

LaRouche:

# “Put the U.S., World Through Bankruptcy Reorganisation!”

The prospects for fixing the global financial crisis improved markedly on January 20, with Barack Obama's inauguration as 44<sup>th</sup> President of the United States.

Obama's swearing-in closed the door on the eight disastrous years of the Bush-Cheney régime, which not only left the world in strategic and political chaos, but in an economic breakdown crisis which threatens the existence of the majority of people on the planet.

But the key to whether Obama will succeed, is the extent to which his Presidency adopts the urgent policy prescriptions put forward by the American statesman and economist Lyndon H. LaRouche, Jr. The likelihood of that happening took an important step forward in the course of LaRouche's two most recent international webcasts, on January 16, just before the January 20 inauguration of President Obama, and on January 22 (see p. 3), just after. Both featured extensive back-and-forth between LaRouche and members of the new administration, including a public acknowledgement by senior members of the U.S. Presidency of LaRouche's invaluable input.

LaRouche is the world's leading economist, as manifest in his unparalleled record in both economic forecasting over the last four decades, and in his proposals to solve the present, long-ripening crisis. Typifying that record, he had announced in a July 25, 2007

webcast—three days before the “sub-prime crisis” exploded—that “The world monetary financial system is actually now currently in the process of disintegrating.... There is no possibility of a non-collapse of the present financial system—none! It's finished, now!”

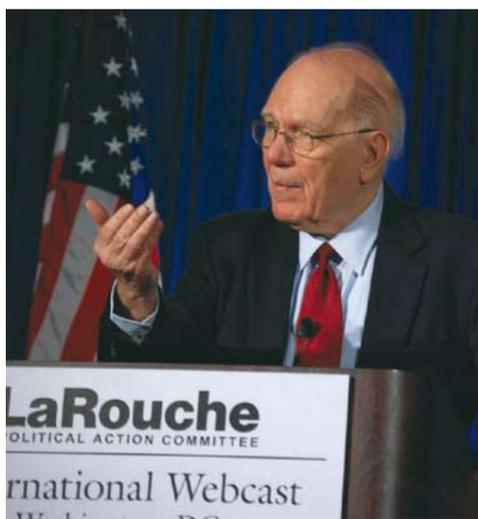
The ensuing 18 months have only proved him right, despite episodic braying by media pundits and other hysterics that “the worst is over.”

## Derivatives Cancer

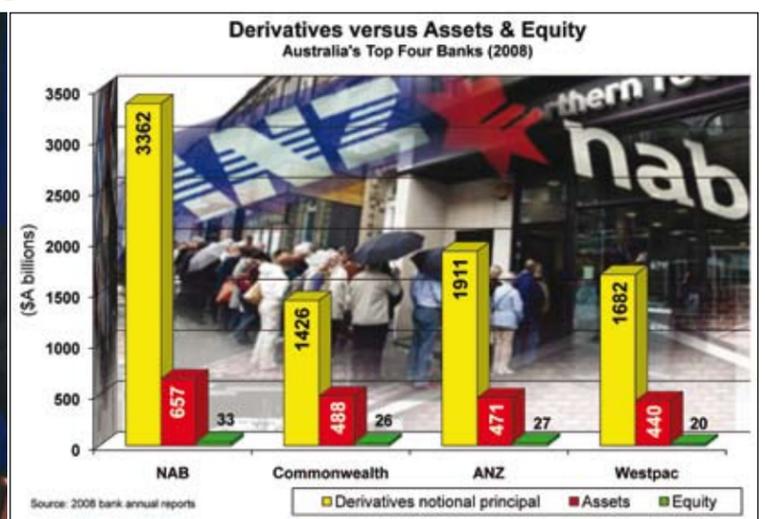
LaRouche has repeatedly emphasised, as he did again especially on January 16, that he had warned on July 25, 2007 not of a mere “sub-prime crisis”, but of “a breakdown of the international financial derivatives bubble,” a bubble which is now “on the order of magnitude, equivalent to, nominally, about \$1.4 quadrillion dollars.”

Even as the system collapses, that bubble has continued to grow, abetted by the \$8 trillion or so which the U.S. Federal Reserve and Treasury have pumped into the “bail-out”. And the process is the same here in Australia, where the off-balance-sheet derivatives exposure of Australia's banks expanded by \$420 billion in just three months, from \$13.8 trillion in June 2008 to \$14.2 trillion by September.

Meanwhile, the physical economic “host” of the derivatives cancer is fast disappearing. The world's leading economies have all suffered sharp drops in national income and staggering



American statesman and physical economist Lyndon H. LaRouche, Jr.



Australia's four major banks hold the lion's share of the \$14.2 trillion total derivatives exposure of the Australian banking system.

job losses, while world trade has ground to a virtual halt on the back of the collapse in Chinese manufacturing and a three per cent drop in Chinese exports in December.

For Australia, this has precipitated falls of 20 per cent or more in resource exports to China, a sharp increase in job losses in the “boom” sectors of the economy like mining and banking, and a stark warning from mainstream economics bureau Access Economics that 2009 will see the sharpest contraction in the Australian economy in history.

## LaRouche's Prescription

In both his webcasts, but with particular starkness on January 22, LaRouche hammered home what the new president must do, if the world is to survive:

Establish a national bank on the model of that founded by the first U.S. Treasury Secretary, Alexander Hamilton, and use that bank to put the U.S. banking system and Federal Reserve into bankruptcy reorganisation. Banking functions dealing with the real economy will be protected, while the unpayable derivatives and other speculative paper will be set aside, either written off or frozen for later disposition. Simultaneously, the U.S. must engage the major powers of China, Russia and India to create a new international monetary system based on physical production and national sovereignty, to replace the present, London and Wall St.-centred “globalist” system of speculation. It's either this, or the world plunges into a chain-reaction breakdown

not seen since the 14<sup>th</sup> Century Dark Age.

LaRouche's prescription for Obama on banking reorganisation, is precisely what Australia must do to avert our own national catastrophe.

## Urgent Measures for Australia

With \$14.2 trillion in derivatives exposure, Australia's banking system must immediately be put into bankruptcy reorganisation, beginning with the privately-controlled central bank, the Reserve Bank.

A national bank must be established to finance a national economic recovery program, centred on great new water, power and transport infrastructure projects.

Australia has the good fortune, thanks to the old Labor

Party, that many of the urgent economic recovery measures prescribed by LaRouche have an historical precedent.

The Commonwealth Bank, for instance, was founded in 1911 as a true national bank by the great expatriate American and Labor MHR King O'Malley, who declared of himself, “I am the Alexander Hamilton of Australia.”

Then, in the do-or-die conditions of World War II, the great “old Labor” leaders, John Curtin and Ben Chifley, used the Commonwealth Bank to harness the credit for Australia's extraordinary wartime economic mobilisation, which increased the nation's productivity exponentially, and established world-class manufacturing, munitions and machine tool industries.

## Isherwood calls for Australian “Pecora Commission” into financial crimes

Citizens Electoral Council National Secretary, Craig Isherwood, delivered the following Address to the Nation on January 24, on the financial activities that caused the current economic crisis. To watch the videoed address, visit [www.cecaust.com.au](http://www.cecaust.com.au).

My fellow Australians:

Today I am issuing a formal call for an Australian Pecora Commission to investigate the corruption and likely criminality of the personnel and policies which dominate our banking and financial system, which have brought our nation to the verge of economic collapse.

There is now no question that Australia is following the rest of the world into what my good friend Lyndon LaRouche,

the American statesman and physical economist, has characterised as a global economic breakdown crisis.

## Economic Crisis

Any illusion people may have clung to before Christmas, that 2009 should be better than 2008, has been rudely shattered by the harsh shock of further market falls, the continued collapse of world trade, and, most importantly, the wholesale evaporation of jobs in most sectors of the Australian economy.

Australia lost 44,000 full-time jobs in December, but that is just the beginning—the mining sector has canned \$60 billion worth of expansion plans, and is starting to shut down existing operations.



Left: CEC National Secretary Craig Isherwood. The CEC's 2001 book includes ready-to-enact legislation for a national bank.

Officially, BHP Billiton has just slashed 6,000 mining jobs, and its twin mining giant, the Queen's own Rio Tinto, has announced 2,000 jobs will go, which will be followed by thousands more, as it struggles with its enormous debts. But

CEC members and supporters in Western Australia report an ongoing, stunning collapse of most of the mining industry, and the myriad of businesses built around it.

Establishment economist Ed Shann calculated in the

*Financial Review* on January 12, that as of April, when the current contracts for supplying coal and iron ore to China expire, Australia will suffer a \$30 billion collapse in national export income, or 2.5 per cent; a 30 per cent rise in the cost of imports over exports; and a devastating seven per cent drop in national income per person. Shann's former bureau, Access Economics, came out this week and declared “the budget is bugged”, and predicted Australia in 2009 would suffer its sharpest economic contraction in history.

On the back of this, unemployment will be driven up, property prices will be driven down, and all those young people rushing to apply for Kevin Rudd's first home-buyer

grant will bitterly regret it.

As this unfolds, Australia's banks will be in a worse crisis than their U.S., British and European counterparts are in now: Our banks have built up a \$14 trillion derivatives exposure, leveraged upon inflated property prices and other fictitious asset values that amount to nothing more than unpayable debt.

The Commonwealth Government and the Reserve Bank have already been desperately propping up and bailing out Australia's banks, by pledging to guarantee \$2 trillion in deposits, by almost daily cash injections from the RBA, and by the Future Fund depositing \$35 billion among the various banks—all the while, of course, insisting that the banks are sound.

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# Isherwood calls for Australian "Pecora Commission" into financial crimes

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All of this will change nothing; the collapse will accelerate.

Lyndon LaRouche has long insisted that the only way the financial system can be fixed, is for national governments to place it into bankruptcy administration, what Americans call Chapter 11, whose purpose is to reorganise the system, by freezing or cancelling the speculative paper such as derivatives, while keeping the viable sectors of that system functioning—those which provide necessary services and credit to the community and to the physical economy.

My party, the CEC, has legislation ready to go, to conduct this kind of bankruptcy reorganisation for Australia.

## Pecora Commission

However, before this is possible, we must clean up the corruption and criminality endemic in the current system, which is why the CEC is echoing Lyndon LaRouche's demand in the U.S. for a new Pecora Commission to investigate Wall Street, by calling for a similar investigation in Australia.

The Pecora Commission was a U.S. Senate investigation from 1932-1934, headed up by New York Public Prosecutor Ferdinand Pecora, which fearlessly and ruthlessly probed the corrupt dealing of the Wall Street banks and financiers that had brought on the Great Depression.

With the full backing of President Franklin Roosevelt, Pecora hauled some of the most prominent bankers in the nation, including JP Morgan Jr. and Henry Lamont, before the committee and revealed them to be, under their pompous, self-righteous veneer, a pack of self-serving, arrogant, and corrupt hyenas who had little regard for the interests of the nation and its people, but who had dominated the U.S. economy, and manipulated it to suit their own goals.

One of the prime targets of the Pecora hearings was J.P.

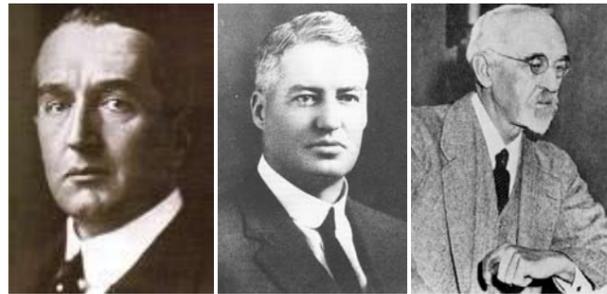
FDR's New Deal economic recovery program.

Roosevelt's New Deal is the model for the policies that must be pursued today, if we are to recover from this economic collapse. But, he could never have done that without first crushing the bitter resistance of the corrupt financial oligarchy.

By contrast with the U.S., no other nation during the Depression took on the entrenched power of the private bankers; instead, the banks took over the governments, especially in Europe, and imposed fascism.

## Bankers and Fascists

In Australia in the 1920s, the banker-controlled government of Stanley Melbourne Bruce had handed control of the people's



Left to right: Prime Minister Stanley Melbourne Bruce, Treasurer E.G. Theodore, and Commonwealth Bank Chairman Sir Robert Gibson.

bank, the Commonwealth Bank, over to private financiers, by replacing the Governor of the Bank with a big business-connected board of directors; when the Depression hit, those private financiers squashed the Labor Government's economic recovery plan to fund public works and create employment.

The Scullin government's treasurer, E.G. Theodore, whom the terrified private bankers called "Red Ted", asked the Commonwealth Bank for £18 million to fund public works, but the bank spat in his face.

Its chairman, Sir Robert Gibson, said to Theodore, "You are asking me to inflate the money supply, and I tell you, I bloody well won't."

As chairman of the bank Gibson was essentially a



Left: A rally of the financier-created, fascist New Guard, 1930.



Right: The managers of Australia's private banks meeting in 1947. In case their legislative and judicial manoeuvres failed to stop Chifley's banking legislation, the bankers created a 100,000-man fascist army, The Association.

Great Labor thinkers like Frank Anstey and Jack Lang called this private financial combine, the "Money Power". It was directed from the City of London, which governed Australia as a colonial possession, to be looted for its raw materials and manpower.

## War-time Banking

But when Labor took power in 1942, with the survival of the nation at stake, John Curtin as Prime Minister and Ben Chifley as Treasurer took on and tamed the Money Power. The result was that Australia's banking system performed spectacularly during WWII, in the interests of all of the people of Australia: The banks were licensed, the Commonwealth Bank regulated their investment portfolios, and controlled their advances, the interest rates they could charge and pay, and the volume of funds the banks deposited in special accounts in the Commonwealth Bank.

Under this régime, not only did Australia's physical economy undergo a miraculous war-time transformation from a mining/grazing backwater to an advanced industrial economy, but the nation's financial system was free from any bank-induced inflation, and war-time profiteering.

After the war, the private banks regrouped their fascist militias of the 1930s into a new mass fascist army known as The Association, which was fully prepared to use armed force against the Federal Labor government in case Chifley succeeded in making his wartime banking reforms permanent. With the help of the British Crown's Privy Council and a banker-owned mass media which terrorised the population, the private financiers defeated Chifley's reforms, and once again took control over the economy.

## Deadly Deregulation



Commonwealth Bank headquarters, Martin Place, Sydney.

In 1979, then Treasurer John Howard, acting as a flunky for the Money Power, appointed a leading financier, Keith (later Sir Keith) Campbell, to head the "Committee of Inquiry into the Australian Financial System", popularly known as the Campbell Committee. Campbell was not only the head of the Hooker Corporation here in Australia, but he was closely tied to the Mellon Bank in the United States—part of the exact same Wall

Street gang which the Pecora Commission had investigated. Campbell's report set the scene for a radical deregulation of the nation's financial system—exactly as Howard intended.

However, Campbell's proposals were so radical, Howard was unable to attract sufficient political support in the Fraser government to implement them, but, in a tragic irony that would have had Curtin and Chifley turning in their graves, Bob Hawke and Paul Keating implemented these measures beginning when Labor came to power in 1983.

Hawke and Keating deregulated the banks; floated the Australian dollar; scrapped capital controls; lifted restrictions on interest rates; and opened Australia up to foreign banks, like Macquarie Bank—which started as just the Australian branch of the City of London's mighty Hill Samuel Bank—and Lehman Brothers.

They initiated a massive privatisation program, which included Australia's greatest financial institution, the Commonwealth Bank. In the decade after Howard completed the bank's privatisation in 1996, the Big Four Australian banks raked in over \$70 billion in profits.

In 1989, Keating set up compulsory superannuation, which generated and directed a flow of money, now over \$1 trillion, out of workers' pay-packets and into a deregulated financial system dominated by unleashed private banks, and new institutions like hedge funds and private equity funds, along with new forms of money, called derivatives, which were formerly illegal.

It is now evident, that compulsory superannuation has fed a giant Ponzi scheme, the biggest in history, and superannuants will be lucky to see any of it. The inquiry should investigate whether this was in fact the real purpose of super in the first place.

## Case Study: Macquarie Bank

Then, in 1991, Keating and the state treasurers signed off on a now-notorious report by a Macquarie Bank executive,

Fred Hilmer, into "competition" policy. This report mandated all levels of government to allow private financial interests to take down every area of the economy under public ownership or control or government regulation, under the spurious demand for "increased competition".

Another Macquarie Bank executive, Graeme Samuel, was picked to enforce this new policy, first through the National Competition Council, and now through the Australian Competition and Consumer Commission (ACCC).

In the early 1990s, Victorian Premier Jeff Kennett and Treasurer Alan Stockdale went on the biggest privatisation spree of any nation in world history, selling \$30 billion in assets in three years, all under cover of the new competition policy.

The head of Kennett's Business Roundtable of advisors was Macquarie Bank boss Laurie Cox; Macquarie Bank financed the think tank called the Tasman Institute, which co-wrote Kennett's privatisation blueprint, entitled *Project Victoria*; and Macquarie Bank earned tens of millions of dollars in fees from the Victorian Government for brokering the sales, not to mention what it made from its own investments in the sales.

Macquarie looted New South Wales, as well. During the 1990s, Premier Bob Carr signed numerous public-private partnership deals with Macquarie, which gave the bank incredibly generous concessions on toll roads, which bank spokesmen later bragged were a "license to print money". Carr's protégé and successor, Morris Iemma, continued the policy, to the point of wrecking his state, and his own political party, by trying to ram through the privatisation of the NSW electricity system, to finance the extension of Macquarie Bank's M4 Motorway.

When Victorian Treasurer Alan Stockdale left politics, he went to work for Macquarie. When NSW Premier Bob Carr quit suddenly in 2005, it was for a \$500,000 per year job with Macquarie. Paul Keating's sister

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Ferdinand Pecora

J.P. Morgan Jr.

Morgan, both the man and the bank. Through its direct and interlocking directorships, Pecora said, Morgan had "incomparably the greatest reach of power in private hands in our entire history." The hearings revealed that Morgan maintained what it called "preferred lists" of powerful men in finance, business, politics, and public life, to whom he would offer securities at less than market value and provide other favours. Morgan insisted that these were simple business transactions, for which he expected nothing in return!

Pecora's investigation smashed the claims by the bankers and their publicists, that they were only conducting a public service, and it helped build the public support President Franklin Roosevelt required to force Congress to pass tough regulatory reforms. That laid the foundation for

public servant—his arrogance to refuse a directive from the democratically-elected government, epitomised the way the private bankers saw themselves as a power above that of government.

People these days often forget the reality of what happened in Australia during the Great Depression, because it is written out of our history books, but the bankers, such as Sir Robert Gibson himself, organised and financed mass fascist armies like the Old Guard and the New Guard in New South Wales and the Melbourne-based League of National Security, which were fully prepared to conduct military coups against State or Federal Labor governments, such as the Lang government in New South Wales or the Scullin Federal government, if those governments would not knuckle under to the financiers.

## Name the Criminals

Today, my message is that Australia's financial system must be, and can be, re-oriented to serve the common good, the way Curtin and Chifley did during WWII. But we must break the Money Power once and for all, which is why I am calling for an Australian Pecora Commission.

Australia's crisis demands we do not dance around arguments about process and procedures with regard to banking—rather, it is time to name names.



The Rogues Gallery of deregulators. (l. to r. top) John Howard, Bob Hawke, Paul Keating, Fred Hilmer, Graeme Samuel.



(bottom) Jeff Kennett, Alan Stockdale, Laurie Cox, Bob Carr, Morris Iemma.

# LaRouche Webcast: "The Issue is Bankruptcy"

Following is an excerpted transcript of Lyndon LaRouche's January 22 international webcast from Washington D.C.

**LaRouche:** I shall devote the presentation preceding the question-and-answer discussion period, to the most crucial issue facing the United States government now, and to the world as a whole. And the issue is, bankruptcy. The fact of the matter is, that the United States is bankrupt. The U.S. system is bankrupt. The U.S. government is bankrupt. And every part of the world is also bankrupt. Not only does this state of bankruptcy exist, but the moment at which the decisions have to be made to bring this problem under control is now. That's why the priority. The other aspect of this thing, is that very few people, including the present administration of the United States, the current President's administration, know how to deal with this problem. And therefore, that's the hole that has to be filled, immediately. And therefore, I shall indicate some of the essential ground rules under which the emergency policy of the United States must be crafted to assure the success of the Obama Administration, and in the process, to ensure, that nations such as China, Russia, and others around the world, do not tumble into a collapse in the meantime.

## New Dark Age

We are on the verge, not of a simple bankruptcy, but of a general chain-reaction collapse, globally, comparable in form to the breakdown crisis in the middle of the 14<sup>th</sup> Century, the so-called New Dark Age. Only this time, the threatened dark age, while immediate, is not merely in Europe: it is worldwide. There is no part of the world which could escape a dark age, unless, the United States itself, the United States government, takes the actions now, under the leadership of its President, which put the world through bankruptcy reorganization before a dark age closes in.

China is ready for chaos. India is somewhat behind that, in time schedule. But a general collapse of the planet will hit India, too. Russia is on the verge of general bankruptcy. Every part of Europe, including the British Empire—thank God—is on the verge of bankruptcy. And the time has come, therefore, to understand what to do. Most of the proposals which I hear from around the U.S. government itself, that is, from influential circles around government, as well as those who are coming into government, is that they really don't understand the problem. They understand many aspects of the problem, but they don't understand the problem, and therefore, their tendency would be to make a mistake.

## Act Now!

Now one of the big mistakes is this: We have a President, who's just been elected and installed, inaugurated. He must act, now, because he's at the high point of his ability to act. If he postpones these questions, or tries to approach them gradually, certain evil things can take over, and remove from his hands the ability to take the kind of action which he might

be able to pull off now. If he's not able to pull it off, if he doesn't get the support to pull it off, then we're all in trouble, and the world as a whole is in trouble. But if he takes the right action, takes it promptly, and proceeds with resolution, as I think he would, then we can make it, as a planet. And what the United States does in that direction, is crucial and will be decisive.

First of all, the policy has to be, to put the United States' system into bankruptcy reorganization. Don't fool around with this reform, that reform, this adjustment, that adjustment—forget it! Put it through bankruptcy reorganization now! That means, put the Federal Reserve System into bankruptcy reorganization: That's one of the first necessary steps. Put the Federal Reserve System into bankruptcy reorganization. And it deserves that, after what it did

**"There should have been no bailout. What's the alternative: The banks are bankrupt! Financial houses are bankrupt—so what? If you engage in gambling and you incur a gambling loss, you're supposed to eat it! You don't get to go to the government to get a bailout. You don't get a second life."**

under Alan Greenspan [Federal Reserve Chairman 1987-2006], and what this poor schnook [Ben Bernanke], who is now in his place, is doing or not doing. The system is bankrupt. What has happened recently, under the Bush Administration—and under the Congress! Remember, the leadership of the Congress is the place that made this a real chaos: Back on July 25th of 2007, when I forecast a general collapse of the system, as coming on immediately, we still had room to get out of this mess, without too much drastic action. That is now no longer possible. Due to what happened in the Congress, including when poor Barney Frank [Congressman, Chairman House Financial Services Committee], who is the scapegoat of the century—I think he wanted some success, and he's made it, as "scapegoat of the century." Everything that was done in terms of dealing with this crisis, was wrong. What was bad was made worse. We bankrupted ourselves with this bailout policy. The bailout policy was, in my view, unconstitutional and illegal, and warrants impeachment actions against those who are responsible for initiating it, and misleading and panicking the population into getting their representatives to vote for it. This was a crime against humanity. There should have been no bailout.

What's the alternative: The banks are bankrupt! Financial houses are bankrupt—so what? If you engage in gambling and you incur a gambling loss, you're supposed to eat it! You don't get to go to the government to get a bailout. You don't get a second life. Where else? I mean, a guy says, "I got good news for you, Mother—I'm bankrupt." "Why's that good news?" she says. "Because the government's going to bail me out." What kind of law is that? It's going to take away the pensions of our widows and orphans and so forth, and that's

going to bail us out. Hmm? No! That's immoral, its unconstitutional, it's insane.

So therefore, what we have to do, immediately, is put the entire system through bankruptcy reorganization. The best way to do it, is to act on the Federal Reserve System, because we created the Federal Reserve System, and we want to keep a separation, as Hamilton laid it out, between the functions of the Treasury Department and those of banking. Our affection is devoted to state and local chartered banks, under bank rules which we had with Glass-Steagall [Roosevelt-era law, prohibiting bank holding companies from also being investment banks]. That's the way it should be.

Now, what's happened is, in this corrupt mess, which the Congress has created—remember, the majority of the Congress is responsible for this! They did it! So don't

say, the Congress says, "Mr. President, you trust us!" The President can not trust the Congress, after what they did. They voted for this swindle! You're going to trust them? It's immoral! They voted for it! No, the President has to take the leadership, as the Chief Executive and leader of the nation, in the action, from the Presidency, which must demand support, from the Congress, with the support of the people, and ram through an immediate reform: a reform of the U.S. Federal Reserve System, among other things.

## Bankruptcy Reorganization

What we have to do, is, we have to protect legitimate claims in the banking system, the legitimate functions of the

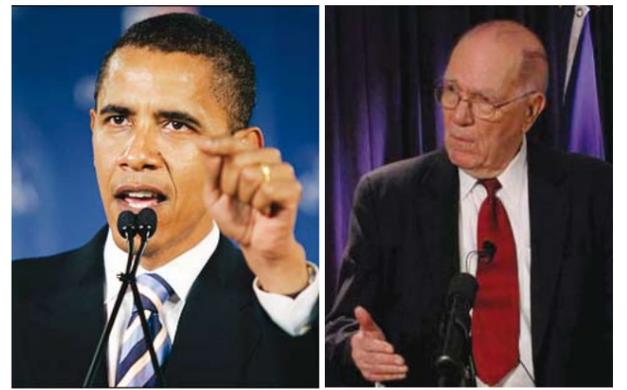
of Glass-Steagall, are included in this, will be cancelled. They will be simply put into a freeze, through assessment.

Because we must save the chartered banking system, which is, in a sense, with its history, a Constitutional feature of our system. National chartered banks and state chartered banks of the type which take deposits, and make reasonable, secure investments on behalf of those deposits, which are entrusted with money passed through the Federal government, through the creation of a currency, under the authorization of Congress, will go through that.

We have to, then, rebuild the U.S. economy. Now, for example, take a point: We have a fraudulent measure, now in force, in what is, and what is not valuable. The economy is not productive, now. We're in a collapsing economy, in general; it's true also in Europe; it's true in the world at large.

We have to force investment into areas which are productive. Now, Greenspan's standards of productivity are fraudulent. Forget Greenspan's standards. We're talking about physical standards. We're talking about standards of performance in production, in productive values, per capita per square kilometer. We're talking about health care, we're talking about production as such, physical production; essential services, health-care services, this kind of thing. And those things have to be protected and promoted. We are now operating, in point of fact, as a nation, below breakeven in physical terms.

We're a bankrupt nation: we need bankruptcy protection. We go to our Federal government for bankruptcy protection. We put the banking system under protection in bankruptcy; we put the Federal Reserve System into bankruptcy. We take, and proceed to enact, a national banking act where we put all the essential functions of banking under protection of a national banking act system: a Hamiltonian National Bank. We use the National Bank



President Barack Obama must adopt Lyndon LaRouche's prescriptions for solving the economic crisis.

their functions, and we will generate *Federal credit*, as a source of lending power, to get the economy moving again. We will build agriculture, we will build infrastructure—especially infrastructure. ...

## "Green" Policy Caused Decay

So therefore, what we have to do, is we have to recognize that this crisis is not some kind of "spontaneous" market phenomenon, or this or so forth, or what most people have said. We decided to do the wrong thing, especially from 1967-68 on: We decided to shift away, to a green perspective, away from a high-technology, productive perspective and agricultural perspective. As a result of that, we lowered the productivity per capita and per square kilometer of the United States, in physical terms, in terms of physical needs. We did similarly in Europe. We relied on exporting our production at cheap wages to other parts of the world.

So we created the cycle! We created the collapse. This was not a "market" phenomenon. The market reflected the insanity of the government and many other institutions, in changing the policy away from the policy we associated with Franklin Roosevelt's Presidency, in mobilizing for World War II, into this kind of policy—the "green" policy, the post-industrial society policy, the globalization policy which we have today. And therefore, in the process of allowing ourselves to use up

physical investment in the United States went into the negative side. And similar things happened in Europe. And then, after '89, worse happened worldwide.

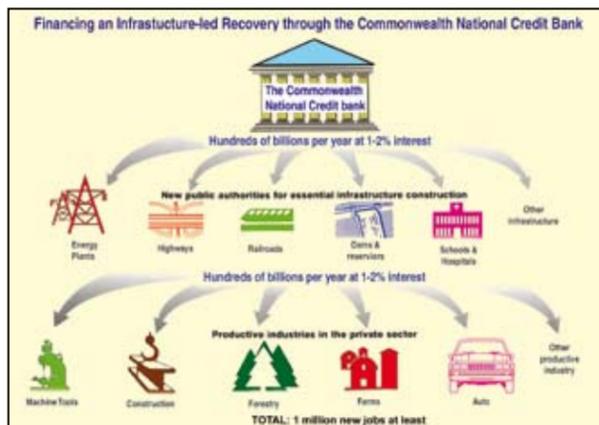
There was no "business cycle," there was an insanity cycle, an insanity in terms of policies, in the post-war period, where we should have learned something from the experience of rebuilding under Roosevelt. We turned it in the other direction, and we decided "there's another way to run an economy! People would like it better this way! Or, they would like it this way, better: We didn't like to get our hands dirty, any more." And so, we adopted policy, where we dropped our productivity, we dropped our productive potential. And we've found, we've reached the point where it has run out, and the system is collapsing. Now, what we have to do, is invest in ourselves. Invest in our commitment to a future. Our commitment to change from a counterproductive mode of society, to a productive mode: And that means, government must intervene, and freeze these things, and force investments which will, in the long term, over 25 years or so forth, will rebuild this economy to the kind of relative standard it represented a long time ago. So we are going to have to create credit, a lot of credit, and the credit's going to be partly in the form of the U.S. dollar.

At the same time, we have to do something else. We have an international problem on our hands: In taking steps to prompt the recovery of our system, we have to take a look at the rest of the world. We have to take a lead in doing that.

## Anti-British Coalition

Now, most of our problem, that we have, comes from the British Empire. The British Empire has been the big influence, the British influence in leading us down the pathway toward this destruction. What we have to do, is we have to look now, having decided that we're going to solve our own system, reorganize our own system, we have to look, at the same time, at a partnership, with other nations in rebuilding the world system on a cooperative basis. This means we have to go to, say, to the big nations, big nations

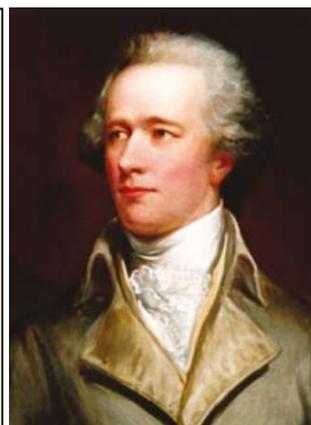
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The CEC's proposed Commonwealth National Credit Bank—a Hamiltonian-style national bank—will transform our economy.

banking system, and forget the illegitimate functions. Cast them aside: Cancel all bailout! No bailout! The only thing you do, is you put the Federal Reserve System through bankruptcy, and by putting it through bankruptcy, you put it under bankruptcy protection—not bailout—bankruptcy protection. Then: You conduct an assessment of the situation of the bank, like a bank holiday procedure. Those elements which correspond to legitimate functions of chartered banking, will be protected. Those functions which, because of the repeal

as an instrument of credit, which absorbs the Federal Reserve System. Because the Federal Reserve System is bankrupt! And it needs bankruptcy protection. We put it in bankruptcy protection under the creation of a national banking act, a Hamiltonian National Bank. Then we take national credit, we take what is worthless, we call it worthless, we classify it as "worthless," as in bankruptcy. We put it out of its misery. And banks which are bankrupt, but which are useful in their function as chartered banks, we'll keep their doors open, we'll maintain



Alexander Hamilton, the first U.S. Treasury Secretary

the capital investment, to use up the resources for scientific and technological progress in productivity, we created the cycle. We created the pattern of using up the means we had to become as wealthy and powerful as we had been as a nation earlier.

And this cycle of decay—it already began under Truman [U.S. President Harry S Truman, 1945-52]. Truman was no asset to the United States. Truman ruined the United States. But we didn't notice it as much. It was after '67-'68, in that fiscal year, where the net infrastructural investment,

## New Citizen

Published & printed by:  
Citizens Media Group Pty Ltd  
595 Sydney Rd Coburg Vic  
PO Box 376 Coburg Vic 3058  
ACN: 010 904 757  
Tel: 03 9354 0544  
Fax: 03 9354 0166  
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## Isherwood calls for Australian "Pecora Commission" into financial crimes

Continued from Page 2

Anne works for Macquarie; John Howard's brother Stan worked for Macquarie; other members of both Keating's and Howard's cabinets now work for Macquarie Bank. In fact, rumours are now flying that Peter Costello or perhaps even John Howard himself will soon take up a position with Macquarie.

Between 1993 and 2008, Macquarie Bank's funds under management grew from \$8.9 billion to \$232 billion, its annual profit grew from \$59 million to \$1.8 billion, its number of employees expanded from 132 to 13,000, and its net worth from \$341 million, to \$16 billion.

The great working class hero, Bob Hawke, boasts in his memoirs that he stacked his own government's Martin Committee inquiry into the financial system to ensure it recommended deregulation, so Australia could be part of the "globalisation of the world economy—with rapid-fire electronic transfers of hundreds of billions of dollars occurring daily across the foreign exchange markets." Since leaving office, Hawke has amassed a personal fortune estimated at \$50 million from property investments.

Paul Keating now chairs Lazard Carnegie Wylie, the merchant bank founded by CS First Boston privatisation guru John Wylie, who made hundreds of millions in fees brokering privatisations in New Zealand, and Australia. This bank is now a subsidiary of the notorious Lazard Frères bank, which financed the Nazis

during WWII, and is a partner with Macquarie Bank in private infrastructure investments all over the world.

### Fight for the Common Good

After 25 years of the policies of this gang, Australia's economy is ruined, and it is not just the financial system.

Our manufacturing has been destroyed, the number of family farmers has collapsed by more than half, our foreign debt has blown out from \$40 billion to over \$1 trillion, our water, rail and power infrastructure is collapsing, and our public hospitals and schools are run-down.

This is not an economic cycle, it is a crime. Thus, in order to organise a recovery, we must first bring the perpetrators to justice. I therefore urge all my fellow Australians, most of whom are finding themselves in increasingly desperate straits, to support my call for a thoroughgoing investigation, for an Australian Pecora-style commission, so we can break this Money Power, and reorient our government, and our banking and financial system, to serve the common good. Don't petition your MP about this, demand it! It is your sovereign right; even more, it is your sovereign duty; that is, if you want to have a nation left to live in, or for your children and grandchildren to grow up in. I will lead this fight, and I know exactly what to do, but I need your help, and so I am today calling upon all Australians to act, to join me to fight for what is just. Thank you.

## A Case Study: Storm Financial

The growing scandal surrounding the collapse of the Townsville-based financial planning company Storm Financial, is a clear example of what an independent inquiry into the financial system should investigate.

Storm "managed" \$4.7 billion on behalf of 13,000 clients; now, many of those clients have lost, or are losing, their homes. Yet, just weeks before Storm's collapse, the Australian Securities & Investment Commission (ASIC) investigated the company and gave it a clean bill of health. How could this happen?

The evidence now emerging shows that Storm Financial functioned as a front through which big banks lent enormous sums as home equity loans and margin loans. Banks such as the Commonwealth, Macquarie and the Bank of Queensland looted their victims in the process of creating

a speculative bubble, just as their sub-prime addicted U.S. counterparts had done.

In giving Storm a clean bill of health, was ASIC covering for the banks? Contrast ASIC's negligence in the Storm case, to its bullying of the CEC (and lying about its organising) in 2005, when the CEC's June 2005 edition of the *New Citizen* (right) warned Australians of the coming collapse of the Australian financial system, because of its massive exposure to derivatives. Go to [www.cecaust.com.au](http://www.cecaust.com.au) for more information.



It has been drawn to ASIC's attention that CEC is engaging in cold calling consumers about the need to sell their portfolio of securities and investments because of a reported forecast global financial crash. It is also reported to ASIC that the investor, who received the cold call from a person representing CEC, was also provided with advice about his securities including the derivatives market. The website home page for CEC is headed 'World GDP vs Derivatives .2004'.

## LaRouche Webcast: "The Issue is Bankruptcy"

Continued from Page 3

such as China, Russia, and India. These are our natural partners. They're not the only ones—you have Korea, South Korea in particular, you have Japan, you have other countries of Asia, other countries of Europe. Europe doesn't function, right now, because Europe has been destroyed by this European system now operating. And Europe will have to free itself, and get back to a nation-state system, away from this present European common market system, the way it's developed under the British influence.

The main problem we have is the British, and in anything we do, generally, you have to disregard the British in making policy. Let them sit off by themselves, the British Empire, sit off by itself, and let it do what it wants to. And treat them as a nation-state, but don't take them into your counsels in making international policy. They've already done too much of that—they made a wreck of us.

So you have to unite the United States, with an anti-British coalition, in a sense, an anti-British Empire coalition. And the anti-British Empire coalition, since Europe is not ready to do that—that is Western and Central Europe—you go to Russia, you go to India, you go to China. And you then organize a world system of cooperation, bring the other nations in and go to long-term investment in building up the world economy.

And that's the way we have to go. This kind of decision.

Now, one of the real problems, here, is the idea of a monetary system. No sane person should want a monetary system, but Europe has one, and we're a victim of one. What we need to do, is return to a credit system. Now, remember what a credit system is in the United States: Under our policy, money can not be uttered in the United States, without the initiative of the President, and without the consent of the Congress. Similarly, no international treaty can be reached, except with the initiative of the President and the consent of the Congress. Therefore, our creation of what we called a "credit system," is based on that consideration.

### Four Powers

So what we have to do now, is put the whole system into bankruptcy reorganization, defend the dollar, and create an agreement with Russia, China, India, and other countries participating, for a fixed-exchange-rate system of the type which Roosevelt specified

in connection with his Bretton Woods conference in 1944. Not the 1945 procedure, which was a change from Roosevelt's, under Truman. Because, remember what President Roosevelt's intention was, at the end of the war: Roosevelt's intention was—we had a broken world, a war-torn world. Russia was in a mess; Europe was ruined; England, too, was ruined. Other parts of the world were ruined. Roosevelt's intention was, to eliminate the British Empire, to create a system of cooperation under a fixed-exchange-rate system, under which the United States would take the vast productive potential which we had mobilized in the form of a military, wartime capability, and take that vast potential, and utilize that to assist two things: One, in eliminating empire, eliminating colonialism; *freeing Africa* in particular, *freeing China*; rebuilding Russia, rebuilding Europe; and to use the vast machine-tool and related capability we had directed for winning the war—

and we did win the war. We didn't win the war because our troops were better trained than the Germans. We won the war because we had the logistics to do so, where they did not. And it was American logistics, American mass production of airplanes and everything else: where we had materiel with us when we were serving overseas, we had it *in tons*, where they had it in pounds. And we had that superiority in productive power, to win the war. Without that American productive power, we would have lost the war!

Roosevelt's intention, in the post-war period, was to take this productive power, and the policy of developing it, which he had utilized under his leadership, under wartime conditions, and say, "We're now going to use that same power, to rebuild the world; to provide the machine-tool capital goods and things of that sort, which will feed the world. *We're going to break up the British Empire! We're going to eliminate all empires on this planet!*"



Construction of the Tennessee Valley Authority.



U.S. aircraft manufacturing during WWII.

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## Investigate the Australian Banking System!

We the undersigned demand the establishment of an Australian "Pecora Commission" to investigate corruption and possible criminal activities of leading figures and institutions in the Australian banking and financial system, and their accomplices in leadership positions in state and federal governments, which have bankrupted our nation's financial system.

Like the 1933-1934 Pecora Commission in the United States, which exposed and purged the corruption at the highest levels of banking and finance on Wall Street, and paved the way for Franklin D. Roosevelt's far-reaching banking

regulations, an Australian investigation of corruption and criminality at the highest levels of finance and politics is a prerequisite to any serious program for economic recovery.

The proposed Australian investigation should be a national commission with powers to compel witnesses, subpoena documents and recommend prosecutions, and be charged to investigate, among other things: any influence brought to bear on politicians to deregulate the banking system; the banking activities post-deregulation, in the areas of derivatives speculation, hedge funds, and equity funds, which have netted the banks enormous profits but brought our financial system to its current collapse;

any money laundering and taking of "black" money deposits that are the proceeds of organised crime; and market manipulation, such as oil price gouging; and foreign banks.

Such a proposed Commission is necessary to clean up the corrupt or criminal manipulations of the financial system by powerful vested interests, under the cover of deregulation, privatisation and globalisation, and thereby bring integrity to the financial system, deliver justice to the Australian people who have lost their jobs, homes, and retirement savings due to these globalist policies, and re-orient the Australian financial system, through regulation, to serving the common good.

PLEASE PRINT \* Send signatures to: CEC Australia, PO Box 376, Coburg, Victoria 3058. For additional forms visit [www.cecaust.com.au](http://www.cecaust.com.au) or call 1800 636 432.

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