

EIR

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1993 in Review

**30 years after JFK:
Restore economic sanity!**



COLD FUSION

Challenge to U.S. Science Policy

The ground-breaking discovery announced by Martin Fleischman and Stanley Pons on March 23, 1989 has been received, not with scientific debate, but with a crude political witch-hunt. Compare what the anti-science mob is saying, with what Lyndon LaRouche writes in a 173-page science policy memorandum issued by the Schiller Institute.

Lyndon LaRouche



"These cold fusion experiments, taken together with other experiments exhibiting related kinds of anomalous results, should become featured elements of a special research project—a 'mini-crash program' of fundamental research—enjoying the moral and material support of appropriate public and private institutions of the United States and other nations."



Paul Ehrlich

Given society's record in managing technology, the prospect of cheap, inexhaustible power from fusion is "like giving a machine gun to an idiot child."



Jeremy Rifkin

"It's the worst thing that could happen to our planet."



Nature magazine

"The Utah phenomenon is literally unsupported by the evidence, could be an artifact, and given its improbability, is most likely to be one."

The New York Times

"Given the present state of evidence for cold fusion, the government would do better to put the money on a horse."



LaRouche's memorandum is available for \$25 postpaid from

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EIR

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From the Editor

This special issue of *Executive Intelligence Review* heralds a momentous change in human history. With the end of 1993, we mark off not only a year, but a three-decade era which began with the assassination of President John F. Kennedy thirty years ago. An era characterized by the paradigm-shift known as the New Age or the Age of Aquarius, in which the ideals which had built and preserved the American nation were mocked and overturned, and their deeper roots in western Christian civilization ignored and rejected.

The stage is set for our review of this period with a recent speech of Lyndon H. LaRouche, Jr., which, we trust, will be the last to be delivered to a major conference of his philosophical associates by audio tape or by another voice. For the best news as 1993 ends is that 71-year-old LaRouche has been granted parole, effective Jan. 26, 1994, after five years of unjust imprisonment which shocked the world.

This must be the first step in LaRouche's full exoneration, and the restoration of the freedom of his six associates who are still serving barbarously long jail terms for the "crime" of political organizing in Virginia: Mike Billington, Shelly Ascher, Anita Gallagher, Paul Gallagher, Larry Hecht, and Don Phau. Each one must be freed in order to play the role for which they are heroically suited, in the struggle to rid the world of oligarchist tyranny.

The second section presents LaRouche's discussion of the JFK presidency and what has occurred since to destroy the U.S. and world economy, complemented by former Argentine President Frondizi's personal memoir of Kennedy.

The third section and centerpiece of the issue is a survey by our Economics Staff on the breakdown of the physical economy during the post-Kennedy decades, especially since 1967, including an analysis of the household "market basket," the state of infrastructure and the work force, and the "derivatives" bubble.

The fourth section describes what has occurred in science and technology from the optimistic days of Kennedy's Apollo mission to the present.

The fifth section offers a much-abbreviated roundup of our usual comprehensive world news picture, highlighting the dramatic events in Russia. We'll be back next week with a regular news issue.

Nora Hamerman

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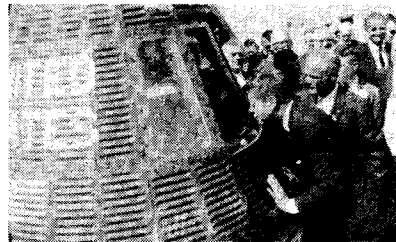
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The breakdown of the elites and the economic crisis

by Lyndon H. LaRouche, Jr.

The following speech was delivered on behalf of American statesman Lyndon LaRouche to the conference "History as Science," co-sponsored by the Schiller Institute and Civil Rights Movement-Solidarity on Dec. 9 in Kiedrich, Germany.

I wish to address you on the subject of the breakdown of the elites, with special focus upon two things: the international financial monetary breakdown crisis in progress, and the relationship of this intellectual and moral collapse of the majority of the elites of most leading nations relative to the current crisis in Russia and the former Warsaw Pact/former Soviet Union area.

Thirty years ago, immediately following the assassination and coverup of the assassination of U.S. President John F. Kennedy, those forces which had been responsible for authoring the assassination—Anglo-American forces in particular, the same forces which were behind the attempts to assassinate [Gen. Charles] de Gaulle in particular, for the same reason—moved to make a fundamental change in the cultural disposition of the leading institutions of North America and western Europe. This was an Anglo-American operation coming from a certain section, the extreme liberal section of the Anglo-American oligarchy, from circles typified by such as Bertrand Russell, the Huxley brothers, and H.G. Wells.

The 'Age of Aquarius'

This is a project which is sometimes called the Nietzsche Project, the "dawning of the Age of Aquarius," the superseding of a long period of Christian civilization in Europe by a new phase of civilization or destruction of civilization based on the ideas of Friedrich Nietzsche and his co-thinkers, or co-movement thinkers: the bringing of the Age of Dionysius or Aquarius to the fore.

It was also an age which was characterized by bringing to an end the attempt to base civilization on the individual processes of cognition, as scientific discovery typifies cognition; and to replace that with a kind of symbolic, affective, emotion-



Lyndon and Helga LaRouche visit Berlin's Charlottenburg Palace on Oct. 11, 1988, before the Berlin Wall came down. LaRouche writes that the function of his exploratory presidential campaign at this stage is to provide, not only for the United States but for the world, a reference point for policy. "I shall address largely the axiomatics."

al, associative reasoning like the ancient feminist cults.

As a result of that shift from a policy commitment to bettering the conditions of life of nations, families, and individuals through the benefits of scientific and technological progress *applied* to improve the human condition, a shift was made to a rock-drug-sex counterculture, which destroyed, in rapid succession, large sections of the college-age youth, then proceeded to the high school-age youth, and then to children in the preadolescent strata.

As a result of that process and the things that go with it—these cultural paradigm changes—the U.S. population today *is no longer capable of the kind of industrial and scientific undertakings for which it was admired as recently as the 1960s*. We see a similar thing in the postindustrial rust bucket called Britain; we see similar processes ongoing rapidly in Italy, in Germany, in France; we see a crisis in Japan of yet-undetermined portent, but in progress; and so forth and so on.

We see conditions in Africa which are beyond belief; we see a collapse of the level of civilization as practiced in Central and South America, and grave threats to all parts of Asia. We see a collapse in the former Warsaw Pact nations of eastern Europe, to approximately 30% of the level of physical output per capita and per square kilometer of 1989. We see a momentous collapse in the former Soviet Union of large, if not precisely determined, magnitude—at least not to my knowledge.

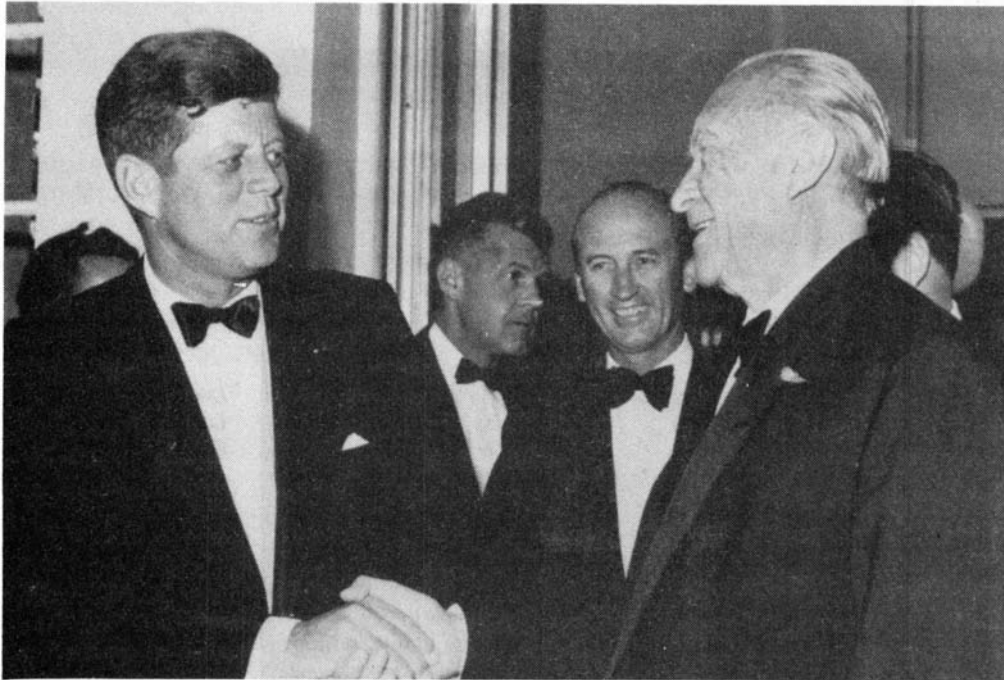
We see, worse, a process of a world as a whole going to

hell, and a group of elites ruling these nations, at least in the majority, who seem utterly incapable of grasping the nature of the situation or understanding the effects of their policy.

Now many people will say, in response to this, "Well, what policy do we give these elites? What policy do we give these governments to solve this problem?" And I would propose to you that there is no particular policy, in the sense of a theorem or suggestion, which would do much good, because the problem here is not bad policy; the problem here is the establishment of axiomatic assumptions which govern policymaking, which ensure that virtually none of these governments under the present leadership or present elites, *would be capable* of accepting or even tolerating the kind of policy structures which would be needed to lead civilization out of this mess.

Axiomatic assumptions must be changed

Let's go back first of all to 1989, to focus a bit on the Russian situation. At that time, with the fall of the Berlin Wall in eastern Europe, the western nations, if they had chosen to do so, had the greatest opportunity for building peace in the twentieth century. *And they blew it*. Under the leadership of Margaret Thatcher in England and George Bush in the United States, and their respective advisers, they blew it. They turned the greatest opportunity for peace-building in this century into the threat of new nuclear wars, of new superpower thermonuclear conflicts, and of the alternative or accompaniment of the spread of chaos through 80% and more



German Chancellor Konrad Adenauer welcomes President John F. Kennedy to Bonn in June 23, 1963. The elites of the western nations today do not measure up to the stature of Adenauer, Kennedy, and de Gaulle. With the collapse of communism, they faced an unprecedented opportunity for building peace; but they squandered it, bringing on instead the threat of new nuclear wars.

of this planet.

They turned the greatest opportunity for building peaceful prosperity into the threat of a thermonuclear, epidemic-ridden, famine-ridden, vastly mass-murderous New Dark Age—*planetwide*.

And thus we find the situation in eastern Europe. We find the Russian people thrown back upon this misery which is imposed upon them not so much by the heritage of communism as by the imposition of International Monetary Fund (IMF) conditionalities, [former U.S.] Ambassador Bob Strauss's ideals, and the shock therapy of George Soros the looter, and of his spokesman, Harvard University's Jeffrey Sachs.

The cruelty which is being wreaked upon Poland and other nations of eastern Europe, as upon the developing nations, and also upon Russia, Ukraine, and so forth, builds up a reservoir of potential hatred against the western nations as the authorship of this policy, which threatens, in the case of the continuation of such a policy, either the emergence of a Third Rome imperialism imbued with thermonuclear hatred against the West within that region of the world—how soon or how rapidly one knows not—or else, in the alternative, a degeneration of that part of the world and most of the rest of it, into chaos.

Democracy and free trade

The policies which reign among the Anglo-Americans, the pseudo-policies of democracy and free trade, are the chief cause of this problem; and if they are not reversed, this planet will see such hell as has not been known on the planet as a whole in all known human history. Not absolute doom, perhaps; the human spirit and human nature is a very redoubt-

able thing and sooner or later a recovery, perhaps, for humanity must be expected. But what we can say, is not an absolute doom, not an absolute apocalypse, but something near enough as to awe us all. And all of this will occur if we confine ourselves to discussing particular policies and fail to address the *cultural change* that is sometimes called a cultural paradigm shift, which was introduced about 30 years ago.

The center from which to look at this policy paradigm issue, is two standpoints: one, the standpoint of physical economy, and two, the standpoint of fundamental scientific discovery and its realization as technological progress.

What I shall be doing, I trust, in the very near future, is to consolidate some work I began many, many years ago, a project which has languished somewhat during the time of my imprisonment: to set up a realization, in terms of data bases and analyses, of the science of political economy as I more or less re-founded it over the course of the past 50 years.

Essentially, what I propose to show in some detail (not perfect detail, but at least preliminarily sufficient detail for policy planning) is that the planet over the past 30 years has collapsed by the standards of demographics related to per capita, per household, and per square kilometer consumption and production of physical wealth. Not monetary wealth, not dollar-value wealth, but physical wealth, as measured in market baskets of essential household and productive—that is, industry, management, infrastructure—goods.

When we look at the matter from that standpoint, as opposed to the faked figures which pour out of all of the statistical agencies, including the infamously incompetent and fraudulent RUNS production from the World Bank and similar institutions associated with the IMF; when we look

instead at the bare facts of physical production and consumption per capita, per family, per square kilometer; when we look at the condition of infrastructure, such as fresh water per capita, per square kilometer; transportation in ton-mile-hours per capita, per square kilometer; in market baskets, in physical content per capita, per square kilometer, we see readily that there has been *no significant growth* in any part of the world economy since the year 1970—almost 25 years ago.

In fact, shortly after the assassination of President Kennedy, there was a turning point about the mid-1960s (1966 through 1968) where the downturn began, at least in the United States, such that from 1970 to the present, *there has been no net economic growth in the United States per capita and per square kilometer at any time since 1970*. That's a fact. Those facts are obvious on the surface; it's necessary, of course, to treat these in much greater detail for purposes of policy planning.

Who is credible?

What I shall be doing in the coming period, is the following. I shall be continuing an exploratory presidential campaign. The function of that campaign at this stage is to provide, not only for the United States but for the world, a reference point for policy.

That is to say, what is our condition? What has happened to us over particularly the past 50 years—but especially the past 30 years? How did we get here? Show the connection; and what do we do about it, to get out of here. In what direction do we go?

I shall address largely the axiomatics. The manner in which I shall do this, is to present to the U.S. and other publics, a series of chronologies on policy. And I shall do it from a personal standpoint, because I've been active in policymaking (with not much influence, of course, until the mid-1970s), but policymaking. That is, a public commitment on policy, a matter of record, over the past 30 years. On a few policies over that period, and some other matters only recently, in the past 20 years. But that record is absolutely clear.

On the other side, we have what governments and so-called experts have said who have attacked me, or who have attacked the particular kinds of policies I've represented without attacking me by name, but have attacked those kinds of policies and perspectives which I've advocated as adoptable.

Then we have those who have proposed policies which are different than mine, independent, [although they] may not have taken my own pronouncements into consideration at all.

Then we have the results, the practical results on, variously, a national and an international scale.

We can see, therefore, who is credible. Is the kind of policy method which I've employed correct? Does it stand the test of time? How do my critics, my direct critics, stand

up on this, or critics of the same policy which I've advocated, even if they did not mention me or direct it against me in particular; and third, how about those who simply were making the policy of nations in that period? And what were the events?

Who is credible? Or more particularly, *what method of analysis* is credible? What was right, what was wrong? What is true, what is false?

Because, in point of fact, for all the abuse my friends and I have taken for our political advocacies, the fact is, we have gained objectively a unique authority in these matters. I dare say there is no government in the world today which has greater earned credibility on matters of analytical method, of forecasting, of policy studies, than we do.

People are not going to look, in this time of crisis, simply toward new ideas; they are going to look to an alternate set of authorities. They are not going to take Johnny-Come-Latelys who come from nowhere out of the bushes and entrust great power to them—only a few fools will do that.

People looking for alternatives, serious people, are going to look among us, to find which among us has earned authority. They are going to turn around, away from those who have lost authority, or who have earned a loss of authority, and they're going to turn to those who have *earned* an alternative authority. Not to blindly follow, but to learn, to hear, to think, to act accordingly.

And I propose to you that the following answers will emerge. And I will propose to you also that it is my job, in particular, or my main job, to help make those answers apparent within the independent judgment of many groups of people around the world.

Imago Dei

The answer is, first of all, that we must distinguish mankind absolutely from and above the beasts; that mankind is the only living creature which has demonstrated the capability of *changing the characteristic relationship of our species to nature* in such a way that we can willfully, through scientific and technological and related progress, increase the potential population density of our species. No other species can do that. In Christianity, we call that *imago Dei*, that creative power of reason—of *cognitive* reason, not associative reason, but cognitive reason, which places man in the image of God.

Secondly, because of this power of reason, mankind can look at the experience of our own discoveries over many thousands of years to date, beginning perhaps with the first development of solar astronomical calendars, maybe 20,000 years ago or something of that sort. We can see the ideas which have been brought to us as scientific discoveries and cultural discoveries over these many thousands of years.

We can see something more than the importance of those discoveries. We can see in all those valid discoveries—valid in the sense that they contributed to progress in man's knowledge of nature and so forth—a *method* which is exercised by

each of those minds who have made that discovery. We can see that method because our children and we ourselves can replicate that experience of discovery—as they should be doing in schools—for example, just as a child replicates Pythagoras' discovery of his famous theorem, or a child slightly older in geometry class replicates the proof of the five Platonic solids, and so forth and so on.

Each of these discoveries can be experienced *de novo* within the mind of a child if the thing is done in a certain sequence. And thus every person can recognize that there is a method of discovery, a method of changing ideas, of going from less adequate principles to more adequate principles, which is the direction of progress.

What is scientific method?

This is the true scientific method. This is true in the physical sciences; this is also true in the arts. And we know that by following this method, and by applying this method to improving our behavior in respect to nature, that we can improve the condition of man—as measurable, for example, in increase of potential population density.

We see thus that every single individual who generates or who communicates these vital discoveries to become general human practice, is an indispensable and, shall we say, sacred individuality. We see thus the importance and relative sacredness of the family which generates the newborn individual, which nurtures that person in loving nurture until they become an adult, so that we have a valuable new human being who, as an adult, can also contribute to the generation, application, and distribution of these important ideas.

We see the importance of the state, and the importance of the sovereign nation-state based on a literate form of common language and common principle in nurturing the Good to protect the individual, to protect the family, to nurture the good they contribute, to the benefit of present and future generations.

We see a natural order in things made apparent to our reason from such reflections. We see that the life on this planet is best ordered by sovereign nation-states based on literate forms of language and common principle, among all nations hopefully based on the same general notion of principle, which we call natural law—a natural law for mutual benefit of all humanity among neighbors in a division of labor. And we should hope to bring about that order on this planet, by whatever means and however long a struggle that takes; but to bring it forth nonetheless. Not for any utopian reason, but simply because that is the only just, peaceful order which is possible among men and women.

We must thus place those values of scientific and related discovery, and the sacredness of the individual life as the axioms upon which society bases itself, and push aside the sometimes quite literally satanic ideas which we associate today with the so-called environmentalist movement, with post-industrialism, with chaos theory, with the rock-drug-sex counterculture, and so forth and so on.

If we do that, then we can make that axiomatic change and build up from among people who are dedicated to that, a kind of elite, the elite of the educated people who, such as a priesthood more or less, are concerned more than the rest, day to day, with the care for the society; who find their whole identity in caring for this society, for the next generations to come, for the relations among states; who proceed not as dictators or tyrants, as powers, but, as Plato described them, as philosopher-kings.

We must renew, regenerate, and, to a large degree, replace the present ruling elites over society, and to replace them with an emerging beneficent elite of philosophers who care for society and who seek to instill in nations, and in individuals within those nations, the kind of conscience which is needed to guide nations to make those kinds of cooperative decisions, those changes in policy, which will enable us to escape from the New Dark Age now facing us.

The 'third way'

Let me conclude with one brief case in point: the economic crisis. The world is now gripped by a form of psychosis called free trade. I do not exaggerate; it is not hyperbole to call it psychosis. Nor would it be hyperbole to say it is a metastatic cancer. This is a process by which junk bonds, derivatives, and other instruments of free trade speculation in Russia, but also in the United States, loot the existing investment in infrastructure, in industry, in all kinds of physical assets. These assets are then sold, by pillaging them at 10-20¢ on the dollar, so to speak, in order to put more money in the hands of a few speculators who take that money to multiply its notional value on speculative markets, and then turn around and say, "We require more loot! We require more privatization!" which is simply looting; it is Genghis Khan all over again in Russia, or in the United States.

The more this bubble of derivatives grows; the more it has looted from the real economy, from farms, from industries, from infrastructure, from entitlements, pensions, the medical care of the population, from nature itself, in order to live another day, that same cancerous bubble of financial speculation must loot the economy—the real economy, the physical economy—more savagely than it did the day before. And thus we have, not a cyclical crisis, but a systemic one.

We must destroy this cancer of speculation. We must return to the kind of principles of statecraft in these matters, which were understood by Gottfried Leibniz in, for example, his proposals to Czar Peter II. We must return to those principles of statecraft which were understood by the first U.S. administration of President George Washington; the ideas of Alexander Hamilton; the ideas of Benjamin Franklin; the ideas of the Careys, Mathew and his son Henry; the ideas of Friedrich List; the ideas of similar people and, in the case of Russia, the echoes of appreciation of List by such geniuses and collaborators of the great Mendeleyev as Count Sergei Witte.

We must build nations which are based on a dirigist model, as some of our people used to speak of Colbert and, later,

Charles de Gaulle, in which the state takes responsibility for creating the infrastructure needed in terms of water management, sanitation, public transportation (especially rails, modern rails), power supplies, health care, and education, and fosters through that means and through public credit, the growth of private enterprises which are partners with government in building up infrastructure, but which are also the means through which technological progress is translated into agricultural and manufacturing production, and other forms of physical production.

We must have a dirigist form of government, a third way, so to speak, between Mazzinian communism and free trade. After all, Karl Marx was a protégé of Mazzini, of that freemasonic group; and on the other side, were the teachings of Karl Marx's teachers in economics, Adam Smith, the Physiocrats, and David Ricardo.

We must return to the only successful model of economy from the past centuries, a model conceived by Gottfried Leibniz, as in his advice to Peter the Great; the model associated with George Washington's first and second administrations; the model associated with the name of Alexander Hamilton, treasury secretary under President Washington; the model associated with Mathew and Henry Carey, and with Friedrich List and others, and also the model admired so much by that friend and collaborator of Mendeleev, the great Count Sergei Witte.

We must have what was called in the late eighteenth and nineteenth century, the American System of Political Economy, in which the state creates a monopoly in the generation of currency and credit through a currency issued by the treasury, under the control of government. That currency, loaned to enterprises of state infrastructure, and to private firms for meritorious investments in production, becomes the basis for the growth of employment and useful production and trade within the nation.

By having cooperation among states which have such so-called dirigist models, we shall bring the world out of chaos, if we choose to do so.

The time will come fast for us to make that kind of choice, for when the systemic collapse of this metastatic cancer of speculation called free trade occurs, there will be nothing but chaos before us, except as nations choose to turn to the third way—the American System.

But that is, after all, only a good economic system. It will work only if it is based on respect for the creative uniqueness of the human individual, and is based on a commitment to scientific, technological, and related cultural forms of progress, and is based on investment in those improved modes of production which realize, in practice, the benefits of scientific and technological progress as increased potential population-density and thus, as increased standards of living for the population as a whole.

The development of the EIR economics database

From late 1979 to the close of 1983, *EIR* produced a quarterly economic forecast based on the LaRouche-Riemann economics model method. This report was constructed quarterly from, primarily, a Gross National Product-defined database, using a set of constraints supplied by Lyndon LaRouche. During this period, the *EIR* reports were the only consistently reliable published forecasts available from any U.S. source.

Forecasting of this kind was discontinued during early 1988, at LaRouche's recommendation. By this point, the margin of fakery in U.S. government and Federal Reserve System data rendered any report using such data worthless.

Instead, the *EIR* economics staff expanded *EIR*'s own database for relevant categories of demographics and measures of economic activity. At present, the data cover the 1700s through to 1993 for the United States, and selected years from the 1960s through to 1985-93 for 137 countries.

These data series were assembled from sources including the World Health Organization, U.S. Department of Agriculture, U.S. Department of Energy, U.S. Department of Commerce (in particular the Bureau of Economic Analysis), U.S. Census Bureau, U.S. Geological Survey, World Bank, U.N. Food and Agriculture Organization, Unesco, International Labor Organization, Federal Reserve System, the Organization for Economic Cooperation and Development, the International Monetary Fund, various manufacturing and trade groups, and similar agencies which collect statistics centrally.

Although problems abound with data from these sources due to errors, inconsistencies, and worse, nevertheless, there are no other sources from which to begin. The *EIR* data are subsequently cross-checked against whatever better statistics become available for a particular nation, year, category, etc.

The present "working" statistics base of *EIR* consists of roughly 300 database tables, containing tens of millions of data items. These vary from raw numbers as given by sources such as those listed above, through varying stages of refinement, to *EIR*'s own calculations of various kinds, especially rates of change in key physical parameters of national economies, e.g., type of power use, by ton-mile of freight hauled, over time.

What John F. Kennedy did to turn the economy around

by Lyndon H. LaRouche, Jr.

What follows is an abridgement of Chapter V, entitled "Cold Fusion and Economic Recovery," from Cold Fusion: Challenge to U.S. Science Policy, by Lyndon H. LaRouche, Jr., which was mostly written in late 1991 and was published in 1992 by the Schiller Institute as a Science Policy Memorandum. The extensive footnotes have been omitted, as well as ellipses, for the sake of preserving readability. The full report is available for \$20 from the Schiller Institute, Inc., P.O. Box 66082, Washington, D.C. 22035-6082.

The assassination of our President John F. Kennedy defined the end of an era in U.S. public life. To locate the significance of that assassination—and new attempts against France's President de Gaulle during the same period, and the shifting of Germany's Chancellor Konrad Adenauer—we should first examine the economic follies of the preceding Truman and Eisenhower administrations.

Kennedy's administration launched a vigorous economic recovery from the ruinous doldrums persisting into 1961, in the wake of the deep, 1957-58 recession. The key features of that successful Kennedy recovery package included:

1. The Investment Tax-Credit Tax-Reform.
2. The Moon-Landing Goal.
3. The Acceleration of Infrastructure Building.

Some apologists for Eisenhower's administration have insisted that the aerospace and infrastructure programs of the 1960s were already partially under way during the post-Sputnik years of the 1950s. It would be misleading to argue, as those apologists have done, that Kennedy "merely accelerated" Eisenhower programs. In this case, *greater* or *lesser* represented directly opposing economic policies.

During the mid-1950s, Eisenhower had virtually mothballed a Huntsville rocket program which could have put a

satellite into orbit by about 1955. Even when Khrushchov had succeeded in putting up the Sputnik, Eisenhower did not unleash the U.S. Army's Huntsville, ready and waiting capabilities; only after the humiliating failure of the competing U.S. services' "Flopnik" programs, was Redstone allowed to unfurl its capability. Thus, under Eisenhower, there would not have been a viable U.S. aerospace program at the beginning of the 1960s, if Moscow's Sputnik had not shamed the Republican administration into tolerating a post-1957 spectrum of aerospace-oriented science education and cohering projects and programs.

It is necessary, to put the details into a proper historical context, to note the points of similarity among the recovery measures of President Kennedy, and the philosophy of practice of such European leaders as President Charles de Gaulle of France, Chancellor Konrad Adenauer of pre-1964 Germany, or Italy's nation-building Enrico Mattei. We may, with apologies to Apollo priest Plutarch, see a parallel in, on the one side, Kennedy's succession to the Eisenhower 1950s, and de Gaulle's superseding of the rotting, decadent French Fourth Republic. Looking beyond 1963, we compare Kennedy's economic successes with President Johnson's disastrous aping of Prime Minister Harold Wilson's Britain, and so on. Such comparisons—fore and aft—are required, to put sharply into focus the terrible, downhill trends in U.S. economic policy of practice since the assassination of President Kennedy, nearly twenty-eight years ago.

Ask, what did Kennedy do, in the early 1960s, which Truman should have begun during the late 1940s, or Eisenhower during the 1950s? We shall soon come to that. Then, we shall see what puts the Kennedy years into a specific historic focus, and shows more clearly the pathological character of U.S. economic policy-shaping since 1963.



Speaking before a joint session of Congress on May 25, 1961, President John F. Kennedy committed the United States "to land a man on the Moon and return him safely to Earth." Kennedy's bold policy reforms in economy were an escape from the intellectual morass of the Eisenhower 1950s.

The follies of the Eisenhower administration's economic policies are epitomized by the influence of the President's key economic adviser, Federal Reserve Chairman Arthur Burns. On these accounts, the differences between Truman and Eisenhower were minimal.

What the U.S.A. should have done, coming out of World War II, was to have shifted a large ration of freed-up industrial capacity and labor force into a combination of accelerated infrastructure building, and a great enlargement of the advanced machine-tool sector's output, rather than the lunatic kinds of austerity measures deployed. In the take-down from peak levels of Korean War mobilization, the Eisenhower administration made what were, relative to altered circumstances, the same principled kind of errors as Truman earlier. On this account, if one considers the significant changes in secondary features of general economic circumstances which had occurred over the 1946-52 interval, the philosophical differences in economic policy thinking between the Truman and Eisenhower administrations were mere rhetoric, politically cosmetic.

The similar flaws of economic policy in those two preceding postwar administrations place the historical character of the Kennedy administration's achievements in clear focus. There were fundamental differences in U.S. policy-making after Kennedy's assassination; but, there were some significant points on which Johnson and Nixon resumed the blundering errors of Truman and Eisenhower. Acknowledging

those points of similarity puts the fundamental differences into clearer focus. To appreciate the significance of this point one must consider the following addenda to the earlier chapters' identifications of principles of economic science:

1. We have already stressed, repeatedly, that the primary source of both the increase, and even mere maintenance of potential population-density, is the realization of scientific progress as increases in the per-capita and per-hectare productive powers of labor by means of both increases in the per-capita standard of nuclear-family household "marketbasket," and technological progress in both the design of goods and the relevant productive processes.

2. The link between scientific progress and technological progress in product and mode of production, is the relationship between the experimental apparatus of a valid crucial experiment, and the corresponding new technological principle of design employed by tool builders.

3. These technological advances require a twofold increase, in quality as well as quantity, in power-supplies employed. Quantity must increase geometrically; "energy-flux density" of applied power must be increased.

4. These technological advances require increases in water supplies per-capita and per-hectare.

5. These advances increase the per-capita and per-hectare quantities of both *ton-mile hours* and *ton-mile-hour-dollar* of required density of freight transport per-capita and per-hectare.

6. These advances cannot be realized adequately without coordinate increases in (a) fundamental scientific progress, in (b) buildup of the technologically advancing machine-tool sector, and (c) fostering of capital-intensive, energy-intensive modes of investment in the new technologies which fundamental scientific progress is developing “upstream” from the production line.

The design of a sound monetary, tax, and financial policy must be subordinated, “enslaved” to the mission implicit in these connections. Here, on this point, lies the United States’ single, original, and most important contribution to the science and practice of political economy, a principle of which virtually all U.S. university graduates today are pathologically ignorant, a principle which Truman and Eisenhower violated savagely, with rather disastrous ultimate results.

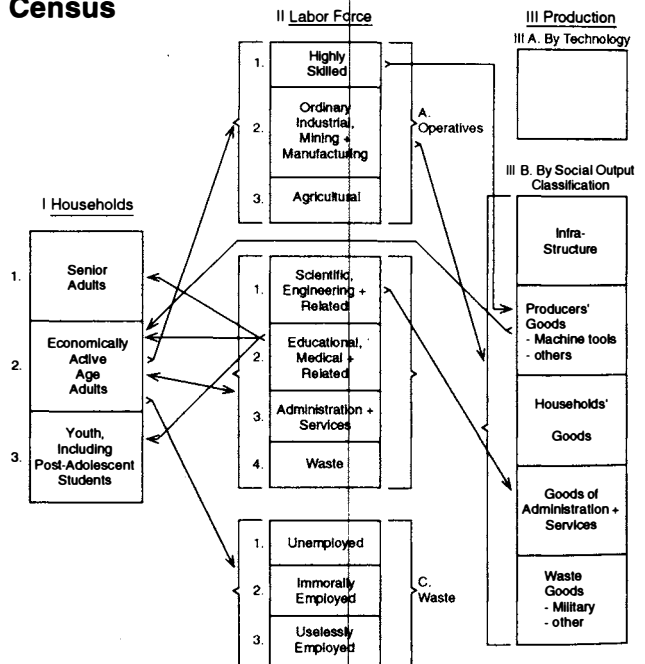
How national banking works

Our present U.S. Federal Reserve System is, among its other faults, *unconstitutional*. Look it up, as the fellow said: How does Article I of the *Constitution* specify the issue of U.S. currency? “Where and when,” one challenges apologists for “the Fed,” “was that provision of our Constitution repealed by amendment?” Never, of course. Now, put that provision of Article I, which (later) U.S. Treasury Secretary Alexander Hamilton had a hand in drafting, with Treasury Secretary Hamilton’s *Report to the Congress on the Subject of a National Bank*. View that report in conjunction with two other key reports to Congress by that Treasury Secretary, *On the Subject of Credit* and *On the Subject of Manufactures*. There you have the germ of the “American System of Political-Economy,” as later elaborated by Mathew and Henry C. Carey, and by Friedrich List.

This “American System” was installed by President George Washington, overturned—to disastrous effect—by Gallatin-duped Presidents Thomas Jefferson and James Madison. It was restored under Presidents James Monroe and John Quincy Adams. It was wrecked in 1832, causing the 1837 Panic, by bankers’ agent and President Andrew Jackson. It was partially restored by the Whig Party under the leadership of Speaker of the House Henry Clay. Under Presidents Pierce and Buchanan, the nation suffered disastrously. President Lincoln’s brilliantly successful economic mobilization for war was conspicuously informed by American System principles. President Andrew Johnson was a British liberal’s delight, a national economic and social disaster. The destruction of U.S. sovereignty in its monetary affairs was effected through the treasonous U.S. Specie Resumption Act of the late 1870s.

The final blow to the U.S. Constitution’s monetary law, came through the immoral actions of former President Theodore Roosevelt, in running a Bull Moose “spoiler” candidacy, to elect Federal Reserve advocate Woodrow Wilson as President. Since that time, “Hamiltonian” American System principles have been employed only in a distorted, partial

FIGURE 1
Census



way, as U.S. war-economy mobilizations. With the Hemingway figure of Theodore Roosevelt, the Buggers had won—apparently forever.

Nonetheless, as the two great U.S. depressions under that Federal Reserve System highlight this fact, the “Hamiltonian” American System remains the only sane choice of U.S. economic policy which the United States has experienced, or observed in use among other nations, to the present day.

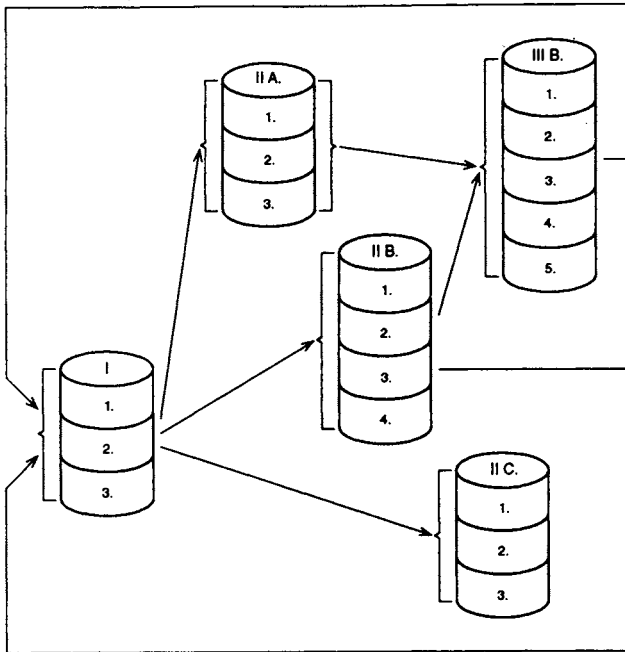
Although writers including Benjamin Franklin, Alexander Hamilton, Mathew Carey, Henry C. Carey, Friedrich List, and others, have documented the principles of the American System as thoroughly as any liberal or Marxian competitor has been presented, the modern development of the American System, as a system, has been accomplished only by the author of the present proposal-report. Therefore, some additional points of special reference are now summarized here.

From moment to moment, all of the domestically produced wealth of the national economy is produced by 100% of its available labor force. This labor force is, in turn, a portion of the total population of family (and quasi-family) households of which the total population is composed. The family household produces the new individual; so, the generic family household, as an expression of a Cantorian *Type*, is the locus of the continuing existence of the nation, and of the human species as a whole. It is the development of that family, including its new individual, which is the proper primary referent of any sane economic policy, or economic science.

The labor force acts to produce those physical-economic

FIGURE 2

Flow diagram of census



changes on which depend the existence and process of continuing reproduction of the household as a whole. Thus, through the action of the labor force *as a whole*, do the households reproduce the preconditions for existence of that reproductive process which is the nation—mankind—*as a unit-whole*. Thus, through scientific and technological progress as a *process* of change characteristic of the cycle of labor, creative mental life, reason is the characteristic of labor and economy.

Let us now represent the bare statistical relations to be considered, using graphical diagrams and flow-lines among such bars as raw illustrations. Then, next, we return to the simple non-algebraic (e.g., cycloid) forms, to show the meaning of the apparently statistical constraints of successful growth through capital-intensive, power-intensive modes of technological progress. (See Figures 1 and 2.)

The successful development of an economy may be represented usefully in that statistical framework just outlined. The principles of measurement serve as a set of guidelines for bankers, statesmen, and borrowers, respecting the proportional application of sources of funds to various qualities of investment, and also as guidelines for determining the relatively more or less favorable terms and conditions associated with each class and type of loan of either national or private funds, or a mixture of both. A description of the physical-economic objectives implies the appropriate monetary, tax, and financial practice.

As we have stated in earlier chapters, the elementary function of physical economy, is the *increase of the average productive powers of labor* of the society as a whole, as measured in terms of the *variable rate of the rate of increase*

of potential population-density. This mode is *capital- and power-intensive*, as already indicated. Within those primary terms, the conditions for growth of a physical economy can be expressed in terms of a set of *implicitly non-linear* inequalities.

Consider some relevant highlights of this practical approach to the subject-matter.

Focus now on columns I, II, and IIIb. First, take each of the columns *seriatim*.

I. Households. The rise in the level of technology requires several interrelated changes, producing a population better fed, longer lived, healthier, of higher levels of morality and culture, better educated in *science*. This requires a converging of the “school-leaving age” asymptotically upon some upper limit, approximately twenty-five years of age. This requires a longer-lived adult population, and therefore substantial increases in the ratio of senior adults (e.g., over sixty to sixty-five years of age) to total population.

This requires “smaller class size” in schools, at all levels, ever-higher levels of scientific rigor of teachers at all levels, and so on.

This requires a constant increase in the quantitative/qualitative content of the *family households* per-capita marketbasket, and increase of the quantity and raising of the cultural level of leisure.

Such are the demographic inequalities.

II. Labor Force. The total labor force of a society is a *rather* well-defined function of the family (and quasi-family) households. *Abandoned children* of working parents’ working hours, are not the stuff of which sane future adults are made generally. The family supplies available wage-earners to the economy, according to a sane standard for the internal life of the child-rearing family household. That is a subject unto itself; it is sufficient, that the fact of the point’s existence be noted here.

This labor force’s employment must be analyzed first in respect to the total society’s total relationship to nature. This relationship is defined with respect to the physical changes we recognize as physical products (such as tangible commodities of households’ or producers’ consumption-marketbaskets), or as physical forms of basic economic infrastructure. These *changes* are defined functionally in respect to changes in the rate of increase of potential population-density.

The primary relationship of labor force to nature is represented by the activity of the *operatives*.

These operatives are primarily as indicated:

A. Highly skilled industrial or mining operatives, general operatives, and agricultural operatives.

B. The usefully employed *non-operatives* we defined functionally, as shown, among (1) science and engineering and related professionals, (2) education, medical, and related professionals and quasi-professionals, (3) necessary func-

tions of administration and services, and (4) waste. By "waste," in this case, we signify employment whose form is a useful one, but whose application does not foster increase of potential population-density.

C. The category of *waste*, as distinct from wasteful employment of "non-operatives," signifies employment, or unemployment, which is intrinsically wasteful or worse in *form per se*.

These components of the total labor force, IIA and IIB, most emphatically, are applied to, distributed among, the categorical sub-sectors of IIIb. Begin analysis with IIA's distribution in terms of ratios of operatives employment in each category of IIIb: (1) Infrastructure, (2) Producers' Goods, (3) Households' Goods, (4) Goods Used by Useful Forms of Administration and Services, and (5) Goods Used in Waste (wasteful applications of useful forms of productive activity).

So, in IIA, as technology and increase of potential population-density advance together, agricultural (and related) employment approaches asymptotically some ultimately "smallest possible" ration of the total labor force, perhaps in the vicinity of 1%. Simultaneously, the ration of "highly skilled operatives" increases as a percentage of total operatives.

On IIB, the ratio of employment in science and engineering professions, should increase as a percentage of total employment. Today, in the U.S.A. or Japan, for example, it *should* lie between 5 and 10% of the total labor force. This increase is principally a function of the operatives' component of the total labor force, and is associated most closely with a highly skilled component of the operatives' sector.

IIB 2. Employment of Professionals and Quasi-Professionals in Education, Medical Care, and Related Categories of Infrastructure must increase with technological progress, and with required increases in longevity, health, and productivity.

IIC 3. Employment in the growth of Administration and Services is to be constrained as much as possible. That is, the sum-total of members in the labor force employed in categories of IIA 1, 2, and 3, plus IIB 1 and 2, ought never to decline below 80 to 85% of the total labor force—in a healthy economy.

Those are the first-order data and constraining inequalities to be applied. In summary, these are:

1. There must be the indicated demographical and cultural improvements, correlating with the generation and maintenance of an increase in potential population-density by means of a continuing capital-intensive, power-intensive mode of investment in scientific and technological progress.

2. Thus the direct and indirect per-capita content of the standard family household's marketbasket must be increased in both quantity and quality, in the same correlation as demographic change.

3. Similarly, there must be a continuation of the indicated

shift from rural to urban-industrial operatives' employment.

4. Similarly, within urban-industrial employment of operatives, the ration of employment in production of producers' goods (including infrastructure) must be increased relative to both total employment of operatives, and *total labor force*.

5. Similarly, the rations of employment in two sub-categories of non-operatives' employment must increase: science and engineering; and the social infrastructural sub-categories of health and education. The first should be between 5 and 10% of total employment in the U.S.A.; Canada, France, Germany, Japan, etc. today. The first is keyed to technology production; the second to the correlation between technology and required shifts in demographic profiles of statistically standard family households.

These statistics, inequalities, land-use functions, and so on, correspond to a series of input-output tables, one for each historical moment of a constantly changing array of such tabular values. The result, this series of tables, is a representation of a non-linear, negentropic series of the now-familiar form, A, B, C, D, E, It is desired by the society which is both economically literate and sane, that the flows of credit into various sectors of the economic process cause a result corresponding to the prescribed inequalities. A sane "capitalist" economy is, like the U.S.A. under President George Washington, a nation which has rejected the British liberals' "Adam Smith's free-trade" dogma, and has chosen instead a policy akin to that of President Washington's Treasury Secretary, Alexander Hamilton. That policy is known as "the American System of Political-Economy."

The primary objective is to effect investment in advanced technologies, and that in a *physically* capital-intensive, power-intensive mode. However, to implement more advanced technology, it is indispensable to provide support in the form of expansion and technological improvements *in all dimensions* of infrastructure. That is to say, that the general advancement of technology requires:

increased water supplies per-capita and per-square-kilometer;

increased power per-capita and per-square-kilometer;

increased energy-flux density of power applied;

increased completion-rates of ton-kilometers-hours-dollars of freight moved;

better health care;

better education, and so on.

If the quality of infrastructure declines, the potential level of realized technology and productivity per-capita and per-square-kilometer declines. Now, that said, resume our comparison of the pre-Kennedy, Kennedy, and post-Kennedy "models" of economic policy.

Let C equal current operating costs of production-facility at 80% utilization of capacity. Let S represent the fixed investment in that capacity. Let P represent the rate of profit.

Let R equal rate of profit.

Now compare two "blackboard" cases.

$$\begin{aligned} S_1 &> S_2; \\ C_1 &= C_2; \text{ and} \\ R_1 &> R_2. \end{aligned}$$

However, $C_1/S_1 < C_2/S_2$.

Thus, $P_1/(C_1 + S_1) > P_2/(C_2 + S_2)$.

So, $P_1 > P_2$ by the product of $(C_1 + S_1)/(C_2 + S_2)$.

These relations exist because the investment in new technology (C_1/S_1), was based on P_1 being greater than P_2 multiplied by the dividend of $C_1 + S_1/C_2 + S_2$. Although products produced by means of S_1 are probably lower in unit-price than with S_2 , the higher productivity offsets this. That is the "classical" classroom-blackboard basis for the investment in S_1 , rather than S_2 .

Years ago, United Auto Workers Union (UAW) President Walter Reuther argued, ignorantly, against automation, that machines do not buy groceries or passenger cars. This argument used by Reuther is known as the "buy-back" fallacy. The false argument runs thus. The purchasing power of a nation is the sum total of the money paid out as costs and expenses, paid-out money which becomes purchasing power. Thus, the "buy-back" argument runs, "labor-saving machinery," if it is successfully profitable, lowers the total amount of the nation's paid-out costs and expenses, and thus lowers the purchasing power of the nation. To many, that line of argument has been convincing; convincing or not, it is a falsehood, a shallow sophistry.

The margin of increase of money supply originates as a margin of credit issued. This margin of monetized credit, when redeemed by valuable goods, becomes new purchasing power in general circulation. That conversion is the key to showing the folly of the "buy-back" fallacy. It is key to the kind of monetary, tax, and financial policy which the Eisenhower administration should have followed.

The Eisenhower case

What the Eisenhower administration did was as follows.

First, as the intensity of war-fighting in Korea was lowered to the diplomatic requirements of Panmunjon and related negotiations, the U.S. government re-enacted the essential features of the unnecessary traumatic conversion of the economy from the World War II war economy. The result was a bitter recession, roughly comparable to 1946-48 in form, although mild relative to the later Eisenhower recession and post-recession doldrums of 1957-61. What the administration then did, was to rely upon an increasingly reckless form of "consumer credit"-driven expansion of production and employment, an expansion which led, inevitably, to an early and deep collapse, into the worst postwar recession, by Feb-

ruary-March 1957.

This short-lived, consumer credit-driven Eisenhower recovery of 1954-56 was typified by the speculative madness of the way in which retail and new car sales, and numbers of dealerships were expanded. The consumer credit-financing of these sales became a speculative financial bubble, which blew up, lawfully, inevitably, at the beginning of 1957.

Two fictions were characteristic of financial sales of new cars during that period. The first was the combined "packing" of the new-car price, and related, wild overpricing of the allowance on the used car trade-in. The second feature *should remind us of the insanities of the 1980s real-estate boom*: the assumption that the "trade-in" value of the financed new car would enable the buyer to liquidate readily a "balloon note" concluding the series of thirty to thirty-six monthly repayment notes on the financing of the new-car sale. This latter feature was key to the triggering of the 1957 recession. During 1956 the point was being reached ever more frequently, that the unpaid balance still owed on what had been originally a new car purchase, exceeded by far the price at which an identical make and model could be purchased at a nearby used car lot.

What should have been done, instead of a consumer-credit expansion, as typified by this new car sales case, was a capital investment-led expansion. Instead of relying upon consumer-credit expansion, the Eisenhower administration should have kept consumer credit prudently tight, and focused credit-expansion into long-term investment in technologically progressive infrastructure and productive capital of, chiefly, agriculture and industry.

Instead of expanding the total consumer-goods purchasing power by increasingly reckless consumer short- to medium-term indebtedness, the administration should have increased total consumer purchasing power by means of the higher per-capita wage levels of technologically progressive capital expansion. It is the increase of the total households' cash pay envelope purchasing power, through the combination of job expansion and skill-related employment upgrading, which is the proper basis for a durable growth of the households' goods market.

Interestingly, the Eisenhower folly on this account was the General Motors folly. Henry Ford had conceived the automobile as a household's long-term investment medium in a capital good of a household/farm. Christiania/Wall Street-linked General Motors had introduced the sweat-shop ideology of the New York City Seventh Avenue garment-manufacturing industry into automobile marketing, and thus, into automotive manufacturing. Robert Strange McNamara was the instrument to introduce the "Seventh Avenue sweat-shop" mentality to Ford Motor Company operations.

The difference in the two approaches may be illustrated as follows:

The "Seventh Avenue," or "horizontal" approach of General Motors-style season marketing, which Wall Street's

“loony” Robert Strange McNamara carried into the political-ly defeated Ford Motor Company of the 1950s, is in direct opposition to the “verticality” of the sane, industrial approach. The industrial approach changes the composition of total corporate and sales products, to increase the relative portion of high-technology producers’ goods. It is this relative expansion of producers’ goods production and sales, which increases both the scale and per-capita incomes of industrial employment, thus avoiding the horizontal approach’s tendency to seek a speculative boom based upon misused consumer credit mechanisms.

To illustrate this important point, take the case of hypothetical automotive manufacturer “A.” With technological progress, “A’s” passenger vehicles divisions produce an increased volume of units, of improved quality, with a reduction in operatives in all these divisions combined. Shall this lead to a corresponding margin of increased unemployment among the employees of “A”? Not if the sane industrial approach is employed.

The normal line of promotion within the ranks of operatives in an integrated aerospace/automotive enterprise (such as “A” should be) is from “the general operative,” toward machine-tool specialist, and so on. If “A” takes the industrial approach indicated, this firm coordinates technological advances in its passenger vehicles divisions with increasing production and marketing of classes of capital goods cohering with its overall technological requirements.

A sound such enterprise should employ about 5% or more of its total operatives force in research and development, or should support an outside research and development vendor to supply such an effect.

Government plays a critical role in shaping the economy on this account.

First, government at various levels (federal, state, county) either builds and operates the needed basic economic infrastructure, or provides regulation of privately owned public utilities to the same net effect. This investment is a large component of the nation’s total long-term, productive capital investment, and is the most important such investment—upon which the feasibility of every other investment depends.

The production of currently and foreseeably needed capital improvements in basic economic infrastructure, is the proper, principal “driver” in increases of both total employment and per-capita productivity. The same is true of capital- and power-intensive investments in improved technology, generally.

Imagine an entire economy analogous to the enterprise “A,” above. As technological progress enables us to produce a higher per-capita value of households’ consumption marketbasket with a smaller fraction of the total labor force than earlier, instead of shunting the redundant margin of operatives into the ranks of the unemployed, or useless low-paid services employments, this margin should be absorbed by job upgrading, into the domain of capital goods production.

Thus, if the new issues of U.S. currency notes authorized by Congress are entrusted for lending to a national bank such as Hamilton’s or Biddle’s United States Bank, the following practice is to be desired.

The national bank may lend these notes either directly to borrowers, or the loan may be issued, in cooperation with the national bank, by a private member-bank of the national banking system as a whole.

Generally, federal, state, county, and municipal infra-structural agencies would prefer to borrow directly from the national bank. In federal cases, this would be the rule. Private agencies would usually borrow through a private member-bank of the national system; customarily, the private bank would supply a significant portion of the total credit issued.

The chief purposes of national bank lending as a whole are two. First, to supply low-price, long-term credit for capital improvements in basic economic infrastructure, and second, to foster optimal realization of the private sector’s capacity to absorb new productive capital formation in connection with agriculture, mining, and manufacturing:

- in publicly owned basic infrastructure, the national bank is the chief source of such credit *for capital improvements*;

- in public utilities, national banking credit may be a major contributor of lines of such credit when the specific circumstances warrant this;

- in agriculture and mining, the national bank is a significant indirect lender;

- in the manufacturing sector, the national bank is a significant participant in capital loans which foster those kinds of capital-intensive, power-intensive investments in technological progress which have the relatively greatest beneficial impact upon the economy as a whole.

Since the new circulation of U.S. currency notes is, in these cases, always tied to a corresponding increase in physical wealth produced, there is no inflationary impact in lending in a manner analogous to progressively issued construction notes. In the degree that lending fosters capital- and power-intensive modes of investment in technological progress, that impact is *deflationary*.

Thus, technological progress effected so, means an expansion of the scale of the economy’s per-capita output. The monetary support for this marginal expansion of scale of product produced and sold, is properly supplied by the national banking mechanism, in accordance with provisions within Article I of the U.S. Constitution.

Eisenhower and the Fourth Republic

Earlier here, we said that it would be useful to see similarities in the contrast between Kennedy and Eisenhower, in the one case, and between President Charles de Gaulle and the French Fourth (and Third) Republics, in another case.

Under the leadership of King Louis XI, France was not only re-created as the first modern form of nation-state republic.

lic, but as a leading economy as well. Under Mazarin's protégé Minister Jean-Baptiste Colbert, France became the world's leading nation in science, technology, and economy, until 1815. Although the followers of Descartes undermined France's eighteenth-century science, and although the Jacobin terror sought to literally decapitate French science, over the period of 1793-1814, Lazare Carnot and his collaborator Gaspard Monge revived science and kept France in first rank until the Bourbon Restoration. Thus, the relative scientific and technological stagnation which dominated French history from 1815 until de Gaulle's Fifth Republic, is an uncharacteristic feature of modern French history and culture taken as a whole, if the entirety of the span from the fifteenth-century accession of Louis XI is taken into account.

The problem of France's Second, Third, and Fourth Republics can be summed up in a word, "Buggery": the Buggery-like, Rosicrucian philosophical world outlook of a powerful rentier financial interest centered historically around that Baron James Rothschild so bitterly described by the great Heinrich Heine, the France whose rentier corruption is so famously described by participant Honoré de Balzac. That is the characteristic tendency of *rentier* Wall Street's Eisenhower administration—the United States mimicking the charlatan's empire of France's Napoleon III.

Thus notable differences aside, Kennedy's bold policy reforms in economy are an escape from the intellectual morass of the Eisenhower 1950s, an escape paralleling de Gaulle's rescue of France from the moral miasma of the Fourth Republic.

As President de Gaulle recognized in practice, the right agro-industrial program must fail, if it does not include a vigorous, leading science-driver component. Three elements of the Kennedy recovery program were *indispensable*:

I. Acceleration of development of basic economic infrastructure.

II. Fostering power-intensive, capital-intensive investment in productivity increases, through an investment tax-credit program.

III. Taking on the Federal Reserve System, in defense of the U.S. Constitution. (President Kennedy in mid-1963 ordered the drafting of an Executive Order, which explicitly ordered the Federal Reserve to cease the practice of creation of U.S. currency by Federal Reserve action in rediscounting of Treasury notes. The order would have left the Treasury solely authorized to issue currency of the United States, as required by the Constitution. The assassination of Kennedy intervened before he promulgated the order, and it was never recurred to by subsequent Presidents.)

One additional feature was *essential*:

IV. Demanding Moon landing as a science driver for the economy as a whole.

Without technological progress, in a capital-intensive, power-intensive mode, there is no substantial growth of sustainable improvement in productivity. It is essential to bring

monetary, tax, financial, and economic regulatory policy into conformity with that principle. So, these four, and correlated features of the Kennedy economic recovery represented, without fear of exaggeration, a revolutionary "cultural paradigm-shift," away from the "Fourth Republic-like" moral and intellectual decadence of the "baby boomer"-vintage Eisenhower decade. Kennedy's economic policy was a revolutionary shift, away from a rentier, toward a "Hamiltonian" practice.

Unfortunately, if the Eisenhower decade was a purgatory of moral and intellectual decadence, the counterrevolution unleashed by the November 1963 assassination of President Kennedy, was purely a Crowleyite, Nietzschean, Dionysiac Hell.

The credit system

Under the British central banking system, or our U.S. Federal Reserve System, for example, a financial oligarchy exerts a usurious dictatorship over the nation's money supply. Under such systems, which originate in ancient Babylonian tax-farming, the state issues money by either collection of money as taxes, or borrowing advance payments from private holders of nominal wealth in their capacity as tax-farmers.

The only significant alternatives to this dictatorial rule by oligarchy are two: (1) that the state outlaw usury as a capital crime; (2) that the state, or an alliance between state and benign agro-industrial interests, provide an alternative to the oligarchic, usurious forms of tax-farming and central banking. The best alternative developed thus far, is the American System of national credit and banking.

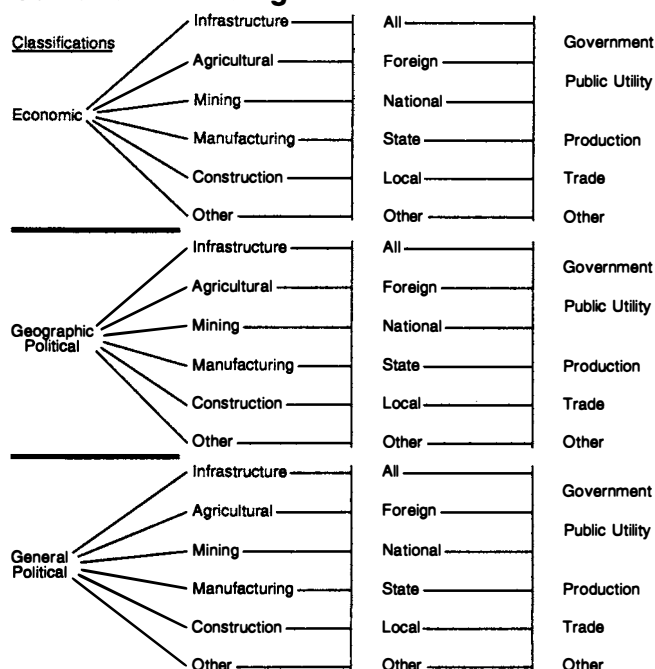
All economic theory and practice is divided principally into two types: (1) the doctrine that wealth flows from the borrowing and circulation of an original hoard of money; (2) the opposing view that the origin of wealth is production, and that money is merely a means of fostering the circulation of that produced wealth.

Under President George Washington's American System, to which this report proposes we return, two forms of banking enjoy a cooperative existence to their mutual advantage. The one form of banking is "Hamilton's" national banking; the other, is the entrepreneurial, usually state-chartered, regulated system of private banking institutions. In this division of labor, the power to create *currency (legal tender)* is absolutely a monopoly of the federal government, as provided under the relevant terms of Article I of the U.S. Constitution. The division of labor is, summarily, as follows:

1. The President of the United States requests from the federal Congress, a bill authorizing the Secretary of the Treasury to create and circulate a specified issue of United States non-interest-bearing currency notes as legal tender.

2. The U.S. Treasury might place such newly issued notes into circulation as cash payments for federal government purchases or payroll on current operating account. It is

FIGURE 3
Useful bank lending



preferred, by far, that all payments on account of federal government operations be paid from sums accrued as paid-in tax revenues and tariffs.

3. The preferred, customary method of introducing a new issue of currency notes into general circulation is through lending. Two channels for lending might be employed: loans issued directly by the U.S. Treasury, or loans issued against new currency issues which have been placed on deposit with a chartered bank of the United States.

4. Loans issued by a chartered bank of the United States are properly restricted by guidelines, which, in turn, are established according to statute, by an executive order of the President. These guidelines cover all non-emergency loans issued by that bank, as follows:

The functional classes of borrowing agencies are broadly defined by aid of a cross-grid of three classifications, each with associated subordinate elements, as seen in **Figure 3**.

Consider the following, brief illustrations:

The urgent national freshwater development needs of the U.S.A. are reflected chiefly by a combination of one major project, an expanded Nawapa project, plus a policy of fostering state-of-the-art desalination applications and other water-treatment programs of localized application. A very large percentage of total U.S. water development investment during the coming fifteen to twenty years is represented by that package. Similarly, the largest single component of *new* national transportation investment during the coming two decades, is represented by a modernized nationwide railway network, featuring high-speed friction-rail (principally for

freight) and magnetic levitation (initially, principally for intra-urban, suburban, and long-range passenger travel).

In the case of major power-generation expansion, we have also a clear—if presently controversial—choice. The only practicable sources of major power supply during the coming hundred years are nuclear fission and nuclear fusion. This should be used for the following principal applications: electrical power, industrial and other process heat, water management, and production of hydrogen and related fuels for internal-combustion and analogous vehicles. And so on, for infrastructure. A few major, national projects, and dovetailing state and local programs, cover most classes of national need over the next generation. The relationship of these programs to potential productive investment in population support is fairly described as “calculable.” Also, the manpower and other resources required for each of these projects is estimable by any relevant consortium of engineering firms.

Similarly, it is feasible to calculate the impact of such projects upon the economy. The “draw-down” of available labor force is calculable, and also of materials and other semi-finished and finished producers’ goods. The impact of the increased monetary purchasing power generated by relevant margins of increased sales of households’ and producers’ goods, is thus also calculable. Also, the increase of the federal, state, and local tax revenue bases is calculable. Those increases in gross monetary purchasing power and tax revenues ought to be applied in proportions consistent with the constraints (non-linear inequalities) consistent with real growth. Such a latter effect can be fostered *indirectly* through the marginal effects of proportional allotments of lendable new issue of legal tender through the private banks of the national banking system.

The nation as a whole is divided into its obvious economic regions, as groups of states. The loan officers of the chartered national bank, are supplied with “flexible budget” guidelines for loan-participations by type and by state within region. The loan officers are the channel through which member private banks conduct business respecting participation of the chartered national bank (e.g., a U.S. Bank) in lending programs.

Those, in rough sketch-form, are the outlines of the system.

The national bank is engaged in medium- to long-term lending, and only by exception in short-term lending. Most of the loans’ value lies within two categories: principal lending-support for designated projects; or sub-categories such as public utilities’ capital improvements.

The proper economic functions of non-usurious banking, from this vantage-point, are typified by examining three types: (1) the indicated type of chartered national bank; (2) the savings bank; and (3) the commercial bank, this latter the usual partner in the national bank’s loan-participation programs. It is the distinctive function of the latter type which is now scrutinized.

The economic function of the commercial bank lies within what is fairly described as its "lending based upon a prudent assessment of business risk." This function is derived historically from such precedents as Tudor England's issuance of patents of temporary monopoly to inventors and their business partners in ventures producing and marketing that invention. Thus, consider only notions of "business risk" cohering with the effective production and marketing of a useful improvement in technology. Consider, from this standpoint, the proper division of economic responsibility between government and the entrepreneur.

For example, no sane nation would allow its military or law-enforcement agencies, or courts, to be delegated to a private enterprise. In the case of law-enforcement agencies or courts, "privatization" is transparently a form of *corruption per se*. We cannot leave it to the private entrepreneurship to decide whether some communities in the nation do, or do not have adequate public transportation, fresh water, power, and so forth. However, at the opposite pole, we could not permit the majority of the citizenry or government to decide upon what useful ideas will be allowed to be fostered in general communications, or in the marketplace. It is the history of mankind, that the most useful conceptions, upon which the existence of modern society significantly depends, came into practice as the opinion of a relatively tiny group, or even a nearly isolated single person.

Indeed, the fact that all valid scientific discovery depends originally upon the sovereign authority of an individual mind's mental-creative processes, signals the necessity of certain classes of individual entrepreneurship for human progress, and hence continued existence in general. Some societies may disagree with that view; if they persist in such an opinion, they will be ultimately destroyed, as communist society is being self-destroyed before our eyes today.

There is a middle ground, between those matters in which government must intervene, to promote definite directions in scientific and technological progress, and, at the opposite pole, areas to which the principles of free speech are rightly extended, to preclude government interference. The middle ground, is that into which government may or may not choose to intervene, and may do so whenever reason shows this to be more than merely desirable;

1. Government must, of course, demand a minimal level of competence in pre-science and science in public education. Witchcraft is not to be tolerated as a substitute for geometry.

2. Government must support scientific research to the degree obligations of government cannot be adequately fulfilled otherwise. The current HIV pandemic illustrates this point. Beginning 1985-86, the federal government lied officially about the dangers of what is called today HIV infection, because, as Surgeon General Koop and others argued, the federal government did not wish to be panicked into new massive expenditures under the then-prevailing conditions of

major budget crisis. Saving Gramm-Rudman was considered more important than saving human lives. How many people have died, or will die, avoidably, because of the callously inhuman decision by the federal government then? The proposal for a colonization of Mars, is another example of this issue. Fifty, sixty, and more years ahead, our posterity will face challenges which they could not solve, unless we begin an appropriate Mars colonization "crash project" now.

3. The cases of the Manhattan Project, President de Gaulle's successful, "dirigist" approach to the development of France's Fifth Republic, and a highly profitable Kennedy "Moon-landing" aerospace program, illustrate the kinds of large-scale, ostensibly optional, government "crash science-oriented programs" which sound governments will always be seeking out.

Otherwise, as indicated, government bears the responsibility for arranging the supply and maintenance of an adequate per-capita and per-square-kilometer's development of basic economic infrastructure for the territory and population of the nation as a whole. This includes the element of mandatory, not optional technological progress, and also the scale and capital-intensity of that investment.

To appreciate adequately the nature of a proper prohibition against government interference, we must strictly define the term "freedom," to equate "freedom" with creative powers of reason, as "creative reason" is defined in preceding chapters of this report. In this instance, the economic issue of science policy assumes the form of the proposition: What must government not leave, by its own omission, to the functions of individual entrepreneurs; and where must government not interfere with freedom of scientific inquiry and advocacy by a person, groups of persons, and business entrepreneurs?

It is the duty of government to foster, and to defend, a policy of capital-intensive, power-intensive productive investment in scientific and technological progress, as the general policy of the nation. This duty of government is expressed ordinarily in the form of development and maintenance of a well-regulated system of infrastructure, of national banking, and of taxation policies. This ordinary expression is properly supplemented by long-term so-called "science-driver" projects.

The Newton-versus-Leibniz controversy, continuing into the present time, is a prime illustration of a related problem of national science policy. Western European civilization, and now most of the nations of this planet, depend for their existence upon at least a certain minimal level of technology of general practice, and also a certain, at least minimal rate of scientific and technological progress in connection with that general practice. Thus, it would be criminal, in effect, for any government to proceed in opposition to scientific and technological progress. Thus, since we must reject as insane and immoral all anti-science policies *per se*, we are left with the kinds of disputes typified by the continuing Newton-



Henry A. Kissinger. "So long as the lunatic Kissinger and Bush financial policies of 1982 remain in force, the U.S. financial system must continue to fly ever-nearer to the precipice."

Leibniz controversy.

In this matter of the Newton-Leibniz issue, to the degree that government knows that Leibniz's views are relatively the correct ones, to what degree must we permit Newtonians, for example, the prerogatives of "protected free speech"? Shall we, therefore, tolerate the peddler who sells strychnine, atropine, opium, and mycotoxin as "natural foods"? When do we come near to the obligation to prohibit poisonous ideas of such or kindred quality? These are not easy questions to answer rightly; other matters of principle must be considered first. We shall lay the basis for doing so, after summarizing the successive disasters of the past twenty-eight years of post-Kennedy U.S. economic and related policy-shaping.

After Kennedy

The assassination of President Kennedy coincided with the unleashing of an interacting set of prepared economic, financial, monetary, and cultural changes in the axiomatics of public morality—a "cultural paradigm-shift." Taken as a whole, these axiomatic changes are fairly grouped under the "New Age" rubric.

1. *In economics*: a shift away from a rising standard of productivity and household life, based upon fostering scientific and technological progress, toward the utopia of a "neo-Malthusian post-industrial society."

2. *In finance*: a shift toward deregulation and unbridled financial speculation, premised upon the unfettered practice of usury.

3. *In monetary affairs*: an end to the gold reserve basis, and stable currencies of the postwar Bretton Woods agreements, in favor of a usurious speculator's "floating exchange-rate" system.

4. *In cultural affairs*: a combination of the satanic (Dionysiac) rock-drug-sex counterculture, with kindred effluent of the Theodor Adorno "Frankfurt School" and Brigadier John Rawlings Rees's London Tavistock Clinic.

Case in point: The Johnson administration proposed to take down the Kennedy aerospace program significantly, on the pretext of freeing money "from space" for "the war on poverty" at home. This hoax, known as the Great Society, plunged the darker-complected minorities, on the average, successively, notch by notch, lower down on the socio-economic ladder, while also bringing to an end the genuine economic growth generated by the Kennedy crash aerospace program.

This change, cutting aerospace savagely, had been recommended to the Johnson administration by the London Tavistock Institute's Rapoport report on the effects of the Kennedy aerospace crash program. The burden of the Rapoport report: Aerospace was capturing the imagination of the majority of the population, was fostering greater admiration for scientific achievements, and was having the undesired (by Tavistock) effect of promoting a spread of increased rationality within the U.S. population. The aerospace program was promptly set back.

Case in point: Wrecking Bretton Woods came in six successive phases.

Phase 1: Johnson's mid-1960s slashing of aerospace fostered a serious recession. This played into the London-orchestrated collapse of the British pound and the U.S. dollar, over the November 1967-November 1968 interval.

Phase 2: Dragging that imbecilic quality of economic illiteracy known as the "free trade" dogmas of Professor Milton Friedman (and later, Prime Minister Margaret Thatcher) into the White House, with the newly elected President Nixon, ensured the 1970-71 collapses which behind-the-scenes plotters used to maneuver Nixon into wrecking the last remains of the Bretton Woods gold-reserve agreements, and plunging the world into the accelerating spiral of speculative-inflationary orgy known euphemistically as "the floating exchange-rate system."

Phase 3: The Kissinger oil-price hoax of 1973-75.

The first, 1972 outbreak of the scandal surrounding the Kissinger-created "White House plumbers' unit" assisted Kissinger in aiding London to unleash "a new Middle East war," and to set up Secretary of State Rogers later to be dumped in favor of Kissinger's appointment to hold Rogers's job, in addition to his original post at the National Security Council. This enabled Kissinger's masters in London and Kissinger himself to orchestrate the famous "oil-price hoax" of the mid-1970s. This shock caused more serious immediate damage to the world economy than the 1970-71 monetary

crisis. In fact, the effects of the oil-price hoax were used by London and London's agent Kissinger, to shape the new monetary agreements established at the 1975 Rambouillet monetary conference.

Phase 4: The "Project 1980s" plan for "controlled disintegration of the economy."

This project was prepared during the 1975-76 interval at the New York branch of Kissinger's London (Chatham House) masters, the New York Council of Foreign Relations. The papers were assembled under the direction of future Secretary of State Cyrus Vance and future National Security Adviser Zbigniew Brzezinski. The Carter administration carried out the policies of these papers, including the 1979 appointment of a Federal Reserve chairman, the Paul A. Volcker who announced that he regarded "controlled disintegration of the economy" as an acceptable policy.

Phase 5: Deregulation of banking and transportation.

Circa 1978, the Carter administration moved to bankrupt the nation's prosperous airlines and trucking industries, and many smaller communities of the nation, by pushing deregulation through the Congress. Today, we observe the results of that. Banking deregulation, the key to the 1980s wipe-out of the nation's S&Ls, and of the leading commercial banks, too, was set into motion in 1978, by the proposal to allow the Hongkong and Shanghai Bank to take over the New York-based Marine Midland Bank.

The issue of the HongShang takeover was essentially this. By allowing the drug-money-laundering banking system of the British Commonwealth's "offshore" zones to take over U.S. banks without full audit transparency, the Carter administration, and Federal Reserve Chairman Volcker, opened up the U.S.A. not only for full-scale flood of illegal narcotics, but a takeover of our financial system by the financial institutions behind the Asian and South American drug-lords. It happened, just as this writer and his associates warned back in 1978 and 1979.

Phase 6: 1982 Deregulation.

The last major phase of the collapse of the U.S. economy was set into motion in 1982. Once that year had ended, certainly by the summer of 1983, the U.S. banking system was doomed to plunge into successive waves of bankruptcy, with ultimate results for the entire banking system, and the economy as a whole, far worse than President Herbert Hoover's Great Depression of the early 1930s. By the second half of 1987, a new depression was in full swing.

August-October 1982 was the last chance to save the U.S. banking system in its then-existing institutional form. On that issue, this writer was on the front line, trying to save the banking system which did not seem to wish to be saved from its own acts of mass-suicide down the road.

During the months of June and August 1982, this writer produced a book-length special report, entitled *Operation Juárez*, which was delivered at the beginning of August that year. This report had been prepared at the May-June request

of certain key officials of Central American and South American governments, as an action package for the case of a financial blowout which the writer had forecast to hit Mexico and other states no later than September 1982.

In August 1982, the crisis struck as this reporter had forecast throughout the preceding months. For several hours, approximately, the international financial system hovered at the precipice of a global chain-reaction collapse. U.S. President Ronald Reagan's telephone conversation with Mexico's President José López Portillo arranged stop-gap action to delay the crisis.

Mexico's President acted at home, taking first steps along the lines proposed by *Operation Juárez*. Unfortunately, under pressure from a savage gang led by former U.S. Secretary of State and British foreign intelligence agent Henry A. Kissinger, the governments of Argentina and Brazil withdrew their backing for Mexico. Kissinger flew to Mexico, to meet with President López Portillo and his successor, Miguel de la Madrid. The measures which could have saved Mexico from usurious looting by Kissinger's fellow hyenas were terminated. The collapse of the U.S. banking system, which *Operation Juárez* would have prevented, was merely postponed, and made inevitable.

A U.S. Congress apparently gone mad rammed through support for the policies of Kissinger and for the insane banking deregulation measures supported by then-Vice President George Bush. So, as long as the lunatic Kissinger and Bush financial policies of 1982 remained in force, the U.S. financial system must continue to fly ever-nearer to the precipice. Beyond that is no mere depression-level financial collapse, nothing relatively as mild as Hoover's Great Depression of the 1930s. What is now visibly in progress, already at the verge of terminal collapse, is a disintegration of most among the principal financial institutions of the Anglo-American financial system—worldwide.

Since that autumn of 1982, we have already experienced the spring 1984 banking crisis, the October 1987 collapse, the 1988-90 collapse of those eaten-out carcasses which remained of the pre-1979 savings and loan industry, and now, a growing roster of leading financial institutions which are "brain dead" relics maintained solely by the Bush administration's taxpayer-funded life-support system.

The intellectual decay of management

The mayfly celebrity of a dangerous idiot, Harvard University's economics professor Jeffrey Sachs, is, like a fresh, epidemic outbreak of herpes, a sign of a deep, perhaps mortal mental illness pervading the currently reigning "yuppie" generation of Anglo-American economic life. The quality of competence we associated with high-performance industrial-corporate management as recently as the early seventies, is past retirement age. Their replacements in top posts, during the late 1970s, were, on the average, intellectually inferior in every way; the next wave of promotions following that,

during the middle to late 1980s, was chiefly pathetic by comparison with all predecessors. Sachs, and his milieu at Harvard, MIT, and elsewhere, typify the very worst results of this pathetic, downward trend in mental and moral qualities.

The nature of this mental and moral decay is typified not only by the phenomenon of a vicious ignoramus like Sachs; prior to the late 1970s, only a handful of querulous economics illiterates would have been duped into admiring something as banally fraudulent as Professor Milton Friedman's "Free To Choose" television series. In a saner time, when average concentration-span was significantly longer, the babbling of Britain's former Prime Minister Margaret Thatcher would not have been tolerated.

At first inspection, the cause of this collapse in the intellectual quality of our population has been neither genetic nor accidental. In short, the cause is "Buggery," perpetrated by "Buggers" ranging from William James and John Dewey, through Bertrand Russell, H.G. Wells, the American Family Foundation's roots in MK-Ultra, Brigadier John Rawlings Rees's London Tavistock Clinic network, and the Communist International project of subversion commonly known as Theodor Adorno's and Hannah Arendt's "Frankfurt School." The names of the projects by which the intellect and morals of the U.S. population were intentionally destroyed, include Hollywood, the "Radio Research Project," "soap opera," and the "rock-drug-sex counterculture," the "new math," "sensitivity training," and related mass-brainwashing modes.

This destruction of a large margin of the previously existing intellectual powers, and moral qualities of so large and widespread a ration of the post-1963 youth generations of the U.S. population, has been the explicitly intended result in a process of cultural subversion which began much earlier than CIA director Allen Dulles's adoption of a British intelligence-directed, mass-brainwashing project known by such official names as "MK-Ultra." The forerunners of MK-Ultra include such Communist International-designed subversion projects as the "Frankfurt School" of Theodor Adorno, Hannah Arendt et al., and also, related to the "Frankfurt School" the center of satanic orgies known as the mobster-directed Hollywood film and TV production colony. The 1963 launching of the mass-recruitment phase of the Tavistock-linked, Crowleyite, rock-drug-sex counterculture had roots older than the freemasonic "Young America" cult of satanic Giuseppe Mazzini and that treasonous degenerate Albert Pike.

The famous, thread-bare aphorism is, "whom the gods would destroy, they first make mad." In truth, whom the Satanists would destroy, they first seduce into destroying themselves. It is the same thing, in appearance, in the end. Your greatest enemy sits there staring at you, luring you to your mind's self-destruction; it is your television set. That television set, and the imagined countercultural pleasures which it symbolizes, is your fatal, Faustian pact with Satan.

Kennedy's promise development of

by Arturo Frondizi

The following excerpts are taken from the speech delivered on June 14, 1989 by former Argentine President Arturo Frondizi at the Argentine Academy of History. In it, Dr. Frondizi, who was President during 1958-62, reports on his conversations and collaboration with John F. Kennedy in 1961 and 1962, particularly on matters relating to the economic development of Ibero-America and the role of the Alliance for Progress. Dr. Frondizi's speech was later published in a pamphlet entitled "The President Kennedy I Knew."

I had the privilege of knowing John F. Kennedy with whom I had two meetings. The first took place during my second trip to the United States as President on Sept. 26, 1961. Kennedy flew to New York and we met at the Carlyle Hotel.

The profound admiration and esteem I felt for him was consolidated and strengthened as a result of the frank and lengthy dialogue we held. We exchanged ideas about hemispheric problems, and the American President discussed important aspects of the world situation as well as his thoughts about how to deal with them.

I placed special emphasis on the Latin American situation, on the seriousness of its problems, and on the urgency with which necessary solutions had to be applied. I expressed my disagreements with the Alliance for Progress's welfare focus, although I recognized the substantial contribution the program would make. We agreed on the dangers resulting from communist agitation and other extremisms, but I made no concession on the issue of repression [of Cuba] whose only outcome would be to stimulate tensions it sought to suppress.

I frankly explained that the [U.S.] policy applied to the Cuban problem would only lead to the continent's popular and democratic governments confronting the pincers' movement of the left and the extreme right.

I trusted, and said as much, that the solution to the Cuban problem consisted of urgently and effectively putting into place the plans for the Alliance for Progress. It was necessary to give the Latin American nations concrete proof that democratic regimes and Inter-American cooperation could create the conditions for their rapid development—otherwise offered them by communist propaganda.

We carefully analyzed our bilateral relations. Kennedy's

for the economic Ibero-America

idea was also mine: cooperation in the economic realm and independence and respect for self-determination in the political.

It was evident that never had Argentina's relationship with the United States reached such a high level. This was not the result of a simple agreement among governments. On the contrary, it was based on the dynamic role of the Argentine development process encouraged by the country's private and public capital.

My government thought that bilateral cooperation had made great progress but had yet to attain its optimal level. I thought that a political decision at the presidential level was indispensable to give this a real impetus. Moreover, that political decision had to evaluate the really difficult problems as well as the action of those general interests which hindered programs in the developing nations.

The El Chocón [energy development] project was an Argentine priority and it served as a type of symbol for the continent's development plans. Explaining its objectives, I told the President that El Chocón was an essential project for our national development, because it was the basis for the country's decentralization and could open up the richest half of the republic for development. I emphasized that it wasn't my intention to discuss technical details but rather to request the political support of the United States in order to build under more favorable conditions a project to which my government was already committed. In my message to the Argentine people on Oct. 9, 1961, I discussed this crucial project. "President Kennedy appreciated the profound significance for our national development which the building of the projects of the El Chocón system has, comparing it in importance to the development of the Tennessee Valley in the United States, built by the [Franklin Delano] Roosevelt administration to pull that vast region of the country out of stagnation."

I was deeply moved by Kennedy's fervent support for the cause of the Argentine people. I wish to remind you of what he said at the end of our meeting: "Mr. President, I want you to clearly understand what I'm going to tell you. Argentina's triumphs and failures are the triumphs and failures of the United States. Your success is our success. In that sense, the United States is irrevocably united with Argentina. On that, Dr. Frondizi, you have the word of the President of the United States."



Arturo Frondizi while he was President of Argentina (1958-62).

The first meeting was a private one held in the presence of the State Department translator. When we left our voluntary confinement and met with the advisers who were waiting in the next room to continue our deliberations, Kennedy looked at me smiling and said in a loud voice, "You're tough, very tough." Seeing by my response that the translation was incomplete, he added with a charming accent, "*Fortisimo*," and ended in English, "Now I know why you've survived so many attacks." I answered him right away: "That is the strength which I'll apply to make the Alliance for Progress a reality. . . ."

The second meeting

. . . On the morning of Dec. 24, 1961, Christmas Eve, President Kennedy greeted me at the Palm Beach airport. He quickly brought me to the car that would take us to his private home. . . .

We met alone, on President Kennedy's express orders, as he wanted to keep everything we discussed in the strictest confidence. The precautions he took for that meeting were a clear indication of the severity of the pressures he felt. More than ever, the tone of the meeting was one of total frankness.

As I had done previously with Ambassador Adlai Stevenson in Trinidad, I insisted on my thoughts on the Cuban crisis. The possibility of sanctions in the form of a collective break, by consolidating Cuba's isolation could determine that country's complete incorporation into the Soviet sphere, without the possibility of returning to the American community. I told Kennedy what, in my view, was the correct approach: Strengthen the continental system but through the positive route of representative democracy. Looking toward the convening of the Punta del Este conference, there were only two appropriate solutions: 1) an intense work of consultation among the American foreign ministries to seek a solu-

tion which would have the support of all countries, thus avoiding a split in the hemisphere which would only benefit Cuba; and, 2) a decisive, effective, and immediate push for the Alliance for Progress.

Another key issue discussed in that meeting was, logically, the Alliance for Progress. Kennedy was enthusiastic over his project. I told him that I had defended the program publicly because of its good and noble intentions, but that in private I would state all the objections I thought necessary.

I explained that the poor peoples of the world, among them those of Latin America, didn't need charity but capital for their development, and that the Alliance for Progress was a social welfare project. As an example, I mentioned that he was proud because he was going to send millions of dollars to Bolivia to build 100 schools, but I asked with what money would Bolivia pay its teachers and how parents would buy food for their children, or the clothing and other items they would need for school. I noted that if, instead of building the schools, he were to send investment capital for the purpose of building 100 factories to industrialize that country's raw materials, this would be a way to offer employment to the workers and then the country could build 1,000 schools. He listened intently and, with the humility of great men, said after five hours of conversation, "Mr. President, you have convinced me. From this moment on, your ideas are also mine."

He asked me to tour Latin America to explain the plan. I told him I would be pleased to do so as long as the plane carrying me from a country would be followed by another plane landing with the capital necessary for that country's development. The President asked me to send him a memorandum from Buenos Aires outlining the specific projects which we had discussed. I remember that he took paper from his desk and wrote down an address and the name of a trusted friend to whom I should send my correspondence. He decided to do it through one of his personal friends and not through the Embassy, because he didn't want either the State Department or the CIA or Pentagon to know about what we had discussed; he hadn't even allowed an interpreter to be at this meeting.

Later he accompanied me to the plane which would take me to where my delegation awaited me.

During that trip, some bystanders from that luxury beach resort weakly applauded him. Looking at them, Kennedy told me sadly, "Mr. President, those people don't like me, they hate me and wish to see me dead; those people will have me killed." These were prophetic words. He was assassinated on Nov. 22, 1963.

The Alliance for Progress

On March 13, 1961, in a famous speech, President Kennedy announced the launching of the "Alliance for Progress," in which he discussed the problem of continental underdevelopment in all of its dramatic dimensions. . . .

This plan reflected concern over the problems of social development. It was a political response to the political problem posed by the Cuban challenge. It denounced the evils of social injustice, translated into deficient nutrition, disease, illiteracy, lack of dignified housing, and the feudal structure of rural landowning. The President of the United States called on Latin America's governments and political classes to fight these ills. I embraced Kennedy's message and shared all of its positive aspects, but underscored the criteria by which the Argentine government was dealing with the problem of underdevelopment. . . . I always insisted that all the funds available for helping the underdeveloped countries had to concentrate on investments for the economy's structural development and be channeled into basic sectors and infrastructure—energy, steel, communications, etc. within the framework of national integration and full expansion of every community's potential resources. . . .

Kennedy's death

On Nov. 22, 1963, with John Fitzgerald Kennedy the world lost the possibility of advancing toward a solution to the plagues of hunger, ignorance, and servitude. He was aware of the abyss between the industrialized countries and the developing ones; he knew how to fight [against these plagues] and because he was the President of one of the world's great powers, he was in a position to put his plans into effect. . . .

The United States lost a great President. Latin America lost a friend; the world was deprived of a man who was determined to fight against injustice.

On Nov. 22, 1964, in Quemú-Quemú, a remote little town in La Pampa province in a corner of our country, we paid homage to that great man by placing the first stone of a monument to him. Given our friendship, I was asked to speak.

On that day I said, "This will be the first monument to John Kennedy built in the Argentine Republic. There is deep symbolic meaning in the fact that the site chosen is this little town in the Argentine pampas. Here, as in few locations, the intimate contradiction of the Latin American continent is felt, that which Kennedy felt so deeply and for the overcoming of which he offered his own life in sacrifice. Here we face the reality of underdevelopment and the potential which Latin America's wealth embodies. In this little corner of our Fatherland many of those Latin Americans for whom Kennedy sought a better future free of misery, hunger, and fear, struggle with their daily lives and concerns. . . .

"Kennedy was a leader of all peoples. And that is why when the hatred of his enemies killed him, he was mourned by hundreds of millions of men and women who had placed their hopes in him and who believed that after his death a somber twilight extended over the world which illuminated the nobility of his ideals and the great passion which he reflected. . . ."

Book Reviews

Can our Republic survive?

by Nancy Spannaus

The Debate on the Constitution

ed. by Bernard Bailyn

Literary Classics of the United States, Inc., The Library of America, New York, 1993

Vol. I, 1,214 pages, hardbound, \$35; Vol. II, 1,175 pages, hardbound, \$35

In these days, when history lessons are being given by videogames, and primary sources being replaced by free copies of the *New York Times*, it is a pleasure to find that compilations such as *The Debate on the Constitution* are still being published. For Bernard Bailyn has brought together in one place a strong representation of the discussion which permitted the ratification of the longest-lasting constitution of any government in human history, that of the United States of America.

When one thinks of the debate on the Constitution, one thinks primarily of the *Federalist Papers*, which were serialized in newspapers throughout the states during the ratification conventions. But, as Bailyn's work demonstrates, those essays were only a small part of the public debate. Bailyn's collection includes many of the prominent opponents of the Constitution, such as George Mason, Patrick Henry, and many anonymous authors. It is clear throughout that all participants are operating from a common educational background that included a study of Greek and Roman forms of government, as well as political theorists like Montesquieu.

Clearly, these volumes will rarely be read from cover to cover, but rather used for reference. This reviewer has not read them in full. But they are a very important resource, and I would recommend them for every academic or public library, in addition to the personal libraries of those committed to political organizing in depth.

The challenge we face today

In the course of the polemics recorded here, one is reminded once again of the shallowness of political debate in

America today. Indeed, our public education system barely educates a small percentage of our youth to be able to read the documents of this most essential debate—which are undoubtedly written at what would be rated a far higher grade level than high school senior. Because of this failure of education, it is possible for political ideologues today to misrepresent our system of government as a “pure democracy,” for example, rather than the republic which it was conceived to be.

The weekly Sunday newspaper feature prepared by Universal Press Syndicate and published around the United States on Sept. 19, of this year, is a case in point. Entitled “Greek Democracy and Us,” the insert argued that our Constitution, Declaration of Independence, and Bill of Rights were based on Greek democracy. Yet, a reading of these debates, as well as a broader knowledge of history, shows this presentation to be a fraud.

Not that many of the opponents of the Constitution didn't want our form of government to be a democracy. Many of our populists today would recognize themselves in the language of those polemicizing against the Constitution. They would have to confront the fact that their historical heroes—Washington, Hamilton, and Madison—were on the other side, arguing against a system of government which could *not* rise and fall with the whims of popular referenda, or other popularity contests.

In fact, our nation became the most free and technologically advanced on earth because it rejected the models of aristocracy and democracy, and sought to use the centralized powers of the government for the republican goals of ensuring prosperity, domestic tranquility, the common welfare, the common defense, and the blessings of liberty to our posterity. The clearest exposition of these questions, it appears, remains that contained in James Madison's Federalist X, but it is interesting to note the inadequacy of the debate even then. How much worse off we are today, when so few think of a standard for government distinct from their immediate pleasure or pain!

Government reflects the population

The most profound point, not surprisingly, appears to have been made by Benjamin Franklin himself, in the opening statement of Volume I. Franklin's remarks recommending the Constitution are quoted with the following statement included: “. . . I believe farther that this [form of government] . . . can only end in Despotism as other Forms have done before it, when the People shall become so corrupted as to need Despotic Government, being incapable of any other. . . .”

In other words, a republic does reflect the character of its citizens. As we improve our character, we shall improve our government. We shall find the problem does not lie in form, but in our willingness and ability to fight for the principles so well enunciated in our Constitution.

The 30-year breakdown of the U.S. economy

by Chris White

Could the United States go the way of Russia? Could there be a point, perhaps in the coming years, before the end of the century, when, as Russians found during that morning in August 1991, the "system," which they had taken for granted for so long, disappeared, almost overnight?

Not a fitting subject, it might be thought, for a review of the U.S. economy at year's end 1993. Yet, without fundamental changes, that is precisely where the United States is headed.

The international spread, from New York City, of the cancer of derivatives, is one of the year's signposts of this course of events. Another is the institutional reaction to the once-in-500-years flood which devastated the Upper Mississippi and Missouri river valleys during the spring and summer.

It can be said that any nation which tolerates the spread of an evil as pernicious and insane as that represented by financial derivatives, has lost any mooring in higher purpose or morality that it might once have had.

When that toleration is combined with the obscene insistence that "non-constructive" means be employed to rebuild from the effect of the floods, that once-productive communities be dismantled and paid to dismember themselves, and that land, won from nature for human cultivation and habitation over more than 200 years, be permitted to revert to its so-called pristine purity, then one has to ask: Just how much longer can this insanity go on?

For, it can be proven, such practices, and their broader toleration, are as much of a violation of the Creator's law to "go forth and multiply, replenish the earth and subdue it" as communism in Russia was. It was in March 1993 that jailed presidential candidate and world-renowned economist Lyndon LaRouche proposed that transactions in financial deriva-

tives be subjected to a tax of 0.1% on their notional value. Over the course of the year, LaRouche and his associates did indeed push the matter of derivatives onto the international agenda, as well as that of several individual countries, in a new way.

But, nothing has thus far been done to bring under control the threat represented by this insane concoction from the world of the financial powers that be.

How can such a failure be noted as a litmus test of a nation's capacity to survive? The answer is very straightforward. No one, outside the ranks of a few, seems to have any comprehension of what the derivatives insanity actually represents, and what LaRouche's tax was designed to achieve. What might that mean? That no one knows any longer what they are talking about on these questions. Their lips move, words come out, but, by and large, the results bear less correspondence to reality than do certain experiments which have been concerned with teaching chimpanzees how to write, or otherwise communicate.

The proponents of derivatives, such as Paul Volcker's Group of 30, J.P. Morgan, Citicorp, and their apologists at the International Swap Dealers' Association, insist that those of us who so much as question what they are doing are hopelessly naive, dangerously out of touch, ignorant about how the modern world works, and unaware of the great benefits that accrue to all of us by adopting their methods of managing so-called "risk."

This is no different than what the same people said not so long ago about the great benefits that would accrue from leveraged buyouts, bank real estate lending, savings and loan involvement in money markets, and Third World debt, and, they say, we have learnt the lessons of those events. With our new methods we can ensure that it doesn't happen again.

So, as the year draws to its close, various agencies are releasing estimates which conform to what we insisted, when the notional value of derivatives was estimated at \$4-5 trillion, that no one knew what the size of the problem actually was.

For over the month of November, it was first reported that derivative exposure of banks was in the order of \$7.5 trillion, and then the Office of the Comptroller of the Currency, part of the Treasury Department, and thus part of the U.S. government, reported its finding that such exposure was nearer \$12 trillion. This is roughly the same as the total accumulated debt of the U.S. economy as a whole, and nearly twice the size of the Gross National Product, so-called, and three times the size of the federal government's debt.

How can it be that a pile of liabilities, whose extent is still not fully plumbed, sprang up, from relatively nothing in 1987, to at least \$12 trillion six years later, and no one noticed; no one wanted to know, hey, what on earth is going on here? What are you characters getting us into now?

How come the decision to employ so-called non-constructive means in the Upper Mississippi and Missouri river valleys has not been greeted with howls of protest? It is a long way from the coastal centers of population, to be sure. It is the land of farmers, and the communities which service farm labor, the concern of a mere minority, according to some. It might have some effect on the food supply, and food prices, but now we've got derivatives, so that can be handled. We can hedge against the effects of price movements, and as for those who don't have enough food, and can't afford to buy it, they do not count. They, two-thirds of the world's population though they may be, do not constitute "effective" demand. That kind of decision signifies that there is no longer existent any commitment to defend the integrity of the United States as a nation. That might sound extreme, perhaps, but it is nonetheless true.

The logistical heart of the nation

The area bounded by Paducah, Kentucky and Cairo, Illinois in the south, where the Ohio River meets the Mississippi, to the confluence of the Illinois River and the Mississippi in the north, near Grafton, Illinois, cut in two by the intersection of the Missouri and the Mississippi, constitutes the logistical heart of the nation, and therefore, given its sheer size and topographical and industrial layout, its economic heart also. The four rivers which come together there are the means whereby, over more than 200 years, successive generations have bound the cities and settlements of the coastal regions to the north, east, south, and west into a functioning whole. Still, to this day, more than 50% of the U.S. population lives within less than 100 miles of a coastline, whether that be on either one of the oceans, the Gulf of Mexico, or the Great Lakes.

The confluences of the great rivers of the country, on that single stretch of the Mississippi, are the key nodal points in the entire ground transportation system, such as it is, and

1960s plans for plentiful power, water in the 1990s

In 1958, President Dwight Eisenhower addressed the United Nations on the subject of water and power development proposals for the arid Middle East: "The ancient problem of water is on the threshold of solution. Energy, determination, and science will carry it over that threshold" (U.N. General Assembly, Aug. 13, 1958). At the same time, government and private plans were in the works for guaranteeing that water and power infrastructure development projects would be advanced in the United States—and for continental North America—to be sure that the United States, Canada, and Mexico would have a continuing supply of plentiful water for the 21st century.

In 1962, the book *Project Plowshare* presented the ways in which atomic power could provide energy and earthmoving muscle to build the water systems, ports, canals and other big projects to further economic development (Washington, D.C.: Public Affairs Press, 1962).

In 1966, the book *The Coming Water Famine* was released by Texas lawmaker Jim Wright, advocating the North American Water and Power Alliance (Nawapa) approach (New York: Coward McCann, 1966). Wright later became Speaker of the House of Representatives and was driven out of office by scandals in the 1980s. Wright credits Donald McCord Baker, former water planning engineer for Los Angeles County, with the original idea for Nawapa, and reports that Baker enlisted the Ralph M. Parsons Co. to develop the proposal.

thus in the national organization of production and distribution over a territory which extends about 3,000 miles east to west, and 750 or so miles north to south. To found a so-called policy on the grounds that nature has first claim over this area, is to assert, in effect, that human activity will not be defended there, unless humans submit to the periodic ravages of the uncontrolled and unrestrained rivers that come together there. While at the same time, refusal to act against derivatives, asserts further that human activity will continue to be subordinate to whatever usurious looting swindles the financial community dreams up.

No surprise then, that such excitement continues to reign over monthly movements in reported unemployment, while government series show that for 10 years, the full rate, in-

cluding discouraged, part-time, and so on has not dropped much below 17%. Or, that monthly increases in food stamp recipient numbers show more than one-quarter of the nation's households enrolled in the program. Or, that poverty levels, from official, wildly contentious reports, have returned to what prevailed before John F. Kennedy was elected President. All, while the leading, useless indicator, Gross National Product, continues to grow.

Perhaps other events, or developments, could be chosen to characterize the past year. But these two—the failure to act on the matter of derivatives and the failure to defend achievements out of which a very nation was built—highlight what has gone abysmally wrong. LaRouche and this magazine have insisted, over months, and indeed, since summer and fall 1983, what potentialities were being set loose in Russia. LaRouche has warned, since the summer of 1991, what the foreseeable effect of the application of the so-called shock therapy reform policies associated with Jeffrey Sachs and the International Monetary Fund would be, given the predominant culture of Russian society. This past year seems to have been, once again, the year in which, on the Russian question, LaRouche was proven right, and all those who opposed him dead wrong.

But, those who have opposed, disagreed, or have chosen to follow their agenda of the “New Condominium,” ought to look over their shoulders at these United States. If they've been wrong on Russia, why should anything they take for granted about the United States in the world, have any lasting validity either? Are not such opinions ultimately to prove as delusionary and as worthless in effect? Don't errors made, consistently, about Russia, reflect the reality that their whole way of thinking about everything, starting from their own backyard, is wrong, and therefore, every particular judgment made, or conclusion drawn, from that false way of thinking has to be wrong too?

The emperor's new recovery

But, it has been objected, the United States is the mightiest economic power on the face of the earth, the strongest, most productive economy the world has ever seen. The United States, it is said, is in the early phases of a new economic recovery, emerging leaner and more competitive, from the “restructuring” of the past decade. This reviving U.S. economic power is supposed to be the basis for continued U.S. global power and what is euphemistically called our world leadership role. It might be remembered by those who so insist, that it was not so long ago that communist-ruled Russia had its “restructuring” under the banner of Gorbachov's perestroika. It might also be remembered how the citizens of Hans Christian Anderson's story admired their emperor's suit of new clothes.

Look at some of the idiotic fairy-tales which are continually issued to beguile us, and the rest of the world: We are in a recovery because we have lowered interest rates. Lower

interest rates cheapen the cost of credit, permitting everybody from Citibank's John Reed to the holder of one of John Reed's credit cards, to rebuild their balance sheets. Lower interest rates and rebuilt balance sheets combine to stimulate household consumption. Increased demand from households revives producing industries which have to provide the supply. The revival of producing industries will create jobs, though so far, it is admitted, we have a jobless recovery. But be patient, lower interest rates will work their magic eventually. All this, in the global context of “free trade agreements” and regional associations, such as the North American Free Trade Agreement (NAFTA), will ensure continued prosperity, as long as the government keeps its deficit under control, so as not to provoke any rise in interest rates, which would reverse the whole process. This has been the refrain of Federal Reserve Chairman Alan Greenspan over the last period. And he is not the only one.

This string of formulas functions as a template on which all economic policy discussion hangs. In this insane world, every little dropping, out of any agency or official or corporation, is referenced back to the supreme question: What will the effect be on interest rates, and how will the bond market respond, on long-term interest rates, on short-term interest rates? Because, it is presumed, that is what governs the cycle which starts with the perception of expansion of consumer demand. So we go from cycle to cycle, because the expansion of demand leads to over-heating, which leads to increases in interest rates, has negative effects on stock markets, and other sources of money, and we go back into recession.

Why no one has yet stepped forward to declare that this phenomenon is no longer a problem, because we now have derivatives, which permit us to manage such risks, is quite beyond the limits of imagination. Why those who insist that derivatives are the best, most wholesome, invention since sliced bread, are among those afraid of the effects of interest rate increases “at some point in the cycle,” is a good indicator that the sales job they have been doing for their “product line,” and its capability to manage “risk,” is just that, salesmen's patter.

Count them, backwards, or forwards, it doesn't matter. The oil shock-induced recession of 1973-74, the Arthur Burns-organized recovery, based on promoting consumer spending, which led to inflation, which led to Paul Volcker's high interest rates, and the recession of 1979-82, which led to “the longest sustained recovery” in U.S. history, which led to recession, which the country officially began to come out of in 1991. This nonsense affects everything and everyone. “At this stage of the cycle, we would expect. . . .” “At this stage of the cycle we ought to be seeing. . . .” “Given the stage of the cycle we are in and the impact of the President's tax increases, we should begin to see the economy slowing down sometime between the end of the second and the beginning of the third quarters of 1994.” “Economists are puzzled that at this stage in the cycle the strength of the recovery has

not yet begun to make itself felt in the employment picture.”

Of course, if you believe the chatter, then the twelvefold increase in six years of a new class of financial liabilities is merely testimony to the wealth-creating powers of markets unleashed and left to regulate themselves according to the laws of the cycle, and the requirement that money, or the smell of money, be permitted to flow from cheapest source to best return, unhindered by any consideration or contrary priority whatsoever. And the worst devastation in 500 years represents a good buying opportunity for consumer goods stocks, because all those people who were flooded out have to replace their furniture and appliances, and the farmers need new machinery, and it will all strengthen the fundamentals of the cycle.

Anyone who is actually capable of submitting his mind to that kind of psychotic straitjacket is actually no more capable of dealing with real ideas and the real world than were the bureaucratic leaders of restructuring Russia prior to August 1991. Because a mind so degraded that it can do that, will also assimilate all evidence that it is crazed, as proof positive that its beliefs are right, absolutely correct, and have been all along. All contrary indications can be made coherent with the cycle theory; after all, they are part of the cycle, aren't they? What goes around, comes around. So such people, if they keep to their idiotic nonsense, will turn out to be as incapable as Russia's former rulers were, of reading what is going on right under their noses. After all, as the communists used to insist, it's all part of the plan.

You see, there isn't any recovery. There isn't a recovery gathering steam out there somewhere right now, whether it's in the floating casinos on the Mississippi, or the bank accounts of householders in Teaneck, New Jersey, or San Leandro, California. There wasn't any "longest, sustained recovery in economic history" which began sometime between 1982 and 1983, to be sunk eventually by George Bush's tax increases. Nor was there any consumer-led recovery, organized by the genius of Arthur Burns in the 1970s. These events, which we have either been going into, or coming out of, for 20 years now, didn't actually happen at all. They weren't real.

How come the peak of each "recovery" phase is lower than that of the recovery phase which preceded it? Because the stuff and nonsense about "cycles" is as much pure bunk as the stories about successive recoveries. If environmentalists were really serious about what we are doing to trees, they could do us all a favor by getting every newspaper in the country shut down which reports this stuff. The interest rate-driven, consumer demand-led "business cycle" does not exist. It is a piece of hokum, like the tooth-fairy.

So, the case of derivatives: Assume the rarity, someone who knows there's a problem out there that is running out of control, and might do much worse than that, and probably will, given the track record of those involved. Say to such a person, look, there's a difference between the real economy

and this financial stuff, we can agree on that, can't we? And the answer will probably be "yes, of course." But what is agreed on? Nothing, because absolutely nothing behind the words is understood. Where do you find yourself? Right back in the midst of the "economics" of the business cycle. Or, yes, of course we *should* rebuild in the Upper Mississippi Valley, just as we should have rebuilt in Los Angeles, or Homestead, Florida, or even Charleston, South Carolina. But we haven't got the money. We can't afford it.

Behind the cycle nonsense, the crass stupidity that keeps on coming up is money—that economy is about money, its availability, its cost, the return on it, and the idiotic idea that you can't do anything, as a nation, without it.

What distinguishes human beings

Something thereby gets left out of the picture. What might that be? Mankind. Except for LaRouche and his associates, there is no one else in the world who can present the case that economy is human activity. Yes, ants do have social organization, and an ant-like functional division of labor. Yes, chimpanzees do use tools to help with the daily round of being a chimpanzee. But neither ants, nor chimpanzees, nor any other of the lower life forms, have been endowed with the individual capacity to use their minds to create and improve tools, or develop a division of labor, that their species might continually improve itself. To say that man, individual man, is not at the center of the process of improvement of himself and his own existence, which is economy, is to say that man is subordinate to something other than himself, be it mumbo-jumbo about cycles, money or whatever. It is to insist that man's identity as self-improving species is limited and constrained, that he, then, is not who he is, but just another creature, no different than the lower beasts, because the worth of his individual brief span of life is not measured by his potentially enduring contribution to the improvement of the species as a whole.

On those grounds, Russia's former communists and the elites of the West have more in common than meets the eye. The one suppressed the individual in the collective restraints of a brutal police state, the other suppresses human individuality in fostering the brutal conformity of egotistical "everyone for himself" hedonism, the life-boat economics of the 1980s. In the one, the individual is subjected to a commonality enforced by repression; in the other, any conception of a higher purpose which binds man to man, whether that of family, community, nation, or religion, is dissolved through the competitive assertion of the "I" against everything and anything else. The common features of these apparently divergent methods are what ensure that without fundamental changes, the United States will, sooner or later, itself go through the process of dissolution that communist Russia went through in 1991.

Most people no longer have a reference point in their lives for any such considerations. The population ages, and

Dr. King saw economic buildup as key to justice

Dr. Martin Luther King, Jr., in organizing for civil rights, frequently spoke on the necessity for a just economic program for the United States. The following comes from the chapter, "The Days to Come," in the book *Why We Can't Wait*, which was released 30 years ago (New York: Harper, 1963):

"Civilization, particularly in the United States, has long possessed the material wealth and resources to feed, clothe and shelter all of its citizens. Civilization has endowed man with the capacity to organize change, to conceive and implement plans. . . ."

Dr. King called for a "Bill of Rights for the Disadvantaged." He said, "While Negroes form the vast majority of America's disadvantaged, there are millions of white poor who would also benefit from such a bill. The moral justification for special measures for Negroes is rooted in

the robberies inherent in the institution of slavery. Many poor whites were the derivative victims of slavery. As long as labor was cheapened by the involuntary servitude of the black man, the freedom of white labor, especially in the South, was little more than a myth. It was free only to bargain from the depressed base imposed by slavery upon the whole labor market. . . ."

"It is a simple matter of justice that America, in dealing creatively with the task of raising the Negro from backwardness, should also be rescuing a large stratum of the forgotten white poor. A Bill of Rights for the Disadvantaged could mark the rise of a new era, in which the full resources of the society would be used to attack the tenacious poverty which so paradoxically exists in the midst of plenty. . . ."

Dr. King called for full employment in building the national economy. "The energetic and creative expansion of work opportunities, in both the public and private sectors of our economy, is an imperative worthy of the richest nation on earth, whose abundance is an embarrassment as long as millions of poor are imprisoned and constantly self-renewed within an expanding population."

as it ages, those whose knowledge stretched back to days gone by, when things were different, pass on, and the survivors are left with their memories of those who knew, to pass on through family or other means, and the quality of the culture is attenuated. So it is in our time. There are two defining moments, for people of a certain age; three for those of an older generation. Most, out of childhood at the time, know precisely where they were, and what they were doing, at that moment, 30 years ago now, when President John F. Kennedy's assassination was reported to the world from Dealy Plaza in Dallas. And again, later, when no credible solution to that crime was forthcoming from the highest levels of the country, everyone old enough knew, whether they wanted to admit it or not, that we had a big problem on our hands, if such a monstrous thing could be done, and then covered up. Most of those, and some others, also remember that moment, in the summer of 1969, when Neil Armstrong took his "one small step for a man, one giant leap for mankind" and stepped off the ladder of the Apollo spacecraft's lunar module to raise the Stars and Stripes on the surface of the Moon. At that moment, the project Kennedy had launched when he called on the nation to make the commitment to put an American on the Moon, within the decade, had been brought to fruition. It was a project which involved us all, a project whose success was a victory for us all. For an earlier generation, VE-Day 1945 is similar, a day that lives in memory, precisely because it also affirms that the higher purpose which unites us all as humans is knowable,

and does exist, no matter what anyone else says to the contrary.

Such considerations not only tell us that individuals can and do contribute to a higher purpose, but they also tell us, if you want to comprehend what is going on, now, in the United States, you have to go back in time, 25 to 30 years, to days when things were organized differently—not perfectly, but differently. Though we have maintained some of the capabilities we developed to put men on the Moon, cities, such as Detroit, Newark, Los Angeles, Oakland, Hartford, also still do bear the unreconstructed scars of the riots of a generation ago.

Compare what went before with what changed, and how it changed. If you're too young to know, you should want to find out. If you're old enough to remember, it's your life, you changed too, becoming a different, lesser person, and the chances are, if you are honest with yourself, that you can remember the moments of decision in your life which mark that process of decline, just as clearly as you can remember the large-scale events which shaped the world in which you made them. And, of course, the rationalizations employed to justify them. It seemed like it was all for the best. It seemed like the lesser of various evils. There didn't appear to be any choice. "I knew it was wrong, but there was nothing I could do about it. I didn't want to do it, but I had to." Out of such seemingly small decisions, consolingly cloaking themselves with such justifications for impotence, tragedy, of classical proportions, is written for the life of nations and cultures.

1967 a turning-point

That is one of the reasons why we go back to the year 1967 to present material which refutes the insane garbage about the cyclical theory of the behavior of the U.S. economy. Because in a sense, 1967, the year of the "Summer of Love," "if you're going to San Francisco, be sure to wear some flowers in your hair," "turn on, tune in, drop out," "just do your own thing, man, don't get hung up about it," is the dividing line between the world which went before, and the world which came after, which we inherited. It was the year in which the rock-drug-sex counterculture emerged as a mass movement among the generation of baby-boomers, raised by Dr. Spock's method, who, a generation later, have risen to power in national institutions of all types. The year in which the rationality of the old moral values, under which a family could create better conditions of life for the children it was bringing up, than those known by parent generations, through skills acquired to facilitate productive work, began to be replaced by the utter lunacy of so-called spiritual self-fulfillment through the "trip into inner space," whether drug-assisted or not.

That year 1967 also, not coincidentally, happens to be the year in which the policy reversal, adopted after the assassination of President Kennedy, began to win out, over the recovery programs, such as the investment tax credit, or the space effort, which Kennedy had launched to pull the economy out of the "cyclical" recession that had been the outcome of the Eisenhower years. "Consumerism" and "re-distributing the wealth," ideas embodied in what became of Lyndon Johnson's Great Society program, began to win out over the older, alternate idea, that wealth production was the effective and equitable way to solve all such problems.

So, for both these reasons, 1967 happens to be a good bench mark to assess the direction of the U.S. economy, from which to situate the insanity of the propagandists of short-term cyclical theories. We will present this material under two main headings. First, from the standpoint of the family household and employment; second, from the aspect of the household's ability to produce the means of its own existence. We will show that there has been an across-the-board reduction of about 40% in the productive power of the U.S. household over the years since 1967. That such a decline has indeed gone in phases, which roughly correspond to the recession and recovery phases of the crazies. But, that each such phase actually represents a brief period of, so to speak, metastability, in a continuing, and accelerating downward spiral. At each phase, for example, called "recession," capacities developed over years, both in terms of capacities of the work force, as well as the physical capacity represented by various types of production and consumption, are lost. Each successive period of so-called recovery has represented an "adjustment," so to speak, to the newer, lower level of functioning. Things might appear to improve, for a while, but the capacities lost are not like winter clothing,

which can be put in the closet in the spring, and forgotten till next year. They cannot be brought back, unless someone does something to bring them back.

Thus, there has been no rebuilding of what has been lost during any so-called recovery phase. Thus, the peak of each such successive recovery phase has to be lower than the peak of the so-called recovery phase which preceded it. So the decline from capital goods production capabilities which could roughly provide for a nation's own internal needs, with some capacity for export, especially in areas such as power generation, chemical and petro-chemical processing industries—capabilities that shrunk during the '70s—to a sector, for example machine tools, largely supplying internal consumption of primarily consumer goods, like automobiles. The shrunken capacity, not capable of supplying the industries which used to export, then depreciated, without replacement, for the remaining capabilities it served, to disappear, in its turn, in the early 1980s. Leaving the industries thus exposed, unable to recapitalize themselves with plant and equipment, and thus unable to produce at what had been the earlier level. And, thus, the import dependency, looted out of the rest of the world, which has developed, over the recent so-called recovery cycles. This, to the point that once-existing capabilities of both labor force, and plant and equipment, have been destroyed more thoroughly than was done during the so-called Great Depression of the 1930s. And all in the name of successive "recoveries."

A real recovery

It is worth remembering that the depression of the 1930s was not really called a "depression" till it had been turned around by the mobilization of the economy for war. It too was seen, at the time, as a succession of coming out of, and going into, recovery and recession. The level of attrition and collapse permits rough, rule of thumb parameters to be set down to establish what an actual recovery would have to achieve, or project with reasonable certainty that it would, and could be achieved, before it could be considered to be a real recovery.

Assuming, in first instance wrongly, that what had been lost could be rebuilt, using the technological capabilities of the past, then employment in the manufacturing and raw materials processing sector of the economy would have to double, and more, from around 12 million people thus employed, to between 25 and 30 million people. That would require, in its turn, a doubling of the power and fuel supplied to industry, and a doubling in present capabilities of the transportation system to move goods through the system. Since, for example, industrial electricity use is about 30% of the 20,000 kwh total electricity consumed per household, doubling industrial use would mean increasing overall electricity consumption by roughly 60%. The transport system would have to handle 10-12 million tons of freight per year, instead of 5-6 million.

If technologies are employed to increase worker productivity, by the doubling which could readily be achieved by the extension of systems based on coherent energy applications to raw materials and intermediate goods processing, e.g., laser isotope separation and related processes, then the employment requirements for recovery would be reduced to between 6 and 8 million new jobs in the manufacturing sector; but this would not change significantly either the power requirements, in electrical terms, or the scale of freight movement the transportation system would have to be redesigned to handle. Under standing engineering cost estimates of the \$50,000 investment required to create one goods-producing job per year, the cost, in money terms, would be in the order of \$300 billion per annum.

Anybody who talks about "recovery," and isn't prepared to discuss from the standpoint of those kinds of crude parameters, does not know what he is talking about. He isn't even in the proverbial ball-park. But, he is playing the game the Russian communists played before August 1991.

Furthermore, the whole effort presupposes the existence of a cadre of management and labor skills capable of organizing the effort to bring such a process off the drawing boards and into the real world. Since the last great such national effort was Roosevelt's wartime mobilization, the population cohorts which have the direct knowledge of how such processes are effectively organized, are all in the range of 70 years old, or more. With what vileness then, do we condemn such a precious resource to a second childhood in the playground graveyards of Florida and southern California, assuming they can escape the clutches of children and grandchildren who want "what's coming to them," now, or their assistants, the Dr. Kevoorkians of the world.

Against the proponents of the cycle of recovery and recession, we are considering a spiral form of cyclical action which is made up, on one side, of the action of family household organization and replacement, action governed by the actuarial life expectancy of the individual, from cradle to grave, from childhood through education qualification to employment and household formation, and production of a successor generation, to later years, and retirement. Each, as employment typifies, is a sub-cycle of the whole. And, on the other side, of the physical organization of the process of production and distribution which permits the cycle of household organization and replacement to proceed. Here, determining characteristics of the action would be the required skill and cultural level of the work force, and its working life, as well as the physical investment cycle, and useful lifetime, of plant and equipment.

Given a growing population, LaRouche has proven, since for any level of technology employed, the level of resources defined by that technology is relatively fixed, for each part of the spiral action to advance, there must be a flow of technological innovations which not only continually cheapen the cost of raw materials, but also define new classes of raw

materials, and thus new skill levels, new consumption standards, and new qualification levels for effective household functioning. Creative ideas, generating a succession of scientific principles, transformed into a force for change through the application of new scientific principles in more advanced machine-making capabilities, make the growth of the whole spiral of action possible.

Basic economic infrastructure, man-made improvements in nature to provide power, water, and transportation, like new scientific principles embodied as new classes of machinery, bring both sides of the spiral of action together. And where those new classes of scientific principle can be applied though the application of new technologies of basic economic infrastructure, there the ensuing economic growth will be the most rapid.

Such principles are reflected in the historical growth of the few million potential members of the human species during the Pleistocene, to about 6 billion of us today, and thus in the increasing population density of the human species, achieved as a function of increasing potential relative population density, relative to the potentials of rising per household, and per square kilometer, productivities in power application and throughput, in the social division of labor, increases in the capital intensity of production, and the improvement, and cheapening, of the goods and services which make human life possible, made possible by the application of new scientific ideas to advances in technology applied.

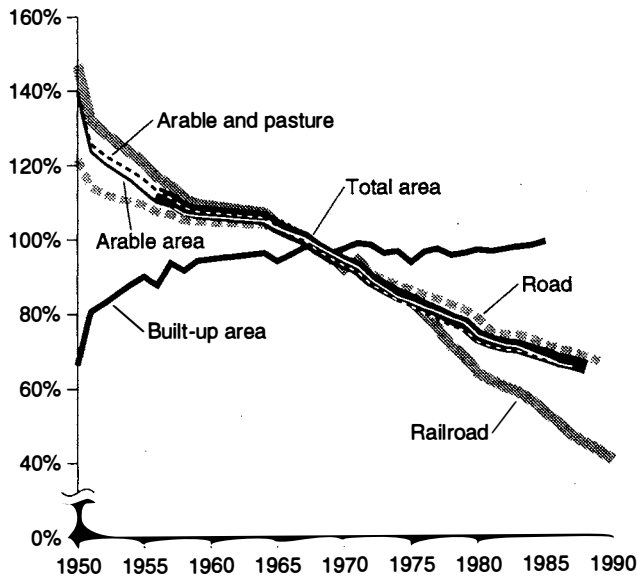
For growth to occur, and the human race to survive as it should, all such criteria must be satisfied in such a way that technology advances more rapidly than power applications and throughput increase, and capital intensity increases. Only thus can the relative depletion of apparently fixed raw materials production and processing modes be avoided. If any one of those criteria is not met, there isn't growth, and there will be problems coming. If none are met, or some stagnate, and others decline, then disaster is either here already or not so far away at all. That is what has happened to the United States since the 1960s.

Infrastructure

Let's take some parameters which reflect what has happened to basic economic infrastructure over that period of a generation, since infrastructure is that parameter which bridges both sides of the spiral of action. **Figure 1** shows two things. First, some measures of what has happened to population density, by type of land use, since the mid-1960s. Built-up area per household has increased, reflecting the spreading sprawl of the cities, and therefore, as is apparent to anyone, the accumulating destruction of organized urban life.

But at the same time, the land area required to produce the crop- and livestock-sourced food products for each household has declined dramatically. The 1967 values are: 0.158 square kilometers of total area per household, 0.074 km² of

FIGURE 1
Land area per household, by use
 (percent of 1967 level)

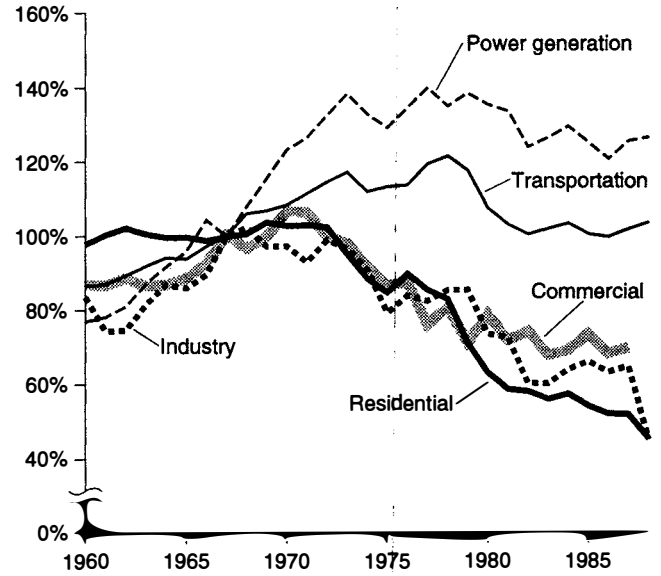


Source: EIR.

arable area and pasture combined, 0.032 km² of arable area, 0.002 km² of built-up area. The lengths, for roads and railroads are respectively 1,000 km and 9.9 km. Compare then the reduction in crop and livestock area employed per household with the charts of railroad track density per household, and road density per household. By the end of the 1980s, each household had 60% of the highway network, and 40% of the railroad network it had in 1967. The railroad shrinkage reflects the absolute reduction of the extent of the railroad system's layout which has been pursued relentlessly in the name of cost-cutting, especially since the bankruptcy of the Penn Central system in 1971. The road system decline disguises the completion of the Eisenhower-initiated interstate highway system, but does reflect the fact that, while the cheapest form of ground transportation has been wiped out, except for bulk goods like coal, which no other carrier can move in the volume required, the less effective highway system has not kept pace.

Even the proponents of the cycle theory ought to concede that if there are more households—and there are 50% more of them than there were in 1967—and the urban area has expanded faster than the number of households has, that there ought to be some growth in the per household density of the transportation network. The more so, as crop and pasture area employed, the largest extensive land use, has remained in total roughly the same. The 50% increase in the number of households is offset by a more than 40% decline in crop land per household. So the transport network ought to be

FIGURE 2
Fuel consumption
 (percent of 1967 levels)



Source: EIR.

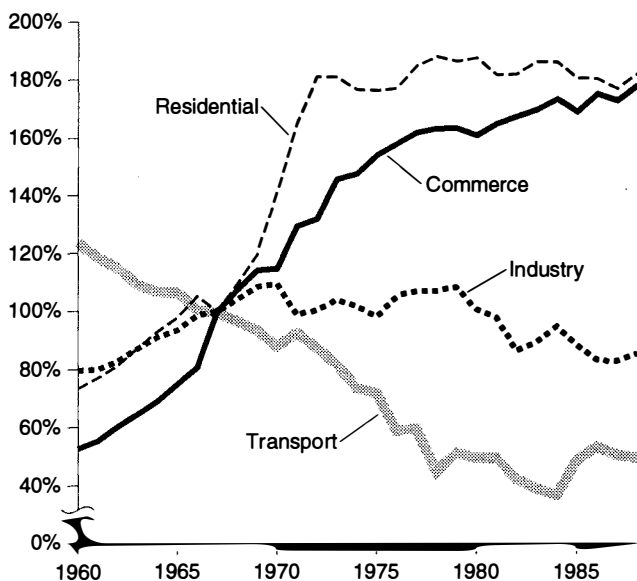
sufficient to serve both the same area, and the city area expansion which primarily follows the growth in the number of households. Compare then **Figures 2 and 3**, showing fuel and electricity consumption.

To start, note that where fuel consumed in both power generation and in transportation has increased above where these figures were in 1967, this is, in effect, to use more to deliver a lesser capability. Set those two figures against industrial fuel and electricity consumption, and household electricity consumption. Again, the relevant starting values are: For total electricity consumption, 22.233 megawatt-hours, of which 10.799 was used in industry, 5.560 in residences, and 5.05 in commercial activities and public use, such as educational establishments and hospitals.

For the fuel supply, the 1967 base value is taken as 17.08 metric tons, of which 5.72 were consumed in industry, 5.1 in transportation, and 6.77 to generate electrical power. The declining volumes, and the changing relationships between the different uses, show that we are no longer doing what we used to do with our power and fuel supplies. Of course, the environmentalists might argue that we are now fuel efficient, where before we were not. In the case of the household switch out of fuels and into electricity, that might indeed be true. But, the decline in industrial fuel and electricity use both argue that more "energy savings" have been achieved by reducing essential capacities than have been by improving the so-called efficiency of fuel use.

Thus the decline in total fuel consumption closely follows

FIGURE 3
Electricity consumption
(percent of 1967 levels)



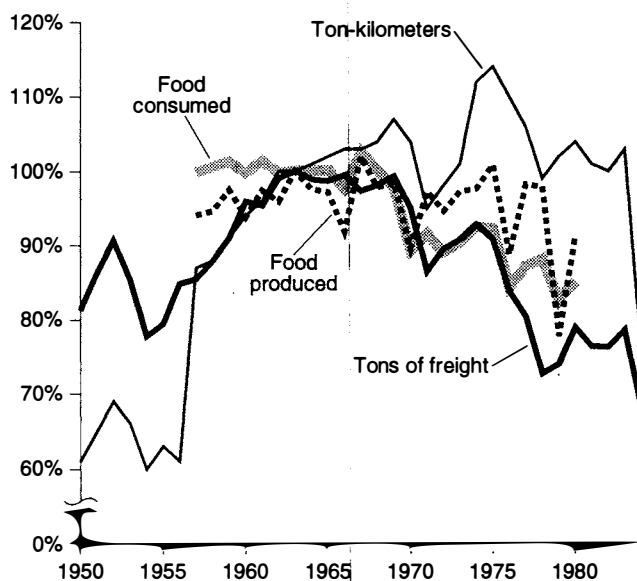
Source: EIR.

the decline in industrial and residential uses, and offsets the increase, and later stagnation, in transportation and electrical-generating uses. Fuel used for transportation, which accounts for 60% of all oil consumption, increased in per household terms during the 1970s, coming to stagnate at a level comparable to that of 1967. Both sets of charts reveal the pattern which the cyclical theorists identify with their recoveries and their recessions. This is seen more clearly in the chart of fuel consumption, where for example, the upward trend in both fuel for transportation and electrical generation uses reverses at the beginning of the 1970s, bounces, stagnates, declines again, and then bounces along at a lower level than that from which it previously declined.

The same pattern is shown in the more sharply declining usage of electricity and fuel in industry. Note too that the same essential pattern is reflected in residential use of electricity, which grows more rapidly than total electricity consumption, to then level off, and bounce around the higher level, while total consumption stagnates, and all else continues its bouncing decline.

Figure 4 shows what has happened with the movement of freight, by all modes, and with the ton-kilometers traveled to move the freight. Note the 20% reduction in freight carried, and also, the changing relationship between the tons carried and the ton-kilometers—a relationship which has changed since the 1960s, when the volume of goods carried increased at the same rate as the ton-kilometers the goods were carried, to subsequently shift, such that the declining

FIGURE 4
Freight transported
(percent of 1967 levels)



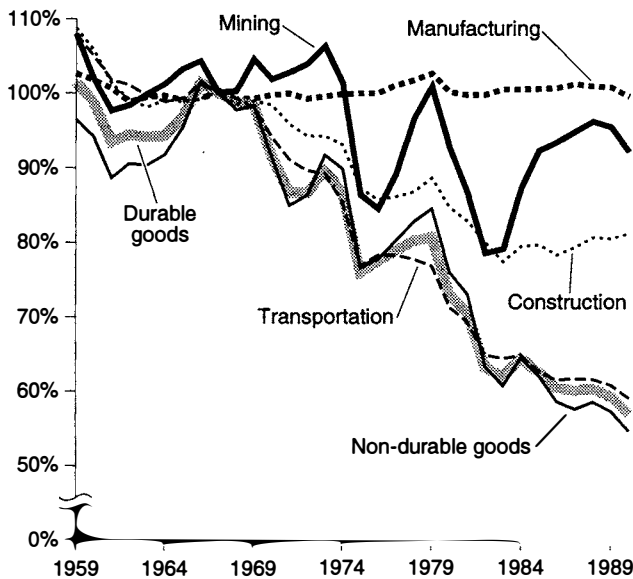
Source: EIR.

volume of goods transported is being moved ever farther. The volume of freight carried, about 80 tons per household in 1967, approximates the total movement of goods through the economy. The ton-kilometers, at about 5,000 per household, mean that each ton had to be moved 67 km on average. By the late 1980s, the lesser tonnage was being carried on average more than 20% farther. Again, something the proponents of so-called energy efficiency do not take into account. Below we will see how this same pattern is elaborated for the case of particular types of capital and consumer goods produced and consumed.

The work force

What has happened to the work force which produces and moves the goods, and uses the machines which are powered by the fuel and electricity? Figure 5 shows the changes that have occurred since 1967. The number of workers per household has remained roughly constant, at roughly 1.3. Identified in the chart are workers in manufacturing industries, in durable and non-durable goods branches of manufacturing, and in construction, transportation, and mining. Note that if each of the identified categories has declined, dramatically, then the number of workers per household has remained constant because workers have been added elsewhere. So we have 40% fewer manufacturing workers producing 20% less goods, to be transported by 20% fewer workers in that sector. Combined workers in goods production, distribution, and construction account for about 20% of

FIGURE 5
Composition of the labor force
 (percent of 1967 levels)



Source: *EIR*.

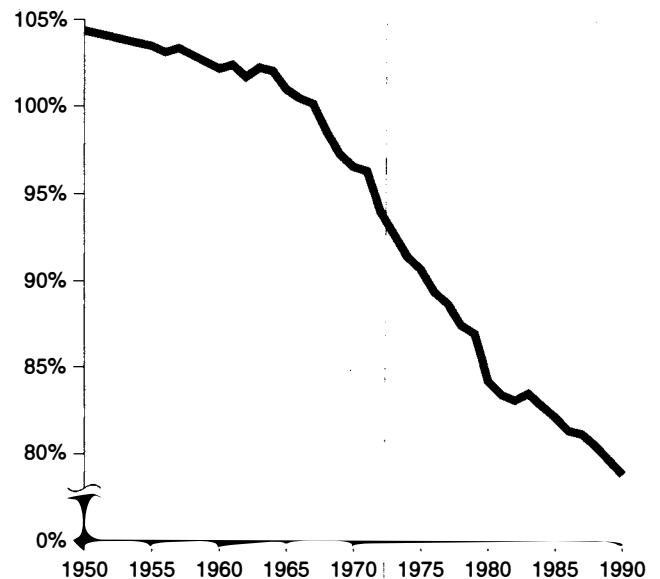
the work force. The balance, 80% of the 1.3 workers per household, is made up of workers in sales and administrative functions, and other more directly parasitical or wasteful types of pursuit. And again, the “recovery/recession” pattern, the bounce, followed by a decline, followed by a bounce and another decline, for again, three successive waves of bounce and decline. But again, also, as in the fuel, electricity, and transportation charts, the bounces are taking place on a pathway whose trend is ever more steadily downward, with manufacturing employment and manufacturing power and electricity use leading the way.

This is not a picture of the “lean and hungry,” “newly competitive” U.S. economy, after 10 years of restructuring, purging itself of bloated and padded costs to take on the world.

As for the household, the form of organization which produces the workers who use the technology which produces the machinery and goods to permit households to go producing another generation of labor, what has happened there?

Figure 6, which compares household size and numbers of births per household, shows the answer. There were about 3.35 people per household in 1967. Since then, household size has shrunk to around 2.6, which is to say that household size has been declining at about the same rate as the nation’s freight bill has been falling, about half as fast as employment in the manufacturing sector has fallen. In 1967, the average 3.35 person household produced 0.059 new

FIGURE 6
People per household
 (percent of 1967 level)



Source: *EIR*.

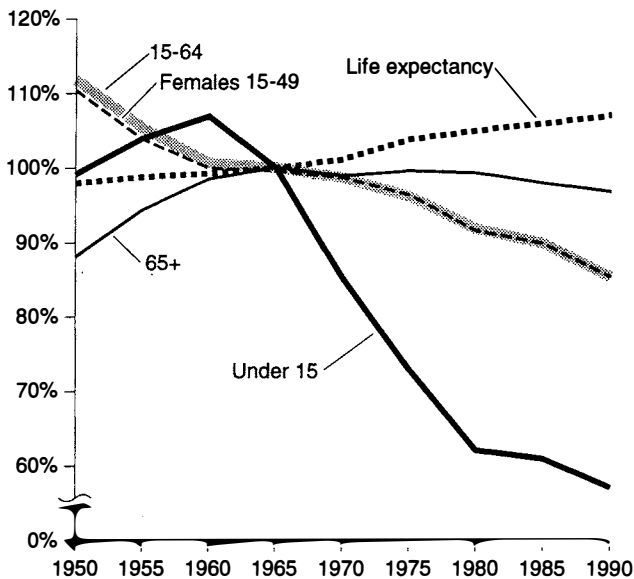
births every year, one for roughly every 17 households. By 1990, the 2.6 person household produced 0.044 births per year, one for nearly every 23 households. More than 40% of the 1.3 workers per household are female, of those more than half are in their prime child-raising years. The male portion of the work force has fallen from well over 70%, as workers in the age groups over 45 have left, and as the historically more than 95% employment ratios for male workers under 35 have been left far behind.

Figure 7 shows how the collapse of the family structure is reflected in the changing profile of household members by age group. In particular, it shows that the collapse in household size is led by the collapse of that portion of the population which is under 15 years, to about 40% less than its 1967 level in per household terms. Of course the problem with “averages,” or totals divided by totals, is that half the “observations” will be above, and half below. Not therefore shown, only 10% of all households in 1990 were family households in which one wage-earner was able to support a family with children. That’s 10% of 90 million households. Then there are the single wage-earner households without children, the one-parent households with children, all the way down to the perverse oddlots who now get counted as their very own type of household. The effect is, since the mid-1950s—rather than the mid-1960s, for then the standard was a single wage-earner family household with children—about a 50% reduction in the living standards of households, as represented by how many people have to do what to enable

FIGURE 7

Age groups per household

(percent of 1967 levels)



Source: EIR.

how many other people to function, and that, without respect to the nominal dollar amount contained in the weekly wage packet.

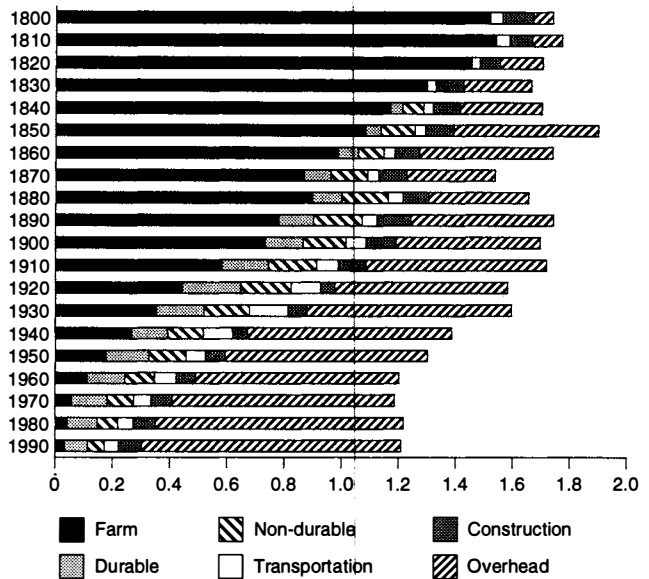
What about the rest of the world?

This isn't only a matter of the last 25 years, in the United States as an isolated country. A generation ago, the United States used to account for around 50% and more of the world's productive capacity across whole classes of industry. In the intervening years, that proportion has fallen to 30% and below. From what we have seen, it ought to be clear that more of that loss on a world scale is due to what we have done to ourselves, than it is to capacity and capabilities which have been added in other countries around the world. The question is, what happens to the world, if the United States does not rediscover the wellsprings of morality, and turn back in horror from the consequences of the hedonistic excesses of the last generation. Because, making allowance for different cultural traditions, in what has happened in Russia since 1991, the United States can see the kind of future toward which it is inevitably sliding, if the insanity is not cut out. And what that kind of world this would be, who would ever want to find out, if they could remotely do anything to stop it? Why such focus on Russia? Because the people who have been wrong about Russia have also been wrong about the United States. And because the origins of this mess are not be found in the last 25 years, but in something much older. **Figure 8**, for example, shows the per household distribution of workers, by the same type of division employed above,

FIGURE 8

Workers per household, 1800-1990

(number of workers)

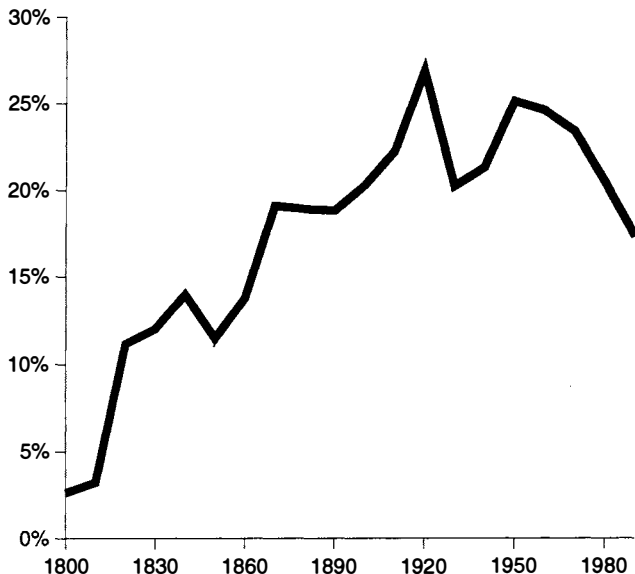


Source: EIR.

over the history of the country. It was at the end of World War I, or rather the end of the decade of World War I, that U.S. employment in non-agricultural, non-overhead activities reached its height. That is the decade of the establishment of the Versailles System, and of the Bolshevik Revolution.

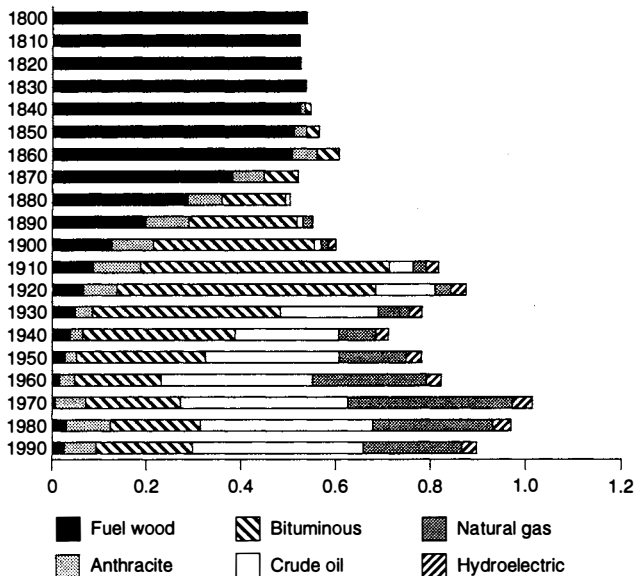
How many nations have been permitted to join the ranks of the industrialized world as equal partners, in the intervening three-quarters of a century? It is really difficult to find any. Argentina in the 1950s and 1960s was on a par with contemporary European economies, like that of Italy. It no longer is. Set **Figure 8** against **Figure 9**, which simply portrays the evolution of manufacturing employment in the United States over the course of its existence. Work backwards from 1990. It's downhill all the way from World War II. In fact, the proportion of the work force in manufacturing industries has been cut in half over that period. Move backwards in time again, the next peak is the aftermath of World War I. The proportion of the U.S. work force employed in manufacturing has never been higher than it was 75 years ago, or so, at the end of World War I. It was during the same decade that the country's railroad grid reached its peak, a peak from which it has declined ever since. It was in the same decade that the country's urban electric mass transit system reached its peak, from which it has declined ever since. When was the proportion of the U.S. labor force employed in manufacturing industries at the same level as it was in 1990? Look across the chart. The answer is 1865, the year which marked the end of Lincoln's war for the Union and Emancipation.

FIGURE 9
Manufacturing labor force, 1800-1990
 (percent of total labor force)



Source: EIR.

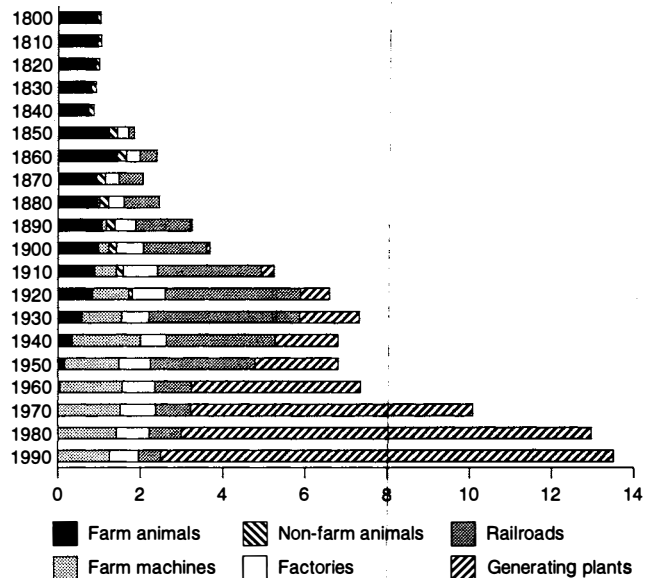
FIGURE 10
Energy sources, 1800-1990
 (trillion BTUs per household)



Source: EIR.

Of course, this is only employment. Other things ought to be considered too. **Figure 10** shows the development of different forms of power sources, and their deployment, over

FIGURE 11
Horsepower applied, 1800-1990
 (horsepower per household)



Source: EIR.

the existence of the country. And that development can be compared with the rise and fall of successive different types of fuel used to power the equipment denoted in **Figure 11**. The two charts behave differently. Where the power applied of **Figure 11**, except for animal power, increases, the fuel used to power that equipment marches along as if going up a series of steps. The advancing technology increases the power made available per unit of fuel that has to be made available to generate the power, and the productive power of labor is thus increased. But why is it that such great benefits, accruing over longer than a century, have not been translated more broadly into mankind's use? How is it, that over much more than a century, U.S. manufacturing capabilities have only been mobilized for war, as reflected in the manufacturing employment profile, and not to help harvest the fruits of peace once war has been brought to an end? How come science has been applied to the development of technology in such away as to produce a near tenfold increase in the power available to each household over the past rather more than a century, but two-thirds of the human population is still left dependent on brute muscle power to perform its necessary work, at or, increasingly, below, the margin of subsistence?

If the United States cannot rediscover that about itself which permitted it to contribute to the discovery of such potentially universal benefits, and rededicate itself to contributing to the solution of such problems for all mankind, then it must indeed be asked whether, as a country, the United States will itself outlive the turn of the century.

EIR's market basket study, 1967-90: the disappearance of the U.S. economy

by Richard Freeman

Consumers' and producers' market baskets that rigorously measure the U.S. economy's capability to reproduce and grow, are collapsing, a study by *EIR*'s economics staff has found. Relative to 1967 market basket standards, today's production levels of many commodities which have been representatively selected from each of the producers and consumers' market baskets, stated on a *per household* basis, have plunged by 40-50%, and some by 80% or more. This means the market baskets as a whole, and thus the economy, are collapsing. Reviewing the interval 1967 to the present, one finds the descent has *not* been steady and smooth. Rather, it has proceeded by violent ups and downs, like a ball bouncing down an inclined plane. Each low point reached is lower than the one before, each "recovery" doesn't rise as high. The trajectory overall is steeply downward.

This process entails two distinct dangers. First, the ravaging of the U.S. economy for the last two and one-half decades cannot be reversed by simply undoing what has been done, i.e., merely "stoking up production" one fine day. In many industrial sectors, once-existing capacity no longer exists—as much as one-third or more of the capacity that existed in 1967 is no longer there, and the skilled work force has been laid off and scattered to the four winds. In the steel industry, blast furnaces have been blown up—50 million tons of U.S. steel-making capacity has been permanently obliterated since 1973. In the machine tool industry in many areas of the once-industrialized Midwest, machine-tool shops have boarded up and the advanced tooling machines sold for scrap or shipped overseas.

Further, this decline that the United States has experienced cannot be suffered indefinitely. In many areas, the internal ordering does not exist to revive the economy. If the accelerating destructive trend of the past is allowed to operate even another three to five years, America will shatter as an economy, and therefore as a nation. Only a broad, sweeping replacement of the method by which fatally flawed policy axiomatics impose bad policies, could reverse the entropic and potentially revolutionary events that are about to ensue.

Myths

Yet, pick up a newspaper, such as the Nov. 27 *New York Times*, and there is yet another report that a marvelous economic recovery is erupting. Since 1967, America has truly been a miracle economy, experiencing no less than 10

"recoveries." Indeed, America has "recovered" so much, that by now the size of its economy should be bigger than all the other economies on earth combined. Rather it is a junk heap. Why the discrepancy?

The professional economist, armed with numbers all stated in dollar terms, is ready to defend the honor of the specious series of fake recoveries. He ticks off the figures: Gross Domestic Product, in constant 1987 dollars, was \$2.69 trillion in 1967, but it is \$5.14 trillion today. Personal income was \$2.08 trillion in 1967, and it is \$3.55 trillion today.

But the physical economy has not grown at all. Dollars cannot measure anything. When physical goods are measured in dollar terms, the government's Bureau of Labor Statistics has usually found ways, through such oddities as "quality adjustment factors," to disguise the dollar price increase of a good's cost, attributing it to quality improvement. But even were the dollar figures strictly accurate, monetary aggregates tell one nothing of how the *physical economy is organized, nor how it is performing*. The United States 50 years ago, and even 25 years ago, used to have more accurate physical economic figures than it has now. The Commerce Department no longer gives out certain statistics except at a huge cost. This is the "privatization" of government statistics now taking hold: pay, or you don't get them. But there is a reason for this. More and more statistics are kept in monetary figures only so that every piece of garbage, from real estate and derivatives speculation to post-industrial services, can be mixed in with real production. GDP is a worthless concept that only measures the economy's ability to pass money around. As the cancer of usurious speculation devours the skin and flesh of the economy, and starts working on the bones, GDP miraculously steadily becomes bigger—until the economy disappears.

Market baskets

An alternative method has been developed by *EIR* founding editor and announced presidential candidate Lyndon LaRouche. LaRouche begins the science of economics from physical processes which are causally responsible for the durable survival of the human species. Durable survivability is measured by an increasing rate of growth of the rate of relative potential population density. No monetary figures are used. Rather, we are concerned with how man, acting in the living image of God and His Goodness, uses his spiritual



Where's the recovery? EIR has constructed a consumers' and a producers' "market basket" for 1967, comparing this to the values of successive years, through 1990. The results give a shocking picture of just how far our economy has really collapsed since that benchmark period.

qualities of creative reason, to order the universe and the economy to enlarge and improve mankind's existence.

First, take the reproductive cycle of the physical economy as a unity. Next, assort the commodities of the economy by flow into either a producers or consumers' market basket. A consumers' market basket is an arrangement of the commodities ingested by the family household directly to sustain and improve its existence, i.e., apparel, such as dresses; food, such as red meat and grains; household appliances, such as stoves and washing machines; and so forth. This market basket contains the requirements needed to reproduce physically and culturally the productive and non-productive portions of the labor force.

A producers' market basket is an aggregate of capital or producer goods as well as intermediate goods and raw materials. It includes machine tools, spinning machines, looms, bulldozers, excavators, cargo ships, locomotives, and so forth. The producers' market basket is that arrangement of goods that does not go into the family household, but reproduces the economy's infrastructural, manufacturing, and agricultural basis for existence. Its final goods directly alter and shape raw materials and intermediate goods into something higher, of greater productivity, which then go into either the producers or consumers' market basket.

The market baskets and the elements of the market baskets are related to each other through the productive activity of the labor force, and through bills of materials and process sheets. A bill of materials specifies input-output relations

locating the reticulated chain of production in an economy. All final goods are worked up through a production chain, which involves intermediate goods earlier in the chain, and raw materials at the beginning. For example, the raw material iron ore is processed into steel, and then shaped, perhaps, into a machine tool. Through this process, the market baskets define causal pathways for the production of any commodity in the economy, and the economy as a whole, doing away with any monetary measurement. By this method, the price of a good is expressed solely in physical terms, not in dollars.

The power of this concept is that any developing nation, using America's 1967 market basket levels as a standard, could scientifically plan out its pathway of development, knowing where it is going. This study calculates the 1967 producers' and consumers' market basket levels for America.

The producers and consumers' market basket values, as with all economic parameters, are expressed on a *per household, per capita, and per square kilometer or per square mile* basis. The per capita or per household measurement expresses the individual's or family's potential power over nature, by showing what he or she "commands" of the productive process of the economy that intervenes on nature.

The method of the study

The method of the study is to construct a consumers and a producers' market basket for 1967, and then to compare its values to the values of successive years, through 1990.

The year 1967 was selected as an exemplar because it

represented a period of "relative normalcy" and functioning, at least compared to what followed.

EIR constructed a consumers' market basket of 28 commodities, and a producers' market basket of 46 commodities. This was done by choosing commodities for each basket that were as representative as possible, and vital to the functioning of the economy. Many were commodities in a final form; others were commodities in an intermediate and raw materials form. For each of the total 74 commodities, *EIR* calculated both a production level, how much of a commodity is produced by the United States, and a consumption level, how much of a commodity is consumed by the United States. The two levels are not necessarily the same. Usually, one level would be higher than the other. Whichever of the two levels was higher was considered to be the "energy of the system," the level of activity needed as the minimal level for the functioning of the economy.

In 1967, there were 59,236,000 households in America. Both the 1967 production and consumption levels for each commodity were divided by the number of households, to yield *per household* ratios of production and consumption. For every year after 1967, only that year's *production level* was divided by that year's household level, to yield a *per household level of production*.

Next, the *per household production level* of each commodity for each year from 1967 through 1990, was divided by the 1967 *per household production and consumption level* for that same commodity. So for each commodity, there would be two ratios for each year, for each and every year, 1967 through 1990. This would be true for each and all of the 74 commodities that make up the two market baskets.

Using passenger cars as an illustration, in 1967, domestic consumption of new passenger cars was 8.094 million units, while production was 7.437 million units. This is because the United States net imported 650,000 cars. When a consumption level is higher than production, it usually reflects net imports, and to a lesser extent, a drawdown of inventory. Placed on a *per household basis*, in 1967, domestic new car consumption was 0.137 cars per household, and domestic new car production was 0.126 cars per household. In 1968, domestic new passenger car production was 8.849 million cars produced, divided by 60.815 million households that year, yielding a 0.146 *per household passenger car production level* for 1968. This 0.146 number would then be divided twice, first by the 1967 *per household production level* (0.126), and then by the 1967 *per household consumption level* (0.137), yielding two comparisons (to the 1967 levels) of 116 and 107, respectively (1967 standard levels are set equal to 100). This would be done for every year up through 1990, and so on for all 74 commodities. A system of linear inequalities of the two ratios, *per commodity*, by successive years, arrayed in columns, is constructed.

What one looks for in a system of linear equalities is the transfinite physical causation. LaRouche issued a warning: We should never fall into the nominalist error of assuming

that individual statistics or the simplified mathematics of linear inequalities represents in any way the *causal sequence of developments*. The system of linear equalities only allow us to *compare rates of change*, or further, *rates of change of rates of change*. Most important, the linear inequalities treat change as the primary datum.

The cause for this change lies outside the statistical inequalities as such, and that is what we really desire to know. The linear inequalities can point to the cause. For example, an economy either must grow or contract, it cannot stay the same. If it appears to be staying the same, it is using up resources within a given fixed technological mode, and will collapse. *The cause for either an economy's growth or contraction, is situated in the transfinite ordering of the economy through the fostering, development, and application of science and technology, or the lack thereof*. If man creates and efficiently transmits the fruits of new scientific revolutions, in particular through improved machine tool design, the economy must grow. This demonstrates that the divine spark of reason, *imago viva Dei*—acting in and through man—the "invisible" which orders the visible, is the prime causality. This is realized in investments taking place in infrastructure; in capital-intensive, power-intensive capital-producer goods; and in the rise of man's cultural and material standard of living, which raises his and the economy's productivity. The system of linear inequalities can tell us whether or not such investments, coupled with breakthroughs in science, are taking place.

The system of linear inequalities for any time interval reflects this process, as either a change in the direction toward improvement or collapse for the economy.

The linear inequalities tell us very disturbing news about the American economy for the interval of 1967-90.

1967 compared to itself

Before comparing 1967 to other years, it is first compared to itself. While not complete, the comparison of 1967 to itself, to see whether consumption or production levels were higher, is very revealing. In 1967, of the 74 commodities aggregated in the producers or consumers' market baskets, consumption levels were higher than production for 40 of these commodities (a majority); for 34 commodities, production levels were higher than consumption. This would indicate some degree of import dependency even then, though it was qualified. Of the 40 commodities in which consumption was higher than production, the breakdown goes as follows: 8 were of raw materials goods, including iron ore, potash K-20, bauxite, and natural sulfur; 7 were of apparel items, such as men's overcoats and pants, and women's blouses and skirts; 3 were textiles, that is, woollen yarn, cotton yarn, and rayon, and acetate fabric that supply the apparel industry; and 6 were wood products, including plywood, sawn wood (sawed lumber), and woodpulp mechanical. This adds up to 24 items, which is nearly two-thirds of the total of 40 goods in which consumption is greater than production. America's

1964 hearings: Build big projects to assure water

In 1964, Utah Senator Frank E. Moss chaired a Senate Public Works Special Subcommittee on Western Water Development, which held hearings and published, in several reprintings over 1964-66, the proceedings detailing the North American Water and Power Alliance (Nawapa) and other project proposals to guarantee fresh water supplies to meet future needs. Here are excerpts:

From the Foreword by Senator Moss

Man's dependency on an adequate supply of fresh water is an indisputable fact. It is equally a fact that there is an insufficiency of such water and that this insufficiency has been particularly felt in the Western United States. Many efforts have been and are continuing to be made to solve the problem of limited water supply, and although great strides have been achieved, so great is the problem and so important its solution that it now has become imperative that consideration be given to what at one time seemed unachievable proposals.

The time has passed during which this problem can be solved through traditionally local or piecemeal app-

roaches. The solution must equal in magnitude the problem.

It is for this reason that a concept advanced by the Ralph M. Parsons Co., engineers-constructors of Los Angeles, to divert runoff waters of Alaskan and Canadian rivers through tunnels, reservoirs, and lifts to water-parched areas of North America demand attention.

From the Summary

If all the water resources projects now authorized or contemplated in the Western United States by Federal and non-Federal agencies actually are completed and added to those now in existence, they would total 3,151 individual projects. These would have a total cost of approximately \$60 billion and would provide 2,770,636,208 acre-feet of stored water and 209,795,100 kilowatts of electricity.

If the Nawapa concept is brought to fruition, it would encompass 369 projects, with less than half in the United States, costing approximately \$80 billion and providing 4,338,509,000 acre-feet of stored water and 99,788 kilowatts of electricity.

The water made available by the Nawapa concept would double present supplies, yet if completed by the year 2000 would still fall short of supplying total need. The Nawapa system provides nearly twice the water storage for use in the United States as is provided in current Federal planning.

import dependency in 1967 was centered on clothing at the final goods stage, and mostly intermediate goods and raw materials. By contrast, only 5 commodities in the area of consumption being greater than production were of machinery or capital goods—internal combustion engines, electric motors of less than one horsepower (fractional), metal-cutting machine tools, knitting machines, and compressors.

In 1967, the U.S. economy had 34 commodities in which domestic production exceeded consumption. These are items the United States exported. Fifteen of the 34 commodities in which domestic production exceeded consumption (44% of the total) were machinery or capital goods. The strength of the United States at the time is that it was a capital goods producer, both for its own needs and for export, which helped build, and did not suck from, the rest of the world. To refresh people's memories of what America was once capable of doing, we list these 15 commodities: tractors, metal-forming machine tools, spinning machines, looms, bulldozers, excavating machines, graders and levellers, liquid pumps, electric motors greater than one horsepower, transformers, ocean-going passenger and cargo ships, locomotive diesels, freight trains, trucks, and commercial aircraft.

This physical profile explains why in 1967 the U.S. economy was relatively healthy and why it ran a merchandise

trade surplus of \$3.8 billion that year. *EIR* does not have at hand consumption figures for 1990 (the Commerce Department reports many trade figures only in dollar terms, but not unit or tonnage terms, which makes it difficult to compile export and import, and thus consumption figures). However, it is known that the United States is no longer a net capital goods exporter, but an importer. To a large degree, as a result of this development, America has not run a single month's positive merchandise trade surplus for nearly the past 20 years. Worse, the United States cannot produce enough capital goods to support itself.

The devolution of the economy

Of the 74 representative goods that *EIR* started with in its producers and consumers' market baskets, it could obtain reliable comparison timelines for the period under consideration for only 60 items, or four-fifths of the items selected. Of those, 44 declined and 16 rose, or almost three times as many declined as increased. *EIR* did not start out picking items it thought would decline, or rise. It started by picking commodities which seemed to be the most essential goods needed for the producers' and consumers' market baskets. In fact, there are many food items which *EIR* is compiling for the consumers' market basket which, had they been included

in the representative list, would have declined.

Three times as many declines as increases is a damning indictment of the economy. Moreover, 22 items declined by more than 50% from their 1967 levels to 1990. No policymaker or economist who looks at the economy from the standpoint of physical processes rather than monetary terms could ever claim that the United States is in a recovery now, or ever recovered during the 10 recoveries it was supposed to have experienced since 1967. It is impossible that this devastation of the physical economy could be coincident with a recovery.

Just as important as the number of declines, is that each decline represented a qualitative fall, pulling down the producers' and consumers' market baskets, which represent the reproducibility of the U.S. economy. Cumulatively, so many declines have built up that America cannot reproduce its existence. The strong purchasing power of the speculative "usury dollar" has masked, in part, America's collapse. We will not examine each commodity, but those which highlight the process.

We will also consider the idea of what recovery really means. Between 1967 and 1990, the number of households swelled from 59.236 million to 93.347 million. If the United States is producing the same ratio of goods of a particular commodity *per household* in 1990 as it did in 1967, is that sufficient? Or, should the United States be producing more, to reflect an increasing standard of living and upgrades and expansion in the plant and equipment and infrastructure of the economy?

Collapse of infrastructure

For the last 25 years, the U.S. has desperately needed construction of hard infrastructure—water management, including sewage disposal, freshwater delivery, river navigation, and flood control; transportation, including magnetically levitated trains, a repaired highway system, expanded canal transport; and power/energy delivery, including nuclear fission and nuclear fusion. Unfortunately, little or none of that has been built. There have been only two major water projects undertaken since President Carter effectively imposed a ban on building new river and dam projects in the late 1970s. The \$25 billion in damage inflicted by the Flood of '93 last summer, which could have been prevented had levees, river diversion channels, and spillways been built on the Upper Mississippi River System north of Cairo, Illinois, amply testifies to the lack of river project construction. Also, since the late 1970s, there have been no greenfield nuclear power plants built. Research designs of maglev trains were being worked on in the early 1970s, and were killed in 1975 when all of the seed money for research was cut by the federal government.

The collapse of infrastructure can be discerned by the collapse in the producers' market basket, on two levels: raw materials and machinery, particularly construction machin-

ery. There are five representative basic construction building materials included in the market baskets: crushed stone, sand and gravel, clay, hydraulic cement, and bricks. Of these, four collapsed. In the case of bricks, which are used in infrastructure and to an even greater extent in residential housing, in 1967, the United States produced 7.570 billion bricks and consumed 7.551 billion bricks. Stated on a per household basis, in 1967, domestic new brick production was 128 bricks per household, and domestic new brick consumption was 127 bricks per household. By 1990, the U.S. production of bricks fell to 7.116 billion bricks. Stated on a per household basis, in 1990, domestic new brick production was 76 bricks per household. Comparing 1990 per household brick production to 1967 per household brick production, one gets a ratio of 0.593, that is, 1990 per household brick production was but 59% of what it was in 1967. Comparing 1990 per household brick production to 1967 per household brick consumption, one gets a ratio of 0.598, that is, 1990 per household brick production was but 60% of brick consumption in 1967. This is a fall of 40%.

In the case of cement, in 1967, new hydraulic cement production and new hydraulic cement consumption were the same, as there were virtually no hydraulic cement imports or exports. Highways, concrete platforms for trains, dams on rivers, etc. all require a lot of hydraulic cement, which by weight is 12% of the mixture called concrete, which also includes crushed stone, clay, etc. Cement binds the concrete together. In 1967, domestic new hydraulic cement production was 1.09 tons of cement per household; consumption was exactly the same. In 1990, domestic new hydraulic cement production was 0.76 tons per household. Comparing the 1990 per household cement production to the 1967 per household cement production level (and to the identical 1967 per household cement consumption level), one gets a ratio of 0.697. That is, 1990 per household cement production was but 70% of what it was in 1967. This is a plunge of 30%.

In 1967, clay production and consumption levels were identical. Relative to the 1967 per household clay production and consumption levels, the 1990 per household clay production level fell a staggering 45%.

Crushed stone in 1990 appears to have fallen, relative to 1967 production and consumption levels, by 43%. Sand and gravel apparently rose, relative to 1967 production and consumption levels, by 63%. (Both the crushed stone and sand and gravel changes need further checking.)

It is clear that the fall in the above basic building blocks of infrastructure affects not just infrastructure, but all construction.

But to develop infrastructure, one needs more than raw and semi-processed materials. One needs machinery. The producers' market basket includes three basic pieces of machinery needed in infrastructure-building work: bulldozers, excavating machines, and graders and levellers. These three machine types are from the same family, but have distinct

functions. A bulldozer is a machine with a large blade mounted squarely in front of a tractor unit used to level or clear away excess soil, and sometimes debris. An excavating machine has a boom or jib projecting arm, attached to a large bucket, which often comes from overhead the tractor unit, reaching down into and digging the soil. Excavating machines may have multi-buckets fitted onto endless chains or on rotating wheels, for continuous removal of dirt. A grader or leveller is equipped with a sharp cutting edge designed to slice off top soil, and usually a lift capability to discharge it.

These specialized machines are not manufactured in large quantity, but are essential. If one adds together the production of all three machines, calling the new category "construction/earth-moving machinery," in 1967, domestic new production of construction/earth moving machinery was 0.000238 machines per household, or 0.238 machines per 1,000 households. In 1990, domestic new production of construction/earth-moving machinery was 0.182 machines per 1,000 households. The ratio of 1990 to 1967 is 0.36. This means a stupendous fall in output of these machines of 64%.

These astonishing falls all correlate with the collapse in infrastructure.

A nested series of bad policy decisions

It should be recalled that none of these collapses, relative to the production and consumption standards of 1967, are "natural." Rather, they are the result of *policy decisions* and stem from the *fatally flawed axiomatics governing the choice of policy decisions*.

Many bad policies made in the 1960s and 1970s had long-range effects, such as President Nixon's 1971 decision to take the dollar off the gold standard, and are important to know. But there is a nested grouping of decisions that accelerated the destruction.

In 1973-75, the Seven Sisters, hiding behind OPEC, pulled off an oil hoax, quadrupling the price of oil to \$12 per barrel, and buckling the world economy. In the second oil hoax of 1978-79, the price of a barrel of oil cascaded up to \$35 per barrel, slamming Third World and advanced sector economies alike. In the midst of the second oil hoax, in October 1979, Paul Volcker, the chairman of the Federal Reserve, who had been installed in that post just months earlier, began raising the prime interest rate in the United States until it peaked at 21.5% the following February. Volcker was implementing the Council on Foreign Relations' policy of "controlled disintegration of the economy," whose "theory" Volcker had elaborated a year earlier in a speech in Leeds, England. A liquidation of farmers, machine tool shops, the steel industry, and hundreds of industrial processing firms occurred.

The deregulation of the airlines in 1979, of the trucking industry in 1980, and of the banking industry in 1982, combined with the speculation of leveraged buyouts (LBOs), junk bonds, and leveraged real estate transactions, made the

1980s the decade of uprooting manufacturing. The insane environmentalist restrictions, which blocked nuclear power production and taxed manufacturers for producing, intensified the overall effect. The financial derivatives market, of which the eight largest U.S. commercial banks now have over \$10 trillion on their books, has turned the United States into a post-industrial pigsty.

The breakdown of mining and metals

If one situates the pivotal 1979-82 period, one can correlate with it *an accelerated rate of change of downturn* in the mining industries. Other industries likewise buckled at that time.

In 1967, the United States produced 85.526 million metric tons of iron ore, and consumed an even larger total of 114.690 million metric tons. For 1967, the per household production level was 1.44 tons (3,175 pounds) of iron ore, and the per household consumption level was 1.94 metric tons (4,269 pounds) of iron ore per household. Twelve years later, in 1979, the iron ore per household production level had fallen to 78% of the 1967 level, a sizeable fall, but still some significant ratio of 1967 production levels. However, just three years later, the iron ore per household production level had fallen to a mere 30% of the 1967 production levels; that is, a decline of 70%. Iron ore production recovered some, but not by much. In 1990, the iron ore per household production level was only 41% of the 1967 level.

Likewise, in 1967, the United States produced 2.084 million metric tons of bauxite, the ore from which one extracts aluminum. The United States consumed a far higher level of 13.861 million tons of bauxite. For 1967, the per household production level was 0.0352 tons (78 pounds) of bauxite per household, and the per household consumption level was 0.234 tons (516 pounds) of bauxite per household. For bauxite, relative to 1967 per household production levels, the 1979 level was 80%, the 1982 level was 30%, and the 1990 level was 15%, meaning that bauxite production was off 85%.

Similar steep drops were registered for copper and lead. The United States now has only 15 major functioning copper mines. In the 1979-82 period, the bankers and raw material extraction owners *wrote off the American mining industry*. This reflected two intentions. First, they would rely on imports to a greater degree; and they would reduce the use of newly mined ores. The second option was to be realized by two policies: The United States would melt down scrap, using less fresh ore; and they would simply reduce metals consumption overall. The melting down of scrap, while legitimate up to a point, when used as a policy option reflects the fact that the U.S. economy has placed itself within the straitjacket of the environmentalists' recycling strategy—no new net production growth is to occur; the United States recycles what it has, i.e., a zero growth paradigm, at best.

Of course, the United States guaranteed zero growth—in

reality, negative growth—when it blew up steel blast furnaces in the 1970s and 1980s. Steel plants, from the Republic Steel plants in Buffalo, New York, to the Bethlehem Steel Works in Maryland, to the Kaiser Steel plants in California, are a skeleton of what they were. The United States said it was getting rid of “outmoded plants.” But it did nothing to fill the void with modern plants employing up-to-date steelmaking processes. In 1967, the United States produced 115.3 million metric tons and consumed 124.4 million metric tons of unfinished steel, for per household steel production and consumption levels of 1.95 tons (4,292 pounds) and 2.1 tons (4,631 pounds), respectively. Relative to the 1967 levels, the 1990 per household steel production level was 54%, a drop of 46%.

Will manufacturing and agriculture exist?

The U.S. manufacturing industry is in a similar condition to that of mining and metals processing. Perhaps most exemplary of the state of American manufacturing is the condition of the machine tool industry. Machine tools transmit, in the most direct fashion, ideas from the scientist’s head, and from the laboratory, into the production process. Machine tools, through improved design, *impress* the new scientific ideas into the shape and design of other producer goods machines. These machines then take those most advanced ideas into their respective branches of manufacture. This revolutionizes the production process.

There are two basic, generally recognized types of machine tools: 1) metal-cutting, which includes boring, grinding, drilling, broaching, milling, threading, polishing, and planing machines—mostly machines which pierce metal; and 2) metal-forming, which includes bending, hydraulically and pneumatically pressing, stamping, and forging machines—mostly machines which shape metal.

In 1967, the United States produced 86,014 and consumed 114,793 metal-cutting machines, and also produced 31,637 and consumed 28,186 metal-forming machines. The per household production and consumption level of metal-cutting machine tools was 0.0015 and 0.0019 metal-cutting machine tools, respectively. The per household production and consumption level of metal-forming machine tools was 0.0005 and 0.0005 metal-forming machine tools, respectively. By 1990, per household metal-cutting machine tool production was at 19%, and per household metal-forming machine tool production was at 34% of 1967 levels. This means that they had fallen by an astounding 81% and 66%, respectively. Even if one says that some of the modern machine tools are more powerful instruments, and able to do more work more quickly, there is no way to account for this level of drop.

The process of transmission of advanced ideas through the machine tool has come to an end in America.

Liquid pumps are another essential element of U.S. machinery; they raise and pump out liquids, and are used in

everything from oil fields to construction and industry. The per household production of liquid pumps has fallen 49% from 1967 levels. The story continues. In the realm of transportation equipment, the per household production of sea-going ships, locomotives, and freight cars are each down at least 40% from their 1967 levels.

In agriculture, fertilizer is a key input which, along with mechanized farm equipment, has enabled greatly increased crop yields. The per household production of both nitrogen-based (N) fertilizer and potassium-based (K) fertilizer, relative to 1967 standards, is down 9% and 77%, respectively. There has been an increase in the per household production of phosphate-based (P) fertilizer, but this has not offset the decline in N- and K-based fertilizers. Of course, part of the current environmentalist propaganda is to say that farmers should use less fertilizer; in reality, this is part of a plan to reduce food production, and hence consumption.

Loss of household material well-being

The consumers’ market basket allows one to determine the material well-being of a household, independently of the monetary figures normally used. There are minimum physical intakes that a family, and individuals of a family, need in order to perpetuate their existence at a certain material and cultural level. Lower the inputs below a certain threshold, and the quality and efficiency of the human being and potential worker being brought into the world, or of the current worker already existing in this world, will be drastically weakened.

One can palpably see the effects of the last 25 years. In the area of clothing, the per household production of clothing has fallen across the board. For 1990, relative to 1967 levels, the per household production of the following items has fallen by the following percentages: men’s overcoats, 88%; men’s suits, 71%; men’s pants, 67%; women’s blouses, 31%; women’s dresses, 73%; and men’s and women’s shoes, more than 60%.

One can now see how a bill of materials works, tracing back the chain of production. The fabric intermediate goods that go into clothing also declined. Though firm values are only available for points in the 1980s, still, relative to 1967 levels, the per household production of cotton fabric fell 62%, and the per household production of rayon and acetate fabric fell 70%.

One also sees the deleterious effect on the machinery in the textile industry that produces the fabric. Even by 1979, the per household production of spinning machines, used in textile manufacture, had fallen 89% relative to 1967 levels.

Next, one looks at home appliances, often called the “white goods” industry (because many of these appliances are in either the kitchen or laundry room, and are painted white). This area historically has been America’s preserve because the size of washers, dryers, refrigerators, and the like used in America are bigger than those used in other countries. Usually, only American companies, such as Gen-

eral Electric or Westinghouse, would produce these items. Relative to 1967 levels, the 1990 per household production of refrigerators and washing machines are each down 7%. In the case of radios, America's 1990 per household production, relative to 1967, is down 90%.

In the area of personal transportation, relative to 1967 levels, 1990 per household American passenger car production has fallen 49%.

As shown in another section of this report, America cannot produce the material and cultural basis even for its own household biological existence and reproduction. One can now see why. Even with massive level of imports thrown in, America is still incapable of reproducing itself.

One must ask, what would it be like if America maintained in 1990 the same per household production levels as in 1967, or even, as in the case of some goods, such as compressors, chlorine, and printing, exceeded those levels? Would that be sufficient? The answer is no. Any country's goal is not just to produce and consume at the per household levels it had a quarter of a century ago. The goal is to exceed those levels. The physical economy is constantly depleting "natural resources," as defined by the existing mode of technology and production. Mankind must offset those depletions by "inventing" and utilizing new natural resources, that is, conceptualizing the use of existing or even undiscovered products as the source for a new "natural resource." This means going to a new technological mode of production which will be more capital-intensive, more power-intensive, with a higher energy flux density per square kilometer cross-section of throughput. This requires raising the standard of living. The *per household*, *per capita*, and *per square kilometer* values of the commodities that make up the consumers' and producers' market baskets, and thus those market baskets themselves, so expressed, must rise.

This is not new to America. This country had rising per household market basket values, reflected in rising values for commodities in those market baskets, during those periods of the 19th century when the policies of the American System of dirigistic national economy were in effect, and in the 20th century, when those policies were in effect during exceptional circumstances, such as during wartime. These values did not just rise for a few years, but rose for decades at a time.

Of course, America today is far from maintaining the per household production levels of 1967. Across the board, in every sector of the economy, from infrastructure to mining and metals processing, from manufacturing and agriculture to the goods of the consumers' market basket, America's per household production is down 20%, 30%, and, in the case of more than 20 crucial commodities in the market baskets, down by more than 50% relative to 1967 levels. This is a catastrophe of the first order.

Anyone who says there is yet another "recovery" under way in America is more than just clinically insane. His or her insanity is pushing the nation into oblivion.

Derivatives: the cancer that killed the economy

by John Hoefle

The Federal Deposit Insurance Corporation released its third-quarter results Dec. 15, amid much fanfare about how the record \$11.45 billion profit for the quarter had pushed the banks' nine-months' earnings to \$32.6 billion, surpassing the record \$32.1 billion for all of 1992. At the current pace, the banks will easily post in excess of \$40 billion for 1993.

Buried in the fine print of the FDIC's statistical tables, however, was a shocking new item called off-balance-sheet derivatives. According to the FDIC, U.S. commercial banks had \$11.99 trillion in these derivatives, compared to total assets of just \$3.63 trillion. The banks' derivatives holdings had risen more than \$1 trillion in the quarter, from \$10.95 trillion at June 30, and more than \$2.27 trillion from the \$9.72 trillion for the third quarter of 1992.

The sudden appearance of an "off-balance-sheet" item more than three times larger than the reported assets of the entire banking system, more than confirms *EIR's* long-standing analysis that the FDIC's banking statistics are fraudulent. More importantly, however, it reflects a growing fear in the international financial community that the derivatives bubble is about to explode. The derivatives bubble is the final phase of the speculative asset-stripping operation known as the Reagan/Bush economic recovery. This so-called recovery was based upon the creation of debt, debt which simply cannot be repaid given the collapse of the real economy, which is documented in this issue.

Mountains of debt

Between 1980 and 1992, the total credit market debt in the United States grew \$10.2 trillion, from \$4.3 trillion at the end of 1979 to \$14.5 trillion at the end of 1992, according to data from the Federal Reserve **Figure 1**. During this same period, the nation's Gross National Product grew by \$3.5 billion, from \$2.5 billion to nearly \$6 billion. That's roughly \$3 in new debt for every \$1 added to GNP during the period.

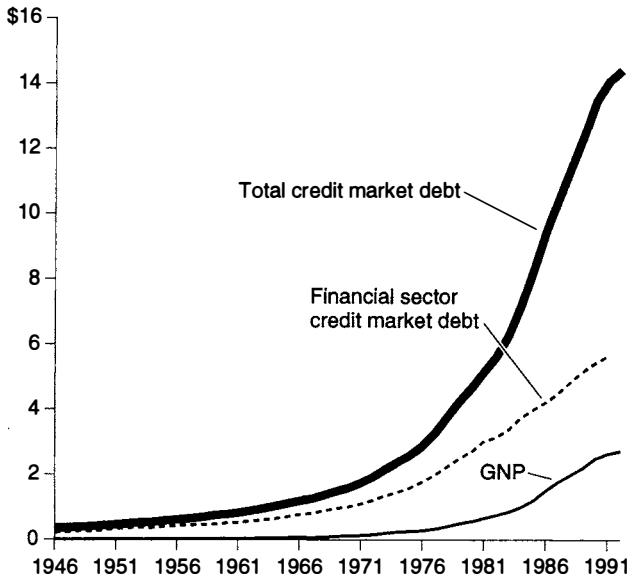
The Federal Reserve's policy of low interest rates has disguised the debt-repayment crisis somewhat, by allowing borrowers to refinance their debt at lower interest rates. This rolling over of debts has allowed the debt crisis to look better on paper, at the expense of making it worse in the long run, since the roll-over process actually increases indebtedness.

The most egregious case of debt creation is that of the federal government, whose debt has been turned into what one might call the "house bank" of the worldwide casino

FIGURE 1

Total credit market debt, financial sector credit market debt, and GNP

(trillions \$)



Source: Federal Reserve.

known as the international financial system. Because of the unconstitutional way in which the Federal Reserve acts as an agent for the U.S. government, a piece of every dollar of debt issued by the government is paid as tribute to Wall Street. With the federal government running up staggering deficits every year **Figure 2**, that tribute is enormous **Figure 3**. Through this scam, the federal government is transferring revenues of more than \$200 billion a year from the pockets of taxpayers, to the participants in this global casino.

The nature of speculative pyramid schemes like the current financial bubble, is that they must expand constantly, geometrically, in order to survive. This ever-increasing need for new ways to loot the populations of the world, is the driving force behind the derivatives bubble.

Addicted to derivatives

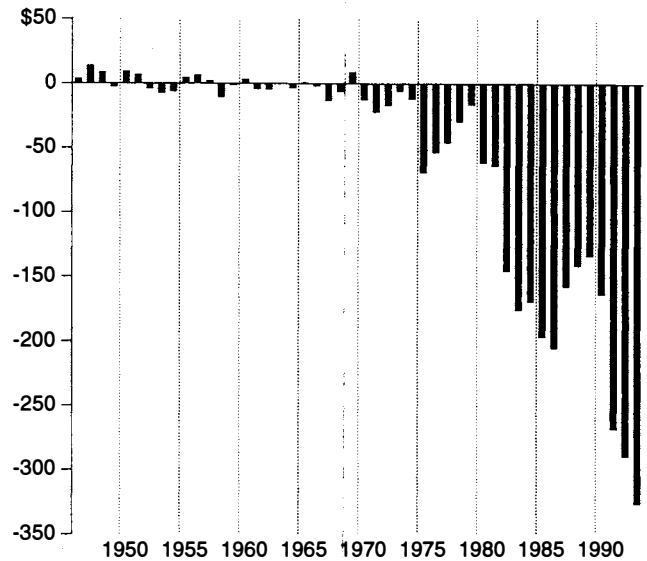
Faced with trillions of dollars of unpayable loans and other forms of debt, the international financiers have rushed headlong into the derivatives market (**Figure 4**), in which pieces of the bubble are traded back and forth as if they were real, and the resulting fees and income streams are counted as "profits."

In testimony before the House Banking Committee on Oct. 28, Comptroller of the Currency Eugene Ludwig reported that U.S. commercial banks had \$10.95 trillion of derivatives contracts on their books as of June 30, 1993. \$9.6 trillion—88%—of those contracts were held by just seven banks (Citicorp, Chemical Banking, J.P. Morgan, Bankers

FIGURE 2

Federal budget surplus/deficit

(billions \$)

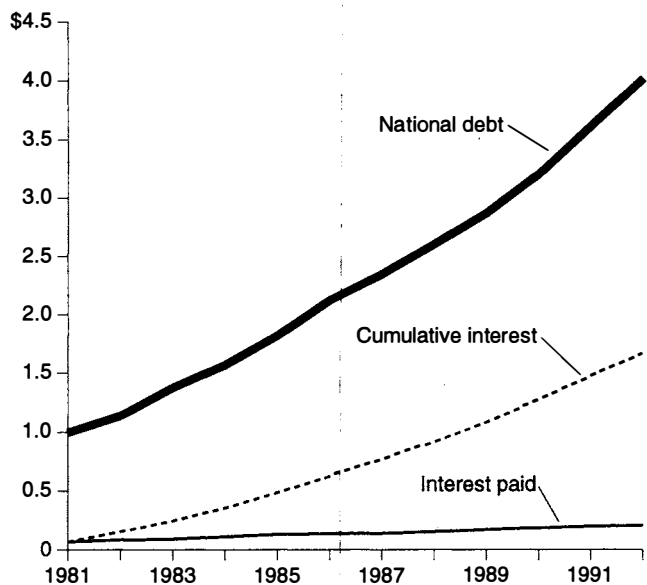


Source: Federal Reserve.

FIGURE 3

Tribute to the Federal Reserve: national debt and interest payments

(trillions \$)



Source: Federal Reserve.

Trust, Chase Manhattan, BankAmerica and First Chicago). As **Table 1** shows, the big banks' off-balance-sheet derivatives portfolios dwarf their nominal on-balance-sheet assets.

TABLE 1

Derivatives exposure of U.S. commercial banks and trust companies on June 30, 1993

(millions \$)

Rank	Bank name	State	Total assets	Total derivatives	Assets as % of derivatives	Derivatives/assets ratio
1	Chemical Bank	NY	\$ 110,375	\$ 2,114,028	5%	19.2
2	Bankers Trust	NY	63,853	1,802,308	4%	28.2
3	Citibank	NY	168,567	1,789,276	9%	10.6
4	Morgan Guaranty Trust	NY	103,490	1,537,466	7%	14.9
5	Chase Manhattan Bank	NY	79,947	1,026,141	8%	12.8
6	Bank of America	CA	133,970	893,546	15%	6.7
7	First National Chicago	IL	34,081	457,444	7%	13.4
8	Continental Bank	IL	22,038	169,852	13%	7.7
9	Republic Bank N.Y.	NY	28,381	167,653	17%	5.9
10	Bank of New York	NY	35,776	92,189	39%	2.6
11	First National Boston	MA	25,723	70,673	36%	2.7
12	Mitsui Trust U.S.A.	NY	755	51,560	1%	68.3
13	First Union	NC	20,745	45,956	45%	2.2
14	NationsBank of N.C.	NC	24,549	34,908	70%	1.4
15	Harris Trust	IL	10,225	32,109	32%	3.1
16	J P Morgan Delaware	DE	6,827	31,724	22%	4.6
17	Mellon Bank	PA	28,553	31,189	92%	1.1
18	National Westminster	NY	16,457	30,580	54%	1.9
19	Citibank Nevada	NV	4,524	27,523	16%	6.1
20	Bankers Trust Delaware	DE	2,184	26,804	6%	12.3
21	State Street Bank	MA	18,268	23,785	77%	1.3
22	Seattle-First	WA	15,099	20,312	74%	1.3
23	PNC Bank	PA	36,823	19,530	189%	0.5
24	Bank One Columbus	OH	6,158	18,078	34%	2.9
25	Marine Midland Bank	NY	16,123	15,773	102%	1.0
Top 25 Banks			1,013,491	10,530,409	10%	10.4
Top 10 Banks			780,478	10,049,903	7.8%	12.9
Top 7 Banks			694,283	9,620,209	7.2%	13.9
Other 591 commercial bank companies			418,661			
Total derivatives portfolio			\$10,949,070			

Sources: Office of the Comptroller of the Currency, *EIR*.

Bankers Trust, for example, has a derivatives portfolio some 28 times bigger than its nominal assets.

These off-balance-sheet derivatives are growing like crazy: Federal Reserve Board Vice-Chairman David Mullins put the banks' holdings of derivatives at \$7 trillion at the end of the first quarter of 1993; the Comptroller of the Currency put the figure at \$10.95 trillion at the end of the second quarter; and the FDIC put it at \$11.99 trillion at the end of the third quarter. That's a \$5 trillion—71%—increase in just six months.

By comparing the Comptroller's June 30, 1993, statistics with those from Salomon Brothers for June 30, 1992, we get a picture of the rate of growth of derivatives at the top eight derivatives banks **Table 2** and **Figure 5**. Bankers Trust leads the pack with an 88% growth in its derivatives portfolio over one year, followed by Chemical Banking with a 63% increase and J.P. Morgan with a 52% increase. Citicorp, whose derivatives portfolio rose 25%, is now number three in derivatives holdings, showing the incredible volatility in what the Ger-

TABLE 2

Growth of banks' derivatives trading

(millions \$)

Bank holding company	6/30/92	6/30/93	Growth	% growth
Citicorp	\$1,426	\$1,789	\$ 363	25.5%
Chemical Banking	1,296	2,114	818	63.1%
J.P. Morgan	1,014	1,538	524	51.6%
Bankers Trust	958	1,802	844	88.1%
Chase Manhattan	837	1,026	189	22.6%
BankAmerica	795	894	99	12.4%
First Chicago	387	457	70	18.2%
Continental Banking	136	170	34	24.9%
Total	\$6,849	\$9,790	\$2,941	42.9%

FIGURE 4

Hierarchy of financial transactions

Currencies		Bonds		Stocks		Commodities	
CASH							
Interest rate	Exchange rate	Interest	Principal	Dividends	Price appreciation or depreciation	Price appreciation or depreciation	
FUTURES							
OPTIONS							
OPTIONS INDEXES							
FUTURES OPTIONS							
FUTURES OPTIONS INDEXES							
SWAPS							

Distance from real physical economy increases ↓

As one proceeds downward in the chart, transactions have increasingly less bearing on processes in the real physical economy.

man Bundesbank has characterized as the “violent global growth” of derivatives.

Banking on chaos

The explosive growth in derivatives trading has allowed the banks to post huge trading revenues **Table 3** and **Figure 6**. For the second quarter of 1993, trading accounted for \$900 million in net profits at the big banks, or 40% of their \$2.2 billion in reported profits. Trading revenues at the top seven derivatives banks topped \$5 billion in 1991 and 1992, and hit \$6.2 billion for the first nine months of 1993.

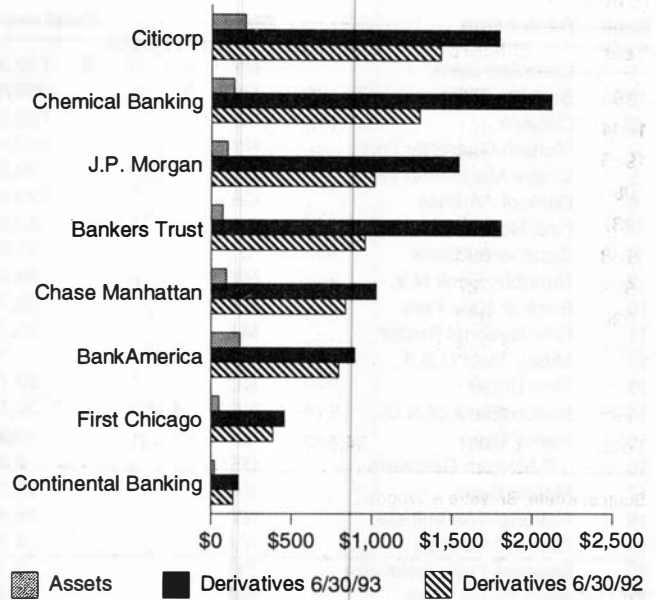
Such trading profits come not only from volatile markets, but from organized raids on the markets, as the activities of the Federal Reserve, Citicorp, George Soros, the Bank of England and others made clear in their September 1992 and July 1993 currency warfare against the European currency markets.

Chase Manhattan’s deputy head of risk management, Michael G.J. Davis, expressed the banks’ philosophy clearly in August, bluntly telling the *New York Times*: “The bank’s

FIGURE 5

Big banks are addicted to derivatives

(billions \$)



biggest fear would be a long period of calm and stability in the markets, which would lull companies and investors into slowing their trading activities. The worst thing for us is a marketplace where nothing happens.”

If chaos and instability are the banks’ friends, they should be very happy these days. They are, perhaps, on the verge of a fatal attack of self-induced joy.

Sounding the warning

While intelligence and an understanding of history are not often found in abundance within the financial community, there are relatively saner elements warning that the days of the speculative bubble are coming to an end, and that something must be done to manage its collapse in a way that salvages as much of the financial system as possible.

Within the financial community, derivatives have become a hot topic.

U.S. bank regulators have established a task force on derivatives, led by the Comptroller of the Currency’s senior policy adviser Douglas Harris, who moved over from running J.P. Morgan’s derivatives activities to handle the job. This is a classic case of the fox guarding the chicken coop, as Morgan and its political sister Bankers Trust, together hold more than 30% of U.S. banks’ derivatives.

The Securities and Exchange Commission has discussed increasing the capital requirements for the investment banks involved in the derivatives markets (the investment banks, led by the usual suspects—Salomon Brothers, Merrill Lynch, Morgan Stanley, Goldman Sachs, and Smith Barney

TABLE 3

Trading revenues of selected banks

(\$ millions)

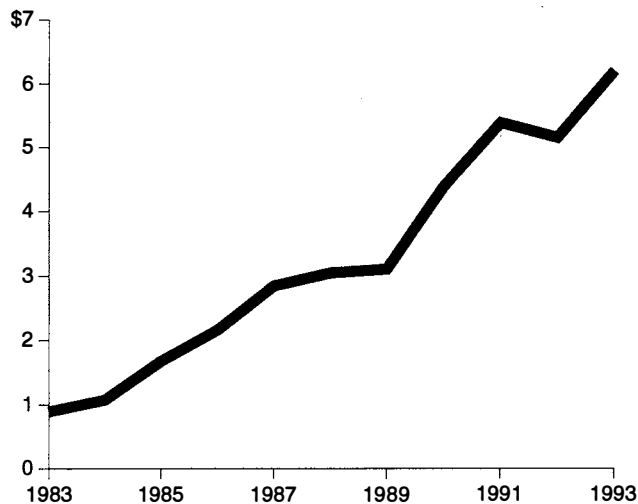
Year	Citicorp	Chemical	J.P. Morgan	Bankers Trust	Chase	First Chicago	BankAmerica	Total
1983	\$ 356	\$ 96	\$ 93	\$ 70	\$ 141	\$ 38	\$ 98	\$ 892
1984	401	118	82	134	148	38	152	1,072
1985	568	228	249	122	204	77	225	1,677
1986	574	260	328	224	291	131	354	2,160
1987	630	389	321	715	306	86	401	2,847
1988	893	452	374	375	379	192	383	3,048
1989	727	436	418	582	383	139	423	3,106
1990	928	519	959	1,026	340	164	450	4,386
1991	1,166	671	1,297	1,229	335	186	499	5,383
1992	1,331	853	965	896	468	177	460	5,150
1993	1,507	818	1,453	1,182	548	224	468	6,200
Total	\$9,081	\$4,840	\$6,539	\$6,555	\$3,543	\$1,452	\$3,913	\$35,921

Source: Keefe, Bruyette & Woods.

FIGURE 6

Trading revenue of the top seven banks

(trillions \$)



Shearson—are heavy players in derivatives, ranking just below the top five or six banks).

The Bank for International Settlements, the Basel, Switzerland-based central bank for central banks, has proposed standards for regulating derivatives, but the BIS's standards will serve mainly to force the smaller players out of the market, consolidating things even further. BIS director Alexandre Lamfalussy did warn in June, however, that “the phenomenal growth of derivatives

and associated trading techniques has reduced the transparency of balance sheets.”

LaRouche proposes a solution

Before 1993, the discussions of the derivatives market took place mainly in the rarefied air of international banking centers. Lyndon LaRouche changed that, and put the derivatives crisis on the public agenda March 9, when he issued a call for a tax of 0.1% on the notional value of every derivatives transaction in the United States. This proposal, which came while the Clinton administration and Congress were debating ways to raise taxes and cut vital government services. LaRouche movement organizers blitzed Capitol Hill with the derivatives tax proposal, pointing out the benefits of raising some \$60 to \$80 billion in tax revenue the first year, while beginning the process of shutting down the parasitical derivatives market.

LaRouche's proposals percolated around Washington until mid-June, when House Banking Committee Chairman Henry B. Gonzalez took to the floor of the House to warn of the dangers of letting the speculators run wild. Gonzalez also put into the *Congressional Record*, an article by this author on the size of the banks' off-balance-sheet derivatives.

On Sept. 8, the LaRouche card was played again, as this author testified on the dangers of derivatives before a House Banking Committee hearing on the financial services chapter of the North American Free Trade Agreement.

EIR was asked to submit written testimony for an Oct. 28 House Banking Committee hearing on derivatives. Gonzalez's committee also held a series of four hearings on the accountability of the Federal Reserve in October. Lyndon LaRouche has repeatedly identified the nationalization of the Federal Reserve as a key part of any economic recovery plan.

The Flood of '93 puts national food self-sufficiency on the world agenda

by Marcia Merry

Over June-October 1993 in the U.S. upper Midwest, the massive damage to crops caused by the once-in-500-years flood of the Mississippi-Missouri basins resulted in a 31% drop in 1993 U.S. corn output over 1992 (a bumper crop year), or close to a 15% drop compared to an average year in recent times. In turn, this has brought down 1993 world corn output by 15% from 1992, or 7-8% down from recent average years. The quality is also poor, having low nutritive content and being heavily pest-ridden. Crops such as spring wheat, barley, and other small grains have been similarly affected.

However, this damage toll constitutes not merely one record bad harvest for the unfortunate Midwest, nor even one "lost" year of availability of U.S. cereals output for export or potential food relief internationally. Rather, the dramatic damage toll of 1993 marks the point at which world food catastrophe is under way, because 1) for over 25 years, dozens of nations have been forced into extreme food-import dependency under International Monetary Fund (IMF), World Bank, and related strictures, while their domestic food production potential has been blocked; and 2) the United States is currently following a policy of converting large areas of its cropland into a so-called "natural" state, i.e., non-food producing, and ruining farmers, and the U.S. is attempting to enforce this policy on the other few food-surplus producing regions internationally, especially France.

Therefore, instead of a trend line of food output increase per hectare in world farm regions over the past two decades, there has been only an increase in food-import dependency, hunger, starvation, and *speculation* in food and other scarce commodities. The Mississippi "Flood of '93" puts on the agenda the national right to food self-sufficiency and economic development.

World underproduction

The volume of grain production (of all types) needed internationally each year to provide 5.2 billion people an aliquot of cereals and animal protein products must be in the range of over 3 billion metric tons annually, or about 3.5 pounds of grains a day per capita in the food chain of cereals and livestock production.

However, as of the late 1980s, grains production has stagnated well under 2 billion metric tons. The official annual world grain harvests, in billions of metric tons, as posted by

the Rome-based U.N. Food and Agriculture Organization (FAO), are: 1989-90: 1.871; 1990-91: 1.950; 1991-92: 1.881; 1992-93: 1.963; 1993-94: 1.894 (current harvest period).

In the jargon of the FAO, this inadequate level of world cereals output is referred to as "a tighter global cereal supply situation in 1993/94," as stated in their November 1993 *Food Outlook* publication. While citing acute food supply problems in parts of Africa, central Asia, and Bosnia-Herzegovina, the FAO observes only that their own "forecast of 1993 world cereal production is 1.894 million tons, 3.5% below the previous year and *below trend*" (emphasis added). In reality, leaving aside the question of how accurate the FAO's statistics are, their premise that there should have been an upward trend line in yearly world cereals and food output in recent years is against all common sense and cause and effect.

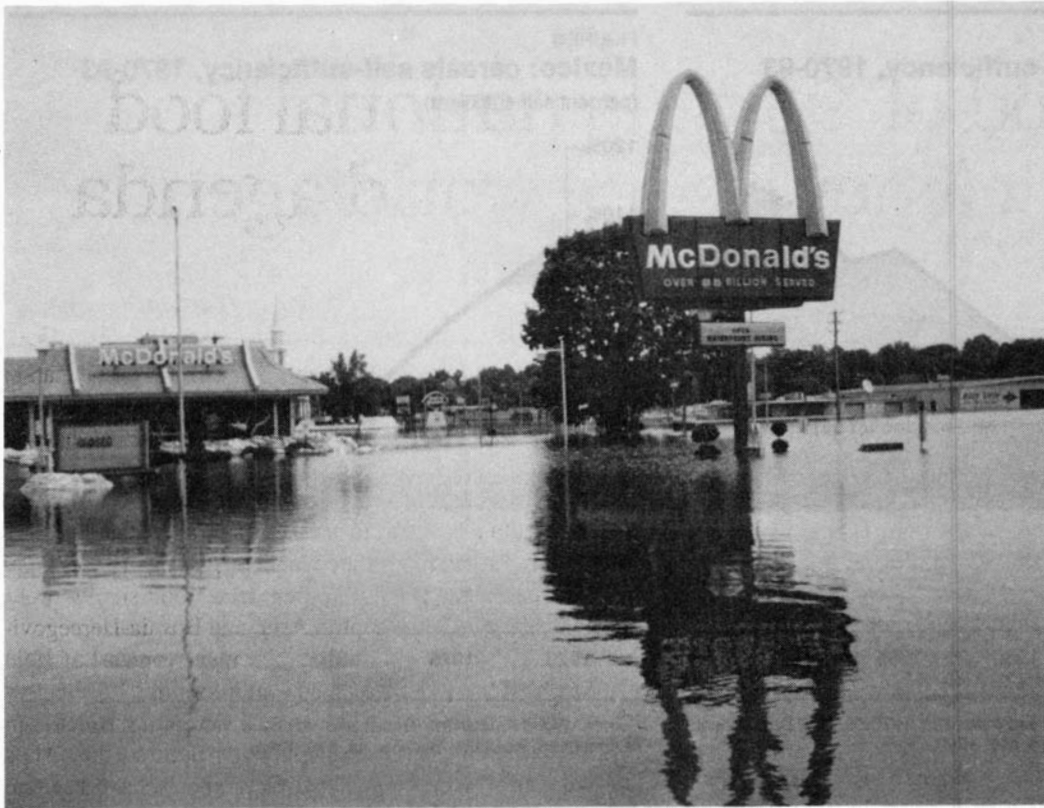
What the fall-off in cereals output reflects is the sharp fall-off of necessary inputs and resources improvements of all kinds in agriculture over the past 25 years. This decline ranges from fewer irrigated acres in the United States, to a steep drop in fertilizer applications in the former Soviet bloc, to lack of machinery and farm chemicals, and exhaustion of the soils.

However, neither the decline in inputs nor cereals output is inevitable. Today's crisis reflects the decades of austerity and free trade policy that have denied development of agricultural systems, to the point that today we have a global famine at hand.

National food self-sufficiency

One way to take a summary look at the trend of devolution in agriculture in recent decades is from the point of view of the declining degree of food self-sufficiency for dozens of countries, and from that vantage point, to look at the crisis today when the purported food surplus countries are not producing volumes of staples for supplying the "free market" for food-importing nations.

A "cereals self-sufficiency ratio" has been calculated by the U.S. Department of Agriculture, covering 1970-89, with seven time points, for a selected list of nations. The ratio is based on adjustments for stock changes, and takes into account all types of domestic use, including feed for livestock. All types of cereals are included in the calculations—wheat,



The Mississippi River floods at St. Louis, Missouri, July 1993. The \$25 billion in damage caused by the flood could have been prevented, had infrastructure been maintained. The worst of it is, that Washington has not learned this lesson, and is instead proceeding to shut down productive communities throughout the floodplain area.

barley, millet, corn, sorghum, etc.

Looking first at the cereals self-sufficiency ratio for the United States (**Figure 1**), two features of the last 23 years are immediately apparent. First, during the 1970s, and extending into the mid-1980s, the U.S. self-sufficiency ratio climbed to a level of 155-172%, reflecting actions by the food commodities cartel companies, and the USDA itself, to induce U.S. farmers to mass produce grain (and soybeans) for export—which surplus was used by cartel interests for ongoing food-as-a-weapon practices in many parts of the world.

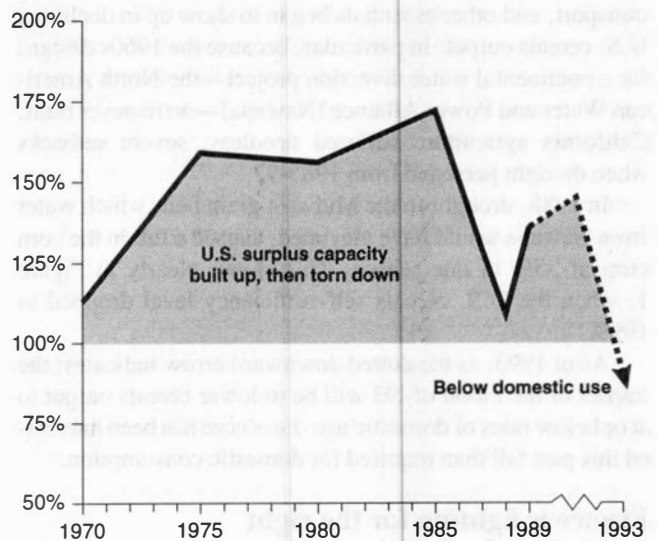
The companies involved include Cargill, Archer Daniels Midland, Continental, Louis Dreyfus, André/Garnac, Bunge, among others. The cartel-serving food control deals struck during this time included, among others, 1) a U.S.-U.S.S.R. arrangement for a specified minimum volume of U.S. grain to be purchased by Moscow each year; 2) guaranteed access for Cargill/ADM-brokered soybean products to be purchased by the European Community.

Moreover, Secretary of State Henry Kissinger went to the U.N. World Food Conference in Rome in November 1974 and, shedding crocodile tears for the hungry, made various bogus relief proposals that strengthened the control of the food cartel. Privately, Kissinger commissioned a National Security Study Memorandum in December 1974, which called for wielding the U.S. food surplus as a weapon against targeted nations.

Then, following the decade of surplus cereals output from

FIGURE 1
United States: cereals self-sufficiency, 1970-93

(percent self-sufficient)

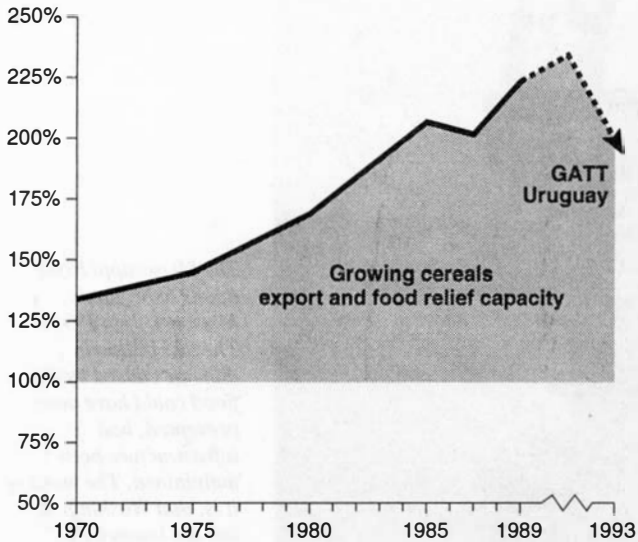


Source: *World Agriculture, Trends and Indicators, 1970-89*, U.S. Department of Agriculture Research Service, No. 815, 1990.

FIGURE 2

France: cereals self-sufficiency, 1970-93

(percent self-sufficient)



Source: *World Agriculture, Trends and Indicators, 1970-89*, U.S. Department of Agriculture Research Service, No. 815, 1990.

the mid-1970s to mid-1980s, the U.S. cereals self-sufficiency ratio of surplus-for-export began to decline. Thousands of farmers were ruined by several years of Federal Reserve Board Chairman Paul Volcker's high interest (and therefore, high debt service) rates, plus high energy costs related to inflated oil prices, plus systematic underpayment of farmers by the cartel companies.

At the same time, in the mid-to late-1980s, the results of the cumulative lack of infrastructure improvements in water, transport, and other essentials began to show up in declining U.S. cereals output. In particular, because the 1960s designs for a continental water diversion project—the North American Water and Power Alliance (Nawapa)—were never built, California agriculture suffered needless, severe setbacks when drought persisted from 1985-92.

In 1988, drought in the Midwest grain belt, which water from Nawapa would have alleviated, caused a fall in the corn crop of 35% in one season. This shows clearly in Figure 1, when the U.S. cereals self-sufficiency level dropped to 109%.

As of 1993, as the dotted downward arrow indicates, the impact of the Flood of '93 will be to lower cereals output to at or below rates of domestic use. Less corn has been harvested this past fall than required for domestic consumption.

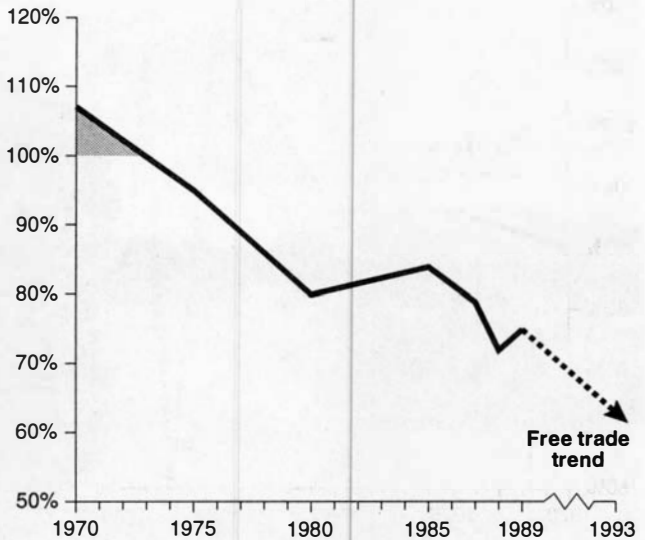
France is fighting for the right to produce food

Figure 2 shows the rapid rise in the grain (mostly wheat) output potential of France after the 1960s when, under the

FIGURE 3

Mexico: cereals self-sufficiency, 1970-93

(percent self-sufficient)



Source: *World Agriculture, Trends and Indicators, 1970-89*, U.S. Department of Agriculture Research Service, No. 815, 1990.

Common Agriculture Program (CAP) of the European Community, France built up its agricultural productivities dramatically. As of the mid-1980s, France reached levels of cereals self-sufficiency of over 200% and became a significant grain-for-export producer. Partly in response to this, a bloc of U.S.-London financial interests in 1986 initiated the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), designed to coerce nations to give up their right to set food and farm policies, banking, currency, and other previously sovereign national policy rights.

In December 1993, after seven years of fighting, France and the other negotiating member nations caved in to the Uruguay Round free trade scheme. From 1990 to the present, thousands of French farmers have taken to the streets to protest this plan, and to demand that the national right to produce be maintained. Figure 2 projects France's fall in cereals self-sufficiency under the new GATT treaty.

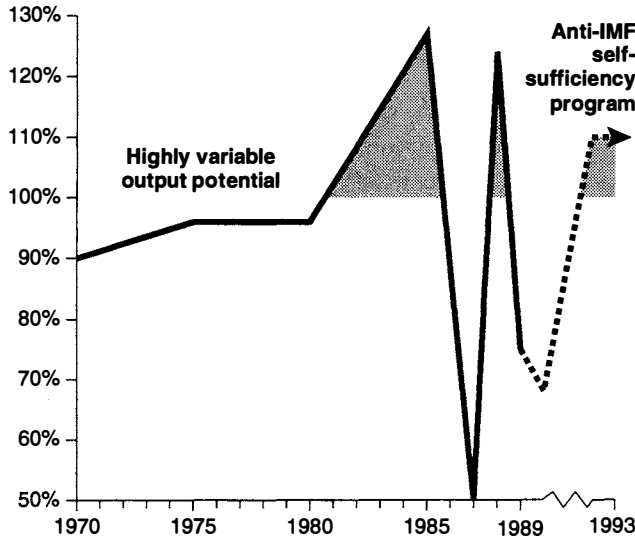
Mexico goes from grain exporter to desperation

Figure 3 shows the stark decline in national food self-sufficiency in Mexico, from being a grain exporter in the 1960s, as shown by the cereals self-sufficiency ratio of 107% in 1970, to being import-dependent for grain, with only a 72-75% cereals self-sufficiency ratio in the late 1980s. In the early 1980s, there was an effort to resume cereals self-sufficiency, under President José López Portillo. But today, as shown by the falling arrow for 1993, the national food supply situation is desperate.

FIGURE 4

Sudan: cereals self-sufficiency, 1970-93

(percent self-sufficient)



Source: *World Agriculture, Trends and Indicators, 1970-89*, U.S. Department of Agriculture Research Service, No. 815, 1990.

While over the 1980s, the period of imposed free trade, Mexican imports of U.S. corn and beans, Canadian wheat, and other foodstuffs increased, according to the commodities' cartel schemes; in fact, Mexico's food gap has widened, and undernourishment and malnutrition now afflict an estimated two-thirds of the 86 million people of Mexico.

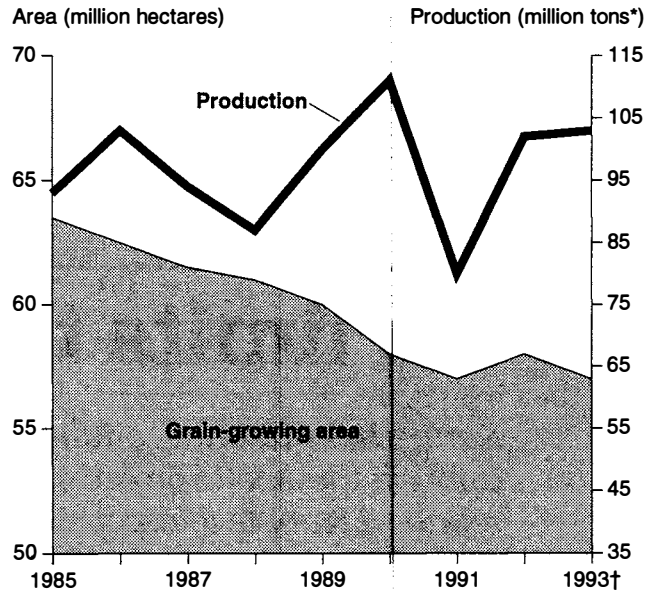
Over 1993, a nationwide farm protest movement arose in response to the secret financial agreements connected to the North American Free Trade Agreement, which would result in the elimination of two-thirds to 80% of Mexico's family farmers, who provide most of the national grain output.

Sudan embarks upon emergency food self-sufficiency program

Figure 4 shows the high variability in output potential for Sudan, Africa's largest nation in size and one of the potentially most productive, naturally endowed food belts in the world. The self-sufficiency ratio of cereals production (mostly sorghum) swings from 127% in 1985, down to 50% in 1987, and back up to 124% in 1988. This reflects what can happen in a region such as the Sahel, where rainfall is highly variable from year to year. But mostly, the swings reflect anti-development interventions by the IMF, World Bank, and related agencies to prevent water, power, and mechanization projects from going forward to insulate food output against annual precipitation swings. For example, the Jonglei Canal, designed as a 380-kilometer cut to straighten and improve the upper White Nile, was half built as of the mid-1980s, then shut down under pressure from the IMF.

FIGURE 5

Grain-growing area production in the Russian Federation, 1985-93



* Tonnage in clean weight.

† Forecast, October 1993.

Source: *Former U.S.S.R. Update*, U.S. Department of Agriculture, Oct. 12, 1993.

In November, Sudan President Omar El Bashir announced in an interview with the Paris daily *Le Figaro* that Sudan would soon resume the Jonglei Canal construction and other projects in its national development program. The El Bashir government came to power in 1989, and in 1991, adopted a food-self sufficiency program, despite expulsion by the IMF.

Russia's food emergency

Russia and other former Soviet bloc countries now rank among the food emergency regions of the world. Figure 5 shows for the Russian Federation the decline in absolute area planted and harvested, and also the expected drop in the 1993 harvest.

In 1990, thanks to fortuitous weather, the availability of farm chemicals, a mobilization of harvest machinery, and other measures, the total grain production was 111 million metric tons. The October 1993 estimate shown is for 103 million tons, which is overstated, according to more accurate reports. Moreover, as of October, Russian winter grain seeding and soil preparation for the 1994 crop were 30% behind because of delays in bringing in the 1993 crop, and bad weather. Between 1985 and 1989, the grain area harvested dropped over 3 million hectares, and fell another 3 million in the last five years.

No limits to growth

Kennedy's national commitment to an advanced science policy through the Apollo program lives on in breakthroughs with the repaired Hubble telescope and in fusion energy. Carol White reports.

What better way to commemorate the legacy of the John F. Kennedy years, than the confluence of positive scientific events which have come as 1993 draws to a close. First and foremost, there is the successful servicing of the Hubble telescope, with the clearer vision promised by the repaired instrument. Then there are advancements in pursuit of controlling the energy of the nucleus, both at Princeton University with the Tokamak Fusion Test Reactor (TFTR), and from a number of laboratories as reported at the Fourth International Conference on Cold Fusion.

Twenty-five years ago, the giant step from the Earth to the Moon had yet to be taken; the task to be accomplished was still enormous. No one at that time could possibly have doubted that a successful Moon landing would rank as a historical achievement not only of the United States, but of mankind. No one would have doubted that, with such an achievement, we would be moving into the 21st century with the assurance that there are indeed, no limits to growth. Surely—although the Apollo program was run by a civilian agency, the National Space and Aeronautics Administration (NASA)—the capability to land Americans on the Moon had obvious national security implications, especially in the wake of the Soviet Sputnik launch. Just as surely—for John F. Kennedy and most Americans at that time—to reach for the stars was to follow man's destiny and, in the words of the psalm, to seek to understand God's word, written in the sky.

Sadly, with the murder of President Kennedy there began a highly successful 30-year-long attack on the notion of the necessity for scientific and technological progress. In place

of a confident search for technological solutions to the problem of expanding our energy base and controlling pollution, the cultural paradigm was shifted to portray science and technology as inimical to the biosphere.

The Kennedy administration reversed the economic stagnation of the Eisenhower years, and thus provided the context for the enormous boost to productivity brought about by technological spinoffs from the Apollo program, such as the development of advanced computers and the associated developments of the semiconductor industry, as well as in many other areas—not least of which are advances in medicine. Thus it was a unique moment in U.S. postwar history; nonetheless, President Eisenhower had foreshadowed the accomplishment of the Kennedy years by his Atoms for Peace policy.

In 1953, after the Soviets tested a hydrogen bomb, Eisenhower proposed that an International Atomic Energy Agency be set up under the aegis of the United Nations. Its mandate would be “to provide abundant electrical energy in the power-starved areas of the world. Thus the contributing powers would be dedicating some of their strength to serve the needs rather than the fears of mankind.” The United States was prepared, the President said in a speech delivered at the United Nations, “to devote its entire heart and mind to find the way by which the miraculous inventiveness of man shall not be dedicated to his death, but consecrated to his life.”

At that time, Eisenhower had hoped for the development of electricity too cheap to meter, which would provide energy for the industrialization of the Third World. He wished to

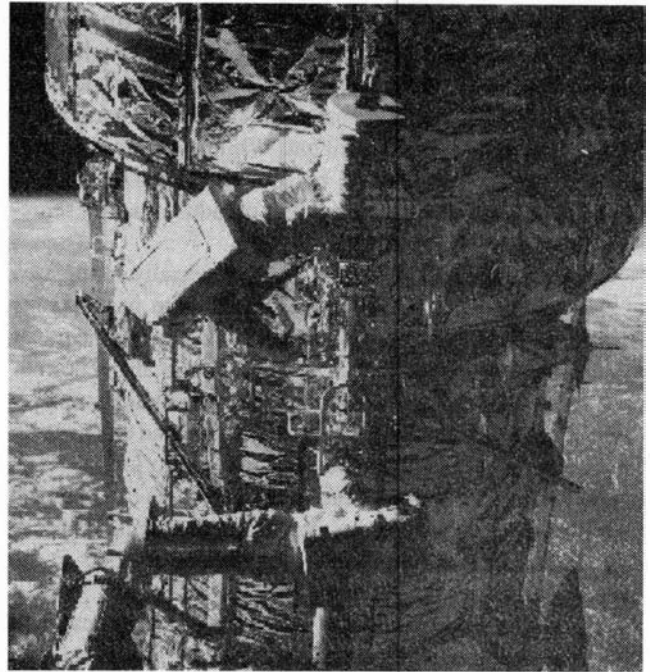
build transoceanic canals and artificial harbors, which would be blasted out by detonating bombs. This program was later to be known as Operation Plowshare. He also expected that the knowledge that would be gained through controlling nuclear energy would lead to enormous strides in medicine and the solution to the world's fertilizer problems. That this was no empty vision is amply testified to by the success of the nuclear industry, notwithstanding the devastating and continued attack which it faces from malthusian forces who do not wish to see Eisenhower's dream realized.

The same spirit of technological and political optimism was again manifest in President Reagan's March 23, 1983 Strategic Defense Initiative (SDI) proposal, when he vowed to substitute a policy of mutually assured survival for Henry Kissinger's MAD doctrine of mutually assured destruction, in order to be an absolute barrier to a third, nuclear world war. It is also in sharp contrast to the looting of the International Monetary Fund and World Bank which is now being enforced on other nations by the United States government, in alliance with the British.

Hubble: A window on the universe

In the weeks leading up to the launch of the Space Shuttle Endeavour, the international media focused upon the mission to service and repair the Hubble telescope. A do-or-die climate for NASA was being orchestrated, under circumstances in which there was no guarantee of success for the mission: Any space walk is a difficult venture, and this mission, in particular, was extraordinarily difficult, as planned; its signal success, therefore, is doubly welcome. In all, five space walks, over 35 hours' duration, were accomplished by the Dec. 12 landing date. While an important aspect of the mission has been the correction of the telescope's focusing, it is important to note that two of three gyroscope pairs which are used to stabilize the Hubble telescope were also replaced by the astronauts. Such wear and tear on the apparatus was to be expected, but it testifies to the good judgment used in planning just such shuttle servicing missions as the Endeavour flight, in the original conception of the space telescope design, which took into account the role of the shuttle. Similarly, the telescope's solar panels were redesigned to deal with the problem of space jitter which emerged.

The first pictures from the refurbished telescope should be available by the first week in February, and we will know by mid-March if all aspects of the instrument are performing properly. The well-publicized spherical aberration in Hubble's primary mirror was corrected twice: once for the light received in the Wide Field and Planetary Camera (the new, more advanced Wide Field and Planetary Camera installed early Dec. 7 is redesigned to include the correction), and once for the light path that goes to three other instruments still in place, the Faint Object Camera, the Faint Object Spectrograph, and the Goddard High Resolution Spectrograph. For these three, the correction is contained in the COSTAR optics module that was put in the place of the High



Two astronauts from the Shuttle Endeavour work on the Hubble Space Telescope. Both the shuttle mission and the telescope itself should revive excitement about scientific and technological progress.

Speed Photometer module the night of Dec. 7. COSTAR stands for Corrective Space Telescope Axial Replacement, and is about the size of a telephone booth. The high speed photometer, for measuring variations in light emission from rapidly varying sources, was the least used of Hubble's instruments.

With the fix, man's vision will extend farther back in time as it extends in space. This will bring Hubble very close to its original specifications, but it should be noted—contrary to unfriendly press and television reports—that vast amounts of scientifically important data have already been received and processed from Hubble.

The success of the mission depended upon the fact that the astronauts were very highly trained and experienced. They vindicated the entire concept of manned space exploration, which, in fact, was the rationale for the Space Shuttle itself and for having a timely completion of the Space Station. Critics of NASA who nonetheless endorse a continued space effort have wrongly counterposed unmanned explorations of the universe. Hopefully, the Clinton administration will take a lesson from this stunning NASA success and pull back from plans to make the U.S. Space Station dependent upon Russian cooperation.

Cold fusion

We will be reporting at length, in upcoming issues, on the status of cold fusion research nearly five years after the historical announcement of the phenomenon by the electro-

chemists Martin Fleischmann and Stanley Pons. Briefly, the Fourth International Conference on Cold Fusion, held in Hawaii over Dec. 6-9, reported substantial work accomplished in a number of laboratories to establish the parameters for repeatability of the experiment. While there were no dramatic surprises reported, the breadth and depth of the program are impressive, and the number of industrial representatives attending was significant.

Most questions still remain open, especially in the area of theory; however, excess power production in the range from 4 to 70% has been well established by numbers of researchers. Significant tritium production was also reported. New results regarding helium-4 production remain tentative. Led by Steven Jones, the conclusion was reached that neutron production in most cold fusion reactions is so low as to be barely detectable. Jones, in fact, retracted some of his earlier claims of five neutron bursts, explaining that he had discovered these measurements to be the result of artifacts in the experiment, rather than genuine fusion occurrences.

Cold fusion is enormously promising, both because it should open up new frontiers for scientific investigation, and because it may lead to a highly attractive method—technologically and economically—for tapping the energy of the nucleus. Ironically, the failure of the reaction to produce the fusion ash, which would be expected according to prevailing physics theory, is really its great benefit. Cold fusion is virtually aneutronic, and other significant radiation effects have yet to be discovered. Unfortunately, many scientists have difficulty accepting a situation in which we do not yet understand what can be happening to produce the detected excess heat, which is over and above any known chemical reaction.

To date, the leading programs in the world are those run by the U.S. Electric Power Research Institute (EPRI) at Stanford Research Institute, and that of the two Japanese IMRA laboratories—in France where Fleischmann and Pons work, and in Japan under the direction of Dr. Keiji Kunimatsu. The next largest program is run by the Italians, with just under 100 part-time researchers, and there is a possibility that a large-scale industrial program led by the Fiat and Montedison corporations will be launched in the near future. At the conference, a representative of the Japanese Ministry of International Trade and Industry (MITI) announced that their \$30 million program had been begun in November. The first milestone of this combined industry-university major research program would be a test of the Fleischmann and Pons cell, and of one using a fuel-cell design provided by the IMRA Japan laboratory. A representative of Mitsubishi Heavy Industry also reported that he had replicated the Yamaguchi gas-loading experiment, as part of ongoing research at Mitsubishi. British, American and French oil companies also have experimental programs in progress, although by-and-large these are not being openly reported on for proprietary reasons. Lastly, the Utah-based corporation ENECO announced that they now have obtained exclusive licensing rights from the University of Utah for the Fleischmann-Pons patents.

The hot fusion story

On Dec. 10, physicists at the Princeton Plasma Physics Laboratory in New Jersey announced that they had achieved a record tritium-deuterium fusion burn in their Tokamak Fusion Test Reactor (TFTR). Without the addition of neutral beams, on their first test, they produced 3 million watts of thermonuclear fusion energy, which is a new record for fusion power, over and above that reached in 1991 in England by the Joint European Torus (JET). Much diluted (11%) tritium was used as a fusion fuel by JET, to reach a then-record of 1.7 million watts of power. On subsequent days, bringing neutral beam heating on line raised the output of the TFTR to 6 million watts.

Fusion energy is what powers the Sun and the stars: During a fusion reaction, two hydrogen atoms are fused together to form helium, and energy is released in the process. It has been a dream of scientists and others for decades to harness this energy as a clean, virtually inexhaustible, and therefore, extremely cheap, power source for mankind. In the TFTR experiment, the deuterium and tritium are heated to over 100 million degrees to form a very thin ionized plasma. In the Fleischmann-Pons table-top electrolysis cell, the nuclear reaction is evoked using only deuterium as a fuel, which is packed into a palladium electrode, and the experiment is run at room temperatures.

Tritium has a half-life of 12 years and it is radioactive. For this reason scientists have held back from using it as a fuel, despite the fact that fusion energy breakeven cannot conceivably be achieved in a tokamak by using only deuterium. Thus, earlier TFTR and JET experiments using deuterium only were extremely useful in establishing scientific parameters for containing the fusion plasma, among other things; however, only by introducing tritium could the energy output be scaled up toward breakeven.

The TFTR performed its first fusion experiments, using only deuterium, in 1983. The burning of tritium was delayed by cutbacks in the magnetic fusion energy budget. "Fusion research has taken longer than expected," wrote Lyman Spitzer, one of the founders of the Princeton Plasma Physics Lab, in a Dec. 11 *New York Times* opinion column, "partly because of cutbacks in federal money but also because a hot gas confined by a magnetic field behaves in odd ways undreamed-of initially."

Note that, despite the impressive energy output, in terms of the ratio of power output to power input—and taking into account neutral beam heating—only two-tenths of scientific breakeven was met at first. For an economically viable fusion power reactor, the scientific breakeven level of 1:1 will have to be surpassed and we would aim to get 20 times excess output to input power. Researchers hope to reach 10 megawatts of power in this year's TFTR tests, which would bring the ratio up to nearly 50% of breakeven.

Deuterium is a heavy hydrogen atom which contains an additional neutron along with a proton in its nucleus; tritium has two neutrons. In D-D fusion, normally either tritium or

helium-3 is produced in equal amounts. Each D-T fusion reaction produces one neutron and one alpha particle. The neutrons carry approximately 80% of the fusion energy produced, which could be used to produce power. The positively charged alpha particles, carrying 20% of the fusion energy, remain trapped in the magnetic field and, through collisions, transfer this energy to the remaining D-T plasma. The confinement of the high-energy alpha particles in the magnetic field is needed for the eventual production of self-sustained, or "ignited" plasmas.

In cold D-D fusion, the one-to-one branching ratio of tritium to helium-3 production is violated: Close to a million times more tritium than helium is observed. More importantly, the excess heat measured cannot be accounted for by the relatively small amounts of tritium or helium-3 which are detected. One suggestion is that the more unusual helium-4 reaction that occurs, rather than helium-3 or tritium, is the nuclear ash for cold fusion, but this has yet to be proved. Helium-3 has two protons and one neutron in its nucleus, while helium-4 is balanced by two protons to two neutrons.

The problem in developing a fusion reaction comes from the need to develop materials capable of sustaining the high heats and high neutron flux. Not only are there structural problems with the materials, but also, because of the use of tritium as a fuel and the emission of neutrons (around 3.4×10^{18}), there is the problem of activation of the materials used in the containment vessel. While fusion energy is a clean source from the point of view of a working reactor, materials handling for repair and reconditioning the machine appear to be prohibitively expensive at the moment.

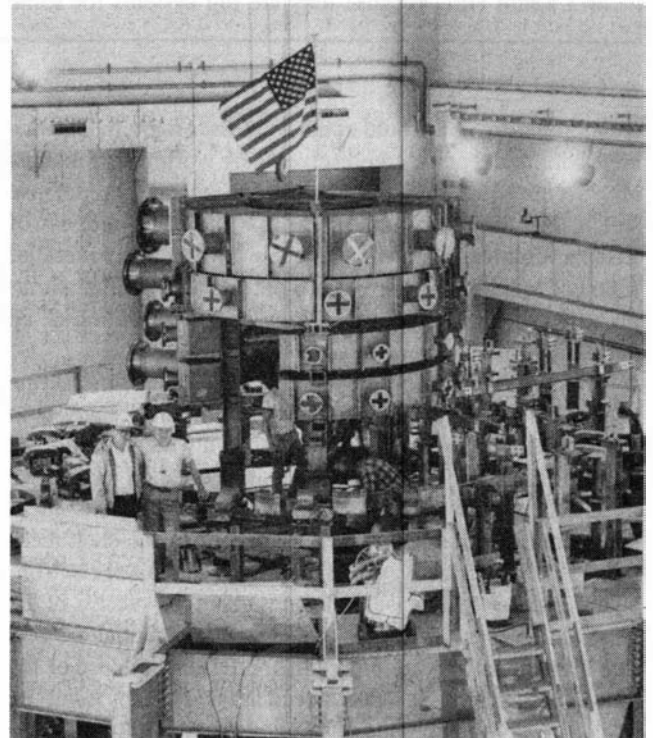
A further problem to be solved is containment of the plasma fuel, which in the present design of the tokamak depends upon increasing the radius of the containment vessel. In the TFTR the major plasma radius is 2.52 meters, and the minor radius of the donut-shaped design is 0.87 meters. The energy is contained during each 4-second activation pulse for only about 0.14 seconds of the burst, before neutrons travel to the wall of the containment vessel and cool down the plasma. The next state of the international fusion effort is geared to the development of the International Thermonuclear Experimental Reactor (ITER) now in its design phase. This scaled-up machine is estimated to cost tens of billions of dollars, and would probably not come on line until, at the earliest, near the middle of the next century, if it is built. Some critics suggest that rather than scaling up the size of the machine, the need is for more cleverly designed small fusion machines, such as the plasma focus, or zeta pinch. Harold Furth, former director of the Princeton program, was quoted in Robin Herman's 1990 book *Fusion, the Search for Endless Energy*, expressing the problem with large fusion machines such as the TFTR. "If the Martians were attacking," he said, "if money were no object, and the military wanted a working fusion reactor by the year 2000, there is no question we could have it. By the year 2000 we could build such a *big turkey*." However, he said, govern-

ment does not want "a hugely expensive thing that produces a modest amount of power. Money will solve a problem not *the problem*."

Mars, the next step

President Reagan's announced policy for the Strategic Defense Initiative certainly rivalled President Kennedy's Apollo program in potential. Had the SDI been implemented along the lines outlined by Lyndon LaRouche, the strategic situation today would be entirely different, and we would be in the midst of a period of economic development without historical equal. Reality, however, proved otherwise, and the SDI was sabotaged by a combination of Soviet stupidity and American greed.

Although the Soviets agreed with LaRouche on many of the positive implications of the SDI proposal which he presented to them in back-channel negotiations sanctioned by the U.S. government before Reagan's 1983 announcement, the Soviets attacked the SDI as a *casus belli*. Rightly fearing the collapse of the Soviet economy, they refused to take the steps proposed by LaRouche to transform it into a viable system, modelled upon the Leibnizian economic policies also known as the American System. The Soviets recognized that an SDI based upon new physical principles would generate an enormous boost to the economies of the West because of their ability to rapidly assimilate the new



The Princeton Plasma Physics Laboratory's Tokamak Fusion Test Reactor (TFTR), in 1982.

LaRouche on Princeton, Hubble achievements

Lyndon LaRouche commented on the fusion breakthroughs at Princeton and the success of the Hubble Space Telescope mission in his weekly radio interview "EIR Talks" on Dec. 15, 1993.

I'm very happy, as a lot of other people are, about the Princeton results. But I'm unhappy about other things.

This was a policy issue which I discussed with a number of people, including the late Harold Grad back in the 1970s, when the tokamak policy was being pushed through the relevant government bureaucracy at that time. I thought that this idea of concentrating for a breakthrough on the tokamak-type reactor was a terrible mistake and would slow us down greatly; that we ought to keep a broader-based experimental program.

It's like the problem of the Texas business, the supercollider. It's not really a wrong thing to do, and it was a terrible thing to shut it down once we were committed to it and had the investment in it. But it was the wrong approach to focus everything on one or two big systems which have a lot of, shall we say, "political sex appeal" on Capitol Hill, because they are big systems for some

part of the country, and to fail to see that science does not base itself largely on big systems, but on crucial experiments which sometimes are very small, like the so-called solid-state fusion experiments, which are small experiments. And many of the great discoveries of mankind, have come through these small experiments.

In the area of fusion processes and related matters, there are a lot of areas of research which would accelerate the benefit, which were neglected in order to fulfill the bureaucratically made decision to proceed with a choice of one mainline, big system. . . .

And we should say, if we want to be a great nation again—not be a junkpile—we're going to have to go for broad-based experimental work. . . probably doubling—at least—the percentile of our labor force which is coming out of qualified science training programs in universities. We're going to have to go back to something like the Sputnik program of the 1958-68 period in education, to get the people who actually know a little geometry out of the high schools so we have somebody who is teachable in physics, when they get to college.

If we don't do that, we're not going to be able to do this; and we should take this inspirational moment of achievement at Princeton in the Tokamak and in the Hubble repair operation, and say, all right, let's stop being stupid. Let's go back to doing the kinds of things which enabled us to put a man on the Moon; and then we'll be a great nation again.

technologies which would come from the program. The Soviets admitted that they themselves were working to unilaterally develop just such systems for an anti-missile defense shield, but they also understood that the backwardness of Russian culture, coupled with their corrupt, bureaucratic, stagnant economic system would not permit a similar stimulus to work for them. Instead they chose the option of an accelerated arms race, détente to the contrary.

Things were little better in the West. While British Prime Minister Margaret Thatcher did everything in her power to reverse the Reagan initiative, a campaign which culminated in the Reykjavik summit of 1986, the so-called supporters of the SDI within the U.S. military-industrial establishment sought to divert the program to the use of off-the-shelf technology, in place of advanced systems such as laser, electron, and plasma beam defenses. Illusions about the success of the condominium and failure to recognize the potential dangers of a revival of Russian imperialism after the collapse of the U.S.S.R., turn the SDI into a dead letter. Perhaps it will be revived under the impetus of a policy change in Russia typified by the Russians' "Trust" offer to President Bill Clinton made public on April 1, 1992, to have a collaborative SDI program along the lines of the initial LaRouche proposal.

A similar opportunity for the Reagan administration existed in 1986, when the National Commission on Space, led by former NASA administrator Thomas O. Paine, issued its report on space initiatives which had been commissioned by the U.S. Congress. This called for a 50-year program to establish a colony on Mars. While President Reagan nominally endorsed the initiative, he succumbed to the despair that enveloped the nation in the wake of the tragic explosion of the Space Shuttle Challenger in January 1986.

In contrast, continuation and expansion of the Kennedy space program was a centerpiece of LaRouche's policy guidelines for America, for which he had been actively campaigning for years. While LaRouche welcomed the 1986 Paine report, he suggested specific amendments: LaRouche believed that a 100,000-person science city could be established on Mars within a 40-year timeframe. Such a city, he suggested, should be primarily directed to astronomical investigations, and should be ringed by a network of telescopes in space—like the Hubble.

In this he was even more ambitious than Tom Paine, who had assumed that within 50 years a smaller outpost would be possible, but that to establish a city with 100,000 residents would require a century. Moreover, Paine's commission ad-

vocated manned space flight to Mars using conventional non-nuclear rockets in the beginning, which would take up to two years' flight time. For LaRouche, such a long period of space travel for astronauts, under conditions of zero gravity and exposed to cosmic radiation, was an unnecessary risk. Instead, LaRouche was confident that nuclear rockets could be quickly developed, which would allow the trip to be shortened to months, or perhaps with fusion rockets, even weeks. Of course, such disagreements were secondary, and LaRouche wholly endorsed the congressional Mars initiative, which President Reagan also supported. The program was allowed to die through inaction by Vice President George Bush, who had been chosen to oversee the project.

In endorsing the Paine Commission Report, Ronald Reagan had chosen to reiterate the best goals of his administration, which was confirmed in a speech he delivered in Houston before the workers at the Johnson Space Center, when Shuttle flights finally resumed in the second half of 1988. With Vice President Bush and the five astronauts who would fly Discovery present, Reagan reasserted America's commitment to man's future in space.

Calling the space frontier the United States' manifest destiny, he told his audience: "In the next century, leadership on Earth will come to the nation that shows the greatest leadership in space. It is mankind's manifest destiny to bring our humanity into space, to colonize this galaxy. I say that America must lead. The nation that has achieved the greatest human freedom on Earth must be the nation to create a human future for mankind in space, and it can be none other."

The theme was reprised later in the speech, where he referred to the aftermath of the Challenger disaster. "Our early settlers knew great risks," he said, "and made great sacrifices and moved the frontier forward to build a great nation."

Echoing LaRouche's March 3, 1988 national broadcast, "The Woman on Mars," which we excerpt in an accompanying article, Reagan said: "Somewhere in America, there is alive today a small child who one day may be the first man or woman ever to set foot on the planet Mars or inhabit a permanent base on the Moon."

The McCormack fusion energy act

In 1981, just before leaving office, President Jimmy Carter signed into law the Magnetic Fusion Energy Engineering Act of 1980, popularly known as the McCormack Act, after its sponsor Rep. Mike McCormack (D-Wash.). The Fusion Energy Foundation, which LaRouche had founded, justifiably took credit for the success of its three-year effort to secure passage of this law, which committed the United States to a broad-based effort to secure fusion energy as a viable energy source by the end of the century.

The funds to carry out the program were never made available, however, and, under the aegis of Reaganomics, appropriations for the fusion program were cut back. As a result, the broad-based U.S. fusion effort of the 1970s, which

came under pressure during the Carter administration, was narrowed to allow the Princeton TFTR program to realize its just-accomplished (and long-postponed) goal of a test tritium-deuterium burn. Furthermore, future planning for the U.S. program has been vectored toward international collaboration on the scaled-up ITER machine.

The McCormack Act stated in part: "The United States must formulate an energy policy designed to meet an impending worldwide shortage of many exhaustible, conventional energy resources in the next few decades. . . . Fusion energy is one of the few known energy sources which are essentially inexhaustible, and thus constitutes a long-term energy option. . . . It is the proper role for the federal government to accelerate research, development and demonstration programs in magnetic fusion energy technologies; and acceleration of the current magnetic fusion program will require a doubling within seven years of the present funding level without consideration of inflation and a 35% increase in funding each of fiscal years 1982 and 1983."

Rather than doubling the budget in a seven-year period, subsequent Congresses, acting under perceived budgetary restrictions (in real dollar terms), reduced appropriations for magnetic fusion by one-third. The McCormack Act stated that its purpose was "to maintain the United States as the world leader in magnetic fusion." The moral of the story is clear: Granted that there are serious obstacles standing in the way of realizing the promise of controlling fusion energy in order to transform it into economically useful forms, the present policy in the West, not only in the United States, is not vectored to solving them. Indeed, there is reason to fear that the effort to build the ITER is not a serious proposal for international cooperation in fusion energy research, but instead a subterfuge for eventually coming to a decision to close down the program entirely—as appears to be the fate of the Superconducting Supercollider (SSC), which was also an international project.

The Fusion Energy Foundation (FEF), established in November 1974, took the national lead not only in formulating the policy which culminated in the passage of the McCormack Act, but has been on the forefront of every effort in the frontiers of science. FEF published the *International Journal of Fusion Energy*, and *Fusion* magazine, which had a peak circulation of 200,000, and had affiliates in India, Germany, France, Italy, and Sweden. FEF was a scientific institution with a worldwide reputation recognized as such in the scientific community. Its founding members included Drs. Robert Moon and Winston Bostick, as well as Lyndon LaRouche.

The foundation was summarily shut down on April 21, 1987 by the U.S. government under bankruptcy proceedings subsequently ruled by U.S. courts to have been fraudulent. This outrageous violation of the First Amendment was part of a broader pattern of judicial misconduct that resulted in the imprisonment of Lyndon LaRouche and 12 of his associates. In March 1988, some of the staff of *Fusion* cooperated to start a new magazine, *21st Century Science & Technology*.

The Kennedy legacy: We can still rediscover the frontier of space

by Marsha Freeman

Last month's dramatic repair of the Hubble Space Telescope by Space Shuttle astronauts led many to recall the pride all Americans felt when the first men walked on the Moon nearly a quarter of a century ago. The Apollo program, announced by John F. Kennedy on May 25, 1961, was intended by the President to not only attain the goal of the first manned lunar landing, but to use this challenging effort of the exploration of space as a driver to reinvigorate education and advance manufacturing technology, as well as to serve as a demonstration to other nations around the world of what a free and democratic United States could accomplish vis-à-vis the Soviet Union.

Only three months into his term, President Kennedy was faced with the fiasco of the Bay of Pigs invasion of Cuba. He realized that, in order to change the direction his presidency was taking, he would have to set the country on the course of pursuing a great project. On April 12, 1961, Soviet cosmonaut Yuri Gagarin became the first man to orbit Earth. Vice President Lyndon Johnson aggressively lobbied for the administration's "great project" to be a forward-looking civilian space program.

On April 20, President Kennedy asked Johnson to assess America's standing in the space race and determine what the U.S. program should do to match and beat the Soviets. The directors of the newly created research centers of the National Aeronautics and Space Administration (NASA) were asked to respond to a series of questions on space policy, and on April 29, Marshall Space Flight Center director Wernher von Braun sent his reply to the President via Johnson.

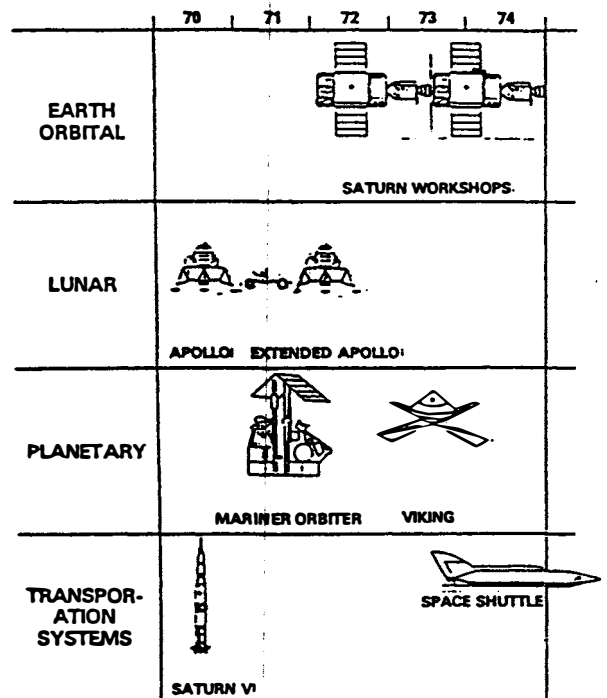
Von Braun's evaluation was that the United States would not be able to compete with the existing Soviet rockets, and that, therefore, a longer-range goal would have to be set to give the United States time to catch up. Von Braun wrote that to land "a man on the Moon and bring him back to Earth" would require a rocket "about 10 times as powerful" as what the Soviets then had demonstrated.

"We have a sporting chance of sending a three-man crew around the Moon ahead of the Soviets," von Braun wrote,

and "we have an excellent chance of beating the Soviets to the first landing of a crew on the Moon. . . . With an all-out crash program I think we could accomplish this objective in 1967/68." Von Braun's suggested formulation was: "Let's land a man on the Moon in 1967 or 1968." President Kennedy extended the deadline to "the end of this decade" of the 1960s, in adopting the von Braun program.

Greatest peacetime mobilization in history

President Kennedy's Apollo announcement would lead to the greatest peacetime mobilization of the scientific and engineering capabilities of any nation in history. For the next 20 years, the U.S. economy would benefit from the



Wernher von Braun's integrated space program, 1970-90.

introduction of computers into the transportation, manufacturing, and consumer sectors; the development of new materials, instruments, and devices for medical applications; satellite remote sensing to aid agriculture and improve weather forecasting; and thousands of other improvements to increase productivity throughout the economy.

Neither President Kennedy nor the visionaries in the space program, such as Wernher von Braun, conceived of the space program as something that had an "end." Kennedy compared space exploration to the opening of new continents to human activity through the seafarers of past ages, and described space as "this new ocean." But the U.S. space program came under attack from liberal think-tanks, the Soviets, and almost everyone in President Kennedy's own administration from the inception of the Apollo announcement. The program stayed on track while the President was alive through his personal attention to it, and the momentum and excitement this had generated.

The peak funding year for NASA was 1965. Lyndon Johnson's announcement of his "Great Society" initiative in 1964 opened the floodgates for the think-tanks and media to gear up the cultural paradigm shift away from science, economic growth, and optimism about the future toward zero growth, environmental scare hoaxes, the spread of illicit drugs, and the self-indulgent nihilism of the counterculture. "Inner space" was now to replace outer space as the object of inquiry for the human mind.

NASA officials such as Administrator James Webb

fought tooth-and-nail to keep the forward motion of the space program alive. But it was becoming clear that the final lunar landing missions under the Apollo program would be cancelled (the last three were), and there was a constant danger that the end of the manned space program was near.

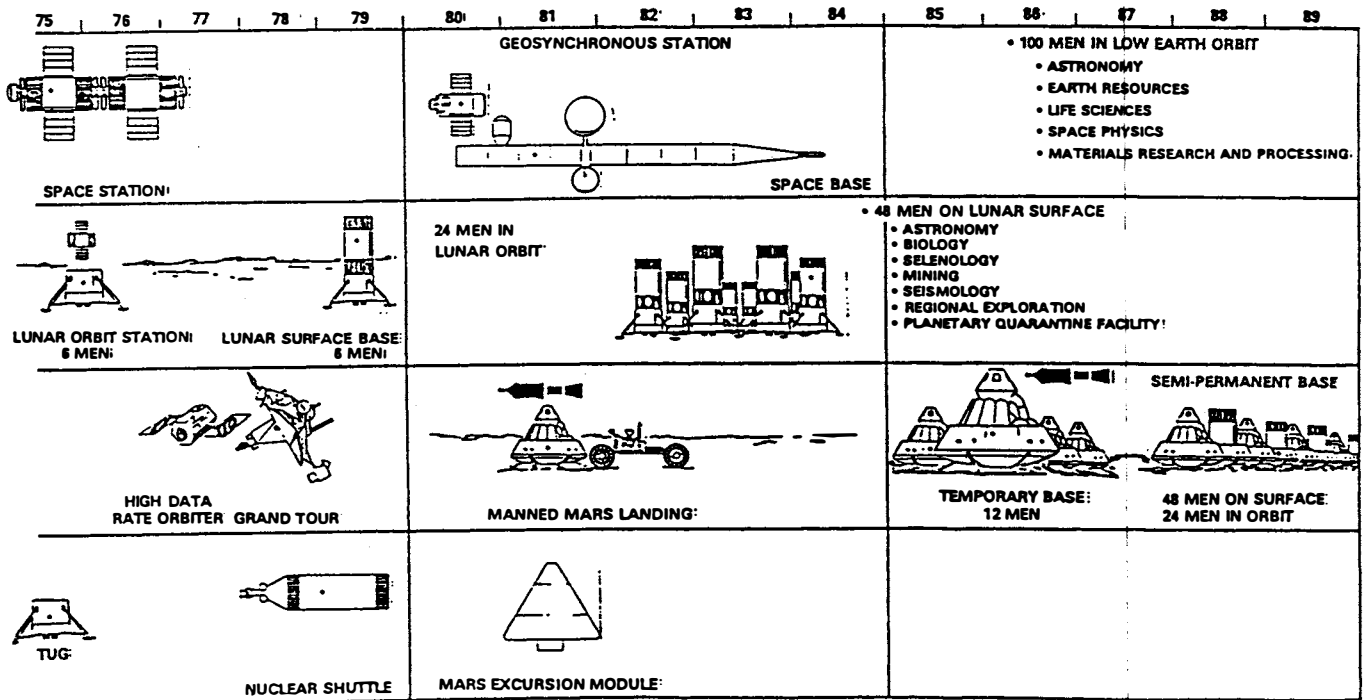
Von Braun's 'Integrated Space Program'

A few months before the July 20, 1969 lunar landing, President Richard Nixon asked Vice President Spiro Agnew to establish a Space Task Group to develop policy recommendations for the post-Apollo period. Wernher von Braun and the German space experts who had come here with him after World War II prepared a 20-year Integrated Space Program, (depicted in the accompanying figure) which was presented to the Space Task Group in September on behalf of NASA.

According to that program, basic space infrastructure in Earth orbit would be deployed to enable scientific experiments in the microgravity environment, Earth observation satellites, and space stations to enable trips to other parts of the Solar System.

The program envisioned an extension of the Apollo lunar missions of small, three-man crews, leading to the establishment of lunar bases throughout the 1970s. By the 1980s, the Moon would house a complex of scientific laboratories for research in astronomy, biology, and selenology (the study of the Moon), as well as industrial mining facilities.

By 1980, the Integrated Space Program projected, the first manned landing on Mars would be accomplished. This



would be preceded by unmanned missions, and followed by the operation of a semi-permanent Mars base by 1989 housing 48 men on the surface of the planet and supporting 24 more men in an orbiting Mars space station. Other spacecraft would be sent to explore both the inner planets, particularly Venus, and also a Grand Tour of the outer planets would be undertaken.

The transportation systems required to enable this array of space missions would include a reusable Earth-to-orbit space shuttle, an in-orbit tug to move spacecraft around from one orbit to another, a nuclear-powered shuttle for cislunar and Mars trips, and a Mars excursion module for the 1980s.

The Integrated Space Program could have been accomplished on the timeline presented in 1969, if the resources had been committed to make it a reality. But Nixon's Republican economic advisers convinced the President that it was more important to cut federal spending, which had ballooned in part to fund the increasingly unpopular war in Vietnam, than to use targeted federal spending to ensure real economic growth.

Out of the entire comprehensive 20-year Integrated Space Program, only the reusable Space Shuttle has been developed and built in the manned space program. Unmanned planetary probes have made journeys to all of the regular planets of the Solar System (which excludes Pluto); however, they had been envisioned not as ends in themselves, but precursors to in-depth robotic exploration, and eventually objects for study directly by men.

When vision is blinded by pragmatism

What was the impact of having abandoned Kennedy's vision of the space program?

The downgrading of space exploration from an economic, scientific, and even cultural driver for the United States to a single line-item in the increasingly bloated federal budget left much of the U.S. economy without a continuous fountain of new technological breakthroughs. The last two decades have seen a slowdown in the rate of introduction of new technology into the economy, leading to a stagnation in productivity growth, lack of investment in infrastructure and basic industry, and increasing dependence upon financial speculation as opposed to growth in the physical economy.

Dozens of critical new technologies in energy production, metal and materials processing, transportation, and manufacturing sit idly on the shelves of R&D laboratories having never been commercially deployed.

Education, which was reoriented more toward science and mathematics in the late 1950s after the Soviets launched Sputnik, has increasingly become oriented to how children "feel" rather than whether they are prepared to contribute to the scientific frontiers of tomorrow.

Without long-range, challenging, and visionary goals, the citizens of this nation have become susceptible to be-



Astronaut John Glenn explains the use of a "space glove" to President John F. Kennedy. By 1980, if the original Apollo thrust had been kept up, the first manned landing on Mars would have been achieved.

lieving hoaxes, scare stories, and lies. Irrational fears of technology, science, and scientists, and of virtually anything that is not "familiar," now dominate a citizenry which a mere two decades ago was focused on the accomplishments of space exploration, the excitement of new nuclear energy power plants that were the technology of the future, and its nation as the one that set the standard for great accomplishments throughout the world.

Many children throughout the 1960s wanted to become scientists, engineers, or astronauts, and many of them did. What a difference we see with today, where the heroes projected on television are football players, rock stars, or stock market speculators.

Although two decades have been virtually lost in our space program, exemplified by the fact that the space station that had been planned 20 years ago is continuously fighting for its very survival, it is not too late to set the goals for building cities on the Moon and performing manned missions to Mars during the first two decades of the twenty-first century.

There would be no more appropriate time to make such a turnaround in policy than this year, which marks the 25th anniversary of the first manned landing on the Moon.

'The Woman on Mars'

"We must pick up where we left off with the old Apollo program" by colonizing Mars, Lyndon LaRouche told Americans in a 1988 half-hour broadcast.

The following is edited from the shooting script of a half-hour broadcast, "The Woman on Mars," on March 3, 1988 by then-Democratic presidential pre-candidate Lyndon LaRouche.

Stellar background. Zoom and montage, to zoom upon image of Mars. A flashing light from the surface of Mars, becoming a steady beacon. . . . Shot simulating low-orbit arrival of shuttle rocket-plane. Shot of space tug approaching geostationary orbiting space terminal. Zoom-effect of departure for Mars. Then, add to departure for Mars from geostationary Earth-orbit, a resumption of the opening montage, continuing the Mozart "Dissonance" Quartet, briefly dwell on the title: "2027 A.D."

Announcer #1: "Are you there, Dr. Gomez?"

Woman's voice: "Yes, John. I have the announcement for which you have been waiting. As of five minutes ago, our environmental systems were fully stabilized. Man's first permanent colony on Mars is now completely operational."

Announcer #2: If Lyndon LaRouche becomes President next January, that message from Mars will actually occur 39 years from now. The woman who will speak from Mars was born somewhere in the United States within the past year or two.

LaRouche: Many of you are shocked. Some of you are saying, "Why is this old geezer talking about a permanent colony on Mars, 39 years from now, with the major budget problems in Washington today?"

In a nationwide TV broadcast a few weeks ago ["Who Is Lyndon LaRouche?" Feb. 4, 1988], I told you that on my first day as President I shall declare a national economic emergency, and launch the largest economic recovery program in our history. During each of the first two years of my administration, about \$2 trillions in low-cost federal loans will be invested in building up our nation's presently rotting industrial infrastructure plus building up of about 5 millions new industrial jobs during the first three or four years of my administration. Looking back to the experience of the 1940-1943 period under President Franklin Roosevelt, we know that the recovery will creak at the beginning, but will build up speed over the first two years, so that by about the third year the United States will have the highest per capita income in our history.

There are no mysterious tricks involved; it is all basic economics modeled upon our successful economic recover-

ies under Franklin Roosevelt and John F. Kennedy.

However, to keep that recovery going beyond the first three to four years, and to make our economy once again the most competitive on Earth, we must invest in creating new technologies. To do that, we must pick up where we left off with the old Apollo program, back during the 1960s. The old aerospace program of the 1960s paid us back more than 10¢ for every penny we invested in it. This Mars program will pay us back much much more—not 40 years from now, but each year over the 50 years or more to come. This project's spinoffs in the form of new products and new technologies into our civilian economy means, that, by the year 2027 A.D., the average person in the United States will have a real income at least ten times that of today.

As some of you know, my specialty is a branch of science founded by Leibniz, called physical economy. Over the years, my associates and I have had the privilege of working with some of the world's leading scientists in plasma physics, optical biophysics, and space technology. What I have done, is to put this scientific knowledge together with my own expertise in physical economy, just as I did back in 1982 when I proposed what became known as the SDI. I have also consulted with some leading organizations in Europe which are already prepared to go to work on some aspects of a Mars colonization program.

At an international conference held in Virginia during the Summer of 1985, I submitted a paper outlining a 40-year project for establishing a permanent colony on Mars. About a year later, the President's Space Commission proposed a similar Mars project. . . .

Tonight, I shall report to you some highlights of that Mars program. I shall explain how this project will cause rapid growth in our economy even during the next few years just ahead.

The first step forward

The first problem in getting toward Mars colonization, is to build a replacement for our present NASA shuttle system. We should use the existing shuttle system until we develop its replacement; but we need a system which can put a ton of payload into geostationary orbit about ten times cheaper than we can do that today. We also need a system that is safer, easier to launch and maintain than our present system.

We need something which could be made operational in a few years. So, I travelled to West Germany, to the leading

aerospace firm MBB, with which my friends and I had had contact in connection with proposing the development of a western European version of the SDI. MBB is prepared to proceed with a design which was already proposed as the alternative to our shuttle system back at the beginning of the 1970s. It is called the Sanger project, named after the leading space-scientist who developed it. I propose that our aerospace firms cooperate with the Europeans and Japan in accomplishing this.

The Sanger system has two elements. One of the elements is what is called a scramjet. The other is a rocket-plane, a replacement for the shuttle-craft, which is piggybacked on the scramjet. The scramjet takes off with the shuttle attached, reaching about eight times the speed of sound at an altitude of about 150,000 feet. At the top of its flight, the scramjet releases the shuttle which flies on its own power into low Earth orbit. This scramjet has obvious civilian as well as potential military uses. Potentially, it cuts the cost of getting a ton of payload into space by as much as 90%.

My friends in Italy's aerospace industry came up with an improved design for such a scramjet configuration. This is the proposed design, which has many aeronautical advantages, including the ability to take off from ordinary airfields. One of the reasons for the curious shape, is that our Italian friends have used what is called the "Busemann biplane principle," to lessen the drag.

The development of this new shuttle system means the early development of several new industries, and important improvements in the construction of ordinary automobiles as spin-offs.

What propulsion system shall we use? For various reasons which I need not discuss here, I requested a propulsion system which could carry a manned spacecraft at a constant acceleration of one gravity.

I presented my proposals and specifications to a group of scientists in West Germany. They worked through the calculations I proposed, and reported back to me a design for a manned spacecraft with an on-board fusion propulsion system operating with one terawatt of power.

The United States has been working on designs for fusion-powered propulsion systems for about 20 years. . . .

Another of the standard designs is one worked out by Lawrence Livermore Laboratory.

Announcer: In this design, the payload is at the front of the spacecraft, connected to the propulsion system by a twenty-ton truss. A small, megawatt power source is built into the propulsion system. An automated factory inside the unit makes the fusion pellets, and feeds them into the engine. Two hundred krypton fluoride lasers are aimed at the pellets to produce the fusion propulsion.

LaRouche: Twenty-five years from now, we shall have more advanced designs. We shall have plants producing a terawatt of output, and using helium-3 mined from the Moon's surface as the basic fuel for travel between Mars and Earth.

We know already the lines of research and development we must follow. The schedule I have chosen for completing this work is well within safe limits of estimate. The two designs identified give you a general idea of the system.

With this system, a manned craft leading an orbiting space-station above Earth could reach the orbit around Mars in an average of less than 48 hours. For the giant unmanned freighters, we would use the same propulsion system to make the journey more slowly in a period of weeks.

Building cities on Mars

Announcer: LaRouche applied his professional skills as a physical economist to work out preliminary designs for the new cities to be built on Mars. This is an artist's drawing of LaRouche's design [p. 65]. When the construction is completed on Mars, the lower half of the geodesic domes you see drawn here would be under the surface of Mars. The central dome is the living-space for members of the colony, with a large educational park at the center. The outer domes are areas for production and growing of food-supplies.

What you see on the screen, is a cross-section of the center geodesic dome, from top to bottom. The inhabitants of the city live in the upper half of the dome. Transportation, storage, and utilities are underneath.

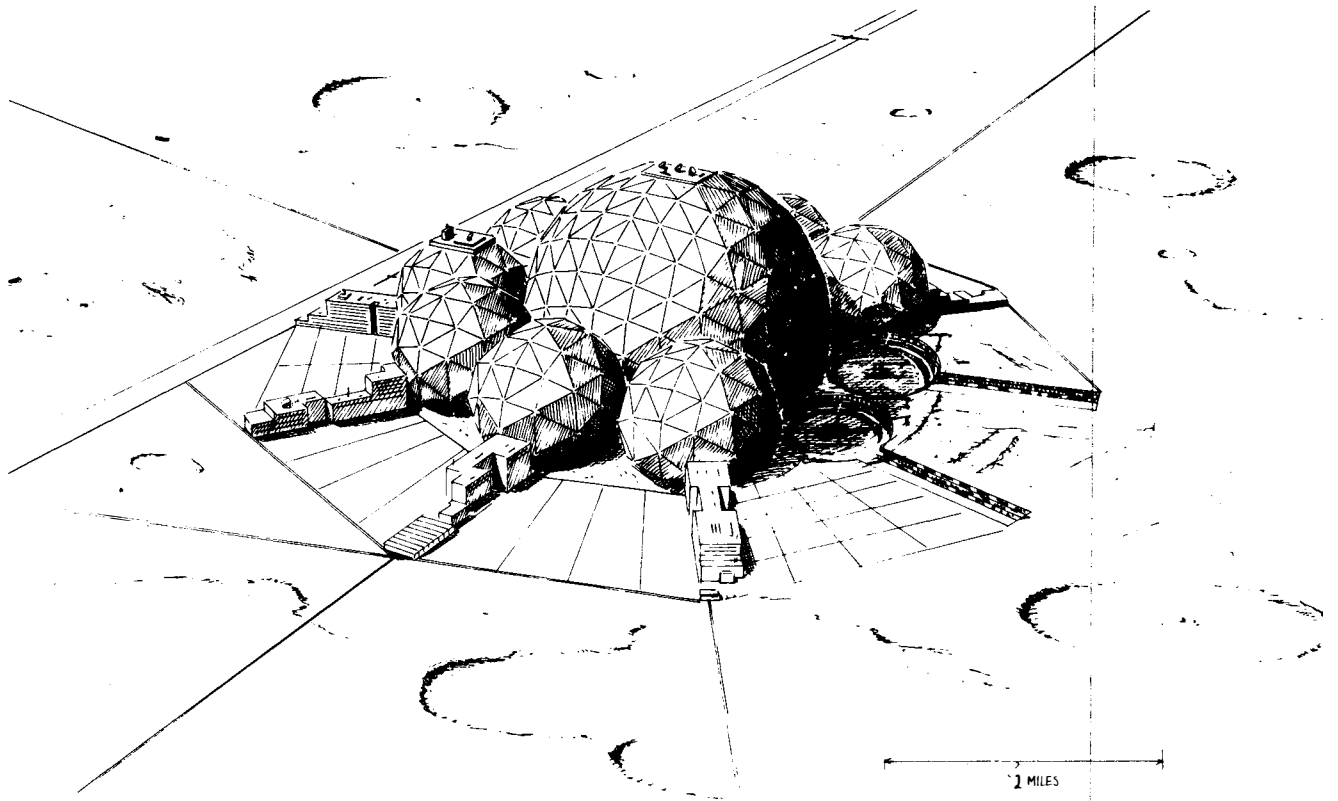
The inner dome has twelve transportation pathways leading from the central park to the outer rim, and to the production-areas beyond, with circular transportation tracks, each spaced at distances consistent with Kepler's Third Law, and a spiral pathway, cutting across the other lines of movement within the city.

LaRouche: There are some very important laws of physics involved in selecting this design. In the past, many of the best designed cities on Earth were designed according to similar principles. I think that I can predict safely that all human colonies in space will be built according to the same basic principles I have used in this design. Now, it seems that we shall go back to such sound principles of city-building design on Mars and perhaps in the Sahara Desert, before we begin to rebuild our older cities on Earth in ways better suited to the physical and psychological needs of human beings.

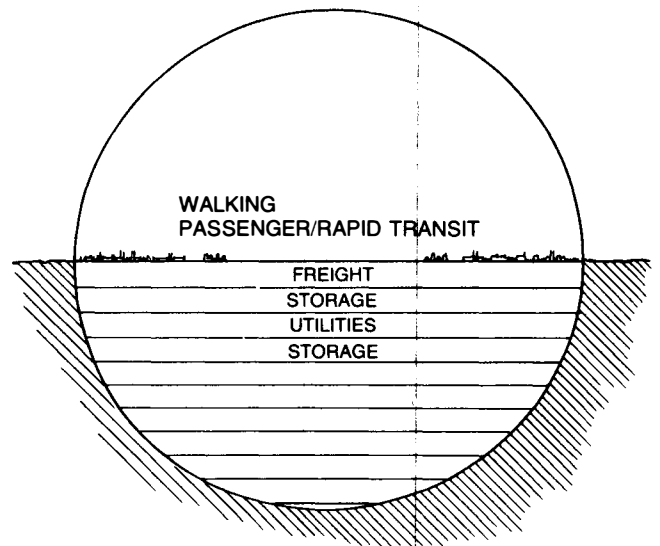
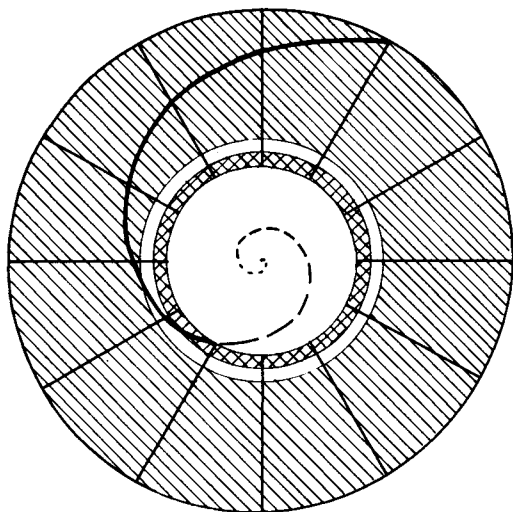
In order to colonize Mars, we must create mining and fabricating industries on the Moon. These would be largely automated industries based on the new energy systems and laser-related tools we are now in the process of developing. To give you a rough idea of what the scientists have presented to me, this means power plants with about a 1,000 times more output than a power plant on Earth today, with an effective operating temperature at least ten times that of any power plant on Earth now.

Why a science driver increases wealth

With this kind of power, we can be assured of increasing the average output of wealth per person to about ten times today's level, within a period of between one and two generations. As a result of this and other features of the project, we



LaRouche's conception of a city under construction on Mars, capable of supporting a half-million people. The main dome is one mile high. At surface level under the main dome would be the large educational/recreational park. As the cross-section shows, below-surface levels would be dedicated to administrative offices, transportation, storage, and utilities. Atop the dome is an observatory and communications station. Surrounding the main dome are 10 domes capable of supporting "neighborhoods" of 50,000 individuals each, which are linked to industrial buildings extending along 10 radii from the center of the main dome.



may expect to increase the average income of the United States by up to 10% per year average by some point during the coming years, with about 5% average growth in real income during the coming 10 years.

Put it the other way around. Without a science-driver project, such as this Mars project, the United States economy will not become competitive again, and there would be very slow improvement in incomes beyond the levels we should reach by about 1994-1995.

There are two reasons we must choose a Mars project as the way to achieve the rates of economic growth needed.

First, there are powerful reasons we must have a colony on Mars. To achieve certain very specific kinds of scientific breakthroughs we shall need on Earth, we must do the kind of astrophysical research we can not do without a Mars project. The practical purpose is to build up a system of giant radio-telescopes as far away from the Sun as possible. To sustain the scientists and engineers working on these space laboratories, we need a nearby logistical base. To support those scientists and engineers requires a population about the size of a medium-sized city on Earth. Since Mars is the nearest location which meets the requirements, we must colonize Mars.

The second reason is that the Mars project uses every frontier technology we might expect to develop during the coming 50 years of scientific research. That means, that the space program would be supplying our civilian industries with the most advanced technologies possible at the most rapid rate, putting the United States permanently in first place in technology.

These technologies include plasma processes, which are not only the energy sources for all mankind during the coming 50 years and more, but also the new basic industrial technologies. Once we can bring sufficient cheap energy to bear, not only to boil tungsten but to heat it into a plasma state, all limits to natural resources, as we now define such limits, cease to exist.

A second, related technology is that represented in a primitive way by today's laser machine-tools. This means controlling the entire electromagnetic spectrum as the basic tool of production for uncounted centuries still to come.

A third technology is modern optical biophysics, perhaps the only technology which will enable us to provide cures for such diseases as cancer and AIDS. Apart from human health needs, this is the great revolution in biology for the remainder of this century and the next.

Every other breakthrough in technology we can foresee, until the time we master what we call the matter-antimatter reaction as an energy source, will fall among these three categories of scientific research and development. By putting all of these technologies into a single mission-oriented research and development project, we are able to ensure that the United States will be first in technology for 50 years to come.

With this Mars program, we can assure every one of you

that your children and grandchildren has the opportunity for a bright future. That, in my opinion, is the true mission of government.

How we can begin, immediately

As President, I shall call together the representatives of industries including the automotive and aerospace sector. I shall say to them, "Ladies and gentlemen, I need your cooperation to give the United States the world's most advanced tool industry. I shall wrestle with the Congress to provide such legislation as we need for you to do your part in the job properly. We are going to get the last disgusting vestige of decay, pollution, and poverty out of this nation's life, and you are going to play a key part in bringing this about."

It will work like this.

First, as I told you in my broadcast several weeks ago, we are going to pour about \$2 trillions a year of low-cost credit into infrastructure and industrial expansion.

Second, we are going to have an emergency tax-reform which stimulates investment with investment tax-credit incentives.

Third, the research and development of the project will be tightly interfaced with the growth of our modernized tool sector.

That means that the tool sector will have the new technologies available as rapidly as they are developed. It means that industry can obtain uses of these technologies as rapidly as they are developed. With ample low-cost credit for investments in new technologies, plus investment tax-credit incentives, our national economy will achieve the highest rate of technological growth in history.

This will require sweeping improvements in public school education. It requires more classics and science in the schools. It will require National Science Foundation scholarships and merit-pay increases for teachers, and will require National Science Foundation assistance to local schools in providing the exhibits and other teaching materials needed to introduce students to the new space-age technologies.

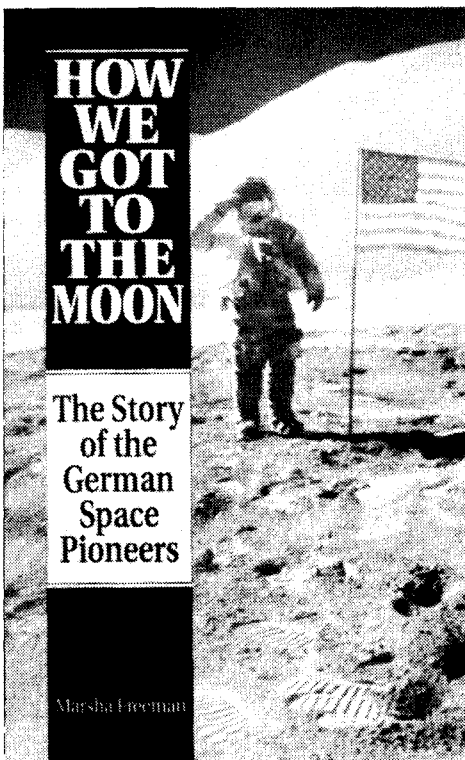
This requires a shift away from present trends in business education, to produce more managers qualified in production technologies.

It means a much better way to live, than the drab misery, illiteracy, and decay, into which our nation has been drifting the past 20 years.

Then, 39 years from now, we shall hear the broadcast from Mars, announcing that the first permanent colony there is operational. Among those colonists will be some of the children and grandchildren of you watching this broadcast tonight. Many of you will be watching that first television broadcast from the new colony.

Already, the woman who will speak to you from Mars, has just recently been born somewhere in the United States.

We shall give our nation, once again that great future which our children and grandchildren deserve.



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Third Rome tendency surfaces in Russian election results

by Konstantin George

The Dec. 12 Russian election results ought to teach the West the lesson it needs. The victory of Vladimir Zhirinovskiy, the avowed exponent of the anti-western, messianic Russian imperial doctrine of "Moscow, the Third and Final Rome," is a direct result of the Russian electorate's rage at having been subjected to two years of devastating and humiliating "shock therapy" economic policies. The outcome dramatized just how precise have been the warnings of *EIR* and its founder, Lyndon H. LaRouche, Jr., in exposing the strategic folly of the Anglo-American-dictated western policy toward the former Soviet Union.

According to the results as of Dec. 16, Zhirinovskiy's Liberal Democratic Party of Russia (LDPR) received 24% of the vote for the 225 seats of the 450-seat State Duma or lower house of the future Parliament, which were elected by national party lists. Notably, Zhirinovskiy received a high number of votes from the Armed Forces overall, and even higher totals from middle- and lower-ranking officers. This reflects the fact that Zhirinovskiy is not some strange fringe creature, but the choice of the Armed Forces and security forces' policymaking groups who directed the Oct. 4 Yeltsin coup crushing the old parliament, and who since have let Yeltsin rule as their captive. Zhirinovskiy is the candidate of these groups, who expresses an undiluted "Third Rome" imperial policy.

The "Russia's Choice" bloc of Deputy Prime Minister Yegor Gaidar, who has implemented International Monetary Fund (IMF) policy, and which was the only party that campaigned explicitly for the continuation of shock therapy, was routed. The more "final" the election results become, the

greater the dimensions of that rout appear. The initial trends of Dec. 13, showing 19% for Gaidar's bloc, have been scaled down to first 15%, and now 14.5%. When final results are in, Gaidar could well fall to third place, behind the Communist Party of Russia, which has climbed from an initial 11%, to almost 14%.

LaRouche hit the nail on the head

The results confirm the prognosis of the Russian situation uniquely put forward by LaRouche. LaRouche had said that the continuation of the policies begun by George Bush and Margaret Thatcher toward the former Soviet Union would ignite a revival of Russia the thermonuclear superpower to become again a bitter adversary of the West. This danger is not inevitable, but only under condition that the West finally wakes up and adopts the Eurasian development, war-avoidance policies proposed by LaRouche.

LaRouche, in the weekly "*EIR Talks*" radio program on Dec. 15, addressed what is going on in Russia today: "Yeltsin in a sense has no independent power. He is owned by the military and security forces. That's his constituency, that is who rules Russia today. The leading candidate, Vladimir Zhirinovskiy, the one who causes the nervousness in the stomachs of the State Department, is an outright, avowed imperial 'Third Romer.' He is also a creature politically of the Russian military and security forces. However, he reflects their policy more accurately than does Yeltsin.

"Yeltsin is being used by the military and security forces because the West wants him, and therefore in order to placate Washington and London in particular, the Russian military

and security forces are engaged in a time-buying operation. They're keeping their figurehead, totally owned by them, Yeltsin, up there, as part of their arrangements with Washington and London, arrangements which are not permanent."

Zhirinovsky provided more evidence of this analysis in his first post-election press conference, where he read out telegrams congratulating him from the Russian General Staff, the Baltic Fleet, the Black Sea Fleet, and from other "military units." He pledged he would do everything possible to ensure the restoration and buildup of the Armed Forces, and to end the miserable housing and living conditions affecting hundreds of thousands of officers, their families, and soldiers. Finally, he called for vastly expanding state orders to military industry and for a much bigger export of military hardware.

In accordance with the dictates by the Armed Forces, Zhirinovsky, alone among the opposition, strongly supported the absolutist new constitution of Yeltsin. The election contained a referendum for this constitution which officially resulted in its adoption, even though to date, no official vote totals on the referendum have been given. The constitution may have received at best 50% of the vote, but it did not meet its second requirement, that at least 50% of all eligible voters actually vote. Participation in the election was less than 50%. However, the dictatorship has spoken; the constitution has been adopted.

The overall results

While no final results are known at this writing, key trends can be projected. The largest single area of "missing information" concerns the elections to the Federation Council, or Upper House, with 178 seats, two from each of Russia's 89 regions and "republics."

Concerning the State Duma, the LDPR has emerged as the largest single group, with a minimum of 78 seats. The opposition as a whole will comprise the majority of the lower house. In this category, the Communist Party of Russia received nearly 14% in the national party slate vote; the Agrarian Party got 8%; and the centrist Democratic Party of Russia, led by Nikolai Travkin, received 6%. Travkin's party, which had the strongest public profile against shock therapy, alone among the various centrist parties managed to clear the 5% hurdle and get into the parliament by the direct route.

An interesting pattern is starting to emerge from the results of the 225 seats of the State Duma elected on an election district (ED) basis. Here, the rout of the Gaidarites was even more pronounced. They won only 27 EDs. The largest single group which got elected via this route are about 100 non-party independent candidates. Many of these are local managers or directors of key industrial plants, a force which will bring into the new parliament in an officially "non-partisan" manner, demands for policy changes to stimulate production and en-

courage an industrial revival.

The ED races also showed the depth of popular anger at the policies of the Yeltsin regime. A pattern emerged where figures who were well-known as anti-regime or as opponents of the "Yeltsin" Oct. 4 coup, won their districts. The nationalist Sergei Baburin, head of the "Russian General People's Union" party and one of the defenders of the old parliament, was elected in Omsk, Siberia. Vasili Lipitsky, the co-chairman, along with now jailed Vice President of Russia Aleksandr Rutskoy, of the "People's Party for a Free Russia" (banned since Oct. 4), was elected as an individual in Novosibirsk, Siberia. Aleksandr Nevzorov, who had moderated the anti-regime TV program "600 Seconds," was elected in St. Petersburg. Nikolai Lysenko, head of the Great Russian nationalist "National Republican Party" was elected in Saratov on the Volga. The only two August 1991 coup plotters on trial who ran, Anatoli Lukyanov, former chairman of the U.S.S.R. Supreme Soviet, and Vasily Starodubtsev, former head of the U.S.S.R. Peasants' Union, were both elected, in the cities of Smolensk and Tula, respectively.

The election of Yuri Vlasov, an anti-regime, independent candidate, is important: Vlasov, famous during the 1960s as a world champion weight lifter, won on a platform of denouncing shock therapy as "a revolution of the rich against the poor." He demanded "economic planning," not in the Soviet form, but as conducted in dirigist western and Japanese models. He expressly demanded that industrial priorities be established and supported by the state through "tax breaks" and "subsidies," and a program set up to plan production in each region according to national priorities. He called for a mixed economy with a strong state sector being maintained in energy, raw materials, transport, communications, military industry, and state support for all basic research and development. Finally, Vlasov called on the state to establish protective tariffs for industry, and to assist agriculture through parity price policies "to guarantee food independence" and to prevent Russia from becoming "a puppet of foreign forces."

The 'Near Abroad'

The most dangerous thrust to come from the Russian elections is a major escalation in Moscow's drive to geographically reestablish the Russian Empire. The Third Rome policy currently governing Moscow will exploit the Zhirinovsky victory to accelerate its ongoing policy of attempting to reconquer the non-Russian republics, the area Moscow calls "the Near Abroad."

The post-election reaction in these republics, especially along the western periphery of the former U.S.S.R., ranges from alarm and fear to outright despair. The theme of Ukrainian reactions over Dec. 13-14 is fear of what is called "the Russian effect," where it is expected that Moscow will now increase its vicious pressure on Ukraine. Russia's with-

holding of oil and gas supplies has already plunged Ukraine into its worst winter catastrophe since the World War II. Across the nation, lack of energy has forced the wholesale closure of factories. Homes go unheated in bitter cold. School classes are cancelled for the same reason. Electricity is rationed in most cities to several hours per day.

The escalation was signaled by Yeltsin on Dec. 15 in his meeting in Moscow with U.S. Vice President Albert Gore, where once again the superpowers used the phony nuclear arms issue to slander Ukraine and cover their intent to subject Ukraine to genocidal destruction. Yeltsin blustered, "Ukraine is deceiving all of us; it is deceiving the United States, Russia, Europe, deceiving the entire world, and we are so helpless that we are not dealing with this evil."

Unfortunately, some leading Ukrainians do not yet see that the Anglo-American group is even more evil. The reaction of Dmitro Pavlychko, chairman of the foreign affairs committee of the parliament, typifies this. "I believe that many in the West will now better understand our position on disarmament questions," he said, referring to why Ukraine has been reluctant to surrender the nuclear weapons on its territory. Deputy Foreign Minister Boris Tarasyuk expressed the Kiev government's concern over the high vote Zhirinovskiy received from officers and sailors of the Black Sea Fleet.

The reaction was even stronger in the small Baltic republics, who know that Zhirinovskiy's program calls for their reconquest. Zhirinovskiy has made statements such as, "Who has oil, has power. When I'm President, in three days, there'll be no more Latvia." Estonian Prime Minister Mart Laar said, "Our worst prognoses have come true." He blamed the West for the result: "If the West now believes that Zhirinovskiy now will not be so dangerous, then there will be a development threatening like in Germany in the 1930s. However, if the West has learned from history, then nothing tragic need happen." On Dec. 15, the Presidents of the three Baltic republics met in the Estonian capital of Tallinn to discuss the Russian situation. Estonia is especially nervous. Although only 25% of its ethnic Russians took part in the Russian elections, 60% of them voted for Zhirinovskiy.

The mood in Belarus among those still hoping to cling to independence is completely bleak. The government, prime minister, President, and official press are silent. A pro-independence Minsk daily commented that if Zhirinovskiy ever became President of Russia, he wouldn't have to reconquer Belarus, he would merely have to appoint a governor. The independent newspaper *Zvyazda* wrote, "The victory of the Reds and Browns means the end of Belorussian independence."

The situation, however, is not necessarily hopeless. Often in the course of history, a shock, which may be provided this time by the Zhirinovskiy vote, may alert enough people to the dangers and thereby start to force through the types of policy changes required to shift humanity away from the fate of a global war.

Interview: Lyndon LaRouche

Dump the free trade insanity toward Russia

Lyndon LaRouche made the following comments on the weekly radio program "EIR Talks" on Dec. 15.

Forget Mr. Yeltsin. He didn't do all well or all badly. The problem is, that the U.S. media coverage of this thing is absolute childishness, infantile irrelevance; and the State Department, while a little bit shaky in their coverage of the elections, are trying to keep up a stiff upper lip or something; and they're pretending to go along with the usual nonsense about the Russian elections; about "Yeltsin up," "Yeltsin down," that kind of nonsense, which the rest of the news media is doing. . . .

The reality is something which anyone would understand who had read my reports on the Third Rome tendency in Russia from the spring of 1983, or who might recall a half-hour program on the subject of the Third Rome which was broadcast as a part of my 1984 presidential primary campaign. He would know more about the current Russian elections from those two pieces of my production back in the 1983-84 period, than he would know from paying any attention to any of the news reports. . . .

Very simply, President Boris Yeltsin, with the bloody coup of Oct. 4 shutting down the Parliament and throwing away the Constitution, which was actually planned four days in advance, became totally dependent upon the people who made the coup for him, that is, on the consent of those forces in the military and security forces which went along with him.

So Yeltsin, in a sense, *has no independent power*. He is owned by the military and security forces. That's his constituency, that is who rules Russia today. The leading candidate, [Vladimir] Zhirinovskiy, the one who causes the nervousness in the stomachs of the State Department, is an outright, avowed, imperial Third Romer. He is also a creature politically of the Russian military and security forces. However, he reflects their policy more accurately than does Yeltsin.

Yeltsin is being used by the military and security forces because the West wants him; and therefore, in order to placate Washington and London in particular, the Russian military and security forces are engaged in a time-buying operation. They're keeping their figurehead, Yeltsin, totally owned by them, up there as part of their arrangements with London and Washington, *arrangements which are not permanent*. . . .

Washington has the idea that you get elected, you have an agenda, you think you have a constituency for it, you think that by political controls and other things you can ram

it through. You don't pay any attention, according to the current trends in Washington—as was true under Bush and even somewhat before Bush—that if your policy is wrong, it has an *effect*, an effect you won't like. So these fellows in Washington think that the game is *to win for their policy, even if it kills them*. And that's what we're seeing in the Russian situation.

The Russians are reacting on the basis of a cultural paradigm which is called the Third Rome or peasant cultural paradigm embedded in the majority of the Russian people. You squeeze them from the outside world, as with these kinds of austerity measures, this shock therapy, these International Monetary Fund (IMF) conditionalities; you starve them, you loot them, which is what's happening to them, and they become angry at the outside world.

When they become angry at the outside world, what bubbles up is what Dostoevsky described, what others have described, as a Third Rome paradigm. That acts through institutions such as the military and the security forces, especially the military; and those institutions go into what is called a Third Rome: To the devil with the rest of the world, the rest of the world is the enemy; we must exert Russian power, we must make Russia supreme on this planet, it's the only way we can be safe. That is what is happening in Russia. It has nothing to do with a Third Rome faction, or any of that sort of nonsense; it has to do with the basic, intrinsic character of the Russian cultural problem. And if people in Washington would pay attention to that, and stop playing their little utopian games, they would be a lot better off on this.

Now, the other side of this is the economic policy, which was put into effect in the name of monetarism, in the name of people like Milton Friedman; the present Harvard crowd; the people behind derivatives; the Bush faction, that is, the crowd around Bush which in 1982 pushed through the advanced financial deregulation that led to the looting of the savings and loans and other banks.

This crowd is going with a program which the British approved which is called Project Democracy, called democracy plus free trade, which is an insane policy. Forget the words, look at what it really means. And as long as the United States is running on the basis of that policy, we are destroying our own economy by asset-stripping. We are destroying other economies by asset-stripping; we are destroying the Russian economy and eastern Europe by asset-stripping. It is that asset-stripping policy which runs under the banners of democracy plus free trade. It is that policy which is driving a thermonuclear power, Russia, to reconsolidate itself around its military and security forces, with figures in Moscow who represent, as Yeltsin does, or the other leading candidates, *nothing but* figures whose destinies are controlled by this military-industrial complex. And that is what's happening, and that is what Washington does not wish to see.

Washington says, "Yeltsin is good." Why? Because he's pushing our economic policy.

Well, to the degree Yeltsin is doing that, *we are headed*

Zhirinovsky and the emerging 'Third Rome'

Liberal Democratic Party leader Vladimir Zhirinovsky epitomizes the emergence of a "Third Rome" outlook in Russia, i.e., that Moscow will be the center of a third and final Roman Empire. In an interview on North German Radio, before the Dec. 12 elections, he said:

● "If a German looks at Russia the wrong way when I am in the Kremlin, you Germans will pay for all that we Russians have built up in Germany. We will create new Hiroshimas and Nagasakis. I will not hesitate to deploy atomic weapons."

● "You will get your own Chernobyl in Germany," he said at the same interview.

From earlier statements:

● "I say quite plainly. When I come to power, there will be dictatorship. I will beat the Americans in space. I will surround the planet with our space stations so they'll be scared of our space weapons. I don't care if they call me a fascist or a Nazi," Zhirinovsky said at the Kremlin in 1991.

● "I'll bury radioactive waste along the Lithuanian borders and put up powerful fans and blow the stuff across the border at night. . . . They'll all get radiation sickness. They'll . . . either die of it or get down on their knees. . . . What I'm going to do is bad, but it'll be good for Russia," Zhirinovsky said at a parliamentary session soon after the August 1991 Soviet coup.

● "There's nothing like fear to make people work better. . . . Those who have to be arrested will be arrested quietly, at night. I may have to shoot 100,000, but the other 300 million will live peacefully," Zhirinovsky said at the Kremlin in 1991.

● "We side with the Serbs. Our position is clear: The Serbs must be saved. They are our Orthodox brethren."

for World War III. Not tomorrow, not the next day, but down the line, if it continues in this direction. And we're headed for the kind of government in Russia which will hate us, which will be as bitter and as effective an adversary—perhaps more effective—than the old communist dictatorship. And Washington is refusing to see that plain, simple fact.

We can have one of two choices in Russia, and time is running out. If we dump this so-called free trade policy and go back to the kind of policies we in the United States had prior to the assassination of Kennedy, then we can come out of this. If we don't, we're headed for hell.

Strategic policy shakeup under way in Washington

by Edward Spannaus

Two major events occurring during a 24-hour period on Dec. 15-16 suggest that a major shakeup is taking place in U.S. strategic policy. The first was the dumping of Defense Secretary Les Aspin on the afternoon of Dec. 15, and his immediate replacement the next morning with military-intelligence career official Adm. Bobby Ray Inman. The second was the attack on International Monetary Fund (IMF) policies made by Vice President Al Gore in Moscow on the same morning, which followed a series of meetings Gore held with Russian Prime Minister Viktor Chernomyrdin in the wake of the Russian elections.

In a statement issued Dec. 17, economist Lyndon LaRouche said that the Inman appointment, and the "rather sudden innovations in policy outlook" being expressed by Gore, indicated at the very minimum, "a fundamental shakeup . . . with possibly some significant degree of reversal" of strategic policy.

LaRouche commented that it is very clear, as reflected in these two events, that "Washington perceives, partly perhaps through the advice of its contacts, confidants, in Russia, that the recent policy toward Russia, first launched under Bush, in late 1989, has been proven a catastrophic failure in the eyes of Washington itself, or in the eyes at least of some very influential people around Washington."

This, LaRouche went on to say, "coincides also with the turn in policy outlook expressed in France by President [François] Mitterrand on the question of the privatization of the airlines in France, and in the public statements particularly in *Le Figaro* by French economist Maurice Allais and similar expressions."

"We have reached a breaking point in the policy of the past four to five years," said LaRouche; "it is bankrupt in fact, and obviously Washington perceives this to be the case, to one degree or another. Also, there are other elements, if minority elements, of elites of nations elsewhere, who also perceive the Bush policy as continued until recently, to be a catastrophic failure."

It has yet to be seen, LaRouche continued, whether these changes are for the better or not. "The very fact that Washington perceives a catastrophic policy to be no longer tolerable . . . is a refreshing development," said LaRouche, but "it's not an absolutely reassuring one." Or, as he put it, "If the change hadn't occurred, we should have been alarmed."

Pentagon policy issues

The forced resignation of Aspin has to reflect in some degree the deep policy differences between the "utopians" around the Clinton national security establishment, and many in the Pentagon itself. The fact that it was Inman who was immediately appointed to replace Aspin suggests—without being conclusive—that those policy differences may be resolved in favor of the more traditional military view. Much of the press "spin" on events was nonsense, such as suggestions that Aspin's frumpy "managerial style" didn't fit in at the Pentagon. The oft-cited dispute over the Pentagon budget may have been a factor, but only insofar as it reflected a deeper dispute over the size and mission of U.S. forces in the "post-Cold War" world.

There is undoubtedly more truth, as a reason for his departure, in the failure by Aspin to deploy armored equipment for U.S. troops in Somalia when it had been requested by commanders on the ground there. After 18 U.S. servicemen were killed in October, there were widespread calls for Aspin's resignation. The Pentagon is known to have been in opposition to the placing of U.S. troops under U.N. command for U.N. "peacekeeping" and ill-defined "nation-building" in Somalia, Haiti, and elsewhere.

Aspin had reportedly opposed the ill-fated troop deployment to Haiti in October, but he had failed to aggressively take the Pentagon's disagreements to the President. In fact, numerous sources report that Pentagon officials were extremely unhappy with Aspin's inability to forcefully represent their views to the administration.

Furthermore, military officials have also been increasingly outspoken on the administration's confrontation with North Korea; and have been warning that if the U.S. stumbles into a war on the Korean peninsula, allied forces will suffer high casualties, and they cannot guarantee a swift victory.

Probably most indicative of the process which is now under way is Clinton's recent about-face on the ABM treaty. By calling for a modification of the ABM treaty in order to permit the development of projected, theater ballistic missile defense programs, Clinton undertook what one Republican commentator called "a fundamental shift in the nuclear weapons philosophy of the Democratic Party." LaRouche said that the anti-ABM move reflects the fact that some are saying, "We've got to have the Strategic Defense Initiative." Repub-

licans hailed the move as a step toward junking the ABM treaty which "handcuffs" U.S. efforts to develop a viable missile defense system. Predictably, the *New York Times* promptly attacked Clinton's move as tearing a "gaping hole" in the ABM treaty.

It is clear that the replacement of Aspin with Inman was not a sudden, impulsive move by Clinton; in fact, it was carried out in a manner totally out of profile with the way his administration has handled other high-profile appointments. Aspin's departure had been quietly planned for weeks—at least four weeks, and possibly as long as six. Clinton's Chief of Staff "Mack" McLarty said on Dec. 16 that the President had asked him four weeks earlier to "initiate a careful process to look at possible candidates" to replace Aspin. Some press reported that Clinton held a late-night meeting with Inman almost six weeks earlier at the White House.

One real test of whether the Clinton crowd's "globaloney" policies are really being scuttled, will be the fate of Morton Halperin. Halperin's nomination, to be assistant secretary of defense for spreading "democracy" around the world, was sent back to the White House by the Senate without action last session; many observers now expect that Halperin will also be dumped.

Gore hits International Monetary Fund

Gore's criticisms of IMF policy toward Russia, which were downplayed by the U.S. press, came as the West was being forced into a reevaluation of its Russia policy in the wake of the Dec. 12 elections. During a joint appearance with Prime Minister Chernomyrdin, Gore described the "devastating" effects of the loss of defense industry jobs in Russia. In response to a question from an AP reporter about an earlier statement he had made, that some western nations needed a wake-up call to come to Russia's help, Gore first said that he would do his best to avoid a diplomatic incident by listing nations one by one. "So if you will permit me to refer to them as a group," he went on, "I would say every country that has representatives on the World Bank board has been slow at removing the so-called negative pledge requirement. I would say that every country that has representatives on the IMF board has been slow to recognize the hardships that are caused by some of the conditions that have been overly insisted upon in the past."

"Now that right there may be enough to create a diplomatic incident," Gore continued, "but I don't care, because the world has to recognize the gravity of this situation and the enormity of the opportunity for the world to integrate this magnificent nation with these wonderfully talented working men and women, scientists and engineers and professionals into the common effort of humankind to build a better way of life for the peoples of our world."

Within a day or two, Chernomyrdin unequivocally said that "shock therapy" was at an end, in an interview published in the Russian trade union newspaper *Trud*. "I said it a year

and a half ago, and I am ready to repeat it now: It was wrong to jump into the river without testing the water first, as was done in January 1992," Chernomyrdin said. "We should face the truth and admit that many people voted against the hardships and mistakes of the current reforms, rather than for any specific [political] platform. Naturally, any 'shock' methods must be precluded in the future," Chernomyrdin declared.

There are no plans for stronger measures in the direction of tighter monetary policy, he said: "Now investment and production rise are becoming the main issues. These are the spheres where the key emphasis of future reforms will lie." He specified that the government would concentrate on launching high-technology projects and helping the most competitive of existing companies to overcome their difficulties, saying, "All funds we have . . . we will put in investment. We will not keep hopeless enterprises afloat, but will instead create new industries." Chernomyrdin declared that Russia "must carry out an industrial revolution" much as Germany and Japan did after World War II, in order to produce modern, competitive products. (But, sneered the *New York Times*, "Washington is hardly likely to provide a Marshall Plan for Russia these days.")

'Less shock and more therapy'

Financial circles in the West were not all happy with Gore's comments. The next day, the London *Financial Times* warned that Gore's remarks were "badly misguided," and urged that the West should "not throw out the baby with the bathwater." A few days later, the authoritative Swiss daily *Neue Zürcher Zeitung* termed Gore's statements "naive."

Some top U.S. officials, such as Treasury Secretary Lloyd Bentsen, distanced themselves from what Gore said, but there was little doubt that the former's statements were closely coordinated with the White House, and that a basic reassessment of U.S.-Russia policy is now under way.

In a press briefing given on Dec. 20, the U.S. special envoy to the Community of Independent States, Strobe Talbott, made it clear that "less shock and more therapy" is what the United States is going to try to help Russia accomplish, because "that's what we heard from the Russian leadership . . . that's what they intend to do." It appears at this point that the West has little choice but to go along, and the United States is now taking the lead in publicly acknowledging that fact.

But, other than ameliorating the most odious features of IMF policies toward Russia, the administration seems to have little if any notion of an alternative policy. Even Chernomyrdin's call for an "industrial revolution" would require a dumping of the "free-trade/free-market" axiomatic assumptions which have led to the current policy impasse. It is clear that some of the axioms of the past 25-30 years are now being questioned in some circles, but what is needed is to overturn them entirely.

North Korea deadline more than Clinton bargained for

by Linda de Hoyos and Lydia Cherry

The appointment on Dec. 16 of former CIA assistant director Robert Inman as the new secretary of defense of the Clinton administration is not expected to shift an emerging consensus within the administration on its handling of the crisis surrounding North Korea's refusal to open its nuclear facilities to inspection by the International Atomic Energy Agency (IAEA). After a series of apparent flip-flops on the issue, the administration's policy appears to be that enunciated by outgoing Defense Secretary Les Aspin on Dec. 12: For now, the United States is limiting its posture to diplomacy and negotiations with North Korea and its believed nuclear capability.

The long-simmering crisis began in 1989, when North Korea gave signals that it was reprocessing plutonium, and fears arose that North Korea was developing a nuclear bomb. Under pressure, Pyongyang signed the Nuclear Non-Proliferation Treaty (NPT), but has refused to open up its facilities for full inspection as demanded by the IAEA, the NPT enforcement arm. The crisis, which has since been linked with U.S. pressure to force Ukraine to divest itself of nuclear weapons, went on the front burner in November when President Clinton said a nuclear weapons-capable North Korea is "unacceptable" to the United States. At the same time, IAEA chief Hans Blix, who played a provocative role against Iraq, arbitrarily asserted that unless North Korea opened up its facilities for inspection by the end of December, the IAEA would lose its credibility, the Dec. 12 *Washington Post* reported.

The North Korea nuclear crisis began in 1989, when it was noticed that Pyongyang signaled its reprocessing of plutonium, and the nuclear issue has been a major point in which the United States has intervened in the stop-and-start negotiations between North and South on the reunification of the Korean peninsula over the same time period. United States concern is multifold.

Secretary of State Warren Christopher has declared that nuclear non-proliferation is a number-one priority. On Dec. 7, Clinton also ordered a more active policy to counter the spread of nuclear weapons. "The new nuclear danger we face is perhaps a handful of nuclear devices in the hands of rogue states or even terrorist groups," said Defense Secretary Aspin announcing the plan.

Second, the United States, columnists have openly stated, is not interested in a united Korean peninsula which also possesses a nuclear weapons capability.

A nuclear weapons-capable North Korea represents a major shift in the military balance in the region. At the July meeting of the Group of Seven industrialized nations, former Japanese Prime Minister Kiichi Miyazawa told Clinton point-blank that if the United States does not succeed in removing North Korea's nuclear fang, then Japan will have no choice but to develop its nuclear weapons capability, independent of the U.S. "nuclear umbrella." Japan has urged the United States to use diplomacy with the North to solve the crisis.

Assurances to Japan

Perhaps to assure the Japanese that the United States is fully prepared to see the crisis through, U.S. Undersecretary for Arms Control and International Proliferation Lynn Davis on Dec. 14 told Japanese TV that the United States may ask the U.N. to place economic sanctions on North Korea if it continues to refuse full inspection by the IAEA of its inspection sites, Reuters reported. She also said that China probably would not exercise its right to veto such a resolution.

Lastly, North Korea, despite its bravado on the nuclear question, is in a precarious position. It is bereft of its former Soviet sponsor. The People's Republic of China has not rushed its support to Pyongyang against the IAEA. Its economy is in dire straits. For some this is the moment of opportunity to bring the *chuche* ("self-reliance") regime to a well-deserved, inglorious end.

For now, the Clinton administration is keeping to a policy of negotiation. Speaking to reporters Dec. 12 on "Meet the Press," all of whom were demanding to know how the United States would carry out Clinton's statement that a nuclear North Korea is unacceptable, Defense Secretary Aspin stated that "what we are pursuing at the moment is the diplomatic objective. We are trying to enter into negotiations on a whole range of security issues, which will include the nuclear security issue." Such negotiations undoubtedly also include China, Japan, and South Korea. Aspin further noted that technical information available to U.S. intelligence indicated that the North Koreans are not now "developing more plutonium in order to be able to make more nuclear bombs." The situa-

tion is “dangerous,” the defense secretary said, “but it is no more dangerous today than it was, as I say, six months ago or three months ago.”

The defense secretary also affirmed that, in the hypothetical case that North Korea reacts to U.N.-imposed sanctions by invading South Korea, the invasion would be considered an attack on the United States.

Within the U.S. establishment, the *New York Times* has been the most vocal proponent for a policy of diplomacy. On Dec. 7, the *Times* editorialized that the United States should offer “an enticing deal. First, just as the IAEA inspectors are visiting the reactor at Yongbyon, North-South and high-level U.S.-North Korean negotiators would meet. The U.S. and South Korea would inform the North of cancellation of their Team Spirit military exercises. The U.S. could then propose a broader package deal. In return for full access to all sites, and an end to North Korea’s missile sales, the U.S. could offer diplomatic recognition, reassurance on U.S. nuclear arms, a light-water reactor for the North to generate nuclear power, and negotiation of a peace treaty formally ending the Korean War.”

The *Times* agenda coheres with that of Selig Harrison of Carnegie Endowment, who told a high-level panel on Dec. 16, which included former National Security Adviser Richard Allen and former Defense Secretary Caspar Weinberger, that “carrots are better than sticks.” Aside from seconding the recommendations of the *New York Times*, Harrison also sees dollars in North Korea.

According to Harrison, who has served as the unofficial U.S. envoy to Pyongyang since the mid-1970s, a “pragmatist” faction exists in North Korea, which reaches even into the Kim Il-sung family, including Prime Minister Kan Song-san, who was dispatched to Beijing in early December to reopen Pyongyang relations after China’s August recognition of Seoul.

Harrison suggests that this “pragmatist” grouping can be turned into a duplicate of the Deng Xiaoping leadership in Beijing. This pragmatist grouping, said Harrison, is “closely associated with the Joint Venture Law; establishment of the new Free Trade Zone as part of the Tumen River Delta Project being pushed by the United Nations in cooperation with Russia, China, and North Korea. The North Korea free trade zones—they are offering foreign investors a five-year tax holiday, and after that a 14% corporate tax rate, and, we learned last week that in some new regulations, they said that visas won’t be required, in order to get into this zone.”

The next Korean war . . .

But it is likely that military considerations, and not the prospect of free-trade looting of North Korea, is what has turned the United States toward a diplomatic course. According to Robert Novak, writing in the Dec. 16 *Washington Post*, “President Clinton has been backed down by his military advisers from a virtual ultimatum to North Korea.”

Senior military and State Department officials, press sources reported, warned Clinton that a conventional war in South Korea would not be the same kind of cinch as U.S. military actions in Panama, Iraq, and Somalia. A secret meeting between Clinton and his military advisers on Dec. 10 led to the Aspin press statements on diplomacy of Dec. 12, according to various sources. According to a classified Defense Department assessment leaked to the *Washington Post* Dec. 12, a conventional war with North Korea would require up to four months of “very high-intensity combat” by a combined South Korean and U.S. force that would include U.S. reinforcements beyond those used in the war against Iraq. A plan to repel any North Korean attack on South Korea was reviewed with Clinton on Dec. 10, reported the *Post*.

U.S. senior military officials are saying they are not sure North Korea could be stopped before it reaches the South’s capital, Seoul. On Dec. 14, Chairman of the Joint Chiefs of Staff John Shalikashvili said that “there’s a very good likelihood” that Seoul would be defended by South Korean and U.S. forces, but he would not guarantee it. A March 1991 classified Pentagon report, said the *Post*, also suggested the “North might win with a checkmate strategy that threw half of its forces against Seoul and the other half down the east coast to seize Pusan and Kimhae in the south”—entry points for U.S. reinforcements.

Military officials are also not terribly sanguine that an air strike, like that carried out in 1981 by Israel against Iraq’s nuclear plant, would be effective in knocking out any North Korean nuclear weapons capability, since it is believed the North has placed most of its industrial and military capabilities underground. Furthermore, Gen. Merrill McPeak stated publicly, such bombing raids would produce radiation enveloping South Korea.

Fools rush in?

The prospect of total war on the Korean peninsula, however, has not deterred various war-mongers. On Dec. 14, *Washington Post* columnist Lally Weymouth averred that diplomacy has already proven a failure. Clinton has no choice but to go to the U.N. Security Council and demand sanctions against North Korea, imposing a full sea blockade that would prevent Pyongyang from importing its energy requirements from China and Iran.

If sanctions don’t work, then “the American President needs to be prepared to explain to the world that Washington will not allow nuclear weapons to fall into the hands of international gangsters”—that is, will use military force against North Korea. Otherwise, Weymouth says, nuclear proliferation will rise to unacceptable levels. Weymouth cited as her authority on the issue, Kissinger Associates member Lawrence Eagleburger, quoting him as saying: “If you’re not prepared to use force, then you’re nowhere. If we let them build their weapons program, one day we’ll wonder why we stood around waiting.”

Surgeon general ignites drug legalization debate

by Kathleen Klenetsky

Already the subject of controversy for her views on abortion and sex education, U.S. Surgeon General Joycelyn Elders has now managed to incite a national debate about drug legalization, thanks to her allegedly off-the-cuff remarks on the subject to reporters at the National Press Club on Dec. 7.

In response to a reporter's question, Elders stated that she thought that legalizing drugs would "markedly" reduce the U.S. crime rate. Claiming that "60% of our violent crimes committed are associated with alcohol or drug use," she asserted: "I do feel that we would markedly reduce our crime rate if drugs were legalized. But I don't know all the ramifications of this. I do feel that we need to do some studies. And some of the countries that have legalized drugs and made it legal, they certainly have shown that there has been a reduction in their crime rate and there has been no increase in their drug use rate."

Elders's Pearl Harbor Day bombshell triggered an immediate uproar. Through various of its officials, from FBI head Louis Freeh through chief Clinton drug policy adviser Lee Brown, the Clinton administration attempted to disassociate itself from Elders's remarks. White House spokeswoman Dee Dee Myers told reporters, "Basically, it's [drug legalization] not going to happen."

No reprimand from the White House

President Clinton himself responded to his surgeon general's comments by denouncing legalization, and saying that he believes that if drugs were legalized, his brother Roger (a recovering cocaine addict) would be dead. But Clinton steadfastly refused to entertain the possibility that Elders should be reprimanded. And he rejected out-of-hand the demand, made by Sen. Don Nickles (R-Okla.), that Elders should resign on the grounds that it's "outrageous for the nation's top health official to talk about legalizing drugs."

Although the Clinton administration moved swiftly to distance itself from Elders's position, the surgeon general had already provided new ammunition to the dope lobby just at the time it had suffered a blow with the death of Colombian drug lord Pablo Escobar. As the Dec. 8 *New York Times* put it: "Dr. Elders's comments are almost certain to revive a perennial debate about the most effective way to handle the nation's drug problems."

And so they have.

Not only have Elders's statements triggered a flurry of editorials and other media commentaries—many of them favorable; they have also been seized upon by the advocates of drug legalization to press their cause.

Immediately following her National Press Club appearance, the pro-legalization Criminal Justice Policy Foundation issued a press release stating that it "agrees that a study of regulating, licensing, and taxing the commerce in now-illegal drugs is urgently needed."

In the nation's capital, Washington, D.C. Mayor Sharon Pratt Kelly, following a meeting at the White House with Clinton and Attorney General Janet Reno on crime-fighting, said that she agreed with Elders's suggestion that the question of drug legalization should be studied.

Every imaginable stripe of drug-legalizer has crawled out of the woodwork to go on television or take to the opinion pages of the major newspapers to participate in a media-orchestrated debate on the virtues of legalization. On the night of Elders's remarks, ABC News used them to justify a lengthy segment on illegal drugs, which boosted the notion purveyed by Elders, but disputed by most criminal justice experts, that decriminalization of drugs reduces robberies, thefts, and other crimes. The next day, the major network morning news shows featured such proponents of legalization as Baltimore Mayor Kurt Schmoke and Judge Robert Sweet of New York wholeheartedly endorsing Elders's call for a "study" of drug legalization.

Nearly every major news outlet has given big play to the issue. The Dec. 20 issue of *U.S. News & World Report*, former home to White House adviser David Gergen, ran an editorial by co-editor Michael Ruby which, while pointing up the dangers of decriminalizing drugs, nevertheless endorsed Elders's call for a "study" of the issue. "Bill Clinton should listen to part of what his surgeon general has to say. It's unlikely that a fair-minded study could make a convincing case for legalization, but new research might well turn up some useful information."

The Dec. 14 *New York Times* turned over its opinion page to the "pros and cons" of legalization, with former Assistant U.S. Attorney Sidney Zion taking the "pro" side, and citing recent British experiments with "medicalizing" drug use, i.e., having doctors hand out drugs to addicts, as a model for U.S. drug policy.

These are just a few of the examples of how the media are using Elders's comments to promote legalization.

EIR saw it coming

In its July 30, 1993 issue, *EIR* published a feature story which warned that the drug lobby saw in the Clinton administration an opportunity for "de-demonizing" drugs, in the words of longtime legalization advocate Prof. Ethan Nadelman, as opposed to outright legalization. Elders's comments appear to have given the process of "de-demonization" a big boost.

Race hate provocation set up in Australia

by Alex Roach

Australian Security Intelligence Organization (ASIO) director David Sadleir and World Jewish Congress co-chairman Isi Leibler claim that neo-Nazism and racism are on the rise in Australia. A National Anti-Terrorist Plan has been devised and a new Joint Intelligence Group has been established to deal with the alleged threat. Sadleir is warning about rising ethnic violence and the possibility that an atrocity like the bombing of New York City's World Trade Center could soon occur.

These statements by Sadleir and Leibler should be taken as a warning that they themselves intend to deploy provocateurs to foment violent ethnic divisions and racist incidents. Key targets of Leibler and ASIO are the Muslim, Baltic, and Balkans communities, and the Citizens Electoral Councils (CEC), Lyndon LaRouche's co-thinkers in Australia.

In November 1992, Isi Leibler shrieked that the spectacular rise of the CEC was "in step with the ugly recrudescence of the right-wing extremist neo-Nazism which has recently manifested itself in Germany." This lie has been echoed a number of times since by intelligence chief Sadleir. Sadleir claimed in the 1992-93 ASIO annual report that "racist nationalist groups continue to attract members, no doubt encouraged by the rise of neo-Nazism in Europe and local issues such as the high level of unemployment." He predicted that "emerging strands of nationalism and racism will lead to greater violence," especially from the Baltic and Middle Eastern communities.

Neo-Nazi groups in Australia are minuscule in size and are mere proprietaries of the intelligence agencies and associated private groups such as the Anti-Defamation Commission of B'nai B'rith. They have been established to promote community discord and strengthen the case for wider social control mechanisms such as race hate laws. Isi Leibler and his brother Mark are at the center of the process and, in concert with intelligence agencies, have deployed the *agents provocateurs* David Greason and Michael Danby to do the dirty work.

The provocateurs

British-born David Greason has been an activist in the fanatically pro-British League of Rights. He later founded neo-Nazi groups such as National Action and a British import, the National Front. The reportedly homosexual Greason's live-in mate during his National Action days was Jim

Saleam, who served time in jail for violent crimes. Police investigations of Greason led to a plea bargain deal and he now works for the "anti-fascist cause."

Greason now serves as a liaison with the International Socialist Organization, has spoken at their meetings, and has worked with them to incite violence. The ISO is run from Britain and trained agitators have been flown to Australia. In May 1993, Greason, under the direction of Isi Leibler, planned a riot at an international conference of the CEC. Over 200 police were present, successfully blocking the planned ISO violence.

Greason has a close operational link to Michael Danby, till recently the editor of the *Australia-Israel Review*. At a November public meeting organized by Danby, titled "Inside Germany's Neo-Nazi Movement," an hysterical and rambling Greason claimed that the CEC was linked to a new neo-Nazi group, the Australian Republican Movement. Greason attacked LaRouche as a "jailed fascist and thief." Also on stage was Yaron Svoray, a school chum of Michael Danby. Svoray has just returned from undercover work in Germany's neo-Nazi movement and no doubt will advise Leibler, Greason, and Danby on neo-Nazi provocations. Also in town, courtesy of Isi Leibler, is English judge Israel Finestein Q.C., who is giving speeches on the rise of neo-Nazism in Germany.

Gangs and countergangs

A campaign of street agitation has begun in Melbourne, and a street mob under the leadership of the ISO has been assembled to do battle with the National Action skinhead countergang. Already confrontations, some of them violent, have occurred in the streets of Richmond, Northcote, Brunswick, and Coburg, the latter close to the CEC national office. Other recent incidents designed to slander the CEC in Australia as neo-Nazi include:

- Two mass street marches have been held, one being an "anti-Nazi" march to protest young skinheads wearing swastikas at a local hotel. A sign by one protester exhorted the crowd to get rid of the CEC.

- A LaTrobe University newspaper claimed that "LaRouche and Co. have invested huge amounts of money into Australia, and part of the money will be spent upon building up the strength of the bootboys in National Action."

- An article in Conrad Black's newspaper *The Age* claimed that the rise of the "extremist" and "anti-Semitic" CEC-LaRouche movement was linked to the neo-Nazi skinheads.

- An ISO pamphlet attacked LaRouche's "supporters," whom it claimed were from the skinhead National Action, and were Nazis "out to organize mass terror."

- Unsolicited packages of propaganda were sent from the Australian Republican Movement to the CEC, National Action sympathizers have attempted to "join" the LaRouche movement, and hate mail has been received addressed to "The White Supremists" (sic) at CEC.

The 'New Comprador' plan for Greater China

by Michael Billington

Over 900 "Overseas Chinese" business and political leaders met in Hamburg, Germany from Nov. 22 to 24, under the guiding hand of the long-standing British asset Lee Kuan Yew, the political strongman of the "semi" British colony of Singapore. Although Singapore is an independent nation, it has continued to function, with Hongkong, as the official center for British financial and political influence in Asia.

Lee Kuan Yew shared the podium with Li Kai-shing, the Kissinger-linked head "comprador" of Britain's colonial banking, business, and government apparatus in Hongkong. Many of those attending had participated in the formation last February of the New China Hongkong Group, Ltd., which brought leading Beijing officials together with ethnic Chinese business leaders from around Southeast Asia into a business-government alliance (similar to that which has historically controlled the colonial government of Hongkong) in preparation for the 1997 merger of Hongkong with the People's Republic of China (P.R.C.) on the mainland (see "The 'Greater China' Plan: Britain's 'Venetian' Policy to Control Asia," *EIR*, July 16, 1993, p. 44).

In interviews preceding the conference, and preceding the high-profile Asian-Pacific Economic Cooperation (APEC) forum meeting in Seattle, where President Clinton was to meet with P.R.C. President Jiang Zemin and other Asian leaders, Lee Kuan Yew emphasized that China "needs" a brutal dictatorship, and called on Clinton to retain the "balance-of-power" pragmatism and moral relativism of the George Bush/Henry Kissinger years. Washington, he said, "must show more understanding of the cultural realities of China," where, according to Lee, dictatorship and military suppression of dissent are ingrained aspects of Chinese culture. He complained that U.S. policies in Asia "have not been guided by strategic and economic considerations as they used to be," and that economic stability will prevail only "as long as the U.S.-Japan-China relationship is kept in balance."

Lee also told the press that "it would be mistaken to follow mindlessly the present politically correct and stridently advocated view that democracy is the precondition for economic development." Although this was popularly portrayed as a disagreement with Hongkong Gov. Chris Patten, who is insisting on relatively minor democratic reforms in Hongkong before 1997, Lee is also targeting the dissidents on the mainland, centered around the recently released hero of the 1979 "Beijing Spring," Wei Jingsheng. Wei was most famous for his 1976 Democracy Wall essay "The Fifth Mod-

ernization," which insisted that without democratic transformation of the Communist Party dictatorship, the "Four Modernizations" of Deng Xiaoping—agriculture, industry, science and technology, and military defense—would be impossible. The current economic disaster unfolding on the mainland proves that Wei Jingsheng was right.

'Use corruption'

Lee Kuan Yew was the keynote speaker at the "Second World Chinese Entrepreneurs Convention," as well as the primary organizer. In a blatant display of disdain for the Confucian moral tradition in China, he boasted that the overseas Chinese had an advantage over other foreign investors in exploiting the vast cheap-labor pool of nearly 200 million unemployed Chinese peasants, since they shared with Beijing an appreciation of the value of corruption. The Chinese business leaders can, he said, use their "personal connections" (*quanxi*) with the infamously corrupt Communist Party leaders and their families to "make up for a lack in the rule of law and transparency in the rules and regulations." This corruption "will be of value for the next 20 years at least," he claimed.

He went further to propose that the historical secret society networks be legitimized and institutionalized to control this new "Greater China," beyond the control of governments. According to the Dec. 2 *Far Eastern Economic Review*, he called on the executives to "institutionalize long-standing but informal associations of Overseas Chinese family businesses and individual entrepreneurs." These "informal associations" are the Taoist secret societies which function as the *fondi* in China, controlling both legitimate business and the vast underground economy, including especially the drug market.

'We learned it from the Brits'

Lee Kuan Yew also explained that this open embrace of corruption and exploitation of an enslaved population should engender no guilt: "There is no need [for ethnic Chinese] to be apologetic about wanting to maximize benefits through each other's contacts and access to opportunities. The Anglo-Saxons do it, the Jews do it, so do the Hindus and the Muslims."

Lee and his British backers are not unaware that this process of looting China's "blind flow" of desperate unemployed peasants as recycled cheap labor in the export industries, while the agricultural and industrial infrastructure of the country continues to collapse, could well lead to the outbreak of chaos, or even the breakup of China as a unified state. Lee told the *Asian Wall Street Journal* weekly on Nov. 15: "If there are sudden reversals in their economy, plus several bad harvests, that could be the beginning of an unraveling, if the leadership is blamed for it and if the political and military leadership then splits. It's not their fear of minorities breaking away, but of the system breaking up and China again reduced to chaos." This Singapore/Hongkong axis, together with their controllers in the British Foreign Office,

are openly preparing for this eventuality, while extracting what they can under the current process of "reform."

Rural inflation worse

The breakdown may come very soon. The third plenum of the Communist Party Central Committee held in November eliminated most of the austerity measures which had been implemented last June in an attempt to rein in hyper-speculation, inflation, and corruption. The measures primarily strangled the state sector industries and the economies of the interior provinces, while having little effect on the rampant speculation in the South. Several of the poorer provinces, such as Hubei and Yunnan, have experienced even higher rural inflation than in the cities, so that the austerity measures imposed an enormous squeeze on both farmers and local rural enterprises. In Guangdong Province, however, where most of the speculation originates, the economy has been largely "dollarized" with Hongkong dollars, and most of the credit for speculation comes directly from Hongkong, beyond Beijing's control. A new approach was needed.

The plenum announced plans for new tax policies aimed at redirecting the profits from the South into Beijing to meet the crisis in the national budget, but it is widely reported that such plans are unlikely to be successfully implemented. The expected return to virtually unrestrained speculation may instead lead to further disintegration.

The fight against GATT goes on

by Christine Bierre

The ecologist movement in France is blatantly attempting to co-opt the ferment against the General Agreement on Tariffs and Trade. For the spiritual offspring of the Club of Rome, the spectacular rise of popular opposition to GATT is seen as fertile ground for spreading their pernicious ideas of local control and rural idiocy. In this context, Ecoropa, a European ecologist organization founded by Teddy Goldsmith, among others, held an anti-GATT press conference in Paris on Dec. 7, to which they invited representatives of other national and international movements opposed to the GATT Uruguay Round. The guests' interventions were quite interesting, and the conference as a whole had the merit of showing just how widespread opposition to GATT is in many different countries of the world and among different social layers.

The press conference was well attended by the media, whose representatives all jumped on the star of the show, Jack Lang, the Socialist former culture minister. Max Gallo from the Citizens Movement, founded by former defense minister Jean-Pierre Chevènement, was also present and deplored the lack of information and debate on GATT, while strongly ridiculing those who "genuflect before market monotheism."

Representatives of the French Consumers' Union, the Belgian Greens, and American associations directed by Ralph Nader also took the floor during the conference.

After a barrage of propaganda about the defense of Mother Earth and the forests, it was certainly good to hear from the farmers present, who consider the defense of man to be a priority. Guest speakers included Professor Nanjundaswamy, president of the Indian farmers' movement KRRS; the president of the Mexican Permanent Forum of Rural Producers (FPPR), Alberto Vizcarra; as well as Jacques Laigneau, president of the French group Rural Coordination.

The KRRS has taken spectacular actions over the past months against Cargill and other food and grain cartels. They have every reason to do so, because the Uruguay Round imposes dictatorial control on their activity, forbidding farmers from sowing seeds. In India, large foreign companies which take local seeds and treat them, however slightly, in laboratories, can then take out a patent on the altered seeds and sell them back, at a much higher price, to the Indians.

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Local farmers do not even have the right to set the seeds aside from one year to the next, but must always buy them anew from a patent holder.

Alberto Vizcarra showed how the FPPR was set up to fight against GATT and the North American Free Trade Agreement. After 1982, he stated, the international financial community tried to completely destroy his country's economy, through a policy of astronomically high interest rates and exponential growth of the foreign debt. Mexican peasants are following with great interest and inspiration the actions of

GATT 'breakthrough' leaves disputes unresolved

Agreement was finally reached on Dec. 15, after seven years of negotiations, on the so-called Uruguay Round of the General Agreement on Tariffs and Trade. The accord must still be ratified by national governments, and will not take effect before 1995.

While some free trade advocates are hailing the agreement as a "breakthrough," others are pointing out that the final accord was reached by simply dropping key issues of contention—for the moment. These will be negotiated over the coming months.

The London *Financial Times* of Dec. 21, reporting on a press conference given in Paris by Kumiharu Shigehara, the chief economist of the Organization of Economic Cooperation and Development (OECD), underlined that the agreement is "only half the battle." It does not mean that all trade problems have been solved, he said. The agreement does not cover, or only partially covers, a number of long-standing problems.

To take some examples, the issue of subsidies for aircraft construction has been scrapped for the time being. The new World Trade Organization (WTO), originally intended to be the supranational czar of world trade rulings, has been left "with no teeth," with the details of its functioning to be agreed upon later.

The important issue of liberalization of financial services had been unresolved, because of U.S. insistence on the right to keep out certain foreign banks or insurance companies, especially Japanese. But this has now been settled, by preventing any Third World member country of GATT from forbidding any bank or insurance company of any other GATT member from setting up operations in that country. This will give free rein for expanded financial blackmail and drug-money laundering.

their colleagues in France, he said.

Jacques Laigneau explained why Rural Coordination is against including agriculture, which is concerned with life itself and not with inert merchandise, in any free trade agreements. He finds particularly disgusting those who say that Third World countries should be allowed to "make their misery pay" by exporting cheap products onto world markets. On the contrary, he stated, it is in our mutual interest to help those countries develop themselves and their domestic markets.

Gaia worship and feudalism

The position of Ecoropa was presented at the end of the conference by Teddy Goldsmith, a guru of the upper class radical environmentalists. His brother, Sir Jimmy Goldsmith, made a fortune through the stock market and other financial operations and then financed some of Teddy's ideological activities, including *The Ecologist*, which was one of the first publications to popularize the Earth goddess Gaia. According to Teddy Goldsmith, Gaia will come back one day to crush those who have violated "the laws of nature."

Some of the arguments developed by Teddy Goldsmith at the press conference were reasonable enough: It is wrong to say that an increase in world trade will reduce unemployment; the contrary is true. The only ones who will profit from the GATT agreements are the 500 or so multinationals that control 75% of world trade. Far from helping the Third World, free trade will lead to dislocation in those countries and to civil wars.

However, Goldsmith's proposals will make your hair stand on end. His approach is to "revitalize the local economies," while leaving big financial groups free to determine the overall framework, or the "superstructures," of the world economy. His description evokes visions of George Orwell's *1984* or some other modern form of feudalism.

In England, where Teddy Goldsmith resides, his organization has undertaken 120 projects in various towns and rural areas. The towns "adopt" neighboring farms and make sure that the farm production is bought. His group is even proposing the creation of a "local currency" to prevent the money from leaving the region.

In other words, many fish bowls are created in which the goldfish can swim around at will. The citizens, fixated on their local affairs, will hardly be concerned by great policymaking decisions or by the future of humanity. And they, of course, will never inquire into who, from outside of the fishbowl, is manipulating them.

Such an approach would lead to a world financial dictatorship on the one hand, and a myriad of uncoordinated local initiatives on the other. The alternative approach would seek rather to organize a vast producers' movement, which could operate internationally, nationally, and regionally, to counter perverse financial interests and to defend a program of peace through development.

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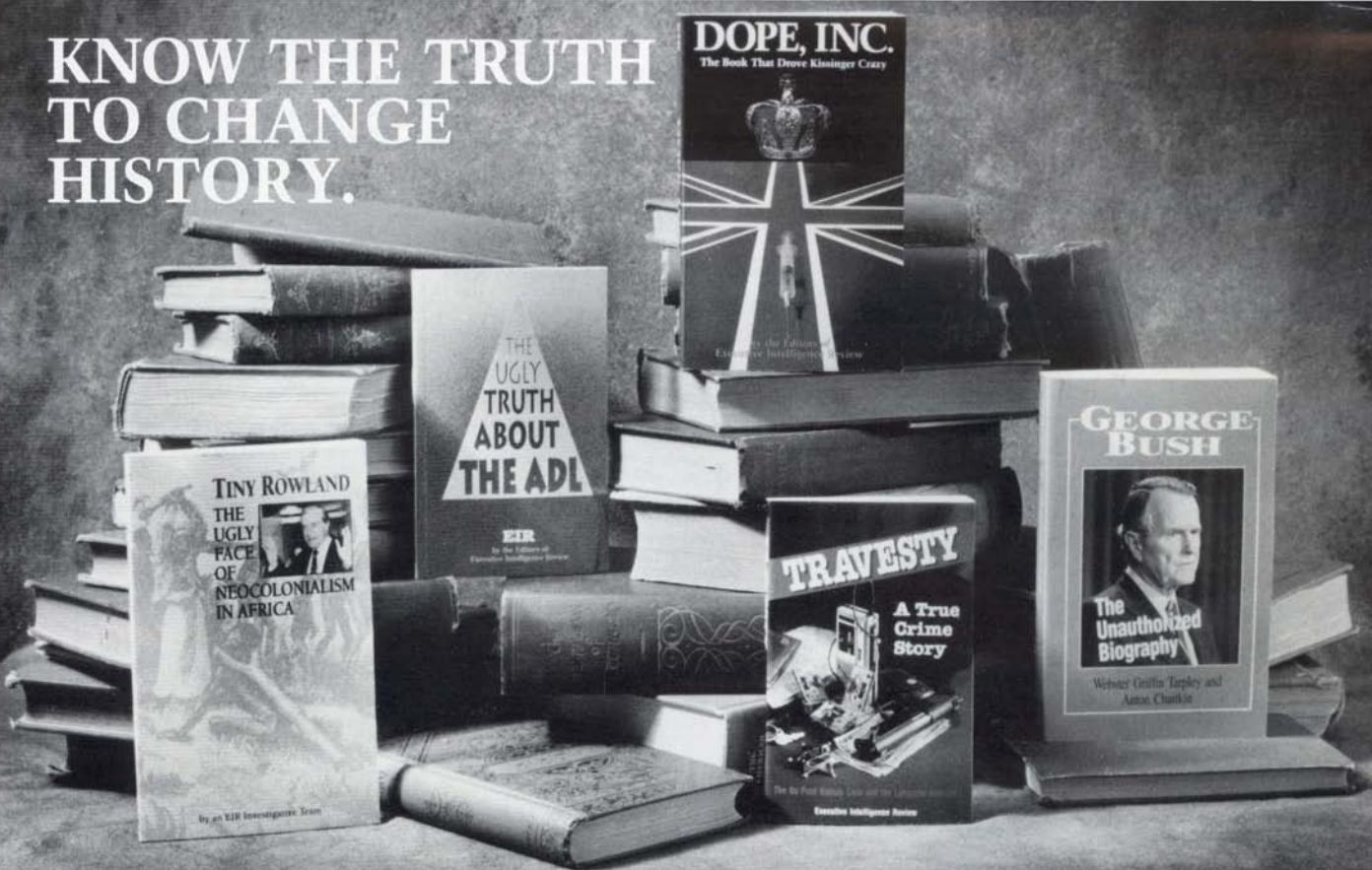
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