

# EIR

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Mideast War Danger Recedes; Putin Emerges as Peacemaker  
List vs. von Hayek: Monetarism Is the Road to Serfdom  
Fed Officials Warn 'Bernankecare' Heads for Bust

## A Readjustment for Survival: The Case of Ukraine and Russia



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# EIR

## From the Editor

The Pacific orientation which we here at *EIR* have been promoting for some time, has reared its head dramatically, with the preliminary decision by the Ukrainian government to reject a miserable free-trade deal with the European Union, in favor of closer economic ties with Russia. Lyndon LaRouche put that event in its global context, during his Nov. 29 webcast, identifying it as an augur of major shifts to come. We publish most of the transcript as our *Feature* in this issue, followed by an in-depth update on the developments around Ukraine, which we first reported last week.

In *Economics*, we amplify the picture of the bankruptcy of the global financial system—drawing on the admissions of top U.S. financial officials themselves. An article from our Wiesbaden bureau presents the decision facing Western Europe, particularly Germany, on these life-and-death economic matters.

The *International* section leads with a strategic overview, followed by a full analysis of the recent Chinese Communist Party Plenum, whose decisions will have worldwide repercussions. We then feature the latest developments in the African revolt against the British Imperial International Court of Injustice (ICC), and the recent national party congress of the Solidarité et Progrès party in France, which is associated with the international LaRouche movement.

With Congress back in Washington, we focus on the upcoming battle for Glass-Steagall under *National*, as well as the reflections of a German City Councilwoman, who recently lobbied in the U.S. Capitol for Glass-Steagall restoration. The landmark memorial concert by the Schiller Institute in commemoration of President John F. Kennedy is featured with a picture spread; we urge you to see the video at [new-paradigm.schillerinstitute.org](http://new-paradigm.schillerinstitute.org). And don't miss the newest appeal from former Sen. Bob Graham, on the need to expose the Saudi role in 9/11.

Our historical feature this week takes on the von Hayek economic cult, which is alive and well in the nation's capital, and thus poses a threat to the nation. German author Andrea Andromidas uses the ideas of both the American System/German economist Friedrich List, and former German Chancellor Ludwig Erhard to go after these free-trade monetarists. What she describes, is just what Ukraine, and others, are revolting against.



## Cover This Week

*Ukraine's Zenit  
rocket blasts off  
at the Equator,  
April 2009.*



Creative Commons/jurvetson

#### **4 LaRouche Webcast: Ukraine and Russia: A Readjustment for Survival**

“If Ukraine were to accept being gobbled up by Western Europe, Ukraine’s population would go through a death spiral,” said Lyndon LaRouche in his Nov. 29 webcast. “So everything is interlocked, more or less intensely, and this thing is going to change from day to day, week to week. The world as a whole is in an upheaval in which the parts are in a sense interacting as if they were one process. It’s a global process. There may be parts that are on the edges, or the fringes, of the operation, but in general this thing is going. The present system is finished. The present global system will no longer exist; something new will emerge. What is not certain, is what is going to emerge with what. But this is a wild-eyed situation, and there are no simple explanations available; except that the world in its present form is bankrupt.”

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The potential for vast, Eurasia-centered economic development quickly became evident following Ukraine’s Nov. 21 decision not to finalize a free-trade agreement with the moribund European Union. The Ukrainian government announced that President Yanukovich would sign 20 cooperation documents, including a Strategic Partnership Agreement between China and Ukraine, during a Dec. 3-6 state visit to Beijing.

## Economics

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At conferences in Washington in November, Fed officials, and current and former IMF and Treasury Department officials, warned that the result of endless central bank quantitative easing is the emergence of interconnected financial bubbles all over the economy. The reason for this cancerous metastasizing of the bubbles is the failure to enact Glass-Steagall legislation—but the bankers are going all out to prevent it.

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LAROUCHE WEBCAST

## Ukraine and Russia: A Readjustment for Survival

*Lyndon LaRouche was joined by LaRouchePAC's Dennis Mason and Jason Ross for his weekly Friday evening webcast (www.larouchepac.com) Nov. 29, where he advanced a crucial evaluation of a change in the world strategic situation. Here is an edited transcript.*

**Dennis Mason:** The first question comes from a Washington, D.C. source. He writes:

“Mr. LaRouche, with the Thanksgiving holiday past, every member of Congress seeking re-election is now in the active phase of campaigning. The Glass-Steagall issue remains a prominent issue with growing support within the American population, among state legislators, and in Congress. The recent speech by Elizabeth Warren highlighting her Senate bill to re-instate Glass-Steagall was well received and widely publicized. At this point, the only clear opposition to Glass-Steagall is coming from Wall Street and from the Obama White House. What is your advice to members of the Congress? How do you see the Glass-Steagall fight in the coming days? What kind of timeframe do you see for its passage? How will President Obama respond?”

**Lyndon LaRouche:** I wouldn't worry too much about President Obama. I think the gentleman is on the way out; and it's a question of when the delivery of his removal is going to occur. The more interesting thing nowadays, is sudden shifts from a regional situation such as the United States or the trans-Atlantic region.

On the other hand, what we're actually dealing with is a global process with many complexities, but they all boil down to one general process of what is converging on a single effect. We're headed for a struggle over a completely new definition of the planet Earth—civilization. You cannot break it down to independent elements which are going to coalesce, or bounce against each other. You have to realize what's happened, for example, in Ukraine.

Now, in Ukraine, you have a process in which the euro system is about to disintegrate. Ukraine is a pivot, because the reality, as Ukraine has understood, is, they cannot deal with a system on a local unit kind of thing; not one nation with another. This is a process. Germany is probably on the way out of the European Union, or something to that effect. Ukraine cannot accept the European proposal because it would be a death knell for Ukraine. So Ukraine is now moving in a separate direction together with Russia and with others. And this thing is being connected all the way to the Pacific coast.

Also, the U.S. situation is determined by the interaction with this. What you've got is, you've got an international system, which is an imperial system, centered on the Anglo-Dutch empire. And this system of this Anglo-Dutch empire, of which the United States is only a part, is in a process of disintegration. We have at the same time a breakdown in terms of the relationship of our policy, our national policy, in this process.

In other words, the United States is not really that



LPAC-TV

*Lyndon LaRouche told the webcast audience Nov. 29 that recent developments in Ukraine have put the world on a new path: The trans-Atlantic system is a “non-survivable” one, while Eurasia is moving toward survival and progress.*

independent in the process. The trend is to move to a Eurasian orientation, which probably will draw in Germany, and if so, it will also involve Switzerland and Austria and so forth. So we’re looking at a grand scheme underway; the exact conclusion, the way it’s going to sort out, is not predetermined. But you can probably, with a good deal of guessing and understanding, particularly if you are an international traveler, you may pick these things up more quickly than living in one country or two countries.

So the Obama factor is almost predetermined, under present trends. Everything is being set up in a pattern which converges on the idea that Obama is going to be thrown out of office, and we have new developments every day in that direction. So the problem of trying to answer that question is that the question itself is no longer relevant. We have new kinds of conditions, and there’s a voluntary effort this involved. Nations are being presented as nations or temporarily nations or whatever, to try out some options; and what they’re doing generally is going against options that are not acceptable to them.

And so by deduction or reduction, Ukraine is now going back to be part of Russia—not entirely that, but that’s the direction it’s going in. This is going to other

parts of Asia, which is going to also roll up in this same direction. And you have the euro system about to be chopped up; it’s not viable. Spain is not viable in its present form; Portugal is not viable. Italy has a quasi-viable aspect, but it’s not totally viable. What’s happened to Greece is a crime, and so on and so on. Everything is changing on a global basis.

You cannot take these cases one at a time. You can talk about them on a one-at-a-time basis, but you cannot define them in terms of a one-at-a-time case, or even if you pair them. What is happening between Ukraine and Russia, which has a reaction against it from Western Europe, is part of the picture.

So everything goes on a countdown. If Ukraine were to accept being gobbled up by Western Europe, Ukraine’s population would go through a death spiral. So everything is interlocked, more or less intensely, and this thing is going to change from day to day, week to week. The world as a whole is in an upheaval in which the parts are in a sense interacting as if they were one process. It’s a global process. There may be parts that are on the edges, or the fringes, of the operation, but in general this thing is going. The present system is finished. The present global system will no longer exist; something new will emerge. What is not certain, is what is going to emerge with what. But this is a wild-eyed situation, and there are no simple explanations available; except that the world in its present form is bankrupt.

And Ukraine is opposing being gobbled by Western Europe because they couldn’t live under those conditions. And that’s the kind of process you’re getting. So, simple explanations, simple motives, simple kinds of schemes don’t mean much anymore. This is a new world order, and we don’t know yet know—even approximately—what the outcome is going to be.

### **Behind Ukraine’s Rejection of the EU**

**Jason Ross:** For those who aren’t aware of this, during the last week, Ukraine stunned many people—although it didn’t surprise people in the know—when it did not move forward on agreement on association with the European Union (see “Ukraine Stuns EU by Suspending Free-Trade Pact Preparations,” *EIR*, Nov. 29). This was a decision that Ukraine made a week ago. This agreement would have been signed today at a meeting of EU Eastern European nations.



Presidential Press and Information Service

*The shift in Ukraine, away from the dying euro-system, and toward Eurasia “now becomes the option of reality for the United States itself,” LaRouche stated. Here, Russian President Putin and Ukrainian President Azarov (center), speak with Russian Premier Medvedev in Moscow, in May 2012.*

However, Ukraine’s Prime Minister Mykola Azarov, invoking national security interests, said they would not accede to this deal with the EU, which would have forced the Ukrainian markets to open up, under the ominously named “Deep and Comprehensive Free-Trade Agreement.” Seems like being buried very deep underground. The closer alliance with these disastrous EU policies would be a death sentence for many in Ukraine, where already, their markets are 60% made up of imports—a lot of that, just since their joining the WTO five years ago.

Instead, they are pushing for closer ties to the Russia-Belarus-Kazakhstan Customs Union, which would strengthen their ability to grow. The head of the Progressive Socialist Party of Ukraine, Natalya Vitrenko, whom you are very familiar with, explained that Ukraine’s exports to Russia are 60% finished goods, and their exports to the EU are 18% finished goods; meaning that the EU has a relationship with Ukraine of importing raw materials from them. And she views joining the EU more closely in this manner as like a form of colonialism.

Some, including Russian President Putin, have pointed out that, why would anyone in their right mind want to join the European Union economic policy right now? You’ve got an increasing number of nations in the European Union which have youth unemployment over

40%. Why would you want to sign a 1,200-page agreement with them on economics? Putin did point out that unemployment in the Russian Federation is about 5.3%.

What you just said about Germany and orienting towards the East—would you like to say more on this?

**LaRouche:** Well, that’s part of it. The point is, you have to really look at history in a longer term than recent events in order to understand this one.

What you had is, you had a process which I was involved in organizing, in a number of ways, which is one of the reasons why I got into big trouble. We were organizing a collaboration between what is now the former Soviet Union and the United States and others, which is what became known as the Strategic Defense Initiative. And this has a long prehistory to it as well, in that the British and others had

moved in by killing President John F. Kennedy. They began to move in a way to break up physical economies, and that led into the disintegration of the Soviet Union.

It was not a natural collapse of Russia, or of parts of what had been the Soviet Union. It was actually a different kind of collapse; it was an organized collapse. So today you still have the relics in the relationship between Ukraine and Russia, for example, which is crucial in this case, that actually the separation of Ukraine from Russia was forced on these nations, and meant crushing their productive capabilities.

Now Ukraine is going back, knowing that the European system is collapsing, which makes everything worse throughout Europe. They’re now going back to reconcile with Russia, because they know in Ukraine that they are going to back into production, because they’re going to be employed, their income is going to come from things that are productive—actual product, not these fictitious gambling games, money games.

So the point is that what you’re having is a natural development, a natural coalition from central Europe, which may include Germany, because Germany does not want to be part of the euro system. It can’t survive as part of the euro system. It has the same problem that Ukraine would have, the same kind of thing. So what you’ve got now, is a process which is leading into a re-organization of the type that I’ve been talking about.

## A Non-Survivable Policy

What you have is a world which, at the present moment, is divided, between what? On the one hand, the Asian part of the world, going across the Pacific—that's one part of the world. And all the nations that are involved in that, in greater Asia—that's one thing. That is what can survive. Right now, the United States is disintegrating; the British economy disintegrating; the French economy; the Italian economy. Spain has collapsed, and so forth and so on.

So therefore, you're at a non-survivable policy now. The United States policy now is a non-survivable policy. Europe is a non-survivable part of the world, and one part, Germany, is now being pulled, by a big suction draw, into moving in the direction of the reunification, in fact of practice, between Russia and Ukraine.

And the resumption of those relations as now in the form of so-called special trade relations, has now created a basis for defending that part of Europe and Germany, if they want to come along. It's going to have a relatively protected development, whereas the area to the west, that is, France, England, and so forth, and across the Atlantic, is now, under its present conditions, doomed, unless we in the United States do something to connect in cooperation with the Eurasian complex.

So now the fate is being dictated to us by reality, not much by choices. People find themselves taking the pathway of least problem—or optimal problem, as in this case. And the whole planet, which is about ready to go into a general economic-financial collapse, the entire planet is now moving to try to find some sections that can live together and survive this process. And that's what happened in Spain, Portugal, large parts of Africa, and so forth; these parts are right in the area with the United States right now, in the doom category.

And only by dumping Obama and what he represents, and dumping Wall Street, which is much more important in this, we can save the existence of the United States now. And that option, what has happened with the Ukraine-Russia-etc. complex, which touches Germany and so forth—this now becomes the option of reality for the United States itself. If we don't make that kind of choice, which means dumping Obama immediately, this United States economy is finished.

## The Breakthrough in Iran

**Ross:** I think partly Ukraine had been sold to some degree on the idea that Russia equals the Soviet Union, and is ignoring historic and obvious trade and industrial ties.

Let me ask you another question concerning the fight between British geopolitics and Eurasian development. And this concerns Iran, and the developments on Iran. At 3 a.m. Sunday morning in Geneva, the P5+1 and Iran reached an agreement that will effectively freeze much of Iran's nuclear program, in exchange for billions of dollars of relief from sanctions.

The agreement was reached with the strong support of all the nations involved, certainly including Russia and China, and it will result in many billions of dollars in frozen aid, and these assets, being released to Iran. It's a six-month agreement. It acknowledges Iran's right to continue enriching uranium to 3.5%, making clear their sovereign right to the use of nuclear energy, while eliminating more highly enriched uranium, and allowing for daily inspections of some of their nuclear sites. This shows great promise, despite the complaints from lunatics, like some in our Senate, and [Israeli Prime Minister] Netanyahu, and others.

Now interestingly, Russian Foreign Minister Sergei Lavrov pointed out that with this deal being reached with Iran, there is not really any longer a need for the NATO anti-missile system that's being constructed in Eastern Europe, because all along the way, NATO and the U.S. kept assuring Russia—although they've never signed an agreement—that this system was not aimed at Russia, it was aimed at Iran and the threat of missiles that they might produce at some point in the future. With this agreement, what would be the point for such a system? Lavrov made this point; I don't think [Secretary of State] Kerry really responded to it.

Also, Pakistan has expressed interest in billions of dollars of investments in Iran, Turkey is opening up its banking sector, or planning to. Even, astonishingly, Saudi Arabia has praised this agreement. So, it really appears that all of this means there are significant changes made in the region, in the playing-field there, dramatically reducing the threat of war. Could you please comment on this deal with Iran?

**LaRouche:** What you have to look at, is the fact that all of this is going in the same direction. For example, the United States has a big crisis, a big economic crisis. Under the present policies, the United States is going into a hyperinflationary collapse. The British system is also in a process of disintegration. The relationships of Saudi Arabia are being changed—it looks as though the author of 9/11, which is the British Queen plus the Saudi leader, our enemy who started 9/11—he's on the way, probably, out.

So what's happening is, there is a readjustment for survival. What can we put together as a possibility of survival? And what group of nations should come together in either direct relations or fraternal-spirited relations, to form a new basis for an economy in the world? And that's where we're at.

The obvious thing for us, for our concern, is we have to dump two things: Obama, and Wall Street. If we dump Obama and Wall Street, in conjunction with what's happening, say, with Germany's *tendency* to go into some kind of more comfortable relationship with Eastern Europe, then we have the possibility of breaking the Queen's policy, the Queen of England's policy.

### End the Green Depopulation Policy

Because the entire planet has been governed by a rather complicated, but very clear definition of a process, a global process, which was to reduce the human population of the planet from 7 billion people, to 1 billion or less. That has been the policy which has been operating since the assassination of John F. Kennedy. That has been the policy. The United States, for example, has gone into an actual decay since the assassination of John F. Kennedy. Kennedy's program, if continued, would have broken the British Empire's system, a system of intention to reduce the human population from 7 billion people now, recently, to 1.

Now what's happened, is that has broken down. And the question is, is the United States going to respond to the *reality* of the situation, *dump* the Queen of England, and Wall Street, which are the same thing, now, and do we organize our economy, with a Glass-Steagall leadership wedge, and then seek relations with China, India, Japan, Korea, and so forth, in order to create a new basis for an expanding and more productive, higher-technology economy, which is the only way that we can avoid the genocide policy which is inherent in the British-led so-called green policy?

So we've reached the point where, if the green policy continues, then these things we're seeing today, the kinds of fragmentation which symbolize the disintegration of the entire planet into a terrible mess, then nations are beginning to grab for opportunities of cooperation, to defend themselves against the policy set



Creative Commons/Scorpions and Centaurs

*The British Queen is the leading advocate of the Anglo-Dutch imperial policy of reducing the planet's population to 1 billion people, LaRouche declared; her consort Prince Philip is the co-founder of the Malthusian World Wildlife Fund.*

forth by the British Queen, the Anglo-Dutch interest, the policy of reducing the human population from 7 billion to 1 or less. That policy would probably lead to a chaotic disintegration of the entire civilization of this planet, and perhaps even toward effects, such as thermonuclear war effects, which would mean the extinction of the human species.

So that's what this is all about. It's chaotic in part, but there's a logic to it, because you have, on the one hand, the human species, which is unique among all species, has been based on the rise to higher energy-flux densities, always, always upward. And societies that did not move upward in terms of energy-flux density, were doomed. Now they have decided collectively, starting with the trans-Atlantic region, to put the doom perspective on the United States, especially, intending to crush Asia, and South America, and Africa, and so forth, later. Because they know if they break the industrial-technological power of the trans-Atlantic region, they know they can break the rest of the system.

So we're now at the point of a breakdown crisis in the trans-Atlantic system. This has a chain-reaction effect, because without industrial development, and other high-tech development, you cannot maintain a population of this type on this planet.

So now the time has come, where they go ahead with the genocide policy of the Queen of England,

"From the past, man obtains the insights, wisdom and hope to face with confidence the uncertainties of the future."  
—President John F. Kennedy's remarks to the centennial of Lincoln's Gettysburg address,  
November 19, 1963—three days before his death.

THE SCHILLER INSTITUTE  
PRESENTS

A Remembrance of  
President John F. Kennedy  
On the 50th Anniversary  
Of His Death



Recommitment to the  
Principles of His Presidency

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W.A. Mozart

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*The Schiller Institute's performance of Mozart's Requiem on the 50th anniversary of President Kennedy's death, was intended as the beginning of cultural renaissance to return the United States to what it was intended to be at its founding: a beacon of hope and temple of liberty for all mankind.*

where she has specified, that she is determined for the early reduction of the population of the planet from 7 billion people to 1 or less. That's her policy. And it's the effect of trying to install that policy, which has created this particular kind of chaos around the world today.

Now you have nations, like China, Japan, India, and so forth, which have refused to collapse their economies. You see the attacks on China coming from the U.S. President, and people of that sort. That's the point. And they're saying, "No. No." And they have the guns to back up the "No." And you will see the strength of the Russian economy, and the Ukrainian economy, and things linked to that, are going to suddenly become leading issues for the re-formation of relations of nations throughout the world.

## JFK and Mozart's Requiem

**Mason:** Now, a moment ago you asked the question, "Is the United States going to respond correctly in this crisis?" A week ago tonight, a concert, a remembrance for John F. Kennedy, was put on by the [Schiller Institute](#), which has been published on their site, which I think shows that indeed it is within the purview of the United States to respond correctly to this crisis. This was more than just a performance.

The intention of the Schiller Institute, going into this production, was a fitting remembrance of a great President of the United States, which really came across. It resonated with the people who were in attendance. I think one of the reasons for that is the fact that we have been living under a failed paradigm for the past 50 years. Every decision which has been taken since the death of Kennedy, has been a failure. We have relinquished our place at the leading edge of science and innovation. We've further bestialized our people by going into a terrible war in Vietnam, and then consequently, we shifted, because of fear, because of a sense of helplessness, disgust, into the counter-culture—of sex, drugs, rock, "live for the moment." We shifted away from "Live free or die" to "Live—for a while, and get what you can."

Now, this shift to entertainment, and to the moment, this is the fundamental axiom of those who have been leading this nation, which has brought us to the point where we are, where the longevity of the republic is indeed in question.

Now, I think that the times are such, and the severity of the crisis on the ground across the country is such, that people, to one degree or another, are recognizing that the disintegration of our society is contingent on this question of culture. . . .

With the publication of the remembrance for John F. Kennedy, by the Schiller Institute—now that that's available for people—it seems appropriate, Lyn, for you to speak to this question of that dynamic in this forum, in the Friday webcast:

**LaRouche:** Well, I don't agree with some of the argument you give. I don't believe that it is reaction that causes positive motion.

Now, I've been at this for a long time. I've been a revolter against what were the standard procedures of my time. I've revolted against our public school education system, because it was wrong. What our education

system has been—for example, this is crucial, to understand this process.

People do not react to bad conditions, they do not react. They may react in some sense, but the positive action never comes out of a reaction. It always comes out of a positive action, which is turned loose, but which was active and that by being active, was capable of seizing the opportunity, and changing it.

For example: the way we dealt with this [concert] effort. Go back to, say, a year ago, or more than a year ago, in which, in September, a year ago, we disposed a number of our people from our base of operations nearby, to go in and take on the issue of defeating Wall Street. And we did such a good job that Wall Street didn't catch on to what we had done to it until the following September.

You don't have societies reacting to culture. That's the worst thing that can happen to you. What the reaction is to, is to the opportunity to *seize the opportunity*, to change things. But it doesn't come from the reaction to what you're acting against! It comes from the opportunity to do what you want to do.

The case of the United States, the existence of the United States, is based on that principle. What is the principle? The principle was Nicholas of Cusa. And Cardinal Nicholas of Cusa, who was a leading figure of the church in his century, was not only a leading figure, he was the intellect, the driving intellect of Christianity in that century, personally. And his effort—where he said, we in Europe cannot possibly survive under the political conditions in Europe. There is nothing in Europe now, which is capable of dealing with this problem.

Europe is doomed. That was his [judgment]. Therefore, he said, *you*, people, you must move out across the oceans, to other territories, where you can bring people who have a positive view, perspective, of humanity. And that is the principle which I go by.

For example, how did this musical event occur? It wasn't that somebody came up with some idea! Yes, it crafted things together from the elements which were there—that's true. But how were the elements crafted? We did it! We as an organization did it! Because we are viable, and our opponents are not. So, therefore we respond to what is possible, which is there independently. We respond to the development and spread of ideas, which encourage people to create new institutions for themselves.

And that's what we have to do.

## The Current of History Is Positive

Now, the case of Cusa. Cusa died before the crossing of the Atlantic occurred, but Cusa was personally responsible for Columbus. Because Columbus was in Portugal at this point, visiting, and a bishop representing the interests of Cusa, explained Cusa's policy of going across the Atlantic, going across the oceans. This led to what happened in Massachusetts, in the Massachusetts Bay Colony. And the Massachusetts Bay Colony was the spark of organization, which created what became the United States.

Even though we were crushed by the Dutch tyranny at one point, in the following century, we created a revolution, the American Revolution. And that's the way things work, in reality. People who have tried to work on the reactive, react against, react against, react against—they always lose the current of history.

The current of history is always positive, it is never negative. And the ideas that are working are positive ones. We have been hammering against what? Wall Street. Wall Street and the British Queen and so forth typify the enemies of civilization. These are the principal enemies of civilization, on a global scale.

Now, when they weaken themselves and discredit themselves, that does help us, but it only helps us if *we* embody the cure for the disease.

Therefore, the point is always to educate the people. Always to inform them. Always to try to steer them in a way where they can understand what they don't understand now. And that's how all the great revolutions are made.

What happened—the case of Ukraine and Russia? They came together. Now, someone will say that's an accident—it could have gone the other way. No. No, because the other side did not have anything to offer. What they had to offer them, is the opportunity of going broker than ever before, which was not particularly appealing.

Now, you have corrupt people, who are working with the approved institutions or the approved nations, who are usually corrupt. They're the prostitutes of the world. The presidents of the world are sometimes the prostitutes of the world. If you can't get a president to be a prostitute, you find somebody else. They're always around.

But the point is, we're engaged in a real revolution. The world is changing. Spain has nothing—it hates it. Portugal, virtually destroyed. Greece—murdered! Italy—most of Italy is finished. France is collapsing.

And the British are chasing their own tail, hoping for a solution.

So this thing happens. And these are forces that have been there all along, like the case of Russia. The splitting of Russia from Ukraine, under these kinds of conditions, what are you going to get? Sooner or later, somebody in Ukraine is going to say, we've got to work out a deal with Russia. And when you examine what this present economic policy is, you have no mystery about that. Everybody in Ukraine, who is really not a puppet of certain influences, foreign influence in particular, is for this reunification of the economies of Ukraine and Russia.

And if you look at what Ukraine produces, what Russia produces, and then look at what the alternative is that's offered by Europe, the European system, which would you take? The natural one is to go with Russia and Ukraine, because the production and the demands are mutually agreeable.

So, therefore, what you have to do, if you're going to lead history, don't think of some sharpie going around with a formula and going to seduce a lot of people into their stupid beliefs. Yes, they do that, but you know what that leads to. But any successful change always leads on the basis of inspiration of other people, by recognizing what their interests are.

And that is always expressed by people among them, or allied with them, who help them see this opportunity.

The problem is, when you think negatively, you think of who you can beat, you think of who you can shame, who you can cheat—that is not a good way to make friends and influence people.

And that's the lesson we have to stick to. Any such thing, like a reaction, as being to the benefit of progress, no. It's people. It's the human being, it's the human mind.

Think of what the human species is. The human species is the only living species which has progressed by going from lower to higher orders of energy-flux density, in terms of its mode of existence. You want to understand the history of mankind? You've got to look at the Periodic Table of chemistry. Because you have to say what parts of the table of chemistry have been occupied by mankind, and what combinations of these elements of chemistry, are combined to give you the new formulas which you can then apply to get these results.

That's reality. The usual explanations of action/re-



LPAC-TV

*Kesha Rogers, who twice won the Democratic nomination for Congress in Texas, will now run for Senate from that state. "She is an exceptionally talented person," LaRouche said, "morally and otherwise, and has shown that. She's a true leader, and I don't think you could scrape through the state of Texas and find many more people who could match her, in terms of those qualities."*

action—wrong. The world is much better, morally, than most of the politicians understand.

## **Kesha Rogers for Senate in Texas**

**Mason:** I have a question that has come in from Kesha Rogers, who is a pre-candidate for the position of Senator in the grand state of Texas. She writes:

"Hello, Lyn. For some time now, you have spoken of the role of the Policy Committee and our national campaigns in shaping the new Presidency. You have insisted that any serious campaign for Federal office must be established, not from the standpoint of a local election, or just concerning a particular state, but a concern for the nation, and the nation's future as a whole.

"As we witness a cultural and economic disintegration of the nation and the world around us, and a British puppet President, who is losing it mentally, and going down rapidly, it is time for new leadership within the Democratic Party. It is time to break with this treasonous President. Democrats must declare—we reject Obama's continuation of the Bush policies. We reject Wall Street's bailout economy and the looting of our nation's social safety nets. We reject the murderous policies to the poor and elderly in the name of Obamacare, and bonuses to the insurance companies.

“We once again embrace the legacy and spirit of a real Democratic President, John F. Kennedy. If we do these things, as Kennedy said, ‘not merely to utter words, but to live by them,’ I see this as the only way to pull the nation together, through a true vision of optimism, that comes with a commitment to real progress once again.”

Will you please comment?

**LaRouche:** Well, naturally, I know Kesha very well, and she has estimable qualities which many people lack.

First, what was Kesha’s record? She came into our organization around certain activities. She then ran for office in Texas, in the Democratic Party, as an ordinary representative of the state, of that state policy. And she ran two election campaigns, and she won the Democratic nomination in both cases.

Now this has come to a third option, and I encouraged her: I said, well, the obvious thing is now to go for the Senate from the state of Texas.

Now, this is all understood, but you have to say, what’s the reason for this? Well, the reason lies inside herself. She is an exceptionally talented person, morally and otherwise, and has shown that. She’s a true leader, and I don’t think you could scrape through the state of Texas and find many more people who could match her, in terms of those qualities. So, why shouldn’t she run for Senate? It would be a shame not to have her run for Senate. She’s eminently qualified.

On the other question: You’ve got to look at the positive side. The human positive side. Would you trust her? Would honest and serious people trust her? Of course they would. That’s what her power is. Her political power is her influence. She is trustworthy. She’s devoted to the mission. She’s devoted to the character of the mission. She cares more about the United States probably than most people who have been Senators for years. And that’s her merit.

It’s on these questions of merit—merit of cause, merit of person—these are the kinds of things on which a society, culture, should be based. And you should look for these qualifications. And it’s those impulses that come from within them. This is what Nicholas of Cusa represented, in telling people to go across the Atlantic Ocean, in effect, and to create a new civilization because the old one in Europe was not fit to exist, and it had no perspective of being fit to exist. And that was valid.



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*Pope Francis’s new Apostolic Letter reminds us that “it is the responsibility of the State to safeguard and promote the common good of society,” and admonishes against the “idolatry of money.”*

And as a result of Cusa’s influence, he was one of the greatest intellectual and moral leaders of his time. One of the greatest intellects of his own time, and any time before and afterward. And it’s on those qualities of leadership, leadership in ideas, leadership for the development of ideas, more than anything else—that’s what makes real politics! Good politics.

And Kesha represents that. She probably is the best candidate for Senate in Texas in a long, long time.

### **Pope Francis vs. the Money-Changers**

**Ross:** This will be the last question for tonight. Pope Francis wrote his first major writing as Pope, “The Joy of the Gospel.” And in it, he applies the commandment, “Thou shalt not kill” to society as a whole. I want to read some parts of this, and get your thoughts on it.

He says:

“Just as the commandment ‘Thou shalt not kill’ sets a clear limit in order to safeguard the value of human life, today we also have to say ‘thou shalt not kill’ to an economy of exclusion and inequality. Such an economy kills.

“How can it be that it is not a news item when an elderly homeless person dies of exposure, but it is news when the stock market loses two points? . . .”

Pope Francis calls upon financial experts and political leaders from around the world to bring about a financial reform which defends the common good, and replaces the tyranny of a “survival of the fittest, where the powerful feed upon the powerless,” where the ancient Golden Calf is worshipped, and where human

beings are “considered consumer goods to be used and then discarded.” He admonishes that “it is the responsibility of the State to safeguard and promote the common good of society. . . .

“The worship of the ancient Golden Calf has returned in a new and ruthless guise in the idolatry of money and the dictatorship of an impersonal economy lacking a truly human purpose. . . .

“This imbalance is the result of ideologies which defend the absolute autonomy of the marketplace and financial speculation. Consequently, they reject the right of states, charged with vigilance for the common good, to exercise any form of control. A new tyranny is thus born, invisible and often virtual, which unilaterally and relentlessly imposes its own laws and rules. . . .

“A financial reform open to such ethical considerations would require a vigorous change of approach on the part of political leaders. I urge them to face this challenge with determination and an eye to the future. . . . Money must serve, not rule!”

Pope Francis specifies that welfare measures, while needed, are not sufficient to end exclusion and inequality which breed violence which no surveillance systems can ultimately control; changes must be structural.

“Just as goodness tends to spread, the toleration of evil, which is injustice, tends to expand its baneful influence . . . an evil embedded in the structures of a society has a constant potential for disintegration and death. It is evil crystallized in unjust social structures, which cannot be the basis of hope for a better future. . . .

“As long as the problems of the poor are not radically resolved by rejecting the absolute autonomy of markets and financial speculation, and by attacking the structural causes of inequality, no solution will be found for the world’s problems, or, for that matter, to any problems. Inequality is the root of social ills.

“The dignity of each human person and the pursuit of the common good are concerns which ought to shape all economic policies. . . .”

Could you please comment?

## **The Meaning of Human Life Is Immortal**

**LaRouche:** Well, I think the appropriate thing to say, in response to those remarks from the Pope, is to address the Pope on his own level of authority, as a religious figure. And I’m not joking. This is quite serious.

The greatest problem that we experience in the category of morality, as human beings, is the belief that the human life ends with the death of the mortal person.

That is a great mistake. It’s more a mistake, probably, of negligence than any other purpose.

Because what does death mean, for a human being? Look at what the role of the human being is, in life, when we talk in these terms. Human life is immortal, but in what sense? In what expression is it immortal? The mortality of the flesh? No, that is not decisive for people who are creative thinkers. They don’t think in terms of the flesh. They don’t think flesh. They think concepts, which flesh cannot produce, but can only inhabit.

Therefore, the issue is, is the idea that you want to get by, with faking it in life? Are you going to be proud of your death from that? Are you going to say, well, we’re only human, we don’t know the future? Therefore, we’re innocent because we’re ignorant of the future.

*That’s not true.* It certainly is not true by the ancient Christian theology. In the ancient Christian theology, the life is immortal. Its function is immortal. It has no limit of ignorance. Ignorance is forbidden. You require people who have the ability to rise above mortality, and see what the future requires of mankind, and to prepare mankind for that future, by informing mankind of the principles which mankind needs, for the purpose of mankind.

What’s the purpose of mankind? Mankind is the only creature, living creature, of which we know, which has the ability to create the future. Not a continuation of a breed, but a continuation of mankind to a higher level of achievement. And the purpose of Christianity, for example, is this higher level of achievement.

Not to be ashamed of what you’ve done, if you don’t have a reason to be ashamed, but be ashamed if you don’t do something which adds to the meaning of the future of mankind. The sacred thing is the sacred goodness of the human mind.

And you look and you take the writings and work of great people, great figures, take religious figures: What’s their commitment, if they’re good? Their commitment is to foresee what the future must be, or to encourage other people to begin to be able to foresee what the future requires.

The idea that you cannot know the other side of death is nonsense. That’s exactly what you should know. You should *know* what must be done, after you’re dead. You must be devoted to that as a purpose. That must be your being. So the interruption of life by death, for you, means that.

The death, the passing of life, is merely a moment, but the meaning of human life is immortal.

# After Ukraine's EU Refusal: Eurasian Development vs. Collapse and Chaos

by Rachel Douglas

Dec. 3—The potential for vast, Eurasia-centered economic development quickly became evident in the wake of Ukraine's Nov. 21 decision not to finalize a free-trade Association Agreement (AA) with the moribund European Union. The Ukrainian government announced that President Victor Yanukovich would sign 20 cooperation documents, including a Strategic Partnership Agreement between China and Ukraine, during a Dec. 3-6 state visit to Beijing. Russian Deputy Prime Minister Dmitri Rogozin on Nov. 22 moved to form a new working group on Russian-Ukrainian industrial cooperation, and on Dec. 1-3, Rogozin toured plants in Ukraine's Dnieper Bend industrial region and met with Ukrainian Prime Minister Mykola Azarov on this subject.

At the Nov. 28-29 Vilnius (Lithuania) summit of the EU with the six participants in its so-called Eastern Partnership program, Yanukovich refused last-minute pressure to sign the AA, centered on a Deep and Comprehensive Free Trade Agreement (DCFTA). The deal would have opened Ukraine to a flood of EU imports, aided international food cartels in grabbing Ukraine's famous Black Earth agriculture land, and brought death to Ukraine's industry and population.

Recognition is growing fast and far, that the EU's Eastern policy, like all other aspects of EU policy, is in shambles. Yet EU officials responded with shrieks and denunciations against Ukraine, while opposition forces enjoying blatant support from EU and U.S. officials and European- and American-sponsored NGOs went on a full-scale campaign to overthrow Yanukovich, starting with the ouster of the current government. As of this writing, an attempt to remove Azarov's government by a vote of no-confidence has failed in the Supreme Rada (Parliament).

The summit in Vilnius fizzled as Yanukovich

stuck to the decision not to proceed with the AA agreement, which Azarov, in announcing it, had motivated on national security grounds because of the anticipated devastation of Ukraine's surviving industries. Yanukovich on Nov. 28 called EU offers of EU610 million in financial assistance "humiliating," as Ukraine faces \$17 billion in debt service and energy bills in 2014.

Without the Ukraine deal, the Vilnius meeting had only the paltry result of Georgia and Moldova initialing statements of intent to try to negotiate their own bilateral AAs with the EU—the stage Ukraine had reached over a year and a half ago, in March 2012. There is no guarantee that Georgia and Moldova will follow through with the concessions demanded for the privilege of "gaining access to the EU market," as the EU propagandists always put it. Of the other Eastern Partnership target countries, Belarus and Azerbaijan have made no moves toward negotiating AAs with the EU, while Armenia terminated its AA negotiations in September, in favor of seeking to join the Belarus-Kazakhstan-Russia Customs Union.

## The Eurasian Perspective

"China is the second-biggest economy in the world," Azarov said Dec. 1. "Partnership with China means a good opportunity for us to obtain investment in our national economy." Amid opposition demands that he cancel the China trip (the leader of the Udar Party, ex-boxer Vitali Klitschko, even appealed to Beijing to rescind the invitation), Yanukovich explained in a Dec. 2 national TV interview, why he was going ahead with the strategically important state visit. "Although our domestic situation is not a good one for making trips, the national economy would suffer if I were not to go," Yanukovich was quoted on his Presi-

**FIGURE 1**  
**A Eurasian Development Perspective**

(Map labels translated below)

Миссия Юга Западной Сибири не допустить данную подмену и создать в России лидирующий планетарный центр индустриализации и производства общественного богатства через организацию третичной индустриализации, основанной на прорыве к седьмому технологическому укладу.

Организация планетарного центра авангардной третичной индустриализации позволяет в дальнейшем организовать своего рода каскад индустриализаций: от третичной – к первичной.



Source (in Russian): [http://www.idmrr.ru/downloads/doklad\\_siberia\\_ver.5.97.pdf](http://www.idmrr.ru/downloads/doklad_siberia_ver.5.97.pdf).

Rather than the European Union’s free-trade looting, Russia’s anti-drug chief Victor Ivanov proposes alternative economic development to counter the drug plague in Afghanistan, and transform greater expanses of Eurasia. This map comes from the 2013 report “How Southwest Siberia Can Become an Economic Center of the Planet,” issued by the Institute for Migration, Demography and Regional Development (Moscow), which presents the alternative development concept in detail.

The schematic shows primary industrialization (1) for Afghanistan, secondary industrialization (2) for the nations of Central Asia, and tertiary industrial modernization (3) in Russia. The graph at the upper left compares these three levels, shown bottom to top, in terms of time or industrial epoch on the y axis and complexity on the x axis. The development zone envisioned here extends from the science-center cities of Siberia to the Persian Gulf, encompassing Iran as well as Afghanistan and Central Asia.

dential website. He noted that the Chinese government has prioritized the development of economic ties with Ukraine.

In another indication of the Eurasian-development potential that may be unleashed with Ukraine’s refusal to associate with the EU, Russia’s Rogozin announced Nov. 22, “I have ordered the formation by Monday of a working group on organizing industrial cooperation with Ukraine, including in the defense sector.” On Dec. 1-2 Rogozin toured military-industrial plants in

southern Ukraine’s Dnieper Bend with Deputy Prime Minister Yuri Boyko and Ukrainian regional governors, to discuss cooperation. They visited machine-tool, aircraft, and ship-building plants in Nikolayev, Dnepropetrovsk, and Zaporozhye, according to Ukrainian press. On Dec. 3, just before entering the Rada to face the about-to-flop no-confidence vote in his government, Azarov met Rogozin to discuss such potential cooperation.

Boyko’s office announced that the Ukrainian side had proposed to Rogozin “a number of areas for joint projects, including in the space exploration industry.” Possibilities in the shipbuilding, aircraft, and machine-tool industries were also explored. Historically, within the Soviet economy Ukraine had among the most advanced capacities in these sectors, which were closely interfaced with those of Russia. In a Dec. 2 meeting at the Makarov Southern Machine-Building Plant (Yuzhmash, a machine-tool and rocket complex that remains state-

owned), Rogozin said, “Yuzhmash is a unique enterprise with tremendous potential. Russia today is on the threshold of major changes, and we are prepared to be extremely flexible on measures for greater cooperation.” Back in Russia, President Vladimir Putin on the same day signed a decree formalizing the announced reorganization of the Russian space program, with the creation of a United Rocket and Space Exploration Corporation.

Academician Sergei Glazyev, Putin’s advisor who

has worked intensively during the past five years to bring Ukraine into the Customs Union and the future Eurasian Union, had promised already on Nov. 10 that Russia was prepared to launch major joint projects with Ukraine, which would revive its economy, if Ukraine refrained from the EU free-trade deal. Glazyev has been viciously attacked by EU officials and British media, in particular, for warning that the EU Association Agreement would be “economic suicide” for Ukraine.

### **Reconceptualizing the CSTO**

Victor Ivanov, head of Russia’s Federal Drug Control Service (FDCS), suggested an even more far-reaching Eurasian perspective, addressing a Nov. 29 meeting of the Collective Security Treaty Organization (CSTO) Coordinating Council of the Heads of Competent Bodies on Countering Illegal Drug Trafficking, held in Minsk, Belarus. His presentation included preliminary outlines of several important Eurasia policy initiatives by Russia, which Ivanov explicitly contrasted to the farce taking place simultaneously in nearby Vilnius.

The current members of the CSTO include Armenia and Belarus, which are among the countries targeted by the EU Eastern Partnership. Its other members, Kazakhstan, Kyrgyzstan, Tajikistan, and Russia, are all active participants in the Customs Union/Eurasian Union project initiated by Putin. Since 2007, CSTO leaders have invited Iran to join the group.

Ivanov said that the time has come for “reconceptualizing the role of the CSTO as the main, or essentially the sole guarantor of anti-drug security in Eurasia.” In biting terms, he contrasted the behavior of the EU and NATO, to the anti-drug efforts mounted by the CSTO. “The scheduling coincidence between our CSTO meeting today in Minsk and the EU Eastern Partnership summit taking place just 200 km away in Vilnius, to discuss further EU expansion to the East, is highly symbolic. Unfortunately, in its reckless eastward movement the EU pays no attention to a matter of greater significance for people, namely fighting drugs.”

Afghanistan illustrates the case, Ivanov said, adding that, whatever happens with the schedule of foreign troop withdrawal from that country, an “enormous drug production infrastructure has been built up, while the economy collapses and unemployment surges,” and

without serious international efforts under the UN, massive narcotics production will continue there for decades or even a century. The security of all Eurasia has been undermined by Afghan dope, while any hopes that NATO would try to do something about it have been dashed. Yet, he added, the populations being destroyed by drug addiction include not only those of Russia and the CSTO, but also the youth in EU and NATO member countries.

Noting the EU’s rejection in 2010 of the Rainbow-2 plan proposed by Russia for wiping out Afghan drug production, a plan that included a strong economic development component, Ivanov called for the CSTO to resubmit Rainbow-2 to the NATO countries. The emphasis, he said, should be on Afghan drug production as a threat to international peace and security, and on the importance of “alternative development” for the economy in Afghanistan (**Figure 1**). Ivanov underscored that Moscow wants to make the “planetary drug threat” a top issue during its G-8 chairmanship in 2014.

### **The EU, Failing and Frantic**

During a Dec. 2 telephone briefing conducted by Washington’s Woodrow Wilson Center on “Ukraine and Europe: A Turning Point?”, host Matt Rojansky termed the Vilnius Summit “the high-water mark of the EU.” The allusion was to the “high-water mark of the Confederacy” in the 1863 Battle of Gettysburg, where the Union lines held against Pickett’s Charge during Lee’s second and last invasion of the North. Participants in the briefing, like analysts and pundits in many British and European press outlets, had to admit that Ukraine’s rejection of EU-colony status typifies an existential crisis for the British Empire’s collapsing European Union.

Many EU officials, and the covert-operations specialists that the EU finances through a myriad of non-governmental organizations (NGOs), are not willing to go quietly. On the heels of the Vilnius summit, successors of the George Soros-aided 2004 Orange Revolution in Ukraine turned out into Kiev’s Independence Square (Maidan Nezalezhnosti) and the central street, Kreshchatyk, protesting Yanukovich’s decision and demanding his impeachment and the ouster of the government.

After a night of provoked violence on Nov. 30, with masked radicals throwing Molotov cocktails at police

who responded with tear-gas and bludgeons, a crowd estimated in the hundreds of thousands materialized in central Kiev on Sunday, Dec. 1. The Euromaidan, as it is now called, demanded association with the EU and the overthrow of Yanukovich. Demonstrators seized the Kiev Mayorality building, which opposition leader Arseni Yatsenyuk of the Batkivshchyna Party declared would henceforth serve as “revolutionary headquarters.”

In an outrageous violation of diplomatic protocol, ambassadors of several EU member countries, including Lithuania, Poland, and the Netherlands, were seen marching alongside the Ukrainian demonstrators. Former Polish President Leszek Kwasniewski joined the Kiev demo on Dec. 1, declaring that “here we see enormous support for the idea of Eurointegration, such as would be impossible to organize anywhere in Europe!” Kwasniewski told the Ukrainian *Zerkalo Nedeli* (ZN) paper, “We cannot leave Ukrainian society alone in this situation; we must help the students and the NGOs.”

Indeed, an estimated 2200 EU- and U.S.-funded NGOs are operating in Ukraine, and have likely been channels of support for the rapid organization of these protests. In December 2004, Western-funded NGOs were instrumental in the Orange Revolution, which overturned the first election of Yanukovich as President.

U.S. Ambassador Geoffrey Pyatt, a career diplomat assigned to Kiev by the Obama Administration only last July, has also been mouthing off publicly about the importance of getting Ukraine into the EU. ZN reported Nov. 20 that at a press conference in Dnepropetrovsk, Pyatt said that “if the Ukrainian government proceeds toward signing this agreement [with the EU], I am certain that the U.S. will extend very strong support.” On Nov. 29, a week after the Ukrainian government’s sudden halt to the EU negotiations, and on the eve of the Vilnius EU-Eastern Partnership summit, Pyatt gave an interview to ZN. “I am 100 percent certain that the Association Agreement with the EU will ultimately be signed, because it corresponds to the best economic interests of Ukraine and reflects the aspirations of the majority of the Ukrainian population,” Pyatt lied. “This is one of those things, which most struck me in what I have seen in the Euromaidan. This was not just some political demo, but an outburst of popular feelings about Ukraine’s future direction.

The United States Government fully supports this process.”

The irony of the hated Troika (the European Commission, the European Central Bank, and the International Monetary Fund) denouncing for “police brutality” a government that refused to accept Troika conditionalities was not lost on people in other European victim-countries. Spain’s *El Espia Digital*, an intelligence/military-linked website, reported that “the EU, which repressed the 15M [anti-austerity protest movement of 2012] in Spain and ordered the Greek people crushed, now cheers the Kiev rebels.”

While Spanish web media are overloaded with the Troika’s anti-Ukraine propaganda, many of the comments that people write under those articles are running along the lines of “Who would want to join the 30 million unemployed in the European Union?” and “To enter the EU now would be suicide!” *El Espia Digital* published an analysis by Voice of Russia writer Valentin Mandrascu, titled “Ukraine Resists Climbing On Board the European Titanic.” Mandrascu pointed out that throughout the newer EU member countries in Eastern Europe, cheap EU consumer credits that cushioned “the negative effects of deindustrialization and the collapse of the real sector of the economy” have now ended, so the people of Eastern Europe face the bitter reality that “industry and infrastructure are ruined, while the service sector which stimulated the demand for credits can no longer ensure growth.”

### **Ongoing Destabilization Threat**

As of Dec. 3, even after the failure of the opposition’s no-confidence motion in the Supreme Rada, the political situation in Ukraine remains tense. After failure of the no-confidence vote, Yatsenyuk called on demonstrators to march to the Presidential Administration building and demand that Yanukovich fire the government anyway. Klitschko vowed to “peacefully blockade the Government headquarters and prevent them from working.” The complexities of Ukrainian politics and economic-financial power arrangements, involving several business clans interfaced with European financial interests, allow many opportunities for further destabilization of the country. On Dec. 2, Prime Minister Azarov told ambassadors of Western countries that the ongoing demonstrations were part of an attempted “coup.”

European officials are loudly condemning the actions of Ukrainian riot police on the weekend of Nov. 30-Dec. 1. Organization for Security and Cooperation in Europe (OSCE) Representative on Freedom of the Media Dunja Mijatovic sent a letter to Ukrainian Foreign Minister Leonid Kozhara, current chair of the OSCE, deploring “beatings reportedly conducted by the law enforcement officers, who attacked journalists and disregarded their press identification.” A ministerial OSCE meeting in Kiev the week of Dec. 2 may become a venue for EU figures to publicly insult Yanukovich and the Ukrainian government.

Demands for a transparent investigation of the Kiev street clashes also figured in a phone call between Yanukovich and European Commission President José Manuel Barroso on Dec. 2. According to a European Commission statement reported by Interfax-Ukraine, Yanukovich asked Barroso to receive a delegation from Ukraine “to discuss certain aspects of the Association Agreement, including the Deep and Comprehensive Free Trade Agreement,” i.e., the deal Yanukovich has refused to sign. Barroso replied that the European Commission would receive such a delegation, but only to “discuss aspects of implementation related to the agreements already initialed, not to re-open any kind of negotiations.” Barroso demanded a speedy investigation of the use of force by law enforcement agencies and told Yanukovich that the Ukraine government should be conducting a dialogue with “all political forces” in the country. The statement said that Yanukovich agreed with what Barroso said and “clearly confirmed his intention to investigate the use of force by the Ukrainian police and to make the results of the investigation public.”

At the Vilnius summit, according to diplomats cited by various news agencies, Yanukovich had proposed to European Council president Herman Van Rompuy and EC head Barroso to begin triangular EU-Russia-Ukraine trade talks. So far, the EU has refused this initiative, but as of Dec. 3, Kiev has announced that it is sending new, separate delegations to Brussels and to Moscow to discuss trade and energy-pricing issues that affect all three parties.

The *Financial Times* of London reported Dec. 2 that Ukrainian government bonds are being slammed on the market, with the yield on its “junk-rated sovereign dollar bonds” hitting a high for the recent period

of 19.34%. The City of London and other markets’ snub to Ukraine, however, may backfire on some of Europe’s own core oligarchical banking institutions. The Italian-Austrian-German conglomerate UniCredit, whose strategy over the past decade has included seeking superior profit margins through operations in Eastern Europe, could be devastated by Ukraine-related losses, even triggering demands for emergency “bail-in”—the money-grabbing policy promoted by the Bank for International Settlements (BIS) and its Financial Stability Board, but not yet fully in place in Europe.

### **Putin: Realize What the EU Deal Would Do!**

Official EU attacks blaming Russia for Ukraine’s action prompted a number of sharply worded rebukes from the Russian Foreign Ministry and President Putin. On Nov. 25, Van Rompuy and Barroso condemned Russia for allegedly pressuring Ukraine against signing on with the EU. They stated, “We strongly disapprove of the Russian position and actions.” Van Rompuy and Barroso explicitly praised the Kiev street demonstrations, saying that they showed an “embrace [of] the historic nature of the European association.” They claimed that the proposed DCFTA offered Ukraine hope for “building a prosperous and stable future for all Ukrainians.”

The Russian Foreign Ministry stated “bewilderment and disappointment” at Van Rompuy’s and Barroso’s words, protesting “the desire to blame Russia for the problems that have arisen in Ukrainian society under the EU’s policy of undisguised pressure on Ukraine and several other countries in the Eastern Partnership initiative.” The Russian Foreign Ministry said that the terms of various trade agreements with the EU have already hit Ukraine “and other of our neighbors with many years of economic disorder, deindustrialization, and bankruptcies in agriculture, resulting in rising unemployment and lowering of the standard of living.”

Putin, speaking Nov. 26 in Trieste, Italy after Italian-Russian government talks, called for “depoliticization” of the situation around Ukraine and acceptance of the Ukrainian proposal for triangular EU-Russia-Ukraine talks. He warned that the EU—with 40% youth unemployment in some of its member countries, as he pointed out—should get off its high horse regarding the need for absolute free trade.

Putin also detailed the potential adverse effects on the Russian economy of the Ukraine-EU Association Agreement. Though Russia itself has been negotiating with the EU on a new “basic agreement” for the better part of a decade, he pointed out that not all EU-Russia issues have been settled, and warned, “We are not yet prepared to simply open the gates of our economy to European goods.” If Russia left its bilateral free-trade arrangements with Ukraine in place while Ukraine went ahead with the DCFTA, he said, then European products could flood Russia through Ukraine. “Therefore,” Putin went on, “I would ask our friends in Brussels and my personal good friends in the European Commission to refrain from radical statements. Are we supposed to strangle entire sectors of our economy to please them? Some European countries have 25 percent unemployment, with up to 40 percent youth unemployment. . . . We do not want any surge in unemployment or the shutdown of entire sectors of the Russian economy.”

At a Dec. 2 press conference after talks with Armenian President Serzh Sargsyan in Yerevan, Putin again urged people to study the Association Agreement that

Ukraine so far has refused to sign, in order to understand what is at stake. “Nobody bothers to actually delve into those draft agreements,” he said. “It is said that the Ukrainian people are being deprived of their dream [of “joining Europe”], but if you look at the content of those agreements, then [it’s clear that] many people would simply not live to see their dream—and dreams, in principle, are good; but they wouldn’t make it, because the conditionalities are very tough.”

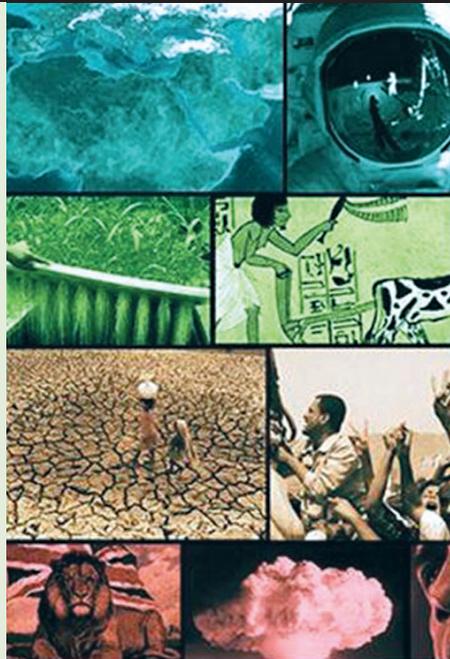
Putin also gave his view that the street clashes in Kiev appeared to have been pre-planned, probably for the 2015 Ukrainian Presidential elections, but had been deployed ahead-of-schedule because of Ukraine’s break with the EU process. “Everything now happening indicates that this is no revolution, but a carefully prepared action,” he said. “I don’t believe they were being prepared for now, but for the 2015 Presidential election campaign. . . . We can see on TV how these well-trained ‘bands of militants’ are functioning. The opposition either doesn’t have control over what’s going on, or they are just a political screen for extremist acts.”

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## ‘Bernankecare’ Heads for Bust

by Paul Gallagher and Stuart Rosenblatt

Dec. 2—The trans-Atlantic financial system, whose 20 huge bank holding companies have swallowed \$3.5 trillion in Federal Reserve money-printing and a trillion more by other central banks since 2009, is heading for a new blowout of the speculative debt bubbles, which those giant banks have reinflated by speculating with this continuous bailout.

While \$2.5 trillion of the Fed-printed liquidity has become “excess reserves” of big banks—reserves growing at a faster rate in 2013 than even post-crash 2009—and their deposits are more than \$2 trillion greater than in 2008, their lending into the economy is distinctly lower, by nearly \$1 trillion. No longer primarily deposit-and-lending banks at all, they are each conducting securities and derivatives speculation through thousands of units. JPMorgan Chase’s London Chief Involvement Office alone had invested \$450 billion of the bank’s deposit base in credit derivatives through “shadow” subsidiaries, before the “London Whale” trades went bad in 2012.

Hence the urgency of both enacting Glass-Steagall in the United States and Europe—compelling this immense speculation by commercial banking institutions to stop—and hastening the departure of President Obama and company from power in the United States.

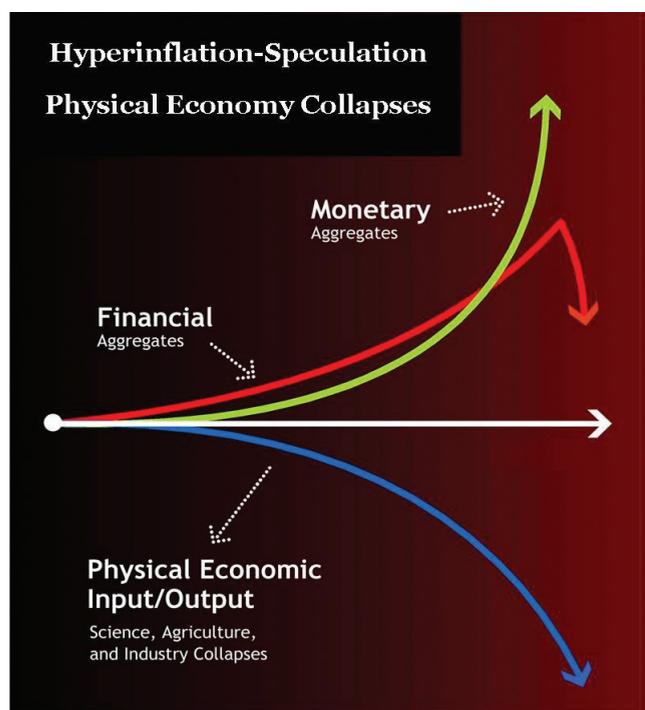
At several conferences held in Washington, D.C., in November, Federal Reserve officials, and current and former IMF and Treasury Department officials, warned,

in typically complex “bank-speak,” that the result of endless central bank quantitative easing (QE) is the emergence of interconnected financial bubbles all over the economy. As Lyndon LaRouche warned over the past several years, QE has been generating hyperinflation, and this is how it is appearing. The totally foreseeable result of the \$3.5 trillion poured by the Federal Reserve into the Too Big To Fail (TBTF) banks and their various subsidiaries, coupled with five years of 0% interest rates, has brought the trans-Atlantic financial system to the tipping point.

As per LaRouche’s “Triple Curve Function” (**Figure 1**), these financial bubbles are “unsupported” by the rapidly vanishing real physical economy. The collapse of the real economy has been regularly reported by this publication, and can be identified by the rapid rise of real unemployment, youth unemployment, pockets of starvation, increase of death rates, and declines in life-expectancy and/or population, shutdowns of hospitals and other medical facilities in the name of Obamacare, bankruptcy of cities such as Detroit, collapse of the productive output of Michigan, Pennsylvania, Ohio, and other rust-belt states, etc. The trans-Atlantic system is not in recovery; but as LaRouche has emphasized, it is in a breakdown crisis. The issue of a new financial collapse is only a matter of how soon, not whether.

The only reason for this cancerous metastasizing of

FIGURE 1  
**LaRouche's 'Typical Collapse Function'**



financial bubbles is the failure to enact Glass-Steagall legislation in 2010, and the resulting bailouts of a financial system that was hopelessly bankrupt from 2008 onward. There is no Brand X substitute for enacting Glass-Steagall now.

### Bubbles Proliferate

On the financial side, bubbles abound. The most obvious, as a result of the Fed's non-stop emission of currency, is the hyperbolic rise in the **equities markets**. The Dow Jones and Nasdaq averages are achieving new high marks daily. When Fed Chairman Ben Bernanke even hints at "tapering," these markets immediately rattle and come apart. No sane analyst dares call these anything but enormous, malignant bubbles that can burst on a moment's notice; as witness Nobel economist Robert Shiller's Dec. 1 *Der Spiegel* interview: "I am most worried about the boom in the U.S. stock market. Also because our economy is still weak and vulnerable,"

Another marker is the \$1.2 trillion **student-loan bubble**, of which 30% is delinquent or in default. On Nov. 18, Anit Chopra of the Consumer Financial Protection Board (CFPB), warned that the student-loan

market is in danger of a meltdown. In an interview with the *American Banker*, Chopra characterized the market as "full of deficiencies" and similar to the housing bubble before its demise. Forty million Americans share this \$1.2 trillion debt burden, an average of \$30,000 each. A large percentage of the holders of the debt are unemployed members of the workforce who went back to school, and their ability to repay this debt has fallen over the years. According to the Census, real wages for young college graduates have fallen 5.4% over the past six years.

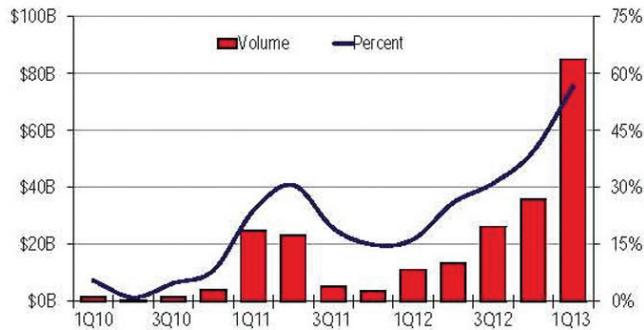
Equally ominous has been the rapid rise in **leveraged loans** of all types. These financial products are similar to the junk bonds that abounded in the 1980s (remember Michael Milken!). They mimic the worst aspects of the subprime lending fiascos of the last decade, which precipitated the mortgage-backed security (MBS) debacle. As a recent New York Times Dealbook article said, these are below-investment-grade debt that go to companies already awash in debts, and are considered in the investing community to be highly speculative.

Leveraged lending fell off after the 2008 meltdown, but has returned with a vengeance recently. This year alone, over \$585 billion of such debt has been created, which surpasses the \$535 billion in 2007, on the eve of the crash. These loans are used to bankroll purchases of other companies, to refinance debt, or to engage in other private equity deals. The financing is "covenant-lite" (cov-lite), meaning there is no real repayment schedule—just a high interest rate, and few protections for members of the investing public to alert them to approaching catastrophe. The company involved does not need to keep its debt below a certain level, or even to report its financial results in a timely fashion, according to the *Times*. Covenant-lite loans are secured by the company's assets, and give lenders priority over bondholders and stockholders if the company goes belly-up, not unlike the "superiority" status of derivatives holders in the case of a bankrupted bank.

In an exemplary leveraged loan, one media company, Learfield Communications of Jefferson City, Mo., borrowed eight times its annual earnings (!) at an interest rate of 8.75%. In September, Dell Co. garnered a \$9.1 billion cov-lite loan to help finance a \$25 billion buyout by its founder, Michael Dell.

In March, the FDIC, Federal Reserve, and the Office of the Comptroller of the Currency issued a statement saying that "prudent lending practices have deteriorated."

FIGURE 2  
Covenant-Lite Volume



Source: S&P Capital IQ LCD

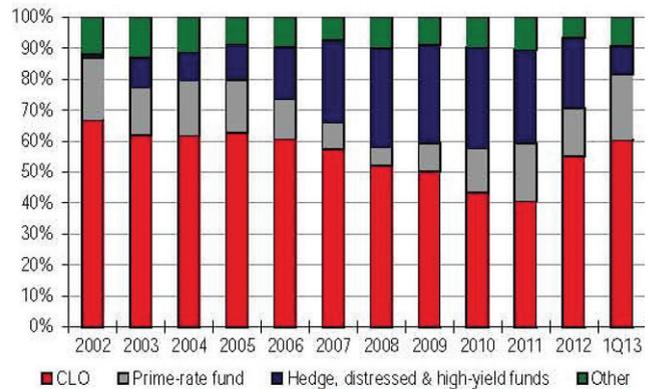
rated” and urged lenders to tighten their standards. They cited cov-lite loans in particular. Sixty percent of the cov-lite loans are coming from the highly unregulated “shadow banking sector” of private equity firms and investment funds. According to a recent speech by Adam Ashcraft, Senior Vice-President and Head of Credit Risk Management at the New York Federal Reserve, the covenant-lite loans are now \$80 billion and have risen exponentially in the past 18 months. (Figures 2 and 3.

Last week, the *Wall Street Journal* reported that these “leveraged business loans” have been bundled and securitized into collateralized debt obligations (CDOs) and synthetic collateralized loan obligation (CLO) derivatives—the same vehicles that popped in 2008.

Along this same line, the **junk bond bubble** has tripled in the past 18 months to \$180 billion. Bonds rated CCC or lower—that is, eight steps below investment grade—have gained 11% this year, and debt rated BB, two grades below investment, are trading above their normal price. According to James Serhant, head of high-yield investments at Hartford Investment Management Co. in Connecticut, the \$516 billion of notes in the top tier of junk are trading at an average price of more than 104 cents on the dollar. Normally they sell in the mid-80s.

Simultaneously, the subprime market for **auto loans** has skyrocketed. These are loans made to purchasers with the shakiest credit scores, 650 and lower, and bundled into bonds to be sold to the most unscrupulous speculators. Approximately half of the \$300 billion in subprime auto loans has been securitized by the banks.

FIGURE 3  
Share of New-Issue Institutional Loan Allocations by Investor Type



Source: S&P Capital IQ LCD

### ‘Bernankecare’ in Action

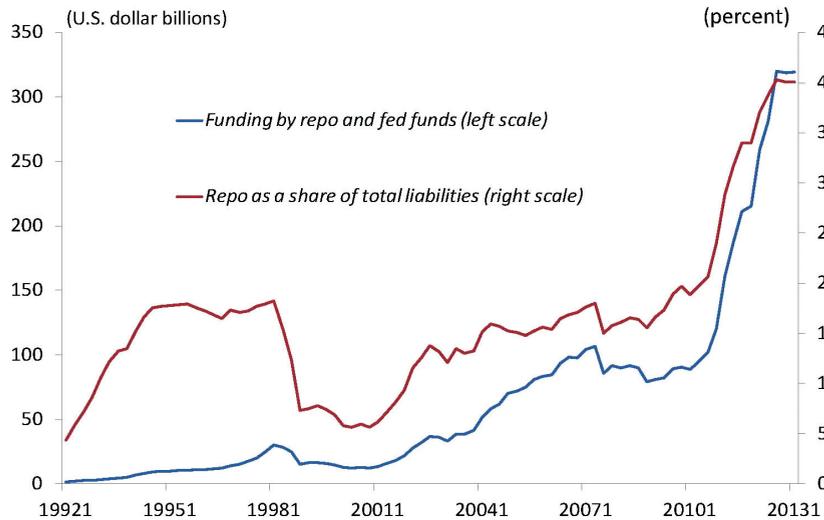
Commenting in bewilderment on the effects of now five years of 0% lending and nearly \$4 trillion in asset purchases by the Fed, Joshua Brown, CEO of Ritholtz Wealth Management in New York, said, “It adds up to Bernankecare, and it’s causing parts of the market to behave strangely. Stocks of companies with weak balance sheets are rising twice as fast as stronger ones; junk borrowers get rates lower than their investment-grade counterparts did before the credit crisis; and initial public offerings are doubling on their first day of trading.”

Equally ominous are the growth of the Agency Real Estate Investment Trust bubble and the reinsurance bubble. **Agency Real Investment Trusts** are investment vehicles that primarily invest in mortgage-related assets. Agency REITs invest in mortgage backed securities issued by U.S. government-sponsored agencies (GSE), especially Fannie Mae and Freddie Mac. Agency REITs are publicly traded, but virtually unregulated, and have engaged in higher leverage than other REITs. The sector holds over \$350 billion of agency MBSs, 7% of the total agency MBS market.

This bubble has quadrupled in less than two years, to nearly \$400 billion in debt, and according to IMF official Dr. Laura Kodres, the role of unregulated “shadow banking” funding of the agency mortgage REITs has increased from 12% to 45% in the same period.

The returns have been worth it to them. According to a recent Fed study, *Shadow Bank Monitoring*, the

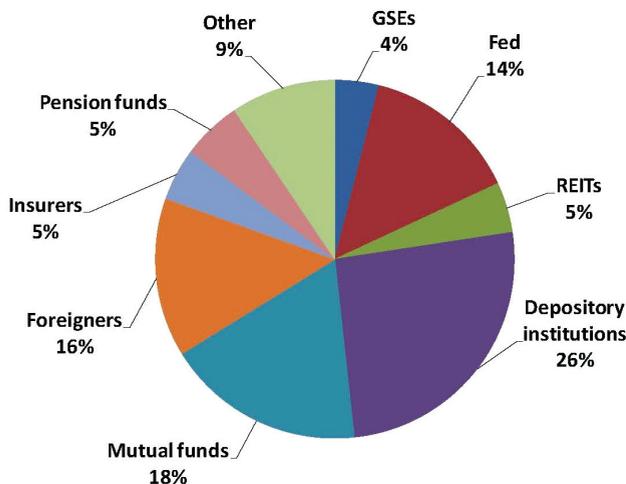
**FIGURE 4**  
**Real Estate Investment Trust (REIT) Dependence on Short-Term Funding**



Source: Federal Reserve; and IMF staff estimates.

high degree of leverage of agency REITs allows them to generate dividend yields that are among the highest for all traded stocks. The largest agency REITs have achieved dividend yields around 20% in recent years,

**FIGURE 5**  
**Holdings of Agency Mortgage-Backed Securities**



Note: Total may differ from 100 percent due to rounding. GSE = government-sponsored enterprise; REIT = real estate investment trust.

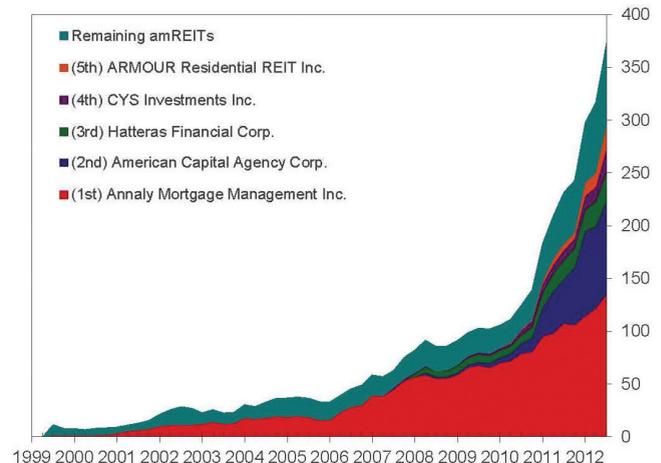
Source: Federal Reserve; and IMF staff estimates.

despite general long-term interest rates that are only around 2%. They also get special tax treatment; earnings are not taxed at the corporate level, except in special circumstances. The report does admit though, that in a rising rate environment, there could be a massive sell-off of agency REITs. The REITs might fire-sale their MBS portfolio; their liquidity might become “impaired”; and this might spill over into other related institutions. But for now, enjoy the ride (Figures 4, 5, and 6).

Another bubble near the bursting point is the **reinsurance bubble**. The same report, of which Adam Ashcraft was a co-author, warned of the buildup of speculative paper in this area. Reinsurance is the sale of risk from an insurance company to a reinsurance company. The report delineates all the attending risk and puts up a red flag demanding resolution. Reinsurance has grown from \$250 billion in 2006 to over \$550 billion currently (Figure 7).

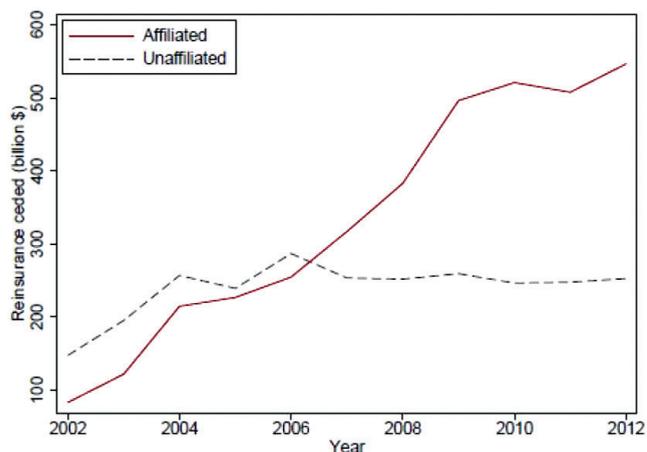
Add in the nearly \$250 trillion of derivatives on the books of just the FDIC-insured TBTF banks, the example of the London Whale debacle of last year, and

**FIGURE 6**  
**Agency Mortgage REITs**  
 \$ Billions



Adam Ashcraft, “The Dark Side of Shadow Credit Intermediation,” Federal Reserve Bank of New York, Nov. 23, 2013.

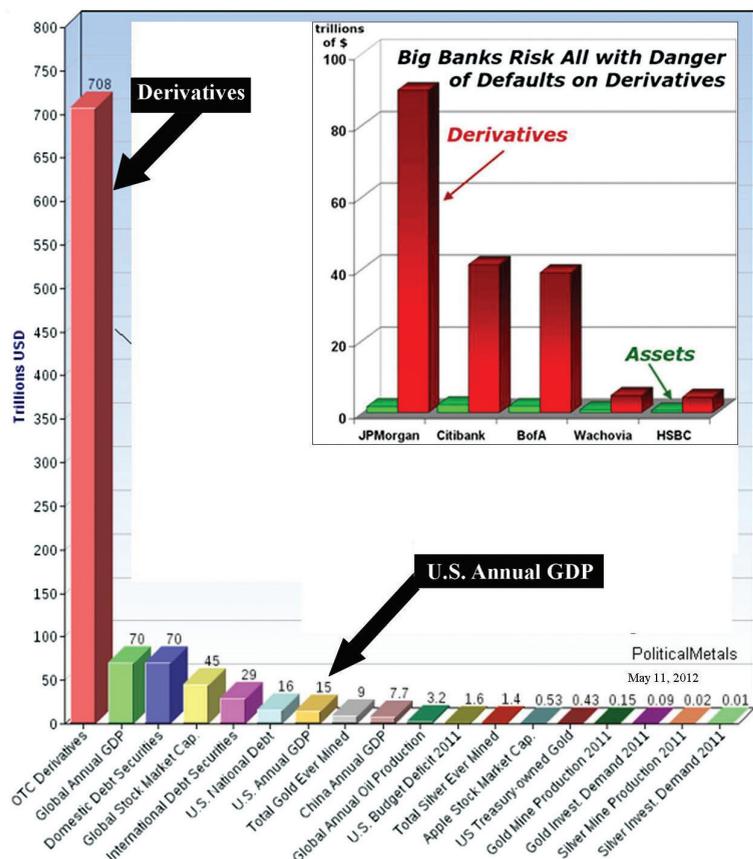
FIGURE 7  
Reinsurance



Adam Ashcraft, "The Dark Side of Shadow Credit Intermediation,"  
Federal Reserve Bank of New York, Nov. 23, 2013.

Figure 7 reports life and annuity reinsurance ceded by U.S. life insurers to affiliated and unaffiliated reinsurers. Reinsurance ceded is the sum of reserve credit taken and modified coinsurance reserve ceded.

FIGURE 8  
Derivatives



Source: Bank of International Settlements—The Future Tense, June 15, 2012.

the over \$700 trillion of over-the-counter derivatives in the trans-Atlantic economy, and you have nearly a full picture of looming financial blowout, which will rival the impact of a gigantic asteroid on the planet (Figure 8).

### Shadow Banking: Myth and Reality

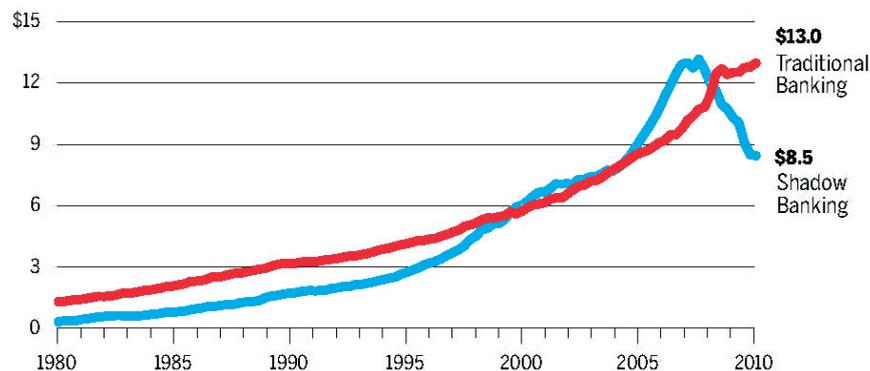
One causal feature of this crisis has been the meteoric rise of the “shadow banking” system. Much has been written and uttered about this concatenation of hedge funds, money-market funds, repurchase operations, and sundry other “non-bank” sources of seemingly limitless credit being fed into the financial side of the economy.

There is a conglomerate of “shadow bank” institutions that have been central to pumping up this enormous bubble. It is nothing more than an organized crime gambling syndicate. Shadow banking is a set of vehicles whose purpose is to create new “house money” for the insane gamblers on Wall Street. These entities are creatures of, and to a large extent controlled by, the same oligarchical regime of TBTF banks (including JPMorgan Chase, Wells Fargo, Citibank, Morgan Stanley, Goldman Sachs, and Bank of America) that have dominated and repeatedly destroyed the U.S. economy since no later than the murder of John F. Kennedy.

The elaboration of the shadow banking network and the risks it poses to the system, were spelled out at the Roosevelt Institute conference on Nov. 12 in the Senate Russell Office Building. Speakers included Marcus Stanley, the Policy Director of the Americans for Financial Reform; Saule Omarova, a law professor and former special advisor to the Treasury Department; Wallace Turbeville, an adjunct law professor at the University of Maryland and senior fellow at Demos; and many others. This was followed by the Nov. 22 conference at the Economic Policy Institute (EPI), which focused on “monitoring” shadow banking, and featured Ashcraft; Nicola Cetorelli, assistant vice-president of the Research Department of the New York Fed; Dr. Laura Kodres, assistant director of the Monetary and Capital Markets Department of the IMF; Simon Johnson, former chief economist of the IMF; Daniel Tarullo, a

FIGURE 9  
**Traditional and Shadow Banking Systems**

(\$ Trillions)



Financial Crisis Inquiry Commission [Report](#), 2010

*The funding available through the shadow banking system grew sharply in the 2000s, exceeding the traditional banking system in the years before the crisis. Note: Shadow banking funding includes commercial paper and other short-term borrowing (bankers acceptances), repo, net securities loaned, liabilities of asset-backed securities issuers, and money-market mutual fund assets.*

member of the Board of Governors of the Fed; and many others.

Shadow banking has become a preferred operation of Wall Street to sidestep Glass-Steagall and gamble with other people's money. This witches' brew of investment banks, broker-dealers, mortgage originators, and others was documented in the explosive report by the Financial Crisis Inquiry Commission (FCIC) in 2010. This report was the result of extensive hearings by the FCIC, which was created by the Congress. (See **Figure 9**.)

Shadow banking has grown to equal the size of the regular commercial banking system over the past decade, with nearly \$70 trillion in assets. It had previously been limited to investment banking, and kept largely in check under Glass-Steagall. It began to expand in the 1970s, with the watering down of the Glass-Steagall legislation. In 1971, the Federal Reserve promulgated Regulation Q, and put a ceiling on interest rates that banks and thrifts could offer to depositors. Seizing an opening, the investment banks created money-market funds, and other mutual funds arose independently to take deposits and offer a higher rate of return than the banks. From there, shadow banking took off.

In regular commercial banking, the bank is the intermediary between the depositor and the recipient of

bank loans. Shadow banking unleashed a grouping of new intermediaries to grease the skids of finance, increasingly outside the bounds of the regulated Glass-Steagall system. These included: the expanded role of investment banks (Morgan Stanley, Goldman Sachs; as well as Merrill Lynch, Lehman Brothers, and Bear Sterns, all of which went bankrupt in 2008). The first three were saved by then-Treasury Secretary Henry Paulson and given bank holding company (BHC) status to continue their derivatives and related gambling operations. The investment banks sponsored many of the money-market mutual funds, which competed with the regular banks for "deposits," and moved their depositors' money into an assortment of "investments," such as the schemes listed in

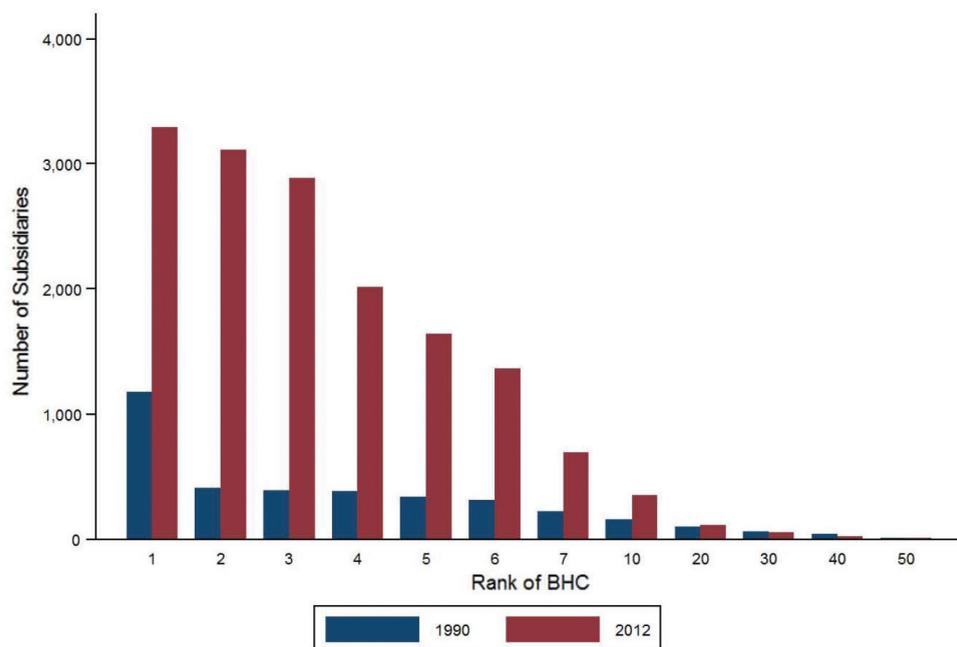
the previous section.

Other components of shadow banking included the proliferation of repurchase agreements (repos, tri-party repos, etc.), which trade securities for the cash of money-market funds (for example), and then pour that cash into speculation; and commercial paper issued by companies and banks to fuel their own speculation. Commercial paper was a favorite purchase of money-market mutual funds.

With the erosion of Glass-Steagall in the 1990s and its repeal in 1999 came a host of new vultures to cash in on the bonanza: independent mortgage brokers initiate mortgages; finance companies finance them, then sell them to a "warehouse" company; from warehouses, the mortgages and mortgage-backed securities are placed onto the financial markets; broker-dealer subsidiaries of major banks create special purpose vehicles to market the loans, which are given guarantees by the underwriting banks, *ad infinitum*. The two biggest sources of funds for shadow banking are money-market funds, which total over \$3 trillion, and real estate investment trusts, which are over \$1.5 trillion—but all sorts of instruments have been created to further this ludicrous process. Credit intermediation and other operations are done outside the "regular" banking system, at least on the surface.

However, even in the 1990s shadow-banking opera-

FIGURE 10  
**Top U.S. Bank Holding Companies, Number of Subsidiaries, 1990 vs. 2012**



Tobias Adrian, Adam B. Ashcraft, Nicola Cetorelli, "Shadow Bank Monitoring," Federal Reserve Bank of New York Staff Report No. 638, September 2013

tions, the big commercial banks were front and center. They sponsored the thousands of hedge funds and other entities whose sole purpose was to circumvent Glass-Steagall prohibitions against securities speculation and other practices. The poster child for this operation was the 1993 creation of Long Term Capital Management (LTCM) by Merrill Lynch. Prior to its near demise in 1998, the company had lines of credit from over 50 FDIC-insured banks, investment banks, and foreign banks, which had given it 100:1 leverage! Had Glass-Steagall been enforced at that time, this never would have occurred.

At its height, LTCM had \$4.5 billion in capital, \$125 billion in lines of credit from the banks, and issued over \$1 trillion in derivatives. It came within an inch of bankrupting the entire world economy in 1998, when its resident "geniuses" bet wrong on Russian bonds. Russia defaulted on its bonds, an event never predicted in the mathematical models of LTCM, and that "ingenious" bet had been mimicked by other hedge funds. The world economy was nearly destroyed by shadow banking, done with loans from the biggest commercial banks.

## LTCM Redux: TBTF Banks Control Shadow Banking

The major paper presented at the Nov. 22 conference sponsored by Americans for Financial Reform and held at the Economic Policy Institute, was the *Shadow Bank Monitoring* document written by Ashcraft, Nicola Cetorelli, and Tobias Adrian of the New York Fed. On pages 9-10 is a description of the role of the regulated banks in this operation. They cite a report in 2012 by Vitaly M. Bord and João A.C. Santos of the New York Fed, where the "authors document that more than 75 percent of syndicated credit lines are bought by syndicate participant [commercial] banks."

Ashcraft et al. show that "as of 2011, bank holding companies controlled about 38% of the assets of the largest insurance companies, 41% of total money-market mutual fund assets, and 93% of the assets of the largest brokers and dealers. Moreover, very little securities lending and related cash collateral reinvestments take place without . . . the main custodian banks." This measures how "shadow banking" reached behemoth proportions after the takedown of Glass-Steagall.

The authors admit that bank holding companies (BHCs) (e.g., JPMorgan Chase, Citibank) are changing with the advent of shadow credit intermediations. A chart details the massive growth of shadow-banking subsidiaries of the TBTF banks; they admit that each of the five biggest BHCs in the United States had over 1,500 subsidiaries in 2012, with JPMorgan Chase owning over 3,500 units around the world, all dealing in derivatives, structured vehicles, funds, which are identical to the entities that comprise the shadow banking apparatus. (See **Figure 10**.)

The report further details "the extent to which banks have been buying non-bank targets, such as asset man-

agers, insurance underwriters, insurance brokers, and the extent to which these entities engaged in similar organizational changes.

“The largest non-bank BHC subsidiaries consist of finance companies, broker-dealers, wealth management units, including mutual, hedge, money-market mutual funds. While the two decades in the run-up to the financial crisis saw the emergence of a shadow banking system that was partially independent from BHCs, the financial crisis led, perhaps paradoxically [!], to a migration of independent shadow banking activity into BHCs.”

As in the case of LTCM, it is the Too Big To Fail Banks that control the entire process of financial speculation, dreaming up new schemes with which to gamble with the public’s deposits. Their insanity has brought us to the brink of yet another catastrophe. Larry Summers, who as Treasury Secretary in 1998, was a slayer of Glass-Steagall, and *New York Times* columnist Paul Krugman, have been peddling the line that we will be in an endless economic depression, which will limp along, killing people as it goes. They are wrong. This system is doomed and will soon disintegrate, on both sides of the Atlantic.

### **Return to the Glass-Steagall Principle**

These recent conferences charted out the dead end toward which the authors were manipulating policy-makers. Rather than demand a return to the original Glass-Steagall legislation, they argued for a more aggressive implementation of the Dodd-Frank regulations, which are mired in endless battles with the army of Wall Street lobbyists. Many, including former FDIC chair Sheila Bair, who addressed the Economic Policy Institute conference, argued for a strong Volcker Rule. The background discussions the authors held with participants, including high-level Congressional banking staffers, featured the constant refrain: Strengthen the Volcker Rule, implement it, and let us see how it works.

The Volcker Rule, a section of Dodd-Frank meant to sucker Glass-Steagall supporters in Congress, aims to curb only proprietary trading by federally insured banks. It has already been watered down by former Treasury Secretary Tim Geithner to exclude foreign exchange swap derivatives, a \$4 trillion daily market, whose collapse in 2008 was a major event in the meltdown. It has been further eroded by conflicting defini-

tions of what constitutes “hedging” by the insured bank. JPMorgan Chase CEO Jamie Dimon, who should be locked up in a Federal penitentiary, made clear its worthlessness when he said that “portfolio hedging” is permitted under the Volcker Rule and hence would allow the London Whale derivatives trading that cost JPMorgan over \$6 billion in losses, and more in fines.

Dodd-Frank is a joke; 60% of the regulations remain unwritten, three years after its passage; even a strong Volcker Rule is like putting a bandaid on Stage V cancer. The hopelessly bankrupt financial system itself must be replaced, not “regulated.”

The most adamant spokesman for “more regulations” was Federal Reserve Governor Dan Tarullo, the darling of the so-called reformers inside the financial establishment. His speech at the Economic Policy Institute (EPI) conference was a detailed rundown of the evolution of the shadow banking apparatus. In elaborating the problem, he convincingly proved how current regulations are woefully inadequate to deal with the current and potential crises. At every turn, he proposed yet more regulations, including the now-discredited use of increased capital and liquidity requirements for each and every category of new financial chicanery.

His conclusions were delusional. First, he praised the Dodd-Frank Act for addressing “Non-bank Systemically Important Financial Institutions” (i.e., shadow banks), with more regulations. Second, he praised the SEC for addressing new regulations of money-market mutual funds. Finally, he warned that new cash-rich entities are a source of funding for shadow banks, and remain “outside the perimeter”; hence we need yet more regulations!

The actual solution to the crisis did appear, like the Chorus in Greek tragedy and Shakespeare, at each conference, and in the Congress. The solution, which worked for 66 years, is the return to Franklin Roosevelt’s Glass-Steagall principle: bankrupting Wall Street and its attendant “shadow banks,” followed by a program for real Roosevelt-style credit to expand the physical economy, infrastructure, and sponsor high-technology-driver projects. At the EPI conference, LaRouchePAC and *EIR* participants Alicia Cerretani and Stuart Rosenblatt intervened to pose the Glass-Steagall legislation now gaining support before Congress, and demanded that participants address this alternative.

Federal Reserve representative Cetorelli tried to respond. While initially conceding that it was “important,” he proceeded to “question” the utility of Glass-Steagall. But privately, one prominent banking panelist agreed with Glass-Steagall: “The Volcker Rule is a joke; it will never address the problem. I agree with you, only structural reform has a chance.”

At the Roosevelt Institute conference, *EIR*’s Paul Gallagher challenged one panel on the need for Glass-Steagall. After exposing the role of Wall Street in creating LTCM as the model for its sponsorship of shadow banking, he posed the Glass-Steagall alternative. Only one panelist answered directly: “You asked, do we support the restoration of Glass-Steagall? My answer is ‘Yes.’” With that, reality began to creep into the meeting.

After another panel, Rosenblatt posed the same question, prefacing his challenge with a rundown of the pending congressional legislation in both houses of Congress, the growing institutional support in state legislatures and other institutions outside the Congress, and the role of Sen. Elizabeth Warren (D-Mass.), in championing the issue with her legislation. Even though they had invited her to be their keynote speaker, they

assiduously avoided her initiative! One panelist again took up the issue, and said that in fact Glass-Steagall worked, was a good idea, and in general she was sympathetic. Others nervously demurred.

The timing was appropriate. Thirty minutes later, in walked Senator Warren, who delivered an aggressive 20-minute address in which she exposed the fallacies of Dodd-Frank, though defending the Consumer Financial Protection Board, her creation. She denounced the inability of the regulators to draft 60% of the rules of the rest of Dodd-Frank. Then she “damned with faint praise” Treasury Secretary Jack Lew, who had promised in the Spring that if the regulations were not completed by year’s end, maybe another approach should be investigated. Warren simply stated, “We are about at the end of the year.”

She then laid out the 21st Century Glass-Steagall bill (S. 1282) introduced by herself, John McCain (R-Ariz.), Angus King (I-Me.), and Maria Cantwell (D-Wash.). She said that the Wall Street bankers would fight this tooth and nail, that the fight would be rough, but in the conflict between David and Goliath, David won. It was time for the audience to pick up their slingshots.

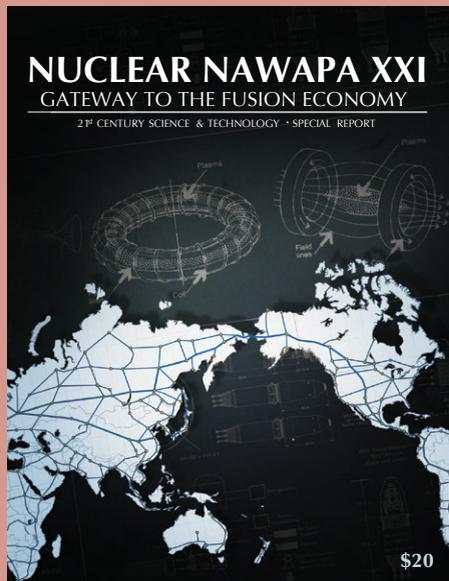
# Nuclear NAWAPA XXI | Gateway to the Fusion Economy

A 21st Century Science & Technology Special Report

By the  
**LaRouchePAC**  
**Scientific**  
**Research Team**

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From the Introduction:

*This planet can no longer tolerate environmentalists. The time has come to make a tremendous step forward in our relationship to nature, by making the development of a fusion-based economy—bringing the power of the stars under our control—our primary long-term physical economic goal.*

Articles include:

- A Call for an International Crash Program: Creating the Fusion Economy
- Increasing the Productivity of the North American Water Cycle
- Nuclear NAWAPA XXI and the New Economy
- Nuclear Agro-Industrial Complexes for NAWAPA XXI
- The Pacific Development Corridor: Maglev Through the Bering Strait
- The ‘Common Aims of Mankind’: A Strategic Defense of Earth

# Will China Give Germany in 2014 The Opportunity It Missed in 1989?

by Alexander Hartmann

Nov. 30—Twenty-four years ago, on Nov. 30, 1989, Alfred Herrhausen, CEO of Deutsche Bank and close friend and advisor to West German Chancellor Helmut Kohl, was murdered in a professionally planned bombing. It later became known that Herrhausen had prepared a speech which he was to deliver a few days later, on Dec. 4, in New York. He wanted to put forward a downright revolutionary proposal, modeled on the German Kreditanstalt für Wiederaufbau (Reconstruction Finance Corporation), which had very effectively distributed the funds that Germany received after World War II under the Marshall Plan, to promote economic development. Herrhausen's proposal was to establish a development bank for Poland, financed by Western banks and linked to massive debt relief. This would have made possible an economic recovery for Poland.

This idea coincided in all essential aspects with the proposals of Lyndon LaRouche, who had forecast the fall of the Berlin Wall and German reunification one year earlier, on Oct. 12, 1988. LaRouche had proposed to make Poland a kind of model for a targeted development policy. He said:

“We shall act to establish Food for Peace agreements among the international community, with the included goal that neither the people of the Soviet bloc nor developing nations shall go hungry. . . .

“In response to our good faith in doing that for you, let us do something which will set an example of what can be done to help solve the economic crisis throughout the Soviet bloc generally.

“Let us say that the United States and Western Europe will cooperate to accomplish the successful rebuilding of the economy of Poland. There will be no interference in the political system of government, but

only a kind of Marshall Plan aid to rebuild Poland's industry and agriculture. . . .”

This example would have formed the basis for a development policy for the whole of Eastern Europe. After the fall of the Berlin Wall, LaRouche proposed building a high-speed rail system from Paris to Berlin and from Warsaw to Moscow, as a first concrete step, from which then very quickly developed the concepts of the Paris-Berlin-Vienna Productive Triangle, the Eurasian Land-Bridge, and the World Land-Bridge.

## What Happened Instead

What actually happened was, as we now know, unfortunately quite different. LaRouche was imprisoned for five years after a political show trial under the President George H.W. Bush, and Herrhausen was murdered. Instead of debt relief and a new Marshall Plan to finance economic recovery in Eastern Europe and the former Soviet Union, these nations received the “shock therapy” treatment, which pushed the populations of this region into misery, and dramatically reduced life expectancy, by up to ten years.

At the same time, the West German government under Chancellor Kohl was forced to “buy” German reunification, by giving up the D-mark and its economic sovereignty.

Helga Zepp-LaRouche warned at that time, over and over, that it is not enough to build up the economy, but one must also overcome the materialistic world view that was predominant both in the East and West, and build on the best periods of the respective cultures. By imposing upon the bankrupt socialist system an equally bankrupt system of free trade, the West could probably plunder the region for a while, but sooner or later, there would be an even more powerful collapse, which



*Alfred Herrhausen, CEO of Deutsche Bank, was assassinated in 1989, just before announcing a plan for development of Poland.*



EIRNS/Dean Andromidas

*Lyndon LaRouche addresses a press conference in Berlin, Oct. 22, 1988. He called for making Poland a model for development of all of Eastern Europe.*

would destroy the entire Western world.

This is exactly what has been occurring since 2007, and the bank bailout policies of the Western governments have brought about, particularly in Southern Europe and the United States, exactly the same effect as the shock therapy that was imposed over 20 years ago on Eastern Europe and Russia. This may be seen clearly in the decline in life expectancy as a result of inflation, cuts in pensions, “savings” in the health system, etc. Whole strata of the population—the poor, the elderly, the sick—are considered “useless eaters” and are sacrificed to the financial system.

This is already the case, and one can hardly imagine how shamelessly and recklessly those responsible for this policy will proceed, when their house of cards of financial speculation, which has been shored up with such great effort and privation, completely falls apart. Informed circles in the financial world fear that such a crisis could occur before year-end, as soon as the conflict between the White House and Congress over the debt ceiling and the cuts in the Federal budget, which was only postponed a few weeks ago, breaks out again, as expected.

## End the Tyranny of an Economy that Kills!

Pope Francis, in his Apostolic Letter [\*Evangeli Gaudium\*](#), took a stand on the “challenges of the world today,” and it is evident that he is referring in particular to precisely that misanthropic Western economic policy that is today literally walking over dead bodies. He writes:

“Just as the commandment ‘Thou shalt not kill’ sets a clear limit in order to safeguard the value of human life, today we also have to say ‘thou shalt not’ to an economy of exclusion and inequality. Such an economy kills.

“How can it be that it is not a news item when an elderly homeless person dies of exposure, but it is news when the stock market loses two points? This is a case of exclusion. Can we continue to stand by when food is thrown away while people are starving? This is a case of inequality. . . .

“Human beings are themselves considered consumer goods to be used and then discarded. . . . It is no longer simply about exploitation and oppression, but something new. Exclusion ultimately has to do with what it means to be a part of the society in which we live; those excluded are no longer society’s underside or its fringes or its disenfranchised—they are no longer even a part of it. The excluded are not the exploited but the outcast, the leftovers. . . .

“While the earnings of a minority are growing exponentially, so too

is the gap separating the majority from the prosperity enjoyed by those happy few. This imbalance is the result of ideologies which defend the absolute autonomy of the marketplace and financial speculation. Consequently, they reject the right of states, charged



Creative Commons/Tomaz Silva/ABr

*Pope Francis, in his Apostolic Letter, decried a “new tyranny,” a “thirst for power and possessions that knows no limits.”*

with vigilance for the common good, to exercise any form of control. A new tyranny is thus born, invisible and often virtual, which unilaterally and relentlessly imposes its own laws and rules....

“The thirst for power and possessions knows no limits. In this system, which tends to devour everything that stands in the way of increased profits, whatever is fragile, like the environment, is defenseless before the interests of a deified market, which become the only rule.”

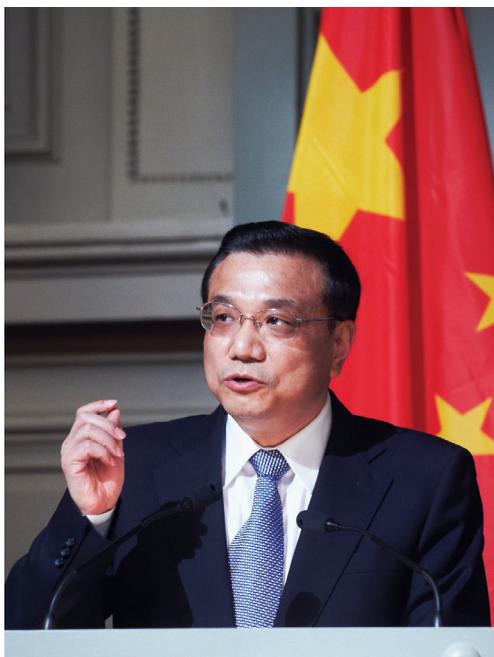
### The Opportunity of 2014

In fact, today’s crisis, just like the crisis of 1989, provides a great opportunity: the possibility of overcoming this image of the world and of man. Those powers that have imposed their bestial philosophy on us in recent decades, are weaker than ever. The trans-Atlantic financial empire stands before its own “Fall of the Wall”—the financial and economic collapse. Now it is up to the “captive nations” of this financial empire to free themselves and take a different path.

It is certainly no coincidence that China at this moment is increasingly taking a leading role, offering the hand of friendship to other nations and showing them an alternative, since China learned something from the collapse of the Soviet Union. It has worked intensively with LaRouche’s concept of the Eurasian Land-Bridge, and is now working to implement it in the form of the “New Silk Road.”

What China’s Premier Li Keqiang suggested on his recent trip to Central and Eastern Europe acts as a mirror image and belated echo of the proposals of LaRouche and Herrhausen. In an open letter to the governments and peoples of Central and Eastern Europe (CEE), Li wrote:

“Most of the CEE countries see the need to expand and renew their railways, roads, ports, and other transport facilities. China is making rapid progress in the production of transport, particularly in the area of high-speed railways. We have strong construction ca-



Wikimedia Commons/Fabrice Debatty

*Chinese Prime Minister Li Keqiang offered Central and Eastern Europe joint construction of transport infrastructure projects.*

capacity and high-quality equipment, and in China, the total length of the operational high-speed railways is now over 10,000 km. We are fully able to carry out transport infrastructure projects with high quality in the CEE countries.

“The power plants in the CEE countries also urgently need to be expanded. China has achieved world standards in the manufacture and installation of coal and hydro-power plants, including pumped storage hydro-power plants. We also have advanced technologies and world-class production capacity for the development of nuclear, wind, and solar energy. The systems that we offer are cheap and of high quality, which makes China an ideal partner for the

CEE countries.

“The CEE countries need financial assistance for the construction of infrastructure. China is willing to work with the CEE countries to investigate flexible ways to support a \$10 billion special fund for credit lines for cooperation between China and CEE countries, to support large projects in the CEE region. China is prepared to cooperate with the CEE countries to promote the establishment of branches of financial institutions in each others’ countries, to sign more agreements on the exchange and use of local currencies, and to create more facilities for the trade and investment activities of our businesses.

“I greet you, over the rivers and mountains.”

China thus offers Eastern Europe (and us in Germany) exactly what was denied 24 years ago by the West. Now it is up to us to take the outstretched hand that wants to help us to escape economic collapse. And the first step in this direction must be to free ourselves from the burden of speculative debt by introducing a two-tier banking system, modeled after the U.S. Glass-Steagall Act, and to limit the collapse of the financial empire’s investment banks.

*Translated from German by Daniel Platt*

# Mideast War Danger Recedes; Putin Emerges as Peacemaker

Special to EIR

Dec. 2—With the signing of the interim agreement between the P5+1 (UN Security Council Permanent Five plus Germany) and Iran, the immediate danger of global conflict has shifted away from the volatile Persian Gulf and Mideast region, for the time being.

As more details emerge of the extensive secret diplomacy that led to the breakthrough in Geneva at 3 a.m. on Nov. 24, it becomes more clear that Russian President Vladimir Putin has emerged as a key peacemaker. It can be expected that the radical Malthusian faction centered in the British monarchy will not sit back and allow this strategic shift to take place without attempting to block it from going any further. As the result, the war danger has shifted for now away from Southwest Asia, but has not been eliminated. And with President Barack Obama becoming more and more desperate as his Presidency sinks into a quagmire of incompetence and scandals, the danger of an irrational move coming from the White House should not be underestimated.

It should be recalled that as recently as the beginning of September, President Obama had ordered the U.S. military to launch missile strikes on targets in Syria, and that it was only an intense mobilization of institutional war-avoidance forces, backed by an outpouring of opposition from the American public, that stopped those attacks from taking place.

At that time, President Putin played a key role in putting the chemical weapons removal issue on the

table, as an alternative to Obama's "red line," and Secretary of State John Kerry preemptively accepted the Russian offer, which succeeded in thus far stopping military action. If those planned massive cruise missile strikes on Syria had taken place, there is no telling how close we would be today to general war and the potential of thermonuclear extinction.

The world remains on a very fragile footing to this day.

## **Progress on Syria?**

At the same time, the combined efforts of Putin, Russian Foreign Minister Sergei Lavrov, U.S. Secretary of State John Kerry, Joint Chiefs of Staff Chairman Gen. Martin Dempsey and others, have opened the possibility of the Iran breakthrough with the P5+1 extending into the Syria conflict.

Just hours after the Geneva P5+1 deal was signed, American, Russian, and United Nations negotiators met in Geneva to work out preliminary details of a long-awaited Geneva II conference, now scheduled for Jan. 22, 2014.

It is clear that the Syria issue was an important factor all along in the P5+1 deliberations and the secret bilateral talks taking place for months between the U.S. and Iran. According to U.S. officials, Kofi Annan, the previous UN and Arab League special envoy for Syria, who originally proposed the Geneva peace talks, was in Geneva, at the same hotel as the P5+1 delegates during



State Department

*Weeks of advance diplomatic work led to the P5+1 breakthrough. Here (L-R): Under Secretary of State Wendy Sherman; Secretary of State John Kerry; Russian Foreign Minister Sergei Lavrov; and Deputy Foreign Minister Sergei Rybakov, in Geneva, Nov. 9.*

the November negotiations.

The source added that the U.S. and Russian officials, including Assistant Secretary of State Wendy Sherman and Russian Deputy Foreign Ministers Genady Gatilov and Mikhail Bogdanov, are already hard at work drafting a detailed proposal for an interim power-sharing agreement between key elements of the existing Syrian “deep state” and secular factions of the opposition. As the successful P5+1 interim deal demonstrated, the key to any successful conference, is the weeks of advance diplomatic work, particularly for a conference dealing with as difficult a subject as the nearly three-year Syrian conflict.

In fact, it has now been confirmed that the P5+1 breakthrough was preceded by months of secret bilateral talks between American and Iranian officials. It is noteworthy that President Obama’s National Security Advisor Dr. Susan Rice was excluded from these crucial back-channel negotiations, which were handled by a combination of career foreign service officers, and top foreign policy aides to Vice President Joseph Biden and former Secretary of State Hillary Clinton.

In addition to Deputy Secretary of State William Burns, a former U.S. Ambassador to Russia and an experienced arms control negotiator, the back-channel talks were quietly handled by Puneer Tawar, the long-standing top foreign policy advisor to Vice President Biden, and Jake Sullivan, ex-Secretary Clinton’s head of policy planning, who now is the top national security aide to Biden.

## Russia and China Targeted

U.S. intelligence sources freely acknowledge that it was the Russian and Chinese role in the P5+1 deliberations that facilitated the final signing. In the days before the resumption of the final interim talks in Geneva, Iran’s President Hassan Rouhani held a critical phone conversation with Chinese President Xi Jinping. During that discussion, Rouhani asked the Chinese to serve as the trusted “honest brokers” if the talks in Geneva reached an impasse. The Chinese not only accepted the Iranian request. They played a crucial role in the final negotiations, as recognized by the U.S. negotiators.

It is no coincidence, therefore, that both Russia and China are now facing instability on their borders—coming from those international financial circles that are looking to exploit instability, and who are openly promoting massive population reduction through wars, famine, and disease.

In Thailand, violent “Yellow Shirt” mobs aligned with the British-backed Thai monarchy, are trying to bring down the government of Prime Minister Yingluck Shinawatra, which is pursuing long-dormant economic development deals with China, including for construction of the vital Kra Canal.

In Ukraine, following President Viktor Yanukovich’s rejection of an Eastern Alliance agreement with the European Union, which would have further devastated what remains of the Ukrainian economy, European and American NGOs have launched a destabilization drive, aimed at bringing down the government in another anti-Russian “Orange Revolution” (see separate coverage in this issue).

What stands out in stark contrast to the Anglo-Dutch drive to create the conditions for a massive Malthusian population reduction is the growing concert of action on the part of Russia, China, and institutional forces inside the U.S. Presidency to defeat those efforts, and to forge cooperation among the world’s leading powers to outflank the war drives.

What is urgently needed now is a fundamental policy shift, starting with the reinstating of Glass-Steagall in the United States. Nothing short of that action and the removal of President Obama from office can actually set the basis for genuine global peace.

# China Stakes Out Roadmap for Reform

by William C. Jones

Nov. 26—The Third Plenary Session of the 18th Communist Party Congress, which concluded on Nov. 12, resulted in a program draft which will determine the direction of one of the most important economies in the world for the coming decade. Sixty areas of social, political, and economic importance have been targeted for major overhaul intended to transform the Chinese society and economy.

Although the Plenum had been introduced with great fanfare by the party leadership, raising expectations of major changes in policy, the communiqué was sparse on details about the measures adopted. Particularly disappointed, were many Western financial operators and businesses eager to see China “open for business.” The economic collapse which has engulfed the United States and Europe, has left the ravenous London-Wall Street financial oligarchy still very much intact—and seeking new prey. Indeed, the servility of the Western governments, notably, the Obama White House, to the financial oligarchy, has virtually drained the coffers of the public treasury in order to keep Wall Street afloat a little while longer. The hope of the desperate financiers was that China would now open its doors wide to their speculative undertakings.

On Nov. 15, a second document was released, entitled “Decision on Major Issues in Comprehensively Deepening Reforms,” more extensive in detail, with a list of 60 agenda proposals which, in their entirety, would represent a comprehensive reform program. China does indeed intend to “open up” to the embattered world financial system, but with a great deal of caution, and at a pace determined by the Chinese government. The image of the Soviet Union, which “opened up” abruptly under Gorbachov and Yeltsin, is a frightening example that is always in the minds of the Chinese leadership.

## Charting the Route

The reforms proposed were the result of a long and well-thought-out procedure. The Politbureau of the

Chinese Communist Party, with its new leadership under President Xi Jinping and Premier Le Keqiang, had decided in April, that the Third Plenary, traditionally dedicated to discussing economic problems, would deal with comprehensive reform, and would make major decisions regarding required changes.

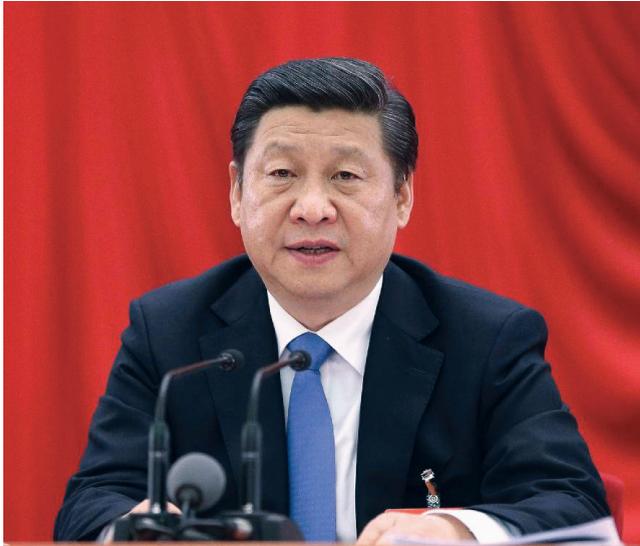
On April 24, the 60-member drafting group, under the chairmanship of President Xi, began work on the program draft. After being distributed for perusal and comment to both party officials and representatives of the other relevant institutions, the final version was voted on at the Nov. 12 plenary session.

## Financial Reform

The initial communiqué had simply indicated that the envisioned reforms would allow the “market to play a decisive role in allocating resources and to give a better play to the role of government.” A document issued prior to the Plenum by the State Council Development Research Center, “Plan 383,” had called on the state to virtually withdraw from economic activity, except in vital industries, and to relegate itself to a mere regulatory role.

“383” had also called for a gradual reduction of state-owned enterprises (SOEs) to the advantage of private firms. While the Plenum Decision promises wide berth for private enterprises and encourages them to take a more prominent role in the economy, including receiving shares in state-owned enterprises—so-called “mixed enterprises”—the state-owned enterprises are still designated the “major pillar” of the Chinese economy.

The document also calls for a reduction in government red tape for start-ups and measures that would facilitate the entry of foreign enterprises into various sectors of the Chinese economy, such as childcare, care for the elderly, architectural design, accounting and auditing, commerce and logistics, electronic commerce, as well as a further opening up of the manufacturing industry. It also would allow the formation of small and



Xinjua/Lan Hongguang

*Chinese President Xi Jinping addressing the 18th Communist Party Congress, which adopted a draft program for broad reforms of the Chinese economy.*

medium-sized banks to provide financing for small and medium-sized enterprises, presently relegated for their financing needs to a “shadow banking sector.” The document calls for more openness to the international financial sector but does not specify the conditions for its entry into the Chinese market.

At the same time, the document underlines the importance of strict government oversight and regulation, in order to maintain an even playing field in investment, and to prevent corrupt practices. While the document also talks in general terms of “accelerating the realization of the convertibility of renminbi capital accounts,” no timetable for a complete opening of capital accounts is given. The document also urges “marketization” of interest rates, again without a definite timetable.

The only area where there is a complete “liberalization” of the Chinese economy is in the Shanghai Pilot Free-Trade Zone. The Chinese leadership would like to see how this experiment works before moving further in that direction. Nevertheless, there is talk of establishing other “free-trade zones.” Much of the momentum for this comes from the fear that the U.S.-backed Trans-Pacific Partnership (TPP), a free-trade zone in Asia which would effectively exclude China, will have a devastating effect on China’s trade with its neighbors.

At the same time, the document underlines the im-

portance of moving forward with the Central Asian Silk Road project and the maritime South Asian Silk Road.

### **Economic Transformation Required**

What the Plenum document makes clear, however, is an understanding on the part of Chinese leaders that the manner in which China has operated over the last three decades is now at an end. The collapse of the economies of Western Europe and the United States has deprived China of the possibility of remaining a low-wage manufacturing producer for export to these nations. And, in fact, the internal changes generated by the rise in wages and living standards, have made the former economic model unacceptable to that part of the Chinese population engaged in urban industrial production. So it was with determination, and perhaps some trepidation, that the Chinese leadership is now embarking on the road to a fundamental transformation.

Much emphasis over the last few weeks has been placed on the need for technological innovation and the generation of new creative ideas in accomplishing that innovation. Raising the standard of living for the mass of Chinese people, half of whom still live in the countryside, will not be an easy task, but the key to achieving it is seen as increasing productivity based on technological advances.

In China, as elsewhere, some of the most creative innovations have come from the small and medium-size private enterprises. Chinese scholars look increasingly at the German economy (now in general decline), which was based on innovative industries centered primarily in what is called the *Mittelstand*. China is keen on creating such a “Mittelstand” in its own industrial production. Giving greater room for private industry and allowing some shareholding by private firms in the SOEs, is done in the hope of accelerating this process, even in the state sector.

### **Guaranteeing People’s Livelihood**

The Plenum document also calls for sweeping changes on the social and political front. What has captured most attention in the Western media is the reform of the controversial one-child policy, introduced in China in 1979. But the Communist Party, in fact, had a strong anti-Malthusian outlook, in opposition to the creation in the 1970s of a genocidal zero-population-growth movement, financed by important financial interests and promoted by the British royal



etr Pavlicek/IAEA

*The Chinese leadership expressed its intention to address the disparity between rich and poor, in the Plenum's Decision document. Here, in Beijing (left), the control room of an experimental gas-cooled reactor at Tsinghua University; and (right) an example of the impoverished living conditions of half of the Chinese population.*



family. The financial oligarchy was anxious to convince nations that the day of expensive “great projects” was over, and that they must be prepared to cut their consumption—and their populations. This movement was centered on the notorious Club of Rome which won significant adherence within UN institutions during the 1970s, and is the “godfather” to the present-day Green movement.

The justification for China's one-child policy was based directly on Club of Rome propaganda, using contrived computer-generated models to paint a dire picture of overpopulation in the coming decades; it convinced the party leadership to implement its one-child policy. The bankruptcy of that model is now keenly felt in China, in a rapidly aging population supported by an ever dwindling working-age population. The new policy will allow Chinese couples to have two children, if one of the parents is from a one-child family, although the pace of the reform will be determined by the local governments.

The document also calls for the establishment of a social security system for both town and country, and a system of unemployment insurance. It urges an expansion of educational opportunities and diversity of fields of study, so that a single exam, as is the case today, does not determine a person's educational opportunities going forward. Medical services will be expanded and doctors given the opportunity to practice in more than one hospital. There will be a reform of the public hospital

system, and private investment in hospitals will be encouraged. The Decision document calls for the creation of a medical insurance system and the establishment of non-governmental grassroots organizations to help deal with social problems on the local level. It also urges stringent

measures to alleviate the tremendous environmental costs of the last 30 years of unprecedented and rapid industrial growth.

Major changes are also planned in the judicial system, giving it more independence from the executive authority. The “re-education through labor” punishment system, which has been highly criticized, has been abolished. The resolution also calls for progressively reducing the use of charges which carry the death penalty. It also calls for protecting the rights of lawyers in their court proceedings.

### Securing Land Reform

The yawning gap between urban and rural areas is expressed most dramatically in the widening gulf between rich and poor. The 50% of the population still tied to the land socially and economically, includes a large portion of migrant workers. The resolution calls for expanding the rights of migrants coming to the cities

to seek employment. There would be an easing of the so-called *hukou* system, which prevents migrant workers from receiving social security or housing benefits otherwise provided for registered city residents. As there is still a great concern in the party leadership that this might cause a flood of rural migrants to the already overflowing cities, the *hukou* system has not been totally abolished. But the reforms will considerably improve the conditions for migrant workers during their residence in the cities.

Land in China is owned by the state or by the village authorities. Farmers lease the land for as much as 30 years, and the plots are generally small. Land which is under cultivation cannot by law be used for other purposes. But the land utilized by the rural population for their residences can. Local governments, however, dependent on land sales for 40% of their income, often simply expropriate the farmer's non-agricultural land for a mere pittance, and sell it to developers at a high price. The new measures will allow farmers to lease or to exchange their land for its estimated value, and would facilitate the combination of smaller plots into larger farms, with a corresponding increase in the productivity of scale in agriculture. The document also calls for allowing the right of inheritance of the land. The document urges the introduction of property taxes to provide income to local governments.

The Decision document furthermore mandates the creation of an Economic Council under the President which will be responsible for implementation of the reforms. In addition, a National Security Council will be set up, also under the President, which will be responsible for both internal and external security. The recent terror attacks on Tiananmen and in Taiyuan in Shanxi province have heightened concerns about the increasing terrorist threat. It also centralizes more broadly command over the armed forces and the police.

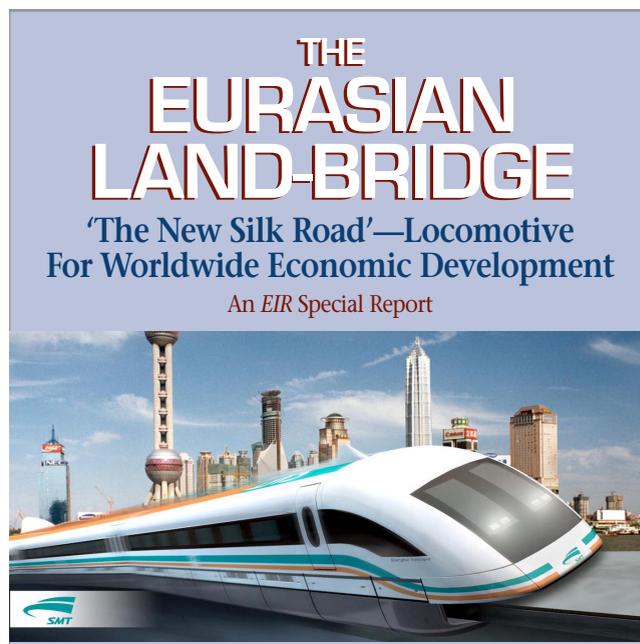
### Changing the Surrounding World

If all or even most of these reforms were implemented in the next few years, we would see a much different China, one more confident and more at ease with itself than the China of today. But the envisioned reforms also mean that the country will now be more integrated into the international system, a system in an advanced state of collapse.

To achieve the condition which the Plenum Decision proposes, the bankrupt London-Wall Street

system has to be abolished. The same type of measures which China envisions to protect its own economy from new financial "bubbles," resulting from any "liberalization," have to be established at the international level. A solution is already at hand in the international mobilization for the proposal by Lyndon LaRouche for the reestablishment of Franklin Roosevelt's 1933 Glass-Steagall "firewall," separating commercial banking from the financial pirates of the investment banking world—and this time, on an international scale.

China is characterized as a "stakeholder" in the world economy, and, indeed, is a very crucial one. But it must now consider playing that role on a global scale, to prevent the London-Wall Street financial "bubble" from blowing out and destroying whatever gains China has made. The current bankrupt financial system must then be replaced by a worldwide system of credit, which can be applied to realize the type of projects envisioned by the Silk Road development, and similar developments in other parts of the world. This is an issue of decisive importance for China and the world, since the "revival" of China cannot long survive in a world descending into economic chaos.



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# Will Africa Make The ICC Irrelevant?

by Lawrence K. Freeman

Dec. 1—It would be poetic justice if the African Union (AU) were to put the International Criminal Court (ICC) to its long-overdue death. There is a growing sentiment among African nations that the ICC is no longer a legitimate institution, and should be put out of existence. Several African leaders have charged the ICC with racism and modern Western imperialism, pointing to the fact that in its 11 years of existence, all of its eight cases have dealt with African countries. There are some in Kenya, who believe that the ICC is being used as a tool to destabilize their country, by having President Uhuru Kenyatta as the first sitting head of state to stand trial at The Hague.

With the ongoing ICC trial of Kenya's Deputy President William Ruto, and the upcoming trial of the President, a new level of discord has arisen between Africa and the ICC and the United Nations Security Council (UNSC).

On Nov. 15, the UNSC voted down a resolution drafted by Rwanda on behalf of the AU, which represents 54 African countries, to issue a one year deferral of the trial of President Kenyatta and Deputy President Ruto. Such a deferral is permitted under Article 16 of the Rome Treaty that created the ICC. It did not go unnoticed that Russia and China were among the seven countries that voted in favor of the deferral. But the United States, France, Britain, Australia, Luxembourg, Guatemala, and South Korea *all abstained*, thus depriving the AU of the nine votes—a 2/3 majority of the 15 member UNSC—needed to delay President Kenyatta's trial.

The U.S. itself has refused to ratify the Rome Statute and is thus not a member of the ICC, precisely be-

cause of the fear of infringement on U.S. sovereignty. Following the defeat of the AU resolution, the ambassadors of Ethiopia, Kenya, and Gabon, speaking to the press at the UN, clearly indicated that this vote would fundamentally change the relations of Africa to the Security Council.

## Africa's Watershed Moment

Amb. Tekeda Alemu, representing the UN Mission of Ethiopia, which is also the country currently chairing the AU, told the press that the vote was "a moral victory for Africa," and "a manifestation of the lack of trust in Africa, and [that] we are very disappointed." He went on to say that it is unrealistic "that Africa will continue to accept this treatment on the basis of inequality. This event is a watershed, it is a landmark."

Amb. Macharia Kamau of the Kenya Mission to the UN spoke next, characterizing the vote as a "watershed event for African solidarity, which completely and utterly changes our terms of engagement with the

international community. Africa has come into its own, spoken with one voice, with great solidarity—at the end of it all, we are stronger." Speaking separately after the vote, Rwanda's UN Ambassador Eugene Gasana said: "Let it be written today in history that the Security Council failed Kenya and Africa on this issue."

The AU continued its offensive the following week, at the week-long gathering of the Assembly of State Parties (ASP) that constitutes the governing body of the ICC at The Hague. African nations make up 34 of the 122 state parties that ratified the treaty of the 1998 Rome Statute that led to the creation of the ICC in 2002. This time, the AU proposed that the Assembly amend its rules to defer or exempt heads of state from prosecution by the ICC. This would apply to Sudanese President Omar al-Bashir and the two Kenyan leaders.

Prior to their presentation on Nov. 21 to the ASP, there was an intense behind-the-scenes discussion by the African countries to consider suspending their memberships en masse, but not withdrawing from the ICC, if their proposed rule change were not acted on.



Ethiopian Amb. Tekeda Alemu (right).

On Nov. 25, the ASP agreed that President Kenyatta did not have to appear in person at his trial in The Hague, and will be permitted to participate via video link with the courtroom. Thus the body hoped to avoid a further confrontation, but did not act directly on the request to exempt heads of state from ICC trials. This decision may be acceptable to the AU, since a prominent part of its argument to the ICC and the UNSC was that the daily executive responsibilities and duties of the newly elected President of Kenya, especially following the September terrorist attack at the Wingate Mall in Nairobi, required him not to be absent from his office for extended periods of time.

While this decision at The Hague is meant to assuage the AU's opposition to the ICC by accommodating President Kenyatta, many political leaders from Kenya and other countries in the region have not given up their fervent desire to leave the ICC. If Kenya, which has legislation waiting for Kenyatta's signature to formally withdraw from the ICC, and/or a significant number of African nations decide to terminate their treaties with the ICC, that would lead to the end of this anti-sovereign, globalist court.

### The Rule of Imperial Law

After the break-up of the Soviet Union, the City of London-based financial oligarchy, through its many assets, launched a campaign to establish a world court that could indict and remove leaders of sovereign governments, to further their financial-political control around the world, especially in resource-rich Africa. To this end, in the 1990s, the first efforts to establish the ICC and the complementary doctrine of the "responsibility to protect" (R2P) were initiated.

In April 1999, then-British Prime Minister Tony Blair delivered his "Manifesto" for the right for "humanitarian intervention" against sovereign nations to the Economic Club in Chicago, which justified military attacks against nations, whose leaders are targeted for regime change.

The ICC itself was a creation of drug kingpin and World War II Hungarian Nazi collaborator George Soros, and Lord Mark Malloch Brown, formerly of the British Foreign Office.<sup>1</sup> Through Soros's worldwide network of so-called humanitarian groups, and a coalition of over 100 non-governmental organizations, which

1. See "The ICC: British Imperial Tool," by an *EIR* Investigative Team, *EIR*, March 13, 2009.

still operate to shape the policies of the ASP and ICC today, the sovereignty of African nations is continually threatened. Unfortunately, these efforts are supported by several foolish high-profile African notables.

Lyndon LaRouche, in a memorandum on July 9, 2002, identified the essential underlying danger to the world posed by the creation of the ICC: "The thing to be feared more than either war or crimes against humanity, is the establishment of an imperial form of world rule of law, a form of law which, in practice, would condemn all mankind to the kind of horrors suffered under the Roman Empire, and the ensuing Dark Age which that Empire brought down upon Europe and neighboring regions. The creation of such an international court returns civilization to the ancient and feudal state of affairs, in which a head of a participating nation, or several such nations, is subject to the over-reaching control of an ultramontane, hence, imperial authority."

Although as of yet neither the AU, nor any African government has publicly demanded that the ICC be eliminated, Africa is becoming unified in its opposition, which can further discredit and weaken the ICC, hopefully, eventually, leading to its demise.

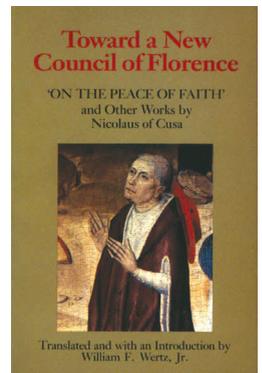
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## Toward a New Council of Florence

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## Call for Resistance Vs. Financial Fascism

Nov. 25—Members and activists from throughout France assembled in Paris on Nov. 16 for the annual Congress of Solidarité & Progrès (S&P), the French party associated with the international LaRouche movement. The speakers all called, each in his own way, for ending the current dictatorship of speculative finance, and for re-establishing the spirit of the World War II Resistance, when men and women from very different political backgrounds joined hands to defeat Nazism, and then to bar the re-emergence in the post-war period of the same financial “feudalism” which had paved the way for the fascism of the 1930s in most of Europe.

The guest of honor was Charles Paperon, who joined the Free French Resistance in 1943 at the age of 17, and is today co-chair of the Association of Resistance Veterans. He is also a co-initiator of the 2010 call for the creation of a new National Council of the Resistance. At the S&P Congress, the venerable Paperon charged that the “predatory financial powers today” are “even worse than fascism, because the Nazis were clearly identifiable for the population, whereas finance has no face, and infiltrates all of society, without being seen.”

Paperon, who insisted on travelling to the Congress in Paris in spite of his advanced age, made a solemn commitment: “As long as I live, I will be at your side, to fight against this financial oligarchy which continues to inflict harm worldwide.”

Christine Bierre, editor-in-chief of *Nouvelle Solidarité*, the bimonthly newspaper of S&P, who opened the morning session, welcomed the “justified anger and revolt” in the country, against those who “have degraded all of our moral, political, and economic treasures.” She mentioned many industries that have had to shut down due to globalization and to the “low-cost” economic policy. Politically, France, which used to be independent, has become

“allied to the most reactionary powers in the world, such as Saudi Arabia and Netanyahu’s Israel.”

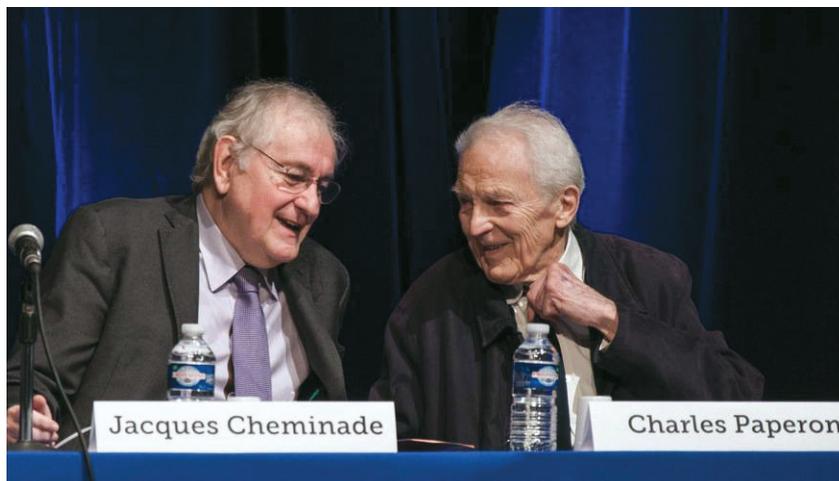
In addition to Paperon, the Congress was addressed by Jacques Cheminade, who resumed the chairmanship of the party after the 2012 Presidential election in which he was a candidate.

### Documenting the Financial Atrocities

Gérard Faure Kapper, the president of the APLOMB association, which supports citizens in their legal battles against banking abuses, gave the example of penalties for overdrawn accounts, which are often usurious. In the 500 cases handled by APLOMB, the rates charged for overdrafts went from 33% to 535%, and sometimes up to 2,300%. The average amount taken by banks in overdraft fees is EU3,000 euros (about \$4,000)!

Mohammed Bouznada is the deputy mayor of Poissy, a city outside of Paris with a population of nearly 40,000, where the PSA (Peugeot Citroën automaker) factory, which used to employ 17,000 workers, is now down to 6-7,000. Bouznada has decided to run as an S&P candidate in the 2014 municipal elections on an independent slate.

Eugène Perez, mayor of the small town of Chamouilley in the east of France, explained how difficult it is to prevent villages from becoming ghost towns, because the lack of employment forces people, in particular, younger workers, to leave. Since he was elected in 2008, four companies in his village of 872 inhabitants have shut down. Nevertheless, if we work together, he said, “we can have beautiful accomplishments. We need to reindustrialize. That’s why I joined S&P.” Perez



EIRNS/Julien Lemaître

World War II Resistance leader Charles Paperon joined S&P chairman Jacques Cheminade on the podium, at the party congress Nov. 16.



EIRNS/Julien Lemaître

*Former Michigan Congressional candidate, and LaRouchePAC Policy Committee member Bill Roberts, spoke about the destruction of the city of Detroit as a harbinger of what is to come for all of the United States.*

was the initiator of the Arzwiller Declaration of European elected officials for Glass-Steagall last August.<sup>1</sup>

Participants also heard first-hand from a representative from the United States, Bill Roberts, former LaRouche National Slate candidate for Congress from Michigan, who received 41% of the votes in the Democratic Primary election Aug. 7. The destruction of the city of Detroit, he said, is but a foretaste of what is planned for all of the United States. With a few figures, he drew a dramatic picture of the breakdown of an urban center. While Detroit was the fourth-largest city in the U.S. in the 1950s, with a solid middle class among a population of 1.8 million, today, “one-third of the houses are abandoned or completely run-down, and almost 47% of the remaining 700,000 inhabitants are illiterate. The crime rate is 11 times higher than that of New York City, and the average waiting time for police intervention is one hour, while only 10% of the crimes committed are ever solved.” Roberts called on all the participants, and in particular, the mayors, to resist the fiscal austerity imposed by the banks.

Jacques Cheminade closed the morning session with a call for “artists in policy” to change the world. He began his speech with a quote from Andrew Huszar,

1. See “French and German Local Officials Launch Initiative for Glass-Steagall,” *EIR*, Aug. 23, 2013.

a former Federal Reserve Official, who, in a Nov. 11 *Wall Street Journal* article, apologized to America, because the Fed’s quantitative easing (QE) policy had let Wall Street line its pockets, while loans to Americans became fewer and more expensive.

Our job, Cheminade said, is to free the world from the grip of a financial oligarchy, which has taken the entire world hostage. “David can defeat Goliath, provided he take up his slingshot and hit the enemy’s heart, which is in the City of London and Wall Street.”

Today, the equity of major French banks on their balance sheets is only 2-5%. How can the “consumer society” work, Cheminade asked, when consumers are strangled by austerity, “rigor,” and “budgetary constraints”? The official unemployment rate is 10-11%, but the employment rate—i.e., the number of people with permanent employment—is only 63.9%.

Cheminade also addressed the alarming progression of poverty in France, with one in seven Frenchmen officially poor, while public services are being slashed.

The time has come to react, he concluded, recalling the spirit of those at the time who rose up against fascism to join the Resistance.



## The Al-Qaeda Executive

Financed and deployed by the British-Saudi Empire, al-Qaeda has

been protected by the Obama Administration to accomplish the Empire’s global war. In this feature [video](#), LaRouchePAC documents President Obama’s use of the al-Qaeda networks to overthrow Qaddafi in Libya, and to carry out bloody regime-change against Assad in Syria, by the same forces who attacked the U.S. consulate in Benghazi.

[www.larouchepac.com](http://www.larouchepac.com)

# Battle for Glass-Steagall Heats Up in Washington

by Nancy Spannaus

Dec. 3—As Congress returns to Washington for what Wall Street, the Obama Administration, and the Congressional leadership intend to be an end-of-year ritual slugfest over budget cuts and debt ratings, whose only winner will be Wall Street, the real contest is picking up: that between the proponents of reviving Glass-Steagall, and the Wall Street bankers who are hysterically determined to stop the reimposition of FDR's crucial banking act.

The LaRouche Political Action Committee (LaRouchePAC) plans to greet the returning Congress with a reissuance of its Oct. 30 leaflet "Glass-Steagall or Mass Genocide," this time with the addition of the names of dozens of constituency leaders from around the country who have endorsed the statement, and are demanding that Congress act to stop the current debacle. Their message is unambiguous:

"The message coming from Washington is clear: If you are old, sick, or disabled, you are as good as dead. If you are young, you have no future. The message is coming from President Obama and from Congressional Republicans, who are fully complicit in plans to vastly reduce Social Security, Medicare, and Medicaid. So far, the vast majority of Democrats in Congress have been cowed into accepting Obama's diktats.

"The only serious fight-back is coming from those in Congress who are backing the return to Glass-Steagall. With two bills in the Senate (S 985 and S 1282) and one in the House (HR 129) with 75 co-sponsors, Glass-

Steagall could be restored now. It is no exaggeration to say that this is a life or death issue. Under Glass-Steagall, the United States can return to a Constitutionally mandated credit system, and launch an era of unprecedented economic growth and prosperity for all. Without Glass-Steagall, we are facing a mass kill."

With a Dec. 13 Congressional deadline for a budget deal, and Congress only scheduled to be in town until mid-December, LaRouchePAC intends to pull out all the stops to get action on the legislation which will uniquely serve to foreclose on Wall Street, and set the stage for a rebuilding program, to save the economy and the people.

## **First Battle Scene: NCSL**

As could be expected, Wall Street senses the danger, and is determined to use all the leverage at its disposal to block action on Glass-Steagall.

The first sign of the Street's mobilization known to this news service came on Nov. 29, when the Maine Bankers Association issued a letter stating its strong opposition to the proposed Resolution Concerning Regulation of Commercial and Investment Banking, which has been put before the Dec. 4-6 meeting of the Legislative Forum of the National Conference of State Legislators (NCSL), being held in Washington, D.C. The letter went to the chief sponsor, Rep. Andrea Boland, a Maine state representative.

Totally ignoring the fact that both Maine Congress-



LPAC-TV

*Growing support for Glass-Steagall across the country is giving the bankers the heebie-jeebies: The American Bankers Association has come out in its own name to campaign against it. Here, LaRouchePAC organizes in the capital in support of Glass-Steagall legislation.*

men, Michael Michaud and Chellie Pingree, and Maine Sen. Angus King, have signed on to the Congressional bills to reinstate Glass-Steagall, the president of the Maine Bankers Association regurgitated the standard White House and banking lies about how Glass-Steagall wouldn't have stopped the crash of 2007-08, and told Rep. Boland to rely on Dodd-Frank instead. As the letter said nothing to address the real concerns about restarting the U.S. economy, it was clearly meant primarily to intimidate Boland.

Boland's resolution has been co-sponsored by 18 other state legislators, from 15 different states, some of them lead sponsors of memorials for Glass-Steagall in their own legislatures. Twenty-five states in all have seen Glass-Steagall memorials introduced; they have been passed in four—South Dakota, Maine, Alabama, and Indiana.

It is quite likely that the bankers associations of other states have also launched intimidation campaigns against state representatives who have sponsored the NCSL resolution. Back in August, when a Delaware representative put forward such a memorial to the national conference, a pitched battle ensued—with banking lobbyists swarming around the convention center, and ultimately killing the resolution. The head of the American Bankers Association, non-banker Frank Keating, is on record against Glass-Steagall, and the ABA has circulated letters stating its opposition around the country, and its representatives have shown up at

hearings with outright threats that any such regulation might lead to the elimination of thousands of jobs in the relevant state.

### **In-Depth Mobilization Needed**

As the pedigrees of the dozens of individuals signing the LaRouchePAC ad demonstrate, support for reinstating Glass-Steagall runs wide and deep across the United States. Labor leaders, political activists, state legislators, medical professionals, and business leaders all are rallying around the necessity for the U.S. government to reverse course, free the nation from Wall Street, and start on measures of recovery, with massive job creation programs on projects such as the North American Water and Power Alliance (NAWAPA). Concerted action by such

local leaders has proven its ability to change policy; this was more than amply demonstrated by the popular mobilization which *reversed* President Obama's intention to bomb Syria last August. Tens of thousands of calls into Congress made sure that Congress would not approve the move—and action without Congress could well have led to impeachment.

So far, however, Washington, D.C. has turned out to be a controlled environment—controlled by Wall Street. Exemplary of the attitude is that evinced by New York's senior Sen. Chuck Schumer (D-N.Y.), who was interviewed by the *New Republic* this week, and asked about the Glass-Steagall bill introduced by the high-profile Massachusetts Sen. Elizabeth Warren (D). Schumer, who wants to profile himself as progressive, drew the line, and launched into a full-throated defense of Wall Street.

“There are some on the far left who just have a visceral hatred of Wall Street. It's counterproductive... You don't want to go after them for the sake of going after them. The left-wing blogs want you to be completely and always anti-Wall Street. It's not the right way to be.”

No, Chuck Schumer has not forgotten about Franklin Roosevelt, the author of the original Glass-Steagall. His problem is that he can't imagine an economy, and his own future, not controlled by Wall Street money. He's one of many who have to be educated—including by excruciating political pressure—to do what's necessary for the country's future: Restore Glass-Steagall now.

# German Councilwoman Tells Congress: The World Needs Glass-Steagall

Nov. 25—Dorothea Schleifenbaum, a City Councilwoman from Siegen, Germany since 1994, spent several days in Washington last week, meeting with members of Congress and staffers on Capitol Hill. A signer and organizer for the August 2013 pro-Glass-Steagall Arzviller Declaration of French, German, and Italian elected officials (see *EIR*, Aug. 23, 2013), Schleifenbaum, a Christian Democrat, met with 11 Congressional offices, 2 members of Congress, and elected officials from Virginia and Maryland. She reported her impressions on the Nov. 23 LaRouche Show, the weekly Internet-radio program ([www.larouchepub.com/radio](http://www.larouchepub.com/radio)), in an interview that included Tom Gillesberg, the director of the Schiller Institute in Denmark.

Schleifenbaum said that she found that many Congressmen and their staff members do support Glass-Steagall, but they “want someone else to go out front.” One Congressman told her specifically, that Wall Street was pressuring him not to have anything to do with it.

Schleifenbaum told Congressmen and staffers that there must be a paradigm shift in Washington, if there is to be a solution to the global financial crisis, and that her visit convinced her that, contrary to the impression that Europeans have of the United States, “Americans are not the same as Wall Street!” If the U.S. restores the Glass-Steagall Act, and a real economy, she said, there will be international change for the good.

The councilwoman described her city of Siegen, in North-Rhine Westphalia, with more than 100,000 residents, and dating back to ancient times, as a center of metalworking, commerce, and culture, on the Sieg River in the Rhine River basin. “Our region has been making metal products since the time of the Celts—



Courtesy of Dorothea Schleifenbaum  
*Councilwoman Dorothea Schleifenbaum of Siegen, Germany*

that means 500 years before Christ,” she said. Now however, like the rest of Europe, its industries have been taken down, its school system degraded, and its economy undermined by the prevailing Green policies.

“Germany is expecting a crash,” Schleifenbaum told LaRouche Show host Marcia Merry Baker, and related how shocked she was to learn that German commercial banks had begun buying bonds from Greece, Italy, and Spain, whose economies have been decimated by the Troika’s killer austerity policies. The tyranny of the City of London and Wall Street must end, she said. People are suffering and dying in Greece, Cyprus, Spain, and this must stop. Such risky investments, she said, follow the U.S.-

British-Dutch pattern of putting commercial bank deposits into speculative pools. “These bonds are not secure. They are toxic,” she told the *Washington Examiner* in an interview published Nov. 24.

## National Sovereignty Means an End to Green Ideology

Both Schleifenbaum and Gillesberg denounced the narrow-mindedness of elected officials and the public alike. Schleifenbaum said that at present, Germany is not even a sovereign nation, but is bound into the system dictated by the EU bureaucracy in Brussels, and the City of London. Chancellor Merkel is under fierce pressure to go along with anything Brussels/London order her to do—for example, the demand that Germany buy Greek bonds and other toxic debt. These funds never reach the Greek people; they are sucked into private banking and financial flows, including the funding of terrorism, drugs, and strife.

She particularly attacked the green ideology, and



*Organizing for Glass-Steagall in Essen, Germany by the BüSo, the political party of Helga Zepp-LaRouche, August 2013. The sign in the foreground says, “General Welfare Not Fascism!” and calls for reinstatement of Glass-Steagall.*

EIRNS

the insane green-energy program, which is ruining Germany and the Trans-Atlantic region. She also described the subversion of the German education system, by the imposition of an “inclusion”/one school system, according to which no special arrangements can be made for students of differing needs, but all pupils must be “included” in one heap, in one school, which is resulting in chaos, demoralization, and ignorance.

On The LaRouche Show, Schleifenbaum expressed her surprise at what she had learned about Americans. “It was a very exciting experience,” she said, that here in the United States, I’m meeting people who are different than I had expected. Coming from Europe, especially coming from Germany, we get the impression that the interests of the United States people are the same as the interests of Wall Street, and the City of London.” The German news media, she said, “show us always a picture where they are going hand-in-hand.”

Because she has been working with Helga Zepp-LaRouche, she knew more than the average German. “But in the public view, the Americans are the same as Wall Street.” The United States, she said, to strengthen its true identity, “should separate itself from this government of Wall Street and the City of London.”

In a meeting with members of Congress, she found

support for Glass-Steagall, “but I always felt they keep behind, and they wish someone [else] to go in front . . . then they would follow. One of them said that he felt pressed by Wall Street, and I think not all did this so clearly, but it’s the effect on most of them. And when I go back to the German situation, I think it’s just the same.”

### Problems in Germany

Reporting on the German parliamentary elections in September, Schleifenbaum noted that “the themes which were discussed were very narrow, very ridiculous, really, in relation to the big tasks we have for our country, and of the development of all the states that are in a terrible situation, within the EU or outside.”

This is especially true for energy policy she said: “For me it’s hard to understand that [Chancellor Merkel] changed our energy policy in favor of this renewable methods. It’s impossible. We had long-lasting contracts with the nuclear power stations and she broke them, from one day to the other! And installed a system which is not reliable. We cannot base our industry on these renewable energy [sources]. . . .”

Merkel does this, “because she is under pressure from the Green movement, and the City of London. In Germany, no one would understand if they were

told that this is a fascistic ideology they are following. They would be horrified. And also, if someone would say to them, officially, that this is going to genocide—they don't believe in genocide. Because this is a taboo. These two words are taboo, after Hitler. And to say that this policy is, in reality, continuous with these new methods—it would shock all the population.”

So, there is no public discussion of this, she added.

“In Germany,” she said, “people are made so much afraid because of nuclear energy, that we have a huge job to loosen this anxiety. They now believe in windmills and solar—that’s terrible. Going to the Moon is not the ideal of the Germans. They are happy playing with their smart phones, and things like that. But it’s really that they don’t have the idea of a future, a worthy future, and a sense of the future. We have to import new ideas.

### **Expecting a Crash**

“Everyone is expecting a big crash,” Schleifenbaum told Baker, “because everyone who can add one and one knows the system can’t keep going on with these cheap interest rates, and the monetary flow is going on and on.

“I can add an example from our community. Since I’m on the Council of this town, since 1994, I heard the Chancellor always claiming, ‘I must have more money’; but I really date the beginning of the crisis at the time when the Glass-Steagall law was cut down in the United States, in 1999. It began slowly, and it had a big problem at the moment when Lehman Brothers failed. But over the last years, it’s increasing more and more, and our last budget—we are discussing the budget for 2014—we just recognized that the expected tax income was EU70 million.” But the actual tax revenue, she said, was only EU50 million.

“It’s a big difference,” she explained, “and now our Lord-Mayor and our parties and our Chancellor are trying to make a new budget, and they always think, ‘Where can we cut? Where can we cut?’...”

“This is the beginning of the end,” she added.

On Glass-Steagall, Schleifenbaum reported that she had spoken to the parliamentary deputy who represents her region, and asked him what he thinks about the separation of banks on the model of Glass-Steagall. He said, “Oh I think it will not help,” because he was thinking of the construct that [Finance Minister Wolfgang] Schäuble and the European banks have worked out,

which is a system which provides many holes to merge the money of the banks, and the bank interests. The investment banks are not cut off by this plan they have. So, it will not help really....”

Baker added that “it’s a fake reform, that in fact allows the continued speculation.”

Yes, said Schleifenbaum, it allows the investment banks and the speculative money to continue to operate, “and it works not only against the people in our country, in Europe, in Greece, and so on, but it also works terribly against these countries we hear about, as in Afghanistan, Syria, as Egypt—where this toxic money is introduced to finance terrorist activities. And this is a very great point, I think, which we should have in mind, if we want to give peace to the world.”

Asked to comment on the financial crisis in her city, Schleifenbaum said, “The numbers of people on short [part-time] employment is getting greater and greater, and we see the problem.... Our Lord-Mayor, referring to this EU50 million he had in his budget, said that must be a singularity; we shall come back to our normal income.

“But our [state] Chancellor says, no. He is worrying very much; he doesn’t think it’s coming back to the higher level we had. So, you see, people try to close their eyes to the real problem.

“On the whole, our situation is quite comfortable. It’s not so terrible as in other countries, and our district especially, has so much industry that we really are not on the level of getting poor—that’s not the reason. There are other districts in Germany where things are much more difficult, such as parts of the so-called new states [formerly in East Germany, before reunification]....”

### **The View of Obama**

“Do you find the ‘bloom is off the rose’ on the Obama issue?,” Baker asked.

“When I think about the reputation and respect of the European countries for America—there had been a great respect, but it has been going down and down since Bush Jr. But nowadays, we Europeans think Obama has shown his real character, and his real aims, and he is not at all respected now. He has lost his reputation totally. I do not think that everyone is expecting him to be a real representative of the United States. It would be good for the United States to let him go.”

# Schiller Institute Presents Mozart's Requiem for JFK



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*The Schiller Institute Chorus, under the direction of John Sigerson, presented a memorial concert on the occasion of the 50th anniversary of the assassination of President John F. Kennedy, at the St. Marks Catholic Church in Vienna, Va. Nov. 22. Approximately 700 people of all ages and persuasions gathered to hear Mozart's Requiem in D minor, which was performed at the Verdi tuning of A=432.*

*A full video presentation of the evening's event, including greetings and excerpts from Kennedy speeches, is available at [www.newparadigm.schillerinstitute.org](http://www.newparadigm.schillerinstitute.org).*



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*The soloists in the Mozart Requiem performance, from left to right: Amy Lynn Murray, soprano; Erica Joan Haman, mezzo-soprano; Steven Andrew Murray, tenor; Dorceal Duckens, bass.*



JFK Presidential Library/Cecil Stoughton



Creative Commons/Irish Labour Party

*Michael D. Higgins, President of Ireland since 2011, sent “best wishes for the commemoration concert for the beloved, departed son of Ireland,” John F. Kennedy. A more extensive greeting, from Msgr. Raymond Murray, Rector of the Cardinal O’Fiaich Memorial Library in Armagh, the ecclesiastical seat of Ireland, recalling Kennedy’s deep Irish roots, was also read.*

*President John F. Kennedy, shown here before the White House on Oct. 10, 1963, was the last U.S. President to embody the spirit of American optimism and progress. Excerpts from nine of his speeches, in which he spoke eloquently on the American commitment to serve future generations through the pursuit of leadership in science, infrastructure, and the arts, were played over a loudspeaker, evoking his presence, as if he were in the room.*



larouchepac.com

*Former Congressman Cornelius Gallagher (D-N.J.), a close personal friend and political ally of President Kennedy, gave an audio greeting to the concert event, where he said: “I think it’s time to think about the good part of America, the good part that was in the days of the hope of John Kennedy, and hope that we can reinstate that hope for the young people in this country....”*



Schiller Institute

*Helga Zepp-LaRouche, founder of the Schiller Institute, greeted the evening of commemoration by recalling the turning point toward pessimism which Kennedy’s death portended, and urging that America return to his spirit, ending “the paradigm of pessimism” by moving to solve the “seemingly unsolvable,” through the application of “man’s reason and spirit”—the commitment Kennedy voiced for America and the world.*

# Graham: Expose Saudi Role in 9/11 Attacks

by Edward Spannaus

Dec. 2—Former U.S. Senator Bob Graham (D-Fla./1987-2005) has made an important new intervention into the very dangerous current strategic situation—in which Saudi Arabia is not only pressuring the United States into military intervention in Syria on the side of the Saudi-sponsored terrorists, but in which an open alliance between Israel and Saudi Arabia has emerged in opposition to the P5+1 negotiations with Iran.

In a multi-part interview with Real News Network, partly posted on Nov. 28-29, Graham, who co-chaired the Congressional 9/11 Inquiry, stressed that if the role of Saudi Arabia in sponsoring and supporting the Sept. 11, 2001 attacks were to be exposed, it would have enormous consequences for U.S. policy today. Graham pointed to the “active role” of the Saudis in the Middle East, and how radically the U.S. view of the Saudis would be changed, “if there was an acceptance of the fact that Saudi Arabia was essentially a co-conspirator in 9/11.”

Graham’s striking comments mark an escalation in his campaign to obtain declassification and release of the censored 28-page section of the Joint Congressional Inquiry’s report on the 9/11 attacks, which reportedly deals with Saudi sponsorship and financing of the biggest terrorist attack ever on American soil. (For background, see “Bust the London-Riyadh Global Terror Axis,” in the Aug. 16, 2013 issue of *EIR*.)

## Why Now?

Graham counterposed the current revival of interest in the assassination of President John F. Kennedy, with the potential implications of exposure of the Saudi role in 9/11. He noted that there is a lot of discussion of the role of Lee Harvey Oswald in the JFK killing, and whether he was helped by the mob, or the Cubans, or somebody else. In his view, exposure of the Saudi role in 9/11 is even more important today:

“The issue of whether the 19 hijackers acted alone or whether they had a support network has enormous

current consequences. If in fact the Saudi government was the source of financial, logistical support, [and] provision of anonymity that allowed these people to stay in the country such a long time and go undiscovered; if they were part of the system that made that happen, think of what it would mean to U.S.-Saudi relations today. It would be a complete overturning of the premises upon which we have been dealing with Saudi Arabia, that it was a loyal ally of the United States, to now being seen as a country which was prepared to sell its soul to the worst in the world, even if that meant putting the United States in jeopardy and the loss of life of 3,000 people.”

## Why Would They?

Graham was asked why the Saudis would do this: “What’s in it for them?” He answered as follows: “Well, I wrote a novel called *Keys to the Kingdom*<sup>1</sup> out of frustration that much of what I knew had occurred, had not been made available to the American people, because every time it was suggested, it was immediately classified and rendered out-of-bounds.” Graham related how a former high-level government official had gotten around this, “by writing exactly what he would have written in a nonfiction book, but [he] put the word ‘novel’ on it, and it got by the censors.”

In his own novel, Graham continued, “I suggest some answers . . . and I don’t think they are far-fetched or extreme.” He elaborated:

“One of those is that we know that at the end of the first Gulf War, [Osama] bin Laden was very angry at the [Saudi] royal family for having allowed U.S. troops, foreign troops of any nationality, to essentially occupy a portion of Saudi Arabia. His anger was deepened by the fact that he had offered to come to the defense of the Kingdom, using several tens of thousands of war-hardened troops that had fought with him in Af-

1. See book review, “Fact or Fiction? What Senator Graham Really Knows,” *EIR*, Jan. 18, 2013.



Former Sen. Bob Graham, co-chair of the Congressional 9/11 Inquiry, has issued a new call for release of the suppressed 28 pages dealing with the Saudi role in the 2001 terrorist attacks.

ghanistan against the Russians. That anger upset the royal family.

“And so I project: What if bin Laden had said to the royal family, ‘If you won’t deal forcefully with the Americans, *we* will do it, but we need your help in terms of being able to assist, support, maintain our operatives who are going to be in the United States, and if you refuse to give us that support, then I’m going to launch civil unrest inside the Kingdom of Saudi Arabia and your monarchy will be under the same threat that the former Shah of Iran was, when he was toppled from power.’

“I’m suggesting that something like that may have been the motivation, the excuse, the rationale, that the Saudis looked to, to say, ‘All right, we will in fact provide assistance to the 19 hijackers, or at least significant numbers of them, in order to avoid this credible threat of civil unrest.’”

### They Had To Be Confident

When asked how the Saudis could be so confident that the U.S. would not target them for sponsorship of the 9/11 attacks, Graham said that “they had a high, and what has thus far turned out to be credible, expectation that their role would not be exposed,” adding: “Everything that the federal government has done since 9/11 has had as one of its outcomes, if not its objectives—and I believe it was both outcome and objective—that the Saudis’ role has been covered.” They had to be confident, Graham said, that “they are immune, that the United States is going to take its vengeance out someplace else,” such as Iraq.

Graham said it would be speculation to assume that Prince Bandar bin Sultan, then-Saudi Ambassador to the United States, knew that the U.S. would go after Iraq, but, he emphasized, “I believe what we do know, or are capable of knowing, is: what was the full extent of the Saudi role.” And in this regard, he pointed to the Saudi protection of two of the hijackers in San Diego, the “very suspicious case in Sarasota, Florida,” where three of the hijacker/pilots were getting flight training, and at the same time, were closely connected to a Saudi family which were themselves close to the royal family. What we don’t know, Graham added, is what was going on in

Falls Church, Va., or in New Jersey, where there were substantial numbers of hijackers.

Graham concluded this portion of the interview saying that he had discussed this with the co-chair of the Congressional Joint Inquiry on 9/11, and the two co-chairs of the 9/11 Commission, and asked them: “What do you think were the prospects of these 19 people being able to plan, practice, and execute the complicated plot that was 9/11 without any external support?”

“All three of them used almost the same word, ‘*implausible*,’ that it is implausible that that could have been the case,” Graham stated.

### Release the 28 Pages!

Regarding the Joint Inquiry report, Graham stated:

“There were 28 pages in the final report, out of over 800 total, which were totally censored.... That was the chapter that largely dealt with the financing of 9/11, who paid for these very complex and in many instances expensive activities that were the predicate for 9/11. I was stunned that the intelligence community would feel that it was a threat to national security for the American people to know who had made 9/11 financially possible. And I am sad to report that today, some 12 years after we submitted our report, that those 28 pages continue to be withheld from the public.”

Graham’s own campaign to publicize the Saudi role, has helped inspire a movement in Congress, led by Rep. Walter C. Jones (R-N.C.), to seek the declassification of the 28 pages.

LIST VS. VON HAYEK

## Free-Trade Monetarism Is the Road to Serfdom

by Andrea Andromidas

Sept. 4—Both in Europe and the United States, the Libertarian prescriptions of the “Vienna School” of Friedrich von Hayek et al. are gaining currency, as the global economy spirals deeper into the abyss. In Europe, more than a few misguided critics of the euro system look to that ultra-free-trade ideology as a solution to the crisis. In the United States, the right-wing drift of the Republican Party and the Tea Party movement is of a similar nature. There is a marked trend among American college students who are understandably disaffected with the government, its handling of the economic crisis, and its surveillance of its own citizens, to climb on the von Hayekian bandwagon: “All government is bad. Let the market decide.”

There are plenty of reasons to declare these ideas a failure and to bury them once and for all. The ideology of free trade was refuted already by Gottfried Leibniz and Jean-Baptiste Colbert in the 17th Century, Alexander Hamilton<sup>1</sup> in the 18th Cen-



*Friedrich List, portrait by Caroline Hövemeyer (1839). List wrote of the free trader: “He imports poisons just as he imports medicines. He enervates entire nations with opium and distilled spirits . . . it means nothing to him, as long as it improves his balance sheet.”*

tury, and Friedrich List and Henry Carey (among others) in the 19th Century. That ideology was a devastating failure in the late 20th Century under the slogan “deregulation,” wherever it was practiced—a failure that led, in the first decade of the 21st Century, to the current breakdown crisis of massive proportions. The revival of the free-trade doctrine today not only threatens the freedom of the Western world, but has brought it to the brink of a fascist financial dictatorship.

We shall contrast here the ideas of List and von Hayek in particular, which highlight’s List’s American System alternative to the assorted bankrupt dogmas of Communism, Keynesianism, and free-trade Liberalism.

### List and the American System of Political Economy

Friedrich List (1789-1846) was born in Reutlingen, Württemberg, in what was not yet a united Germany. As a young economics professor in the aftermath of the Congress of Vienna (1815), he worked for unity and protective tariffs among the tiny, feudal-ruled

1. See, for example, Nancy Spannaus, “A Matter of Principle: Alexander Hamilton’s Economics Created Our Constitution,” *EIR*, Dec. 10, 2010.

German principalities.<sup>2</sup> His German Trade and Tradesmen's Union (Allgemeiner Deutscher Handels- und Gewerbeverein) aimed for a free republican constitution and national promotion of home industries. List demanded protection from the cheap English imports that were flooding the markets, fearing that the German people would end up as “drawers of water and hewers of wood for Britain.”<sup>3</sup>

Austria's Prince Metternich saw List as an intolerably dangerous “agitator,” and arranged to have him arrested and jailed, forcing him eventually (in 1824) to emigrate to America. But that led, contrary to Metternich's intention, to the most fertile collaboration with Americans such as Mathew and Henry Carey, and Henry Clay. In a speech before the Pennsylvania Society for the Promotion of Manufacture and the Mechanic Arts in 1827, List threw down the gauntlet: “I herewith declare war against the system of Adam Smith on behalf of the American System of Political Economy.” His book *Outlines on American Political Economy* was written that year. While in the United States, he opened coal mines, helped plan a canal system, designed rail transport, and proposed the cutting of a Panama Canal. He returned to Germany in 1830, becoming the American Consul to Leipzig. There he launched his program for a national railway network, becoming known as the “Father of the German Railways.” His program for the expansion of the Zollverein, or Customs Union, was implemented in 1834. He gave us one of today's best works on economics, published in 1841 as *The National System of Political Economy*, which tore apart Adam Smith's free-trade doctrine.

The founding of the Vienna School in 1871 pursued no other objective than to cause List's work to sink as quickly as possible into oblivion, so as to present anew the British free-trade doctrine as the only valid approach. List's ideas—including all that are based on them—are systematically slandered by the Vienna School as socialist, dictatorial, or proto-fascist, up to the present day. Von Hayek pilloried List as the princi-



London School of Economics

Friedrich von Hayek, Jan. 27, 1981. His feudalist vision: “We shall not rebuild civilization on a large scale. . . . On the whole there was more beauty and decency to be found in the life of the small peoples, and among the large ones there was more happiness in proportion to their avoidance of the deadly blight of centralization.”

pal author of the “German thesis” that “free trade was a policy dictated solely by, and appropriate only to, the special interests of England in the nineteenth century.”<sup>4</sup>

Why were List's ideas considered so dangerous, and to whom? The measures of the Prussian reformers, the increasing industrialization in Germany, and Chancellor Otto von Bismarck's connection to the Henry Carey circles in America,<sup>5</sup> were a thorn in the side of the Hapsburg nobility and its British inamorato.<sup>6</sup>

If List today were to talk to Henry Carey, he would surely ask him: “Have people really learned nothing?” And Carey would answer honestly: “They have either learned nothing or forgotten everything, because they

2. See Anton Chaitkin, “Friedrich List and the Program for Europe Today,” *EIR*, Dec. 1, 1989; Richard Freeman and Jeffrey Steinberg, “The Legacy of Friedrich von Hayek: Fascism Didn't Die with Hitler,” *EIR*, Feb. 17, 1995; Michael Liebig, “Friedrich List and the American System of Political Economy,” *EIR*, March 20, 1998; Lawrence Freeman and Marsha L. Bowen, “The Legacy of Friedrich List: The American System's Battle Against British Free Trade,” *EIR*, Jan. 11, 2008.

3. Hans-Ulrich Wehler, *Gesellschaftsgeschichte*, vol. 2, p. 133.

4. Friedrich von Hayek, *The Road to Serfdom* (Routledge: 1944; republished 2001), p. 194.

5. See Helga Zepp-LaRouche, “The American Roots of Germany's Industrial Revolution,” *EIR*, Sept. 12, 2008.

6. Friedrich List, *Das Nationale System der Politischen Ökonomie* [*The National System of Political Economy*], Kyklos-Verlag Basel, Chapter 12.

still believe that money is the essential feature of an economy; worse, they pray to it; they have given all the power to the money elites and submissively allow themselves to be governed by them. And even worse, they look on helplessly as the real economy is destroyed around them, including education, culture, morality—all that we consider to be essential.”

List criticized Adam Smith for the free-trade maxim “Buy cheap, sell dear, no matter where, no matter how, no matter what.” List called this a dead materialism, twinned with very stupid short-sightedness. Historical examples abound where wealth that was rapidly acquired, fizzled out just as quickly.

### The Real Sources of Wealth

List is concerned instead with the question: What is national economic wealth? Where does it come from? And most importantly, how one can generate it? He explains:

The causes of wealth are something totally different than wealth itself. An individual can possess wealth, i.e., exchange value, but if he does not have the power to create more valuable items than he consumes, he will become impoverished. An individual may be poor, but if he has the power to create a larger amount of valuable items than he consumes, he becomes rich.

The power to create wealth is therefore infinitely more important than wealth itself; it guarantees not only the possession and increase of what has been acquired, but also the replacement of what has been lost. This is even more the case with whole nations, that cannot live on pensions, than with private persons. Germany has been ravaged in every century by plague, by famine, or by internal and external wars, but it has always managed to save much of its productive forces, and so it returned quickly to prosperity, while the rich and powerful, but despot- and priest-ridden Spain, in full possession of domestic peace, sank ever deeper into poverty and misery. The same Sun shines upon the Spaniards, they have the same earth and land, their mines are just as rich, they are the same people as before the discovery of America and before the introduction of the Inquisition; but this people has gradually lost its productive power, so it has become poor and miserable. The North American liberation war



The “Father of the German Railroads”

has cost that nation hundreds of millions, but through the acquisition of national independence their productive power was strengthened immeasurably, so they could create much greater riches within a few years after the peace than they had ever possessed.<sup>7</sup>

Thus Friedrich List concerned himself with the productive power of the economy, not with transitory monetary wealth. He knew that everything depends on two key issues: first, whether it would be possible to build up a significant manufacturing sector, and second, to protect this emerging industrial power against the corrosive influence of free trade. The British free-trade strategy was to flood foreign markets with British manufactured goods in order to suppress the emergence of production capacity elsewhere. This policy had been nowhere enforced as strictly as in Britain’s American colonies, where even the production of horseshoe nails was not allowed, let alone their export into the British Empire.

Why? Because the production of goods stimulates and increases both the intellectual and the practical skills of the population, including the spirit of invention, the alacrity and organization of work processes—in short, the ability to produce wealth. The American War of Independence was about nothing less than the right to develop this capacity.

But there is another, uglier aspect of free trade, which points to its fraudulent character from the very outset: the freedom to trade in goods that can destroy entire countries, such as the opium trade. The British

7. Friedrich List, *Das Nationale System der Politischen Ökonomie* [*The National System of Political Economy*], Kyklos-Verlag Basel, Chapter 12.

Empire demanded the right to trade in opium, and enforced its demands by war.

List summarizes both aspects as follows:

The motto, '*laissez faire, laissez passer*' is ... one that sounds no less pleasant to robbers, cheaters, and thieves than to the merchant, and therefore one ought to regard this maxim with suspicion.... This perversity, to surrender the interests of manufacturing and agriculture to the unfettered demands of trade, is a natural consequence of that theory, which universally looks only at prices, never allowing for the work required to produce, and views the entire world as one single and indivisible republic of merchants. This school of thought [Adam Smith's] does not see that the merchant can achieve his purpose—obtaining profits by trade, even at the expense of agriculture and manufacturing, at the expense of the productive forces—just as easily through the independence and autonomy of nations. It's all the same to him, and it is in the nature of his business and his aspirations that he cannot give a fig about the effect that the way in which he imports or exports goods might have upon the morality, the prosperity, and the power of the nation. He imports poisons just as he imports medicines. He enervates entire nations with opium and distilled spirits. Whether he provides hundreds of thousands of jobs and livelihood through his imports and chicanery, or whether an equal number are thus brought to beggary, it means nothing to a businessman, so long as it improves his balance sheet.<sup>8</sup>

No sane person should have any difficulty following this argument. Since the individual can decide for himself, but not for his nation, the state would necessarily be the agency required to promote the development of all capacities for the benefit of general progress. If you understand that the nation is more than the sum of its citizens, it follows that the mission is to shape the framework of freedom so that the development of productive powers is clearly favored over the blind maximization of profit.

List writes:

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8. Ibid., Chapter 21.

Anywhere, anytime, when the intelligence, morality, and activity of the citizenry have stood in the same proportion with the prosperity of the nation, the wealth, along with these characteristics, has increased or decreased; but nowhere have the industriousness and thrift, inventiveness and initiative of individuals achieved anything significant where they have not been supported by civil liberty, public institutions, and laws, by means of the state administration and foreign policy, primarily through the unity and power of the nation.<sup>9</sup>

List's tariff policy followed this insight.

The fact that this was correctly understood in Prussia by Chancellor von Bismarck and an extensive circle around him, who eventually saw through the fraud of the free-trade doctrine and took corresponding countermeasures, vexes the supporters of free trade to this day.

Industrialist and Bismarck advisor Wilhelm von Kardorff, first president and founder of the Central Association of German Industry, gave vent to his anger that he had been taken in by the hoax of free trade, and wrote a book about it, *Gegen den Strom (Against the Current.)*<sup>10</sup>

In May 1879, Bismarck announced the end of his free trade policy to the Reichstag, with these words:

We were, up to this point, the dumping ground for the surplus production of other countries, because of our open door policy. In my view, this wrecked the prices in Germany. It has prevented the growth of our industries and the development of our economic life. We must close this door, and erect a higher barrier. And what I now propose is that we create for German industry the same market that we up to now have benevolently allowed foreigners to exploit. If the risks of protectionism are as great as is claimed by the adherents of free trade, then France would be impoverished long ago, because they have gone with this theory since the time of Colbert.

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9. Ibid., Chapter 14.

10. William of Kardorff, *Gegen den Strom. Eine Kritik der Handelspolitik des Deutschen Reichs [Against the Current. A critique of the trade policy of the German Empire]*. Berlin 1875.



Deutsches Historisches Museum Bildarchiv

*Chancellor Otto von Bismarck addresses the Reichstag. “If the risks of protectionism are as great as is claimed by the adherents of free trade,” he told parliament in 1879, “then France would have been impoverished long ago, because they have gone with this theory since the time of Colbert.”*

Bismarck understood that the free-trade doctrine serves not the freedom of Germany’s economy, but quite the contrary, its subjugation; and that only by applying constraints to that same economy could he restore the freedom that Germans so desperately needed for their development. This apparent paradox was the basis for the insight that all activities that produce value must be protected and encouraged at the state level, while harmful sources of profit must be minimized in the long run.

The Vienna School does not draw this distinction. It gives fraudsters, thieves, and murderers the same right to profit as honest folk. This anarchic concept of freedom, originating with Adam Smith, gave us the worst economic crises in history. This is the mindset that led to the Opium Wars of the British Empire against China, and is reflected in our century by the drive for drug legalization. Whenever calls for the deregulation of drug laws come up, representatives of the Vienna School are among the first supporters. To take one example, Chicago School economist Milton Friedman repeatedly advocated the legalization of heroin.<sup>11</sup>

And anyway, what is the difference between the ef-

11. *Newsweek*, May 1, 1972, “[Phil Donahue Show](#),” April 16, 1980.

fects of the drug trade and the impact of other fraudulent transactions, such as trade in toxic financial products? What was unthinkable during the post-World War II phase of economic construction both in America and in Europe, became the dominant policy during the last two decades of the 20th Century: the legalization of fraudulent financial transactions under the name of “deregulation,” a modern name for free trade. The sudden deregulation of London’s financial market in 1986 was even called, in anticipation of the coming rush of money, the “Big Bang.” After 30 years, we are faced with the sad result of this policy, and

the real Big Bang is to be expected from the giant bubble of financial derivatives, which is estimated conservatively at \$600 trillion, and cannot be saved by anything or anyone.

### **From the ‘Social Market Economy’ to Monetarism**

From the end of the Second World War to the collapse of the Bretton Woods system in 1971, the Vienna School, while waging a significant propaganda effort, generally was blocked from running governments. The policies in general use in the trans-Atlantic region bear the imprint of Franklin D. Roosevelt, and were directed toward the development of the real economy—e.g., France’s “indicative planning” under President Charles de Gaulle, and West Germany’s “social market economy” under Ludwig Erhard (Economics Minister 1949-63, Chancellor 1963-66).

The Vienna School came into prominence only after a period of wrenching transformations, beginning with the assassination of John F. Kennedy and followed by the abolition of the Bretton Woods system in 1971. The political climate changed fundamentally.

First, although many did not perceive it until much later, the Western nations parted company with the essential commitment to investment in science and tech-

nology. Second, with the introduction of floating exchange rates, the floodgates were opened for monetarist adventurism. One must not forget that the Club of Rome proclaimed already in the 1970s, that the world was hopelessly overpopulated, and that the industrial nations consumed too many resources and so the service sector should be expanded at the expense of industrial production.

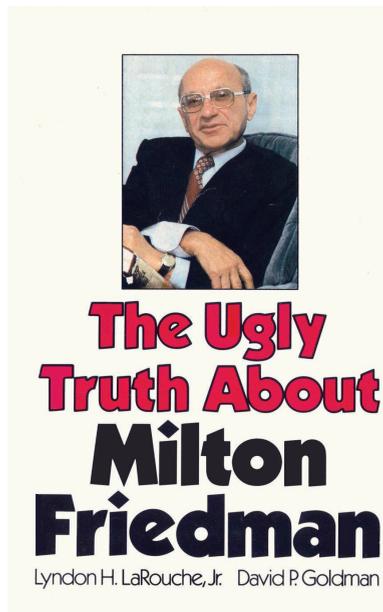
These changes were deliberate, and are well documented. The goal of fostering the general welfare was swept off the table and replaced by “population control.”<sup>12</sup>

The ability to produce wealth, as List understood it, increasingly disappeared as the focus of economic policy and was replaced by greed for quick money. Thus opened the era of free trade with money products of all kinds, with the casino economy of financial speculation, accompanied by the “New Age” of the rock-drug-sex culture.

Under these conditions, von Hayek and the “Chicago Boys” around Milton Friedman gained prominence. In due course, two Nobel Prizes were awarded, in 1974 to Friedrich von Hayek, and in 1976 to Milton Friedman, providing the necessary build-up for their new projects: Pinochetism in Chile, Thatcherism in the United Kingdom, and Reaganomics in the United States.

According to Adam Smith, all must be surrendered to the “invisible hand” of the market, an anarchist concept of freedom, which quite intentionally does not differentiate between thievery and productive investment. If today, after 40 years of this policy predominating in the trans-Atlantic region, one deplores the gap between the super-rich and bitterly poor, then one may thank those who follow von Hayek’s thesis that this inequality is not only *not* regrettable, but in fact, desirable and necessary.<sup>13</sup>

To head off the anticipated hue and cry of von Hayek followers: It’s not about redistribution and not



*This book was published by the LaRouche movement in 1980. Friedman and von Hayek were among the founders of the Mont Pelerin Society.*

about alms. The injustice of the free-trade doctrine is the preferential treatment given to unproductive and fraudulent transactions. To promote this at the expense of industry means to willfully destroy society, and belongs in the same category as the drug trade. This policy destroys productive wealth. It destroys the ability to produce wealth and the ability of society to further develop itself; it destroys the foundation of peace. After 40 years of practice, the deregulation of financial markets has brought Western society, which was once hailed as exemplary, to the brink of ruin. And to the brink of dictatorship.

The main points of the program were the same everywhere:

1. Neglect of the duties of the state to maintain order and fairness in the economy;

2. Deregulation of financial markets;

3. Neglect of infrastructure and social protection.

We review three examples.

### The Case of Pinochet’s Chile

After the coup that brought the dictator Gen. Augusto Pinochet to power in Chile in September 1973, the conditions were favorable for the introduction of the von Hayekian program, especially as the economics minister and central bank chief were students of Milton Friedman.

The financial markets, the commodity markets, and the creditors of the country were the beneficiaries of the drastic measures that were introduced after the coup. Debt payments to foreign banks increased eightfold from 1973 to 1979, from \$200 million per year to \$1.6 billion, while production fell by almost half.

Although exports of copper provided a portion of these debt payments, most came through drastic austerity measures, particularly the elimination of food imports, reducing of government spending on health care by 30%, education by 37%, housing by 26%, and wages by 17%. Then there were the abolition of labor rights and the prohibition of trade unions. The real, physical economy could not develop, and ten years after the coup, the unemployment rate was over 30%.

12. See Henry Kissinger’s “National Security Study Memorandum 200” (NSSM 200) of 1974.

13. *Business Week*, No. 11, 1981.

## Maggie Thatcher's 'Big Bang'

In the case of the United Kingdom, we have a case study of how an economic power was almost completely destroyed by the intoxication of quick money.

Prime Minister Margaret Thatcher (in office 1979-90) had been a fervent follower of Friedrich von Hayek since the age of 18. She had read with enthusiasm von Hayek's *The Road to Serfdom*, and subsequently argued that any social spending is tantamount to socialism. With one idiotic simplification goes another: that free trade is synonymous with freedom.

After taking office, her top priority was the deregulation of financial markets. From the archived exchange of letters between her and von Hayek, it is clear that she could not immediately meet his demands for drastic budget cuts, because the presumed democratic framework of the country only allowed her a certain amount of latitude. What she did, however, earned her the name of the "Iron Lady," and her initial success led many short-sighted people to regard it as a model for all of Europe.

But today, after another 20 years, the financial bubbles have not only grown immeasurably, but doubt has been cast upon her policy. Didn't Britain once have industry? The sad answer is that only a few rudimentary sectors remain, and the future may rest even less on financial bubbles than on feet of clay.

The October 1986 "Big Bang" was the name for Thatcher's purported blow for freedom, the sudden and radical deregulation of financial markets. With the abolition of capital and other competitive controls, and the exorbitant payment of bonuses to executives, the fattest financial fat cats from all over the world could romp freely in London. London became the largest financial center in the world, with spectacular growth rates of the new sector. The Big Bang allowed commercial banks and brokerages to be under one owner—a policy similar to the U.S. repeal of the Glass-Steagall law later. About 40 state-owned companies were privatized in 11 years, including Jaguar, British Telecom, British Oil, British Aerospace, British Steel, British Airways, British Petroleum, as well as water and electricity utilities and many others.

The unions were kept on a leash, and the standard of living of the average Briton deteriorated. Unemployment soared, with more than 3 million out of work



White House photo

*The Iron Lady, Margaret Thatcher, was a disciple of von Hayek since the age of 18.*

by 1983. By 1990, the IMF reported that Britain had the lowest growth, highest inflation rate (9.4%), and the greatest current account deficit of any of the world's seven top industrial countries. During the decade from 1979 through 1988, British gross investment for all business increased some 37.4%, but this was almost entirely in the service sector (93.1% increase), whereas investment in agriculture and manufacturing fell by 8.4%. In the manufacturing sector, there was a net real investment of less than 1% over the decade.

Nowhere is the bankruptcy of Thatcherism more stark than in its investment in state infrastructure: roads, rail, airports, and the electric power grid. Among the seven industrial nations as of 1990, only the United States ranked lower than the UK. The privatization of electricity led to huge price increases for industry, even as investment in nuclear power was curtailed.

The real estate program for socially subsidized housing encouraged rampant growth of financial paper. As soon as Thatcher came to power, the Housing Act was passed, allowing renters in socially subsidized

housing to buy their dwellings. From 1980 to 1987, loans for 1 million homes were granted, which both changed the debt structure and led to experiments with same, in parallel with the U.S. housing bubble of the 1980s and later. Bank real estate loans soared by 50% in value between August 1988 and August 1989.<sup>14</sup>

### From Carter to Reagan

With President Jimmy Carter (in office 1977-81), the United States had the first administration which, with the “Global 2000” program, started to put the demands of the Club of Rome into action. Deregulation of infrastructure and the systematic reduction of investment in the real economy were initiated, to the benefit of the money economy. These policies were further pursued under the Reagan Administration (1981-89) with the ideological guidance of the Chicago Boys. During 1977, the share of trade-related foreign exchange transactions was still at 23.04 %, but by 1992 it had dropped to 2.14%. By 1987, Reaganomics had eroded the economy to the point of a crash that shook the rafters of the global financial system.

In contrast to the virtually overnight British “Big Bang,” deregulation of the U.S. financial markets was carried out over the extended period from Alan Greenspan’s assumption of office at the Federal Reserve in 1987 until his retirement in 2006, but overall the effect was no less radical. Milton Friedman forecast a dazzling future for human freedom in January 1990, with a new edition of his 1980 book *Free to Choose*. But the first serious setbacks came already in 1994, in the derivatives market. In December 1994, the richest county in the United States, Orange County in California, had to declare bankruptcy, after the financial resources of 180 cities, municipalities, and public institutions had been sunk into a mutual fund of the Wall Street firm Merrill Lynch. The looting of public institutions through gambling operations of all kinds and intentionally fraudulent methods was undertaken systematically.<sup>15</sup>



Bundesregierung/Adrian

Ludwig Erhard, shown here with his book “Prosperity for All,” in 1957, when he was West German Economics Minister. His conception was closer to List’s than to von Hayek’s.

While Ronald Reagan accelerated the financial economy, he vetoed major investments in water and road projects during the last two years of his term. Twenty years later, there is not much left of industrial and productive jobs, and we’re watching, in the example of Detroit, the breakdown of urban culture in a former major industrialized nation. This shows the murderous consequences of the free trade doctrine and deregulation with such clarity, that no sane person in good conscience could advocate this ideology even one more day.

While Wall Street still rakes in big profits from the collapse of Detroit and 80% of claims for interest-rate swap payments continue to be paid, the pension funds of the municipal employees are scheduled to be almost completely sacrificed. For the purpose of further lining the pockets of the rich, the majority of the population is altogether unnecessary; there is no need for either their creative skills, their education, their health care or their aspirations for the future. Wall Street is prepared to sacrifice them and even to walk over their dead bodies. Three quarters of all Detroit’s children leave the public schools without a diploma, a third of the population lives on government assistance, drug trafficking and crimes of all kinds are spreading, the fire and police departments no longer make much of an effort because of inadequate equipment for their tasks, and of formerly 2 million citizens, there are only 700,000 remaining. And Detroit is just the tip of the

14. See William Engdahl, “The Failed Economics of Thatcherism,” *EIR*, May 25, 1990 and June 8, 1990.

15. The Financial Crisis Inquiry Report. January 2011.

iceberg; in many other cities, it does not look much better.

### Erhard and the ‘Social Market Economy’

In the post-war period in Germany, Ludwig Erhard’s “social market economy” was the concept that defined the country’s famous “economic miracle.”<sup>16</sup> Von Hayek made no secret of his hatred for the concept, and his belief that he who does not survive the competition of free trade should just quietly perish. In an interview in 1981 to the German weekly *Wirtschaftswoche*, he said:

As a result of my long preoccupation with the destructive consequences that accompany the promotion of so-called social justice to assuage our sense of morality, I may be excessively allergic to the term. But I am of the firm conviction that the greatest service I can render to my fellow man, is to cause writers, journalists and speakers to be ashamed to ever use that term again. This ill-fated idea of so-called social justice asserts that the remuneration of the individual should not depend on what he is actually contributing to the GDP, but on what he deserves.<sup>17</sup>

He who has fallen into the error that money is wealth, has very little regard for people. In the same interview, von Hayek said on the population question:

You see, over the next 20 years, the world population is expected to double again. For a world that is founded on egalitarian ideas, the problem of overpopulation is unsolvable. If we guarantee that everyone who is born will be supported, we will soon no longer be able to fulfill that promise. There is only one brake for overpopulation, namely that the only ones who may survive and procreate are those who can support themselves.

What a contrast to Erhard!

Nothing was and is more detrimental for the study of economics, particularly in Germany, than to allow

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16. The concept includes elements of a free-market economy (private property, free formation of prices, free foreign trade, etc.), but in which the state plays an active regulatory role and is responsible for a social security system that includes pension insurance, universal health care, and unemployment insurance. The result of the policy was that after the devastation of the war, reconstruction proceeded rapidly and the purchasing power of wages increased by 73% from 1950 to 1960.

17. *Business Week*, No. 11, 1981.

Erhard and the Vienna School to be lumped together.

Although a member of the Mont Pelerin Society, founded by von Hayek in 1947, that alone does not justify the attempt to place Erhard’s economic policies in the von Hayek camp. Von Hayek could never warm to Erhard’s book title, *Prosperity for All*, or appreciate the concept of a “social market economy,” writing: “The truth is only that a social market economy is no market economy, a social constitutional state is no constitutional state, a social conscience is no conscience, social justice is no justice—and I fear also, social democracy is no democracy.”<sup>18</sup>

And Erhard, given the consequences of deregulation that we see today, would spin in his grave and say: “Gentlemen, what you have done here, is quite the opposite of the social market economy.”

From Erhard’s main work, *Prosperity for All*, we learn that he operated on the assumption that there was a “fundamental difference between the social market economy and an old-style liberal economy.” From the few passages I would like to quote from *Prosperity for All*, it is clear that Erhard was far closer to Friedrich List’s concept than to von Hayek’s, in his belief that the ability to produce wealth is more important than the wealth itself.

The most important difference, though, is that Erhard always stood on the side of the general welfare, in stark contrast to the Vienna School:

The term *social market economy* today has attained universal validity, and not just in Germany. Even the opponents of my economic policy no longer seek to obstruct this formulation. But an economic policy may only be called *social* if it can generate *economic progress*, the higher performance yields and rising productivity for *the consumer*<sup>19</sup> [emphasis in original].

Across the entire spectrum of different economic climates, human diligence (the productivity of all who take part in the economic process, as well as the urge and the compulsion to continually improve our productive apparatus) obtains its economic meaning and social content through the dedication to an ever *better* and

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18. Friedrich von Hayek, “Wissenschaft und Sozialismus,” in: *Gesammelte Schriften in deutscher Sprach*, Vol. 7 (Mohr Siebeck, 2004).

19. Ludwig Erhard, *Wohlstand für alle (Prosperity for All)*, Chapter 7.



Bundesbildstelle

The “Economic Miracle” rebuilt West Germany from total devastation right after the war (shown here in Berlin in 1946). On the right is Chancellor Erhard (center), riding in a bucket used for hoisting coal at the Friedrich der Grosse mine in North-Rhine Westphalia (the governor of the state, Franz Meyers, is on the right).



Bundesregierung/Müller

freer life to be led for all the people. We do not need Egyptian pyramids as an end in themselves, no; every new machine, every startup power plant, any means of boosting performance serves, in the final consequence, the enrichment of the human existence of all people living and creating in the domain of the social market economy. I will never become tired of ensuring that the fruits of economic progress will benefit an ever-wider stratum of the people, and preferably, ultimately, *all* of them<sup>20</sup> [emphasis in original].

20. Ibid., Chapter 10.

When his concept of prosperity came under attack at the end of the 1950s, Erhard defended himself with the following words:

No objection will keep me from believing that *poverty* is the *surest means* of letting people waste away in the small material worries of everyday life. Perhaps geniuses may rise above such tribulations; but in general, people will become ever less free due to material worries, and remain imprisoned by material thoughts and habits. We can therefore carry on the process of increasing and distributing prosperity with patience and confidence, because what today occasionally expresses itself as an abuse, also carries the seed of healing. Let us not be so *cruel* as to suppose that *virtue could arise only out of necessity*. It is much more important to prove ourselves worthy of the happiness and blessing of successful and peaceful work. For a

political economist like me, it is a *diabolical impertinence* to want to demand of a man, for the sake of a misunderstood ethical principle, that he should avoid overcoming poverty<sup>21</sup> [emphasis in original].

This is the policy framework and mindset that we have to fight to regain today, not only in Germany, but worldwide. The alternative, the “road to serfdom” which is von Hayek’s actual legacy, is too horrible to contemplate.

*Translated from German by Daniel Platt.*

21. Ibid., Chapter 10.

## *Augur of an Avalanche*

We've come into a period of very sharp change, noted Lyndon LaRouche, in his video discussion with the LaRouchePAC Policy Committee on Dec. 2. On the one side, the British imperial system is "going ape," in desperation to keep afloat. On the other, a palpable process of resistance, and building up of an alternative, is proceeding in the Eurasian region, which holds the promise of bringing other large portions of the world along with it.

The augur of the coming process of resistance, LaRouche noted, is Ukraine's decision to back out of its free-trade agreement with the European Union. Instead, the government is looking to the East, in terms of new agreements of economic cooperation with Russia, and also with China. Ukraine's leadership—despite hysterical resistance inside and out, is determined to take the path of survival, which means economic progress and sovereign development. It will be a huge fight, but the future of the nation is at stake.

As LaRouche stressed in his Nov. 29 webcast, Ukraine's decision is not unique. It is a reflection of the thinking going on throughout whole sections of western and central Europe, among those are looking for a way out of the death spiral they are now caught in. There are indications of discussions in Germany, France, and countries in eastern Europe.

If the United States political leadership were smart, it would listen to LaRouche and take up just such an orientation toward Eurasia as well. Eurasia, despite all its problems, is the global center for optimism today, for taking on the challenges of space and daunting infrastructure projects, for bringing mankind out of the doldrums and depression inherent in the Green disease that has taken over the West.

Eurasian-centered development promises man-

kind a great future, and those who want to create a promising future for their own nations, will orient in that direction now.

Yet, as one individual exclaimed upon being briefed on the Ukraine developments by a LaRouchePAC organizer, "Nobody knows this!" *EIR* is indeed a unique source. The dominant news media in the West, by and large, have adopted the same policy toward the grand cooperation agreements being forged together with Russia and China, that the *Washington Post* enunciated toward LaRouche back in 1976: Only cover the scandals! Not a word should be said about the economic and strategic policy alternatives being offered to the world by "these people."

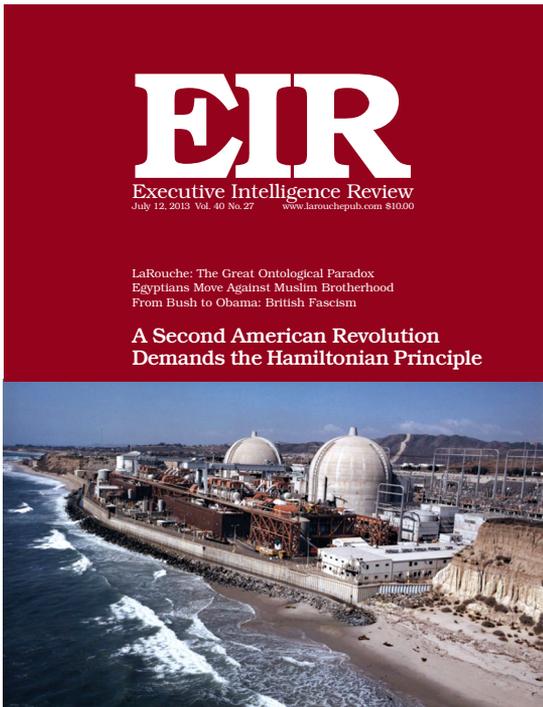
Thus, what Americans and most Western Europeans hear about Russia and China is generally vitriol, mixed with lies, half-truths, and slanders. Even after President Putin pulled Obama's chestnuts out of the fire on Syria, avoiding what could have been a world war confrontation, the trans-Atlantic media remains in attack mode.

We at *EIR* will continue to defy this trend. Our commitment is to bring you in-depth coverage of the potentials being offered by Eurasian developments, to supply the economic-scientific thought which will allow them to come to fruition, and to inspire you to join the fight to *create* such a flourishing future—while making clear exactly what horrors mankind faces if national leaders, especially in the United States, do not make that decision soon. We are aided by leading individuals all over the world, including Eurasia, who want us to get the truth out.

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