

Hence IMF Managing Director Christine Lagarde's hysterical Sept. 21, 2011 answer to a reporter who asked about the possibility of Greece adopting the "Argentine" model. "I believe your comparisons are odious," she said. "You can't compare the situation of one country with another." No doubt she was recalling the late President Néstor Kirchner's April 15, 2005 assertion in Munich, Germany, that "there is life after the Fund and it's a very good life," echoing Lyndon LaRouche's 1995 statement that "there is life after the death of the IMF."

In June 2012, as the death toll in Southern Europe was reaching shocking levels as a result of the austerity imposed by the "Troika"—the IMF, European Central Bank (ECB), and European Commission (EC)—

German political leader Helga Zepp-LaRouche further unnerved Lagarde when she issued an emergency development program under the headline “An Economic Miracle for Southern Europe, the Mediterranean Region and Africa,” introduced by the kicker, “There is life after the euro.”

Argentine President Cristina Fernández de Kirchner’s repeated attacks on the Troika’s vicious austerity, and the rampant speculation and “virtual money” dominating the global financial system, has not endeared her to the genocidalists.

What’s wrong with European leaders? she asked on March 1 at the opening of the National Congress’s 2013 legislative session. “How can it be that they want to sacrifice entire nations to small groups that—like these vulture funds—want to impose conditions on the whole world? I don’t understand it.” The issue, she said, is whether the world’s leaders and governments “will permit a handful of [predators], who can fit in the palm of my hand, to ruin the whole world—societies with millions of unemployed, homeless, people committing suicide, who lose their jobs, can’t go to school, have no homes—or whether they’re going to put their societies, their people, their countries, their history, and their patrimony, first. This is what’s at stake today in the world. You have to understand this!”

Another pointed question came in November 2011, during a speech in Cannes, France. “Who are we going to finance?” she asked. “Are we going to keep financing the brokers who only produce financial derivatives, or are we going to finance those who produce food, goods, and services? This is key.”

She further underscored that “We don’t need austerity policies, but growth policies,” like those being applied in Argentina. “You have to tackle the financial sector so it supports the productive sector, so we can create jobs, so there will be more consumption in the whole world, so we can once again reestablish balance and sanity ... which many important leaders with great institutional responsibilities appear to have lost.”

### Why Target Argentina?

Lyndon LaRouche has often remarked that Argentina had always been a special target for destruction by the Anglo-American financial oligarchy because, as he noted in January 2004, it was “in the last century, at various points, third- and fourth-ranking in the world in



[www.presidencia.gov.ar](http://www.presidencia.gov.ar)

*President Néstor Kirchner addresses the national congress in 2007. His insistence on a path of sovereign economic and scientific development for Argentina outraged Wall Street and the City of London.*

standard of living, productivity, and so forth. Despite all the smears, it was a great economy; and therefore, that is an insult to those in North America who think that South Americans have to be stupid and incapable.”

Néstor Kirchner’s 2003-07 government, followed by that of his wife Cristina Fernández de Kirchner from 2007 to the present, have been particularly offensive to the Anglo-Americans.

But the offense predates the Kirchners. It dates back to April 2, 1982, when Argentine troops landed on the Malvinas Islands, reclaiming them from the British Empire which had illegally seized them in 1833. The Empire has never forgiven Argentina for defying it.

Néstor Kirchner thumbed his nose at the IMF, World Bank, and their partners, which had so viciously looted Argentina during the 1990s, leading to the worst financial crisis in the nation’s history, and culminating in the December 2001 default on \$85 billion in foreign debt. From the time he took office on May 25, 2003, Kirchner made clear that he had no intention of bending to the IMF’s genocidal austerity demands to pay Argentina’s debt, and that he would make the interests of the Argentine people, not the banks, his top priority. As he stated in his September 2003 speech before the UN General Assembly, “The dead don’t pay their debts.”

In March 2005, Kirchner successfully concluded





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*President Cristina Fernández de Kirchner with Pope Francis in Vatican City on March 18, 2013. Despite efforts by British agents to sow conflict between them, she affirmed that she intends to maintain a cordial relationship with him.*

the sovereign debt restructuring of \$85 billion in defaulted debt in which creditors took a 60% haircut, declaring a month later from Germany that Argentina's 2001 default had been a move against "a political-economic model at the service of interests alien to the common good, which favored the proliferation of genocidalists, the corrupt, and thieves." With the restructuring, he added, "one of the greatest obstacles to the economy has been overcome."

In December of that same year, he used Central Bank reserves to pay off the \$9.8 billion Argentina owed the IMF, explaining that the debt owed to the Fund "has been a constant vehicle for interference ... and a source of demands and more demands," causing "poverty and pain among the Argentine people at the hand of governments that were proclaimed to be exemplary students of permanent adjustment."

Kirchner's action infuriated the IMF, the City of London, and Wall Street, which to this day continue their efforts to make a "horrible example" of the country for having had the guts to tell them all to go to hell. Many of the financial oligarchy's predatory vulture funds, which had speculated on the country's depreciated debt prior to default, refused to participate in the restructuring and have spent the last ten years, with the blessing of the Bush and Obama administrations,

hounding Argentina with interminable legal suits and seizures of government assets around the world, in an attempt to bludgeon Kirchner, and then his wife Cristina Fernández, into submission—to no avail.

The Kirchners' insistence on defining a national mission for their country, based on its historical commitment to economic, especially industrial, development, and scientific and technological advancement, with special emphasis on nuclear energy and aerospace and satellite technology, also enraged Wall Street and the City of London. In 2006, "as a policy of State," Néstor Kirchner revived Argentina's nuclear program, whose partial dismantling under the 1990s IMF regime had driven thousands of scientists out of the country.

Since 2003, the Kirchners increased investment in science and technology by 937% and repatriated almost 1,000 scientists. Rejecting the British monarchy's "green" insanity, the government is now planning for the construction of its fourth and fifth nuclear reactors. Today, it has the highest number of scientists per capita—three per 1,000 inhabitants—in all of Ibero-America, and has established a collaborative relationship with Germany's prestigious Max Planck Institute, which has made Buenos Aires the headquarters of its Ibero-American operations.

In the decade since Néstor Kirchner took office, Argentina has undergone impressive economic growth, climbing "from Hell into Purgatory," as Kirchner put it. In a March 2007 speech in Quito, Ecuador, Cristina Fernández explained that her husband had based his infrastructure development program on Franklin Delano Roosevelt's New Deal.

Since 2005, Argentina's economy has grown at a rate of 8% annually, making it the country with the second highest growth in the world after China. It has created over 4 million productive jobs; renationalized the AFJP pension funds privatized by former President Carlos Menem, the IMF's darling; renationalized the formerly state-owned YPF oil company; and inspired youth to take responsibility for their nation's future.

Such impressive achievements, which have inspired

a sense of optimism in the country, especially among young people, stand in stark contrast to the desperation and hopelessness seen among the suffering populations of southern Europe.

In a fit of rage, however, in February of this year the IMF took the unprecedented step of censuring Argentina for allegedly maintaining fraudulent statistics on its inflation and growth, a particularly ludicrous charge coming from the institution which in the 1990s recommended that Colombia count revenue from its marijuana and coca crops as part of its GDP calculations. The Fund has threatened Argentina that if it doesn't change its "unacceptable" statistical methodology, it may be expelled from that institution.

What infuriates the IMF, Fernández said on March 1, "is that fundamentally, we've been successful without following their policies. In fact, we've gone against each and every one of the things they told us we had to do, and we've done just fine. They won't forgive us for that. That's why they want to punish us."

### The Queen: Off with Their Heads!

Who is behind this attack on the Argentine government? Many well-meaning Argentines are blinded by their own insistence on trying to answer this question from the inside out—foolishly starting with internal political criteria, as if these were determining. *They are not.*

Behind the assault on Argentina is the Queen of England and the array of financial institutions her monarchy controls—the IMF, Bank for International Settlements (BIS), the European Commission (EC), the Bank of England, among others—whose response to financial breakdown is to plan for a global Hitlerian dictatorship, and impose draconian austerity and depopulation policies, to try to salvage the quadrillions in unpayable financial obligations now infesting the world's financial system.

The vehicle for carrying out that policy is not the traditional external bail-out packages of the past, but is

increasingly the "bail-in" or "bank resolution" approach, otherwise known as the "Cyprus Template," first used in March 2013 to deal with Cyprus's economic blowout. Its purpose? To *rescue* the so-called Globally Active Systemically Important Financial In-

stitutions (G-SIFIs) and their holdings of approximately \$1.4 quadrillion in cancerous financial derivatives, *at the expense of depositors* who will be forced to sacrifice their bank accounts, savings, living standards, jobs, and ultimately their lives so that the financial parasites may continue to exist. Murder, in other words.

Although the bail-in policy was formally imposed on the G-20 in 2009, Cyprus was the first real test case, and from the standpoint of the financial vultures it was a total success. The seizure of "unsecured deposits" above EU100,000 (the claim that deposits below that amount are safe is also a lie), converting them into worthless common stock in the bank-

rupt Bank of Cyprus, resulted in a wave of insolvencies of small and medium-sized enterprises, job losses, wage cuts, disappearance of basic food staples and medical supplies, the shutdown of trade, and enormous human suffering and decline in life expectancy.

That was the intention, and Cyprus is only the beginning. The bail-in policy has already become law in the United Kingdom, Canada, and the United States, where it is incorporated into Title II of the fraudulent "regulatory" Dodd-Frank legislation that Wall Street's toadies rammed through the U.S. Congress to prevent the re-adoption of Glass-Steagall. It is rapidly being adopted in the Eurozone as well.

In its annual report, published June 23, the BIS even argued that the Federal Reserve's policy of Quantitative Easing was no longer necessary, boasting that the new game in town is fascist austerity, the theft of citizens' bank deposits and their conversion into worthless bank stock.



*A pamphlet issued by the LaRouche movement in Ibero-America targeted George Soros's role as a British agent and merchant of drug legalization.*

Any claim that speculative investors will be forced to take “haircuts” as part of this plan is a fraud. These murderers want nothing to do with the haircuts that Argentina’s creditors were forced to accept. Rather, as Lyndon LaRouche warned in a Feb. 15 webcast, the oligarchy’s plan is to dump a portion of their monetarist debt obligations, creating a “leaner and meaner” banking system in which only a small group of elites will have access to the requisite volumes of money, while the rest of the world’s population “would be starving to death, quickly. . . . This is the greatest population-reduction scheme so far in known history.”

As JPMorgan Chase spelled out in a May 28, 2013 report, under the headline “Euro Area Adjustment, About Halfway There,” enforcement of this policy will require the overturning of the anti-fascist constitutions adopted in Europe after World War II, and their replacement with authoritarian regimes.

### **‘Bring Down the Government’**

Against this backdrop, Argentina’s insistence on its right to sovereign economic development is a thorn in the side of the British Empire, one it is determined to remove. Overthrowing governments, or assassinating unwanted political leaders, has been standard imperial operating procedure for millennia.

Hence the barrage of media attacks from such City of London outlets as the *Financial Times* and the *Economist*, or their partner across the Atlantic, the *Wall Street Journal*, attempting to isolate the country by depicting Fernández as “authoritarian,” “corrupt,” bereft of popular support, ruling a country on the verge of an economic implosion, etc.

The Empire’s weapons of choice are the predatory vulture funds, the same ones that have preyed for decades on impoverished countries of Africa and Asia, and more recently Greece, Italy, and Spain. Using their front group, the American Task Force Argentina (ATFA), multibillionaire speculators Paul Singer, Kenneth Dart, and the funds they control, Elliott Associates, NML, and Aurelius, have waged an unrelenting and vitriolic campaign against Argentina, demanding that Fernández de Kirchner pay them the full face value of the defaulted bonds they hold—bonds which they purchased at pennies on the dollar prior to Argentina’s 2001 default.

While whipping up a domestic environment of violence against Fernández, often bordering on assassination threats, the vultures resorted to seizing the Argen-

tine Navy’s *Libertad* training ship docked in Ghana on Oct. 2, 2012, a blatant violation of the nation’s sovereignty as the ship was protected by diplomatic immunity. New York Federal Judge Thomas Griesa ratcheted up the pressure when he ruled on Nov. 21, 2012 that Argentina must pay the vultures \$1.33 billion, at the same time that it was scheduled to pay \$3.3 billion to bondholders who participated in the 2005 debt restructuring. The intent was to bankrupt the Argentine government on the spot.

New York’s Second Circuit Court of Appeals’ decision to suspend Griesa’s ruling gave Argentina a reprieve, and a decision on the case is expected very shortly. Throughout this process, however, the ATFA vultures have escalated their pressure, running ads in international media accusing Argentina of being a “narco state” and a “rogue state” which refuses to honor “legitimate” claims by honest debtors.

Since when are these professional speculators “honest debtors”? Are we to believe that the vulture funds based in the British Overseas Territory of the Cayman Islands, where drug money laundering is the primary economic activity, are truly concerned about the drug trade in Argentina?

Fernández de Kirchner has not wavered in her insistence that the assault by the vulture funds and the affiliated ratings agencies that keep predicting an “inevitable” Argentine default, is simply an attempt to blackmail the country into backing down from its defense of sovereignty.

Speaking Nov. 21, 2012 at the commemoration of the Nov. 20, 1845 battle of Vuelta de Obligado, in which patriotic forces held back an invading Anglo-French naval fleet seeking to impose free trade on the Argentine Confederation, Fernández warned that the refusal to pay the vultures “is another Vuelta de Obligado . . . [and] we shall continue fighting as we did at Vuelta de Obligado.” She invoked the name of Luis María Drago, the Argentine Foreign Minister who gained fame in 1902 when he defended the Monroe Doctrine by challenging British agent Teddy Roosevelt’s contrary policy of gunboat diplomacy, which allowed European powers to collect Venezuela’s debt.

### **Brazil Under Fire**

Nor is Fernández the only target for destabilization. The Empire is also gunning for Brazilian President Dilma Rousseff, who hasn’t been doing London’s bidding either. Brazil is a political tinder box, thanks to its

decades-long reliance on British carry-trade looting at the hands of the Inter-Alpha Group of banks, and to a national elite that has historically been totally oligarchical in its lack of concern for the plight of the majority of the people.

But there's little question that it was the British Empire that unleashed the mass protests that have rocked the country in recent weeks, combined with financial manipulation and attacks on Rousseff for daring to stray from the free market.

A June 8, 2013 piece in the London *Economist* was explicit. It attacked Rousseff and her Finance Minister, Guido Mantega, for daring to lower interest rates, which would hinder the carry trade. The government "gave up on market reform, and spent remorselessly," the *Economist* railed, recalling that it had urged the government last December "to stop meddling and let animal spirits roar," by dumping Mantega.

The *Economist* then pivoted to finish its threat: "Whatever Ms. Rousseff's mistakes, they are small compared with those of, say, Argentina's Cristina Fernández."

To assist in fomenting political and economic chaos inside the country, the *Economist* and its City of London masters can rely on such loyal assets as the British-allied Argentine Rural Society (SRA)—voice of the landed oligarchy—its affiliated Jockey Club elites, and Buenos Aires Mayor Mauricio Macri, the perpetual presidential aspirant who shares a commitment to feudalism with Spain's former fascist President José María Aznar and Peruvian-Spanish writer Mario Vargas Llosa, both avowed enemies of the institution of the sovereign nation-state.

The Rural Society, which led an agricultural producers' strike in 2008 intended to overthrow Fernández, has never been anything but an instrument of the British Empire. It was a staunch defender of the 1976-83 military dictatorship, which it praised for its "correct economic leadership" and "strengthening of the principles of free trade and private enterprise." No wonder.

The junta's fascist finance minister, responsible for the country's deindustrialization, was none other than former SRA president and city of London protégé, José Martínez de Hoz.



World Economic Forum, swiss-image.ch/Christof Sonderegger  
*Joseph Stiglitz, a wolf in sheep's clothing with respect to Argentina's Presidency.*

## Whose Friends?

The danger to Argentina doesn't stem only from external and internal overt financial warfare, threats of asset seizure, or physical violence, however. There are also snakes in the grass such as the Nazi-trained drug legalizer George Soros, and the allegedly "progressive" economist Joseph Stiglitz, who, while claiming to be Argentina's "friends," serve the Empire's financial interests just as the vulture funds do.

Soros is notorious for his vicious speculation against developing nations' currencies to foment financial chaos and bring down governments. Today, acting on behalf of the British monarchy, he is the largest financier internationally of campaigns to legalize drugs, focussing special attention on the Americas—a policy which elements of the Fernández government have foolishly adopted as their own.

Soros's Open Society Institute and the affiliated Intercambios Civil and Cultural Association NGO in Argentina, for years sponsored seminars in Buenos Aires peddling his "harm reduction" fraud, premised on the lie that drug consumption is really just an issue of public health and must be decriminalized in order to "help" the addict. They retailed Soros's argument that prohibiting drug consumption is "inquisitorial" and "authoritarian" and a violation of human rights.

In reality, this argument is a foot in the door for the drug legalization, which the British Empire seeks to impose on the entire hemisphere as part of its New Opium War against the Americas. Its particular target are young people on whom nations depend for their future. Fernández has placed great emphasis on educating and developing her nation's youth, yet she has bought into Soros's "harm reduction" fraud and supported the policy of decriminalizing marijuana for





*Media propaganda against Argentina continues unabated.*

“personal” use, whose only purpose, in the midst of a global financial breakdown, is to create a generation of drugged zombies incapable of thinking or contributing to society.

By giving credence to Soros, who collaborated with the Nazis during World War II against his fellow Jewish people of Budapest, the Argentine President has opened up a gaping vulnerability, made more dangerous by her dependence on Soros’s close ally, economist Stiglitz, for policy advice.

Stiglitz has carefully cultivated his reputation as a critic of the IMF and its austerity policies, and as a “friend of Argentina.” He has even mimicked LaRouche with the slogan, “There is life after debt.” The truth is that he shares Soros’s commitment to preserving the neoliberal and globalized structures of the bankrupt global financial system. A high-level South American source told this news service that he personally witnessed Stiglitz acting directly on Soros’s behalf to sabotage developing-sector efforts to restructure and repudiate illegitimate debt, including bringing Soros in for private dinner discussions with developing-sector representatives.

Stiglitz has lauded the Argentine government’s debt restructuring and rejection of austerity, and has made a point of courting Fernández de Kirchner, inviting her to speak frequently at seminars and making her the honorary president of his Observatorio Argentino at New York City’s New School, where he has also recruited several young “heterodox” Argentine economists to the Observatory’s Economic Working Group. He is careful, however, to keep the focus only on “reforming” the bankrupt IMF and other global financial institutions—not dumping them—recommending that Argentines work *within* a system that is already a corpse.

Such a policy course is suicide. Yet it has resonated within the Argentine government, as seen during an August 2012 presentation in Washington in which Finance Minister Hernán Lorenzino echoed Stiglitz’s unworkable proposal to create a sovereign debt re-

structuring mechanism to function within the existing system to deal with debt crises.

Stiglitz is also closely associated with the most opportunist elements of the U.S. Democratic Party, including those in bed with Wall Street agent and President Barack Obama, in undermining the campaign for Congress to re-

store Franklin Roosevelt’s 1933 Glass-Steagall law.

The vulture funds’ ATFA lobby seems to have a better handle on where Stiglitz’s loyalties lie. On May 4, the ATFA website prominently covered Stiglitz’s remarks to reporters in New York, in which he echoed the IMF script implying that Argentina is “cooking” its books. “The economy cannot be steered if you don’t have adequate statistics,” he asserted. He also suggested that Argentina is lying about inflation.

The British Empire may intend to kick over the chessboard, but it will only allow the pieces to be rearranged in ways it finds acceptable.

## A New ‘Dirty War’?

The Empire’s plan to foment chaos and polarize Argentine society along left-right lines similar to what occurred in the 1970s and 1980s during the era of the “Dirty War,” can best be understood by examining how these imperial agents, who operate at the highest levels of the Empire’s financial oligarchy, have extended their tentacles inside the country.

What happened when Buenos Aires Archbishop Jorge Bergoglio was named Pope last February is instructive. Almost immediately, synarchists of the left and right sprang into action, in an attempt to drive a wedge between the new Pontiff and President Fernández de Kirchner, whose past relations with Bergoglio had been strained.

The rabidly antisemitic Nazi “philosopher” Antonio Caponnetto, a fanatical Catholic linked to Argentine followers of Spanish fascist Blas Piñar, attacked the new Pope as a “crypto-Jew” because he was too friendly with the Jewish community, and for showing too much sympathy for the “terrorists” who ended up being “disappeared” by the 1976-83 military junta.

Caponnetto was enraged by Bergoglio’s call for reconciliation of Argentine society, following the bloodbath and fracturing of society in the 1970s and return to democracy in 1983, attacking him for refusing to embrace “Catholic Nationalism,” and not be-

coming a militant “soldier of Christ and the Virgin,” who wouldn’t hesitate to use violence against “infidels.” He was apologetic over Bergoglio’s defense of the Nuremberg trials’ conviction of Nazi war criminals.

On the other side of the synarchist coin was “leftist” Horacio Verbitsky, former intelligence chief of the terrorist Montoneros group, who was often suspected of being a double agent during the time he spent in that group. An agent of influence of George Soros, and proponent of drug legalization, Verbitsky has spent the last several years insinuating himself into both Kirchner administrations, a José López Rega wannabe who aspires to dominate the Fernández government just as the notorious fascist Propaganda-2 member and death squad controller did in the 1974-76 government of Isabel Martínez de Perón.

Verbitsky is suspected of having a key role in persuading Fernández to back drug legalization.

From the moment Bergoglio’s nomination became public, Verbitsky launched a rabid campaign against the new Pontiff, publishing articles almost daily retailing accusations that the Archbishop had aided the 1976-83 military dictatorship in detaining and torturing leftist priests. Even when other prominent leftists, such as Nobel Prizewinner Adolfo Pérez Esquivel, refuted these charges and backed the new Pope, Verbitsky kept at it, day after day, going way out on a limb to “prove” Bergoglio’s guilt.

To no avail. Cristina Fernández held a warm personal meeting with the new Pope in Rome on March 18, and made clear that she intended to maintain a cordial relationship with him, regardless of earlier strains between them.

Yet toleration of Verbitsky in any capacity within the government or as an advisor is extremely dangerous. While his public face is as a human rights advocate and director of the CELS NGO, Verbitsky has functioned as a Soros agent of influence since at least 1998, when Human Rights Watch/Americas, which Soros has generously financed for years, picked him up as one of



Creative Commons/Juan Manuel Herrera/OAS

*Horacio Verbitsky is suspected of having played a key role in persuading President Fernández to back Soros’s drug legalization plans.*

its assets, awarding him one of its “prestigious” Hellman/Hammett grants. A year later, Verbitsky was named to HRW’s International Advisory Board, where he still sits today, alongside Soros and a number of other luminaries from the U.S. political and financial establishment, many of them with very close ties to Wall Street.

Predictably, Verbitsky has for decades trumpeted his hatred of Lyndon LaRouche, whom he has repeatedly slandered, using the lies put out by scribbler Dennis King, the professional “Get LaRouche” operative on the payroll of that most right-wing of U.S. intelligence-connected outfits, the Smith Richardson Foundation.

Verbitsky has also written extensively in support of drug legalization through the daily *Página 12* and other drug lobby publications. In June 2003, he was one of two speakers at the official presentation of the book published by the Soros-financed Argentine Harm Reduction Association (ARDA) entitled *Drugs: Between the Failure and Harm of Prohibition. New Perspectives in the Decriminalization-Legalization Debate*. The other speaker was then-judge and now Supreme Court magistrate Eugenio Raúl Zaffaroni, a drug-legalization advocate and author of the book’s prologue, who was one of the first judges to declare unconstitutional the article in the national drug law that criminalizes drug possession.

Reports that Fernández has taken the long overdue step of distancing herself from Rasputin Verbitsky (she was not happy with his campaign against Pope Francis) are a welcome sign, not one that is likely to please the British Queen. The Queen and her minions, including Soros, are intent on escalating their destabilization campaign to ultimately bring down the President. As the disintegration of the global financial system accelerates, President Fernández’s best defense will be to join the battle to dump the whole putrid financial system, by backing the enactment of Glass-Steagall internationally, to usher in a new era of prosperity and economic and scientific development to guarantee mankind’s future.

LAROCHE WARNED YOU

## Detroit Could Have Been Saved in 2005

by Jeffrey Steinberg

July 24—The current genocidal assault on what remains of the population of the once-great industrial city of Detroit was fully forecast by Lyndon LaRouche back in April 2005, at the moment that the Bush Administration and the likes of Felix Rohatyn were tearing down the last remnants of the American machine-tool-design sector. LaRouche not only spelled out the intended genocide against



EIRNS/Stuart Lewis

*Lyndon LaRouche*

Detroit; he presented an in-depth alternative to the plans of the Bush Administration and Wall Street fascists to destroy the last remnants of the machine-tool-design capacity of the United States, and he demanded emergency action from the U.S. Congress.

The failure of the House and Senate to implement LaRouche's Economic Recovery Act of 2005, along with the 1999 repeal of the Glass-Steagall Act, were conscious acts of complicity with genocide, which the Obama Administration has continued with a vengeance, to this day.

Back in 2005, while the Bush Administration, abetted by Rohatyn and other Wall Street looters, was dismantling the last remnants of the American auto-manufacturing sector, LaRouche issued a warning that should resonate in the ears of every Member of Congress today:

“If we allow the U.S. auto-manufacturing industry to be destroyed, the U.S.A. becomes a virtual ‘Third World’ nation overnight. The nation’s machine-tool-design capability, most of which is tied up in the U.S. auto-manufacturing firms, is lost.

“The loss of employment of that machine-tool-design segment of that part of the labor-force, means many times that number of employees out of jobs, with no other place to go.

“The loss of auto plants means an economic disaster, approaching ghost-town proportions, for what are already highly vulnerable entire towns, counties, and cities, even states of the Union, throughout many parts of the country. This could set off a chain-reaction collapse much, much worse than President Herbert Hoover’s foolish reaction to the 1929 crash.”

### Restoring Machine-Tool Capacity

LaRouche then identified the solution, which was then elaborated in the form of legislation ready for emergency action by Congress.

“Cutting back on automobile manufacturers’ plants and payrolls is not a sane alternative,” he warned. “The answer is to diversify the product line. The key to any

sane approach is to accept the reduction in the number of automobiles produced by U.S. automakers, but to replace that work immediately with a switch to other categories of technologically very high-grade products, which the auto industry's machine-tool capacity is uniquely qualified to design and produce. Members of the U.S. Congress are already focusing attention on urgently needed mass-transit systems, power-generation and distribution systems, and other urgent needs of the nation. These would not be make-work projects, but are the new production needed to prevent the United States from continuing to collapse physically into Third-World conditions, throughout most of the nation.

"Action, by the U.S. Federal government and others, is urgently needed to prevent an across-the-board collapse of not only the U.S. auto industry, but the counties, towns, cities, and states, and their people, which would be pulled under by failing to act now with the reforms needed to save the industry by switching to a new combination of high technology machine-tool-design products."

The repeal of Glass-Steagall, along with the failure to fight to save Detroit's, and the entire region's, machine-tool sector, are the two primary reasons that Detroit is now facing total destruction. The future of the entire nation now comes down to one simple question: Will enough members of Congress show the courage and honesty to reverse their disastrous capitulation to Wall Street, by immediately passing the legislation, which is now before both the House and Senate, to reinstate Glass-Steagall?

This time, they will have to brave the opposition of Bush's successor, Obama, who has followed the same Wall Street policy of slashing the productive sector, and opposing Glass-Steagall.

With Glass-Steagall restored, this Summer, Congress can see to it that a flood of long-term, low-interest credit is made available to carry out the needed industrial and infrastructural build-up proposed by LaRouche in 2005. Sufficient numbers of the skilled workers and vacant factory facilities are still available, even at this late date, to launch an historic recovery. Detroit can once again become the Arsenal of Democracy—not for the purpose of defeating fascism on the battlefields of Europe and the Pacific, but to defeat the fascism of Wall Street, by wiping out the gambling debts and restoring a functioning commercial banking sector to facilitate urgently needed great projects, such as the North American Water and Power Alliance (NAWAPA).

## LaRouche's 2006 Plan To Revive Auto Sector

As Detroit and the auto sector at large were being put through the wringer of globalization and production shutdown in 2005-06, Lyndon LaRouche called for emergency action by Congress to save the crucial machine-tool component of that sector and retool it for urgent tasks of infrastructure restoration and development. [EIR](#) of May 12, 2006 issued the full program.

LaRouche's core document, "For Economists, Legislators, and Labor: Emergency Legislation, Now!," was written "to prompt the immediate crafting of urgently needed emergency Federal legislation ... to prevent the threatened immediate collapse of the U.S. national automobile industry from beginning the beginning of a virtually irreversible chain-reaction of destruction of approximately the entirety of the present physical economy of the U.S.A."

LaRouche identified a crucial problem in dealing with the threat to the auto industry, which is almost always overlooked: the brainwashing of the nation into a belief in the post-industrial society, whereby *money* is equated with value. In fact, it is scientific, technological, and human creative potential that create value in a society, and these have been embodied in the physical economy of the machine-tool sector, notably in the automotive industry and aerospace. These were the resources that were mobilized during World War II, making Detroit the "Arsenal of Democracy" for defeating fascism.

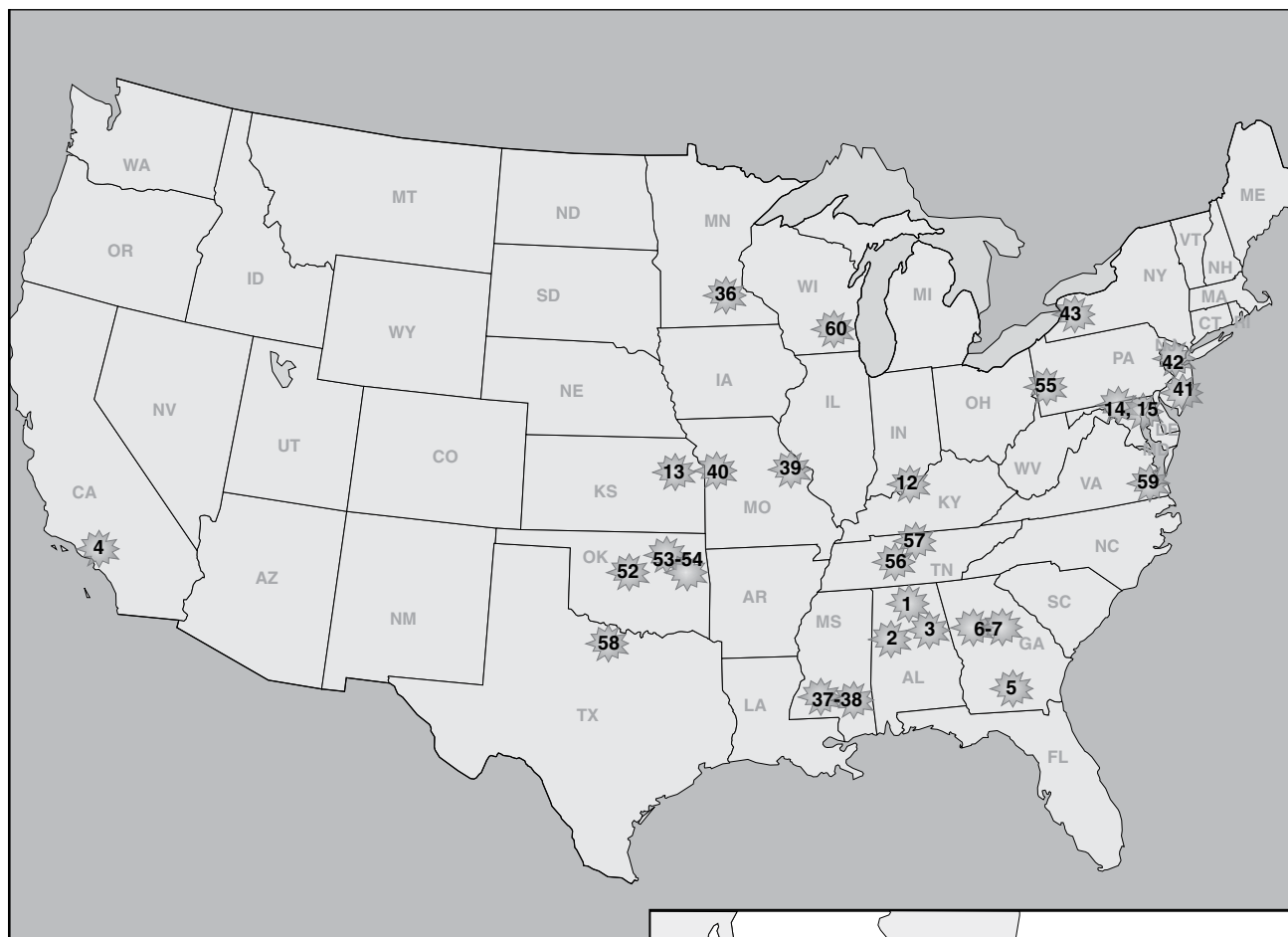
Identifying "the urgent first step" in restoring the machine-tool sector, LaRouche called for creation of a Federal Infrastructure Corporation to save and adapt the elements of the automotive industry that were being discarded by the automobile corporations.

As of this 2006 program, he listed some of the elements that "must be taken over immediately by the U.S. Federal government. Their essential productive personnel and present facilities must be promptly assigned to suitable categories of work consonant with the special capabilities of a modern, machine-tool-design-driven engineering and manufacturing function." The list includes:

"1.) *Ocean ports and inland waterways of transpor-*



## 64 'Excess' Auto Plants for Operation by a Federal Infrastructure Corporation



*The vast auto-industry capacity whose near-term closing or sell-off had already been announced when LaRouche's 2006 study was released, comprised some 73 million square feet, much of it richly supplied with machine tools and machines of high precision and flexibility. The shutdowns, EIR wrote, would eliminate 75,000 skilled industrial jobs directly, with radiating effects on feeder industries adding 300,000 more. The numbers on the maps refer to a list of the major affected auto plants, not republished here (EIR, May 12, 2006, p. 13).*

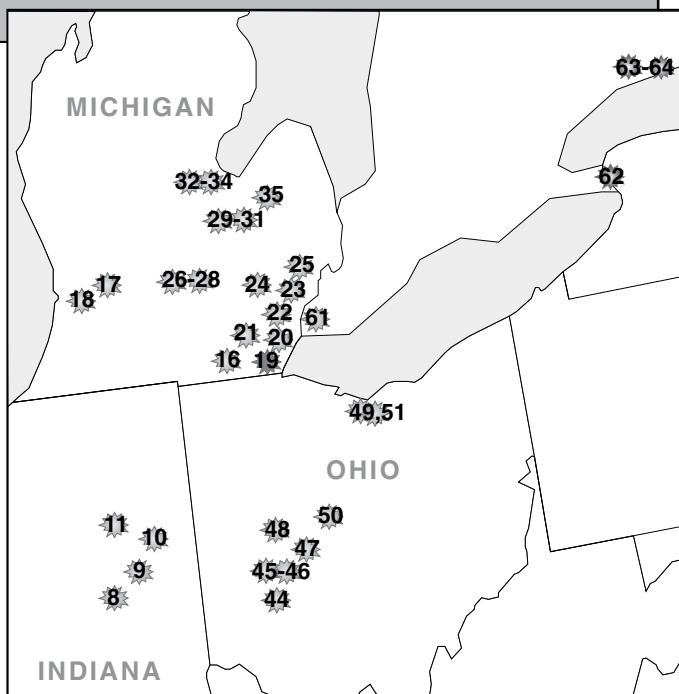


TABLE 1

**The Last Decade: 1996-2006**

State	City	Type of Facility	Workers	Company	Year Closed
Alabama	Athens	Electrical, Steering	2,037	Delphi	2001
Indiana	Indianapolis	Foundry	881	Chrysler	2005
Maryland	Baltimore	Assembly	883	GM	2005
Michigan	Detroit	McGraw Glass	717	Chrysler	2003
Michigan	Detroit/Mound Rd.	Engine Plant		Chrysler	2002
Michigan	Dearborn	Assembly	2,000	Ford	2004
Michigan	Detroit/Mt. Elliot	Tool & Die	290	Chrysler	2003
Michigan	Dearborn	Vulcan Forge	80	Ford	2003
Michigan	Detroit	Tank	536	Chrysler	1998
Michigan	Flint/		1,200	GM	1999
Michigan	Saginaw	Malleable Iron (PT)	292	GM	
New Jersey	Linden	Assembly	1,654	GM	
New Jersey	Edison	Truck Assembly	900	Ford	2004
New York	Tarrytown		3,456	GM	1996
Ohio	Brook Park/Cleveland	Aluminum Casting	78	Ford	2003
Ohio	Toledo	Machining	1,628	Chrysler	2003
Ontario	Windsor/Pillette Rd.			GM	2001-03
Quebec	St. Therese	Assembly		GM	2002

tation. This indicates an associated role of these adopted industrial capacities, and the U.S. Corps of Engineers....

“2.) *Reversing the depletion of national aquifers, by aid of nuclear-power application to desalination and related water purification programs*, but integrated with the sundry programs complementing development of ocean ports and waterways....

“3.) *Aggressive development of power from sources of high energy-flux density, such as nuclear fission*, and a quarter-century mission to bring functioning thermo-nuclear fusion applications on line....

4.) *Reorganization and Development of Mass Transportation*....

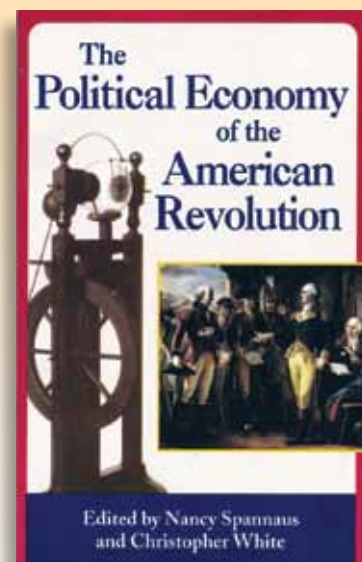
5.) *In principle, the relevant portions of the present automotive sector have an already established overlap with our space and general aeronautics programs.*”

He concluded: “The challenge of industry during coming decades, will be to upgrade the natural potential of all machine-tool-design work to the level of the refined use of those skills in fundamental scientific discovery. This is work to be carried forth in ways which echo the mobilization of the automobile industry for victory against Hitler’s warfare.”

An accompanying article, “Use It or Lose It, Auto Capacity 50% Unused and Going, Going, Gone,” from which **Figure 1** and **Table 1** are drawn, documented the vast industrial capability and skilled labor that were

being thrown on the scrap heap, but could be put to work instead for building “a new national infrastructure.”

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# End Wall Street's Theft of Pensions: Re-Enact Glass-Steagall

by EIR Staff

July 29—The Detroit default against pensions and retiree health benefits—the voices of Wall Street and international finance make clear—is intended to launch an assault on government retirement benefits, as the “Cyprus template” started the seizure of depositors’ money to capitalize insolvent banks in Europe.

Note the following pattern:

- The cover story of the July 27-Aug. 2 issue of the City of London banking publication, *The Economist*, forecast a “domino effect” starting with Detroit, moving to Chicago, and then across the United States, devastating municipal pensions.

- Moody’s downgraded Chicago’s debt rating by three notches in one day, July 26, at the demand of the city’s own banking and financial elite, the Chicago Commercial Club, a move which sets up deep cuts in city pensions.

- A July 27 report of the Bank for International Settlements (BIS) in Basel, Switzerland lyingly termed pension and retiree health benefits to be the world’s dominant debt problem—as if the \$700 trillion in banks’ derivatives exposure reported by the same BIS, was not a concern.

Scores of other financial publications are acting as mouthpieces for the same Wall Street campaign of killer austerity against what they call “age-related payments.”

Wall Street’s destructive financial derivatives game should be killed instead, by re-enacting the Glass-Steagall Act.

## Why Detroit, and What Happened

By 1995, the Federal Reserve under Alan Greenspan had unilaterally removed most of the Glass-Steagall Act’s crucial, 60-year-old prohibitions on major commercial banks putting their huge deposit funds into securities speculation. This led to the repeal of Glass-Steagall in 1999, the merger of the largest banks with insurance companies, investment banks, and securities

broker-dealers, and their creation of large numbers of hedge funds.

The financial derivatives bubble exploded in volume, from a reported \$17 trillion in nominal value of derivatives issued by the large banks in 1995, to about \$170 trillion by 2002. By 1999, the fear of general financial collapse from the failure of a single large hedge fund, LTCM (Long-Term Capital Management), because it had been loaned over \$100 billion by commercial banks to speculate in derivatives, showed how dangerous Wall Street’s deregulation of banking had become.

Derivatives, dot-com, and commodities speculation bubbles exploded in the middle of the “Clinton prosperity” era. Serious recession hit in 2000,



*The City of London’s house organ, “The Economist,” warns of a “domino effect,” of municipal bankruptcies, beginning with Detroit, and spreading across the U.S.*

with auto sales falling, and employment in auto/auto parts/machine tools began to shrink substantially, falling from 1,275,000 million in 1998 to 1,145,000 in 2003.

In 2002, Detroit's all-source revenues (\$1.95 billion), its state revenue-sharing from Michigan (\$334 million), and its residents' household property value (\$11.1 billion) all reached their peaks and began to fall. The city maintained balanced budgets through 2005, but then began to cut municipal employment, resulting in fewer employed workers to pay into the pension and retiree health funds. Auto/machine-tool employment across the industrial belt fell further by the start of 2005, to 1,100,000.

By that time, the biggest auto and auto-parts producers in the United States had marked nearly 100 plants for shutdown, totalling more than 100 million square feet of the most versatile machine-tool capacity in the U.S. economy.

### **Killing the Jobs, and Revenue**

At that turning point, in February 2005, Lyndon LaRouche's *EIR*—which has now been broadly promoting the restoration of Glass-Steagall since 2009—warned that the U.S.-based auto-production industry was facing collapse, and that the “Big Three” producers were becoming financial debt-securitizing institutions first, and carmakers second. LaRouche and *EIR* warned in May 2005 that 75-100,000 auto production jobs and 300,000 auto-parts production jobs could be lost nationally in a very few years. This proved to be accurate.

The proposed solution was to employ the unused auto/machine-tool capacity to produce for major new national economic infrastructure platforms—a “retooling” which could only be done with national credit by government, as in the retooling of the Arsenal of Democracy for World War II.

That proposal would have stopped the speculation in auto capacity by the biggest hedge funds, private equity funds, and banks, which was accelerating the shutdown of that capacity.

The proposal was broadly supported by local union organizers and elected officials, but it was blocked in Congress and the Bush White House.

Michigan state officials failed to support this solution, and instead embarked on misguided corporate tax cuts to attempt to “hold” production which was closing

or fleeing abroad. Despite promises to the contrary, the state corporate tax cuts (in 2004, 2007, and 2011) were followed by cuts in revenue-sharing with cities; Detroit's state revenue was eventually cut in half, from \$334 million in 2002 to \$167 million in 2013.

Auto- and auto parts-production fell drastically by another 435,000 jobs between 2005 and 2010, through the “managed bankruptcy-bailout” of GM and Chrysler, to 665,000 nationally. It fell by more than 50,000 jobs in the Detroit area alone. Entry-level wages for the industry wound up, post-bailout, cut in half, and average wages were down by 20%.

Detroit's all-sources revenue dropped by over one-third in a decade, from \$1.95 billion in 2003 to an estimated \$1.395 billion in 2013, despite adding new taxes, casino revenue, etc. Poverty took over its working population. Household property wealth dropped from \$11.1 billion in 2002 to \$9.1 billion in 2007 and to just \$4.9 billion in 2012. Detroit's average *household* income is now \$36,000/year, the lowest of all Michigan cities of 50,000 population or more; its median taxable household property is a vanishingly small \$12,750.

It should be kept in mind that not only Detroit, but nearly a dozen cities in southern Michigan's once-pivotal auto/machine-tools belt are now under “emergency managers.”

### **Municipal Ruin by Derivatives**

From 2005 on, the city, and then its Water and Sewerage Department, began large, billion-plus borrowings and refinancing of borrowings, primarily from the Swiss giant UBS Bank and Bank of America. Those banks immediately convinced Detroit to issue variable-interest-rate bonds for the loans, and to buy derivatives on those loans—so-called “interest-rate swaps,” or bets on whether interest rates would rise or fall in coming years. These supposed “interest-rate protection products” proved ruinously expensive to the city, as they have to Chicago, to hundreds of other U.S. cities and states, and to thousands of cities, states, and provinces across Europe and the Americas since 2000.

The Glass-Steagall Act, while enforced, prohibited banks from manufacturing these financial derivatives “products.” Had Glass-Steagall remained in force after the later 1990s, hedge funds and investment banks could certainly have offered these “financial weapons



of mass destruction” to municipalities. But the overwhelming evidence from around the world is that very few—if any—cities and states would have been trapped into such “swaps” products, had they not been sold them, at the same time, by the same big banks that were buying and/or syndicating the municipalities’ bond offerings.

Without Glass-Steagall, UBS, Bank of America, and SBS could and did sell “swaps” bets to Detroit and its Water and Sewerage Department. As has subsequently been exposed, those bets were “Libor-rigged”; the banks which had “bet” the municipalities on the direction of interest rates, were also manipulating the direction of the Libor base rates.

Since 2006, Detroit has paid an annual average of \$107 million in “negative value” payments to the banks on the derivatives products, including a single \$536 million payment by Detroit Water and Sewerage. (Similarly, Chicago’s annual payments on banks’ interest-rate derivatives have averaged \$101 million/year since 2006, according to records compiled by the Service Employees International Union there.)

When combined with the city’s loan- and loan-refinancing “fees,” totalling over \$200 million since 2005, it is clear that *non-principal, non-interest, securities payments* to banks have robbed Detroit of approximately one full year’s revenue out of its last eight years, through 2012.

Interest-rate swaps on \$3.8 billion in Detroit debt are still outstanding.

## Derivatives vs. Pensions

Now in July 2013, it appears that the most immediate choice in Detroit could be pitting derivatives versus pensions directly.

The city emergency manager, bankruptcy lawyer Kevyn Orr, has made an agreement to pay three banks—UBS, Bank of America, and SBS—approximately \$225 million *by Nov. 1* to terminate these interest-rate swaps. This amount equals more than 15% of Detroit’s total annual all-source revenues, estimated at \$1.395 billion this year, and Orr agreed to do it while defaulting on pension bonds.

This \$225 million is not a debt; rather it represents 75% of the “current negative value” (to Detroit) of swaps agreements with those banks on \$1.4 billion in 2005 city borrowing. That is, it is a payoff on a Libor-rigged derivatives bet that Detroit was conned into making in 2005 by those banks, after borrowing from them. And if the payment is delayed beyond Nov. 1, to a second payment deadline of March 31, 2014, under Orr’s agreement it will reportedly be 80% of the “current negative value” of the bet, or likely \$250 million.

Orr’s office announced that he had agreed with the banks on this derivatives payoff on July 16, two days before declaring bankruptcy against pensions, retiree health funds, and other general creditors, giving the derivatives payoff first priority in bankruptcy.

Will Congress and the White House allow this to happen, directly sacrificing pensions and health benefits for derivatives bets? The previous derivatives payments have had a severely injurious effect on Detroit. But it appears this new bet payoff will directly start the drastic reduction of retiree health and pension benefits in 2014.

What’s necessary and urgent is to go after Wall Street’s derivatives bubbles instead: Re-enact Glass-Steagall, issue national credit to reindustrialize the nation’s “Rust Belt” in the service of urgent new national economic infrastructure platforms.

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—Lyndon LaRouche, Feb. 11, 2013

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# The Tennessee Valley Authority: A Key FDR Program Under Attack

*On May 18, the Tennessee Valley Authority celebrated its 80th anniversary. The TVA was designed to develop the extremely poor southeastern region of the United States using the authority of the Federal government, but with the flexibility to choose the best path. Along with the package of measures, such as the reorganization of the banking system through the enactment of Glass-Steagall, and the regulation of critical infrastructure in laws such as the 1935 Public Utility Holding Company Act, the TVA has been a model of large-scale, integrated economic and resource development, for the rest of the country, and around the world.*



TVA

*on arguments that are patently untrue.*

*In January of this year, Bill Johnson became president and chief executive officer of the TVA. Before TVA, Johnson was chairman, president, and CEO of Progress Energy Inc., based in Raleigh, N.C., for five years, and has been a lawyer representing the utilities. He has served as vice chairman of the investor-owned utility industry's Edison Electric Institute, and was chair of the board of directors of the Nuclear Energy Institute.*

*EIR Technology Editor Marsha Freeman spoke with Johnson at the Washington, D.C., office of the TVA, on June 26.*

*Upon release of the Obama Administration's FY14 budget proposal on April 10, officials of the TVA, citizens of the Valley, and their elected Federal representatives learned that the Office of Management and Budget (OMB), under a chapter titled, "Creating a 21st Century Government," had included the following: "Given TVA's debt constraints and the impact to the federal deficit of its increasing capital expenditures, the administration intends to undertake a strategic review of options for addressing TVA's financial situation, including the possible divestiture of TVA, in part or as a whole." The budget document further notes that reducing or eliminating the Federal government's role in the TVA, which has achieved its objectives, could help put the country on a "sustainable" fiscal path.*

*The bipartisan and bicameral response from Capitol Hill was immediate, with many lawmakers assuring constituents that this proposal "isn't going anywhere." But it is astonishing that this proposal could even be made, to potentially wreck one of the most dramatically successful economic development projects of the New Deal, for based*

**EIR:** Recently, two things of note have happened regarding the TVA. One was its 80th anniversary. Throughout its history, TVA has encountered opposition. It always seems that when people are making new proposals on how to change TVA, such as the recent one, they don't go back and read the old ones. And many of the arguments seem to repeat themselves. Now there is a proposal for a review to see if there is still a need for the TVA. Do you have any idea what that would mean?

**Johnson:** Not really. We've had several meetings with OMB about the proposal—introductory meetings, early, formative process meetings. What we hear is that the language means exactly what it says, which is that they think they need to do a review, to see if TVA still needs to be a part of the Federal government, and whether its mission has been completed. That is the extent of our knowledge.

**EIR:** Do you know when this strategic review will take place?

**Johnson:** We are still in the formative discussion stage. What they've made very clear is that they want this to be collaborative, they want us to be part of this, which we like. We see it as an opportunity to demonstrate that the model is good and works. They also understand the need for speed, because to our workforce, this is a distraction. And distraction doesn't help you, either in safety, or performance. So I'm hoping it will be thorough and quick.

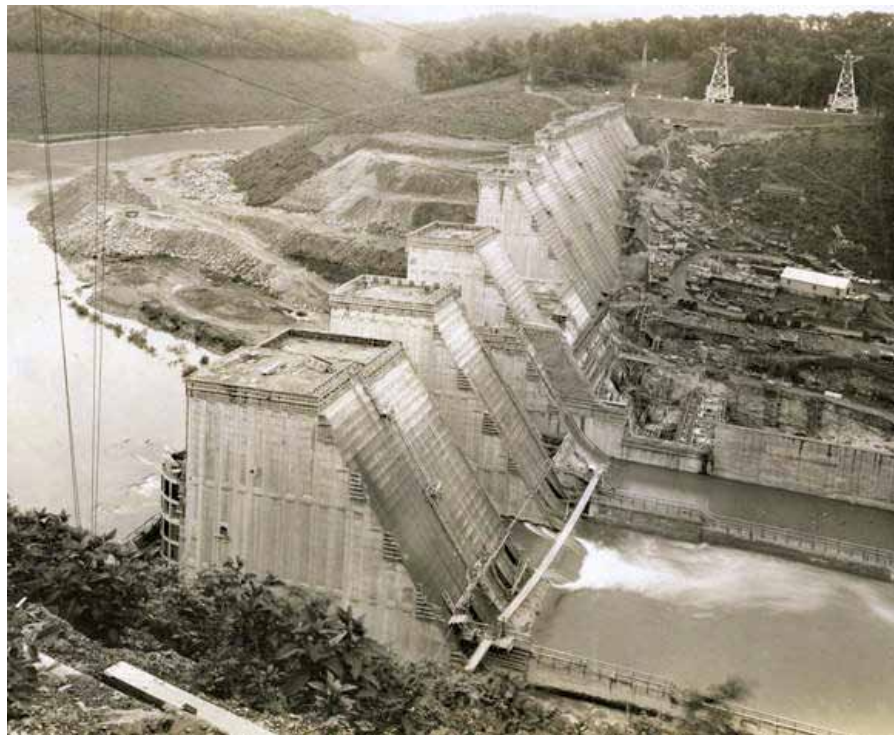
**EIR:** One immediate effect of this disruption, which people on Capitol Hill have pointed out, is that the uncertainty itself can affect your credit rating and selling of bonds.

**Johnson:** Our bond spread widened half a billion dollars on the announcement. You sell a bond, and you buy it, but there's a secondary trading market, which doesn't have to do with the price of the bond, but with how much you are willing to pay above or below the price. It's in basis points. The higher the basis point is above the benchmark, the less value you have in your bond. The spread went up 17 points, which is about half a billion dollars. So the bondholders lost a half billion dollars in value the day of the announcement. It's come back, but it's still at about \$425 million. We have several billion dollars in refinancing to do this year. So our cost of money may change, just on this announcement. We have to wait and see. But we're on a fiscal year, so we have to be out there by the end of September.

**EIR:** Would such a divestiture apply just to the power assets of TVA?

**Johnson:** It is not all clear. The document says to do a strategic review of all options, including partial or total divestiture, so it could mean everything.

One of the things that would be difficult in replacing TVA is that so many pieces of it are integrated. The whole idea is integrated resource management across state boundaries. If you break up that chain, you have all these cost centers that somebody else will have to



*Five months after President Franklin Roosevelt signed the legislation creating the TVA, construction was underway on Norris Dam, named for the intrepid Republican Senator from Nebraska who led the fight for a national project to develop the Tennessee Valley.*

deal with. Unless they have Federal authority, they will have to do things differently at the state boundaries.

### **The TVA's Debt**

**EIR:** One rationale that has been used to promote this proposal is the idea that divesting some of TVA's assets could be used to reduce its debt, and that this would lower the Federal deficit. Would it do that?

**Johnson:** To be clear: *We get no appropriations from the Federal government, and haven't, on the power side, since 1959.* We've actually made money for the government. In 1959, at our last power appropriation, we had gotten \$1 billion, cumulatively. We've paid back \$3.6 billion, so we are not leaning on the taxpayers. In fact, we're helping the taxpayers. So I don't think that's part of it.

Who knows what motivation there is in these things? If you think about the value proposition of TVA, if you are an elected official in the Valley, it's easy for you to be supportive of TVA, because you see the value every day. And if you have some institutional or historical memory, you know what has happened over the last 80 years, and the role of the TVA and the local power companies in improving the quality of life.



There is a theory that this is part of the government, and that the government shouldn't be in these businesses. Technically, we are in the budget. Every year, we submit all of our budgets and documents to the OMB and the Congressional Budget Office; so if you're in the budget, you're also included on the deficit side, you're on both sides of ledger. So we have \$24.5 billion in debt, and that shows up in the Federal deficit.



*During its first decade, the TVA brought electricity to the poverty-stricken Valley, along with flood control, the eradication of disease, libraries, and modern agricultural technology. By the late 1930s, the TVA was circulating about 13,000 books a month. Spraying against mosquitoes (above) stopped the spread of malaria, and half a million people were inoculated against smallpox.*

**EIR:** On paper.

**Johnson:** On paper. But *that is all debt that is raised in the public markets*, which the government does *not* stand by. So technically, we're part of the deficit, but legally, the government isn't responsible for those debts.

**EIR:** Has there been any political activity locally in opposition to this divestiture possibility?

**Johnson:** One of the prohibitions we have is that we do not lobby or advocate, because we are part of the Federal government, so we are not doing any of that. But the local public power association, TVPPA, which is the group of the 155 local power companies, has come out with a resolution opposing this. The American Public Power Association has come out with a resolution; there have been union letters to the White House. There is strong, and mostly uncoordinated support. You go to public meetings, you see people on the street—I met a woman the other day at a TV station who is 24, and she said, “I want to tell you how much I support TVA. My grandparents lived in the country. And I want you to know that people like me really support TVA.” The support at home is pretty strong. It would take Federal action to do something; they'll have to pass a bill.

**EIR:** Would it have to amend the law that created the TVA?

**Johnson:** Yes. We already have some ability to sell assets. There's a process to do this. They usually have

to be declared surplus assets. But we also have bond covenants that say if you sell any substantial portion, you immediately have to fund the outstanding bond indebtedness. There are a couple of other hurdles here that you'd have to work your way through.

**EIR:** The fight now to reinstate Glass-Steagall is a perfect example of what was necessary to create the TVA. There was tremendous opposition from the banks and the private utilities to the law that created the TVA in 1933. And how many lawsuits were there during the first few years of the TVA, to challenge the law?

**Johnson:** It went all the way up to the Supreme Court twice, I think. Our goal is to make sure that there is a 160th anniversary of TVA!

### **‘Our Own Economic Development Company’**

**EIR:** You have had a lot of experience in the investor-owned utilities, and seen both sides—public power and private. What do you think the impact might be if some of TVA's electric-generating assets were sold?

**Johnson:** Two impacts: One impact that we hope doesn't happen but could, is that prices could go up. For example, we have the luxury of not having to pay dividends to shareholders. Our dividend comes back to the customer in the form of a lower electric rate. We have some advantages that would be hard for a shareholder organization to match. So I would think the price would be a real issue. How much would the rates be? I think it would be hard for someone to do it cheaper than we do it.



The other impact is the non-electric piece: river management, resource stewardship, campgrounds, boating. These are all things other people can do, but someone is going to have to get paid to do them. I just don't see how, as an economic proposition, this would be done any better than it is today.

**EIR:** Because TVA pays for all of the non-electric programs out of its electricity sales?

**Johnson:** Exactly right. And every utility, every power provider, does economic development. Mostly on the investor-owned utilities side; you do it to increase your sales. It's good business. We do it for a different reason. We do it so we can bring jobs and vitality to the Valley. And we do it in a form and a fashion, and on a scale that nobody else does. We're like our own economic development company. I've not seen anybody else who would approach it like this, especially if you have to invest some of your shareholder dollars.

**EIR:** The statistics for economic development in the Valley are very impressive.

**Johnson:** Between about 2007 and 2012, 200,000 jobs created; \$24 billion in investment. If you look over a longer period, it's millions of jobs.

**EIR:** In mid-June, the Howard H. Baker Jr. Center for Public Policy at the University of Tennessee, Knoxville, released Policy Brief 2-13, "Should the Federal Government Sell TVA?" The data that is presented is quite dramatic.

One rationale for the Administration's strategic study is the claim that the TVA is in an untenable situation, because it has a Congressionally imposed debt cap of \$30 billion, and it has almost reached that ceiling. The Baker study reports, however, that the \$30 billion debt cap for TVA was set in 1979. If you adjust that figure for inflation, it would be about \$100 billion! They also report that there are investor-owned utilities that have more debt than the TVA does.



*Without the TVA, the nation would not have been prepared to fight World War II, stated the Federal Power Commission after the war. Cheap and abundant hydro power made the TVA region a major supplier of aluminum for airplanes, along with processed metals, timber, chemicals, ship boilers, gas masks, and explosives. For the war effort, TVA built 10 dams; Douglas Dam was built in a record-breaking 12 months and 17 days.*

One of the charges that is made by the private utilities is that the implicit—which they admit is not explicit—government backing for TVA's debt gives TVA an unfair advantage, making its credit rating higher, so its interest rates are lower. But in the 1930s, the electric utilities were regulated through legislation such as the Public Utility Holding Company Act, because providing electricity was viewed not as a luxury, but as a necessity. Regulation ensured that the utilities would operate on a sound financial basis, with a guaranteed rate of return, if they met the requirements of the law. If universal access to electricity is a public good, perhaps the government should think about what the credit ratings, and credit availability should be, and not leave that up to the financial markets.

**Johnson:** The question is, what is in the best interest of the people who get the service? Is it to have the lowest interest rate and highest

credit rating you can, because you're providing a public good? That seems to make sense to me.

What really drives the credit rating is the TVA Board's authority to raise rates to cover costs. That's really the foundation of it. We actually have a really good self-regulating system. The TVA Board sets the rates to recover the costs. Customers see the impact of cost increases immediately in their rates. So our job is to keep rates low. That circle sort of works—we keep the rates low, and we do enjoy a low cost of capital because we have the authority to raise rates, but the Board doesn't want to raise rates. They want us to be more efficient, more effective. It is the essence of public power. You have a board appointed by the President, but you have a stakeholder group, the customers, and they're really influencing the Board.

### Is the TVA's Work 'Finished'?

**EIR:** Another charge that's been made, is that the work of the TVA is really finished, so why do we need it? On the occasion of the 30th anniversary of the TVA, President Kennedy gave a speech at Muscle Shoals,

Ala., where he responded to that charge, stating: “The work of the TVA will never be done until the work of our country is done.”

**Johnson:** I don’t think that we at TVA are the people who should judge whether the mission is done or not. I think two groups should decide this: the people who own TVA, the people of the United States, through their elected or appointed officials, and more importantly, the people who receive the value, the mission recipients, should have a big say in this. These are the people who pay the entire cost, every day, of TVA. They are not only the value recipients, they are the payors. I think an interesting exercise would be to find out from the people who live there, who are served in some way by TVA, what they think. And I think that you’ll find that the mission is not finished.

Just speaking personally, I’d say that the mission might be finished when everybody has a good-paying job, there is full employment, low power rates, and a good environment. Then, you’d be getting close.

## Cleaner Power

**EIR:** Another event this week was President Obama’s speech saying he would set new, stricter, environmental regulations for power plants through the Environmental Protection Agency, since the Congress has not done it. TVA has a number of older, more inefficient coal-burning plants, which it plans to retire.

**Johnson:** Its 2,700 MW, 18 units, that are definitely going. There’s a discussion about what to do with the rest of them.

**EIR:** There are two possible pathways: to sink a lot of money into 40-year-old plants to have them meet new environmental regulations, or what TVA has done, deciding to complete some of its unfinished nuclear plants.

**Johnson:** We have a vision to be a national leader in low-cost, cleaner energy by 2020. That’s the path we’re on. We’re going to retire the old coal plants. The average age of our coal fleet is over 51 years. So I like to joke that I would like to close the ones that are older than me! We



*TVA’s work “will never be done,” stated President Kennedy at Muscle Shoals, on the 30th anniversary of the TVA. “Let us all resolve that we, too, in our time, 30 years later, will, ourselves, build a better nation for ‘generations yet unborn.’”*

have added natural gas, and we are finishing the Watts Bar 2 nuclear plant. So you see a transition to a much cleaner portfolio. We have a big wind portfolio, by southern utility standards. So we are moving in that direction.

One of the things that is helping us is that we’ve had a significant decrease in demand, and, therefore, a significant decrease in revenue; that [second] part doesn’t help. But the decrease in demand allows you to do some things in a window of five to seven years. Instead of thinking about, “What do I need to build?” you’re thinking about, “How do I rationalize what I have?” Finish that big nuclear plant; retire some coal. Our emissions will be way down. The fuel mix will change. We will keep enough coal. If you’re a producer, one of the things you want to do, is compete the fuels. You want enough coal to arbitrage against the coal price. But over time, the energy mix will have changed considerably. It will be cleaner and more environmentally friendly.

## Innovation: the Nuclear Program

**EIR:** In nuclear technology, TVA has played a very important role in research and development, with the flexibility to move in to new areas. The most recent is to be the first utility to build and test a small modular nuclear reactor.

**Johnson:** In the enabling statute we have, one of the things we’re charged with doing is innovation in energy technology. People don’t generally know this, but we

do quite a bit of innovation. One of the key ones at the moment is small modular reactors (SMR), which we think has the potential to be a great technology. It lowers the capital risk. You're paying a fifth or a sixth of what you would pay for a big plant. The technology is pretty straightforward. It's similar to the reactors that have been used in aircraft carriers and submarines for the last 50 years. We just turn it up and put it in the ground.

It's a little more complicated than that, but I think there are three things: First, the capital risk is so much smaller, that it's easier to digest. One of things utilities have trouble with, is you build a big plant, but you probably don't need the whole big plant in the beginning. If you put plants in operation in thousand-megawatt chunks, that's a lot of plant. You put it in at 200 megawatts, or 180, it's easier to deal with.

Second, you can "drive" these nuclear plants—you can load-follow with them [adjusting the power output as demand fluctuates—ed.]. As a submarine goes faster and slower, you can do that with these reactors. For the big reactors, you want to put them on at 100% and leave them on until they run out of fuel, because when you maneuver them, the system changes; there are miles and miles of pipes, and everything is affected. So turn it on, and run it.

Third is the export [potential]. We have new [nuclear] entrants—Qatar, the UAE, Vietnam. It would be a good thing for them to start with a 180- instead of a 1,200-megawatt plant. So for those reasons, this is a very promising technology.

**EIR:** And TVA is looking at siting the first Small Modular Reactor?

**Johnson:** We are in a partnership with Babcock & Wilcox and we got cost-sharing funding from the DOE. The partnership is called mPower, and we have a site at Clinch River, very close to Oak Ridge National Laboratory, that we have laid out. We're doing meteorological work there and soil testing, so we are doing a little preparatory work to be able to do this by 2020, 2021, depending on how long it takes to get through the Nuclear Regulatory Commission [licensing] process. The NRC has never licensed one of these. So that will tell us a lot about not just the commercial, but also the technical viability.

**EIR:** As nuclear energy takes off, many developing countries will want the smaller reactors. Do you think manufacturing facilities will be set up in the TVA region to produce these small reactors?

**Johnson:** B&W builds the military reactors for submarines and aircraft carriers. The idea here is that you build this plant in a factory; it will fit on a rail car and you take it to the site. They have some capability, but not to do a lot of these. The military doesn't get that many over time, so you have to expand the capability. And we have all those great transportation routes and a skilled workforce. I would love to see that happen.

**EIR:** I read that work at the Bellefonte nuclear plant, which is being completed, is being slowed down, and people are being let go. What is the reason?

**Johnson:** The demand picture, mostly. We used to project growth for ten years at 2 or 3% per year. We're now projecting 0.4%.

Bellefonte was approved to be completed two years ago, but the TVA Board also wanted a brand new estimate [of the cost of completion] given the history of the Watts Bar estimate.<sup>1</sup> We have been working on engineering and asset preservation, but in that two-year period, demand has gone down considerably, and we lost USEC, which was our biggest customer, a 1,000-W customer. So the need for the plant has pushed back. We haven't changed the date or made a different decision, but we have figured out that we don't need it when we thought we would need it. And we have some short-term needs that we really need to focus on. We need to finish Watts Bar II by the fourth quarter of 2015, at \$4-4.5 billion. It's not so much the money as organizational capability and managerial mind-share.

One of the things you think about in a big organization is, what is our capability to be doing two [nuclear reactor construction projects] at once? You see Southern Company with two Vogtle units side by side on an existing site. Everyone would agree, I think, that the Southern Company is one of the better companies in the business, and they're having some trouble. I don't think we need to be building two units at the same time. Let's finish this one. Let's look at the fundamentals of demand and usage and see when we need that plant.

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1. In 1985, TVA's Watts Bar Unit 2 nuclear power plant stopped construction, when it was 70% complete. In 2007, the TVA Board decided to complete the plant, with an initial projected 2012 start-up date. Cost and schedule overruns led TVA to revise the schedule in 2011, with a projected current start-up date at the end of 2015, and a cost that is more than double the original, 2007 estimate of \$2.5 billion.

For an extensive history of the TVA, see "Roosevelt's TVA: The Development Program that Transformed a Region and Inspired the World," in the Summer 2011 issue of *21st Century Science & Technology*.



Babcock & Wilcox

*Conceptual drawing of an underground containment structure housing two Babcock & Wilcox mPower reactor modules. On the right is a single mPower reactor, showing the scale of the structure.*



Babcock & Wilcox

**Johnson:** I think you're on the right track here. Let us think about economic policy that encompasses industrial policy, energy policy. All of these things go together. That's the TVA model, a whole integrated plan for the region. You can't talk about energy policy in a vacuum—it's helpful to know what you're trying to achieve through that policy, not just have a policy.

**EIR:** One of the things that is so striking about the TVA, is how it became a model for development in other parts of the world, such

as the Three Gorges Dam in China. Is there still interest from other countries in the TVA model of development?

**Johnson:** We recently had some Japanese visitors, and I think we have some coming from Vietnam, so, yes, there's still a great deal of interest. The Chinese have come within the last six months. What they're interested in is integrated resource-management planning. How do you make all these things fit together? My own experience is that TVA is known much more thoroughly internationally than it is nationally. It's kind of amazing.

We are also a good example of thinking about the lessons of Fukushima, because our nuclear plants are all downstream of major dams. So the flooding aspect is something for which we are a good model for the rest of the industry. There's probably not going to be a tsunami, but there are 49 dams on that [Tennessee] river, and there's a lot of water impounded on that river, so if you have a dam failure or two, then you have a flooding issue, and you have to be able to make sure you're cooling that [nuclear plant] core.

**EIR:** Had the TVA thought about that possibility before the Fukushima accident?

**Johnson:** This is interesting. These plants were licensed as wet plants. In other words, licensed to be able to be flooded [and maintain safety]. But the projection of what a probable maximum flood is has changed, so we're having to do some work to move safety systems to

## Economic Forecasting

**EIR:** The deregulation of the electric utility industry since the mid-1990s introduced a factor of instability to the entire nationwide industry. Utility long-term planning was made more difficult without government oversight. That is now combined with the current contraction of the economy, making forecasting what electric demand will be during the years it takes to build additional capacity even more difficult.

**Johnson:** From World War II until 2007, we had growth. We averaged, sometimes, 3 or 4% [per year]. But then we dipped. We're in the fifth year of a decline in demand. As we now project our peak [demand], we will be back [up to the 2007 level] in 2023. So this is a fundamental change in the dynamics. What if you guess wrong, and demand comes back by 2018? What if it doesn't come back until 2030? It's sort of a conundrum. I think this is a time to husband your capital, preserve your options, and have enough flexibility, so if you're wrong in any direction, you can do something about it.

**EIR:** Our view is that what we need is a new economic policy. Your region may be a little less affected, because, due to TVA, you can be pro-active in attracting and keeping jobs; but if you look at Detroit and the industrial heartland, they are in bankruptcy. The government historically has had the responsibility to create the conditions for economic growth, which is what TVA was mandated to do. And that needs to be applied nationally.



higher elevations. They were built to be flooded, but the flood might be a little bigger, so we're moving things up.

**EIR:** Are other nuclear plants built that way?

**Johnson:** There are a number of them around the country. The one in Nebraska, Fort Calhoun, which had big flooding, was licensed as a wet plant. A number of them are on hydro rivers.

**EIR:** Does that mean that the plant automatically shuts down, or does it keep operating?

**Johnson:** If you have a flood of that proportion, you won't need the electricity, so you shut the plant down. In any kind of major flood, you would shut the plant down, but you would move clean water over the fuel and through the steam generators. You protect the asset, preserve the asset, but you wouldn't be generating power.

**EIR:** A recent news article reported that in your region, there was 60-year rainfall, and TVA flooded certain non-essential areas such as golf courses to cope with the water, but people's homes were not affected. The estimate was that \$800 million in damages was averted.

**Johnson:** That was in January. If you look over the history, the number is some significant billions of dollars. Sometime when you come to Knoxville, you should see the River Operations Center. We had, during those rains, several of the dams dealing with record amounts of water. Think about that—80-, 90-, 100-year-old dams, with record amounts of water. The ability with which they can move that water with precision is unbelievable. The people there say, "We've got to move this water. It's going to flood here, but it will be 100 feet from any structure." And they can do that with precision. It's so many millions of cubic feet they're spilling per second. If you go back in history and look at the flooding, and the ravaging nature of that, controlling that river has been one of the TVA's major accomplishments.

**EIR:** The other thing that impressed me was that because of the connections, this management of the Tennessee River also helps to manage the Ohio and Mississippi rivers.

**Johnson:** The Tennessee River forms in Knoxville from the French Broad, the Little, and the Holston rivers. It goes down, doesn't touch Georgia—Georgia wants some of this water—Alabama, Mississippi, back up east of Memphis, all the way to Paducah, Kentucky,

and runs in to the Ohio River. The Ohio runs in to the Mississippi, and that goes to Memphis. So the coordination with all those rivers, and the Army Corps, is all pretty important.

**EIR:** How do you interface with the Army Corps of Engineers? If the decision were made to break up the TVA, would the Army Corps have to pick up operation of the dams?

**Johnson:** They would certainly be a likely candidate, but you'd find private enterprise to do that, too; private river-management companies. We interface very closely with the Corps because we control the river, we control the shoreline, so any appurtenances you'd want to build, boat docks, we control all of that. The Corps controls navigation. So we provide the water for navigation but they control the navigation, and they run the locks. There are a lot of locks.

You know, when TVA was formed in 1933, you could not travel the length of the Tennessee River. You would get down to the shoals, which is a big, muddy flat spot. Today, there are a lot of locks, and we are in communication in real time with the Corps. How much water do you need in the Mississippi? How much do you want in Huntsville? That's a pretty daily occurrence. [Today, the Tennessee River] is a very heavily used transportation conduit, maybe the most heavily transported river, or second behind the Mississippi. The savings from using river transportation, versus other forms, is hundreds of millions [of dollars] every year, which also helps with economic development.

**EIR:** In the 1960s, at the same time that President Kennedy was at Muscle Shoals to celebrate the 30th anniversary of the TVA, there was a program put forward, and developed by the Ralph M. Parsons Company, called the North American Water and Power Alliance, or NAWAPA, which would have built on the TVA model, and moved it west. The Great American Desert, with such rich soil, but a serious lack of water, could have become a breadbasket for the country. But this was never built. We have resurrected and improved and expanded the NAWAPA program, as a great infrastructure project that must be built. The success of the TVA is an important precedent for taking on such a large-scale infrastructure project.

Thank you for taking the time to discuss the past and future of TVA.

**Johnson:** It's been a pleasure.

# LaRouchePAC Demands Action On Glass-Steagall This Week

by Nancy Spannaus

July 30—“Bankrupt the Wall Street Bastards, Restore Glass-Steagall, Recess Is Cancelled.” That is the message which the LaRouchePAC Policy Committee is taking to Washington, D.C. for a third intensive week of activity aimed at passing the legislation that will crush Wall Street, and setting the stage for a real physical-economic recovery, just as Franklin Roosevelt carried out 80 years ago.

The LaRouche Policy Committee, a team of six young political leaders of the LaRouche movement, took their cue from Lyndon LaRouche himself, who engaged in a substantive dialogue about the nature of the transformation which Glass-Steagall must usher in, during his July 26 [webcast](#). In that address, LaRouche emphasized the time factor, and the need for total commitment to victory. “A Glass-Steagall victory is the only chance for the survival of civilization,” he said. “Otherwise, *there is no civilized solution*. And one of those non-solutions is nuclear power, thermonuclear fusion, as a weapon.”

In a statement made to colleagues the next day, LaRouche stressed that the Glass-Steagall policy, whose initial content is contained in three bills now before the U.S. Senate and House of Representatives (H.R. 129, S. 985, and S. 1282), *can* be passed in the days ahead, if the battle for their passage is waged the right way. Crucial evidence for that assertion comes from the momentum for the bills currently evident on Capitol Hill, espe-

cially since the introduction of the second Senate bill a little more than two weeks ago.

## ‘Glass-Steagall: The Last Chance’

On July 28, the LaRouchePAC Policy Committee issued the following call for mobilization in Washington and around the country. It is accompanied by a [mass leaflet](#).

“As the case of Detroit should make clear to anyone, there is no time for pragmatism or ‘go-along-to-get-along’ politics this week. Detroit is not being declared bankrupt because of petty corruption by a local mayor. Our nation has been in decline since the assassination, 50 years ago, of President John F. Kennedy, and then, that of his brother, both of which were followed by a horrible paradigm shift typified by the Indo-China war, the rock-drug-sex counterculture, and the environmentalist movement. That coup was consolidated on Sept. 11, 2001, when the events of the day were used, as Lyndon LaRouche warned that they would be, to impose dictatorial policies on the people of the United States. Between 12 years of Bushes and 5-plus years of Obama, thus far, we are at the end of the line.

“Every city in America is Detroit this week, and this is why anyone who wishes to survive, knows that Glass-Steagall must be reinstated immediately. Do you really believe that Camden, N.J.; or Stockton, Calif.; or Chicago, Ill.; or Buffalo, N.Y. are in better shape? Do you

seriously believe that once all the city workers lose their pensions, as Michigan Gov. Rick Snyder wishes them to do, the city will be poised for recovery? Do you like the Dodd-Frank policy of looting the ‘unsecured

creditors,’ that is, the depositors, to cover the losses of what should be considered criminal activity?

“Most Americans don’t like these policies, and as a result, nearly half of the 50 states have introduced res-

## Sen. Folmer: ‘Banning Swaps and Bail-Ins’

*Pennsylvania State Senator Mike Folmer (R-48th District), Central Pennsylvania (Lebanon, Berks, Dauphin, Chester, and Lancaster Counties), issued this statement July 22, 2013.*

The recent City of Detroit bankruptcy filing highlights my call to ban swaps: contracts where a municipality and a financial institution agree to exchange—swap—cash-flow payments. Most swaps involve a municipality issuing a variable rate debt and then entering into a swap with a bank, which makes a variable rate payment to the municipality while the municipality makes a fixed-rate payment to the bank. However, if interest rates fall, the municipality could see losses—sometimes multi-million dollar losses.

Debt sales cost Detroit \$474 million, including underwriting expenses, bond-insurance premiums and fees for wrong-way bets on swaps that almost equals Detroit’s 2013 budget for police and fire protection. The largest part is \$350 million owed for swaps meant to lower borrowing costs on variable-rate debt.

I believe swaps represent gambling with other people’s money and state government needs to protect taxpayers by banning swaps as called for by my Senate Bill 903. At the same time, I believe the federal government needs to protect consumers by abandoning the Dodd-Frank Wall Street Reform and Consumer Protection Act and reinstating the protections of the Glass-Steagall Act. After the stock market crash of 1929, Congress passed the 1933 Banking Act, Glass-Steagall, which regulated commercial banks separately from investment banks. For 60 years, the United States had relative financial stability.



Then, in 1999, Congress passed the Gramm-Leach-Bliley Act, which allowed commercial and investment banks to come together again. Less than a decade later, we had the financial crisis of 2008, and passage of Dodd-Frank.

According to Bloomberg: Some of the key provisions of the Dodd-Frank Act of 2010, advertised as crucial to preventing a new financial crisis, won’t live up to the claims of its sponsors. As with most things in Dodd-Frank, the public knows little about the liquidation authority, although it has been touted by the Obama administration and others as solving the problem of bailouts for firms seen as too big to fail. But it does nothing of the kind; instead it makes the problem worse.

Dodd-Frank worsens the problem by replacing taxpayer-funded bank bailouts with consumer-funded bail-ins. A bail-in can force shareholders, bondholders and some depositors to contribute to the costs of bank failure. Cyprus used a “bail-in” to seize people’s savings to keep banks in that country from failing.

Recently, *The Wall Street Journal* reported that several bigger banks have presented plans to the Federal Reserve to shield depositors and taxpayers from losses in the event a bank subsidiary fails: a bail-in. While US regulators have yet to weigh in on this plan, Europe is reportedly writing rules to impose bail-ins for struggling banks.

My fear is that we too will soon begin to see bail-ins, which is why I’m introducing a Resolution calling upon Congress to again separate commercial and investment banking by repealing Dodd-Frank and getting back to Glass-Steagall. Like my call for banning swaps, we need to protect taxpayers and consumers for risks they did not make.

While some may argue bail-ins beat the alternative—bailouts, I believe both should be banned. Those who take risks need to shoulder the burdens of those risks should they fail.

olutions into their state legislatures in support of H.R. 129, the 'Return to Prudent Banking Act' which would reinstate Glass-Steagall. This bill has over 70 co-sponsors in the House, and there are now two Glass-Steagall bills in the U.S. Senate (S. 985 and S. 1282) with seven Senators from across the political spectrum on board.

"This fight has become so intense in the last weeks, that dark-suited bankers from JPMorgan, Bank of America, and elsewhere, have appeared in state houses to attempt to intimidate lawmakers from even thinking of supporting Glass-Steagall. These Wall Street lobbyists are on the Hill going from office to office to attempt to stop the generally cowardly Congress from acting in time to save the nation.

"The fight is intense because it is now clear that this fight can be won! It is not necessary to kill off our elderly and poor. It is not necessary to record every American's every conversation to keep them from rebelling against a fascist coup! We defeated the British Empire over two centuries ago, and we can finish them off now,

but time is short. The Congress must not be allowed to leave town without taking action to defend the people in a time of war. Glass-Steagall must be voted on and passed *this week!* Don't be a pragmatist, be a patriot!"

### Even Congress Remoralized

According to the official schedule, Congress is scheduled to leave town on Aug. 2. Should they do so without passing Glass-Steagall, the way will be open for Wall Street banksters to move ahead with their murderous plans to steal pensions, cancel health care, and otherwise ram through their fascist police-state measures. The only alternative is to *bankrupt Wall Street*, before they bankrupt the rest of the country.

The potential for accomplishing what the LaRouchePAC Policy Committee is demanding is evident in a palpable shift in mood on Capitol Hill itself. Over the last two weeks, LaRouchePAC organizers have found that Congressmen who previously saw their sponsorship of Glass-Steagall as a "good but unwinnable gesture," are beginning to get the sense that victory

## Asner Issues Letter: Restore Glass-Steagall

July 25—*The following letter was released today by noted Hollywood actor Edward Asner.*

It is time to acknowledge that the so-called financial reform efforts made after the crash of September 2008, including the Dodd-Frank bill, have failed to address the fundamental problem that caused the crash, that of increasingly wild speculation by the largest banks and financial institutions. This speculation has gotten far worse since the 1999 repeal of Franklin Roosevelt's Glass-Steagall Act, which served the nation well for more than six decades. Many of the financial institutions which engaged in the wild speculation which caused the crash, were involved in the campaign to



repeal Glass-Steagall, and they oppose restoring it today.

Since the passage of Dodd-Frank, the so-called Too Big to Fail banks have gotten larger. Despite trillions of dollars in bail-outs, they are making fewer loans today than before the legislation, and the injustice implicit in that—that Wall Street gets whatever it wants, while Main Street gets nothing—has worsened.

I am encouraged that there is renewed action in support of restoring Glass-Steagall, with HR 129 in the House having more than 70 cosponsors, and two bills, one from Sen. [Tom] Harkin, and one from Sen. [Elizabeth] Warren, in the Senate. I know that Wall Street lobbyists are spending millions to prevent Glass-Steagall from being passed. It will take

courage to stand up to them, but I expect that from you. I therefore urge you to immediately become a cosponsor of this crucial legislation, and act to see that it, once again, becomes the law, and ends the reign of the Too Big To Fail banks.



can be won.

One turning point was the July 11 introduction of S. 1282, the “21st Century Glass-Steagall Act,” by Senators Elizabeth Warren (D-Mass.), Maria Cantwell (D-Wash.), John McCain (R-Ariz.), and Angus King (I-Me.). This grouping has been highly vocal and polemical, and received a barrage of media coverage—both positive and negative. There are now two additional sponsors on S. 1282, Democrats Barbara Mikulski (Md.) and Sheldon Whitehouse (R.I.).

The second Glass-Steagall bill in the Senate followed on the introduction of S. 985, “Return to Prudent Banking Act of 2013,” by Sen. Tom Harkin (D-Iowa) on May 16. S. 985 is a companion bill to Rep. Marcy Kaptur’s (D-Ohio) H.R. 129 “Return to Prudent Banking Act of 2013,” which now has [71 co-sponsors](#), including five on the House Financial Services Committee, the committee responsible for holding hearings on the bill.

Over the past week, leading supporters of Glass-Steagall have taken an increasingly high profile in Congress, to press for passage of the bill. On July 23 Reps. Kaptur and Walter Jones (R-N.C.) released a “Dear Colleague” letter to all members of Congress, asking for their support on H.R. 129. On the same day, Kaptur gave a [Special Orders speech](#) on the House floor, also

urging others to co-sponsor, and citing such disasters as the declared bankruptcy of Detroit as what has to be stopped.

A special briefing, sponsored by the Main Street Alliance and Americans for Financial Reform, was held in the Senate July 18, featuring Federal Deposit Insurance Corporation vice-chairman Thomas Hoenig and former IMF chief economist Simon Johnson pushing for the passage of one or both of the Senate bills.

### Constituent Pressure

Critical to the sense of urgency on the Hill, has been the intervention from constituents. Detroit political leader and School Board head LeMar Lemmons III visited Washington on July 24 and 25, to press the need for Glass-Steagall as a solution to his city’s disaster. Lemmons met many Congressmen, and gave a short address to the Congressional Black Caucus, demanding action. His discussions about how Glass-Steagall’s repeal led to the rape of Detroit, had an electric impact on the Hill, which was replicated in the discussions LaRouchePAC organizers and citizen activists had with Congressmen and their aides.

The National Farmers Organization and state legislators are also pushing to get the Congress to pass Glass-Steagall (see boxes).

## South Dakota Lawmakers Demand Action

July 30—*In a letter to Sen. Tim Johnson (D-S.D.), the chairman of the U.S. Senate Banking Committee, made public July 29, thirteen current and former members of the South Dakota legislature called for “immediate emergency hearings” on the Glass-Steagall bills now before the Senate.*

*The full letter and signers are reproduced below.*

We, the undersigned South Dakota legislators, by virtue of the overwhelming passage of SCR 6 in the last S.D. legislative session, call upon you [Senator Johnson], as Chairman of the Senate Banking Committee, to hold immediate, emergency hearings on

the reinstatement of The Glass-Steagall Act. There is strong support for the Glass-Steagall Bills in the Senate and the House. Our people are facing economic and social ruin. The collapse of Detroit, which used to be the U.S. arsenal of democracy, is the handwriting on the wall for economic ruin across our once strong United States.

You follow in the footsteps of the great South Dakotan Peter Norbeck. You must act as he did in the present crisis that threatens to be more terrible than the Great Depression of his time.

Signed:

State Senators: Tim Begalka, James Bradford, Jason Frerichs, Ryan Maher, Jeff Monroe

State Representatives: Dennis Feickert, Kevin Killer, Stace Nelson, Betty Olson, Dean Schrempp

Former State Legislators: Frank Kloucek, Patty Miller, Lyndell Peterson

# NFO Backs Revival Of Glass-Steagall

July 23—*The National Farmers Organization (NFO), based in Ames, Iowa, today issued the following statement in support of the restoration of the Glass-Steagall law.*

For Immediate Release: National Farmers supports legislation for increased banking, economic security.

At the National Farmers national board meeting July 17, national board members supported measures in the proposed 21st Century Glass-Steagall Act and the proposed Return to Prudent Banking Act, citing the need to prevent a potential banking crisis domino effect, and ultimately protect the economy.

Both bills would remove the connection of investment banking and commercial banking in one institution. In investment banks, products such as hedge funds rule the day. Commercial banks primarily provide services such as checking and savings. The 21st Century Glass-Steagall Act (S. 1282) was introduced July 11 by Elizabeth Warren, (D-Mass.), John McCain, (R-Ariz.), Maria Cantwell, (D-Wash.) and Angus King, (I-Me.)

If passed, large financial institutions would be unable to access FDIC-insured savings and deposits, using the money and a variety of investment products to speculate. Ultimately, it would end practices relying on the belief that a banking type of entity could grow too large to buckle under financial strain.

National Farmers leadership recognizes debate continues about the causes of the Great Recession, and whether the safeguards this bill provides would have prevented that crisis. However, the internal connection in an institution between investment and commercial banking increases risk exposure. At National Farmers, we are intentional about managing price risk for producers, and respectfully request Congress to be intentional, manage banking risk and protect lending customers on farms and in cities alike.

Many economists say this is a more secure system, and would prevent future problems of investment risk

exposure to commercial banks and their customers. National Farmers, for the benefit of agriculture and consumers, supports reinstating long-held safeguards.

The Return to Prudent Banking Act of 2013 was introduced in the U.S. House (H.R. 129) and the U.S. Senate (S. 985) in May. Previously protective measures were in place in The Glass-Steagall Act (Banking Act of 1933), but those were repealed in 1999, with the Gramm-Leach-Bliley Act.

Some who urged repeal of the original Glass-Steagall now publicly say they were wrong. Former President Bill Clinton. Former Speaker of the House Newt Gingrich. Former Merrill Lynch CEO David Komansky. U.S. Representative Steny Hoyer (D-Md.).

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 was a start toward correcting problems, and was meant to fill loopholes for over-the-counter derivatives, asset-backed securities, hedge funds, mortgage brokers and payday lenders. It was also intended to end taxpayers' vulnerability to picking up the bill if a large conglomerate failed, known as Too Big To Fail bailouts. And the 2010 Act created a council to examine systemic risks caused by conglomerates and products or financial activities that could threaten the economy.

But the 2010 legislation didn't go far enough.

Other organizations support addressing core banking security issues, such as the systemic risk of Too Big To Fail, including the Independent Community Bankers Association, and National Farmers Union, which supported the Return to Prudent Banking Act.

Farmers, ranchers and consumers count on their financial institutions to remain sound. National Farmers national board members support measures isolating commercial banking and investment banking, and other provisions in these bills. The organization urges passage of legislation that increases security of America's banking system.

National Farmers is a group marketing and price negotiation provider for the nation's farmers and ranchers.

*Contact: Perry Garner, communications director; 528 Bill Sunday Rd., Ames, Iowa 50010.*

*NFO: 800-247-2110; or e-mail: [nfo@nfo.org](mailto:nfo@nfo.org) News Release.*

# California, the Pacific, and The Fight for Glass-Steagall

by Harley Schlanger

*Harley Schlanger gave this speech to the Schiller Institute conference, “Forum for a New Paradigm: A Second American Revolution,” in San Francisco, on June 29, 2013. After reviewing the status of the House and Senate bills to revive Glass-Steagall, and conveying greetings to the conference from Rosanne Barr, a former candidate for President for the Peace and Freedom Party, who has endorsed Glass-Steagall; and from Colorado State Sen. Owen Hill, who also is calling for Glass-Steagall reinstatement, Schlanger proceeded with his address.<sup>1</sup>*



LPAC-TV

*“The myth is that California was built by Hollywood,” Schlanger declared. The reality is that it was FDR’s New Deal, starting with Glass-Steagall, which created the basis for one of the most spectacular booming economies in world history.*

Let’s take a look at the state of California today: We’ve gone through a perpetual budget crisis, annual revenue shortfalls, budget cuts, from 2002 to today, to over \$120 billion, and you hear this talk, “There’s too much pork, there’s too much spending”—it’s all nonsense! What’s been done with these cuts, is targeting the poor, the elderly, the sick, and children. And the future! Because when you cut health care, the way it’s been done in this state, and the way Barack Obama’s genocidal Obamacare policy is already doing, with Medicare cuts, Medicaid cuts, threats to Social Security, you’re killing people. We’re not talking about, in 10 years from now people will die—they’re already

dead! Elderly people, people who couldn’t get to emergency rooms, because hospitals were shut down. People who died because of police and fire cuts, food inspection cuts, loss of food production and so on. And the collapse of education, which is denying children access to their real potential, through their imagination.

We had a governor in this state, Arnie Schwarzenegger—how did that happen? You know the guy can’t even speak English—of course Bush became President, so, I guess you don’t have to speak English to be elected.

Schwarzenegger’s big theme: “Government is the problem”—and people bought this. Maybe it’s because of the cult of celebrity that we’ve all fallen for. Now we have a governor

who’s recycled, which is appropriate since he’s one of the big recycling advocates, Jerry Brown. We once had a pamphlet, “If It’s Brown, Flush It Down.” And that’s true today.

Now, every step of the way that California collapsed, our movement has fought it, in California and the nation, because it’s been a common policy. We fought the two leading elements that brought on the deindustrialization that caused the budget crises and the collapse of production: One is the Greenie movement—the so-called environmentalist movement—and the other is deregulation.

California, for its budget, depends on revenue from

1. Additional speeches to the conference can be found in *EIR*, July 12, July 19, and July 26, 2013.

two sources, mainly: capital gains taxes on wealthy people, and sales tax; and then, secondly, various kinds of bubbles. That wasn't the way it used to be. This used to be a state of industry, of agriculture, of infrastructure, of innovation, of trade, of expansion. But all of that changed, and in the recent years, we saw the income go up when the bubbles started, like the dot-com bubble, and then the revenue to the state collapsed, and the cuts coming in; and then, after 2007, the same thing happened with the collapse of the housing bubble.

So today, the politicians in Sacramento say, "Oh, we balanced the budget!" because they've already admitted they're going to kill certain people. And also there's some money coming into the state—why? Because of new bubbles. You know, some of you may remember when Facebook went public, Governor Brown said, "This will be great, because California will have a whole bunch of new millionaires made by Facebook stock, and when they sell the stock, they'll pay taxes and our revenue will go up." Isn't that great? Your children's education, your parents' health care, are dependent on a bunch of people lying to each other about who they are on the Internet? With the NSA watching every step of the way, as we now know. There's an economic policy for you!

Also, they're touting "tech jobs," we're getting new "tech jobs" in California. You know what the leading "tech job" in California is? "App" development! I just want to read you something from a paper from the Public Policy Institute, considered one of the leading economic think tanks in California.

"There's a growth in this area, because of media and communication workers, including social network developers, that points the way to the future, including special network developers, public relations jobs, filling positions in digital and Internet economy." And here's an example they gave: "A parking lot company



Gary Kramer

*Under Gov. Pat Brown, in the late 1950s and '60s, water projects, as in the Central Valley and the Imperial Canal, were constructed, and California became the number one agricultural economy in the nation. Here, lettuce crops in the Central Valley, 2001.*

in Los Angeles is hiring a social media specialist to use social networks pop culture, and social media trends to increase monthly parking at their site." I'm just reporting it!

### Built by the New Deal

What was it that built California into a great economic power, to at one point being supposedly the fifth-largest economy in the world, if it were a nation? Now, by the way, it's ninth, and it's fallen behind countries in the Eurozone that have already collapsed, so that tells you about the great effects of Schwarzenegger, Brown, and also the Bush administrations and the Obama Administration.

Well, the myth is that California was built by Hollywood. That's a Hollywood myth. The reality is that it was the New Deal, the Franklin Roosevelt policy, *starting with Glass-Steagall*, which created the basis for one of the most spectacular booming economies, on sound principles, in world history.

With Glass-Steagall, you also had the infrastructure policies, which, in California, included the effects of the Hoover Dam; it included many public works projects, the WPA, the PWA, the CCC, and so on, that put people to work *doing* things, that created some-



thing. Not the so-called Obama stimulus, which largely hired people to find out where the stimulus money was going.

Now, this Roosevelt 1930s buildup was just the prelude to the real deal, which was the buildup during the wartime. I'm going to give you a few figures just to give you a sense of this: Between 1940 and 1946, the Federal government spent \$35 billion in California, second only to what was spent in New York. And in Franklin Roosevelt's terms, the "Arsenal of Democracy," that is, the ability to build the machinery needed to defeat the Nazis and the Japanese Empire, was not just Detroit, but Los Angeles. Los Angeles was the second-most industrialized city in the country—did you know that? It's not just tan-lines and boob jobs. It actually had a productive base to it!

Secondly, during the period 1940-46, the manufacturing economy in California increased by a factor of 2.5—a 250% increase in manufacturing jobs. Average income during that period tripled, a 300% increase in income. And 1.6 million people moved to California from around the country, to work in defense-related industries.

In the '40s in California, in addition to auto, steel, and rubber, you had the advance of the machine-tool sector, which is connected to the auto industry, but also shipbuilding, up in the Bay Area in particular, and aerospace down in southern California.

Now, nationally, between 1942 and 1944, under Roosevelt's policies, we had a 1,000% increase in machine-tool production. Not only did they increase the number of machine tools, but the power of those machine tools increased as the war went on. So you had a second-order improvement in the productivity of labor, through that kind of investment.

In 1944, there were 230,000 men and women working in aviation in Los Angeles County, in the aerospace sector. This is what built California. The combination of the water projects and other infrastructure projects in the '30s, the investment policy, and then, the war mobilization—which couldn't have happened without Glass-Steagall, and without the FDR 1930s policies. Between 1940 and 1950, California's population grew by 53%, from 6.9 million to 10.6 million—a huge increase.

This kind of economic development continued until the end of the 1950s, when it was inhibited largely because of water problems. You had, what Dr. [Hal]

Cooper pointed out:<sup>2</sup> plenty of water in northern California, and none in southern California; and you had a governor elected, Pat Brown, who said, look, California doesn't have a water problem, we've just got water in the wrong places. We've just got to move it.

### **'Doing the Lord's Work'**

I want you to just listen to some quotes from some people involved in establishing the California water project, just to give you a sense of the kind of thinking *then*, compared to now. In his campaigns for governor in 1958, Pat Brown used the rhetorical question to end a lot of his speeches. He said, "Should corporate interests and nature run their course at your expense? Or should the government solve the water problem?" He was referring in part to flooding that killed 64 people in 1955. But this reference to "corporations, corporate cartels and nature"—the idea that nature was a problem! That we have to do something with nature.

One of his top advisors during the campaign said, "By bringing water to the thirsty land, you are, in effect, doing the Lord's work." And when Brown was criticized by spending money to do these water projects, he sent a letter to the press, a letter to the editor; he didn't like the way the press was covering it. And he said, "Well, what are we to do? Build barriers around California, and say nobody else can come in, because we don't have enough water to go around?" And it was in the late '50s and early '60s, that the full Central Valley water project was completed, work done on the Imperial Canal, the All-American Canal, and California agriculture grew to the point that it became the largest source of agricultural production in the country, as we heard from Frank Endres earlier.<sup>3</sup>

That's how California grew. And not only that, but one other aspect of the Pat Brown policy was funding in education: If someone could get high enough grades in high school, they could go to state schools [colleges] for almost nothing. And the president of the University of California said in 1958, "We want to attract industry to California, not by having cheap labor, but by having skilled, productive, educated workers."

2. See, "Hal Cooper: The Extended NAWAPA: World Rail and Nuclear Power," *EIR*, July 26, 2013.

3. See, "Frank Endres: Keeping the Farmer on the Land," *EIR*, July 19, 2013.

Now, just to review again, why this thing collapsed. It happened over successive decades, going back to the Nixon 1971 policy that Lyndon LaRouche identified, that created floating exchange rates, and had severe damage to U.S. industrial economy, especially as it was a step forward to free-trade and speculative economy. The deindustrialization that resulted in the '70s and '80s; the expansion of real estate bubbles, which happen every couple of years in California. And then, the decline of the aerospace—in the '70s and '80s. It was the auto industry that was shut down in the '80s; it was the aerospace sector after 1989. Instead of going with Lyndon LaRouche's SDI concept, which was the scientific basis for developing not just anti-missile systems, but new technologies based on new physical principles. Instead, they shut the sector down.

And at the same time, the counterculture took over California; the so-called “tech revolution”—you know, the personal computer came from a bunch of acid heads, working for DARPA [Defense Advanced Research Projects Agency]. I once wrote a piece called, “From Hippies to Hedge Funds”—you can look it up.<sup>4</sup>

The drug culture, the celebrity culture, and the *infantilization* of the population, in the focus on the self, rather than what Victor Chang just presented about acting for the good of the other, as a philosophical principle.<sup>5</sup>

So, in the late '70s, 50,000 high-wage jobs left southern California. In the '80s, we saw the loss of millions of jobs in California: 1.3 million manufacturing jobs remained in 2009, but it was a 21% drop from 2005. California lost 81,000 manufacturing jobs in 2008 alone, and between 2000 and 2009, California lost 471,000 manufacturing jobs.

And let me just finish with this example: The California Central Valley, the most productive agricultural area in the country, lost *150,000 billion gallons of water*, to protect a fish, a fish that was too stupid to swim to another stream. And that took 85,000 acres of useful farmland out of production.

So what we're looking at is a real collapse! When you talk about these jobs, you're talking about families being destroyed, you're talking about people losing homes, tax collection collapsing except for in the ex-

tremes, because people aren't working. And now, a *killing policy*, an admitted *killing policy*, as someone from the European Union told Helga [Zepp-LaRouche]—age 66, that should be the extent of life—after that, you're on your own.

All of this should bring us back, then, to the theme of this conference. Most people in this room are Americans. Now, Americans include people from all over the world. We have a very diverse culture. People came here because of the freedoms that were enshrined in our founding documents. And yet, most people have no idea what those are. And that those principles, in those documents, represent the salvation for our country and for themselves.

And so, when we go out of here, after this conference, we have to take these ideas with us, starting with the *most basic*, which is that with Glass-Steagall, we get back to the principles of physical-economy, on which this nation was based. And this is the path to justice, because with Glass-Steagall you end the bailouts and the bail-ins, and you begin the potential for rebuilding, as we've outlined in our three-part policy [Glass-Steagall; a Hamiltonian credit system; and NAWAPA—ed.] which includes the credit system which is necessary, because once you get rid of all this debt, you're going to find that the banks have nothing in them! And we've got to start figuring out a way to put production back together and the infrastructure policies are the key to that.

Now, can we do it? Well, our whole nation has been, as Robbie [Barwick]<sup>6</sup> said, this question of ironies and anomalies: We beat the biggest power in the world to form a nation! We beat 'em again in 1812; and we beat them again in the 1860s. And now, we're rolling over and surrendering to them, with the Bush administrations and with Obama.

*But that's not the American way!* And as Lyndon LaRouche demonstrates, what an American does, is *fight* for principle, no matter what the odds!

The other day, Lyn said, “I'd rather be right, than be successful.” Now, a lot of people think, that goes against the American way, because success is everything, right? No! *If you're right*, and you *stick* to it, and you *never back down*, but you always are open to ideas on how to express that, and how to communicate it, then ultimately, you will be successful.

4. Harley Schlanger, “From Hippies to Hedge Fund Operators: The Case of Jeff Skoll,” *EIR*, April 20, 2007.

5. See, Wenji Victor Chang: The U.S. and China: Natural Allies for Justice, Peace, and Prosperity, *EIR*, July 26, 2013.

6. See, “Robert Barwick: Australia—Free of the British Empire!” *EIR*, July 26, 2013.

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## Book Review

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# A Treasonous 'Act of Congress'

by Stuart Rosenblatt

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### **Act of Congress, How America's Essential Institution Works, and How It Doesn't**

by Robert Kaiser

New York: Alfred A. Knopf, 2013

417 pages, hardcover, \$27.95

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Robert Kaiser's *Act of Congress*, purports to be an objective history of the genesis of the Wall-Street-created Dodd-Frank Financial Reform Act. It is, in fact, a thinly veiled hatchet job against the enemies of Dodd-Frank. The real issue is the push to revive Glass Steagall, which was ruthlessly attacked by Rep. Barney Frank (D-Mass.), Sen. Chris Dodd (D-Conn.), Treasury Secretary Tim Geithner, and their operatives. At the same time, the book is an unabashed defense of the treasonous actions of the Wall Street banks and their Congressional defenders.

Kaiser, a longtime scribbler and former editor for the Wall Street-controlled *Washington Post*, was given unfettered access to Frank, Dodd, the Treasury Department, and the main on-the-ground players in the Congress. His assignment was to turn villains, such as Dodd and Frank, into heroes, and decent Members of Congress, such as Senators Maria Cantwell (D-Wash.) and Blanche Lincoln (D-Ark.), into villains.

The bailout of Wall Street in 2008-09, and the subsequent crafting of Dodd-Frank, were one seamless operation, carried out under the direction of the Basel Bank for International Settlements (BIS) and its collaborators in the City of London and Wall Street. The book tries to divert attention to the Congressional operatives, when the fact is, that the bill was dictated from the top of the financier oligarchy. The author can barely

conceal his own contempt for the opponents of Dodd-Frank.

### **From Bailout to Dodd-Frank**

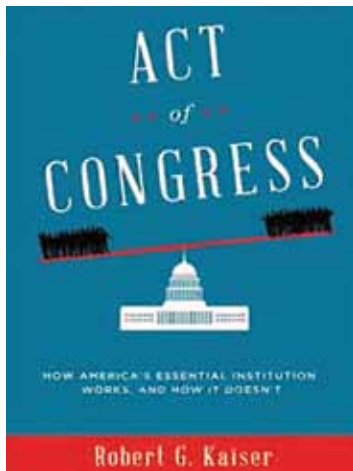
The book is set against the backdrop of the massive financial blowout of 2007-08. Kaiser conveys both the depth of the crash, and the scare tactics perpetrated by

Federal Reserve Board Chairman Ben Bernanke and Treasury Secretary Hank Paulson (of Goldman Sachs infamy) on the shell-shocked Members of Congress. In September of 2008, the Congress ordered to draft a plan to bail out the Wall Street speculators, lest the system disintegrate. Kaiser lauds the response of both Dodd and Frank, who both readily admitted to Kaiser that they had absolutely no desire to alter the financial system, but wanted to "save and reform" it.

As Lyndon LaRouche said at the time, the bailout was an act of treason, and the wellspring from which all the

subsequent evils have sprung. Dodd and Frank—chairmen of the Senate and House banking committees, respectively—came out of the meetings with Paulson and Bernanke, and drafted the Troubled Asset Relief Program (TARP) legislation.

As Dodd-Frank was developed in the Spring of 2009, resistance to it had to be crushed. Frank moved to stop an attempt to convene a Pecora Committee-style hearing, like that in which President Franklin Roosevelt and Ferdinand Pecora put the Wall Street bankers on trial in 1933-34 for collapsing the financial system. In January 2009, historian Ron Chernow penned an op-ed calling for the convening of such a committee; Rep. John Larson (D-Conn.), Sen. Byron Dorgan (D-N.D.), Sen. Richard Shelby (R-Ala.), and even House Speaker Nancy Pelosi (D-Calif.), echoed his call.





EIRNS/Alan Yue

## Wall Street Control, Top Down

While parading as a bill written by the Members of Congress and their staffs, in fact, the Dodd-Frank bill was written by the Treasury Department in early March 2009, and sent to Frank and Dodd in sections. The bill was drafted directly from a longer Treasury Department policy document entitled “Financial Regulatory Reform: A New Foundation.” That policy paper spelled out everything that would ultimately be in Dodd-Frank, including “reform of the derivatives markets,” the establishment of a Consumer Financial Protection Board, and the new Orderly Resolution Author-

*Barney Frank (left) and Chris Dodd gleefully did Wall Street’s dirty work, in passing the treasonous Dodd-Frank bill, while enthusiastically crushing its opponents and sponsors of Glass-Steagall. They should be put away for good.*

Frank immediately attacked the idea of a Pecora Committee as “silly,” and moved to crush it, invoking Moody Analytics henchman Mark Zandi’s book *Financial Shock* as his authority. Frank finally allowed the creation of the Financial Crisis Inquiry Commission, a watered-down investigation. But he did it on condition that its report would be issued months after Dodd-Frank had passed the Congress.

Frank tolerated no opposition within his Wall Street-steered House Financial Services Committee. He attacked Carolyn Maloney (D-N.Y.) for daring to question the bailout of AIG’s counterparties, and William Clay (D-Mo.) for questioning why all the bailout money was going to Wall Street instead of Main Street; he manipulated other members, such as Mel Watt (D-N.C.), Ed Perlmutter (D-Colo.), Bill Foster (D-Ill.), and Jim “Goldman Sachs” Himes (D-Conn.), whom he brought under his wing with offers to “study” and “contribute” to the writing of the “historic” legislation.

Kaiser shows the lengths to which Frank was prepared to go with the Congressional Black Caucus to secure its support, as the House version was nearing passage. When the CBC realized it was being had, and demanded changes, Frank bought them off by bringing in Goldman’s CEO Lloyd Blankfein personally to “work [them] over.” The CBC was pacified. But Frank still wasn’t sure if he could control their votes, so he kept them out of the final tabulation.

ity—what became Title II of Dodd-Frank. Title II paves the way for both bailouts and bail-ins of the Wall Street banks.

In June of 2009, the White House released its own paper, “A New Foundation; Rebuilding Financial Supervision and Regulation.” It was drawn entirely from the Treasury document. Dodd-Frank is the execution of that plan.

As the bill was being debated, Geithner’s Treasury Department wrote every revision. Treasury created a War Room, which met three days a week, to monitor progress and sniff out unfriendly amendments, which, like Cantwell’s Glass-Steagall amendment, or Lincoln’s Section 716 on derivatives, would be brutally quashed. When the House portion regulating derivatives was being “marked up,” Geithner intervened, and told Frank to insert the section to create exchange trading. Frank immediately complied (p. 171).

The White House Task Force which wrote sections of the bill was led by Obama intimate Cass Sunstein, and included Michael Barr, an “expert on financial institutions”; Patrick Parkinson, a top Federal Reserve Board “economist,” lent to the White House by the Fed; and Neil Wolin, a protégé of Glass-Steagall killer and former Treasury Secretary Larry Summers, and former executive with the Hartford Group (p. 85.)

Huge amounts of money were spent by Wall Street and the financial lobby to push Dodd-Frank. According





Sen. Maria Cantwell's Glass-Steagall amendment to Dodd-Frank was summarily crushed by the Wall Street steamroller. Here, Cantwell speaks on the Senate floor, May 20, 2010, on the derivatives time bomb.

to Public Citizen and the Center for Responsive Politics, over \$500 million was paid to lobbyists in the industry. Nearly 1,500 former government employees were retained to lobby for the bill, including 75 former Members of Congress and 148 former Congressional staffers. Of those, 67 had worked for the banking committees, and the rest had been on the staffs of the key Congressmen who sat on those committees (p. 131).

Senate Minority Leader Mitch McConnell and other Republican Senators made numerous trips to Wall Street to sell their souls, and raise large amounts of money for the National Republican Senate Committee. As the money poured in, Republican attacks on Wall Street and bailouts evaporated.

### The Ghost of Glass-Steagall

The ghost of Glass-Steagall cast its shadow over the Dodd-Frank battleground like the Ghost of Shakespeare's *Hamlet*. It had to be crushed. The architects of Dodd-Frank (and the author of *Act of Congress*) spewed out venom against sponsors of the FDR law, from Blanche Lincoln's derivatives bill, to the Merkely-Levin echo in the form of a Volcker Rule. In its biggest cover-up, Kaiser's book deliberately avoids even a mention of the six bills in the Congress calling for a return to Glass-Steagall bank separation! In the House alone, there were five bills, all sponsored by Democrats, demanding a return to Glass-Steagall.

The five bills in the House were all killed by Barney Frank. When Lincoln filed her bill in April of 2010, all

Hell broke loose. Her bill proposed that commercial banks spin off their derivatives-trading operations into separate entities.

The Treasury Department, Federal Reserve, FDIC, and other regulators attacked it. When Cantwell rose to demand that Lincoln's language be included in the Dodd bill, as it was about to pass the Senate, she was viciously attacked. Cantwell had made herself somewhat of an expert on the evils of derivatives speculation. She was not cowed by the bullies, and countered by organizing a letter to Senate Majority Leader Harry Reid demanding that the "derivatives" section, i.e., Lincoln's lan-

guage, be the foundation of the Dodd bill! The letter was signed by six Democrats and Maine Republican Olympia Snowe. Dodd and Reid realized they would need these votes for cloture and passage. Ultimately, Lincoln's language was included in the bill. The Wall Street predators and their toady Dodd planned to eliminate it in the House-Senate conference committee's final version.

Cantwell was less successful with her own Glass-Steagall bill, which she attempted to attach to the Dodd bill as an amendment. Wall Street went into action, with Reid leading the attack. He needed the votes on his cloture motion to cut off debate; he needed Cantwell, Russ Feingold (D-Wisc.), and other holdouts. Reid bargained with Cantwell, telling her that if she voted for cloture, he would give her a floor debate and a vote on Glass-Steagall. Kaiser vividly describes the pressure heaped on Cantwell by Reid and Dodd, including a scene on the floor of the Senate. Reid and Dodd deployed a gang of Senators to surround Cantwell's seat, to attempt to intimidate her into voting with Reid. "Jesus Christ, Harry, cut it out!" she shouted to the entire Senate. After an intense fight, Cantwell gave Reid her vote, in exchange for a floor vote on Glass-Steagall. Having secured Cantwell's vote to end cloture, he promptly reneged on his promise and killed her bill.

After the House and Senate passed their respective versions of the Dodd-Frank Reform Act, the scene turned to the Conference Committee. The fight was renewed against the Lincoln derivatives amendment

(Section 716) and the Merkley-Levin Volcker Rule, both of which had survived the Senate vote.

The massive mobilization against Lincoln's Section 716 brought to the fore everything that had been lurking beneath the surface. Lincoln's amendment threatened to scuttle the entire bill.

## Lincoln Stands Her Ground

According to Kaiser, both the Treasury's and Dodd's staffs were "convinced that Lincoln did not fully understand the issue. . . . Lincoln was under intense, though publicly unseen, pressure. Some of it was coming from the House. A group of moderate House Democrats, members of the New Democratic Coalition, and others from New York, with ties to the financial sector, had come together in opposition to Lincoln's Section 716, and were demanding changes. They had broad support from many experts who weren't particularly sympathetic to the banks. Paul Volcker and Sheila Bair of the FDIC had both publicly criticized the section as a bad idea. A worried Barney Frank went to Steny Hoyer and Nancy Pelosi and said, 'I'm telling you, this will bring the bill down.' He needed their help" (pp. 340, 344).

A flurry of meetings ensued. Frank addressed a group of Agriculture Committee leaders, together with Reid, Pelosi, Dodd, Lincoln, and others. He announced that the bill could blow up, and that 60 or more House Democrats would defect if Section 716 was not changed. Lincoln countered that she had the support of key Senators, and would not budge. Six hours later, Geithner's hitman, Deputy Secretary of the Treasury Neil Wolin, was dispatched to meet with Lincoln's staff. Despite a browbeating, Lincoln's staff refused to capitulate, and the meeting broke up with no compromise. The White House was furious.

Geithner called Lincoln again. Rahm Emanuel,



Wikimedia Commons/Samuel Grant

*Sen. Blanche Lincoln courageously stood up to the Wall Street juggernaut, but her Section 716, calling for separation of derivatives trading from commercial banking operations, was purged from the final version of Dodd-Frank.*

White House Chief of Staff, summoned her banking staff to the White House for one of his infamous expletive-laced tongue-lashings. When this did not succeed, Obama himself invited Lincoln to the Oval Office to work her over. He threatened her: If she did not agree to compromise on Section 716, they could not guarantee her re-election. There is nothing like a touch of Chicago-style mob politics to change a person's mind, but Lincoln remained non-committal.

When Obama's hard-cop approach failed, Commodity Futures Trading Commission (CFTC) Chairman Gary Gensler was sent in to meet with Lincoln's staff. Gensler was a "soft cop," who had hitched his horse to Obama's wagon. After a two-hour meeting, they seemed to have a deal. But nothing was nailed down; so the next day, Democratic Whip Steny Hoyer met

with a group of New Democrats and New York bank operatives Joseph Crowley and Gregory Meeks. They wanted a deal for their Wall Street masters. They organized a group of House members to march over to the Senate to "confront" Lincoln, to demand that she write a new version of the amendment.

Eventually, under brutal pressure, Lincoln succumbed to a compromise. Banks would be allowed to trade derivatives based on bank assets, including interest-rate swaps, foreign-exchange swaps, credit default swaps, and gold and silver. All other derivatives, e.g., commodities, would be spun off into new affiliates, with their own capitalization (p. 349). Wall Street got what it came for.

The Dodd-Frank bill passed, and was signed into law by President Obama, on July 21, 2010. Wall Street had triumphed. In the process, the bankers were forced to put their vicious methods on display, as well as their ownership of most of the Congress.

That is the true story behind *Act of Congress*.

# United States Must Support A Peaceful Solution in Egypt

by Michele Steinberg

July 29—In his Friday webcast on July 26 ([www.larouchepac.com](http://www.larouchepac.com)), Lyndon LaRouche issued his assessment of the situation in Egypt, in answer to a question from members of U.S. policy institutions. That day, July 26, more than 10 million Egyptians—both Christians and Muslims—answered the call by Army chief Gen. Abdel Fattah al-Sisi to mobilize in support of the ouster of President Mohammed Morsi of the Muslim Brotherhood.

“What you’ve seen in the way in which Egypt has reacted to the threats from one faction, which has been conspiring to try to overthrow the government—well, they did an excellent job,” said LaRouche. Referring to the interim government under General al-Sisi, LaRouche continued, “They unified all the healthy elements, essentially all the elements of Egypt together, to prevent this new chaos.

“Now, there are two aspects to this. There’s the Egyptian aspect as such; there’s also the aspect of nations like the United States, because these outside nations do have an influence in determining what the result is going to be, in terms of this election process itself. It can suddenly explode; the Egyptian military and others are well aware of that, and have taken specific precautions against it. . . .

“We just have to contribute our part to this process. This is not a predetermined result; this is a result that *we* have to actively be involved in, not by putting our troops on the ground, but in putting support for a peaceful solution for the present situation,” LaRouche concluded.

Also on July 26, as millions turned out to support

al-Sisi, several hundreds of thousands of pro-Morsi Egyptians allied with the Muslim Brotherhood took to the streets. By July 28, following days of sporadic fighting between Muslim Brotherhood members and Egyptian security officials, the death toll has risen, with government officials reporting civilian deaths in the tens, and Morsi supporters reporting deaths in the hundreds.

According to a well-informed Egyptian analyst, the Muslim Brotherhood strategy is now to maximize the number of arrests, injuries, and deaths, by carrying out violent street attacks in order to hoist the “bloody shirt” of human rights violations.

“The Muslim Brotherhood has lost politically, and they are just sending their members into the streets” as cannon fodder, the analyst said on July 28. “The Brotherhood is playing to the international community, not to the Egyptian people,” he added, noting that the MB is banking on the Obama Administration and other international players to label the al-Sisi government takeover as a coup and begin a process similar to the Anglo-Saudi-Qatar-Obama attacks on Syria.

## Terror Danger

General al-Sisi’s call for the July 26 demonstration was a risky move, reported Egyptian sources, but it was taken in response to hard intelligence that the Muslim Brotherhood was arming its members—up to 700,000 of them—as part of a ten-day offensive that was to begin on July 26, and culminate on the 27th day of the Muslim month of Ramadan—the most holy day, known

as the Night of Power.

High-level Washington intelligence sources confirmed the Egyptian reports that the Morsi and Muslim Brotherhood forces were about to unleash a campaign of bombings, assassinations, and attacks on police stations and military barracks.

In Cairo and other Egyptian cities, the terrorist plot of bombings was averted by pre-emptive government action that *did not* prevent the Brotherhood's peaceful demonstrations. But, the Brotherhood attacks in the sparsely populated Sinai caused casualties on both sides.

There is no question that the turnout of millions of demonstrators in support of al-Sisi is an extremely significant warning to Morsi's supporters that the population is not supporting them, Egyptian sources told *EIR*. But at the same time, the Islamists were able to maintain a sizeable vigil outside the Rabaa al-Adawiya Mosque in Cairo's populous Nasr City district for close to a month, to demand that Morsi be reinstated.

Prior to the July 26 demonstrations, the Egyptian Army charged Morsi with specific crimes, including "conspiring" with the Palestinian organization Hamas and killing police and prison guards. The change was

made, reported Egyptian sources, under increasing pressure from the United Nations (including Secretary General Ban Ki-moon) and from human rights groups to "charge Morsi with a crime or release him." Following the charges, an Egyptian court ordered Morsi to be held for 15 days while an investigation is conducted.

While the July 26 events were largely peaceful, Egyptian sources warned that violence could explode at any moment. The Muslim Brotherhood leaders who are detained by the government are refusing to negotiate—continuing the stonewalling they practiced in the lead-up to the June 30 demonstrations which involved up to 22 million citizens who demanded the removal of Morsi.

So far, the Brotherhood has opted for confrontation and violence. Its leaders are depending on the power of "humanitarian" organizations to force the military to reinstate Morsi. On July 25, the London-based rights group Amnesty International criticized al-Sisi's call for rallies.

### Solidarity Across Religious Lines

"In a gesture to show national unity and solidarity, ... Egyptian Christians will be fasting today alongside

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their Muslim countrymen, and for the first time in history, the Egyptian Coptic churches will ring their bells at sunset signaling breakfast time along with those of al-Maghreb Azan” [the Islamic call to prayer], reported journalist Wael Nawara in *al-Monitor* on July 26, in a morning article before the massive pro-al-Sisi rally began.

According to Ahram Online’s reporter in the field on July 26, a number of high-ranking police officers joined the pro-military protesters in Cairo’s Tahrir Square. The officers were welcomed with cheers and chants of “the Army, the police, and the people are one hand.”

The Coptic Church’s ringing of the church bells in a gesture of solidarity with Muslims observing Ramadan, was prominently reported on TV and Internet video coverage throughout the world, showing Egyptian demonstrators moved to tears by the unprecedented collaboration at a time of great tension. Arab media reports also showed photos of Christian crosses alongside the Muslim crescents at the demonstrations supporting al-Sisi.

Many Egyptians are well aware that al-Sisi was a crucial voice in insisting that the Army serves the people, not a particular regime. In a July 26 article, Yasser Rizq, editor-in-chief of the Egyptian paper *al-Masry al-Youm*, reported that in 2010, al-Sisi had written a paper for then Army Field Marshal Muhamed Hussein Tantawi, giving an assessment of the coming instability in Egypt. In it, al-Sisi warned about an uprising against the authoritarian rule by Hosni Mubarak. “Tantawi asked him: ‘At that time, what do you think we should do?’ Al-Sisi replied: ‘We will support the people’s uprising and will not fire on a single citizen,’” reported Rizq.

But many—both Egyptians and outside observers—do not know that al-Sisi also met many times in recent months with Morsi, urging him to open his government to a coalition that included the opposition. Morsi reportedly arrogantly replied that Washington would never allow the military to remove him from power.

Unless there is improvement in the economic situation<sup>1</sup>—jobs, food, bread, milk for the children, and fuel—there will be a social explosion against whoever is in power. Despite the Army’s success on July 26 in preventing large-scale Muslim Brotherhood terrorist actions, stability is far from assured.

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1. See Hussein Askary, “Proposal for an Egyptian Declaration of Economic Independence,” *EIR*, July 26, 2013. Also available in [Arabic](#).

# The Crux of the Europe Crisis

by Lyndon H. LaRouche, Jr.

July 19, 2013

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## Question from Yuri Tsarik, head of the Belarus Development Group, Minsk, Belarus:

“It is obvious that a new world financial order, based on the credit systems of sovereign nation-states, can be formed under the condition of the great powers’ transition to credit systems and national banking, and reaching the necessary agreements between them regarding great infrastructure projects and the respective sovereign credit to finance them. But in present conditions, when there is no such system—what should be the policy of smaller nation-states, such as, for example, Belarus, Ukraine or Serbia? Is it possible to reach any agreements regarding infrastructure development in the present monetary financial order? What are the opportunities and limitations for introducing a credit system in a country with a considerable external trade deficit?”

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**LaRouche’s Reply:** No ordinary assessment of the situation within Europe as a whole, is reliable for the immediate future. The present quarrel which my associates and I are conducting against Wall Street and London is at a break-down point, unless we are somewhat successful, directly, or mostly indirectly, at the least, first of all, inside the currently extended election-campaigns in which we are presently engaged for the present and immediately following weeks.

If the Wall Street/London gang were set back in favor of the current Glass-Steagall signatures in the Congress, a negotiated solution were possible; otherwise, the situation throughout the trans-Atlantic region as a whole were most probably catastrophic during the

immediately near term of the present elections here. The situation in central and eastern Europe, is somewhat different: it is the Euro system itself which is the most immediately, and most disastrously (potentially) doomed at the present moment.

The widespread fallacy to which the trans-Atlantic community continues to be subject during the immediate short-term, is the susceptibility, most emphatically in the trans-Atlantic region, to the entirely wrong-headed presumption that a monetarist solution, or quasi-solution could be sustained even during the relative short-term in that portion of the trans-Atlantic economy. Physical values, not monetary values, are the only option available at this moment. The trans-Atlantic monetarist indebtedness is no longer sustainable.

In the latter case, the question posed would be that the Anglo-Dutch imperial element in Europe, combined with Wall Street, would simply abandon all now nominally financial claims held against the trans-Atlantic system. In that case, for which the keystone financial tyrants of London and Manhattan are presently prepared, they will repudiate their own, presently vast, merely nominal debt, thus triggering a mass-extinction within the ranks of the populations within Europe and the Americas, emphatically North America.

### Could the Debts Be Honored?

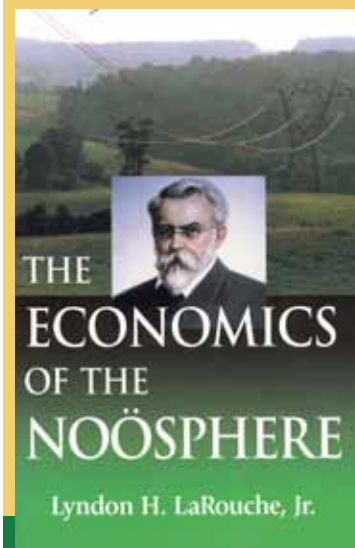
I explain: under those conditions which I have just referenced, the existing debt of the trans-Atlantic community could never be repaid. Therefore, that debt would be abandoned abruptly by interests currently centered in the Anglo-Dutch monetarist-imperialist circles throughout the entire region of the trans-Atlantic community, thus achieving the reduction of the population of the planet, suddenly, from the former standard of seven billions of world population, into a dive into one or less billions. The sudden spread of the tragic Venetian crisis throughout Europe, is the relevant best medieval example of such a sudden breakdown-crisis in the European sector.

The crucial factor in such a situation is the fact, that the population of the trans-Atlantic regions now is generally, and rather foolishly confident that “they,” the relevant financial powers, “would not dare to allow such a general collapse of the population to occur.” That population is thus menaced by its own wishes,

wishes which leave the threatened population unaware. Were the population generally aware of that intention, they would seize the means of life away from the oligarchical powers. This would result in a murderous toll of the European and American populations (in particular), but the threat to the oligarchy would compel them to share the suffering, and also bring about the elimination of the relative power of the oligarchy.

It is tough news which I bring you; but it is the only truth available. These would be the consequences if we, here, fail to resist the Anglo-American oligarchical interests by means such as a general installation of the reactivated Glass-Steagall law to which my associates and I, among a now widely growing part of the U.S. population, are dedicated, from a wide assortment of the leading and general parts of the electorates.

The Wall Street crowd are already in a state of wild-eyed hysteria over what my associates and I have done. Judge the realities accordingly.



The scientific concepts of biogeochemist Vladimir Vernadsky — the initiator of the idea of the Biosphere — whose concept of the “Noösphere,” has been cited and further developed by Lyndon LaRouche.

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# Germany's BüSo Files National Candidates

by Our Wiesbaden Bureau

July 27—Six LaRouche-allied BüSo (Civil Rights Solidarity Movement) state slates and 38 direct candidates for the German parliamentary election on Sept. 22 were certified yesterday by state and city administrations. This was preceded by several months of petitioning in those states.

The petitioning campaign has proven to be a crucial weapon of outreach for the BüSo. Thousands of people, at places the party does not normally cover with booktable deployments, were given a chance to realize that there exists a party in Germany—and an international movement—fighting for the future.

Now the BüSo's election campaign can take off. The party, led by Helga Zepp-LaRouche, is calling upon German citizens to rally behind its slogan to "Stop the New Fascism and Defend the Common Good."

In collaboration with the LaRouche movement in the U.S. and its fight to reimpose Glass-Steagall, the BüSo is organizing to stop the malthusian bankers' dictatorship, and clear the way for national credit systems for global reconstruction by sovereign nation-states.

Preliminary news media reports only mention where the BüSo candidates are running, without mentioning Glass-Steagall or even banking separation (*Trennbanken*), which the BüSo has made into a household word in Germany.

The party's election poster (see photo) calls for

Glass-Steagall/*Trennbanken*, and a graphic on how to split up the banks.

Of the signatures gathered to get the candidates on the ballot, some 23,000 were certified. Each state slate required 2,000 valid signatures of German citizens living in that state; another 200 signatures are required for each individual (direct) candidate. In addition, 1,000 signatures had to be collected for the Hesse state elections, which take place the same day as the federal elections, and 2,000 in Bavaria for the state elections one week earlier.

## The Candidates

Here is a preliminary listing of the candidates:

**Berlin:** In the nation's capital, the slate of 11 candidates is led by Helga Zepp-LaRouche. Her direct election district is Berlin-Steglitz-Zehlendorf. Eleven direct candidates cover all but one of the Berlin districts.

**Saxony:** The ten-candidate slate is led by state board member Michael Gründler, and there are eight direct candidates: two in Dresden, two in Leipzig, and one each in Zwickau, Görlitz, Meissen, and Pirna.

## North Rhine-Westphalia:

Slate of 11 candidates led by state chairwoman Kasia Kruczkowski. Six direct candidates.

**Hesse:** Slate of ten led by Alexander Hartmann, and three direct candidates: one in Wiesbaden, two in Frankfurt. Plus a slate for the state parliamentary elections, with two direct candidates in Wiesbaden.

**Rhineland-Palatinate:** Barbara Spahn is a direct candidate in Mainz.

**Baden-Württemberg:** Nine-candidates slate led by Stephan Ossenkopp, and two direct candidates in Stuttgart.

**Bavaria:** Thirteen-candidates slate headed by Werner Zuse, and seven direct candidates. Plus one district slate of five candidates, and one direct candidate for the state elections.



*The BüSo election poster.*

# *Smash the ‘Economic Royalists’ at Last*

War on Wall Street—that’s what the United States population must wage and win, in the immediate days ahead.

It is Wall Street, itself a barely disguised puppet of the British financial empire, that is murdering America. It has taken over government institutions, and rewritten the rules for its own benefit. It has shamelessly looted our manufacturing base and our infrastructure, leaving ordinary people only the “right” to gamble in its rigged game, or sink into despair and die.

With the exception of the short-lived administration of John F. Kennedy, you have to go back to Franklin Delano Roosevelt to find a President who would defend the *people* against Wall Street. Yes, FDR came from the upper crust of society—he knew exactly what he was fighting against. As he famously said in an October 1936 campaign speech at Madison Square Garden, “They are unanimous in their hate for me—and I welcome their hatred.”

And just who are “they?” “They” are the moguls of finance whom FDR called the “economic royalists,” who “reached out for control over government itself.” These royalists, FDR explained in his June 1936 speech at the Democratic Convention, had created a new “dictatorship,” making the political equality of the American people “meaningless in the face of economic inequality. A small group had concentrated into their own hands an almost complete control over other people’s property, other people’s money, other people’s labor—other people’s lives.”

“Against economic tyranny such as this, the American citizens could appeal only to the organized power of government....

“The royalists of the economic order have conceded that political freedom was the business

of the government, but they have maintained that economic slavery was nobody’s business.... [T]hese economic royalists complain that we seek to overthrow the institutions of America. What they really complain of is that we seek to take away their power....”

Take away their power—that’s what we must do today, before the fascist control which FDR so successfully fought is imposed on our nation and the world—a fascist control that could well lead to thermonuclear World War III.

Glass-Steagall is the weapon today to bankrupt Wall Street. FDR’s Glass-Steagall sets the standard of legitimate versus illegitimate debts—and guess what? The overwhelming bulk of Wall Street’s debts have nothing to them. By Glass-Steagall, they are *cancelled*, and the power which these tyrants are exerting over our federal government, states, and municipalities is cancelled as well.

Cancel the illegitimate debt—which we, the American people, are paying for, both through the government, and by the utter destruction, Detroit-style, of our cities, food supply, and livelihoods—and we are admittedly poor, but free to rebuild our economy again. As Roosevelt did, we can issue government-backed credit for *real* productive activity—jobs that will build a future through great projects such as the North American Water and Power Alliance (NAWAPA); that will restore our agriculture and urban areas, and create a steady flow of honest income for our citizens.

Wall Street, the “economic royalists,” as FDR understood, is killing us. The LaRouche movement is determined to stop this mass murder now. We support *people*, not money. We demand Glass-Steagall as part of a restoration of the true intent of our Constitution—providing for the happiness and general welfare for us and our posterity.



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