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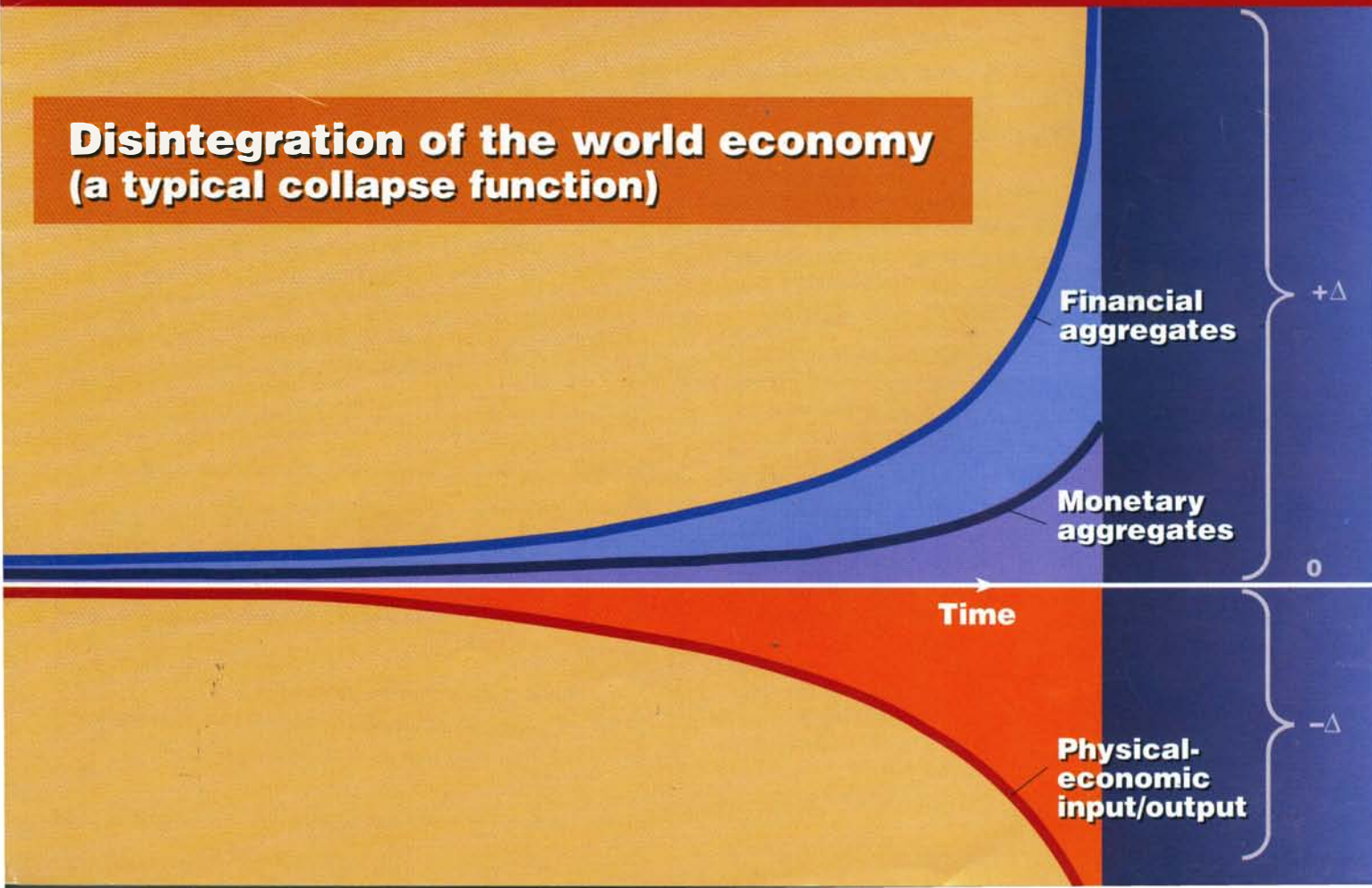
Executive Intelligence Review

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LaRouche: We have reached
the end of an epoch

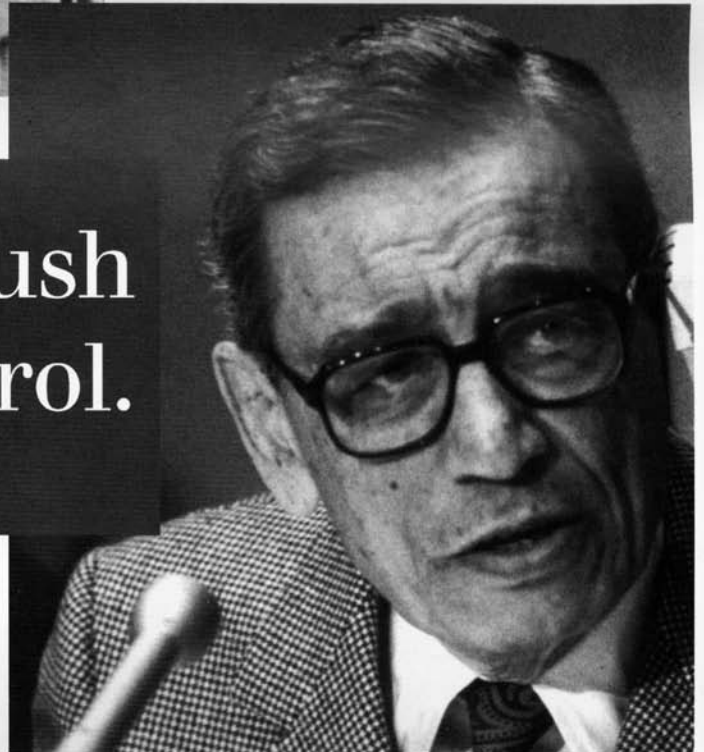
**Disintegration of the world economy
(a typical collapse function)**





What do these two men have in common?

They both push population control.



Stop the UN's New World Order: Hitler in Blue Helmets.

DID YOU KNOW:

- that the population control movement is nothing but a whitewashed version of the Nazi eugenics policy, which was developed in Britain and the United States, then exported to Hitler's Germany?
- that the United Nations has set up a series of conferences, beginning with the September 1994 International Conference on Population and Development, in Cairo, Egypt, whose purpose is to reduce world population by more than two billion people and institute a utopian world dictatorship?
- that National Security Study Memorandum 200, written under the direction of Henry Kissinger and Brent Scowcroft in 1974, defines population growth as *the enemy* of the

United States, and targets over a dozen Third World countries on its "population enemies list"?

- that since NSSM 200 was written, American dollars have paid for the sterilization of roughly *half* of Brazil's women of childbearing age?

This report, revised and expanded from the 1992 Special Report "The genocidal roots of Bush's 'New World Order,'" is intended to help catalyze a fight for national sovereignty, the family, and human life in the face of the Malthusian onslaught of the United Nations and its one-world imperial supporters.

The new sections include texts of major statements against the Cairo population conference by the Schiller Institute, Vatican, and others, and self-indicting extracts from the planning documents drafted by the United Nations bureaucrats.

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From the Associate Editor

Our first issue of the New Year presents an air-tight proof of Lyndon LaRouche's diagnosis, that the current financial and monetary system is bankrupt beyond repair. There is no way that the world's governments can prolong the life of this system; in fact, the measures that are currently being proposed to stave off collapse—such as the Republican Party's fanatical drive to balance the budget—will only hasten the system's demise.

Study the graph on the cover, which is analyzed in detail in LaRouche's speech to a conference of the Schiller Institute. It shows the *hyperbolic rate of growth* of financial and monetary aggregates, and the corresponding downward plunge of physical economic production. This hyperbolic function represents a *phase shift*, an absolute limit at which a collapse will occur. If you increase monetary circulation or financial subsidies, in an attempt to keep the system afloat, you will only shift the function to a higher rate of curvature, bringing on the collapse that much sooner.

In the *Special Report*, our color section, you will find the facts and figures to flesh out what LaRouche presents in his conceptual overview. Using the U.S. "market basket" of consumers' and producers' goods, with 1967 as a benchmark year, *EIR's* economics staff has produced a concise and powerful picture of what has happened to the physical economy. This package is designed for political organizers, to help you convince your neighbor who still insists that the recovery is "just around the corner."

As LaRouche emphasizes, we are not making a prediction that the collapse will occur on any particular date. We are presenting a *diagnosis* of an economy which has an illness that cannot be cured.

The world has indeed reached the end of an epoch, but that is not a reason for despair. This system cannot be saved, but it can and must be replaced. LaRouche compares our situation to that of the engineers who were trying to invent airplanes that could fly faster than the speed of sound. The "experts" said it couldn't be done. But Bernhard Riemann had written a paper in 1858, which showed how a phase shift occurs, in what we would call today a transsonic function. Once you understand how that works, the breakthrough to supersonic flight is no problem at all.

Susan Welsh

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Strategic Outlook

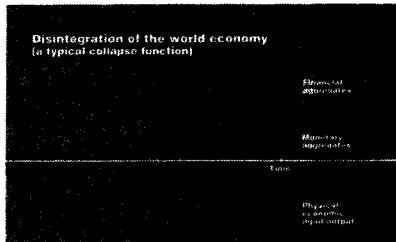
4 We are at the end of an epoch

In a speech to a conference in Germany on Dec. 2, 1995, Lyndon H. LaRouche, Jr. warns that the planet faces the most profound crisis in some 500 years—worse than what preceded either of the two world wars. There is only one avenue toward hope—and that is to unleash the creativity which is the essence of the human species.

33 Why mankind must create a community of peoples based on natural law

Schiller Institute founder Helga Zepp LaRouche says that if the Maastricht Treaty is continued, then the conditions of Europe will degenerate into those existing before the emergence of the nation-state. She then draws attention to two thinkers who were both filled with passionate love for the idea of a community of peoples: Nikolaus of Cusa, and G. W. Leibniz.

Special Report



A1 The 30-year collapse of the U.S. economy

By Christopher White. "The essential conditions for a general economic and financial breakdown crisis have been more than satisfied. The precise timing will turn out to be a matter of politics."

A5 U.S. market basket shows 50% decline since 1960s

Marcia Merry Baker documents how in one generation, the net productivity of the workforce has declined.

A14 America's physical economy is rapidly disappearing

Richard Freeman measures the deceptive nature of Gross Domestic Product against the criteria of useful physical production.

A21 Financial processes split from physical wealth production

Financial turnover has increased by 430 times, while even the badly flawed accounting measure of GDP showed a mere 13-fold increase. Anthony Wikrent reports.

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EIR's banking columnist John Hoefle shows that there is not enough money in circulation to cover all the financial claims out there—and why orderly bankruptcy proceedings are the only sane solution.

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The political decline of Newt Gingrich in the United States, plus the mass demonstrations against the Maastricht Treaty in France, signify the beginning of a serious effort to roll back the Conservative Revolution.

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A majority of Russians voted for parties that have profiled themselves as opponents of the failed "reforms."

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The Clinton administration refused to repair the Anglo-American "special relationship," and that put the British royal family on shaky ground even within the factional alignments of European oligarchies.

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Not only democracy in the kingdom, but stability for the entire Middle East is at stake.

We are at the end of an epoch

by Lyndon H. LaRouche, Jr.

The following was delivered as the keynote speech to a conference sponsored by the International Caucus of Labor Committees and the Schiller Institute, in Eltville, Germany on Dec. 2-3, 1995.

What I'm going to do today, will be something of a *tour de force*. Some of the points may not always be clear to you, in particular because some of them are fairly complex and important points. However, we are backing up what I'm saying today, with a number of other reports.

My function is to put together a number of different elements to show *exactly what it is* that humanity faces during the coming weeks and months. That is, during the coming weeks and months, this planet will go through the most profound crisis in about 500 years. The crisis in which we are now *presently living*, already, even though many people pretend it isn't happening, is *worse* in its implications, than the crisis which immediately preceded either of the two world wars of this century.

There is a threat of more warfare, more deaths, more famine, more epidemics, higher death rates, greater decreases in longevity and life-expectancy, and a general depopulation far greater than was experienced during either of the two world wars, or their aftermath. That is all presently a *process in progress*. It is not a series of isolated events, any more than a bubonic plague epidemic is a collection of individual cases, each with a separate cause.

Globally, the culture of this planet is disintegrating. We are coming to a point of discontinuity in the process of disintegration. Beyond that point, the present cultural arrangement, the present governmental structures, especially the present financial, monetary, and economic structures of this planet, will cease to exist in the form they have existed over

the preceding decades. And, that is all happening now.

There are two problems here. First of all, I imagine that when the *Titanic* was sinking, there were certain passengers who rushed to take some of the better staterooms. And, there are people today who simply are engaged in what is called, in psychology, "denial," a refusal to face the reality of what's happening: something so terrifying to them, or so confusing, that they refuse to admit that it's happening. The ship is sinking. It will soon be under water. *It's all over*. I can name governments around the world, most of them, in fact, which deny this reality.

For example, the present government of France, is in a state of denial. The government of Jacques Chirac, the new President, with the first government of Alain Juppé in France, came in with a great deal of hoopla, a few weeks of popularity and authority. And, now the government of France is disintegrating. It is imposing upon the people of France an austerity which it would not have imposed, if it had learned the lesson of Newt Gingrich's downfall in the United States, that fascism is not popular on this planet, with this people.

Seventy percent to eighty percent of the people of the United States reject fascism in the form of Gingrich and what he represents. We have a similar process; we have Gingriches in France. We saw a man, Juppé, transform himself into a Gingrich, before the astonished eyes of the French population. We saw a Chirac government, or a Chirac regime, disintegrate in its authority over the French people. And even when it became clear to the government, that the people of France had *rejected* this austerity program, the government stubbornly said, "No, we're sticking to it." And they're sticking to it like a famous variety of grain called buckwheat, which, when faced with a windstorm, rather than bending, breaks.



Lyndon LaRouche and Helga Zepp LaRouche at the Schiller Institute's conference in Eltville, Germany.

We have, in Germany, a similar situation. The government of Germany lives in a world of unreality. We see the return of the Socialist Unity Party (SED) [otherwise known as the communist party of East Germany], in the form of a unification of [Social Democratic Party (SPD) leader Oskar] Lafontaine and [former East German leader Gregor] Gysi. We see the discrediting of all the anti-communist governments which came up in eastern Europe during the post-1989 period, beginning with Poland. Why are they discredited? Because they believed in the policies of Margaret Thatcher and George Bush. They believed in what is called "the reform"; and, the reform has turned out to be fascism, and they don't like it any more. The parties which had tolerated, embraced, defended what is called "democracy" and "the market," in the name of reform, those parties today, throughout eastern Europe, are discredited, including that part of eastern Europe which is now known as Germany.

Germany betrayed the people of East Germany in the reunification, under British pressure, and the people of East Germany have turned, hatefully, against what has happened to them under the Treuhand agreement [the Treuhand is responsible for reorganizing East German state firms]. And now the people of East Germany are saying, "Well, you dumped us in the West. All we know is how to take power. There's no more communism, we agree; but we can still take power." And they're moving to take an old asset of the G.D.R. [East Germany], Lafontaine, to take over the SPD, combine the Greenies and the SPD, and themselves—all

controlled, by the way, from London—to take over various states in Germany, and thus have veto-power to take over Germany as a whole. And the Kohl government is doing *everything* to turn Germany over to that new power, by its stubborn refusal to face reality. [Finance Minister Theo] Waigel's refusal to accept the reality of derivatives. The fact that the German banking system, which, up until 1990, was one of the most stable in the world, the banking system of the famous Hermann Abs, the Abs who had a rule for all bankers: "*Keine Kasinogesellschaft!*" ["No casino society!"]. That's exactly what these new bankers did; they turned the German banking system into a casino, a gambling casino. And the German banking system is doomed, just as the Japanese banking system is less doomed, but also doomed. Just as the entire banking and financial system of France is doomed.

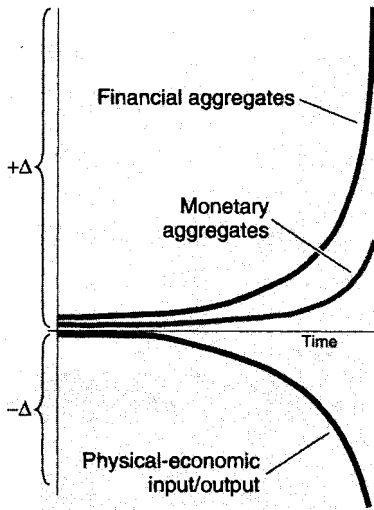
So, that's the situation around the world: denial. They talk about growth. For reasons I'll indicate to you, generally speaking and overall, *there has been no economic growth on this planet, since the end of the 1960s*. None; if you measure in the right magnitudes.

If you measure in magnitudes per capita of labor force, per household, per square kilometer of used land area: If you measure in those terms, the physical product which is consumed either by households, consumed by productive industry, or consumed in the form of maintaining infrastructure or improving it, those components, and you measure them in these per-capita, per-household, per-square-kilome-

FIGURE 1

A typical collapse function

This graph, which also appears on the cover of this magazine, shows the hyperbolic rate of growth of financial and monetary aggregates, and the corresponding decline of physical production. Most of the graphics used by Mr. LaRouche in his speech are also printed in the color section (pages A1-A32), where additional analysis of them appears.



ter terms, you then find, as in the case of the United States, for example, in those terms, in comparing a market basket of consumption for households, for agriculture and industry, for infrastructure in the last years of the 1960s with the same market basket standard in the 1990s, the American people produce *half as much* as they did 25 years ago, and consume about half as much, for various reasons.

That is a pattern around the world. There has been a secular tendency toward a 2 to 3% annual contraction in economy around the world, with some variations in that, over the past quarter-century. The system is collapsing.

A functional view of global collapse

We have here **Figure 1** (we'll come back to this figure again). Now, the bottom line is not an actual mathematical calculation. This figure is a summary of three curves which are characteristic of the process of monetary and financial disintegration of the world economy. And a great part of what I'll say today, focusses upon this problem, to make this problem clear.

The bottom of the three lines represents the decline in productivity, in physical terms: that is, physical product. It also includes things which are essential, as services, to physical productivity.

Obviously, education. Those aspects of education which are *essential* to maintain the cultural level and productivity of the population. It's a *physical value*, even though it's intangible, intangible in the sense of being a service.

Then, we have health care. The demographic characteristics of a population, the sickness rates, the mortality rates, the birth rates, the longevity. These characteristics are determined by health, which consist of sanitation, as well as health

care. That's essential.

We could not maintain the present population of any part of this world, without a continuation of investment in capital-intensive, power-intensive forms of scientific and technological progress. It is actually, in point of fact, the introduction of the Green Revolution (the bad one, that is), in 1964, the so-called Greenie movement, that has done more than any single factor in policy, to destroy the world's economy. There is no greater enemy of human life, than environmentalism. And, I'll indicate that, and we can discuss it if some people want to get into the details.

But, without an increasing investment in scientific and technological progress, without increasing power per capita in production and in life, without increasing capital-intensity, without the educational process and so forth to manage this, you cannot maintain any existing population on this planet. Without improving that investment in productivity and technology, without advances in technology, you cannot maintain the population of this planet.

As a matter of fact, if we do what Prince Philip of England, the Duke of Edinburgh, and his World Wildlife Fund and his Gaia Foundation and so forth wish to do, within the coming generation and a half, the population of this planet will collapse through famine, epidemic, and related causes, from the present 5-plus billion, to Middle-Ages levels around this planet, of several hundred million: the greatest holocaust in the known history and prehistory of mankind.

If we don't get rid of the greenie revolution, there is no hope for anything on this planet; and, belief and opinion are not worth anything on that question. Either you get rid of it, or you don't survive. Either you get off the sinking ship, or you drown.

So, partly as a result of that post-industrial utopianism, the so-called "information society," these kinds of insanity and outright lunacy, we have this curve: decline. There are other causes which I'll address.

Now the second of the three curves, although the per-capita output, physical output, and consumption around the world have declined over the period of the past 25 years, *especially* the past 25 years, there has been an *increase* in per-capita monetary turnover, monetary emission. The money supply has been growing while the physical output and consumption per capita in all the categories—production, infrastructure, and households—have been declining.

At the same time, a new process has entered in, which is the growth of financial turnover relative to monetary turnover. That is, central banks and similar institutions emit money which is put into circulation through lending in the form of loans emitted by banks cooperating with central banks. Central banks incur an implicit or actual debt obligation, as a result of the emission of that money under present terms. That's the largest part of the debt that governments incur, especially the government of the United States.

The debt is incurred *not* by government spending. The

deficit growth is largely incurred as a result of a collapse in the tax revenue base, as a result of a collapse in the economy, and also an increase of debt to cause money to grow, to cause the money supply to grow faster than production. Thus, while production is declining, the money supply is *growing*. That's your main, primary driver, at that level, of *monetary inflation*. It's not that there's too much money in circulation; there's not enough of it being invested in production. And, therefore, your money supply is inflationary.

But, the worst part is the financial one (the top-most of the three curves). If we include the best estimates on the off-balance-sheet portion of financial turnover, the financial turnover of this planet per day, now, is probably around \$3 trillion a day. We're getting toward \$600-700 trillion a year now, in terms of financial turnover. If we were to continue this system for another year or so, on the present trend, we would be going to about \$1 quadrillion value of financial turnover per year.

Now, financial turnover also incurs financial obligations, which translates into various forms of indebtedness. However, in order to pay debt, you must pay it, ultimately, out of physical production. You must resolve the debt, finally, in physical production. Both the monetary debt or the debt related to monetary circulation, and the debt related to financial circulation.

Now, what you're seeing here, in the peculiar shape of this curve, and in the ratio of the financial curve to the monetary curve, are accurate representations of what the process looks like. Here, in the relationship between curves for monetary and for physical output, you get a tendency, in the past three years, toward a hyperbolic rate of growth of monetary emission to physical output. You get a more pronounced hyperbolic growth of financial obligations from the relationship between financial turnover and that of monetary aggregates.

That is, you pay financial debt in money terms. There's a ratio of financial obligations being generated to money being generated. You settle monetary debt in real terms, as by taxation of firms and persons and so forth. Therefore, the rate at which wealth is being generated, in respect to the rate at which money is generated, is another crucial value. The two values which are crucial: financial debt to the monetary debt, these two ratios here depicted, are the crux of the crisis. And, as I shall indicate, whenever a process such as this, this three-phase process, goes into a hyperbolic ascent, which is what's happening on the financial side now, in any kind of process, what you would have to say is we are entering a *phase shift*. We are entering a *discontinuity*.

The very fact that these ratios are changing the way they are, individually, and with respect to one another, indicates that the whole system has now reached the edge of the cliff. It is going to *end*. That does not mean that it's going to fall off the cliff. It *could* fall off the cliff, if we don't do the right thing.

So, the question is, will society continue past the death of the International Monetary Fund? Because the IMF is finished. It is dead. It cannot be saved. It is the *Titanic*, the "unsinkable *Titanic*," which is still booking passengers in many countries, when the ship is sinking. That's typical business these days: Try to get the last passenger on board before the ship actually sinks. But the question is: Do the people and countries have to go down the drain with the IMF, that is, the system which has these two characteristics: the international monetary system, which is a composite of the monetary systems of various countries; the international financial system, which is the sickness, the cancer of the IMF system?

Can nations exist beyond that point? Yes, they can. No reason they can't. *Get rid of the IMF system, get rid of the monetary system, and also get rid of the characteristics of policy-making which allowed us to get into this mess 25-30 years ago*. Under those conditions, the world can survive, the nations can survive. But unless we do that, civilization is doomed.

Now, this is not an unusual problem in history; it's just *bigger* than usual. The record of human history is mostly a record of failures. Most civilizations have *failed*. They are the subject of the archaeologists, who go out there trying to find traces of former civilizations in the dust. Most civilizations, whatever their achievements were, *died* as tragedies. Virtually every culture which has existed on this planet, prior to the present European culture, has *failed*—contrary to what the cultural anthropologists try to tell you.

You know, the "good little old cultures." Like the Aztecs. There are some people who admire the Aztecs. Now, if there's one thing worse than slavery, it's cannibalism. And the Aztecs were cannibals. Millions of subject people, subject to the Aztecs, were taken in tens and hundreds of thousands over short periods of time, and had their hearts cut out in mass rituals of thousands of people, in order to conduct a religious celebration in the area of what's called Mexico City today.

Also, there was mass cannibalism throughout the entire area. That is, prior to the so-called evangelization and colonization of that portion of the Americas, you had some of the worst and most degenerate and evil forms of culture that ever existed. And, the gift of European civilization to the Americas, was the greatest gift those Indian populations ever received.

Most cultures are *failures*. We'll get into that, in a moment.

The point is, that the failure of our culture, or the threatened failure of our *world-culture*, is not a surprising phenomenon if we understand world history, both archaeological prehistory, and known history. Mesopotamia was a source of nothing but *failures*. Every culture generated in Mesopotamia to this time has been a *failure*. Egyptian culture *failed*; but, it was a successful culture for part of this period. The

culture of South Asia was a *failure* at the time the British and Dutch and French found it. It had failed. Yet it had a high point earlier, in Central Asia, and the time it first went in to South Asia. While the people of Mesopotamia were still trying to learn what a pot was, in Central Asia the Indo-Europeans, as they're called, had already developed the solar astronomical calendars of considerable sophistication; a very advanced culture. But that, too, failed.

Now, there are two aspects from which to look at the cultural history of mankind. One, is you have failures which are not exactly failures. You have failures in which the existing system fails, but which, out of the same nations or the same groups of people, there emerges simultaneously a new, better system, which carries mankind to a higher level. There's also the benefit which cultures which were more successful transmitted to those which had been less successful. And thus you had the transmission of culture and knowledge across peoples, such that the progress of the human species has been that cultural development and transmission.

So, thus, we can say we can speak of cultures which were dead ends, and we can speak of cultures which were like species, which gave birth to a higher species.

In what is called European civilization, that is, modern European civilization, as it spread throughout the world, as a net result both of its successes and its cruelties over the past 500 years, is the highest form of culture which mankind has ever conceived. And there are certain principles which underlie that. This is not just an accident. There are certain principles which are eternal principles, which account for this success.

But, this culture, too, is the one which is now collapsing. It's collapsing in a form which is best represented by Classical tragedy, the Classical tragedies of Aeschylus or Sophocles, or the superior form of tragedy which was developed, first, by Shakespeare and Marlowe in the Sixteenth Century, in England (the case of *Hamlet*, of course, is the classic reference), or by Schiller, later, in Germany.

This culture is suffering a tragedy. Like Hamlet, if it continues to behave the way it's behaving, if it continues the way that Chirac is thinking, the way that Kohl is thinking, this entire, global civilization is *doomed*. It is doomed to go the way of the most obscure, forgotten relic of culture in any prehistory of mankind.

But on the other hand, it is the highest form of culture which has ever existed. It has within it, conceptually, physically, the means to produce new successes beyond anything that most people could imagine today. So, like Hamlet, the old culture is finished, the old monetary-financial system, especially.

The past 25 years' economic policies, or the changes in policy, especially the Greenpeace version of that, all has to go. Get rid of Greenpeace or you have no grandchildren. Or if you have them, they won't live very long.

If we get rid of those problems, we have the basis, in a

residue, for creating a new political-economic culture on this planet, which can lift mankind to the highest level mankind has ever lived, higher than anyone, perhaps, except a few today, would imagine.

So, this is a tragedy. Hamlet said, in his second famous soliloquy, that the fear of the unknown compelled him to cling, fatally, terminally, to generally accepted ideas, which he knew would lead to doom. The essence of tragedy, is that people, particularly the so-called heroes, the designated heroes, the people who have power, authority, responsibility, confronted with a crisis of society, become so afraid of changing the way they think and they behave, that, even when they know continuing what they're doing, like Chirac in France today, like Kohl in Germany, or the Kohl government in Germany today, that even though they have the means to know that the policies they are following, the practices they're following, lead to extinction of their society, they are so afraid of what for them is the unknown, the unfamiliar, the new, the strange, that they will walk to their *doom* rather than embrace a new alternative idea, by which they might survive.

That's the problem we address today. We have to deal with the harsh realities of human history. So, let's go, next, to a few of the brighter aspects and harsher aspects of the same thing, these two things in succession, first one, and then two. We'll come back to this later, after we've looked at some of the evidence.

The rise and fall of modern history

This table (on "Development of Human Population" [see color section, Table 1, p. A3]) is a representation of what the consensus is, among the professions of anthropology and population studies generally: a summation of what they believe. There are probably a lot of errors in it, but generally, this is what people believe, in the relevant professions today, about human population. The whole history of mankind, insofar as we know it. Prehistory and history.

You compare this with the apes, which is where we start. Because, you remember, Prince Philip, the Duke of Edinburgh, the man who supplied the genetic material for producing the present royal family, insists that he's a higher ape. That may explain some of the monkey business that's been going on with the British royal family.

But, if man were a higher ape, and given the ecological conditions which existed on this planet during the past 2 million years, approximately, then the human population could never have exceeded about 2 or 3 million persons. The life expectancy would have probably been, on the average, around 10 or 12 years of age for surviving infants of that type of man-ape, the Prince Philip type. Without people to support him and guide him around, he wouldn't have lived past his 12th birthday, which probably would have been a great boon to mankind, but that's another story.

So, from the most primitive conditions at the beginning,

that we know, man demonstrates an increase in longevity, an increase in survival of newborn infants, and so forth and so on. The so-called demographic characteristics of longevity, life expectancy, and health.

Also, mankind increases its ability to use land area. For example, a man-ape would require about 10 square kilometers per individual, merely to survive, on average, on this planet. That would give us a human population, or man-ape population, in the order of magnitude of 5, maybe 10 million individuals. By the time of the Middle Ages, or the time of the New Dark Age in the middle of the Fourteenth Century in Europe, the human population was about 300 million, about 100 times the maximum size of what an ape could have done. Today, the human population is about 5.3 billion, estimated. The greatest increase in population in all history, the greatest *rate* of increase.

Now, when we increase population density successfully in that way, this demonstrates that mankind has increased man's power over nature, that man is able to survive using less land, that is, to get more out of a unit of land area. This is necessarily accompanied by an increase in life expectancy, lowering of sickness rates for all levels of the population, more leisure, the introduction of universal education, which is one of the great causes for the growth of productivity in population in the past 500 years.

This means that each individual is a more powerful individual, than individuals of a society of a preceding period. This means that whereas no animal species, such as Prince Philip, could actually increase the range of potential population density, we human beings, unlike Prince Philip, have done it constantly over the known aspects of history and prehistory of mankind. And the greatest success in increasing the potential population density of mankind, has occurred, radiating out of Europe, during the past 550 years, minus the last 25, which have been pretty much a disaster on this account.

So, a simple record of demographics. Then, in more recent times, you can make a comparison between industrialized countries and non-industrialized countries. You'll find, in a country which is chronically poor, chronically desperately poor, there is very little infrastructure, few railroads, very little in the way of public works. Most things are left to *private initiative*, which is the mark of a poor or degenerating society. Public works have always been in the public sector, the state sector. Without them, we would never have had even privately owned railroads.

It was the governments which made possible private railroads. The Constitution of the United States was formed on the imperative of having public works. Under the Articles of Confederation between 1783, the period of the Paris Treaty, and 1789, there were virtually no railroads, canals, roads, and other things across state lines in the United States. This was a disaster. The included purpose of the U.S. Federal Constitution, was to base a modern economy on government

responsibility for public works. And public works generally mean infrastructure. It's water management, both for human use and industrial use, and also transportation. Railway systems, highway systems, airline systems, warehouse systems, power generation and distribution, sanitation in general. Land reclamation, land habilitation, to take desert land and make it into fertile land for human habitation and production. All of these things are things which can be done *only by government*, not the so-called private sector.

So, these are the characteristics that separate a developed country or an industrialized country, a healthy country economically, before 25 years ago, from a poor country, an underdeveloped country.

Take the developing sector generally. What did the colonialists leave behind in Africa, the colonial powers, with some exceptions in the case of the French, in the case of the Brazza policy? In general, the Dutch and the British left behind disaster. They left behind a few ports, large cities, which, like Alexandria or Cairo, are vast sewer systems more than cities.

And why do those cities grow in population? Why is the rest of Egypt, for example, not developed? Or the same thing has happened in Indonesia; or the same thing happened in every country that was colonized in South Asia. The same thing is characteristic of Africa, generally. You'll find a few cities which were maintained for the convenience and benefit and comfort and entertainment of the *pukka sahibs*, the British and the Dutch colonists, and their investments. And there, a small amount of infrastructure was provided for the convenience of the *pukka sahibs*. But for the mass of people for the inland? No. You would have a railroad that would go to a mine. You would have a road that would go to a plantation. A population's native agriculture was destroyed, generally. Instead, you had plantation agriculture to produce and export product for the convenience of the colonial masters.

The curse of most areas that were colonized during the period of the Eighteenth into the Twentieth Century, is that they are still suffering from colonialism. Not only do they have the *legacy* of colonialism in the lack of infrastructural development, but, they still are controlled from London or the Netherlands, or, to some degree, France. Their finances are controlled from London. The puppet-strings of intellectual assumption which control the movements of their mind, are determined by British education. They're not free in any sense. What was called "freedom," was merely to take the financial responsibility for the cost of government, to save the British money. The orders on how to run the economy were controlled by London. The choicest natural resources were controlled from London, by direct or indirect means. The export potential, the marketability of their products, the availability of credit for development; all controlled from London and similar places. Colonialism persisted.

You get, in the late 1960s studies which we did, a clear indication of the difference between a country like China

or India, which we used as paradigms, which were non-industrialized countries, and countries which were industrialized countries. Where you had non-industrialized countries like China or India, development was *hopeless*.

It is hopeless, on paper, to continue the policies that India had in the 1960s and China had in the 1960s or '70s, and expect development. You will not have it. Because a minority of the population lived in the sector where industrialization was occurring, in the few sectors where infrastructure was developed, however poorly; but the vast area of the population lived *outside* modern society, were looted outside of society.

If you do not bring political and social equality, in principle, to the Indian peasant, you will never have an Indian nation. India is not a nation. It's an *intent* to have a nation, a nice intent. Nehru was a nice fellow. Mrs. Gandhi was a very lovable woman, a great woman. Many patriots of India are good people. But, although they have the *intent* of creating a nation, they have not yet done it. The railroads are a legacy of British colonialism, and they're breaking down. The areas of development are chiefly, with few exceptions, those which the British colonials left after them. The problems of India, are those which are left behind by the British colonials.

China, a somewhat similar situation: lack of infrastructure and development. China is two nations. In a sense, it's unthinkable in Europe. Twenty percent of the Chinese population is one nation, the top. Eighty percent of the Chinese population is a second nation, the bottom. The fight in China, with Mao, in particular, was the question of whether you were going to allow the peasant to become a member of modern society. There's still a fight to that effect. Are you going to allow the peasant to become part of modern society, or are you going to keep him a traditional "Middle Kingdom" peasant, who is essentially cattle?

Go back to Russia, say, in the Nineteenth Century, or Eighteenth Century, under serfdom. Go to Gogol, *Dead Souls*. Under feudalism, there was no nation. There were no nations before the middle of the Fifteenth Century in Europe, no nation-states existed. The word "nation" had a different meaning. There's a famous, or it should be famous, book by a friend of ours, recently deceased, Prof. Freiherr von der Heydte, on the hour of birth of the modern sovereign nation-state, which should be consulted.

Politically, legally, *there were no nation-states prior to the middle of the Fifteenth Century, prior to the revolution which occurred in France under Louis XI*. Nation-states didn't exist: because of feudalism.

Think of the social relations under feudalism, think of the problem of China and India today, for a comparable problem in the developing sector. The peasant was the *property*, the political property of the landlord. He was cattle, he was *human cattle*. The land area belonged to the landlord. The landlord belonged to an overlord. The overlords belonged to an emperor. That's the imperial system.

In Europe, this imperial system was established just before Constantine. It was established, actually, in the Balkans, before there was a Croat or a Serb there, at the time that the Balkans was divided between Serb and Croat, before a single Serb lived there: when the Emperor Diocletian lived there, and drew a line called the Drina River, which separated the Eastern Empire from the Western Empire.

He set out a code, called the Code of Diocletian, which was like Prince Philip's code: zero technological growth. Every man must follow in his father's professional footsteps, his vocation. If you were a slave, he must be a slave. If the father was a shoemaker, he must be a shoemaker. And so forth: the Code of Diocletian. Which was why the population of the Eastern Empire collapsed. Because it was a degenerating system. It did not allow technological and scientific progress.

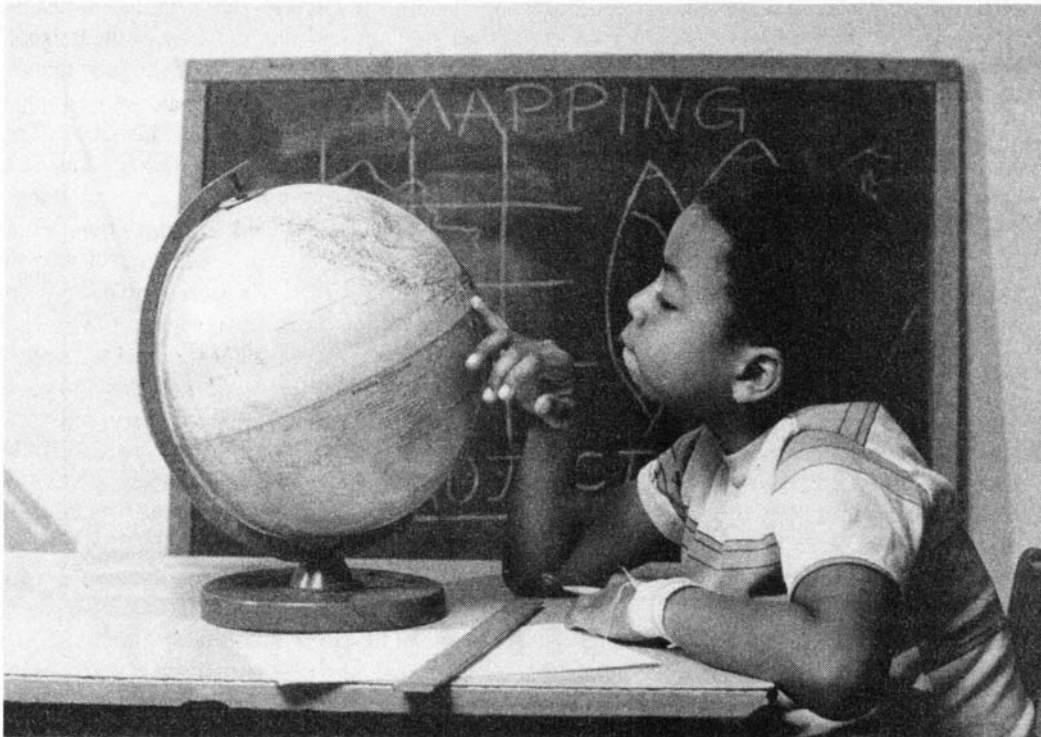
In the condition of mankind under feudalism, there were no nations. There was *property*, property in the feudal sense. You had in Russia, like the Vorontsov family, vast estates, larger than some nations in western Europe. And the people on them were serfs. They were property, *a human form of cattle*. The property was the property of the *boyar*, not the people.

And the Chinese peasant, traditionally, was in a similar condition, under a different system. The Chinese peasant was the property of the Middle Kingdom. The Chinese peasant is put on a rock. He defecates on the rock, and grows food! "China conquers the world by planting peasants, Chinese peasants, in every part of the world"; that's the conception: "We must not change the character of the peasant, we must keep him as a Chinese peasant who can grow food on a barren rock by defecating on it, and growing a crop. We must not let him change his nature. It would be a disaster: There would be no Middle Kingdom."

In India, you have racism, as we would call it in the United States. It affects the economy. When proposals are made by patriots in India, to develop the infrastructure of India in a certain way, *the line is drawn*, between the upper castes and the lower castes.

This was the condition of mankind. So, we made this great revolution. We created the institution of the modern nation-state, which was created by methods of the Renaissance, which broke the bonds of the peasantry, ended the peasant system, ended the human-cattle system. But, remember, prior to the Fifteenth Century, *95%, approximately, of the human race in every part of society in every part of this planet, lived like human cattle*. They were slaves or they were serfs, or they were in conditions of the Indians who were slaughtered and eaten by the Aztecs, or something of the sort.

Taught history has been largely a fraud, because most of the people in history have not been considered people. It is the top 3-5% of the population which was called the nation, or which was called the state, which was called the culture.



"A breakthrough, an insight, into a valid principle of discovery, is often described as a light going on in the personality. It's a distinct emotional quality and intellectual quality of experience, one that leaps chasms, leaps upward."

Most people didn't have time to be human. They were like the Chinese peasant. They were part of the under-nation, which is the problem that China is trying to deal with today, in the fight for internal infrastructural development.

So, this is the nature of man; but, look at the crucial thing which defined man in this way, through the Renaissance. What happened?

Certain religious and other orders, like the Brotherhood of the Common Life, began to take orphans and boys from poor families, and educate them in a form of education in which the child would relive the experience of discovery made by an original discoverer. And, of course, the emphasis was on the Classical Greek of the school of Plato, the Academy of Athens.

And, the child, by reliving the act of discovery, of original discovery (not learning, but reliving the act of discovery), would recognize in his or her own mind, those powers of creativity which had been responsible for all of the great discoveries of mankind known to us at that time.

Thus, by this kind of education, particularly at what we'd call the secondary level, from the age of about 7 to 16 or 17, this form of education, given to a significant number of orphans or other boys from poor families, as well as other persons, the so-called Christian humanist form of education (which is now banned in school systems in Germany, as elsewhere, as a result of the Brandt reforms) produced an educated population, a literate population with developed creative potential among adolescents and post-adolescents from the ranks of the poor. So the secret of Louis XI's success

in France, was that he was able to draw upon what I call a national intelligentsia, an urban, national intelligentsia, of products of this kind of revolution in education, which transformed the poor, from a cattle-like condition, into citizens.

Louis XI relied upon this urban intelligentsia, which admittedly came from various strata of society, but also a base in the poor, or the children of the poor. We had, therefore, as a result of the success of France (and it was largely the military success that impressed people at the time), an emphasis on imitating the successes of France, and of other nations which imitated Louis XI's France.

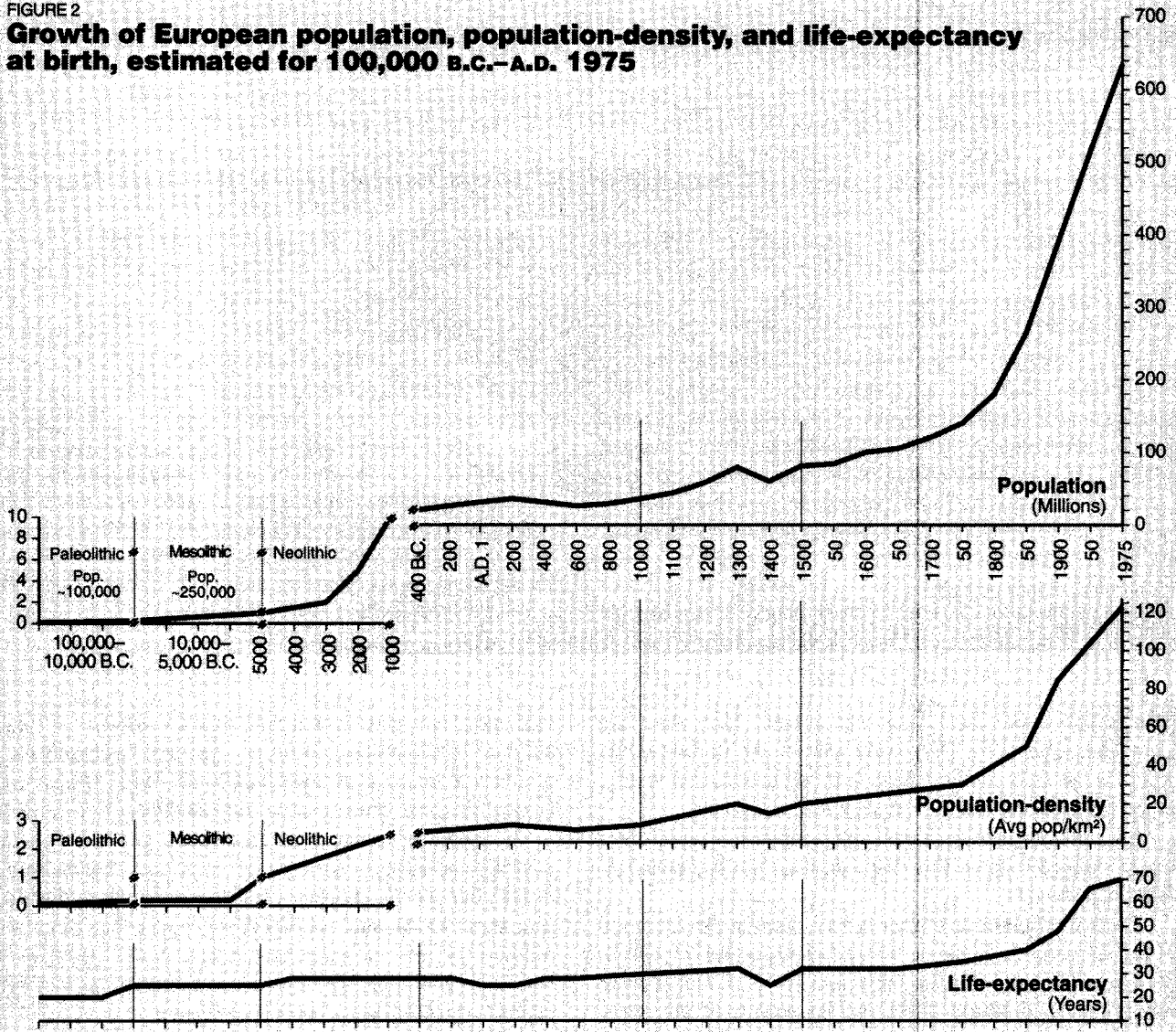
We, thus, had progress toward two things: toward universal education of this type for boys from all kinds of families. Not the whole society, not really universal, but in that direction. We also had a policy of utilizing the fact that we had a more skilled, educated, urban population for introducing scientific and technological progress as a regular part of the life of nations.

Now let's take **Figure 2**, on the growth of European population. And, thus we had this kind of rising population curve, right after the Middle Ages collapse. You see the recovery of the European population from Middle Ages conditions; and, then, a seemingly quasi-hyperbolic curve of upward growth of population, until about the middle of the 1970s. You see what happened on population density: Of course, that's obvious. But, also, more significant, an increase in life expectancy.

This is the greatest revolution in the history of mankind, launched from Italy throughout western Europe and beyond,

FIGURE 2

Growth of European population, population-density, and life-expectancy at birth, estimated for 100,000 B.C.–A.D. 1975



All charts are based on standard estimates compiled by existing schools of demography. None claim any more precision than the indicative; however, the scaling flattens out what might otherwise be locally, or even temporally, significant variation, reducing all thereby to the set of changes which is significant, independent of the quality of estimates and scaling of the graphs. Sources for Figure 1: For population and population-density, Colin McEvedy and Richard Jones, *Atlas of World Population History*; for life-expectancy, various studies in historical demography including Gy. Acsádi and J. Nemeskéri, *History of Human Life Span and Mortality* (1970); Peter R. Cox, *Demography* (1976); Jacques Dupâquier, *La population rurale du Bassin parisien à l'époque de Louis XIV* (1979); Jacques Dupâquier, *Introduction à la démographie historique* (1974); D.V. Glass and D.E.C. Eversley, eds., *Population in History* (1965); T.H. Hollingswoirth, *Historical Demography* (1965); Roger Mols, S.J., *Introduction à la démographie historique des villes d'Europe du XIVe au XVIIe siècle*, (1955); Henry S. Shryock et al., *The Methods and Materials of Demography* (1976); E.A. Wrigley, *Population and History* (1967); E.A. Wrigley and R.S. Schofield, *The Population History of England, 1541-1871* (1981). Note breaks and changes in scales.

in the middle of the Fifteenth Century. It was a revolution which was based on transforming people in society, from human cattle, into emergence as a body of citizens, citizens who became citizens through universal education of this humanist form. Not learning how to do something, the way you teach a dog to do tricks, which is what, largely, our education

has become today: But, education through the act of taking a child and saying, "Now, today, you are going to be Archimedes. Today you're going to be Plato. You are going to relive the experience of discovery of all the greatest discoveries in the history of mankind. And when you, child, complete this education, you're going to have a base in which you have

relived the mental experience of great original discoveries upon which culture depends. Not only will you *know* these things, as opposed to merely learning how to do them as tricks. They will come from your own mind, not because you've imitated somebody without understanding; but, you will have recognized that you have in you, as a human being, a quality which no form of animal life has: *the quality of creative reason.*"

No animal can change its behavior. Take, for example, a dog. Many people in Germany have dogs. But generally, everybody has dogs. Or everybody knows about dogs. And we speak of a race of dogs as having certain characteristics.

When you get that kind of dog and you check it for characteristics, or that kind of horse and check it for characteristics, that dog and that horse will behave *to the end of its life* in that way: Its behavior is fixed by its genotype, or variety, as in the race of dog.

People are not dogs. People are not horses. People are not cattle. People are not subjects of ecology. When you apply ecology to mankind, you are committing the greatest crime of all against humanity, because you're denying everybody their humanity. A human being is not subject to what we call ecology, because a human being does not have a biologically predetermined behavioral disposition, in the sense that we can apply the term of type of behavior to dog, horse, etc., or race of dogs. That's what it means when a society "goes to the dogs," that they give up their creativity, they get subject to the Brandt educational reforms, or something like that. That's known as education going to the dogs.

Through the Renaissance kind of humanist education, creativity is not merely something which you gossip about. It's not a meaningless word which you try to interpret.

Yet, creativity is something which a student has experienced again and again and again. There's a distinct quality of mental life which is recognized by anybody who's studied the matter and gone through the experience, where you can distinguish between those mental states and the emotional quality of those mental states, which you may call the state of a valid discovery of principle. This occurs in the physical sciences, it occurs in Classical art forms such as music. It occurs in poetry.

And, this experience is recognizable. It's a distinct quality, a mental act, which has its own emotional quality, which is associated with the use of *agapē* from the Greek, in the term or the use of the emotion of love as used by St. Paul in, say, *I Corinthians*, as in *I Corinthians:13*.

This emotion is distinctive. We speak sometimes in the vernacular, of a child in the act of discovery of this type, this educational experience. Someone will speak of the light going on in the child's personality. A breakthrough, an insight, into a valid principle of discovery, is often described as a light going on in the personality. It's a distinct emotional quality and intellectual quality of experience, one that leaps chasms, leaps upward, always, chasms.

Now, a *valid* emotional act of discovery, is something that a child can learn, *only by reliving discovery.*

We have a record of those discoveries by great people, and some not so great, which were contributed to the stock of human knowledge at various points in thousands of years before us. If we include those in education, and ask the child to relive the conditions, the preconditions, and the experience of making that discovery over again *inside his or her own mind*, that child now learns, again and again, from these repeated experiences, what kind of a mental state he or she must call into play in his or her own mind, in order to do valid problem-solving in this way.

So you have people who are a true intelligentsia in the sense that they have an understanding of what it is that man is. This is man. *The human species is its creativity.*

Creativity has two aspects.

Creativity is what enables man to supersede the higher ape. It has enabled man to come from a species of a population potential of several million, at most, to today's population potential; or, if we used technology we had in the 1960s, we could sustain a population of 25 billion on this planet quite comfortably, at a standard of living comparable to that of the United States in the 1970s.

That was made possible by nothing other than this quality which distinguishes man from the ape. So, this is not only the means by which mankind solves its problem of existence, maintains the race, maintains the human species; but this is the most natural condition of a human being. Creativity is the natural state of mind of any human being.

Now this may not be obvious to you, when you limit yourself to mathematical physics or similar areas. But it should become more obvious when you look at Classical poetry, or when you look at Classical music.

Example: 'musical memory'

Let me just reference the idea of *musical memory*.

We have a dear friend, and I understand some of his tape is going to be shown here, from the session at Dolna Krupa, which is the Brunswick estate, now a national music museum in Slovakia, where Beethoven used to spend summers, where he did some of his composition, and where he fell in love with one of the daughters or cousins or something of this family.

We had a conference down there, at which this friend of mine, Norbert Brainin, conducted a master class. Norbert is significant as one of the few people in music, among leading musicians today, who understands this principle of composition; and he and I converged on it. He had looked at it from the musical standpoint of Haydn and Mozart originally, and Beethoven; and I looked at his discovery from a similar position, but from a different starting point: motivic thorough-composition.

And, those who like Romantic or Modernist music, don't understand music, because they *don't understand* what music

is. They don't understand music *from a human standpoint*; they may understand it from a dancing-bear standpoint, but not a human standpoint. It's true, because: What is music? Music is a product of Classical strophic poetry.

For example, take the case of the famous Vedic hymns which have been transmitted from Central Asia. Some of them are originally as old as, say, 8,000 years, or something of that sort. And these Vedic hymns were transmitted with what we are able to prove is fidelity; because, some of the content, for example, the astronomical content of some of these hymns, indicates that they were written at a time when the constellations were in certain configurations. So you can date the hymn by its internal content.

And the hymns were transmitted by people, chanters, who did not know, often, what they were saying. They simply recited these hymns, without knowing what the words signified. But they had learned to do this faithfully.

Now, the way they did this, is that the ancient Indo-European language, in particular, was not spoken in the way we speak the language today, but it was *freely sung*. And therefore, the *musicality* which is associated with the enunciation of Classical poetry as early as 8,000 years ago and older, obviously, that musicality was a device which is of some importance for the preservation of these hymns and the accuracy of their content.

Out of this chanting of strophic forms of poetic composition, came music.

In any great composition of thorough-composition, in order to perform the composition, you must know the complete composition. You cannot sit down with a musical score, and, in any possible way, play note by note, measure by measure, and come up with Classical music; you come up with something else. In order to perform the first note, and the second note, on the score of any composition, *you must first know, thoroughly, the composition as a whole*. You must know *the completed composition*, before you can play any part.

This is the way Plato described music and memory. You must know, in a certain sense, the end-result, in order to know how to deal with the detail. That is, you do not know things by going by past experience, and letting the past guide you in your approach to the future. You must know something about the future, in order to live efficiently in the present. You must know how it is going to turn out, in order to choose a course of action. Those who say, "You must let the market decide for you," obviously don't know anything about human beings, or about the way the universe is organized.

We understand the way the universe is organized by *principles* which are reflected in the forms called *axioms* in geometry. There are certain principles which we know are characteristic of certain results. Therefore, we determine what we do to *change the future*, by applying the guidance of axioms to guide our behavior in the present. And, thus, we shape the

present, by knowing something about the future, just as when you get the idea of a composition in music as a whole idea.

Or, strophic poetry: You don't know the concept of a poem, until you know the last line of a poem. And, the meaning of the poem is not located in the last line. As a matter of fact, the meaning of a poem is *never stated* in a poem, not a good one. The meaning of a poem is the idea which it forces upon the creative powers of mind, by creating paradoxes. And the *final paradox* of the poem, is the aspect which *forces the mind, which has gone through the preceding strophes, to recognize what the joke is*. It's the punch-line of the joke. And the punch-line is *not* the joke, it's the key to the joke, but not the joke itself.

And so you can't tell a joke, unless you know the punch-line, can you? But, just reciting the punch-line, is not the joke. You have to know *how it goes together, to lead the mind to a certain sense of irony, of paradox, so that the creative powers of the mind then turn the paradox into recognition of an idea*.

Remember that every idea that's discovered, *had no name at the time it's discovered*. So, you will never find an idea by deduction. You will never find a new idea in the dictionary. Grammarians are no good at teaching ideas. Ideas are things we give names to, *after* we have discovered them. The process of discovering an idea, is not a matter of deduction. It's a matter of metaphor.

And, this is the most normal aspect of human beings: metaphor. We are not creatures of words. We're not phonograph records. We're not talking machines (though we have a few politicians who might qualify for that). We are people of metaphor. We are people of poetry. We are people of music. We are people of discovery. We are people of creative reason.

Creative reason is what enables us to create the state, which is an art form; to create scientific discoveries; to go beyond Earth, to conquer the Moon, to colonize Mars; to go out in the galaxy and find other places of residence and conquest for man. It is reason that enables us to do this. It is *metaphor* that enables us to do this.

Every scientific principle is a metaphor. The great Riemann, in his habilitation dissertation, describes what most mathematicians can't understand. Mathematicians have problems, you know; they don't believe in physical reality. They go to the blackboard and write formulas, and decide if the Moon can exist. Or, they have the professor going to the blackboard, and saying, "I don't know if human life can exist. I don't know if life is mathematically possible."

But, all of the ideas that we have, come to us in the form of metaphor. So the two aspects, are play: a form of play which is suitable to us as human beings, which is a form suitable to creative reason. So, therefore, we have *play*. We call it drama. We call it great paintings. We call it poetry. We call it architecture, in part, which has also a functional use.

But, this play is not only an expression of our nature as human beings, as not-animals. It also is a way in which we develop our mental powers: by playing, as a child plays. Children don't develop by playing football. They develop by playing Shakespeare. (Kick that one around for a while.) And, that's how this happened.

We entered into a period of play, in which, in Florence, in the early Fifteenth Century, cantos of the *Divine Comedy* of Dante Alighieri were read daily in the streets of Florence, to the population, which is how you got a literate form of Tuscan Italian. It came from Dante. He created it for you, pulling together a lot of good elements from the work of others: This kind of play in the population, play in the discovery.

Look at the case of Leonardo da Vinci, the most serious and most playful scientist in history, comparable only to Leibniz and to Kepler in this fashion. The characteristic feature of Leonardo da Vinci, of Johannes Kepler, and Leibniz, is *play*. They play all the time; their play is discovery. Look at any of the notebooks of Leonardo. Read Kepler's jokes; he can't tell a joke without discovering a scientific principle. Leibniz is playful. Look at his original: He's writing in about six or seven languages at any time. In any given sentence, two or three languages are probably operating. He's playing, constantly. And that's our nature, this new vitality of mankind.

Man plays, because it's his nature. Man's nature is to create. It is against human nature to have a society which is divided between 20%, one China, and 80%, another. It is contrary to human nature. It is necessary to human nature, to us all, that we have a society in which everybody plays, on the basis of creativity.

And, that's the good part.

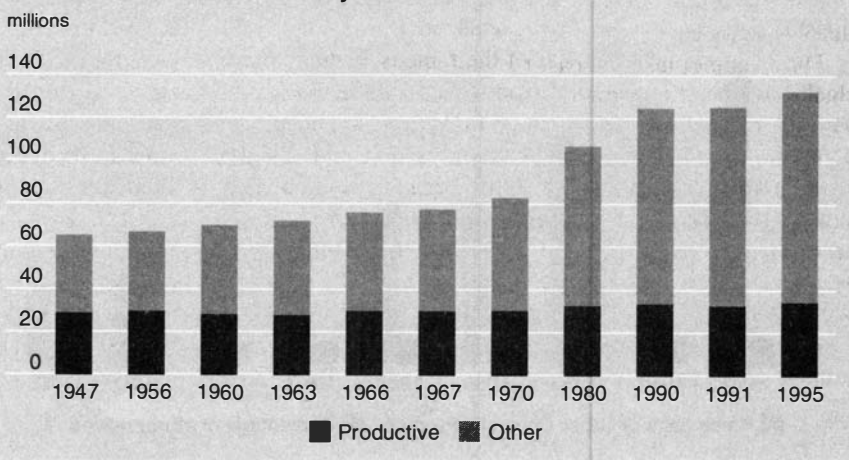
How the U.S. economy died

Now let's skip ahead, beyond this (we'll come back to this at the end), to what has happened in the United States in the recent period.

This next series of graphs, is simply an indication of some of the things that have happened in the physical economy of the United States over the postwar period. What we did, is: We took the physically productive sector of the population and the rest of the population: just a very simple illustration; that is just one division (**Figure 3**). The darker part is "*productive*," the rest is "*other*." This means essentially "physically productive," it means essentially physical goods, infrastructure improvements, and things of that sort.

Actually, this is the numbers in millions of persons. You

FIGURE 3
Size of U.S. labor force, 1947-95



see, the labor force has grown: But, while the labor force has grown over this period, the size of the labor force employed in productive occupations, has remained approximately constant. And, actually, since about the middle of the 1970s, the productivity of that labor force, in physical terms, has decreased, of that productive portion of the labor force.

Therefore, we in the U.S.A. developed a large ration of non-productive labor force, which includes unemployed, which includes Wall Street secondary brokers who are totally useless. It includes whole lots of services which are totally useless, and even parasitical. So, that's what's happened to our society.

As a result of this and other conditions, we have a development in agriculture which is somewhat complex (**Figure 4**). But, let's take the first part, up to about 1970, after 1967 on. In the postwar period, U.S. agriculture boomed. I had a lot of friends in the military service, some of whom were farmers; and, these farmers, returning to the United States after the war, had two advantages over their fathers and grandfathers.

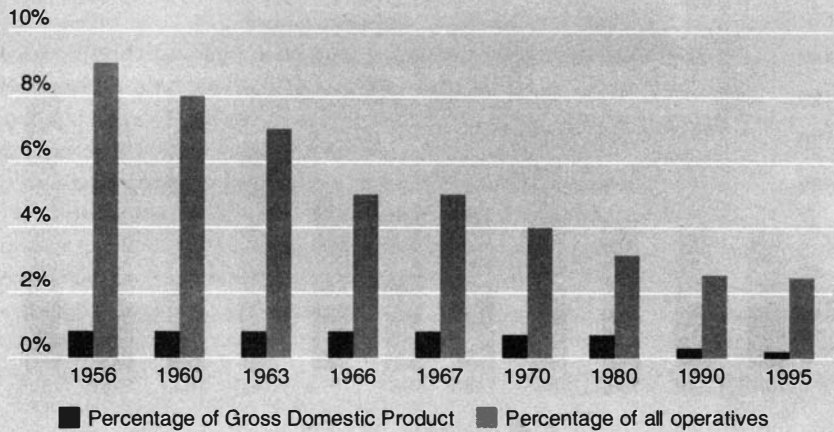
Roosevelt, during the 1930s, had put into effect what was called a rural electrification program. This brought electricity services to the farmer in rural areas. The bringing of electricity to America's farms, increased the potential productivity greatly.

Also, Roosevelt had what is called a "subsidy" of agriculture. It was not a subsidy. In point of fact, when somebody tells you that the United States has been "subsidizing" agriculture, that's not true. It's a lie, in fact.

In agriculture, you have a cost, which includes the infrastructure and land improvement costs (capital costs, for example), which goes into producing a bushel of wheat, or anything else. This cost varies with the productivity of the land, the fertility of the land, and other conditions. In the U.S. system, we came up with a calculation we call "parity"

FIGURE 4

Agriculture investment and employment



calculations. That is, given a national security yardstick, that is, how much food do we have to produce in the United States to feed our own people, and food of a given quality? So, we say, "How many acres of farming do we require to do this? How many farmers do we require? How many farms, of whatever size," because there's a certain average size of farm that is economic for a certain type of farming? If it's larger, it's too big for the farmer to handle; if it's smaller, it's not enough to utilize his labor efficiently.

So, we came up with what we call "parity" estimates. Now, parity means the price which the farmer must earn per unit of product sold, in order to remain a farmer, not to go bankrupt. That's the price the farmer must get, in order to stay in business as a productive person.

But, what has happened since the 1967 period, but especially since the middle of the 1970s, is farmers were getting a price for their product which is far less than this parity value. You'll say, "Why didn't they go out of business immediately?" Well, they did a number of things. First of all, they didn't improve the land any more, or they used up past improvements in land. They used up capital investments, like tractors and machinery and so forth, which were used up in farming.

They would mortgage their land to a banker, and as the speculative value of land prices increased, the farmer would get more money for the mortgage. And it was called "mortgaging out." The farmer was *going out of business*. And the farmer would plan, if the farmer was, say, in his 50s, the farmer would say, "Well, I'm going to mortgage out, and I'll have to sell the place by the time I'm 65 or 70, because we won't be able to do this anymore. But, by that time, Mother and I will be retired. So, what we'll do, is, as long as we can work the farm, we'll keep it. Then, when we're retiring, we'll sell off, or what we can, we'll take the money, and we'll retire, or we'll die."

That's what happened to the American farmer. You'll find that the young farmers in these families don't exist. Children who were raised to be farmers, *aren't* farmers, because there's no money in it, there's no future in it.

So, you had two processes.

First of all, you had a change in the operative percentile, which is the number of workers in farms, which decreased, especially relative to population, because of improvements in productivity, both technological improvements, and labor-productivity improvements, land improvements.

Second, however, you had a bad part, which is shown in the GDP percentile (in part). You had a *decline* in the income of farms, because the farmers were being paid *less* than it cost farmers to produce the product.

Now, around the world, you have a worldwide food shortage, which is largely a result of that kind of mentality, in which we say everybody must compete with the cheapest source of food in supplying food, that we must allow the market to control food. As a result, we have the *worst food shortage in the world, since the end of the war*. As a matter of fact, in many respects, *worse* than the food shortage in the middle to late 1940s, as a result of economic policy, which, in the name of the market, is systematically destroying agriculture and destroying farms, and has thrown whole nations into a position where a nation's national economic security, its very existence is threatened, by the fact that it produces, perhaps, between 20% and 40% of its own food supply. And, if you produce only 20-40% of your food supply, and you're not exporting something which is indispensable, *you don't have national sovereignty*.

Egypt does not have national sovereignty, for example. Egypt produces about 40% of its required food supply. When Egypt tried to *increase* the percentile of the food supply that it produced for itself, the United States in 1982 said, "Don't do that, or we'll cut off your food supply." Henry Kissinger used to delight in doing that to countries. When Sudan said, "We're going to grow our own food so we're not food-short," the IMF said, "We're going to shut you down."

So, there's a deliberate policy of destroying nations and national sovereignty by these policies.

You see the same kind of situation in manufacturing (Figure 5). Look particularly at the collapse of manufacturing since about 1967, in the United States. This is a reflection of the fact, in part, but not the worst part, that the United States is no longer an industrial economy; it is a *formerly* industrial economy. We are destroying the economy. We are in a post-industrial society; it's also called an "information society."

FIGURE 5
Manufacturing investment and employment

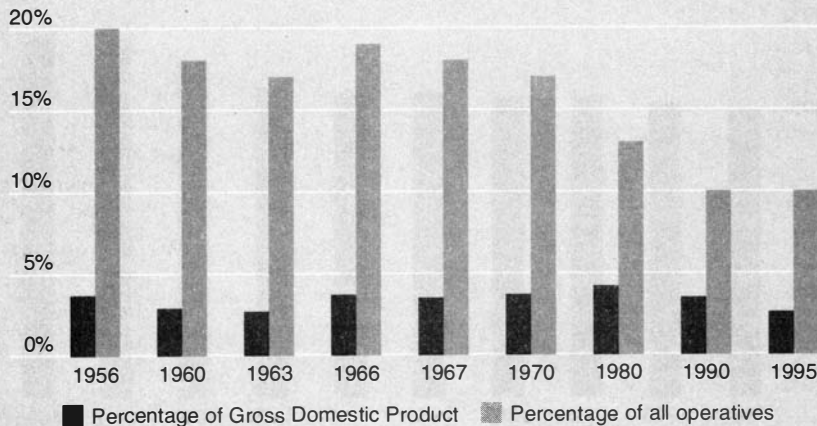


FIGURE 6
Mining investment and employment

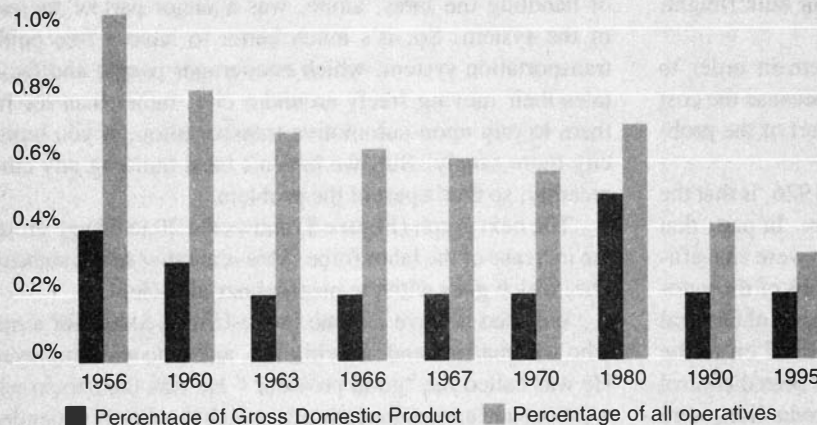
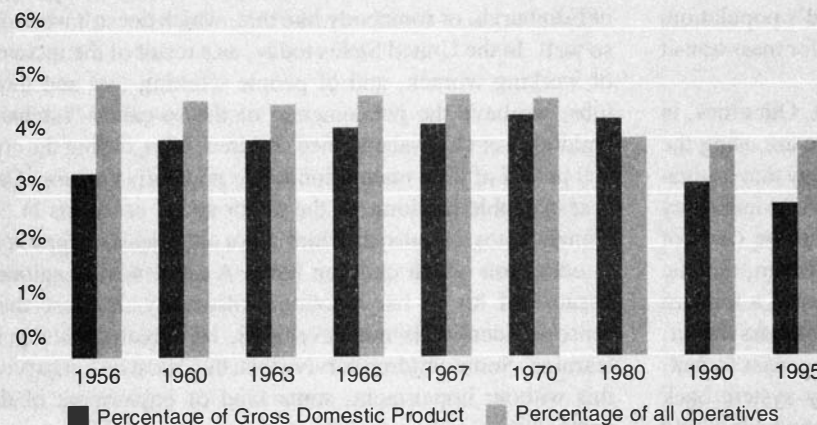


FIGURE 7
Transportation investment and employment



Instead of getting something to eat, you get the information that you don't have anything to eat. That's what the graph reflects.

Go on to mining (Figure 6). Of course, this includes petroleum and other things as well, so you have a blip in the early 1980 period, which is largely due to increased petroleum production.

Let's go on to transportation (Figure 7): a similar thing here. And again, this is destroyed, because the cheapest method of freight handling is water, waterborne freight, as you have in Central Europe. You have a system which is bequeathed to Europe since the time of Charlemagne, of inland waterways, ports, and so forth, about which the economy of Europe traditionally, even before modern society, developed in the use of the rivers like the Rhine, the Elbe, and so forth, which were used as internal waterways, which made possible economical development of economy. We saw the Hansa system, for example, was based on that operation. So, that's the best for bulk freight; and, if you have a very highly dense population, then you can use water for a lot of things.

The problem of water-transport is, that it's slow. I mean, water has characteristics: You cannot go running around with heavy loads in canals, at 60 kilometers, 100 kilometers per hour. You will destroy the canal if you do that. So, therefore, waterborne freight has the problem of being slow, which means that something is going to be in the transportation pipeline for an extended period of time, and that's a cost.

It has the advantage, that if you have a very low price-per-ton goods, that it's very cheap. Therefore, if you're willing to accept slow delivery on bulk freight, the use of waterborne inland freight for steel, for grain, for other bulk commodities of that type, is actually a basis for the economy.

For one of the problems in eastern Europe, you look at the map, the map of railroads. You look east of Berlin: You find a paucity of development of inland waterways and rails. And that itself creates a crisis for all of the econo-

mies in the former Comecon sector, today. The lack of infrastructure development.

In the United States, we have the distortion, that we've destroyed the rail system. Look at our population density. Compare Japan, which actually has one of the highest population densities, higher than Belgium, if you take into account the fact that most land in Japan is not usable for agriculture, for industry, or for residence. Japan has a good railway system.

Take Germany, which is in between. Germany still has something of a railway system. The United States destroyed its railways. *Look at the density of our population;* compare the cost of moving a ton of freight by rail, with the cost of moving a ton of freight by automobile, by truck. It will kill you. Therefore, for long-haul freight of all classes, rail is the most efficient. Unless you have, for bulk freight, waterborne freight. But, rail is indispensable.

You should *never* destroy the rail system in order to build a highway truck system: It's insanity, because the cost differences are enormous. And that's what part of the problem is.

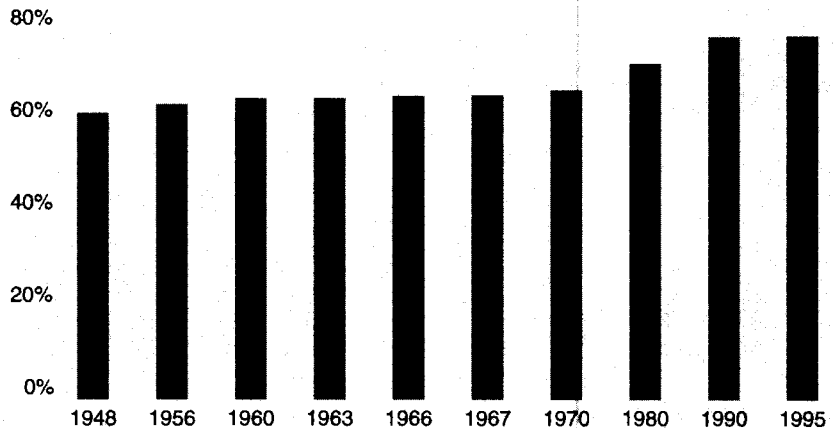
What happened between about 1924 and 1926, is that the United States began to contract its rail system. In part, that was admissible, because certain short hauls were not efficient; but, the contraction was largely the result of the automobile, not the result of Henry Ford, but the result of General Motors. The Wall Street interests, which moved on to the automobiles and which at the same time had seized control of the London market over world petroleum production, were determined to make a killing, a financial killing as well, in the markets, by eliminating rail, or reducing it greatly, in order to push the automobile, in order to sell gasoline, petroleum, and so forth, and to sell automobiles.

So, they made the population of the world more *automobile-dependent*, as a way of looting the world's population; and, the result is we have a crippled potential for mass transit around the world.

Look at this in terms of urban mass transit. Our cities, in Europe and the United States, are insane. We are using the automobile for inner-city transportation in a way that is lunatic. Look at the cost of the automobile transport, in inner-city travel, measured in pollution, measured in all the costs of maintaining a highway system and support system, and the impact on society. When, if we rebuilt cities in a modern way, we would build in much more in the way of mass transit. And, we would make it free transit, a fare-free mass transit. Actually, in New York City, in the subway system back during the 1960s, a study was done which showed it would

FIGURE 8

Participation rate of persons age 20-64 in the labor force



cost less to operate the New York City subway system, if it was operated without fares, than it cost with fares. The cost of handling the fares, alone, was a major part of the cost of the system. So, it's much better to have a free public transportation system, which encourages people and facilitates their moving freely around a city, rather than forcing them to rely upon automotive transportation, if you built a city more sanely. But, we haven't been building any cities recently, so that's part of the problem.

The next graph (Figure 8) shows the 20 to 65 age group, the increase of the labor force. This is another social catastrophe, which goes with the post-industrial society.

We used to have a name in the United States for a man who was married and had children, and who was employed. He was called the "good provider." He was the person who went out and earned the living on which the family depended. His role as the good provider, in addition to providing an income for the family, also enabled us to have a family structure in which there was parental nurture of children.

Now, parental nurture of children is vitally important to their mental health. Unless the nurturer is Prince Philip, Duke of Edinburgh, or somebody like that, which doesn't work out so well. In the United States today, as a result of the increase of working women, and of people working two and three jobs, we have the phenomenon of the so-called "latchkey children," or quasi-abandoned children, who, during the crucial period of their maturation, *have no family nurture*. This is responsible for some of the major social problems in the United States. It's also the chief cause of the learning problem in education which children have. A child who is agitated because of his or her emotional insecurity, because their sense of identity is not developed, has great difficulty in learning. Some children survive this; but, most do not survive this without impairment, some kind of impairment of the personality.

FIGURE 9

Employment of operatives as percentage of actual requirement

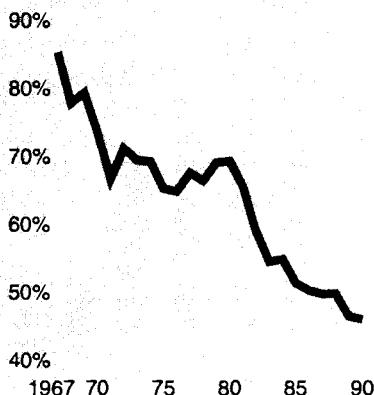
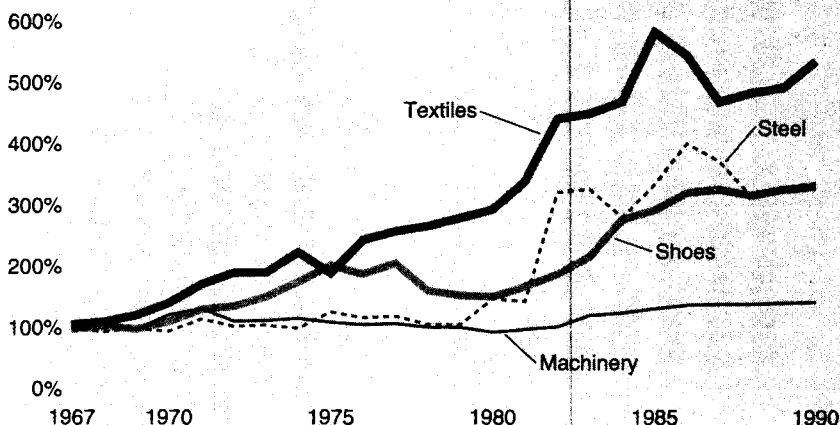


FIGURE 10

Percentage of actual workforce required to produce 1967-style market basket



So, this growth of the labor force as a percentage of adults of working age, reflects a sickness in the U.S. society.

[Figures 9 and 10 provide further illustrations of the decline of the productivity of the U.S. labor force since the mid-1970s. Taking as a standard, the market basket of consumers' and producers' goods produced in the United States in 1967, we can see what a small percentage of workers in the 1990s is involved in producing the essential goods that were produced 30 years ago. For more on the market basket analysis, see article in the color section, p. A5.]

Decoupling the U.S. economy

What I'll turn to next, is to fill out what I indicated with the opening chart (Figure 1), on the three curves: just to give you some figures which correspond roughly to that chart.

In Figure 11, you can see that between 1956 and 1966, and into 1970, actually, for every dollar of foreign exchange turnover of the United States, between 60% and 80%, but generally about 70%, was accounted for by financial transactions involving import or export of merchandise. In other words, *physical product*.

By 1976, this had fallen to 23% of the foreign exchange turnover. After the Volcker measures under President Carter, it had fallen to 5%, by 1982. By 1992, under George Bush, it had fallen to 2%. Today, it is less than 0.5%.

Now look at the same thing, not just from the standpoint of foreign trade, import-export trade; look at it from the standpoint of Gross Domestic Product, as calculated officially Figure 12. You see a similar process, but this is clearer. As a result of measures begun in 1954, actually, begun under the influence of Arthur Burns, during the Eisenhower administration, there was a de-emphasis on technological progress

and investment in technological progress, which covered the period of the 1957-59 recession, which flattened out and continued until about 1961-63. So, actually there's a dip in there which is not reflected in this chart; it's not quite as smooth a descent as it might appear to be.

There was a recovery under Kennedy, continuing into 1966-67. The greatest contribution to the growth under Kennedy, was twofold. One was the space program. For every penny the United States government spent on aerospace investment, the United States received back, through economic-technological spillovers, an estimated 14¢ during the 1960s. Investment in space technology is the most profitable investment which exists, known to man on this planet today. And nations that aren't doing it, are being foolish.

But, what's happened, as Figure 12 shows, is that you're getting the impact of a decline under growing monetarist influence during the 1950s, as typified by the influence of monetarists, such as Arthur Burns, on the Eisenhower administration policy. You have it not indicated here because it's buried in the figures: an upturn which Kennedy's program started, first of all the space program, and, secondly, the investment tax credit program—of tax benefits to people who would invest in creating productive industrial jobs.

But, after that, after 1966, the United States went into a full-scale, post-industrial mode. In 1969-70, there was introduced the so-called "ecological movement," which utterly destroyed the U.S. economy and the world economy.

I must say on this, that every benefit in the United States, every major benefit in improvement of the environment, sanitation, and so forth, comes from a program which was established before ecology was popularized. Every major argument in policy made on the basis of an ecologist argument,

FIGURE 11

Mercantile trade as percent of foreign exchange

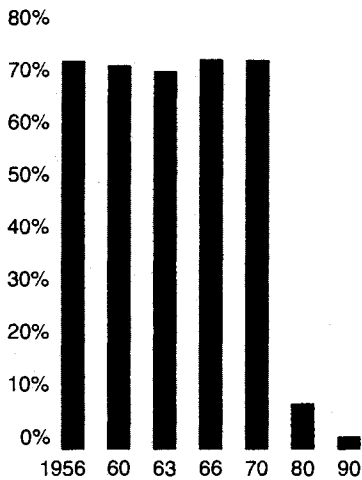


FIGURE 12

Gross Domestic Product as a percentage of annual financial turnover

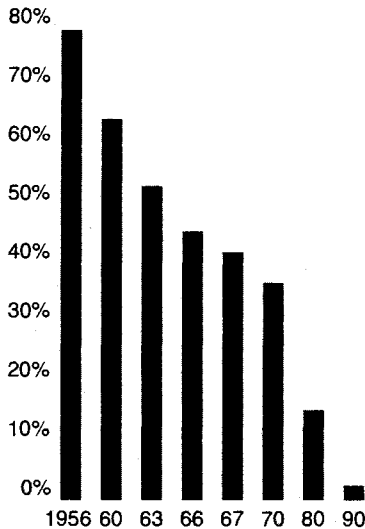
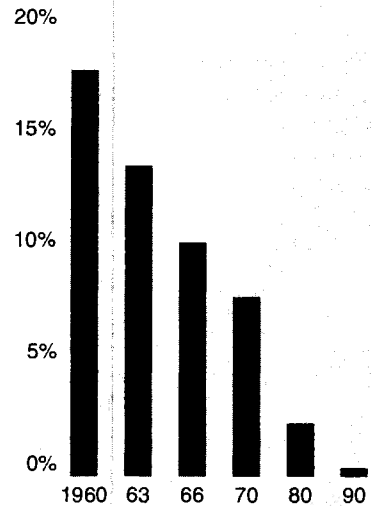


FIGURE 13

M1 as percent of financial turnover



is a fraud. Let me just indicate some of that, because some don't know that.

The first major public relations campaign for the environmental movement, so-called, came under the influence of Prince Philip, the Duke of Edinburgh, in his co-founding of the World Wildlife Fund in 1961, with a former member of the Nazi SS called Prince Bernhard of the Netherlands. They don't talk about that Nazi past any more, because he married a monarch and they want to cover that little embarrassment up. But anyway, this was the outgrowth of something that started earlier.

The first major publicity stunt done for the ecology movement in the United States, was done by a woman called Rachel Carson, who wrote a book called *Silent Spring*. The book is a *total fraud*. It targetted specifically DDT. Now, DDT had saved a lot of lives in the postwar period. It's a very good substance. It should be used copiously today. It's one of the cheapest and most effective ways of controlling mosquito-borne diseases, things of that sort, of which we have a growing epidemic around the world today; and, particularly, when you get into some of the hemorrhagics, they're particularly nasty. That was a fraud.

But, in 1970, William Ruckelshaus, a member of the Nixon administration, held hearings on the proposal to ban DDT, which was accused of breaking the eggshells of various kinds of duckhawks and things like that, of killing the birds. Now, the scientific evidence which was presented at these hearings, every scientist involved showed that this was a complete fraud. There was no correlation between any of these effects and DDT. Ruckelshaus, in making his decision toward the *banning* of DDT, said, that although all the scientific evidence agreed that there was no problem from DDT, it

was necessary to impose the ban, solely for *political* reasons.

A few years later, an employee of NASA, who recently received the Nobel Prize for fraud, F. Sherwood Rowland, sat at a computer and developed a mathematical model which was chemically incompetent. The mathematical model tried to prove, or assumed, that the increase in production and leakage of chlorofluorocarbons—the kinds of things we use these days for refrigeration and so forth—would go up to the stratosphere or toward the stratosphere, and that the halogens which were emitted by the decay of these CFCs (chiefly chlorine, fluorine, bromine, and so forth), would eat up the good little ozone molecules up there, or the ozone radicals, and, that this would cause an increase in cancer.

Well, there are a lot of things wrong with that. First of all, they *don't* go up to the stratosphere, or very few do. Most of these CFCs go to the ground, and they're decomposed in the ground. Second, the greatest source of halogens in the upper atmosphere comes from the oceans. The oceans are generating chlorine which goes into the upper atmosphere at a great rate. Man's production of chlorine is negligible, compared to the oceans. It's a natural phenomenon. Mother Nature is the one that's doing this.

The second great source of chlorine or halogens into the upper atmosphere, is volcanoes. And the worst offender of all these volcanoes, is one in the middle of Antarctica, called Mt. Erebus, which emits great quantities of this stuff at all times of the year. So, that was a fraud on that account.

Then, in 1983-85, a gentleman from Oxford University (and you know they lie a lot) claimed to have discovered an "ozone hole" in the Antarctic. This is a complete fraud.

Up the street, so to speak, from Oxford, at Cambridge, a short distance away, back in the 1950s, there was a postwar

scientist by the name of Gordon Dobson. And Dobson had been studying changes in the atmosphere as a part of the postwar activities of that time, the composition of the upper atmosphere. It became of interest to many people for many reasons. And, he invented a device for measuring the variability in ozone in the medium-upper atmosphere. This is a unit where you compare two parts of a spectrum. You compare the radiation you're getting from one part of the spectrum, with another part, and by comparing these two parts, you find out what part of the spectrum is being blocked out by the presence of a chemical substance in the upper atmosphere. This is called a Dobson unit, the units of measurement, on this scaling.

Then, he measured some of these effects in the Arctic, where they occur. The ozone is produced in the summertime, mostly. In the wintertime, in the polar regions of the Earth, you get less sunlight, and therefore you get less production of ozone, and, therefore, the ozone concentrations are less, and, the ozone concentrations are highest near the equator. Obvious stuff.

He discovered there were certain tendencies to have pockets of reduced ozone, during the winter months and the immediate post-winter months, in the Arctic region. And the idea came: Well, let's go down to Antarctica, and see what it looks like there, since Antarctica is more interesting, because except for Greenland and a few islands, the Arctic region is not a continent: There's a limited amount of shelf ice, there's mostly ocean ice, floating ice on the ocean.

In Antarctica, you've got an interesting thing. You've got shelf ice which is on the sea, but you've also got one of the greatest glaciers on this planet. So you can have temperature differences of 50°F a few yards from each other, which means a great shear effect, which means that Antarctica's sort of a self-contained area, in terms of its ecology.

So, he, in 1956-57, as part of the International Geophysical Year, not only measured the ozone depletion effects during the wintertime in Antarctica, but he found that because of the extreme turbulence associated with these shear effects, that there were concentrations of this ozone variability in the upper atmosphere over Antarctica. So, he found a wiggly little worm, so to speak, in the upper atmosphere, of less ozone, which you could detect in Dobson units, and this would change from year to year.

Since this is measured in Dobson units, the argument from Oxford is interesting. Here's a man, Dobson, from Cambridge University, who in 1956-57 had measured the winter ozone depletion in the Antarctic region, and come up with an ozone phenomenon, a worm in the stratosphere. Very marginal kind of stuff.

You have a fraud from Cambridge, tacking on to Sherwood Rowland's argument, saying, "I've discovered an ozone hole! Rowland is right! I just discovered it!"

Hey, buddy, what about 1956 and Dobson? Complete fraud!

Also not mentioned, is the fact that in the spring, the ozone level in Antarctica goes back to normal. So obviously, this is not a result of anything emanating from the surface of the Earth. And to top it off, it has been recently noted that the radiation associated with the ozone screening has nothing to do with skin cancer.

The whole thing is a fraud. It's the use of "virtual reality."

I cite only these two examples, to indicate that *everything that is said in the name of the ecology movement, as distinct from what we've said about sanitation in the air, water, and so forth, prior to the 1970 period, is a fraud.*

The effect is, as we've noted in this ozone business, that without CFCs, we're going to kill a lot of people. We're going to murder people. That is the main effect of banning CFCs, the mass murder of people, especially poor people, especially people in the developing sector. Because without efficient refrigeration, people are going to die of contaminated food. Or no food at all. This is population control. This is mass murder, pure and simple.

But these effects have begun: no technology. The space program was cut back in 1967. Mass layoffs in the space industry. Our best scientists, in large part, or our best future scientists, were laid off. By the 1970s, NASA was becoming a joke. There were still good people in there, but the NASA program as a whole was a joke, with people like F. Sherwood Rowland coming into it. By 1975-76, absolute insanity took over all technology policies in the United States; and, that's what this reflects.

Let's go to **Figure 13**: the same phenomenon here. M1 is the primary money supply, money in circulation in the United States. The ratio: In 1960, slightly less than 20% of the financial turnover was accounted for by money supply. That's more than five times spin on money in circulation. Now it's dropping down to less than 1%, about 0.5%. About 100 times spin, 200 times spin of the calculated GDP.

The same thing seen in a different way. Just note what's happening here (**Figures 14-17**). An interesting little curve keeps coming up, this hyperbolic development. This is about 1992. This hyperbolic curve, is the relationship between production and money, and financial turnover which these charts illustrate, in the United States and worldwide: You can say that the monetary and financial processes of the planet have been increasingly decoupled from the economy. What happens in the financial markets, what happens in the money markets, what happens in the banking system, *has no relationship, positive relationship, positive correlation with the economy.*

The argument that the market is the decision-making place for the economy, is a fraud. Exactly the opposite is the case. The market has become decoupled from the economy. The relationship between the economy and these processes is summed up by the first figure we presented (Figure 1).

Think of the relationship of the gap between real-economy and monetary curves, and the gap between financial and

monetary curves, as a *decoupling* of the monetary process, the monetary emission and circulation process, as a decoupling of that from production, the real economy. Think of this as a decoupling of the financial system from the monetary process.

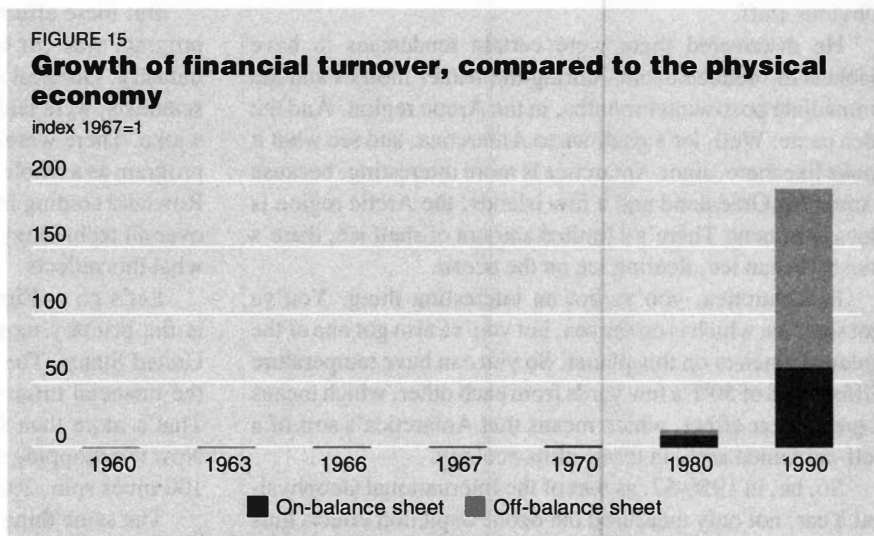
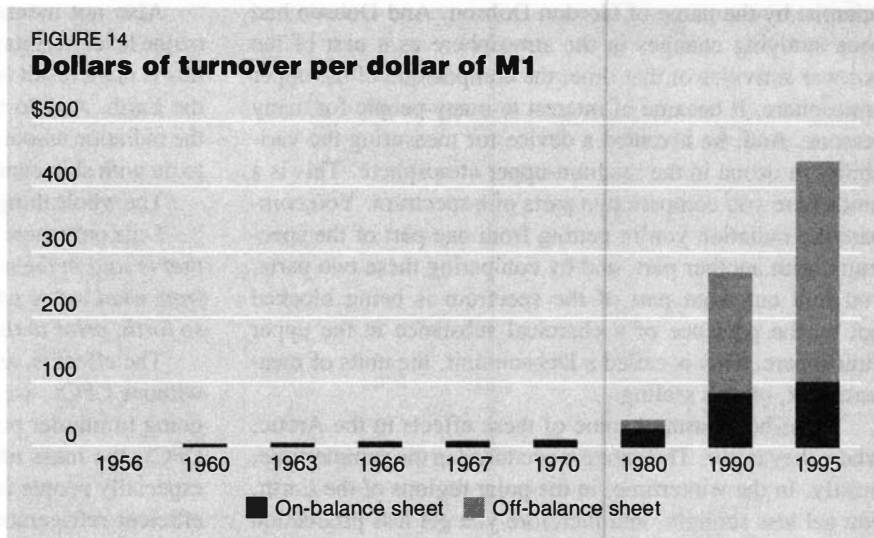
This is why banks are going bankrupt; because the banks loan money, chiefly into finance. The reason that this is growing, is because central banks are creating money, as in Germany, *not* for production, but in order to keep the speculators moving. The speculators require a certain quantity of money coming into the system of speculation, in order to enable them to keep the bubble growing; and, the banks, like Deutsche Bank, which has been most vocal on this subject, have been emitting credit from the German system into the wildest kinds of speculation—and, that's what banks generally are doing.

So, this two-fold process is a process of decoupling of the monetary and financial processes, from the real economic processes. The one thing the market has no positive relationship to, is production. The only relationship it has to production, in effect, is to loot it. Because, in order to pay off the bills for the banking system, the banking system generates debt, which is the way it issues money. The money generally becomes a debt which is put on the economy. It's put largely in the form of taxes and government debt, as Bundesbank-related debt here.

These bonds, or these debts are paid for out of tax revenues or other ways, in income which comes from the physical economy. So agriculture is looted. Wages are looted; that is, wage-goods are looted. Capital investment is looted, physical capital investment is looted. Infrastructure, such as rails, is looted, to provide payment of debt service on debt incurred through monetary expansion. That's your inflationary relationship.

In turn, in order to keep the speculative bubble going, which is largely betting, derivatives, which is not investment; that's betting: gambling, *Kasinosgesellschaft*—the monetary system is increasing the debt, its debt, in order to create a monetary supply which can be leveraged financially to fund the growth of this bubble.

In turn, this means an increase of the debt charged against the income stream of real production. There is no stimulant



to production or economic growth supplied by the financial growth, or by the monetary growth. No net increase. Therefore we say: The financial monetary system has become *decoupled* from the economy worldwide. And, that is the system that is going bankrupt.

The characteristic of this system, is the rate of increase, first of all, in the first approximation, in the hyperbolic growth, of financial aggregates to monetary aggregates. Being hyperbolic, means, that the obligations which are generated by financial turnover, are increasing more rapidly, at hyperbolic rates of increase, than the means of paying these obligations.

Second, as a result of the same process, the obligations of banking systems or the monetary system imposed upon the economy, are increasing more rapidly than the economy could possibly pay for those debts, to pay the debt service.

FIGURE 16

Business failures in the United States

thousands of failures

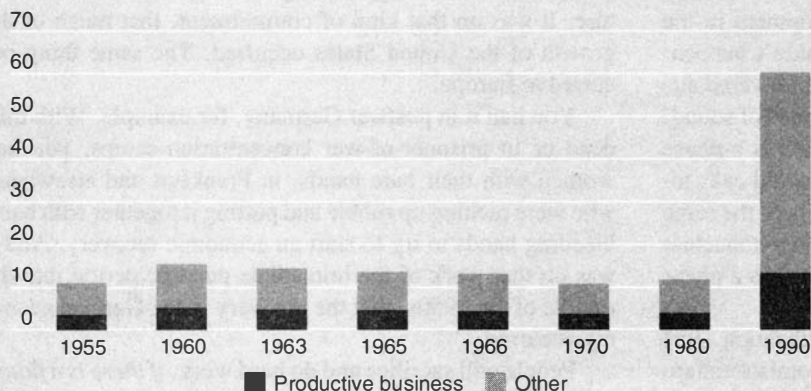
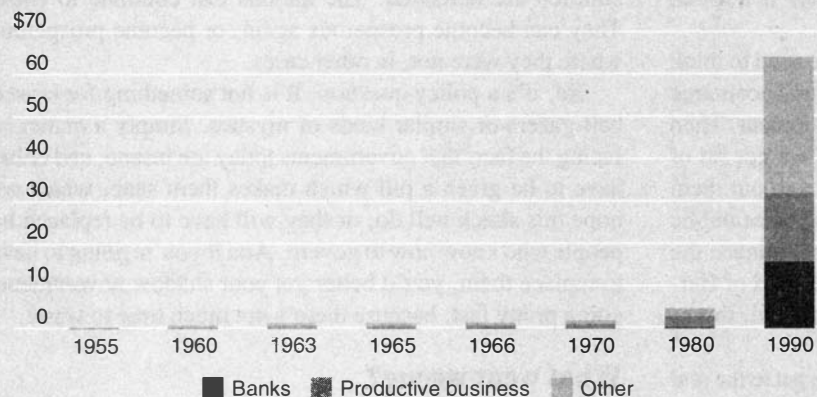


FIGURE 17

Liabilities of business failures

billions \$



That is the reason for the austerity programs of governments. It is not that the economies are out of whack, it's that the governments are funding the speculators through their debt, and they have to loot more and more of the citizens, and the industries and the farms, to pay off the debt they incur, in order to keep the speculative bubble growing.

Thus, the rate of growth of obligations in the financial-monetary system, is not only growing hyperbolically with respect to the monetary and physical baseline; *but*, any effort to prolong the life of this system, at this stage, has reached the point that by subsidizing the system, you do not prolong the life of the system any more. You shorten it.

That is, by increasing the intensity of the activity, what you do, in effect, is you shift your scale, shown in Figure 1, toward the right. That is, if I put more money in, increase the money rate, I will shift this curve in this direction. Now, this

curve is the curve that is determining the end of the life of the system; or, in physical terms, the *phase shift* in the system. Therefore, if I give the system added life, I shorten its life, because I bring it closer to its phase shift. And, that is the fool's way of seeking to prolong the life of the system.

So, what do you say of any economist who proposes that we must keep and defend the present system by subsidizing it? That's the end of the system. That's the phase shift. And, that's what's happening to us.

Thus, you come to a point which is typical in physics, although mathematicians don't like it very much; you come to a point at which there is no arithmetic calculation which can tell you what's going to happen. But, if you understand the function, that it's a phase-shift function, then you understand exactly what you're up against. And you can pinpoint exactly what's going to happen. Someone says, "On what day?" I say, "I can't tell you what day. But it will be very soon. Maybe next week. More probably, a couple of months. It could be the end of the year. It could be January. Could be for Christmas. St. Nicholas could be dropping it on your Christmas tree. Or somebody else's Christmas tree."

You know it's happening. It's like war. You may not know the date on which you're going to win or lose the war; but, you know if you're going to win or lose the war. And when you realize that, certain conclusions have to be drawn. Same thing now.

There's another example of this in physics, a famous one.

About 1858, Bernhard Riemann wrote a paper, the *Fortpflanzung* paper, "On the Propagation of Plane Air Waves of Finite Amplitude," which we call shock waves now. What Riemann did, was simply consider the effect of the continuous acceleration of a projectile in a confined cylinder of indefinite length. Obviously, what happens in that case, is, you get to the point that you reach and exceed the speed of sound. The question is: What happens then? What happens, is something like the hyperbolically upward sweep of curve shown in Figure 1: a phase shift.

Now, on the basis of this kind of phenomenon, all of the British-approved physicists such as Helmholtz or Clausius, Maxwell, Rayleigh, and so forth, all said this could never

happen. You had a famous fellow in the United States who was actually of Hungarian origin (though the Hungarians, I don't think, like to admit that), Theodor von Karman, who was an aviator in the Hungarian Air Force in World War I, who took over much of the Air Force development in the United States later on, who insisted this couldn't happen. People insisted that planes could not fly faster: Powered aircraft could never fly faster than the so-called speed of sound.

Riemann did not agree. Riemann says, this is a phase shift; therefore, you're getting into what we would call, today, a transsonic function. We have phase shifts of the same type in fusion ignition, that is, the ignition of a thermonuclear explosion, which is an isentropic compression. It's a phase shift; that's the way you do it.

So, what we're at, is not the *end* of civilization. Just because it's going to make some London economists unhappy, does not mean this is the end of civilization. It's a *phase shift* in which we have to recognize what's wrong. The decoupling of the monetary and financial system from the economy was *wrong*; it was a mistake. The Green Revolution was *wrong*; it was a mistake. The ecology movement is a *fraud* developed by the British monarchy, as part of its geopolitical operations; it's a fraud. "Post-industrial society" is a fraud; "information theory" is a fraud.

Get rid of those frauds, and look at what we used to think up to 1963, what governments considered a sound economic policy, that is, policy shaping economic development. Then we could see: "Yes, society could survive, if we got rid of the ecologists, the Greens, or their influence, and put them some place where they can't do any harm: maybe as public entertainers in cabarets, or whatever. But, eliminate the post-industrial-society idea, and go back to the idea of Hermann Abs, for example: no *Kasinosgesellschaft*; and, things would function."

But, there's a problem there. Okay, now we get to the real point I want to get to; for that, the preceding was necessary.

In dealing today, in various countries, the first argument you have to address, is, that the system is coming to an end, and that the diagnosis is of the death of the system. You have to say, "Okay, we agree now the system is coming to an end. We also agree that this is not the apocalypse. This is a phase shift, which could have apocalyptic effects if we don't make the right decision."

Since it's only a phase shift, all we have to do to avoid the dark age, is to pick the right changes in policy, and perhaps we'll have to change a few ministers and Presidents and people like that, maybe a few political parties. But if you make those adjustments, the human race can quite nicely begin to improve. It may be a lot of sacrifice and work, but people generally don't mind work on the way up. It's been a characteristic of the human race, that people will sacrifice for the sake of their children's future and enjoy life in so doing. And, that's been a very good part of our history, of our culture, especially in the United States.

We had immigrants who would come into the United States from poorer countries in Europe, they would sacrifice for one or two generations, doing hard work, in order to provide for a better opportunity for their children in the future. It was on that kind of commitment, that much of the growth of the United States occurred. The same thing occurred in Europe.

You had it in postwar Germany, for example. With men dead or in prisoner-of-war concentration-camps, you had women with their bare hands, in Frankfurt and elsewhere, who were picking up rubble and putting it together with bare, bleeding hands to try to start an economic recovery. And it was on that work of the immediate postwar period into the middle of the 1950s, that the recovery in the German economy occurred.

People will sacrifice and do hard work, *if there is a future in it*. Again, the idea of the future must always control the present. Not the past.

So, the fact that we would have much hard work, and *much suffering, still*, of that kind, to get out of this mess we've created for ourselves by allowing this to happen, despite that fact, the future is in it. The children and the grandchildren are defended. The nations can continue to exist. They can become prosperous again, or become prosperous where they were not, in other cases.

So, it's a policy question. It is not something for crystal ball-gazers or similar kinds of mystics. Simply a matter of facing the fact, that governments today are insane, and either have to be given a pill which makes them sane, which we hope this shock will do, or they will have to be replaced by people who know how to govern. And if you're going to have to replace them, you'd better get your shadow governments going pretty fast, because there's not much time to waste.

What went wrong?

The question you have to ask, is this.

When you go into a firm that's bankrupt—that used to be my profession; as an economist, I used to make my living as a consultant. And consultants generally find, you've got two kinds of clients: ones who want an outsider to come in and tell them what they want to hear, and the other one is more serious, is a bankrupt firm or a firm about to go bankrupt, which reluctantly calls in an outsider to straighten them out, because "they realize," that nobody among them is ever going to solve the problem. If they're going to survive, they're going to have to have somebody come in with an idea that none of them were capable of generating, in order to do this.

The first thing you do when you get in a firm of that type: You look at it, and you say, "Well, this place is going bankrupt," obviously. My most frequent experience, would be to look at the figures. I used to be fairly good at that. I could generally tell in about two or three days what was going on. It was very simple. Whatever the client told you was *not*

Continued on page 25, following the color section

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

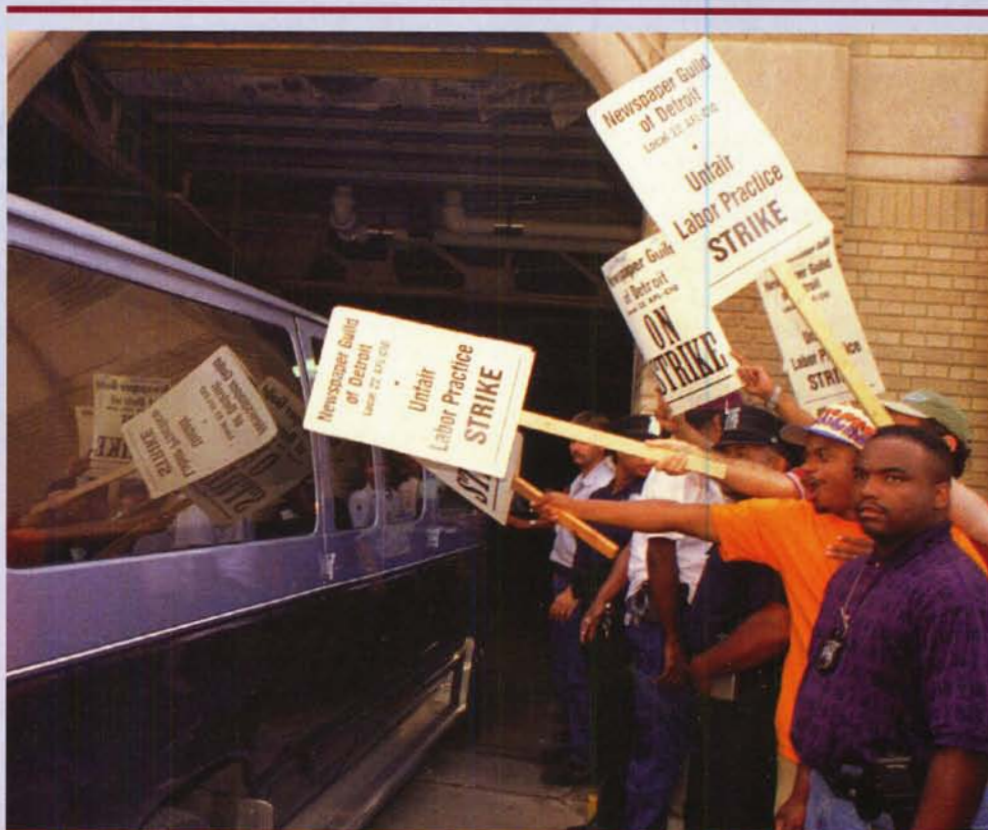
by Christopher White

Presented here is *EIR's* relatively definitive treatment, and elaboration of the interrelated economic, monetary, and financial processes, which, over the brief span of the last 30 years, have brought the U.S. economy, and therefore also much of the world besides, to the edge of the precipice.

Whether or not what is thus portended comes to pass in 1996, is not the point. That it could come to pass in 1996, or, as a matter of fact, at any moment, perhaps over any 48-72 hour period, is.

The documentation assembled here substantiates the case that insofar as the U.S. economy is concerned, the essential conditions for a general economic and financial breakdown crisis have been more than satisfied. The precise timing of that crisis, more importantly yet, the matter of whether that accumulated crisis potential is actually unleashed, will turn out to be a matter of politics, and informed political will. For, even at this late hour, remedial measures, competently conceived, proportionate to what requires remedy, decisively implemented, can begin to reverse what has been under way.

It ought to be clear at the outset that the case that is documented below has nothing to do with the kinds of developments that are usually, and typically, associated in peoples' minds with the symptoms of financial and economic collapse. The subject here is not the possibility of



Labor unrest is growing as living standards plummet. Shown here: Striking employees of the Detroit News shout at a van of workers crossing the picket line, July 14, 1995.

Only by reaffirming the principles that have been responsible for human existence, can humanity be freed of the parasite of usury and speculation. How that will be accomplished, is the key question facing mankind in 1996.

some future stock market crash on the order of October 1929, or November 1987. Nor is it the potentiality for the eruption of a banking crisis comparable to that which prompted FDR's declaration of a nationwide "bank holiday," in March 1933.

No one in their right mind would exclude such possibilities. But, so what? There's much more involved.

Symptoms of generalized collapse

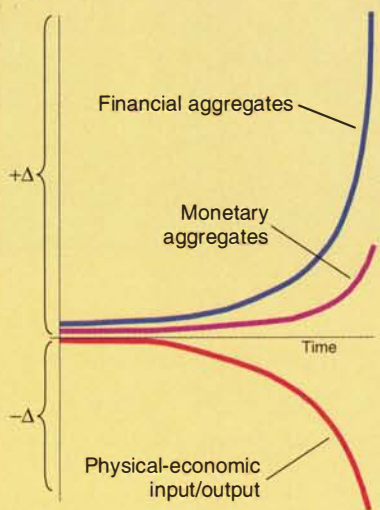
Three sets of symptoms have to be simultaneously verified as existent to uphold the diagnosis presented here. Financial aggregates have to be growing at a hyperbolic rate relative to money in circulation, and relative to the collapsing capacity to produce the essential goods and services on which human existence depends.

Figure 1 presents, in schematic form, a function which typifies the threefold conditions which satisfy the diagnosis. Our report assembles, classifies, and documents the symptomology through which, as the doctors say, the disease diagnosed is displayed.

In form, the disease to be treated is, in the domain of the economy, what a metastasized cancer is to the human body, an aggressive form of parasitical growth feeding, and growing, through the destruction of previously healthy tissue. Like the cancer or parasite, the better the disease spreads, the more surely are both host and parasite doomed.

Here the host is the tissue of economic relations on which human existence depends.

FIGURE 1
A typical collapse function



Unique in Creation, man reproduces himself by developing and assimilating ideas which permit the species as a whole to increase its domination over nature. The historical progress of mankind demonstrates this characteristic. Table 1 abstracts aspects of the results of this process to exemplify certain crucial features of our ascent. The chart highlights both the historical increase in human population density, and certain related features of human existence, for example, increasing life expectancy. Such development is situated with respect to historical and archaeological time to highlight when and how such human progress has been organized.

On that scale, it will readily be seen that mankind as a whole has accomplished more, in the relatively brief span of the last 500 years, than during any previous period of his existence. And also, therefore, that the ideas which catalyzed the changes of 500 years ago, must also have been of sufficient power in their transforming effects, to have initiated the greatest transformation in human existence.

The host and the parasite

The healthy tissue of the economy has been the body of ideas which, transmitted as culture, has been responsible for the increase in human productivity, which, over the last 500 years, has permitted man to free himself from dependence on nature and the relatively bestial, chattel-slave or serf existence which condemned up to 95% of the human population to bare subsistence existence on the land, and to consider now, how in the forward march of the species, he might extend his dominion into nearby space and beyond.

The parasite, typified, in our report, by one of its modes of reproduction, through the consequences of the untrammelled growth of usury and speculation on financial turnover, is the organized form of the political opposition to the world-history-transforming power of the ideas of the fifteenth-century European Golden Renaissance.

Someone might object, how can you claim that 500 years ago man freed himself from the bestialities of rural existence? Do not more than two-thirds of humankind still live under such conditions? Don't the very existence, say, of India or China, and their vast peasant populations, argue otherwise?

There one can see and hear the parasite talking through the host. We humans are all created equal in the eyes of the Lord. If some have proven, as the populations of western European nations and the United

States have done, that a method exists by which the productivity of human labor might be willfully increased, such that 3.5 million farmers who earlier fed 4 million, including themselves, might now feed 250 million and more, then all of mankind can do that.

That was proven by the developers of the ideas from which flowed the Golden Renaissance foundation of the nation-state, based on the beginnings of public education of the young, in the vernacular.

The development and assimilation of such ideas are what make us uniquely human, and, therefore the parasite, and its voice, not human.

As we document, the disease, or the parasite, has so weakened the host, that either the host summons the strength to free itself, or both must die.

We assembled the arguments for this under three principal headings.

First, assuming that the standards of consumption of 1967 were roughly adequate to perpetuating a population, qualified and capable of reproducing itself, in continuation of the principles developed 500 years ago, from which the establishment of this country flows, we show that we are now barely capable of producing half that identified level of consumption, at productivity levels overall which are half what they were a generation ago. In the process, we show that the collapse thus detailed has been proceeding at an average trend rate of around 2% per year. This is shown in Figure 2. The documentation to support our assertion is presented in

FIGURE 2
Rate of profit of the economy (S'/C+V)

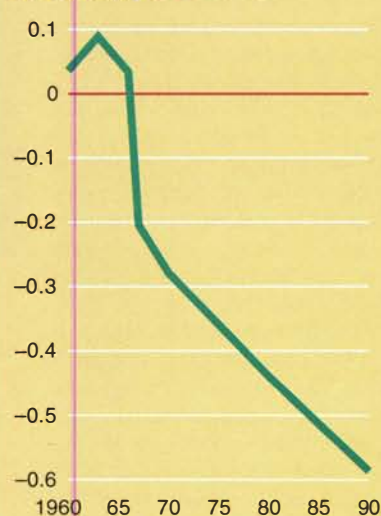


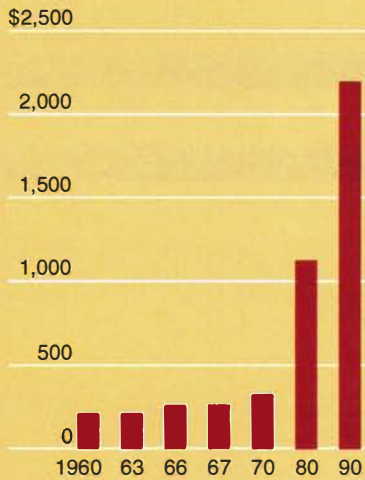
TABLE 1

Development of human population

	Life expectancy at birth (years)	Population density (per km ²)	Comments	World population (millions)
PRIMATE COMPARISON				
Gorilla		1/km ²		.07
Chimpanzee		3-4/km ²		1+
MAN				
Australopithecines B.C. 4,000,000-1,000,000	14-15	1/10 km ²	68% die by age 14	.07-1
Homo Erectus B.C. 900,000-400,000	14-15			1.7
Paleolithic (hunter-gatherers) B.C. 100,000-15,000	18-20+	1/10 km ²	55% die by age 14; average age 23	
Mesolithic (proto-agricultural) B.C. 15,000-5,000	20-27			4
Neolithic B.C. 10,000-3,000	25	1/km ²	"Agricultural Revolution"	10
Bronze Age B.C. 3000-1000	28	10/km ²	50% die by age 14 Village dry-farming, Baluchistan, 5000 B.C.: 9.61/km ² Development of cities: Sumer, 2000 B.C.: 19.16/km ² Early Bronze Age: Aegean, 3000 B.C.: 7.5-13.8/km ² Late Bronze Age: Aegean, 1000 B.C.: 12.4-31.3/km ² Shang Dynasty China, 1000 B.C.: 5/km ²	50
Iron Age B.C. 1000-	28			50
Mediterranean Classical Period B.C. 500-A.D. 500	25-28	15+/km ²	Classical Greece, Peloponnese: 35/km ² Roman Empire: Greece: 11/km ² Italy: 24/km ² Asia: 30/km ² Egypt: 179/km ² Han Dynasty China, B.C. 200-A.D. 200: 19.27/km ² Shanxi: 28/km ² Shaanxi: 24/km ² Henan: 97/km ² * Shandong: 118/km ² * Irrigated river-valley intensive agriculture	100-190
European Medieval Period A.D. 800-1300	30+	20+/km ²	40% die by age 14 Italy, 1200: 24/km ² Italy, 1340: 34/km ² Tuscany, 1340: 85/km ² Brabant, 1374: 35/km ²	220-360
Europe, 17th Century	32-36		Italy, 1650: 37/km ² France, 1650: 38/km ² Belgium, 1650: 50/km ²	545
Europe, 18th Century	34-38	30+/km ²	"Industrial Revolution" Italy, 1750: 50/km ² France, 1750: 44/km ² Belgium, 1750: 108/km ²	720
Massachusetts, 1840 United Kingdom, 1861 Guatemala, 1893 European Russia, 1896 Czechoslovakia, 1900 Japan, 1899 United States, 1900 Sweden, 1903 France, 1946 India, 1950 Sweden, 1960	24 32 41	41 43 40 44 48 53 62 73	90+/km ² Life expectancies: "Industrialized," right "Preindustrialized," left	1,200 2,500
1970 United States West Germany Japan China India Belgium	 59 48	71 70 73	1975 26/km ² 248/km ² 297/km ² 180/km² 183/km ² 333/km²	3,900

FIGURE 3
Inflation hidden in value added

billions \$



the first and second sections of our report.

This meets the criteria of a collapsing physical economy of Figure 1's "Typical Collapse Function."

Second, we show that monetary processes, for example, the old-fashioned kind of money-in-circulation money, that fits in a wallet, and is not made out of plastic with a magnetic identifying strip, or the volume of transactions typified by Gross Domestic Product's netting of sales and purchases, have become divorced from the economic processes to which they should properly be subject. We summarize such demonstration in Figures 3 and 4.

There is a tenfold increase in the monetary value-added equivalent of a market-basket unit, but the ratio of net income to costs in monetary terms shows the same kind of collapse we saw in the ratio of physical productivity in Figure 3 above. The principal difference between the two being that the monetary collapse lags that in the economy.

Figure 5, showing rate of change of M1 as a percentage of GNP, summarizes the point. As payment for, and financing of, productive or necessary transactions have been separated from the idiotic measure of Gross Domestic Product which is supposed to represent them, so, too, has the growth in money supply per se been separated from the same GDP.

This meets the case of the second, monetary part of Figure 1's "Typical Collapse Function." The documentation is presented in this report by Marcia Merry Baker and Richard Freeman.

Third, financial turnover as a whole has

FIGURE 4
Financial profit ratio of the U.S. economy



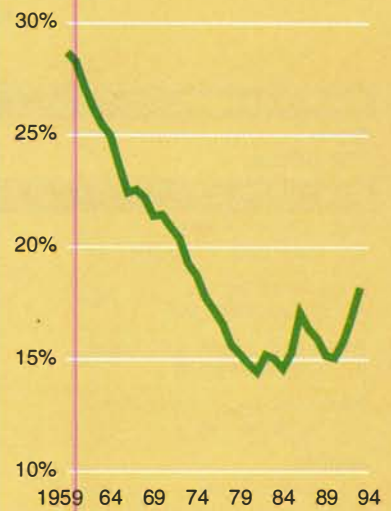
indeed assumed a hyperbolic growth rate with respect to both monetary and economic processes. This is exemplified in Figure 6, showing \$440 of financial turnover chasing each dollar of money in circulation.

No more 'cycles'

Taken separately, someone might be found to say that none of these phenomena are new, that each has been seen before, and even, perhaps, that they will be again, "in the next cycle." That's the parasite speaking, again.

There will not be another "cycle" of the sort such creatures love to fantasize about. There has been no such conjuncture in human history as is defined by the triple collapse function documented here. The reason is

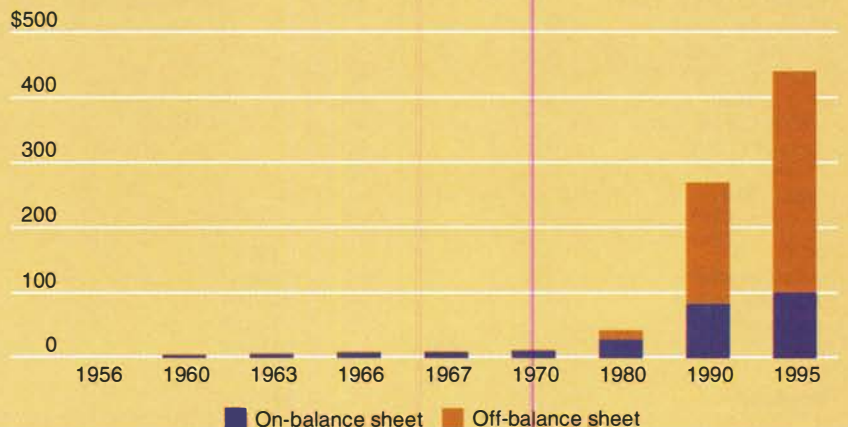
FIGURE 5
Money supply as percent of GDP



because the kind of economy that has functioned over the past 500 years has been unique in human history, even if that economy has represented a symbiosis of human host and parasite. The conjuncture documented here is such that the host and the parasite cannot continue to survive. The parasitical form is doomed from its own nature. The human host can act on its humanity to free itself of the doomed parasite, to save the best that human culture has created. But only by reaffirming on a global basis the principles that have been responsible for human existence, can humanity be freed of parasitism.

How that will be accomplished is set to be the key question mankind must take up for solution in 1996, and hopefully before things go right over the edge.

FIGURE 6
Dollars of turnover per dollar of M1



U.S. market basket shows 50% decline since 1960s

by Marcia Merry Baker

An analysis of U.S. consumers' and producers' market baskets from the 1960s to 1990, the market baskets that measure the U.S. economy's capability to reproduce and grow, shows a process of collapse. In one generation, production levels of many necessities, selected from these market baskets, have fallen, on a per-household basis, by 40-50%, and some by even 70-80%. Far from representing isolated "shortages," this trend represents a collapse throughout the economy.

The percentile of the workforce engaged in producing the market basket of necessities is now about 50% smaller than in the 1960s. Therefore, the net productivity of the workforce as a whole has declined. A large percentile of the workforce now is engaged in marginal or useless activity.

Thus, in net effect, the U.S. population is producing per capita about *half* of what it was 25-30 years ago, relative to 1967 per-household standards.

Here we show this process of collapse in three steps:

First, by looking at the tons and numbers

of essentials that go into market baskets for the economy.

Second, by looking at market basket needs as a totality, in ways that allow comparison of workforce requirements to produce the market baskets.

Third, by looking at productivity relations in the economy, and how they have decayed.

1. The market basket standard

The method for comparison used here, is to assort selected commodities into standard market baskets of producers' goods, consumers' goods, or the kind of intermediate goods that go into making producers' or consumers' goods, and to compare the values over time. The type of items included in the *EIR* standard market baskets for the United States, for recent decades, are listed in **Tables 1** and **2**.

The 1967 market basket values were used as a benchmark year, because that was a point when the U.S. economy still "functioned," at least relative to what was to

come; and 1990 is shown as a recent year for comparison.

The consumers' goods market basket has the kinds of things you would expect for the bill of consumption of the standard household: food, clothing, footwear, home appliances, passenger cars, and so forth, including some measure of provision of housing, schools, hospitals, and shops.

The producers' goods market basket has machine tools, textile machinery, locomotives, construction equipment, pumps, etc.

The intermediate goods market basket has ores, industrial chemicals, wood pulp, etc.

The *EIR* consumers' market basket has 28 commodities; the producers' market basket has 46 commodities; and the intermediate goods market basket covers 62 commodities, including raw materials and semi-finished goods.

The values for the commodities are shown either in weight, or in numbers of units. The *EIR* database also has consumer market basket measurements in square meters of school, hospital, residential, and

TABLE 1

Household goods

	Units	1967			1990		
		Quantity (000s)	Production or Consumption	Production as percent of consumption	Quantity (000s)	Production or Consumption	Production as percent of consumption
Men's and boys' clothing	tons	1,512.11	P	104.9%	2,409.71	C	31.1%
Women's and girls' clothing	tons	1,186.13	P	100.0%	1,866.6	C	83.4%
Shoes and leather goods	units	396,757.51	C	96.2%	118,928.09	C	12.9%
Textiles	tons	5,562.21	C	99.7%	2,429.64	C	99.3%
Paper and paper products	tons	40,830	C	88.7%	68,810	C	91.5%
Radios and televisions	units	30,055.43	C	96.3%	27,191.91	C	62.5%
Passenger cars	units	8,399.37	C	88.5%	9,284.44	C	65.5%
Tires for road vehicles	units	194,792.58	C	83.8%	258,000	C	81.7%
Washing machines	units	4,326.72	C	99.9%	6,428	P	100.0%
Food products	tons	358,173	P	118.0%	542,202	P	127.0%
Processed foods	tons	68,019	P	100.0%	106,339	P	90.0%

TABLE 2

Intermediate goods

	Units	1967			1990		
		Quantity (000s)	Production or Consumption	Production as percent of consumption	Quantity (000s)	Production or Consumption	Production as percent of consumption
Bauxite	tons	15,503.32	C	13.44%	14,238.08	C	3.48%
Calcium phosphates	tons	36,079	P	134.24%	46,799.76	C	99.02%
Natural sulfur	tons	7,127	P	111.40%	5,600.6	C	66.53%
Common salt	tons	35,332	P	101.77%	40,497.91	C	90.85%
Synthetic rubber	tons	1,942.55	P	115.73%	2,390.36	C	88.46%
Sulfuric acid	tons	26,141	P	100.03%	39,172.11	C	96.10%
Chlorine	tons	6,987.21	C	99.71%	12,070.48	C	97.83%
Hydrochloric acid	tons	1,493.58	C	99.02%	2,932.62	C	97.11%
Zinc (unwrought)	tons	1,103.16	C	83.18%	985.07	C	36.38%

commercial floorspace; and producers' market basket measurements in kilometers of rail track, etc. (These are not shown in the figures here.)

Keep in mind that the tonnages or unit measurements of the *EIR* market basket items are *not* meant to add up to a *comprehensive* picture of the economy. Rather, they are items chosen to provide a representative index, with which to compare how the economy is functioning over time.

The items selected amount to about a 50 by 50 cell matrix of inputs and outputs.

Also, for each of the commodities, the *EIR* database has recorded both a production level and a consumption level for the United States for every year for which data can be obtained. The two levels are not necessarily the same; exports and imports affect whether one level is higher than the other. However, for comparison, the *EIR* market basket for 1967 uses whichever of the two levels—production or consumption—is *higher*, as a reflection of the “energy of the system,” or the level of activity appropriate to the functioning of the economy in the way it was organized at that time. In subsequent years, either annual production, or consumption, of the item in question, is used as noted, depending on what kind of comparison is being made.

When year-by-year measurements (in weight or other units) for actual quantities of each type of commodity are assembled in this market basket way, then calculations are possible for per-capita, per-household, per-worker, per-unit-area ratios, to characterize whether the economy is providing the physical basis for reproduction of the population—as compared to ratios characteristic of the economy in 1967, when things “worked.”

What the pattern shows for the late

1960s to the 1990s in the United States, is a collapse in quantity, and in domestic production of the market baskets, per household.

But first, look again at Tables 1 and 2, and see how production drops overall, shown as a percentage of consumption, which is given for all the items listed. In other words, the 1990 U.S. economy is not producing the market basket essentials for the population in the way it was in 1967.

The consumers' market basket: In Table 1, look at clothing. Men's and boys' clothing totalled 1,512,110 tons in 1967, and provided 100% of what was consumed that year; the figure then went up to 2,409,710 tons consumed in 1990, but U.S. production supplied only 31% of that. In 1967, women's and girls' clothing consumed was 1,186,130 million tons, with domestic production supplying 100%; and in 1990, domestic production dropped to 83.4%, at 1,866,600 million tons.

Textiles, referring to non-clothing textiles including bed, bath, and kitchen linens, remains about the same ratio of 99-plus percent of annual consumption from domestic production.

What happened with other types of consumers' market basket items from 1967 to 1990, is clear from the statistics. For passenger cars, domestic production fell from a level of 88.5% of consumption in 1967, down to 65.5% in 1990. Tire production remained at about 81-83%.

Radios and TV sets fell from a level of over 96% domestic production of consumption in 1967, down to 62.5% in 1990.

The most dramatic decline is in shoes and leather goods. In 1967, over 96% of U.S. consumption of footwear and leather goods came from domestic production; in 1990, only 12-13%. As of 1995, half of all

the footwear imports in the United States come from China.

Food commodities appear to remain the same at 100% domestic production of food consumption. This reflects the fact that the United States is a supplier of agricultural commodities controlled and traded internationally by the food cartel companies, such as grains and oilseeds. If specific food items were shown, the United States would show increased import dependence for many foods, from 1967 to 1990.

The producers' market basket: In 1967, about 250,000 machine tools of all types were produced in the United States, which meant that production of these machines was 404% of consumption for that year. The United States was a leading exporter of machine tools. By 1990, the United States was import-dependent. Production was only 13% of consumption, which was about 1,090,490 machines, as listed in the table.

The intermediate goods market basket: Table 2 shows the pattern of decline in domestic production of items needed for consumer or producer goods.

For example, bau ite. In 1967, 13.4% of U.S. consumption was met by domestic production; that dropped to 3.5% in 1990. For natural sulfur, production went from 111% of consumption in 1967, down to 66.5% in 1990.

Market basket production falls

When you look at the per-household production levels from 1967 to 1990, for the market basket goods, the decline is dramatic.

Table 3 shows this decline for all three market baskets, for selected items, for 1967 and 1990, and for three years in between. (These are the type of specific items whose numbers and weights are combined, and

TABLE 3

Decline in production levels for goods in producers' and consumers' market baskets on a per-household basis

(index 1967=1.000)

	1967	1973	1979	1982	1990
CONSUMERS' MARKET BASKET					
Men's trousers	1.000	0.965	0.594	0.504	0.335
Men's shirts	1.000	0.644	0.486	0.343	0.165
Women's blouses	1.000	1.023	1.511	1.405	0.684
Women's dresses	1.000	0.597	0.503	0.339	0.279
Women's woollens	1.000	0.264	0.254	0.139	0.166
Refrigerators	1.000	1.247	0.935	0.703	0.932
Passenger cars	1.000	1.150	0.869	0.484	0.512
Tires	1.000	1.020	0.833	0.666	0.877
Radios	1.000	0.706	0.467	0.316	0.098
PRODUCERS' MARKET BASKET					
Metal-cutting machine tools	1.000	0.643	0.530	0.289	0.212
Metal-forming machine tools	1.000	0.854	0.730	0.404	0.406
Bulldozers	1.000	1.200	0.713	0.334	0.306
Graders and levellers	1.000	0.786	0.748	0.383	0.349
Pumps	1.000	1.140	0.541	0.424	0.506
Steel	1.000	1.029	0.821	0.416	0.487
INTERMEDIATE GOODS FOR EITHER MARKET BASKET					
Gravel and crushed stone	1.000	1.023	0.914	0.624	0.575
Clay	1.000	1.022	0.759	0.459	0.544
Bricks	1.000	0.999	0.850	0.451	0.598
Cement	1.000	1.045	0.911	0.632	0.689

shown as totals in the other tables.)

A production level for each item for 1967 was determined, and then divided by the number of households in 1967. This yielded a production level on a per-household basis. For example, in 1967, the United States had 59,236,000 households and produced 86,014 metal-cutting machine tools (among other types of machine tools). Thus, there were 0.001452 metal-cutting machine tools produced per household.

The 1967 index was set equal to 1, and all subsequent years' production levels were compared to it.

By 1990, the United States produced but 0.000308 metal-cutting machine tools per household, a level that was only 21.2% of what it was in 1967.

During 1967-90, production levels, on a per-household basis for major goods contained in both the producers' and consumers' market baskets, fell between 7% and 90%, with most goods registering a collapse of 40% or more.

Of the total of 60 goods—out of the 74 designated goods comprising the *EIR* producers' and consumers' market baskets, for which enough data was available for the

period, almost three times as many declined as increased in value. Of the 60 items, 44 declined and 16 rose.

By 1990, men's shirts were being produced, per household, at 16.5% of the rate of 1967; men's trousers at 33.5%; women's dresses at 27.9%. Radios were being domestically produced, per household, at only 10% of the 1967 rate.

Look at intermediate goods. 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.

Take the case of bricks, which are used in infrastructure and to an even greater extent in residential housing. In 1967, the United States produced 7.57 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 house-

hold. As the table shows, this is 59.8% of what it was in 1967. Brick output per household had fallen 40% from the 1960s to the 1990s.

2. Fall in production and consumption per household

Figures 1 and 2 give a summary view of the how production and consumption have declined, per household, in essential market basket categories of goods, from 1967-70 to 1990.

Here the tonnages of annual production and consumption for dozens of goods from the market basket lists, are grouped into totalities, rather than simply added as the weight totals of the basket assortments that we considered above. The six categories shown in Figures 1 and 2, and in following graphs—food and lumber, minerals, fuels, non-durables, durables, and final goods—are composed of not only market basket items, but values for the "ingredient" commodities that go into the final market basket items. The relative quantities of input commodities are based on coefficients of production that characterized the U.S. economy in 1967.

For example, for steel, the 1967 profile was used for how much of total annual output (carbon, alloy and stainless, in terms of 83,897,000 net tons of shipments) went to the various uses, among them, 15,932,000 tons for vehicles (19%); 4,994,000 tons for industrial machinery and tools (6%); 7,255,000 tons for ordnance and other military uses (8.6%); and 1,090,000 tons for agricultural machinery and related uses (1.3%).

This method has been chosen, in order to aggregate statistics in a way that will serve not only as a measure for production and consumption, but also for the labor force involved in producing and consuming. The relative numbers of workers needed in 1967 to produce all the different components of the six categories—everything from steel to shoes—were used as the coefficients of productivity for later years' comparisons. While this does not take into account technological advances, it does allow for comparison, which is the object here. The idea is to compile a rough idea of what should be produced, before considering how that might best be produced.

Figures 1 and 2 show production and consumption in metric tons divided by the number of households for that year.

Production ratios drop. During the years 1966, 1967, and 1970, total tonnages of production per household reached up to

FIGURE 1
Production per household

metric tons

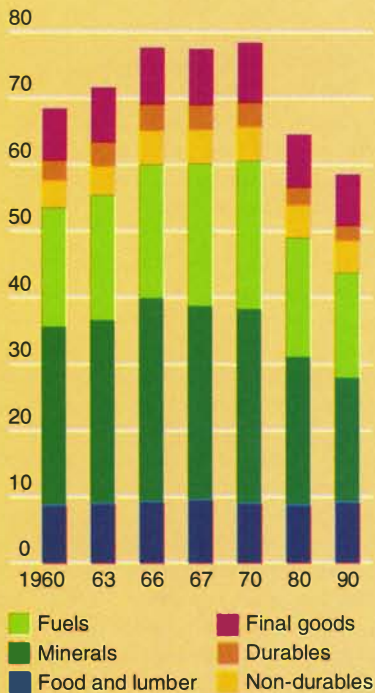


FIGURE 2
Consumption per household

metric tons

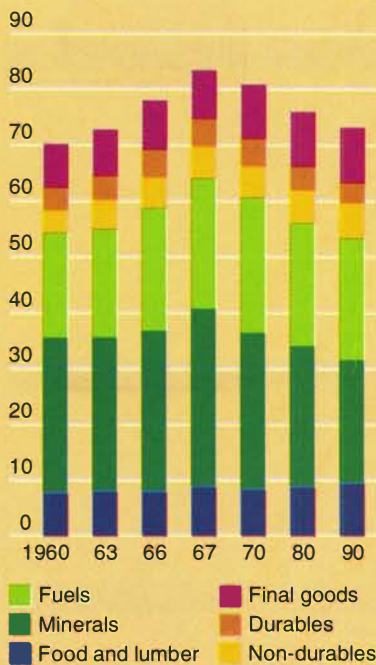


FIGURE 3
Production per capita

metric tons

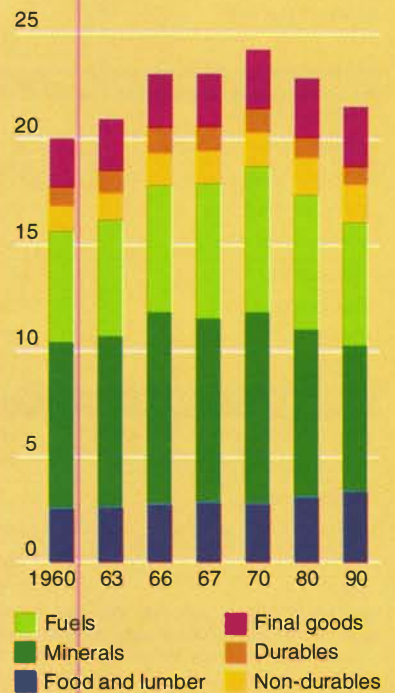


FIGURE 4
Consumption per capita

metric tons

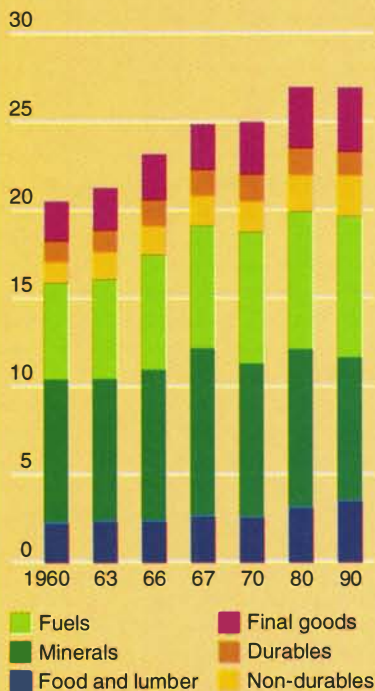


FIGURE 5
People per household

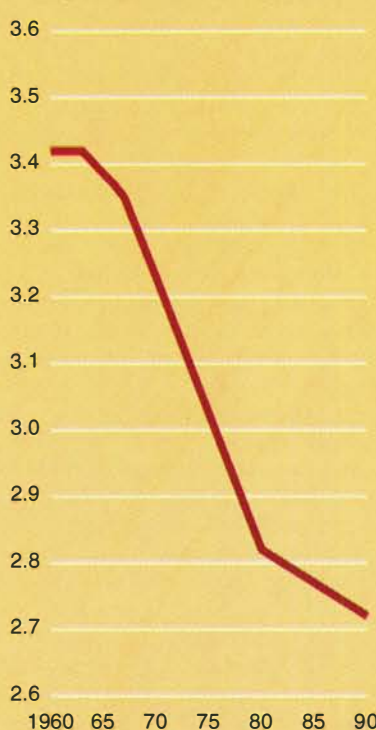
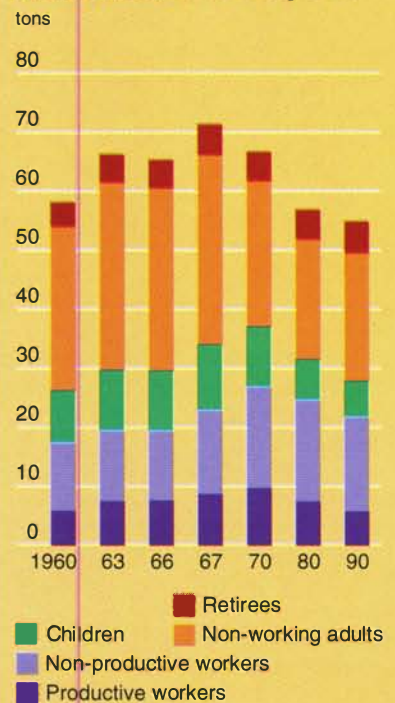


FIGURE 6
Distribution of per-household consumption



78 tons per year—exceeding the 69-71 tons per year levels of the early 1960s.

But by 1980, these tonnages of production had dropped to 62 tons per household, and in 1990, fell farther to 59 tons a year per household—a 25% decline.

Much of the shrinkage during 1970-90 can be seen in the minerals, fuels, and durables components of annual production being measured. This decline in actual volumes of essential physical commodities per household reflects the economic decline in the “post-industrial” decades.

Only food and lumber show some increase. This reflects the role of the United States as a source of agriculture commodities for the international food cartel, as noted above.

Consumption ratios drop. Figure 2 shows that consumption per household fell from 1967 to 1990, in terms of tonnages of items in the six categories used for comparison over the 1960-90 period. From 80 tons per household per year in 1967, the level dropped to 73 tons per household in 1990.

Overall, these levels are higher than the production-per-household tonnages shown in Figure 1, reflecting mostly the shift to import dependence over the last 25 years.

What increased slightly per household were categories of food, non-durables, and

final goods. What markedly decreased were minerals and durable goods categories.

Look at this in terms of specifics.

Figures 3 and 4 show production and consumption per capita over the same time period, for the six main categories being compared. Production per capita drops from 24 tons in 1970, down to 22 tons in 1990. Consumption per capita shows an increase from 1967 to 1990, from 24 tons to 26 tons, because of imports, and because of rises in items and inputs in the “post-industrial,” non-basic-industry categories of non-durables and final goods.

The apparent rise in per-capita consumption of these tonnages should not mislead anyone into inferring that there is an augmentation per capita in the provision of goods in the economy. Look at the number and makeup of households to see why there is no process of economic improvement shown in the apparent per-capita rise in consumption.

Who gets what in the household

Over the last 30 years, the number of households has increased from 59.236 million to 93.347 million in 1990. However, at the same time, the birth rate has fallen, and other demographic, social, and residential shifts have occurred, so that the average

number of people per household has *dropped* over the same 1967-90 time period, from 3.35 in 1967, down to 2.6 in 1990. This is shown in **Figure 5**.

So, as of the early 1990s, even with production and consumption of market basket goods going down per household, the shrinkage of the household membership, along with imports, allowed for an appearance of a temporary per-capita increase in consumption (Figure 4).

Look at the shifts in the profile of how the consumption per household is distributed to household member groups over the 30 years from 1960 to 1990, shown in **Figure 6**. The component going to children shrinks. The component going to non-working adults shrinks, as mothers have to get jobs outside the home. The same quantity of consumption goes to retirees, even though there are relatively more of them today.

The profile deteriorates from 1967 to 1990, for the part of household consumption that goes to workers. There is a decline in what goes to those employed in the productive activities of manufacturing, farming, and necessary support functions and social services; and there is an increase in the consumption going to those employed in jobs that are non-productive from the standpoint of the overall economy (the “parasitical” ranks of the media, lawyers, real estate and retail, and related support jobs).

Figure 7 shows the dramatic decline from 1966-67 to 1990, in the tonnages of production per worker, of the six categories of goods being compared. **Figure 8** shows the fall in the consumption per worker in the six categories.

Figure 9 shows how the ratio of dependents per worker has dropped from over two in the 1960s, down to little more than one in the 1990s.

Production and consumption per unit area

Figures 10 and 11 show production and consumption of the same six groupings of goods, per square kilometer of United States area—defined as “usable” area (e.g., excluding wasteland, lake surfaces), in the standard categories set by the United Nations for statistical use.

There is a rise in both production and consumption per unit area, simply because the land area remains the same over the 30-year period. However, the *rate* of rise in production per square kilometer markedly slows down over the 20-year period from 1970 to 1990, in contrast to the relatively steep rise in production per unit area over

FIGURE 7
Production per worker

metric tons

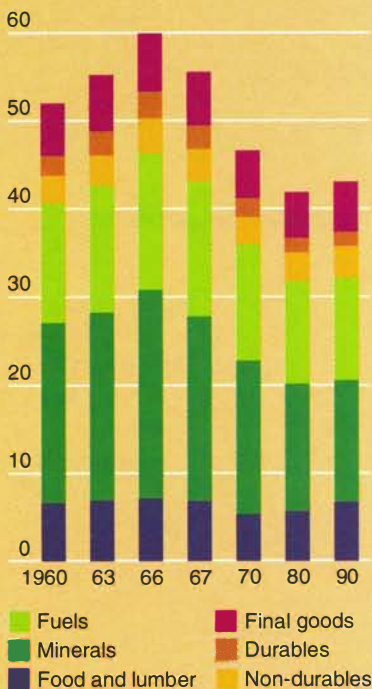


FIGURE 8
Consumption per worker

metric tons

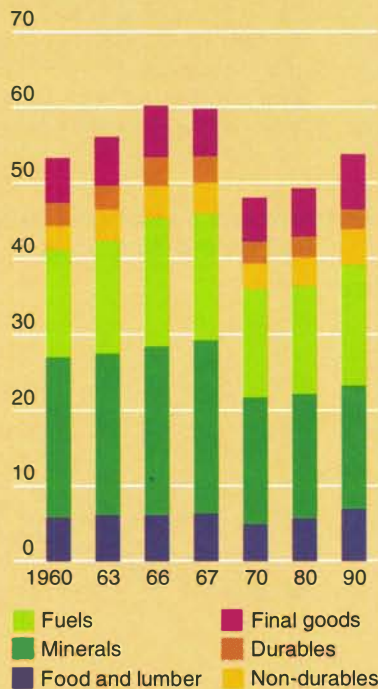
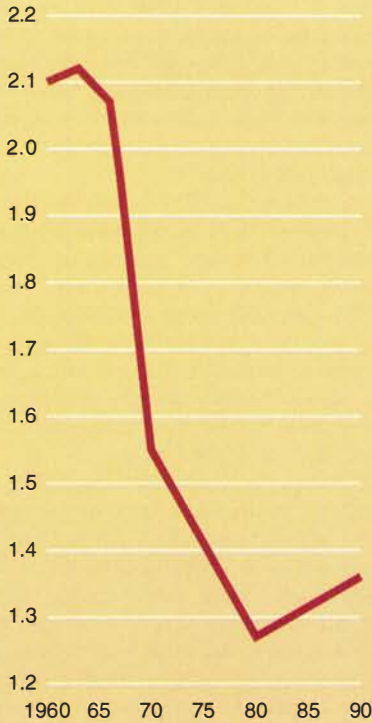


FIGURE 9

Dependents per worker



the 10-year period from 1960 to 1970.

You can see the last 25 years of deterioration of the ratio of production per unit area, in the emergence of the "Rust Belts" in the once-industrialized Midwest; the urban collapse zones; the rundown farms across the American foodbelt; and the decrepit, dangerous transportation system.

The rising ratio of consumption per

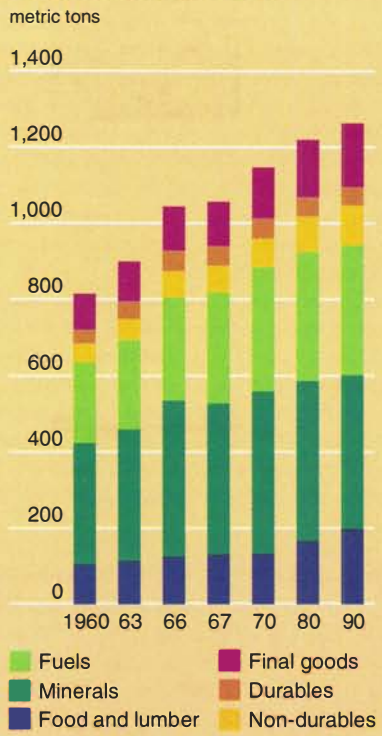
FIGURE 12

Employment of operatives as percentage of actual requirement



FIGURE 10

Production per km²



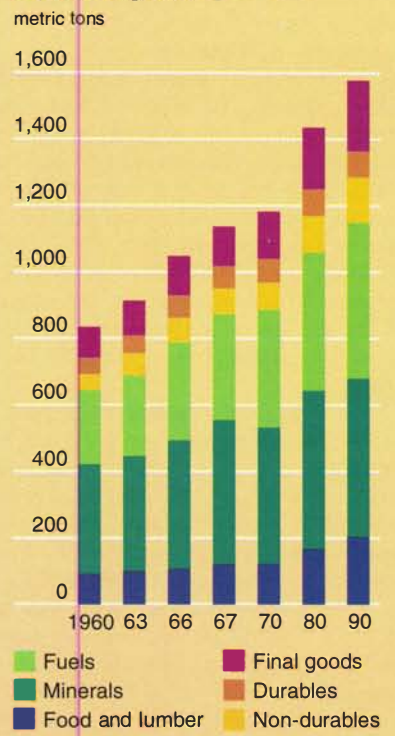
square kilometer has been maintained only by imports.

Millions of new jobs needed

A different way to look at the decline in the U.S. economy over the past 30 years is by looking at the number of workers that would additionally be required to produce 1967-style market baskets of goods for the

FIGURE 11

Consumption per km²



population today.

Figure 12 shows that fewer than 50% of the workers are employed, as of 1990, who would need to be working in the various economic sectors to produce 1967-style market baskets of ratios of goods for today's population. With the masses of job terminations since 1990, the picture, as of 1995, is even worse.

FIGURE 13

Percentage of actual workforce required to produce 1967-style market basket

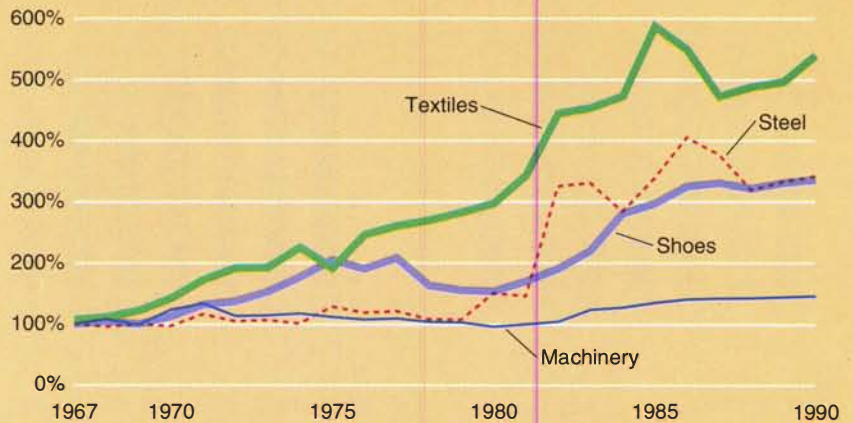


FIGURE 14

Workers employed in market basket production

percent of total workers

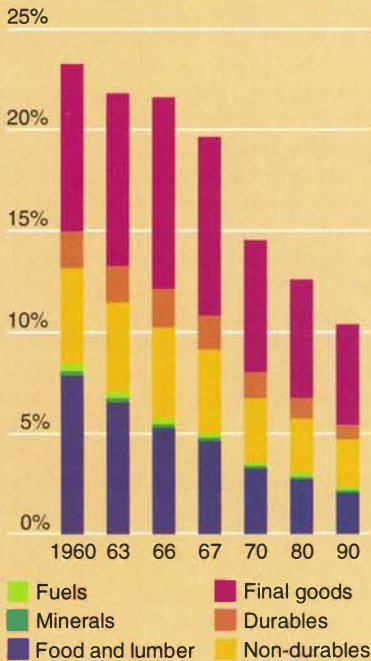


Figure 13 shows this huge need for productive employment in four specific sectors—textiles, steel, shoes, and machinery. To produce requirements for the 1990 population, on the 1967 market basket standard, with the 1967 ratios of domestic product, then, in 1990, there should have been a 500% increase in textile workers over the actual 1990 employment in that sector; a 300% increase in steelworkers; a 300% increase in shoe trades employment; and a 100% increase in machinery workers.

Another way to look at how small a percentile of workers in the 1990s is involved in producing the kinds of things we produced 30 years ago, is to look at the percentage of workers employed in the six categories of goods we have been using for market basket comparison. Figure 14 shows this, from 1960 to 1990.

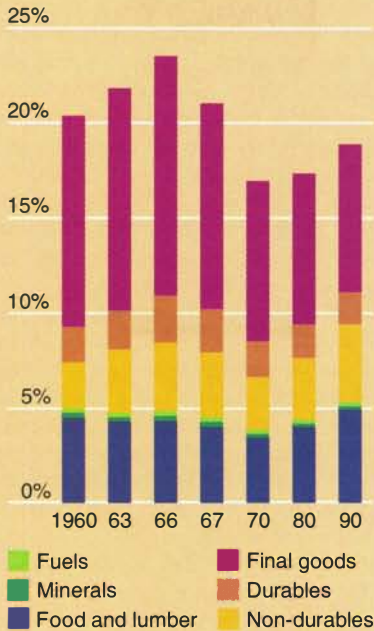
First, it is striking how 30 years ago, in 1960, 23% of the workforce was employed in the sectors shown, in contrast to 1990, when little more than 11% were so employed. In other words, fewer people are producing essentials today. More employed people are doing less useful things, in very labor-intensive unskilled or parasitical jobs.

There was a gradual decline over the 1960s in the percentile of the workforce

FIGURE 15

Workers required for producing 1967-style market basket

percent of total workers



employed in the essential categories shown, followed by steep declines after 1967, going from 19% down to 11% in just two decades.

Figure 14 also shows the shifts sector by sector, as the productively employed percentile of the workforce declined.

Over the 1960s, most of the decline is accounted for by the drop in workers in the agricultural sector. This corresponds to marked gains in the 1960s in per-hectare farm output, due to many improvements, in

particular to fertilization ratios and other farm chemicals.

But in the 1970s and 1980s, while the food and lumber sector continues to show a decline (reflecting widespread financial ruin in the farmbelt), there are sharp declines in other essential sectors, especially durables, as well as in final goods.

Figure 15 shows what percentiles of the workforce should be employed overall and sector by sector, for the same years, calculated on the basis of producing sufficient commodities to provide market basket consumption at 1967 standards for the other years.

In 1990, there should be at least 18% of the workforce employed in the categories shown. The percentile in food and lumber should be higher than in 1970 and 1980; likewise with non-durables. And a solid percentile of the workforce should remain in durables, and in the other sectors as shown.

Not included here are operatives required in construction, transportation, and similarly vital, though small, employment groups. On a 1967 basis, adding employment in transportation and construction would bring total such employment in productive sectors to around 30%. This could be seen as the level of productive employment which ought to cover "costs" of production, without considering producing necessary surplus for re-investment.

3. Productivity relations

Once the first-level matrix of inputs and outputs of the market basket has been understood, as discussed above, in terms of their quantities and the labor force associated with them, then a second-level matrix can be used to characterize the condition of the economy over time, in terms of the pattern of shifts in the inputs and outputs relative to

TABLE 4

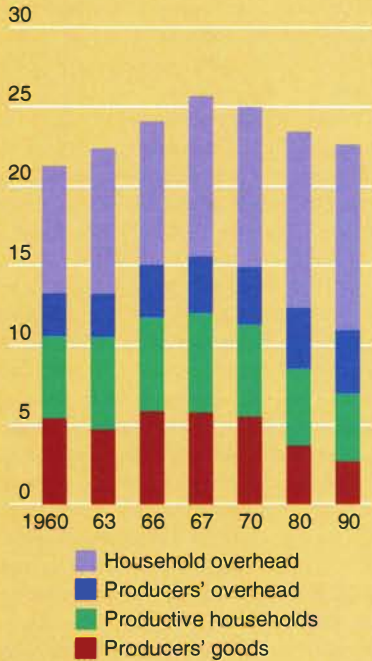
Input-output matrix, showing end-uses for 1967

percentage of total

End use	Inputs				Outputs
	Final	Inter-mediate	Raw material	Infra-structure	Total
Producers' goods	2%	12%	3%	8%	25%
Producers' overhead	4%	4%	1%	6%	14%
Household goods	6%	7%	2%	8%	23%
Household overhead	10%	11%	3%	14%	38%
Total	23%	33%	8%	36%	100%

FIGURE 16
Distribution of market basket inputs

tons per capita



end use, and whether the net effect to the economy tends to be productive or destructive. The idea is to show the set of relations characteristic of the economy, to see whether net productivity is enhanced or undermined.

Table 4 shows this basic matrix for 1967. In the column headings in the middle under "inputs," the different phases of production are noted, from final goods back through to intermediate, raw materials, and infrastructure, both hard and soft. The cells in this section tell what portion of the sum of the inputs is allocated to what phase of activity. The column total, on the right, shows us what percentage share of the total inputs goes where, as identified in the end-use categories named on the left.

The end-use categories distinguish, in a more refined way than shown so far, whether input commodities are going into essential consumption of producers and households (consumers), or to "overhead" connected to each of those two end-user groups, whether the overhead is necessary (e.g., certain clerical work, sales) or unnecessary and parasitical.

"Overhead," when it refers to households, refers to those households connected to overhead activity in the economy.

Look at the relations shown in 1967 in

Figures 16 and 17, showing distribution of market basket inputs in tons per capita and tons per household, over the three decades.

From 1967 to 1990, you will see a striking pattern of the inputs of the economy going more and more to the end-users in the overhead categories. Less and less goes to the productive households and producers.

Figure 17 shows a drop of 50% in the amount of inputs going to producers' goods end-users from 1967 to 1990, in terms of tons per household.

This drop would be even greater, if the number of people per household had not declined over the time period from 3.35 to 2.6. Figure 18 shows the distribution of market basket inputs per household, based on the 1967 household size.

With the overhead drag increasing so much, what capacity is there to reproduce the economy? Figure 19 shows how low the reproductive potential of the system has fallen from 1967 to 1990, in terms of the declining total amount of inputs available per household (still with a 1967 household size for comparison), once parasitical overhead has been removed from the calculation.

In this representation, a factor was used keep overhead at an "acceptable level" of no more than 56% of employment in the economy, which was the profile in the mid-1950s,

FIGURE 17
Distribution of market basket inputs

tons per household

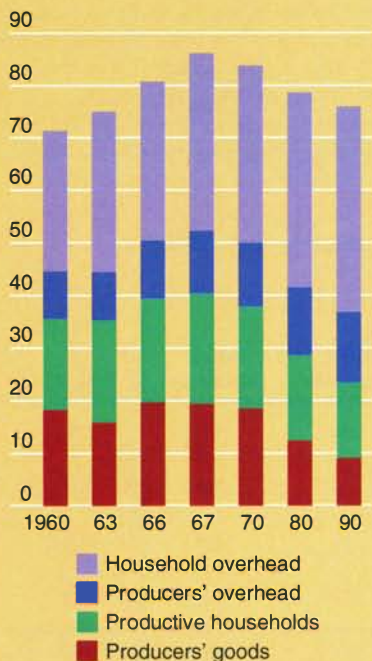


FIGURE 18
Distribution of market basket inputs, based on 1967 household size

tons per 1967 household

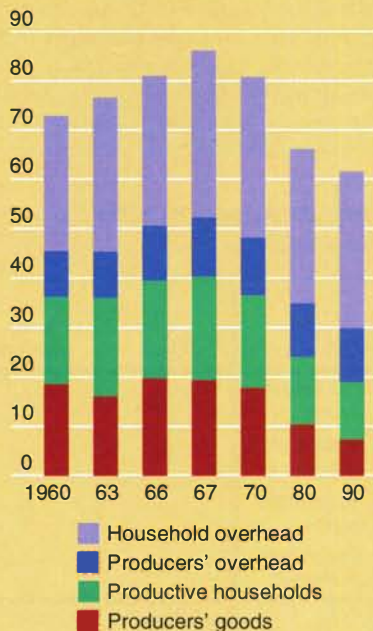
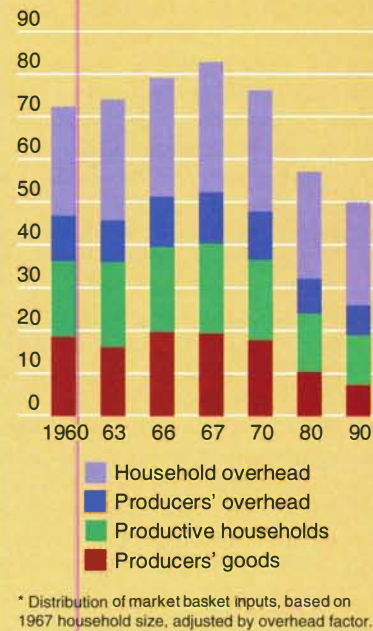


FIGURE 19
Reproductive potential of the system (not including parasitism)*

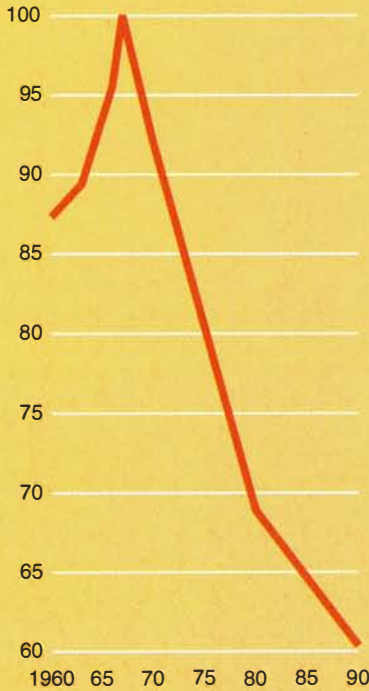
tons of inputs per household



* Distribution of market basket inputs, based on 1967 household size, adjusted by overhead factor.

FIGURE 20
Energy of the system

(index 1967=100)



before the “post-industrial” era took off.

This profile of the U.S. economy shows how it has not been producing the level of market basket inputs to reproduce itself since 1967. The whole assembly has been collapsed to about 60% of where it was a generation ago, with the productive portions, as distinct from the remaining overhead, collapsed by more than 60%.

Figure 20 shows this in terms of the decline in “energy of the system.”

In other words, the rate of real profit in the economy, in terms of the capability for reproduction, has been falling. This trend, based on the relationships $S'/C+V$, is shown in Figure 2 on p. A2.

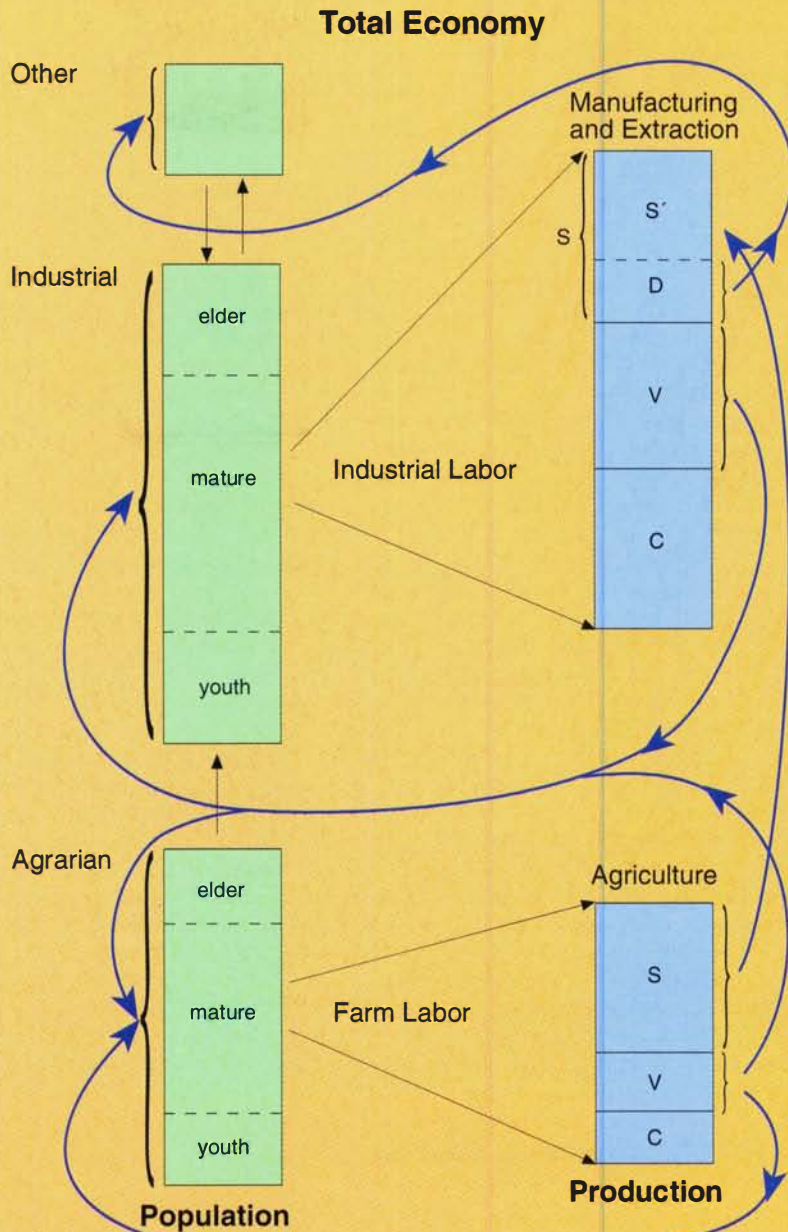
The meaning of these symbols is shown in Figure 21, the diagram of the physical-economic process often used by Lyndon LaRouche (for a complete explanation, see LaRouche, *So, You Wish to Learn All About Economics? A Text on Elementary Mathematical Economics* [Washington, D.C.: EIR News Service, Inc., 1995]).

The definitions, in brief are:

V: The portion of total physical-goods output required by households of 100% of the operatives’ segment.

C: Capital goods consumed by production of physical goods, including costs of basic economic infrastructure of physical-

FIGURE 21
Diagram of the physical-economic process



Vertical bars represent 100% of population and production; internal divisions represent the critical ratios, or inequalities, that define productivity, capital-intensity, and rate of profit of an economy. New modes of production, engendered by scientific discovery and technological innovation, force non-linear transformations of the internal composition of the whole.

goods production.

S: Gross operating profit of the consolidated agro-industrial economic enterprise.

D: Total overhead expense, including consumer goods (of households associated with overhead expense categories of employment of the labor force), plus capital

goods consumed by categories of overhead expense.

S': Net operating profit.

This method of economic analysis shows that the United States is only capable of producing about half what it was able to a generation ago, and at half the productivities.

America's physical economy is rapidly disappearing

by Richard Freeman

Thirty-two years after British intelligence's Permindex murdered President John F. Kennedy in November 1963, the U.S. physical economy has deteriorated so badly that one would need an archaeological dig to find it. The defining cause of this collapse is the successful 1960s move by the British oligarchy to foist the Malthusian paradigm of the post-industrial society upon the United States.

Since the mid-1970s, the U.S. physical economy has contracted at a yearly rate of 2%. This contrasts starkly with the claim that in the 1990s, the U.S. economy, measured in Gross Domestic Product (GDP), has grown at a rate in excess of 3% per year.

The use of GDP as a measure of the economy is axiomatically and fatally flawed: GDP indiscriminately mixes together productive economic activity, such as steel and machine tool production, with non-productive, wasteful, and speculative activity. Prior to the mid-1960s, when the economy at least produced something, GDP, in a limited way, reflected production and reality. Today, two-thirds of GDP is comprised of purely non-productive activity. Moreover, inflation, triggered by the explosion in worldwide speculative financial aggregates,

has vastly inflated GDP, and other dollar-based measures of the economy, by approximately a factor of 10.

This article examines the U.S. physical economy's disintegration during the last 30 years: First, the change in productive workers as a percentage of the U.S. labor force. Second, the drop in America's productive investment in new plant and equipment.

Third, it will look at a category entitled "value added by the goods-producing sector," which is part of the GDP accounts. This category allegedly represents, in dollar terms, the real wealth added to the economy. By contrasting this "value-added" category to *EIR*'s market basket index, a generalized measure of inflation can be developed. Applying this measure, one finds that, far from rising at an explosive rate of growth (as the Conservative Revolution's Newt Gingrich claims), U.S. budget expenditures, in physical terms, are actually falling precipitously. Combined with dropping revenues, this defines the real reason for the U.S. budget debacle.

Post-industrial society

But first, in order to give a thumbnail sketch of what happened in policymaking to

cause the physical economic collapse of the past three decades, we look at the House of Windsor's policy called the "post-industrial society."

Following World War II, the United States lived off the capital of the war mobilization, and its sequel, the Korean War mobilization. Under President Dwight Eisenhower (1952-60), the U.S. economy headed into a serious recession in 1957-58. President Kennedy pulled the United States out of that economic breakdown. His investment tax credit, and the Apollo space program, which provided a "science driver" for the economy, produced significant rates of physical-economic growth. But after Kennedy's murder, the British intensified their promotion of the post-industrial society policy.

The key characteristic of the post-industrial society is its emphasis on speculation over production: Technological progress is targeted for destruction, and speculation skyrockets, causing manufacturing and agriculture to wither. In the 1960s, speculation first intensified in the offshore, unregulated Eurodollar market. Then, with the disastrous August 1971 decision to take the United States off the gold standard, petrodollar recycling exploded. During 1973-75, there was the first oil hoax, which was followed in 1978-79 by the second oil hoax. In 1979, Federal Reserve Board Chairman Paul Volcker sent interest rates up over 20%, fueling even greater speculative madness.

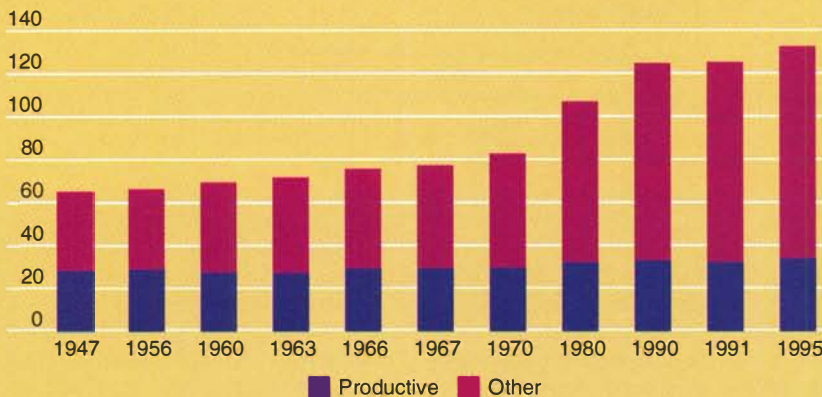
The fervid speculation sucked the lifeblood out of the physical economy.

The labor force

Figure 1 shows the U.S. labor force from 1947 through 1995. In 1947, nearly half (47.2%) of America's labor force of 60.9 million were productively engaged. In Figure 1, we included essential workers under the productive worker category, but the distinction is important. Man exists through the power of his creative ideas, which he applies to the scientific alteration of nature, to produce the means for man to exist, and to alter his

FIGURE 1
Size of U.S. labor force, 1947-95

millions



species self, to create ever higher-order ideas so that he may live at successively higher cultural and material levels of existence. This not-entropic form of development is represented by a rising rate of relative potential population density. Productive workers include those engaged in agriculture, manufacturing, construction, mining, public utilities, transportation, and so forth. They alter nature; they produce the physical goods inputs, in the form of consumer and capital goods, to reproduce the human species. In a healthy economy, they are employed in the most advanced capital-intensive, energy-intensive mode of production.

Essential workers constitute those engaged in vital soft infrastructure, such as doctors, nurses, teachers, scientists. They do not alter nature directly, but transmit knowledge or essential services to those who do. All other workers, with some important exceptions, can be classed as overhead.

From 1947 to 1995, America's labor force more than doubled, with 71.7 million new entrants, increasing from 60.9 million, to 132.6 million workers. But nearly all of the 71.7 million workers took jobs representing an overhead expense to the economy. Whereas, in 1947, productive workers represented 47.2% of the total labor force, over the years, they represented a progressively smaller share: In 1960, they represented 40.4% of the total labor force; in 1970, 36.4%; in 1980, 30.4%; and today, 25.9%. Today, only one in four workers is productively engaged; the other three work in overhead. Whereas, in 1947, each productive worker was needed to produce enough to support two families (his own and the family of someone engaged in overhead), today, every productive worker is called upon to produce enough goods for his family and the families of 3.0 overhead workers. With 2.6 persons per American household on average, the productive worker must produce enough to support 10.4 people. Were productivity levels rising, because of the introduction of new technology, that might be possible, but the post-industrial society policies forestalled most technological advance.

Figure 2 shows the picture for manufacturing starting in 1956. The right-hand bars show the percentage that manufacturing workers represent of the total U.S. labor force. The left-hand bars represent manufacturing's new productive investment in plant and equipment, expressed as a percentage of GDP. This latter measure—the expenditure to replace worn-out machinery and to technologically upgrade for the future—is a crit-

FIGURE 2

Manufacturing investment and employment

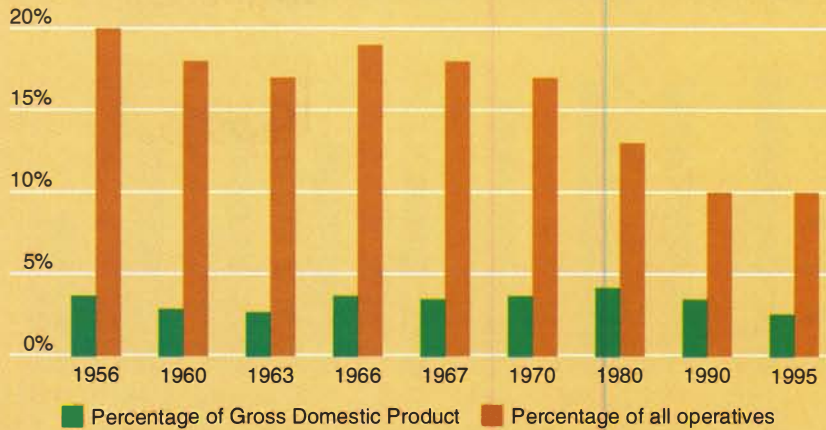


FIGURE 3

Agriculture investment and employment

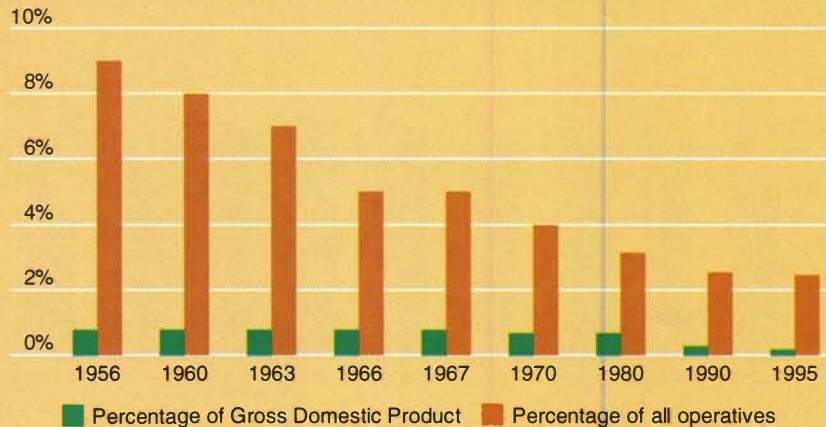


FIGURE 4

Mining investment and employment

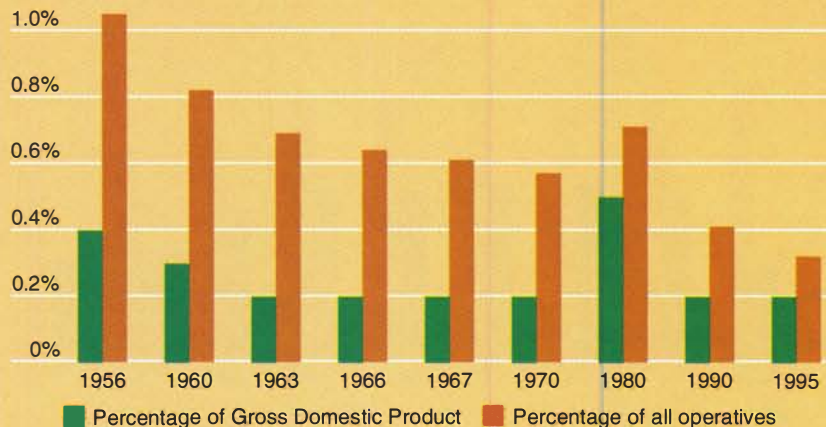


FIGURE 5
Construction investment and employment

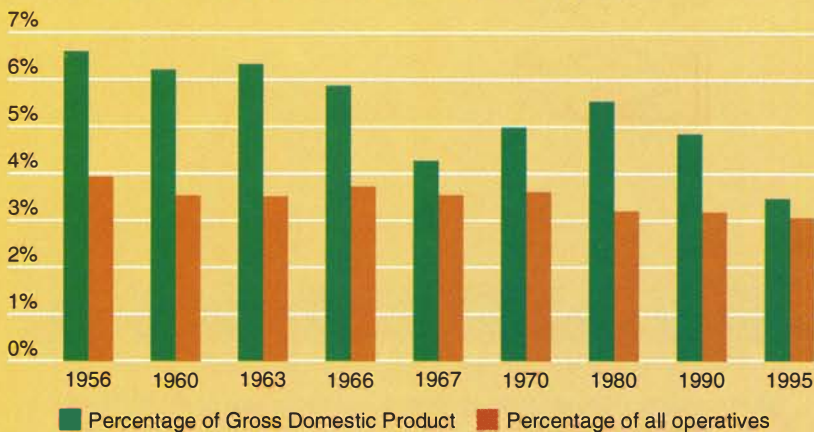


FIGURE 6
Transportation investment and employment

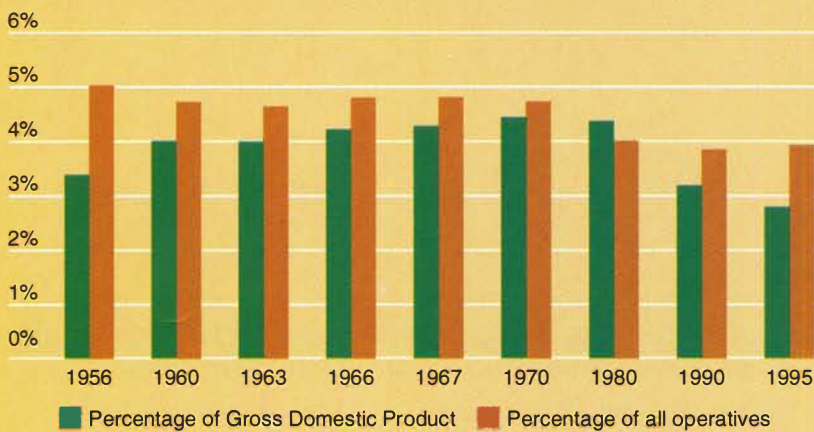
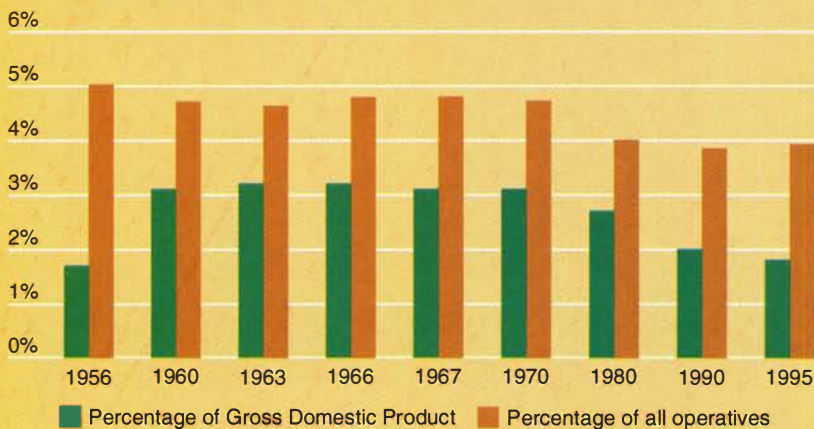


FIGURE 7
Basic physical infrastructure investment and employment



ical parameter, indicating what stock manufacturing puts in its own future and that of the economy. As such, it is a measure of manufacturing's capital intensity.

Manufacturing, of course, produces the vast majority of all intermediate and finished industrial goods in the economy. (In dealing with manufacturing as well as mining, construction, and transportation and public utilities workers, we are dealing only with those whom the Department of Labor classifies as "non-supervisory production workers.") In 1956, some 20% of the labor force (one out of five workers) worked in manufacturing. For that year, that sector's investment in new plant and equipment, as a monetary amount, was equal to 3.7% of the U.S. economy's GDP. By 1995, things had changed radically. Manufacturing workers as a percentage of the total labor force was halved, falling to 10% of the total workforce. New investment in plant and equipment in manufacturing, which had held steady or even risen until about 1980, plunged sharply. By 1995, it was one-third lower than the 1956 level.

Figure 3 documents that from 1956 to 1995, the number of farmers declined from 9% to 2% of the total labor force. Much of the decline from the 1940s through the 1960s was a healthy trend, reflecting farmers coming off the land as the increased use of fertilizers and other farm inputs increased farm productivity per hectare. But the reduction of the farm workforce during the 1970s and 1980s, involved looting of the farm sector. Ominously, the amount of new investment in plant and equipment in the farm sector, expressed as a percentage of GDP, fell from 0.8% in 1956, to 0.2% in 1995—one-quarter of its level of 40 years ago.

Figure 4 shows the mining sector, which produces the 50 minerals and metals out of which two-thirds of all manufactured goods are made. In 1956, mine workers constituted 1.1% of the total U.S. labor force. In 1995, they were 0.3% of the labor force. In 1980, the mining sector's investment in new plant and equipment as a percentage of GDP, rose, reflecting the oil and gas drilling boom of the early 1980s. But by 1995, this percentage had fallen to a level two-thirds below that of 1956.

Figures 5 and 6 exhibit the picture for construction and transportation, respectively. The figures parallel the downward trajectories of manufacturing, agriculture, and mining.

Figure 7 depicts investment and employment in the hard infrastructure sector. The construction sector represents workers who are engaged primarily in construction of

homes and commercial properties. The physical infrastructure sector includes workers building and tending the essential infrastructure of the country—railroads, waterworks, mass transit, harbors and river channels, dams, power plants and distribution, and so forth. As a percentage of the total U.S. labor force, the hard infrastructure sector's employment fell from 5% in 1956, to 3.9% in 1995. Even more ominous, the level of capital intensity of the sector, after rising from 1956 to 1966, then fell by 45% by 1995.

Figure 8 looks at soft infrastructure, which comprises medicine, education, science, and engineering. It represents what would appear to be a trend counter to all the other sectors we have looked at thus far. The employment in soft infrastructure, as a percentage of the total labor force, rose from 4.4% in 1956, to 6.2% in 1995. However, this is due entirely to the increase in medicine and health care employment, which is shown in **Figure 9**. From 1950 to 1992, this rose as a percentage of the total labor force, from 0.6%, to 3.3%, which entirely accounts for the increase in soft infrastructure employment.

The transformation of the health and hospital sector says something about the economy as a whole. Next to retail sales, this is the fastest growing sector of the economy. On the one hand, there is growth in the number of doctors and nurses (see **Figures 10 and 11**), in part because of the increased number of elderly who are being treated, especially in nursing homes and care centers. To this must be added employment in job categories which previously did not exist; for example, the technicians who operate the various diagnostic equipment which has been developed over the past two decades. However, the biggest part of the increase in medical employment is not for skilled medical personnel, but for cheap labor. In 1992-93, out of 9.699 million people working in the health and hospital sector, 3.912 million, or 40%, were accountants, clerks, cooks, maids, laundry workers, etc.

Moreover, it should be kept in mind that, while the number of doctors is rising, this does not mean that there is equal access to doctors. Some areas, especially large cities such as New York or Chicago, have a dwindling number of doctors per 10,000 population for the increasing poor and middle-income layers of the population.

Women enter workforce en masse

There was still another change for the worse in the labor force, a rise in the labor

FIGURE 8
Soft infrastructure workers, as a percentage of the total workforce

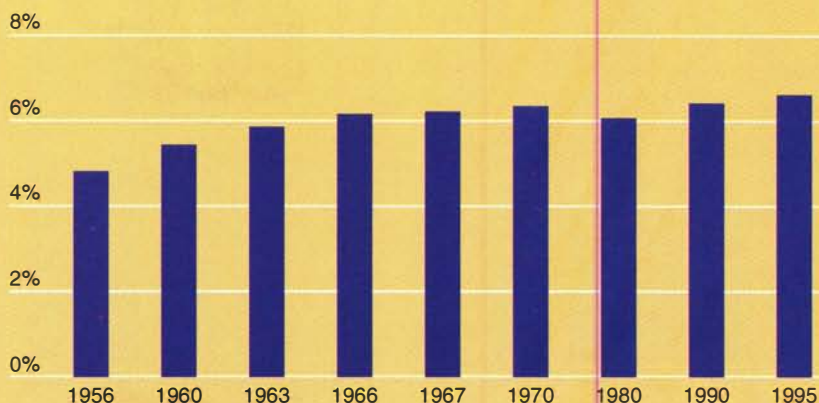


FIGURE 9
Health care employment

percent of total population

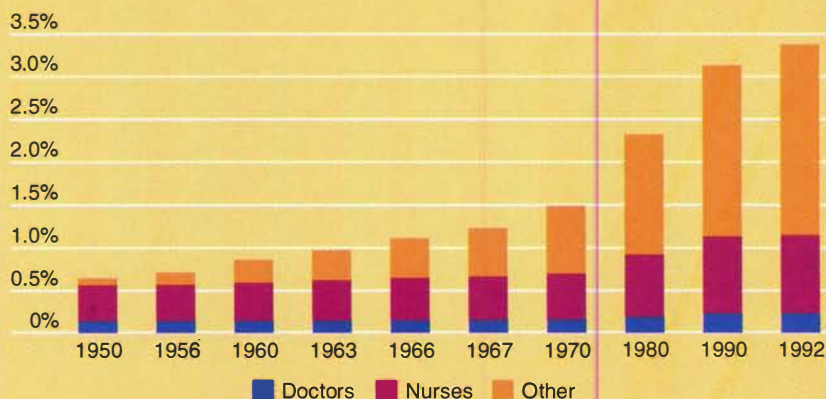


FIGURE 10
Working physicians, as percentage of total population

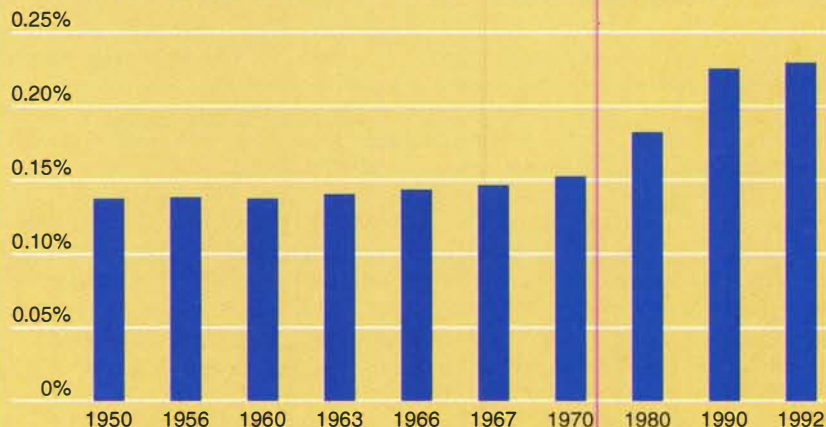


FIGURE 11

Working nurses, as percentage of total population

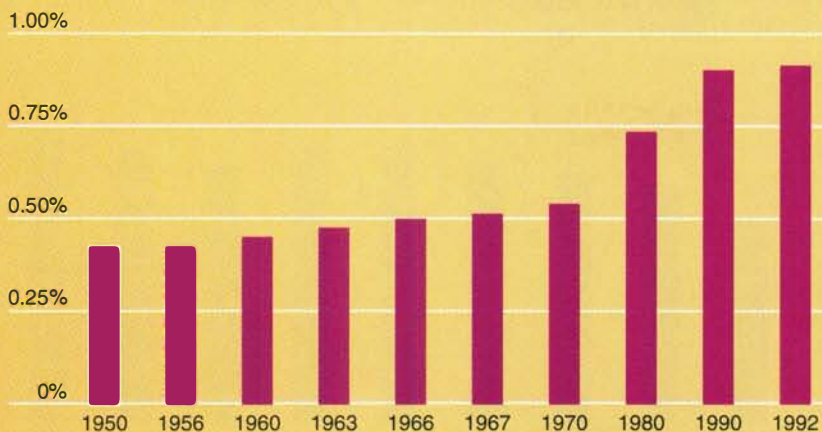
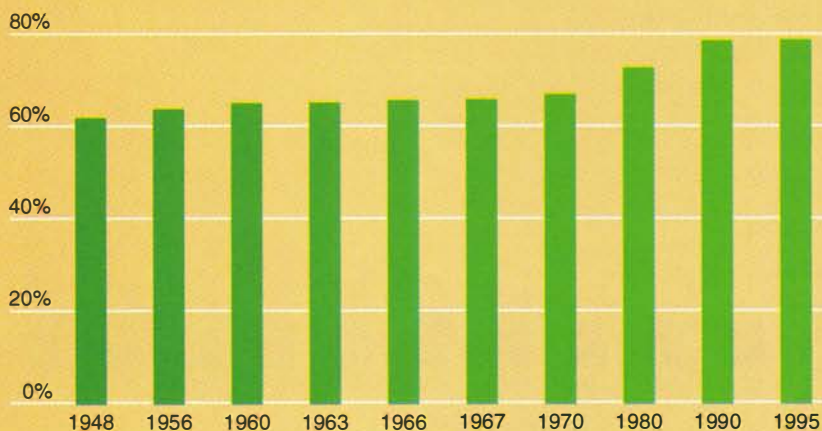


FIGURE 12

Participation rate of persons age 20-64 in the labor force



force participation rate, precipitated by the abrupt fall in wage levels that sent women into the labor force en masse. In 1948, roughly 62% of the population in the 20- to 64-year-old age bracket (which comprises the majority of the workforce) was in the labor force. The percentage increased modestly through the mid- to late-1960s (see **Figure 12**), when it began rising sharply. This is the era when incomes, as measured in physical purchasing-power terms, started to collapse. By 1994, the labor force participation rate was 79%, some 17 percentage points higher than it was in 1948. This is entirely due to women entering the labor force.

If a woman chooses to work, for independence, the mental challenge, sense of accomplishment, or whatever, she should be encouraged to do so. But most women in

this period were forced to work, because of collapsing family incomes. This had a direct impact on U.S. fertility and birth rates, which plunged from 1970 onward. If both husband and wife work, it is very difficult, on average, for a family to raise more than one or two children.

The breakdown in the economy was further exemplified by the 40-50% fall in the market basket (see p. A5).

These trends, including the shift out of productive jobs in manufacturing, construction, agriculture, mining, etc., into non-productive, non-essential jobs, most of which are service industry jobs, or dead-end jobs at McDonalds or K-Mart, had major implications for federal, state, and local budgets. According to the Department of Labor, these jobs pay one-third less than manufacturing jobs. This translates into one-third, actually

closer to 40% less tax revenues from most of the 71.7 million workers added to the economy since 1948. There is additional lost tax revenue because of the millions of unemployed, and many tens of billions of dollars more tax revenue lost because of closed-down farms and factories. It is clear that, relative to where they would have been had the post-industrial society not taken over, tax revenues have plummeted. The problem is on the revenue, not the spending side, of the budget problem.

EIR's market basket index

In this light, it is absurd that members of both major U.S. political parties, the U.S. Federal Reserve System board of governors, virtually all of academia, as well as the financial and business media, still talk of growth in the U.S. economy. They cite figures in GDP growth, from a level of \$513.4 billion in 1960, to \$7,113 billion in 1995. They debate whether between now and the end of the year 2005, the GDP-compounded annual real growth rate will be 2.5%, 3%, or 3.5%.

Worsening the absurdity of the debate about whether "the budget can be balanced by year X," depending on the rate of rise of tax revenues based on the GDP growth rate, is that the government fakes its figures.

Thus, we will expose the government's GDP indicator on the economy. We will define a generalized rate of inflation, or price deflator, and use this generalized inflation indicator to show that a major problem of the U.S. budget, alongside falling revenues, is falling expenditures—quite the opposite of what Gingrich and his coterie contend. This puts the budget debate in a new light.

As a starting point, we compare the government's concept of "value added by the goods-producing industries," to *EIR's* market basket index. Both measure the same process, but how do the two compare?

The concept of "value added by the goods-producing industries" is a subsection of the U.S. government's GDP accounts, which is calculated by the Department of Commerce's Bureau of Economic Analysis. The Commerce Department attempts to calculate the new wealth, expressed in dollar terms, that each sector of the economy is contributing to the total economy. It does this for every sector, including goods-production; finance, insurance, and real estate; non-government services; and so forth. Within the goods-producing sector, it calculates value added by each of the subsectors—manufacturing, mining, construction, etc.

The Commerce Department says it wants to avoid double-counting, so, to determine the value added, if something is counted as output in the mining sector, it should not be counted a second time as value added in the manufacturing sector, and then counted as value added a third time in the construction sector, and so forth. Thus, the department takes the final total product in a sector, which is that sector's total shipments expressed in dollar terms, and subtracts from it the cost of raw materials inputs for that sector. The raw material input costs of the manufacturing sector would be, in large part, the value added by the mining sector, so they are subtracted out. Thus, value added is roughly defined by final shipments minus the cost of raw materials and supplies.

Another way of describing value added, is that it is the new value that has been added by the labor force in a particular sector in the course of working up raw materials into a finished good within that sector. In this way of looking at it, value added equals a sector's total shipments minus the cost of raw materials inputs for that sector.

The amount of new value-added wealth which the Commerce Department says the goods-producing sector has been adding to the U.S. economy over the years, is displayed, for selected years, in **Figure 13**. In 1960, the value of all value added by the goods-producing (or productive) side of the U.S. economy was \$184 billion. By 1990, the Commerce Department says that value added by the goods-producing side of the U.S. economy was worth \$1,326 billion. This represents the goods-producing portion

of GDP. Based on these figures, the economy has grown by 7.2 times. Even correcting for inflation, using the government's inflation measure, the government would claim that the goods-producing side of the U.S. economy, expressed in constant dollars, has roughly tripled since 1960.

EIR's market basket index, on the other hand, measures the amount of newly created physical product, for a particular year, flowing through the U.S. economy. This is new physical product produced and/or consumed (whichever is higher) expressed on a *per household, per capita, and per hectare* basis. Another way of stating it, is that *EIR's* market basket index measures the physical flow-through of the economy's consumer and capital goods inputs, *per household, per capita, and per hectare*. Thus, it, too, measures the productive side of the U.S. economy, only unlike the value added of the Commerce Department, it does so accurately.

The calculations for the various years are then indexed to 1967, when the flow-through was highest. So, the 1967 market basket index equals 1 (see article, p. A5, for a fuller explanation). Looking at critical years, in 1960, the *EIR* market basket index was 0.873, meaning that the 1960 flow of consumer and capital goods, per household, was 87.3% of the 1967 level. The index rose until 1967, when it equaled 1, and then started plummeting. By 1990, the index stood at 0.603, meaning that it was 39.7% below 1967 levels, and 31.1% below 1960 levels. From 1990 onward, it fell at a 2% annual rate.

Thus, while the value added of the goods-producing part of GDP is rising three-fold, in reality, the physical market basket, measuring the exact same thing, has fallen, cumulatively, since 1960, by now more than 40%. The government's fantasy statement about "goods-producing value added" is debunked by *EIR's* market basket approach.

But this discrepancy allows us to derive a rough, first approximation measure of inflation.

Since the two measures—the Commerce Department's "value added by the goods-producing sector" and *EIR's* market basket index—are measuring the same process, one can set them equivalent to one another. This is done by dividing one by the other, in this case, by dividing the Commerce Department's "value added by the goods-producing sector," by *EIR's* market basket index. Because *EIR's* market basket index is the denominator in this equation, the division yields *what it costs to buy the physical equivalent* of one unit of *EIR* market basket.

One unit of *EIR* market basket is the unit of new physical goods flow-throughs, per household, for every household in the U.S. economy, in 1967. To make this process of division clearer, if one buys one-third of a pound of bananas for 10 cents, then the cost of a full pound is 30 cents—by dividing the cost of the bananas by the amount of pounds, one finds out the price per pound.

Figure 14 shows the results of the calculations. In 1960, the division yields a figure of \$210 billion. In 1990, the division yields a figure of \$2,198 billion. Since both division products are equivalent to the same unit—what it costs to buy the same physical goods flow-through per household that existed in 1967—then this tells us that in 1990, it cost 10 times more in value-added dollar terms to buy the same annual flow of physical goods than it cost in 1960. This is a rough, generalized measure of inflation, or a price deflator. Relative to 1960, inflation is ten times higher.

This means that not only is the dollar content of value added overstated today by 10 times, but any dollar figure attached to what can be bought, relative to 1960, is overstated by ten times. When politicians or economists talk of the economy's "growth," as this example shows, they are, in reality, talking about monetary growth, not an increase in physical output.

What introduced this ten-fold inflation into the U.S. economy? In part, it was the structural shift of the economy, from one in which nearly half the workforce was engaged in productive work, to an economy in which only 25% of the workforce is

FIGURE 13
Value added by goods-producing sector

billions \$

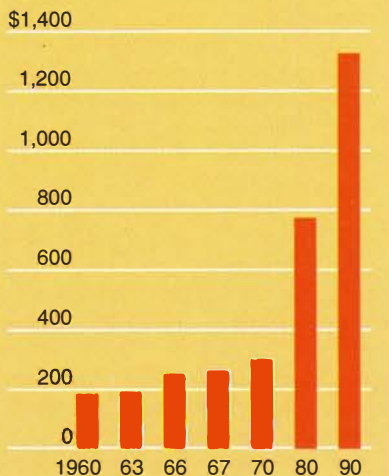


FIGURE 14
Inflation hidden in value added

billions \$

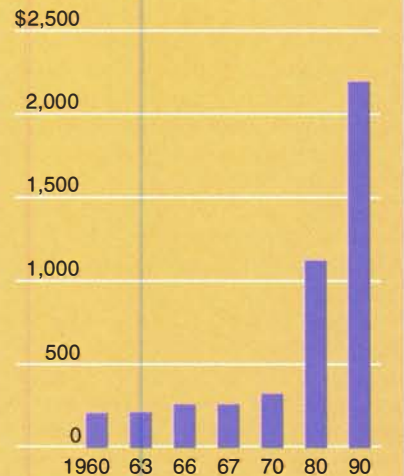


FIGURE 15

Financial profit ratio of the U.S. economy



engaged in productive work. The spiraling cost of overhead was, in part, recouped by companies raising prices. The hyperbolic growth of speculative financial aggregates, creating a worldwide financial bubble, especially during the last 15 years, was an even greater influence, importing monetary inflation from outside the physical system, into the physical system. The potential for inflation to grow even higher because of the explosive growth in the speculative bubble, is very great.

This means that the “official” inflation rate provided by the U.S. government, is a fake. (This is not to discount the fact that various deflationary forces, caused by the economic depression, are also operating in the U.S. economy.)

A further indication of the unreliability of and hidden inflation in the government’s “value added by the goods-producing sector” measure, is that it does not take into account the cost of the economic process required to produce this value added, nor does it take account of the high cost of overhead now associated with the U.S. economy. Thus, over time, “value added” might seem to rise, at least in dollar terms, but it does not reflect what is happening in the physical economy.

Figure 15 depicts the rate of profit, or free energy ratio, of the U.S. economy for the period 1967 through 1990, stated in monetary-dollar terms. The same ratio, but calculated in physical terms, is shown in Figure 2 on p. A2. (The two statements of the free energy ratio, Figures 14 and 15,

draw from entirely different data bases; one is based on measurement of physical goods, the other based on measurement of monetary expressions of wages, etc.)

In the monetary statement of the free energy ratio, one starts with “value added by the goods producing sector,” which represents the new wealth created in the economy, during one economic cycle. From it, one subtracts overhead, called “d,” which is comprised of administrative overhead plus debt service costs. The denominator of the expression is the energy of the system, that is, the input costs required to maintain the equipotential of the economy, stated in dollar terms. Thus, the free energy ratio of the system represents an economy’s “output minus its input,” corrected for overhead, divided by its required inputs. An economy’s durable survival is constrained by the need of a rising rate of growth for the free energy ratio.

The U.S. economy’s rate of profit, or free energy ratio, in physical and monetary terms, show a sharp plunge downward (the ratio stated in dollar terms shows a time lag because of the distortion that monetary terms introduce). “Value added,” taken by itself, does not reflect this, because it does not represent what is happening in the economy.

Collapsing government expenditures

The Robespierre of the Conservative Revolution, House Speaker Newt Gingrich, claims that the U.S. government budget is unbalanced because expenditures are “exploding out of control” due to “liberal over-spending.” But, contrary to Gingrich’s claims, based on what has been developed above, one can prove that vital expenditures are falling, apart from any cuts that have been imposed. This is disguised because the government’s figures for inflation are so understated.

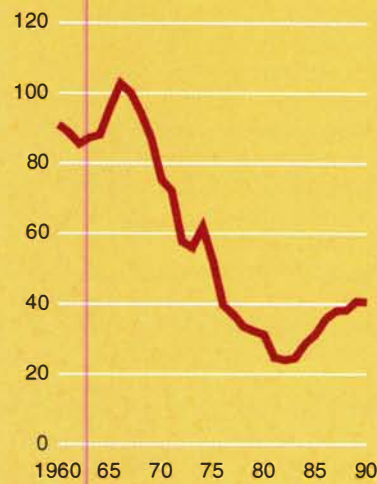
Take such budget-items as education or health care. Are they really zooming upward? The dollar amount in the budget may be increasing, but the physical product that the dollar buys is drastically shrinking.

In 1960, the combined spending of federal, state, and local governments for education was \$135 billion. In 1990, it was \$1,837 billion. On the face of it, over 30 years, government spending for education increased 13.5 times. But did the content of education increase by 13.5 times? If one adjusts this figure by the rough inflation measure developed above—that inflation has increased approximately ten times since 1960—then

FIGURE 16

New school construction per household

index 1967=100



the combined government spending for education increased by 3.5 times from 1960 through 1990. But even that may be overstated, raising the question whether the inflation measure developed above is itself understated.

What would the spending for education go for? Teachers’ salaries? According to the U.S. government inflation index, from 1960 through 1990, the wages of teachers rose, but by a rather modest amount.

Perhaps, then, the spending was for new school plant and equipment? Figure 16 shows the physical amount of new school floor space constructed, per household, since 1960. It is set to an index in which 1967 equals 1. Its level in 1990 is 60% below the level of 1967, and 56% below the level of 1960. Overall, little if anything in education has increased.

The same story is repeated for most line items for essential hard and soft infrastructure in the budget. The real scandal of the federal, state, and local budget situation, is that expenditures, measured in physical terms, are falling. Combined with falling revenues, this is creating a debacle.

This problem cannot be solved by any short-term expedient, such as more budget-cutting or some monetarist monetary reform, which would allegedly restore the purchasing power of the dollar. Americans must open their eyes, and recognize that the origin of the collapse of the physical economy is located in the fact that America succumbed to post-industrial society policies 35 years ago.

Financial processes split from physical wealth production

by Anthony K. Wikrent

The financial deregulation of the past three decades has decoupled financial processes from the underlying real physical economy, allowing financial turnover to increase 43,000% from 1956 to 1990, while real economic output and consumption, per capita, per operative, and per household, have fallen by one-third to one-half. Even the greatly flawed measure of national income accounting, Gross Domestic Product (GDP)—which fails to adequately differentiate between productive economic activity, and parasitical economic activity—has only increased 13-fold, compared to the 430-fold increase in financial turnover (see Figure 1).

In 1956, when the U.S. GDP was \$425.2 billion, the total turnover in U.S. financial markets—the total value of all buying and selling of assets in all types of financial markets, both primary (initial offerings) and secondary—was \$534.0 billion, just 25.6% larger than GDP. The correspondence, close to one to one, between GDP and financial turnover, reflected the fact that most financial transactions were generated—i.e., called into being—by some need of the real, physical economy.

By 1990, U.S. GDP had grown to \$5.546 trillion, but the total financial turnover—fueled by the removal of restrictions intended to steer financial flows into productive economic activities, and the development of entirely new financial instruments which simply did not exist in 1956—had grown to \$226.922 trillion, 41 times more than GDP. Financial transactions no longer bore any relation to the needs of the real physical economy; indeed, with the development of financial derivatives (such as futures and options), financial transactions were calling

other financial transactions into being, in a self-feeding process of speculation, arbitrage, and usury.

The decoupling of finance from the real economy is clearly seen in the foreign exchange market. Figure 2 shows the relationship between U.S. foreign exchange trading, and U.S. imports and exports of physical goods. It clearly shows the sudden shift in the relationship between 1970 and 1980. In the 1950s and most of the 1960s, the conversion of the dollar into other national currencies was driven almost entirely by actual foreign trade, or travel. In addition to imports and exports, there were also the receipts of investment income from overseas; payments of investment income

from the United States to overseas; net military transactions—U.S. military assistance to other countries; other types of services that Americans paid for overseas; and remittances, pensions, and other transfers from the United States to other countries (which occurs, for example, if a retired U.S. citizen living in Costa Rica has his or her Social Security check, or corporate retirement check, sent to Costa Rica).

There was at this time *no* foreign exchange trading caused by speculation. In its research, *EIR*'s economics staff found an article titled "Sales of Foreign Currency at New York Drop; Good Exchange Rates Abroad Cited" in the *Wall Street Journal* of June 11, 1959. The article is devoted entirely

FIGURE 1
Financial turnover explodes
trillions \$

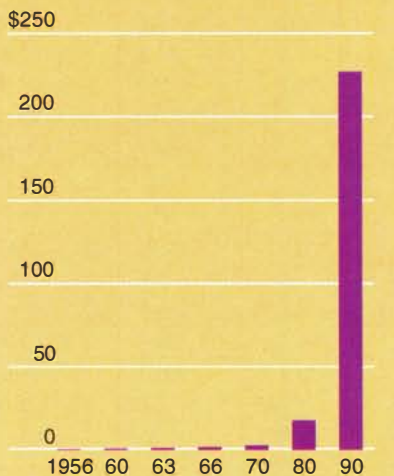


FIGURE 2
Mercantile trade as percent of foreign exchange

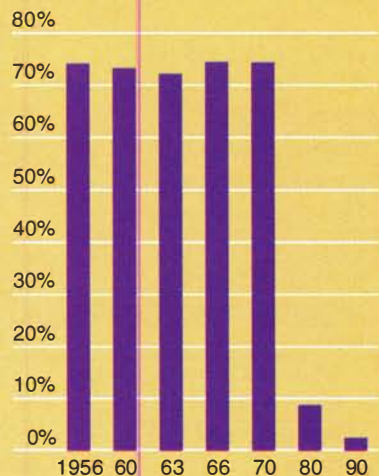
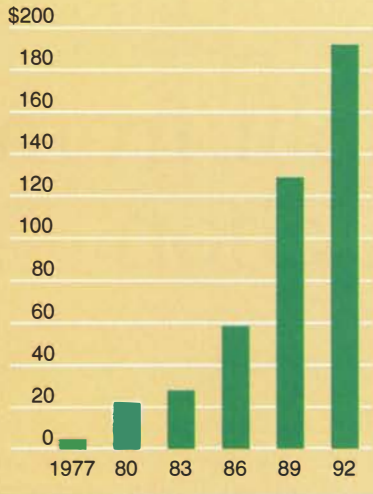


FIGURE 3

Daily volume of U.S. foreign exchange trading

billions \$



to a discussion of the need for *travellers* to exchange their dollars for the foreign currency of the overseas country to which they are travelling. There is no mention, or even hint, of any other reason for foreign exchange to take place. The assertion that there was no speculative trading in foreign exchange is further validated by a number of books from around the same time, all of which deal with foreign exchange trading caused by foreign travel, importing and exporting, and remittances overseas.¹

The numbers for foreign exchange in 1956, 1960, 1963, 1966, and 1970, in Table 1 are calculated by adding the dollar value

of imports, plus exports, plus international transactions (as listed above).² The accuracy of the resulting sums, as a reflection of foreign exchange trading, is likely to lessen, as one approaches 1971, when the British effectively pulled the plug on the world monetary fixed-exchange-rate system pegged to a gold-backed U.S. dollar. However, in comparison to Figure 3 (discussed below), the actual amount of U.S. foreign exchange could be double the *EIR* estimates, without greatly affecting the general trend in the relationship between foreign exchange and actual merchandise trade.

Moreover, the greatest part of the world's speculative foreign exchange trading before 1971, was associated with the Eurodollar market, and both markets were (and are) centered in the City of London, not New York City. By 1970, the Eurodollar market, though huge at the time, amounted to only around \$70 billion.³

The figures for U.S. foreign exchange trading shown in Table 1, in 1980 and 1990, are based on actual survey measurements of the market by the U.S. Federal Reserve. In April 1977, the Fed surveyed, for one month, trading at 44 banks, probably representing around 98% of all foreign exchange activity in the United States at that time. The survey found that there was \$4.8 billion in daily foreign exchange trading in the United States. Multiplied by 244 working days in a year, that is about \$1.2 trillion. After 1977, the Federal Reserve conducted a survey of foreign exchange activity every third year, during the month of April of the year that the study was done. Figure 3 shows the actual results of the Federal Reserve surveys

conducted in April of every third year, beginning in 1977. The 1990 number in Table 1 is a computer-generated exponential fit of the survey results for 1989 and 1992.

Many of the numbers in Table 1 were constructed on estimates of trading of a particular class of instruments, "anchored" by one or more observations. In other words, actual figures for the turnover in many U.S. financial markets, are not readily available for public scrutiny, and had to be estimated.

The equity, or stock, market

The one market for which good, hard data are available, is the equity, or stock, market.⁴ As can be seen from Table 1, U.S. equity markets account for less than 1% of total financial turnover. Yet every day you hear, on radio or television, the economy being generally measured by how high the Dow-Jones Industrials Average has risen.

And the Dow-Jones itself is actually a very small part of the equity markets. The U.S. equity market is comprised of the New York Stock Exchange; the American Stock Exchange; the National Association of Securities Dealers Quotation System (NASDAQ), an "over-the-counter" market, rather than an "exchange"; and the regional stock exchanges, such as the Midwest Stock Exchange and the Pacific Stock Exchange. In 1990, there were 1,774 companies listed on the New York Stock Exchange; 859 on the American; 4,132 on NASDAQ, and a few hundred more on the regional exchanges.

The Dow-Jones is the average of the prices of only 30 stocks—less than one-half of 1% of the companies that have issued

TABLE 1

Dollar value of trading in U.S. financial markets

billions \$

	1956	1960	1963	1966	1970	1980	1990
Equity markets trading	\$ 36.3	\$ 47.0	\$ 61.2	\$ 127.9	\$ 136.0	\$ 522.0	\$ 1,751.0
U.S. government securities trading	275.8	478.0	722.1	1,090.8	1,890.7	4,840.0	26,084.5
Futures trading	150.0	165.0	203.0	249.9	329.5	5,584.2	152,717.0
Foreign exchange trading	41.0	47.0	54.5	73.6	110.8	5,449.0	36,000.0
Corporate debt trading	18.7	35.1	56.3	90.4	169.8	821.2	3,972.0
State and municipal bonds	12.3	23.2	37.2	59.7	112.1	542.0	2,621.5
Options trading, on exchange	na	na	na	na	na	45.8	79.1
Mortgage derivatives	na	na	na	na	na	na	3,697.0
OTC swaps, forwards, options	na	na	na	na	na	na	?
Total	534.0	795.3	1,134.4	1,692.3	2,748.9	17,804.2	226,922.1
U.S. Gross Domestic Product	425.2	513.4	603.1	769.8	1,010.7	2,708.0	5,546.1
Turnover divided by GDP	1.256	1.549	1.881	2.198	2.720	6.575	40.916
GDP as percent of turnover	79.62%	64.56%	53.17%	45.49%	36.77%	15.21%	2.44%

Shaded area denotes off-balance sheet. Italics denote an estimate by EIR Economics Staff.

FIGURE 4

U.S. government securities trading

trillions \$

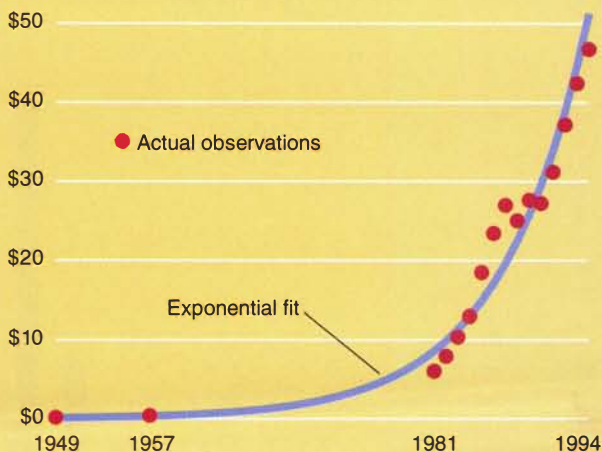
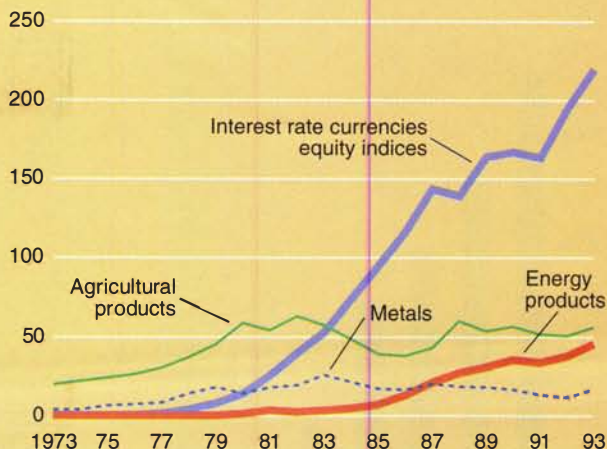


FIGURE 5

Financials dominate futures markets

millions of contracts traded



public stock in the United States. The Dow-Jones is actually a weighted average; that is, it is adjusted to account for things like stock splits of the companies used for the index, since Dow-Jones, publisher of the *Wall Street Journal*, began the average in 1884.

Why is it that the U.S. economy is supposedly measured by this Dow-Jones industrials average, which actually is looking at an absurdly small part of the financial markets? Could it be that the powers and principalities that have created, and feed off, this maelstrom of financial turnover, would have the American public remain ignorant of the true, monstrous size of the financial markets?

Hard data are also available, since 1981, for the turnover in the U.S. government securities market, which is comprised of Treasury bills, Treasury notes, and Treasury bonds. The data come from the Federal Reserve Bank of New York, which must track this market, so it has some idea of what it is doing, since it is the entity, though privately owned (i.e., not owned by the U.S. government), that is charged with carrying out, by buying and selling U.S. government securities, the monetary policy of the Board of Governors of the Federal Reserve.

In addition, there are also data available for 1949, from a study of all U.S. over-the-counter security markets done by the Wharton School of the University of Pennsylvania, and published in 1958. Wharton surveyed brokers and securities dealers, during the last three months of 1949.⁵ There are also data for 1957, when a scandal in the U.S. government securities markets caused the Treasury Department and the U.S. Federal Reserve to undertake

another survey of this particular market.⁶

To obtain figures for 1956, 1960, 1963, 1966, 1970, and 1980, *EIR* used a computer-generated "exponential fit" of the data available for 1949, 1957, and 1981-94. The result is portrayed in Figure 4. As can be seen, just using the exponential fit to estimate the figure for 1980 would yield a figure that was probably twice the actual amount, so another exponential fit was done, using only the data for 1981-94. But, even if the *EIR* estimates are off by a factor of 100%, it is clear that the error would be insignificant compared to the hyperbolic growth exhibited by the real data, from 1981-94, in relation to the amount of trading actually measured in 1949 and 1957.

The data for turnover in the futures markets in 1970, 1980, and 1990, are based on the number of contracts traded, which is reported by the organized exchanges, such as the Chicago Board of Trade, the Chicago Mercantile Exchange, and the New York Commodity Exchange.⁷ To obtain the dollar value of turnover, *EIR* multiplied these numbers by the average value per contract for 1978-80, which was calculated by ACLI Research in 1981. The figures for earlier years were estimated on computer-generated exponential fit of data from 1960-70, with 1960 set at \$165 billion, half the 1970 figure, on the basis of a graph accompanying the ACLI data, which showed that the number of futures contracts traded in 1961 and earlier years was about half the number traded in 1970.⁸

Are these estimates for turnover in the U.S. futures markets accurate? Figure 5 shows the number of futures contracts traded, by type, from 1970 to 1993. Note that

"financials" futures contracts, based on such things as interest rates, currencies, or equity indices, simply *did not exist* in the early 1970s. Since the late 1860s, futures trading during an entire century was based on agricultural commodities. But after the City of London pulled the plug on the world's fixed-exchange rate system in 1971, and after the Bank of England, and then the U.S. Federal Reserve, deregulated interest rates in the late 1970s, financial contracts came to dominate the futures markets. The average value for interest rate contracts is around 10 times that of agricultural and other commodities, while the average value of currency contracts is twice that of agricultural and other commodities. If anything, the number for 1990 is probably too low, since an average price in

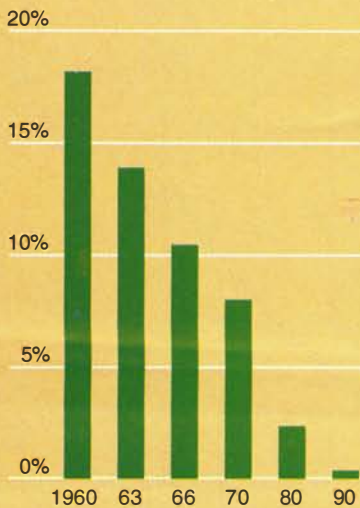
A note on our sources

The graphics in this Special Report were prepared using two principal sources. The market basket, labor force, and related charts are drawn from the *EIR* economics database (consisting of roughly 500 tables), built up over the last 15 years, to cover the United States from the 1700s to the present, and 137 other nations from the 1960s to the 1990s. Data come from many agencies, including the U.S. government, U.N., OECD, and industry and trade groups.

Data for financial charts come from government, U.N. (IMF, World Bank, GATT, WTO), private banking, and research agencies.

FIGURE 6

M1 as percent of financial turnover



1978-80 is used.

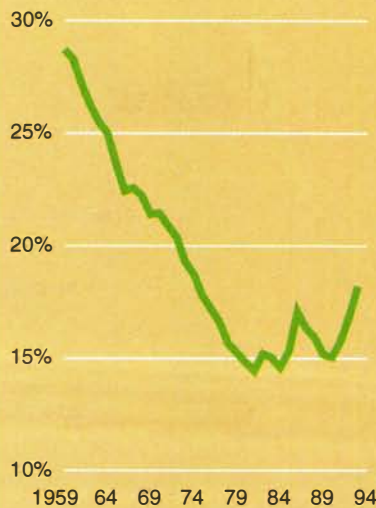
Finally, beginning in mid-1993, the Chicago Mercantile Exchange itself began to release figures of the nominal value of contracts traded at the CME each month. In November 1993, the CME boasted that it had set a new monthly record of 13.466 million contracts traded, representing a dollar value of \$8.8 trillion. By late 1994, this monthly value had doubled. On Jan. 3, 1995, the CME boasted that its total volume for 1994 had jumped 54%, to 226.3 million contracts traded, worth nearly \$200 trillion. Soon thereafter, the CME ceased to provide a figure for the dollar value of contracts traded.⁹ This, for just one leading U.S. futures market. While the CME traded 103.9 million contracts, from January to June 1995, its rival, the Chicago Board of Trade, traded 109.7 million contracts. The New York Mercantile Exchange traded 39.2 million contracts.

The figure for corporate debt trading is another computer-generated exponential fit, based on the 1949 data in the Wharton study, and data for 1987-91, for "Institutional Trading of Corporate Debt," from the Securities Industry Association.¹⁰

Except for 1949 data from the Wharton study, no data were available for the turnover in the state and municipal bond market. The Wharton study figures show that this market was nearly twice as large as the corporate bond market, but to be conservative, *EIR* arbitrarily chose to set the state and municipal bond market at two-thirds the size of the corporate bond market. By 1990, the U.S. government securities, futures, and

FIGURE 7

Money supply as percent of GDP



foreign exchange markets were so huge, that the *EIR* estimate of the state and local bond market could be quadrupled, with a hardly noticeable increase in the sum of financial turnover in all markets together.

Options on agricultural commodities were outlawed in the United States in the 1930s, and were not re-introduced until the opening of the Chicago Board Options Exchange in 1971. Data for 1980 and 1990 are taken from the same source as data for turnover in the equity market.¹¹

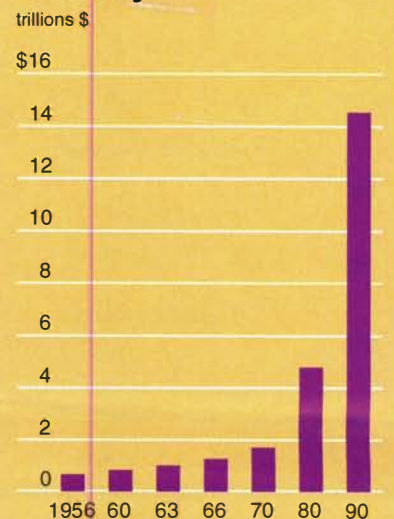
The market for mortgage derivatives is an even more recent development than the options market. Though the Federal National Mortgage Association (Fannie Mae) had created a secondary market in mortgages, it was not until 1981 that Fannie Mae created the first mortgage-backed securities by pooling together hundreds of separate mortgages into one financial instrument. That this market grew from nothing in 1981, to \$3.1 trillion in 1989, suggests how large is the demand for new instruments to fuel increasing financial turnover.¹²

OTC swaps, forwards, and options

Finally, there is a line for Over-the-Counter (OTC) swaps, forwards, and options. These are new financial instruments, all derivatives, that have been created since 1980. Many of these instruments are tailored for the purchasers, and supposedly there is not much of a liquid secondary market for these instruments; hence, there is apparently little turnover. On the other hand, the use of these instruments often begets

FIGURE 8

Total debt in the U.S. economy



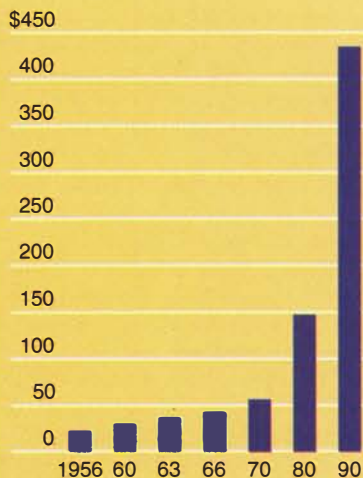
trading in exchange-traded instruments, particularly futures and options, driving further turnover in those markets. From 1989 to 1990, the nominal value of OTC derivatives outstanding increased from \$5.436 trillion, to \$7.888 trillion, an increase of \$2.452 trillion. From 1990 to 1991, this figure increased another \$2.622 trillion, to \$10.510 trillion.¹³

How this vast increase in financial turnover has obliterated any connection between the real economy and the financial system, can also be seen by comparing M1 money supply—coin, currency, and checking deposits—to both GDP and the financial turnover. **Figure 6** shows that, as the various financial bubbles have ballooned, actual money has almost disappeared as a comparative percentage of financial turnover. This is hardly surprising, as almost anything in the real world, where growth rates of 2-6% per annum are the norm, is going to shrink dramatically in comparison to the monstrous growth of financial turnover, which grew 29.4% per annum from 1980 to 1990.

Perhaps more interesting is the collateral damage the growth of financial turnover has inflicted on the relationship between money supply and GDP. As **Figure 7** shows, around 1960, real money in circulation amounted to just under one-third of GDP, meaning that the money supply was turning over slightly more than three times a year. Put another way, one dollar was chasing a little over three dollars of goods and services in this period.

By 1980, however, M1 money supply had fallen to just 15% of GDP. The money

FIGURE 9
Total debt per productive worker
 thousands \$



supply was turning over six times each year—velocity was twice as fast as 20 years before. Or, to put it another way, one dollar was chasing six dollars of goods and services.

Now, the classic definition of inflation is too much money chasing too few goods. Here, we see that the United States had clearly entered an environment in which price deflation was to be expected. Yet, the history of this period is of a terrible war on price inflation, with the entire middle class of the United States now threatened with being wiped out as war casualties.

The stupendous growth of financial turnover points to the solution to this seeming paradox. The financial deregulation that spawned the growth in financial turnover, also effectively allowed a privatization of the money-creation power in the economy. M1 money supply, in effect, was the store of value, and means of payment, for the ignorant masses. For the financial elite who attended the racetrack of financial turnover, new instruments, such as computer-debited and -credited “investment” accounts were created, which served the same store of value and means of payment functions as M1 money supply.

These privatized money supplies—largely outside the control and purview of the federal government or the Federal Reserve—in fact grew so explosively during this period, that the ingredients were indeed present for the classic recipe for inflation: too much money, and too few goods (given the collapse shown in *EIR*'s market baskets). How, then, was the back of inflation broken?

By breaking the backs of the middle class and the poor, in the form of the declining real personal and household earnings of the past 20-plus years.

More collateral damage done by the increase in financial turnover, is reflected in Figures 8 and 9. The graphs themselves are almost indistinguishable from those showing the growth of financial turnover. The increase in debt is merely a reflection of the fact that more paper has been floated, to feed the growth in financial turnover. It is not really the case that the explosive increase in debt since 1970 is the result of increasingly hard-pressed households taking on more debt in a desperate attempt to cling to a standard of living which is inexorably eroding. That is certainly occurring, but consumer debt as a percentage of total debt barely changes: 26.3% in 1960 and 26.0% in 1990. (Consumer debt as a percentage of personal disposable income, however, leaps from 60.8% in 1960, to 95.8% in 1990.)

What is the purpose of this massive turnover? Why is this paper being shuffled back and forth so quickly by the securities dealers and speculators? The fact is that “speculators” have been superseded by new beasts, “traders.” A trader takes large positions in a market for a very short period of time—sometimes just minutes—hoping to skim off a relatively small price movement in that market. A trader is often happy to skim off a price movement of a mere 1%, or even less. One percent of \$1 billion is \$10 million. One-half of 1% is \$5 million. Just one-tenth of 1% of \$1 billion is \$1 million. The skimming off of small price movements from this whirlwind of financial turnover is *arbitrage*.

In November 1994, *Euromoney* magazine assembled a group of seven derivatives speculators and traders to talk about what they were doing, what they thought the financial markets were doing, and what computer models they were applying in their trading. What they had to say sheds light on how a trader thinks.

Mark Tarpley, chief investment officer of Quorem Capital Management, noted that “we’re not interested in equilibrium, but in what’s going to cause the next price move to equilibrium.”

Nick Idelson, head of quantitative analysis and technical trading for Midland Global Markets, declared, “Mathematically, there are still long-term inefficiencies [in the markets]. They just aren’t as good as they used to be. You could still build a portfolio that would outperform most public futures funds if you do it carefully. If you can trade every few days, say.

“I’m not talking cash equities. We trade equity indices, and we trade various futures and spot foreign exchange, so we can turn things over to exploit better short-term inefficiencies. When we’re turning things over quickly, we’re turning them over several times a day, maybe even faster. I have here a number of models, computer models, coming through to my pager. You can easily get three trades in an hour. . . .

“The aim is to make money on a consistent basis. Prediction of price, for example, is completely uninteresting as far as we’re concerned. We want to predict risk/reward and trade a sensible portfolio across a number of different markets.”

What traders are simply doing, is trying to skim off a small percentage price movement on a multimillion- or multibillion-dollar position they have taken in a market. They turn over a billion dollars in paper, and they are going to make a million dollars. And they are doing this 50 or 100 times, sometimes thousands of times, a year.

What is the effect of this skim trading on the real economy? Assume that you have a small country, the entire economy of which is based on only one company: Deere and Co., the world’s largest manufacturer of farm and garden equipment (see Table 2). At the end of September 1994, Deere’s manufacturing operations had almost exactly \$1 billion in long-term debt.

There are no readily available data for the turnover of this debt (Deere’s bonds). However, Figure 10 shows the daily high and low of Deere’s stock price for every trading day in 1994. There is clearly a pattern of about 10% swings in the movement

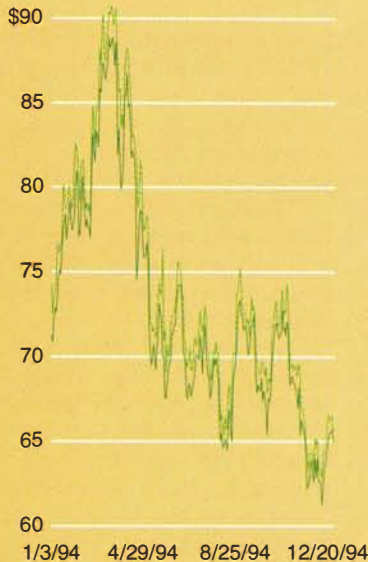
TABLE 2
Deere & Co.
 dollars in millions

	1993	1994
Long-term debt		\$1,073
Sales	\$6,479	\$7,663
Net profit	\$168	\$604
Capital expenditures	\$204	\$230
Research and development	\$270	\$276
Inventories (balance sheet)	\$464	\$698
Employment	33,070	34,252
Wage bill	\$879	\$963
Insurance, health care claims and benefits	\$479	\$578
Pension net cost	\$123	\$104

FIGURE 10

Deere: daily high and low

price per share



of the stock's price, especially after April. But note also that there is always a significant spread between the high and the low prices on any one day. This may be as little as 1%, but that is all that a trader is looking for, to skim that one-tenth of 1%.

Now, assume that your small country, based on Deere and Co., decides to deregulate its financial markets, and allow speculation, trading, arbitrage, etc. Assume that the traders are able to turn over Deere's \$1 billion in debt once every month, and skim off one-tenth of 1%, or \$1 million. That would be \$12 million a year that would be extracted from the productive economy, based solely on Deere's production of farm and garden equipment.

Now assume that the traders are able to increase the turnover to once every week, skimming off \$1 million a week, or \$52 million a year. What if this had been in 1993? Where would that \$52 million have come from? Would it have come out of the \$168 million in net profit?

That would have shrunk your economy's profit by almost one-third. That would not have been good for the stock price of Deere and Co., and it would look very bad for your stock market index, since Deere is the only stock in your economy. It might be so bad for Deere's stock price, that it would destroy the pattern in the stock price the traders had identified and come to depend on.

What if . . . ?

What if the traders have sunk their fangs into other markets? What if they are skim-

ming off \$52 million in the market for Deere's bonds, and another \$52 million in the market for Deere's stock?

Perhaps you issue \$100 million in bonds to pay them. Now they can turn over that new debt too, and skim off more money. The more the merrier, as they say.

So, if you don't want that \$104 million skimmed off, to be extracted from Deere's profits, what do you do? *Where does the money come from?*

Well, you begin to look at things you can cut. Maybe you can cut capital expenditures, or you can cut research and development. Then you begin to destroy Deere's potential for future productive activity. Maybe you can cut down on inventories—a favorite game of American business management for the past ten years or so.

Or maybe you begin to look at your employment costs. Maybe you can cut your wage bill. Maybe you can tell your employees, "Well, you know, we've got \$104 million less profits this year, so we don't think we're going to be able to afford to pay you that much." And maybe, if the workers don't like that, you look at something else, like their insurance, their health care claims, and their benefits or pensions.

All this, so that the income stream the traders and speculators are siphoning off through their arbitrage and their games, can continue to be paid.

The explosive growth of financial turnover has radically transformed the financial instruments themselves. U.S. government securities, for example, were considered the safest of investments, the perfect vehicle for assuring an investment income while preserving the original capital—the classic widows-and-orphans test. In 1981, the turnover in the U.S. government securities market was 9.7 times the \$616.4 billion of U.S. government paper outstanding. In 1994, some \$3.126 trillion in U.S. government paper was being turned over 14.9 times a year. In other words, a trader would hold a particular instrument of U.S. government debt an average of just over five weeks in 1981, but by 1994, the average holding time had fallen to just three and one-half weeks. If the 25% of U.S. government securities held by the various federal government trust funds are excluded, then the turnover rises even more, and the average amount of time a U.S. government debt instrument is actually held is only 13 trading days.

Cause and effect almost impossible to separate

Here, cause and effect become almost impossible to separate, because the effect of

the increased turnover has been to transform a 30-year U.S. government bond, paying 6-8% interest, into a one-year bond paying 30% interest or more. Back in the 1970s and earlier, a U.S. government bond was an instrument that was bought with the intention of holding it until its maturity. The bond coupon was clipped each year, to collect the 4.5% interest each year. Rather simple, and rather boring, but very stable, very safe, and very predictable.

Now, however, computer valuation models are used to determine what the future value of the bond will be, to assist in determining the present value. At the end of 1994, with expectations of future inflation higher than today, an "investor" was willing to pay 29 cents for what would become a dollar in 30 years. Now, the future dollar is valued at 37.5 cents. The price of a U.S. government 30-year bond, therefore, has risen 29.3% in the past year. In effect, the entire future dollar is being collected in one current year, thanks to the ability to skim a few hundred basis points off the turnover each month. Presto! A 30-year bond, paying 6-8% interest, held only 13 days, then sold to capture the arbitrage, and replaced with another bond to be held for the next 13 days, provides the same net effect as holding a one-year bond paying 30%. The price skimming is often accomplished through the use of bond futures contracts. Note the rapid growth of turnover in the futures market, from 1980 to 1990, in comparison to the growth in the U.S. government securities market (cf. Table 1). The most popular futures contracts in the past few years, have been those based on U.S. government securities, and are euphemistically called "interest rate futures."

We leave it to the reader to ponder what this is doing to the creditworthiness of U.S. government securities. We will point out that the traders are actually not interested in holding an instrument until maturity. They have no intention of being debt collectors. They do not want to be caught holding the paper they are trading if and when a financial catastrophe occurs, such as the bankruptcy of Orange County, California; the demise of Barings PLC; or a default on its debt by a Newttered U.S. government. Their operative principle is the Greater Fool Theory: No matter how much they overpay for a piece of paper, they will always find someone else willing to pay even more for it.

The prognosis should be clear. Since, as Lyndon LaRouche has emphasized, the economy is essentially a living organism, the changed relationship between financial

turnover and the real economy, between 1956 to 1990, has produced exactly the same relationship as that of a cancer cell to its host organism. Originally, the cancer cell is part of the organism, existing in a one-to-one symbiosis with the cells surrounding it. But, as the cell turns cancerous, and begins to replicate itself faster than do the surrounding cells, a distinct tumor forms. It no longer exists in symbiosis with surrounding tissue, but overwhelms surrounding tissues, killing them off by arrogating to itself a larger and larger share of the nutrients and oxygen flowing to that area of the organism.

Were the economy a human patient in a cancer ward, you would hear the weeping, as the doctor informed the family that the tumor had progressed to the point that the patient had but a few weeks, perhaps, at most, months, left to live.

Notes

1. See, for example, Paul Einzig, *The History of Foreign Exchange*, MacMillan and Co., 1964; or Raymond F. Mikesell, *Foreign Exchange in the Postwar World*, The Twentieth Century Fund, 1954.
2. *Economic Report of the President*, February 1991, p. 402, Table B-102.
3. See W.M. Clarke, *The City in the World Economy*, The Institute for Economic Affairs (London), 1965, Chapter 3, "Foreign Exchange . . ." [sic].
4. Data for equity market trading are taken from various issues of the annual Department of Commerce/Bureau of the Census *Statistical Abstract of the United States*. In the 1984 edition, for example, see p. 522, Table 871, in Section 17, "Banking, Finance, and Insurance."
5. Irwin Friend, et al., *The Over-The-Counter Securities Markets*, McGraw-Hill, 1958, p. 116, Table 3-2.
6. *Treasury-Federal Reserve Study of the Government Securities Market*, Part II, "Factual Review for 1958," p. 140, Table C-2.
7. See various editions of *Statistical Abstract of the United States*. In the 1984 edition, for example, see p. 524, Table 876, in Section 17, "Banking, Finance, and Insurance."
8. Perry J. Kaufman, *Handbook of Futures Markets: Commodity, Financial, Stock Index, and Options*, John Wiley and Sons, pp. 1-28, Table 1.
9. Those with access to the Internet may wish to visit the Chicago Mercantile Exchange site at <http://www.cme.com>.
10. Securities Industry Association, *1992 Fact Book*, page 28.
11. See note 4.
12. Data are taken from Frank J. Fabozzi and Franco Modigliani, *Mortgage and Mortgage-Backed Securities Markets*, Harvard Business School Press, 1990.
13. U.S. Government Accounting Office, May 1994, *Financial Derivatives: Actions Needed to Protect the Financial System*, p. 187, Table IV.6.

Standing on the edge of the cliff

by John Hoefle

It should be obvious by this point, that the process defined by a financial bubble growing at hyperbolic rates, which depends for its existence upon a physical economy which is shrinking, is a process which must ultimately collapse.

When most people think of collapses, they think in terms of sharp drops in stock markets, runs on banks, devaluations of currencies, hyperinflations, or similar shocks, in which sections of the financial system are strained, but the system itself survives.

What is coming, unless governments intervene by way of virtually 180-degree policy shifts, is a completely different kind of collapse—the disintegration of the global economic and financial systems themselves.

Imagine what might happen, were the holders of all the financial claims in the bubble, to try to cash out at one time. As we shall see, there isn't nearly enough money in circulation to cover the claims. That would leave the financial markets in the unenviable position of either writing off those claims in excess of the money supply, or increasing

the money supply to cover the claims. Either way, they're doomed.

The cash-out problem

As we said, there simply isn't enough money in circulation to cover the claims. *EIR* estimates that annual financial turnover has more than doubled in the last five years, to about \$500 trillion in 1995 (see **Figure 1**). This is a rough estimate to be sure, but the process which it describes is such that an error of 25% or so would make no difference. After all, the claims couldn't have been cashed out in 1990 either.

Note that the turnover is grouped into two categories, *on-balance-sheet* and *off-balance-sheet*. The on-balance-sheet category is for more traditional items such as assets and liabilities, whereas the off-balance-sheet figures are where you hide the derivatives and other forms of gambling. As you can see from **Figure 1**, the off-balance-sheet component of financial turnover has been growing much faster than the on-balance-sheet component, reflecting the explosion of speculation over the last few years.

FIGURE 1
Annual financial turnover in the United States

trillions \$

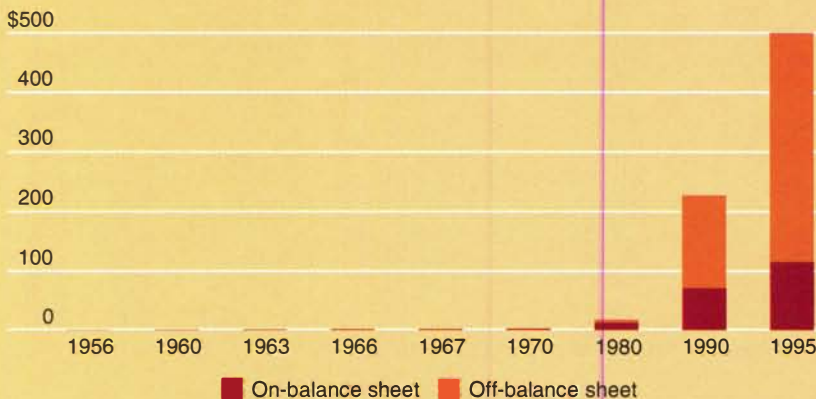
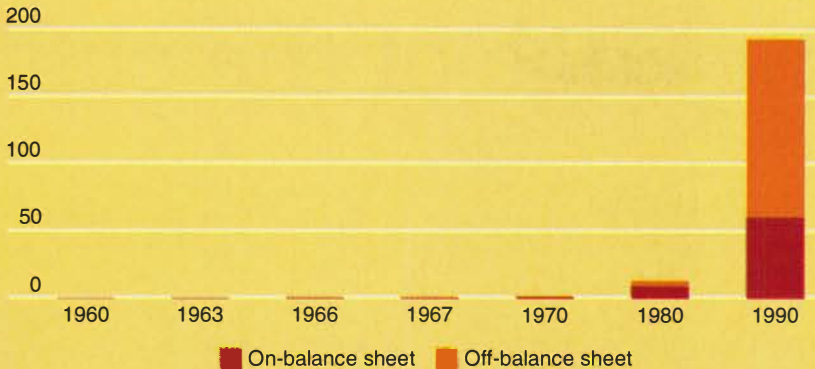


FIGURE 2

Growth of financial turnover, compared to the physical economy

index 1967=1

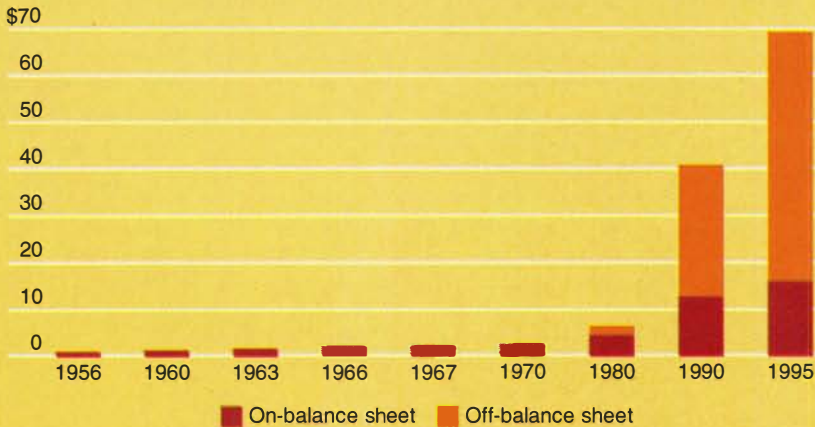


Contrast the growth of financial turnover to the rise and fall of our market basket. The market basket rose until 1967, then began to decline sharply, while the financial bubble began to grow. The result, based upon our 1967 market basket index, is that turnover grew by a factor of 194 compared to the physical economy (see Figure 2). This is the post-industrial society at work, with a vengeance.

Now compare the growth of annual financial turnover to the growth of Gross Domestic Product (see Figure 3). In 1956, there was \$1.22 in financial turnover for every \$1 of GDP, compared to our estimate of some \$69 for every dollar in GDP today. When financial turnover increases at such a rate relative to GDP—which itself significantly overstates real economic activity—it should be clear to all that the financial world has become detached from reality, and that there is no economic basis whatever to support this bubble.

FIGURE 3

Dollars of turnover per dollar of Gross Domestic Product

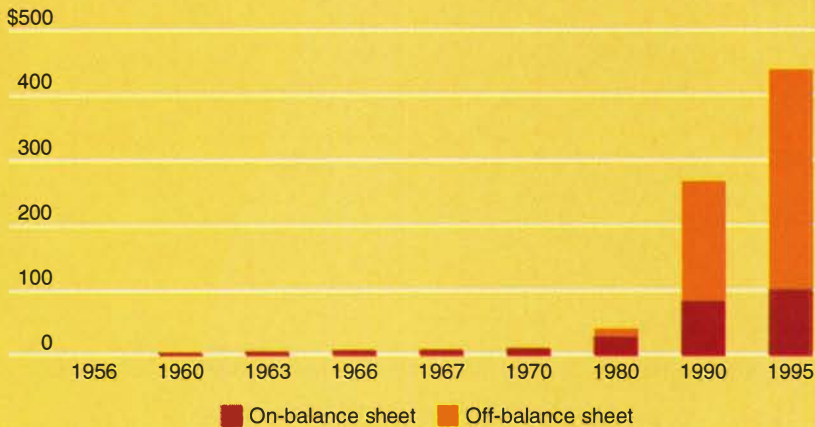


The discrepancy between financial turnover and the money supply is even more alarming (see Figure 4). There are now about \$440 in financial turnover for every \$1 of M1, or \$440 in turnover chasing every dollar in cash, travelers checks, and checking accounts. This occurs even though M1 itself is rising rapidly, as the federal government borrows to generate a money supply which is then leveraged to create money against the turnover. This is the process which generates inflation.

Not all of these claims are due at any given time, however, since financial turnover includes many claims which begin and end in less than a year. We estimate that the average dollar of claims outstanding in U.S. markets turns over about 20 times a year, with the amount outstanding at any given point being about \$25 trillion to \$30 trillion.

FIGURE 4

Dollars of turnover per dollar of M1



What, then, would happen on any given day, if the holders of all \$25 trillion in U.S. financial claims tried to cash them in?

They couldn't. Today the M1 money supply is just over \$1.1 trillion, or 4.5 cents for every dollar of outstanding claims. Even if every dollar of M1 were used, if every dollar in every pocket and checking account could somehow be applied to this payout, it would cover less than 5% of the total.

There's not even enough money in circulation to cover all the claims which expire on the average trading day. With 244 trading days in a year and \$500 trillion in claims, just over \$2 trillion of those claims come due on the average trading day. For every dollar in claims due, there are only 55 cents in M1 available.

So even if all the money in M1 were used—a practical, political, and economic

FIGURE 5

Money in U.S. mergers and acquisitions

value of funds involved for businesses of all types, billions \$



impossibility—there wouldn't be enough to cover even one day's claims, much less all outstanding claims. There is no way to cash out this bubble, which means the claims are effectively worthless.

Double or nothing

Since the claims can't be cashed out, the market has three broad options: 1) It could roll the claims over, putting off dealing with the problem at the expense of making it even worse in the long run; 2) the Federal Reserve could print enough new cash to allow for a cash-out; or 3) the holders of the financial claims could take their losses, at which point the system would effectively cease to exist.

The first option, rolling over the claims, is their preferred method. It is this continuous putting off until tomorrow what can't be paid today, which is at the heart of the bubble. But what happens the day this option is no longer available, and settlement must be made?

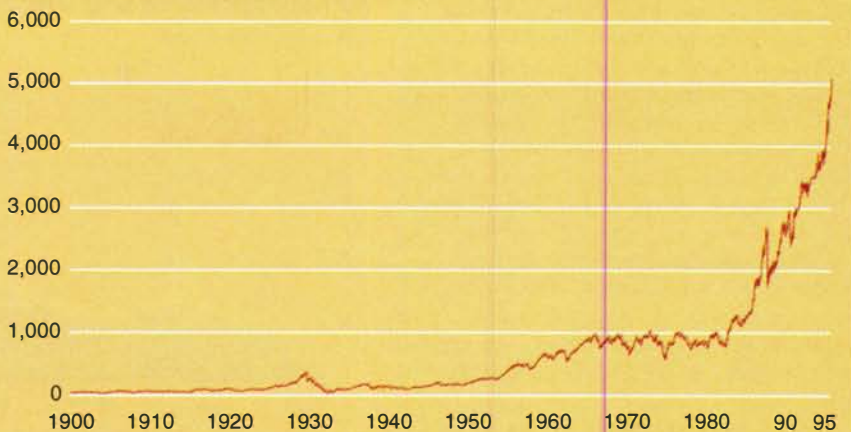
Suppose the Fed were to turn on the printing presses to flood the markets with sufficient cash to cover the claims. To cover all \$25 trillion in outstanding claims, the Fed would have to print nearly \$24 trillion in cash, a 2,100% increase in M1. Even the most well-educated economist could see that such an act might cause inflation.

Just to cover the average daily turnover, would require the printing of \$914 billion in cash, an increase of nearly 90% in M1.

Printing enough cash to cover all \$500 trillion in annual turnover, would require a 44,000% increase in M1. Given the decline of manufacturing in the United States, we

FIGURE 6

Dow Jones Industrial Average weekly closings, 1900-95



probably couldn't make enough wheelbarrows to hold all the cash people would have to carry around in such a hyperinflationary circumstance.

What, then, about the third option, taking the losses?

With just over \$1.1 billion in M1 and \$25 trillion in outstanding claims, some \$23.9 trillion—95%—of all claims would have to be written off. Of the \$500 trillion in annual turnover, some \$499 trillion—99.8%—would disappear. At the end of such a day, no financial institution would be left standing.

Bubbles upon bubbles

This inability to cash out is nothing new.

Even in 1980, when the turnover stood at \$17.8 trillion and the outstanding stood at \$890 billion, there was only 47 cents in M1 per dollar of claims outstanding. For at least the last 15 years then, there has been no way to cash out; the paper claims have been piling up, like a mountain of IOUs, impressive in size but essentially worthless.

Over this 15-year period, there have been a series of mini-bubbles: the loans to the less developed countries (LDC); the junk bond boom; the corporate merger and acquisition boom (see Figure 5); the stock market boom (see Figure 6); and the real estate boom (see Figure 7), to name some of the more significant ones. Each one of these booms has risen, generating huge paper profits, and fallen,

FIGURE 7

U.S. land values

trillions \$

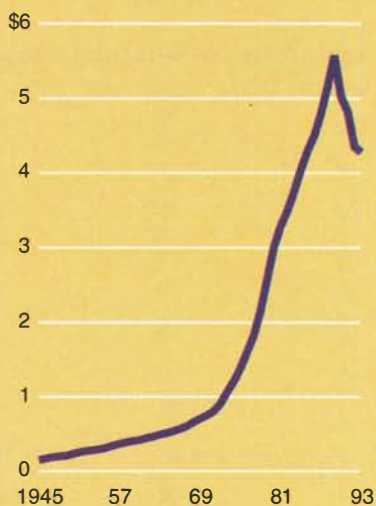
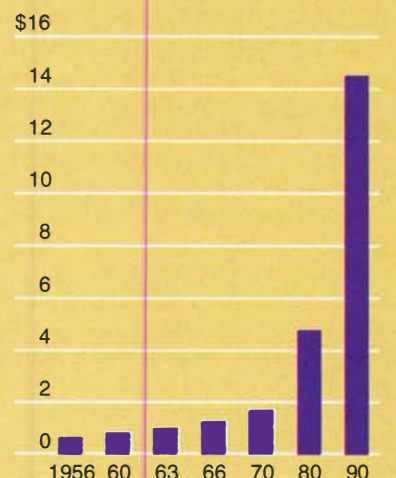


FIGURE 8

Total debt in the U.S. economy

trillions \$



generating huge paper debts.

A small portion of those paper profits get cashed out, but the debts just get rolled over. Each time one of these mini-bubbles popped, the debt was rolled over into new bubbles, each more detached than its predecessor from the real economy. The bad LDC loans got transformed into Brady bonds, which could then be speculated against. The collapse of the junk bond market gave rise to the vulture funds which speculated upon the remains of companies looted by other speculators. The merger and acquisition frenzy produced enormous corporate debts, many of which took the form of bonds, another boon to the speculators.

By the end of the 1980s, the decade of the endless months of economic recovery touted by the Reagan and Bush administrations, the U.S. economy resembled a giant casino, with lots of chips on the table, but no money to back them up. During that go-go decade, total U.S. debt nearly tripled, from \$4.8 trillion in 1980 to \$14.7 trillion in 1990 (see **Figure 8**), while GDP only doubled; for every \$2 in GDP growth, we went \$3 in debt. Meanwhile, the physical economy shrank at 2% a year.

The mudslide

These scams began to break apart in the mid- to late-1980s, leading to what LaRouche has characterized as the great mudslide, in which huge chunks of the economy slide off into oblivion. The Texas banking system disappeared in 1987 and 1988, along with a huge chunk of the savings and loan system, as real estate values began to collapse. That collapse spread into New England, California, and the mother of all U.S. real estate bubbles, New York City, effectively wiping out many businesses, individuals, and the U.S. banking system.

Personal bankruptcies skyrocketed, as a result of massive corporate layoffs and business bankruptcies (see **Figures 9 and 10**), and the replacement of high-wage manufacturing jobs with low-wage service jobs. The size of the companies going bankrupt also increased (see **Figure 11**), blowing more holes in the bubble.

Rather than put the system through bankruptcy, the financier-dominated Bush administration decided to bail it out. The Federal Reserve began dropping interest rates in 1989, and began pumping money into the banking system through the back door. In November 1990, the New York Fed secretly seized the bankrupt Citicorp; a month later, regulators held a secret meet-

FIGURE 9
Bankruptcies in the United States

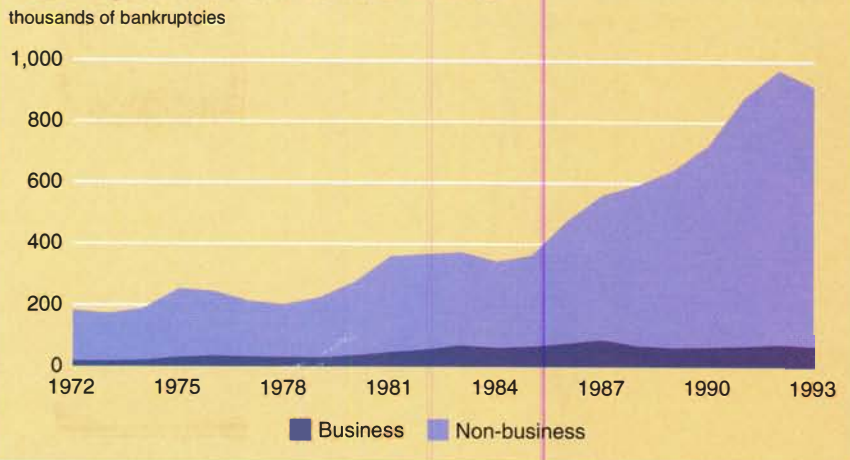


FIGURE 10
Business failures in the United States

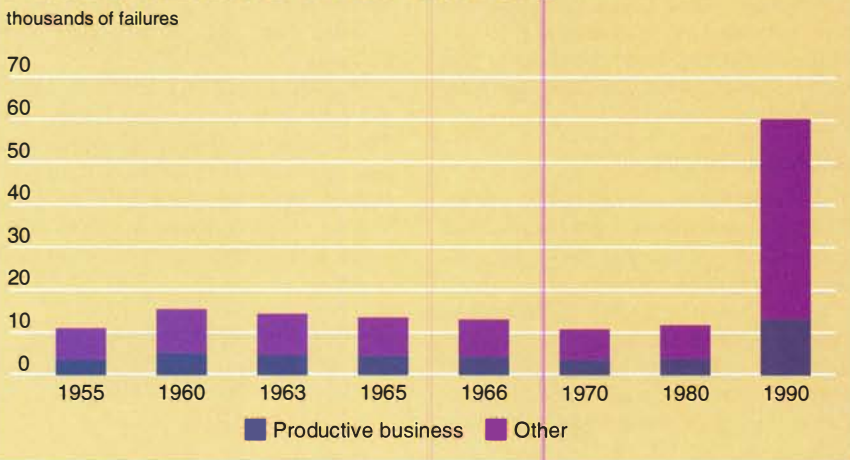


FIGURE 11
Liabilities of business failures

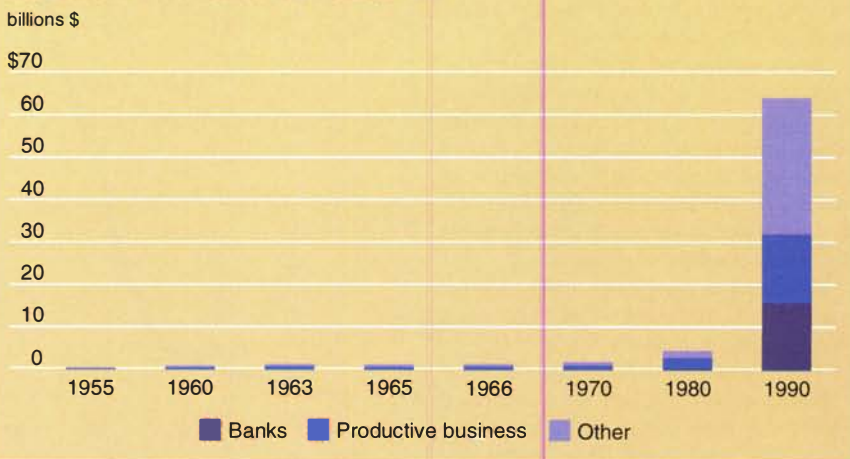


FIGURE 15

U.S. banks are addicted to derivatives

trillions \$

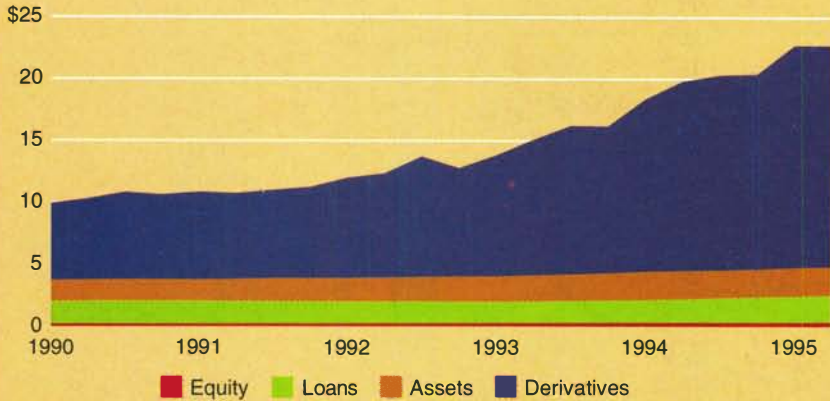


FIGURE 16

Bankers Trust assets

billions \$

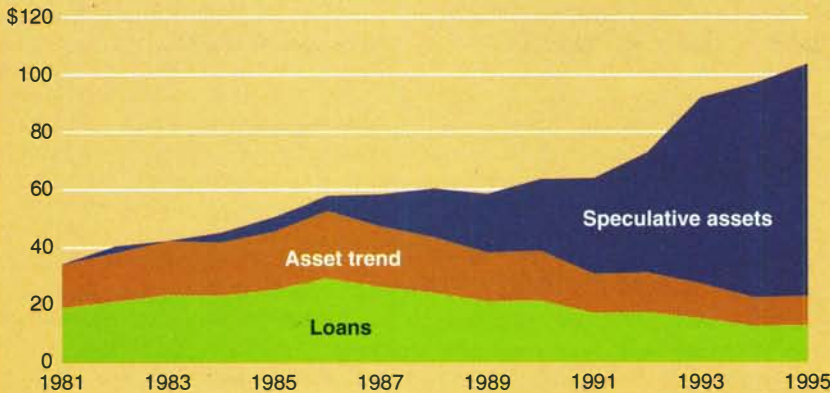


FIGURE 17

Bankers Trust New York Corp., 1994

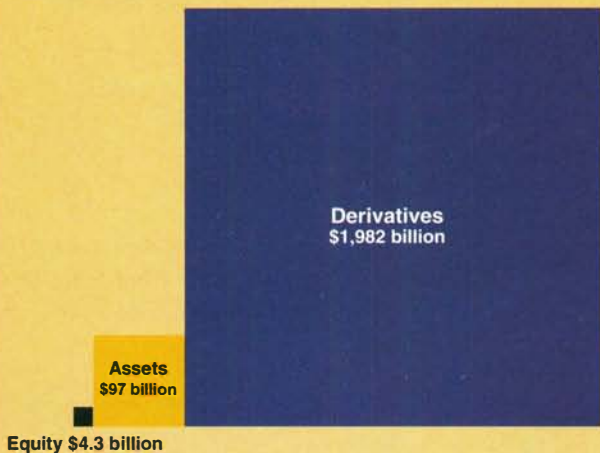
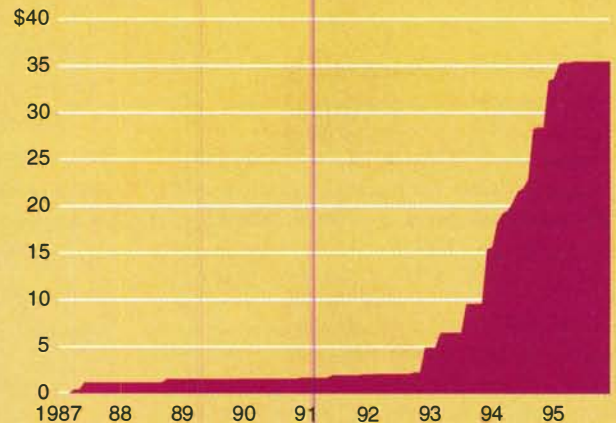


FIGURE 18

Cumulative derivatives losses

billions \$



had \$34 billion in assets, of which \$19 billion were loans, a ratio of 55 cents in loans for every \$1 in assets. Had this ratio continued over the entire period (the section marked "asset trend"), the bank would now have just under \$21 billion in assets, or roughly two-thirds of what it had in 1981. Instead, the bank now has some \$104 billion in assets, of which loans are just 11%. By the end of 1994, it clearly wasn't a bank any more (see Figure 17).

Having chosen to live by derivatives, Bankers Trust also chose to die by them. When the Federal Reserve began to raise interest rates in February 1994, in a desperate attempt to head off losses in the derivatives bubble its own policies had helped create, it triggered a bloodbath (see Figure 18). The move killed the mortgage-backed derivatives market and its market leader, Kidder Peabody. Orange County went bankrupt, Barings failed, and S.G. Warburg narrowly escaped the same fate, as the mudslide claimed more chunks of the financial system.

Edge of the cliff

Thus we have arrived on the edge of the cliff, staring down into the abyss. The crash is coming, be it in the form of a massive deflation of financial claims, or in the form of a massive inflation of the money supply. When the final crash begins, it will move through the markets like wildfire, courtesy of reverse leverage and computer technology. Within days, unless governments act to put the system through a formal bankruptcy, nothing will be left of the financial system but ruins, and a new dark age will be upon us all.

FIGURE 15

U.S. banks are addicted to derivatives

trillions \$

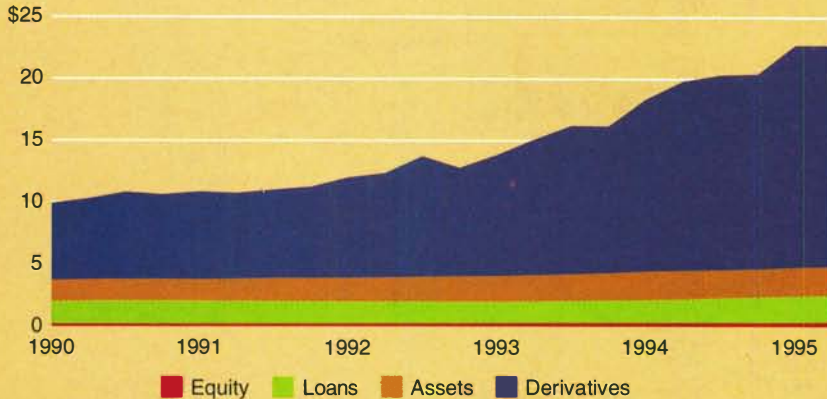


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billions \$

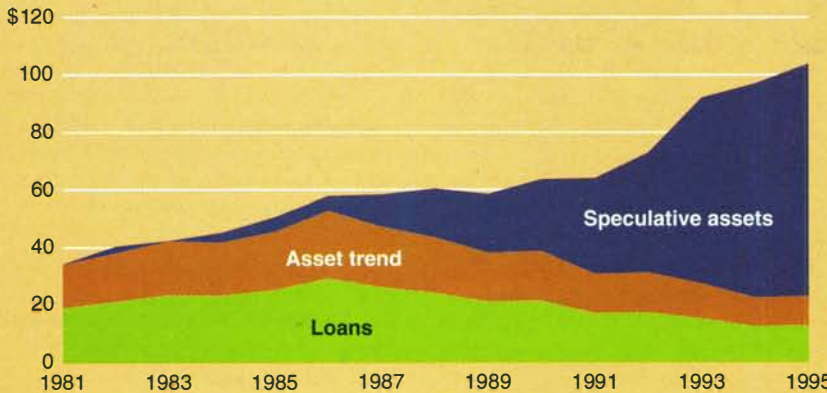


FIGURE 17

Bankers Trust New York Corp., 1994

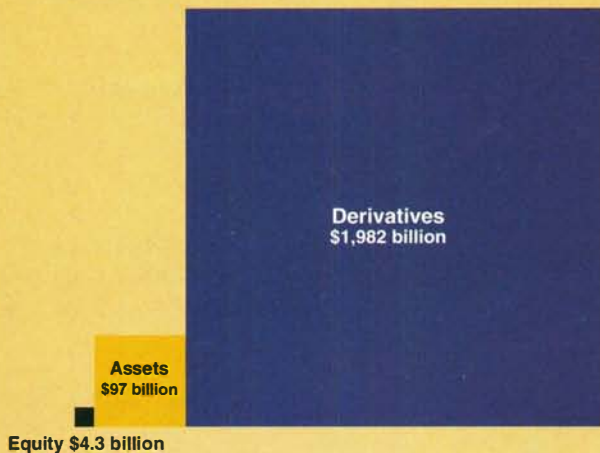
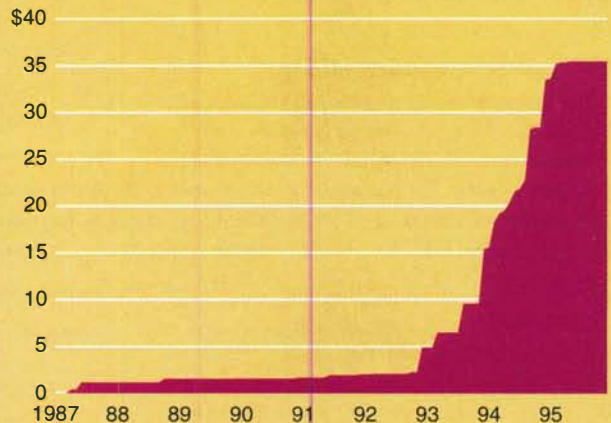


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Women work to rebuild the war-ravaged city of Berlin, 1946. "People will sacrifice and do hard work, if there is a future in it. The idea of the future must always control the present. Not the past."

Continued from page 24

the problem in the firm, you knew was the problem. So look into that, immediately. Because, if they knew what they problem was, they'd have worked on it. The fact that the problem had been persisting, means that they had something wrong in their head. They refused to look at the thing that was their real problem. So look at what they refused to look at. That's the first place to look in any bankruptcy, whether of a government or a business firm, or, sometimes, a society.

So, how did this happen to us? Yes, we can explain what happened. We *know* what happened; but, why did we make the decision we made as a society, over the period from 1964 through 1972, when we went from a workable monetary system (not a good one, but a workable one), the so-called fixed exchange rate system, into one which cannot work, the floating exchange rate system, which was established in 1971-72?

Why did we do that stupid thing? Why did all the governments, at least all the leading ones, participate in that stupid mistake? Why did they ever buy "information theory," which is lunacy? That is, what is called information theory, the idea that there can be an "information society," is absolute, clinical lunacy, which only a psychotic mathematician could believe in, and a badly educated one at that.

Why did we do this? Why did we leave a perfectly good, proven system, with hundreds of years of experience—as a matter of fact, all history, to show that it was the best system ever devised; why did we go back to something like this,

pure Venetian-style, Phoenician-style, Mesopotamian-style, purely speculation-usury society?

So, therefore, we're talking about curing this problem: It's not enough to give the baby shoes; you have to teach the baby where to wear them. Otherwise, it's not going to solve the problem. Why did we make the mistake?

Well, let's go back, let's get nasty. I've been gentle all along; now, let me get nasty.

April 12, 1945. President Franklin Roosevelt died: And, everything, or nearly everything that Franklin Roosevelt planned to do, in opposition to Churchill, was overturned by an idiot named Harry Truman, the new President of the United States.

Harry Truman was an idiot who had no understanding of, or interest in foreign policy. Harry would have been happier if no nations existed outside the United States, and even parts of that he didn't like too much. Now, Harry Truman, being a fool, was controlled by a number of people in his administration.

One person who controlled him, who was most obvious, was a fellow called Jimmy Byrnes, who came from the Carolinas, who was Secretary of State; and, Byrnes was a complete toady and agent of Prime Minister Winston Churchill.

The second one, more profoundly influential in institutional terms, was the Secretary of War, Henry Stimson. Stimson was a complete British agent. He was part of the Harri-man crowd, which gave us Bush, also. Complete British agent.

E.H. Harriman was a supernumerary for the King of England in control of the Union Pacific Railroad. That's where his power came from. He was actually the front man, the mask, worn by the Prince of Wales, King Edward VII, at meetings of the Union Pacific Railway.

Stimson, with the assistance of a young Faust by the name of McGeorge Bundy, completely controlled Truman. Now, the United States, under Franklin Roosevelt, had decided that the British, French, and Dutch colonies would all

The argument of the World Federalists was that the only way to eliminate the nation-state was by making war so horrible, that nations will give up their sovereignty, rather than having to fight war on justified issues of warfare. They said that the only way to bring this about, is to introduce nuclear weapons as the new weapon of war.

be liberated, given independence at the end of the war. As a result of Winston Churchill's control over Truman, none of them were.

Europe was divided into two parts, East and West, not by Stalin, but by Churchill. China was destroyed in civil war, contrary to Roosevelt's intent, by Britain. They orchestrated the whole thing, with the help of Truman. Korea was divided into North and South. Germany was divided into East and West, contrary to Stalin's specific orders. Stalin wrote all kinds of notes at a couple of points during the 1950s, including the famous "Stalin Note." He was against the division of Germany. He would have liked to loot all of Germany, but he didn't want to divide it.

And another thing happened. I had a friend who was directly involved in this. In early 1945, the Emperor Hirohito of Japan was using diplomatic channels in Europe, including Switzerland and Sweden, and including direct approaches to Stalin, to attempt to negotiate capitulation of Japan to secure peace.

The terms which the Emperor proposed to the government of the United States and other governments, were the same terms which were imposed by the United States under Douglas MacArthur in the fall of 1945. The negotiations were conducted through the extraordinary secretariat of the Vatican Secretary of State, under Pius XII. The negotiator involved was Monsignor Montini, later known to us as Pope

Paul VI.

My friend, Max Corvo, was at that time the OSS field chief in Italy, and he was the OSS representative who was conducting, for the U.S. intelligence services on behalf of the President, the conducting of much of this documentation. Roosevelt was fully aware of this; Japan, obviously, was aware of it.

But at the end of the war, Churchill sent down two Americans, one of them the same American who killed Benito Mussolini to shut him up, so he wouldn't reveal the fact that Churchill had been behind him up until 1938. Mussolini had some papers that would implicate Churchill in causing World War II, and he wanted to blackmail Churchill for his own hide's sake. And, so, Churchill had the Americans assist him in getting Mussolini killed, and the papers taken safely to Churchill, so that the Americans couldn't blackmail Britain on the issues of postwar life.

So, they sent Allen Dulles down, who did that job. And they sent him down together with a fellow called James Jesus Angleton, who later brought in a guy called Jay Lovestone. And these are the people who shaped much of Italy's history, to the present time, in that period. Angleton later became sub-director of the CIA for Israeli affairs, for eastern European affairs, for Vatican relations, and control of Italy. He was a complete scoundrel.

What these fellows did: They acted immediately to attempt to discredit the Pope, and to discredit, especially, Montini, who came under Allied pressure to be withdrawn from his position, because he was a threat to the policies of the British, and a threat also to the policies of the incumbent President of the United States, Harry Truman, a British dupe.

The object of the thing was to bomb Japan; the nuclear bombing of Japan. Now, why?

If you go back to the British papers on this from the 1930s, the reason that the British, including Bertrand Russell, cooked up the idea of having the United States build nuclear weapons (and Russell was the guy who was actually on top of getting the United States to build the first nuclear weapons, Bertrand Russell. Russell's and H.G. Wells's and Churchill's intent, was geopolitical: balance of power), the purpose was to eliminate the existence of the nation-state.

Now, how can you eliminate the nation-state? There was a great deal of discussion of this by the World Federalist movement and others, during the early part of the century. Russell was in the leadership of this discussion. It was a fight which broke out within the Fabian Society, in particular.

Their argument was that the only way to eliminate the nation-state was by making war so horrible, that nations will give up their sovereignty, rather than having to fight war on justified issues of warfare. They said that the only way to bring this about, is to introduce nuclear weapons as the new weapon of war. To make war so horrible, that nations will surrender their sovereignty to international arbitration, rather than go to war.

The purpose of discrediting the Pope and especially Monsignor Montini, the purpose of dropping the two bombs on Japan, had nothing to do with the military situation in Japan. Japan was surrendering. Japan had to surrender. There was no possibility that Japan could continue the war. Not a fish could swim into the islands of Japan, without permission from the U.S. Navy submarines, or from aircraft (Japan depends entirely upon imported raw materials to survive), because the military blockade by the United States was totally effective. Virtually no fish could swim out without passing through a U.S. customs inspector. Japan's situation militarily was hopeless; it was going to surrender; if they didn't wish to surrender, they had a method of ritual suicide, which is the way you objected, in Japan, to these kinds of things. You put a little dagger in your belly, in a ceremonial ritual, and you die. That's the way you object to the Emperor's command.

They dropped the bombs on Japan in order to inaugurate the age of nuclear weapons, of nuclear conflict.

What was the issue? What was Roosevelt's policy toward the phenomenon of Stalin in the Soviet Union? What was Churchill's policy?

Churchill's concern, the British concern, was this: that if Roosevelt had lived, Roosevelt would have ensured that after the peace, the British Empire and the London financial market, *would never again control this planet*, that the British Empire would be dismantled, that a system of nation-states would exist on this planet, that colonialism would come to a screeching, immediate halt, and that we would use what Roosevelt described as American methods, opposed to British, Adam Smith methods, as a way of rebuilding an aching planet.

Germany was never going to build a weapon during the war. There may be some Germans who thought of building a nuclear weapon (a German fission weapon was scientifically possible), but the means did not exist to do so.

However, before that time, the Soviet Union was already embarked on a nuclear-weapons program. The Soviet nuclear program was first established about 1925, under V.I. Vernadsky, who was the first to propose this program of nuclear energy. It was Vernadsky who created the project for development of nuclear fission weapons in the Soviet Union in the 1940s. He was the person around whom Stalin built the so-called atom project, and Kurchatov was a professor who was a protégé of Vernadsky, whom Vernadsky recommended to Stalin to head up the program.

The only nation which was likely to be able to build a nuclear weapon in the immediate postwar period, was the Soviet Union. And everybody behind the scenes knew it. There are even records on the Rand Corporation discussions of this, that Vernadsky, was "the most dangerous man on this planet," because of his scientific capability, which was considered a threat. Even though Vernadsky personally was not a very threatening person.

So, what Britain did, was to enslave the entire planet to an orchestrated conflict, a nuclear conflict between two superpowers. This planet, from August 1946, through the fall of the Berlin Wall in 1989 and beyond, was subjected to the greatest horror which a general population has ever experienced in the history of mankind: the horror of total thermonuclear war.

The cultural paradigm-shift of 1964-72

This fear was used to orchestrate the creation of what became the counterculture in the United States and Europe in the 1960s. You may recall, some of you, how it happened.

Russell, in 1946, in the first edition of the *Bulletin of the Atomic Scientists*, published a proposal for the preventive nuclear bombardment of the Soviet Union, on account of which the Soviet press had very unpleasant things to say about Mr. Russell, until 1955.

The argument Russell made, was, that while the United States still has (this is 1946) a monopoly in nuclear weapons, the United States should use that monopoly to force Stalin to submit to world government, and that if Stalin did not agree, if the Soviet Union did not agree to world government, then the United States should bomb them into submission with nuclear weapons. You can guess what effect that had on Stalin. Stalin said, "The atom program goes ahead, full speed, at all priorities, no matter what it takes."

So that was Russell's policy. Russell said, "If we do not bomb Russia with nuclear weapons before they develop them themselves, we're going to have to come to a different kind of agreement on world government with the Soviet Union, in order to set up a world government under the United Nations, to replace and eliminate sovereign nation-state governments throughout this planet."

In 1955, Khrushchov sent four personal representatives to a meeting of Bertrand Russell's World Association of Parliamentarians for World Government conference in London. Khrushchov agreed to Russell's proposal for world government. That is, on the basis of a balance-of-power government, orchestrated by Britain, between two nuclear superpowers, the United States and the Soviet Union. That's what he agreed to. Khrushchov's agreement led to a number of things, including the so-called Camp David meeting with President Eisenhower.

But, some people back in the Soviet Union didn't like it. So, the U-2 affair and so forth caused a break in the agreement. Then, some ingenious character cooked up, in 1962, what became known as the Cuban Missile Crisis. For a few weeks, essentially two weeks, but a few weeks, the world was subjected, by the press and the popular imagination, to the belief that we were at the edge of a full-scale thermonuclear war. This was the greatest act of *Schrecklichkeit* the world has ever seen. Everything changed.

Now, Kennedy realized that this was wrong, and was taking steps to change it, because the first New Age war had

already been planned, by the British and others, in the wake of the so-called Cuban Missile Crisis. Remember: The Cuban Missile Crisis was negotiated by Bertrand Russell personally, from London. In order to bring about agreements which had been entered into with Khrushchov, in order to fulfill those agreements, it was decided to have the first New Age war, which was called the war in Vietnam. It came to be known as the war in Indochina.

The purpose of this war, was to orchestrate a diplomatic exercise, which ultimately came to be known as SALT I, the agreement with China, and the ABM Treaty. These policies had been established, under Russell's direction, by 1958, and they were first announced and agreed to tentatively by Khrushchov in the context of 1958, with the Second Quebec Pugwash conference of 1958, where Leo Szilard, a Russell agent, put forth these policies, the policies to which Henry Kissinger has dedicated what might be called his life.

So, these were adopted, in the form of the ABM and the SALT I treaties. This was done, together with the agreements with China, through the agreements on the Cuban Missile Crisis, and on the basis of the Vietnam War, as a bloody bargaining table, for three-way negotiations with the Soviet Union, and with China.

It was in this context, that the change occurred, to which we've referred. First of all, think of the baby-boomer generation of the United States. I was happening to describe this to some people last night. The baby-boomers in the United States, are essentially cowards. That's why they made such good anti-war activists. How did they become cowards? Well, because they're the children of my generation. My generation are the younger generation of those who went to World War II. And my generation was not particularly cowardly in warfare, but it was very cowardly in economics.

We would have all supported Roosevelt in his proposal for a non-colonial postwar world. We were of that disposition; until these fellows came back to the United States, which was being put *artificially* into a kind of depression under Truman; this was not a spontaneous depression, this was an artificial one, to take and prevent certain things from happening which the British didn't like. So, the American who had come out of the Depression of the 1930s, went back to the United States after a war, and found himself, once again, in Depression-like conditions. This broke the morale of most returning veterans. This produced McCarthyism, in the following way.

These fellows were, what do you call it—*Wendehals* types. They would not breathe unless they looked this way and that way, to make sure that they were not overheard saying something which might jeopardize their economic security, their personal economic or career security. They became the most cowardly bunch of swine I ever saw. And these were people with whom I had served in the military earlier, who I knew in the late 1940s and early '50s. And they'd all turned into, as the British would say, "bleeding

cowards."

These were the fathers and the mothers of the baby-boomer generation, the "no-pain generation," the "get me that toy, daddy," generation. The politically correct generation: Don't say or do anything that is not approved. Make sure that 50 people are running with you, before you walk down the street.

Take these people. Now, at the time of the missile crisis, they're becoming 14, 16, 17, and so forth, adolescents. A similar thing happened in Europe, but with different effects. You hit these people with this spectacle of terror: "The whole world is going to melt and go away in one big thermonuclear orgy, any minute now." You put them through that. You've got the greatest shell-shock case imaginable. What they used to call shell shock in war, where people would collapse of accumulated battle fatigue. That's what happened.

The myth was then created, that the military is technology. "Nuclear weapons are technology, they're military technology. War is bad. Nuclear weapons are impossible. Science is the enemy. Reason is the enemy. *Feeling* is what is important." A great revival of existentialism; and, thus, we produced a morally, intellectually defective generation of baby-boomers, by the combination of the economic cowardice, the political expression of economic cowardice of their parents, my generation, added to the impact of the Cuban Missile Crisis. That's what produced the counterculture. As I say, the effects were also in Europe. I'm reporting on what they were in the United States.

Under these conditions, the substitution of feeling, or the associative, feeling-emotional state, for the cognitive state of mind, you produce a culturally crippled population. That is the baby-boomer generation, which, like President Clinton, is coming into power in the United States today. That is the generation in Europe which is in power in Europe today, in political power, heads of corporations.

You go back to the people I knew, say, in Germany or France, in the 1970s, political leaders and others, and those who are in power today. It's almost like you are dealing with a *lower species* today! The generational gap of those who are influenced by one generation and the next generation. It's like a different species. They're *emotional*; they're not cognitive. They tend toward virtual reality.

For example, what you get from the official speakers of Deutsche Bank, or Waigel, on the economic-financial situation. This is not reality, this is *lunacy*! This is virtual reality. "I have a formula, I can write it on the board. That's the truth, that's what it is. That's the way it's happening. No, nothing else is happening." This is fanaticism, the fanaticism of a lunatic. In my generation, we weren't that bad. Such lunacy could not happen.

Therefore, that's our problem. We have a *cultural* problem which, in part, dates back to the end of the last war: But, that's not the only cultural problem. Let's go back further. Let's go back to the two world wars.

The role of 'geopolitics'

Why was Hitler brought to power by the British in Germany? This is a tough problem in Germany, because Germans don't like to accept that. After you've been occupied twice, you don't like to say those things about the British any more.

Hitler was brought to power by the British, because the British wanted a total destruction of Russia and Germany. They wanted another war between Russia and Germany which would be severe enough to *eliminate* the possibility of a geopolitical threat from the continent of Eurasia again. That's why Churchill prolonged the war as long as he could. He wanted Germans and Russians to keep killing each other as long as possible. That was one of the fights between him and Roosevelt during the war.

But why did the British do that, at that time? For the same reason the British organized World War I. *Is there anyone who doesn't know the British have the sole responsibility for World War I, for its authorship, and that the German Kaiser and the Russian Czar were only fools, and that the Austro-Hungarian Emperor was a criminal fool, in that he had a degree of foolishness which went to criminality?* They were all only fools. The French were fools; the competent French were out of power; you had a bunch of British agents over there, in the form of Clemenceau, people like that. That's how the First World War was organized.

The Serbians, in the Balkan wars, and World War I, like the Balkan war we've just been through: It was organized by London. Why? To trigger a conflict on the basis of the Eastern Orthodox Church, the Serbian to the Russian Orthodox Church, to create, what was called euphemistically, a "pan-Slavic impulse," to tilt a certain part of the Russian military and church to influence the Czar to break his relationship with his cousin, the German Kaiser.

The Austro-Hungarian Emperor was a mess. Everybody knew that. The German Kaiser was a fool, and the Czar was a different problem; but, they were cousins; they had the same Uncle Bertie, King Edward VII of England. And so, Germany and Russia were put at each other's throats, by getting a war between Russia and Austro-Hungary over the Balkans, which was a Serbian war, organized by "Uncle Bertie," with the aid of French Freemasonic networks, Mazzinian networks.

Why did they do that? Because, in the 1890s, through the influence of Leo XIII, from before the time he was Pope, a cooperation had developed among France (under the heirs of Thiers, particularly Gabriel Hanotaux—Hanotaux's France, one might say, or the nationalist party in France, the forerunners of de Gaulle); the Germans, von Siemens, and so forth; Witte in Russia, people like that; the Sun Yat-sen movement in China; the Meiji Restoration faction in Japan; forces in the United States: to build a network of railroads from the Atlantic Coast of France, to the Indian Ocean, and to the Pacific Ocean, across from the mainland Eurasia, to the islands north of Japan, and down into Japan. The included object was to

get the British out of Asia, entirely.

The British organized World War I, for which they invented the word "geopolitics," in order to put Russia, France, and Germany at each other's throats, and to keep a bloody conflict among these countries, so that *never* would the continent of Eurasia be able to summon the will, the political will, to organize an economic development project which would build the Eurasian land mass as a center of gravity of the world economy, which would mean an end to the British Empire.

Now, some people think the British are a joke today, but they're not a joke.

What is the British Empire? First of all, it's not the people of England. They can't even read and write, so don't blame them for anything. They don't know what to do. They're as dumb as Harry Truman.

The British Empire is an empire in the sense we described earlier; it is in the sense of certain families who by their nature are imperial. "Imperial" does not mean a nation-state has an empire, colonies. That's not what an empire means. An empire means feudalism, essentially, or something like feudalism.

It means you have a system in which people are owned like human cattle, in which the land that people occupy is owned, not by a nation, but by a landlord. In which the landlord is owned by an overlord. And the system of overlords, is controlled by some executive agency, like a Doge, a Venetian



LaRouche Campaign Is On the Internet!

Lyndon LaRouche's Democratic presidential primary campaign has established a World Wide Web site on the Internet. The "home page" brings you recent policy statements by the candidate as well as a brief biographical resumé.

TO REACH the LaRouche page on the Internet:

<http://www.clark.net/larouche/welcome.html>

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Doge or an emperor. This is empire. This means "absence of nation-state." It means that, "Well, I'll give you this title, Duke of this; and, you get that land, you get these peasants as human cattle, you get all these things. They're yours!"

France was not a nation until Louis XI. France was divided. You had the Fronde. There were all these little parts. You had Burgundy. Different parts were owned by different people. This kept shifting. Britain owned half of France, or more than half of France. Because of the feudal structures. The people did not control their own nation. It was controlled

The British Empire is not the colonies of Great Britain. The British Empire is an international oligarchy whose pedigree is Venetian, a financier oligarchy, which is centered around about 5,000 personalities associated with the British monarchy, who are bankers, who are speculators, who are things like Royal Dutch Shell, which is a part of British intelligence.

by a feudal system.

So, you have an imperial system. The British Empire is not the colonies of Great Britain. The British Empire is an international oligarchy whose pedigree is Venetian, a financier oligarchy, which is centered around about 5,000 personalities associated with the British monarchy, who are bankers, who are speculators, who are things like Royal Dutch Shell, which is a part of British intelligence. It's British. It's Anglo-Dutch.

What do the British control? The British control (virtually) all of their former colonies. One of our problems we have, in trying to defend Nigeria from the British, in fact, is the fact that the British still exert a great deal of control over Nigeria, the largest nation in Africa. They educated them; they control this; they control that.

The British, in effect, still control India. It's a more complicated process, and it's done through the Indian bureaucracy, and through certain very powerful financial interests in India.

The British essentially control the entire former British Empire. The Queen is the head of state of 16 countries, and that's not ceremonial. She's the head of state. She has the power to dissolve the parliament. She controls the military and the intelligence services, as state functions. The intelligence services and military do not work for the British Parliament, they work for the British state. She is the head of state.

These are not elected governments; these are govern-

ments of a permanent bureaucracy. We have some of that introduced in the United States in the name of "civil service," as a reform. But a permanent bureaucracy which controls the elected government, is the characteristic of an empire. It's a tyranny. The people have no control over it. They say, "You can't fire him, he's a civil service bureaucrat. He's got a contract. He runs this part of the government for the rest of his life. Or he and his cronies. How can you get rid of them?"

It's a tyranny, in which the people have no power of recall over the agencies which govern them. The civil service of Britain, at least all the important parts, the intelligence services, the military, the administration, the financial system, is under the control of the Queen. There are 16 countries in this world, in which the Queen directly controls the state from the top down. And the government is kept like a zoo that you can go to visit on Saturdays. The real decisions are made by the state, not by the government. The state *orchestrates* the government. It's a con show.

The British control the Commonwealth system, which controls nearly 30% of the world's population. It controls one-quarter of the world's land area. It controls the overwhelming majority of international financial speculation through the London market and its auxiliaries. It controls over 60% of the world's precious metals trade. It has the controlling interest in world strategic minerals. It controls the most important part of international trade in food. It controls the major part of the world's petroleum trade. And it controls the culture of most nations.

It influences about half of each of the major parties of Germany. It controls the majority of the Socialist Party of France. It owned François Mitterrand 100%, or 110%. It appears to own Charles Pasqua. Paris is owned by the British, psychologically.

Italy is owned by the British today. I can tell you that the most intelligent members of government in the world are found in Italy; but, unfortunately, they have no power. Not that all the governments are good, but if you want to go into a country and find today the kind of intelligent politician who you would find in almost every country back in the 1970s and 1960s, Italy is the only place in Western Europe you'll find that. You'll find intelligent people, but they're out of government. They're in obscure places.

The institutions of society are no longer, organically, working with government. In Italy. Germany, less and less so. You have party bonzes and bureaucrats controlling nations. Not real political factions in the serious sense. Not factions which are related to institutions such as the trade union movement, the banks, the industries, and so forth, of society.

You have people in political power, party bonzes, who *can't think!* They're nothing but functionaries who take orders. They're like dogs that carry messages in their mouths, except, instead of having to take the message out of the dog's mouth, you just look at the dog, and the dog repeats it, like a parrot. So that's the nature of that particular problem.

So, we have to go back to geopolitics; we have to recog-

nize that the culture which has shaped the past 50 years, was the culture of thermonuclear balance of power, which came in two phases. From 1945-46, to 1962-63, the missile-crisis negotiations period, and the past 30-odd years, which was the period of post-industrial devolution of civilization. We have to recognize, that what happened in 1945-46 was a product of the same processes that determined two wars in this century.

Then, we ask ourselves a fundamental question.

The history of human rights

Look at Figure 2 again, the Europe chart. Ask a basic question. Wait a minute. Modern European civilization created the idea of human rights. They didn't exist. They existed in religious terms before then, but not in political terms, not in institutional political terms. Individual human rights *didn't exist* until the Fifteenth Century in Europe; because, there was a large part of the population that *didn't have* human rights. They had human-cattle rights.

Jefferson was such a pig, Thomas Jefferson, one-time President of the United States. He was against slavery, even though he enjoyed the sexual embraces of his female slaves; but, he didn't think that African-Americans were actually human. But, he argued, explicitly, that one's treatment of them must be humane, even though they're not quite fully human.

That's not human rights. Either a person's human, fully human, or not. And people who were treated as chattels, were not given full human rights. Under John Locke, under British law, under British tradition, there is no such thing as human rights. The British don't recognize human rights.

Locke's argument was that property is primary. Locke had no idea of human freedom. He was against it. He was against human rights. If a master had a slave, the slave was property, and the primary right inhered in property, to which Leibniz was opposed, and which the United States was founded *against*. The United States was *never* based on Locke, even though Jefferson was. The United States was based on Leibniz against Locke, on the issue of human happiness, as opposed to property. That's the difference between it and that Confederate Constitution whose Preamble says "property." The U.S. Constitution says the general welfare and posterity.

Why is it that a society which had this principle embodied in the idea of universal education, not to exclude people into a category of human cattle, such as serfs, the idea of the right to participation in scientific-technological progress and its benefits as a universal right, the development of urban society to free man from the idiocy of serfdom; how is it that such a society, with such success, the greatest rate of improvement in the condition of mankind in all human existence; the greatest culture mankind had ever conceived; how could this greatest of all cultures suddenly go into the cesspool, as it's done?

Very simply: Because when we made the revolution, we didn't get rid of something. We didn't eliminate a disease. The disease was oligarchism. Not just the oligarchism of the

feudal landed aristocracy. They were a minor problem: a pesky problem, an obnoxious problem, but a minor one. We had a more satanic evil in our midst, called Venice: usury, financier oligarchy.

There is no landed aristocracy to speak of in the world today. The Queen of England is a bourgeois monarch, a Venetian-style "Dogessa." She's not even really quite human, as her progeny tend to suggest the case might be. She's a bourgeois "Doge." The Queen of the Netherlands: bourgeois Doge. The oligarchs of Germany: They're relics! Quaint and nasty. Generally tied to the British. Very British interest. France, the same thing.

Where's your landed aristocracy? The landed aristocracy disappeared, essentially, in the process of the world wars of this century. That was the last relic of it. The landed aristocracy lost its power with Metternich, when the Holy Alliance was overthrown by Lord Palmerston, using his agent Mazzini and people like that. That was the end of the power of the landed aristocracy. Metternich was the last aristocrat of that type.

Since then, the power of the aristocracy is the financier aristocracy, and you have people with titles attached to their names, who are nothing but rewarmed financier aristocrats. *We didn't get rid of this evil of oligarchism*, the thing of which the revolution was supposed to purge itself. We did *not* establish a society which was based on the prohibition against usury, that is, against the domination of society by looting unearned income. We did not eliminate the control of currency by financier oligarchs. We talk about the private central banking system, which is sin itself.

We promoted usury, such as this decoupling of finance from economy illustrates. We allowed great power to be concentrated in the hands of these evil parasites, the oligarchs. The power was concentrated in England, in Britain. Not in the British people. The British people haven't been fully human since 1714, when the present monarchy was established, when the last Englishman who was fighting against this crap, was essentially defeated politically—Jonathan Swift, Daniel Defoe, and people like that.

The oligarchy made England the base for a new Venice, a new lagoon of Venice, in which the world's financial power was concentrated in a handful of oligarchs. You have people who are Italian who are not Italian; they're part of the British monarchy. People who are Dutch, Dutch oligarchs; they're not Dutch, but part of the oligarchy. In the United States, we have a whole class of wealthy people: They're British oligarchs, part of the British oligarchy. Australia, all throughout Europe, most of the wealthy people in the wealthy financial interests in the so-called developing countries: It's the same thing. They're known to us; this is a direct relationship.

So you have two societies, like a China society. On the top, less than a fraction of 1%: oligarchs, and their lackeys, who run their errands for them. On the bottom, the people. We have allowed London, through the victory of Britain, or

its participation in victory in wars, to become a sustained center for the perpetuation of this oligarchical principle.

We have allowed our countries to submit, whether by conquest, defeat, or what not. The most recent case, of course, is eastern Europe, where these countries were treated like conquered countries, occupied territories, where you could find some scoundrels to work for the occupying authorities. And, we allowed that to happen. And we now stand on the verge of what appears to be an apocalypse, the virtual end of civilization, if we don't change it.

The problem is, yes, the immediate problem of the past 30 years, the post-industrial turn. That problem is rooted in the policy of the bipolar world, the nuclear bipolar world, which is the birth of it, and the terror of 1962-63. That was rooted, in turn, in the geopolitical doctrine of the British, which gave us two world wars in this century. That, in turn, was rooted in the fact that we failed, in creating this good society, to rid it of a disease, the most ancient disease of mankind, political disease of mankind, oligarchism.

We failed to say, effectively, that every human being has a human right. And the first human right, is the right to be human. That is the right to be developed in a way which is consistent with the special nature of man as a creative being. To be playful in the way Leonardo da Vinci was playful.

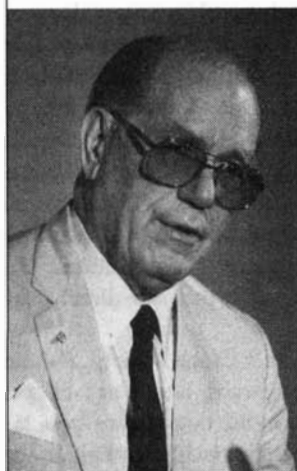
The second right, after the first right, is the right to be allowed to express that humanity; and to express it, means

not merely to enjoy doing something, but to recognize that life is short, and we're in a hurry, because we're going to die, sooner or later. And once we die, our entire life becomes like a great musical composition, at its best. The composition is everything good that went into the life, to make its end-result beneficial to mankind. It's like a great musical composition, at best. That's all we can aspire to be like. The composer dies; the music lives. The music lives to be a benefit to coming generations. Therefore, that person's life is meaningful. It has historic meaning for all generations to come, because it has contributed to the adding and transmission of knowledge to enable man to be more like man, to be more human.

Thus, our whole life, if we are wise, is to develop ourselves, and to face the challenges of life, in such a way that we make our whole life a composition, a good composition, in the sense of man's nature. And every human being must have the right, both to be recognized as human, and to be allowed to develop in the way which being human requires. The right to express oneself, by making one's process of living a Classical composition, which, when it comes to its close, is a good composition for the benefit of those who live after us.

If we establish that principle, let this terrible apocalypse confronting us be an object-lesson to us and those who come after us, that never again must we allow such mistakes as have led us to this point, to occur.

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Why mankind must create a community of peoples based on natural law

by Helga Zepp LaRouche

On Dec. 3, 1995, Schiller Institute founder Helga Zepp LaRouche addressed an international conference of the institute, convened in the city of Eltville, Germany. An edited transcript of her speech follows; subheads have been added.

As Lyndon LaRouche described in great detail yesterday, we are faced with the situation in which the whole world, and, as part of this whole world, in particular we here in Europe, are, very clearly, presently on a suicide course. If you look at the policies of the different governments, it is obvious that all of them, to different degrees, are unconcerned with the common good of their nations, the *bonum commune*, and that their activities, in recent decades, have switched to what one could clearly call the *malum commune*, the common evil. The governments have, to different degrees, policies which, if continued, clearly will lead to the destruction of their nations.

Neil Kinnock, the former leader of the British Labour Party and now a representative of the European Commission, just this week made a statement in which he said that the policies of the European Union are, on the one side, to uphold the possibility of enlargement to include other members, especially from the East, in it, and then, on the other side, not doing enough to make this feasible, had created the worst of both worlds. This is a typical case of British understatement, because the present policies of the European Union are indeed the worst of *all* possible worlds, and I mean this very much in the sense of Leibniz.

This is because these governments are doing the exact opposite of what the best of all worlds requires. There is no clearer symbol for this, than the Maastricht Treaty, which has created an automatic austerity mechanism which will lead inexorably to the death of all nations of Europe. If Maastricht is continued, then the conditions of Europe will degenerate into those existing before the emergence of the nation-state. In a generation or less, the population levels will drop worldwide to a couple of million people and we will have feudalism of one kind or another, and in a generation we could have a collapse of civilization—a society which would go to hell, in which every value associated with European civilization would be gone. Already now, it's not so difficult to imagine that, if things continue as they are, soon there will be no Classical music; Classical poetry will be completely

forgotten; education for everybody, a question of the past; human rights, elections, health care, the welfare social system—all these ideas can vanish. And what will be left is a reduced population of insane, crazy people, armed gangs, mafias, people just in total chaos.

Maastricht basically already has begun to be applied. It gives a supranational European government, more and more power, and, if not overturned, is forcing the national governments more and more to implement austerity, thus eliminating their power as sovereign nation-states. Eventually, you will have citizens without any representation. We are much closer to this than people think. Already now, through the Maastricht Treaty, the European governments have lost all influence on economic policy, credit policy, trade policy, and budget policy. The European Commission is not accountable to any government or parliament; it is even forbidden for this supranational bureaucracy to take advice. As we warned when this treaty was signed, Articles 104, 104a, 105a, forbid explicitly any dirigist credit-creation for anti-depression measures.

Nations disintegrate

You should note what that means: Take the case of Italy. Right now, because of the Maastricht Treaty, the government is absolutely forbidden to do anything for the economic development of the Mezzogiorno (southern Italy), where there is 15% to 20% unemployment. Fifty percent of all youth in this region are unemployed. And, according to Maastricht, the Italian government is forbidden to do anything to change that. If this continues, then the collapse of Italy as a nation as it is right now—again, this is aggressively pushed by the Lega Nord—is not a question of the distant future. This is obviously the reason why the Pope, when he gave his speech in Palermo (Sicily), made a passionate appeal to keep the unity of Italy.

How long will France last, with the present policy? Lyndon LaRouche spoke yesterday, of the hysterical denial of reality by this government. Under the pressure to conform with Maastricht, French President Jacques Chirac reversed all his election promises and is destroying his own government in implementing the policies of former Finance Minister Alain Madelin, whom he had kicked out only a couple of months ago. The French government is doing this because,



French workers are striking against the austerity demands of the Maastricht Treaty, which the French government is foolishly trying to enforce. Shown here: Striking railwaymen at a rally on Dec. 6 in Caen, France. The banner reads, "Save and develop public services."

they claim that next year the social security system of France will be bankrupt. That may be true, but if Maastricht prevails, it will be bankrupt and there will be catastrophic consequences for the entire French nation. One can say that Maastricht has become the synonym for the *malum commune*, the common evil. And it must go.

Look at other situations. Lithuania: Sure, there are still hospitals in which people can be treated, but there is no food for the patients, and if a patient does not have relatives to bring food from the village or the city, the patient has no food. In the United States: Sure, there are still operations being practiced, but instead of a hospital stay of about eight days after an operation, now people are being sent home the same day. They get good, cheap advice about how to have a relative watch over them so that no complications occur.

This all gives you a foretaste of what could happen, if we have an unprepared, unprevented monetary disintegration of the entire system in 48 to 72 hours. Nothing would work any more, and millions and millions of people would die, as a consequence. From that standpoint, the Maastricht Treaty is criminal, because it prevents governments from taking preemptive measures.

Look at other places. Already now, the International Monetary Fund policies in the former Soviet Union and eastern Europe have thrown 75 million people into grinding poverty, and these are very moderate figures from the International Labor Organization (ILO) and similar official

institutions. That is about as many people as live in Germany today. In Poland, in Hungary, 8% are below the poverty level. In Romania, in Bulgaria, it is 35%. In Russia, 60%, according to the ILO, are living below the poverty level. In Moscow alone, 60,000 youth are homeless. I think that so far, and this counts only up through November, 200 people have died in the cold in Moscow, as a result of homelessness. The life expectancy in Russia has dropped to 56 years for males, which is lower than that in Pakistan.

Mounting strategic threat

This is clearly the result of the policies of Bush and Thatcher, and one should listen very carefully, when Gen. Aleksandr Lebed, in a recent op-ed in the *Frankfurter Allgemeine Zeitung*, said that right now, as a consequence of these policies, there is a population reduction in Russia of 1 million people per year, and that only one-third of newborn babies are even half-way healthy when they are born. Now that means, that two-thirds of all newborn babies are sick. I think it makes very clear, that if the present policies are not changed, Russia is a dying nation. Lebed gave these figures, and said that during the worst years of World War II, namely, in 1941-42, the GNP in Russia collapsed 34%. But from 1992 to 1995, the GNP collapsed by 43%—worse than in the Second World War. Lebed stressed, that for a certain time, people adapt to extreme situations. But if the perspective is that their whole life will be extreme, then this will lead to

desperation and aggressivity.

Already now, we see that there are many political forces in Russia and elsewhere who blame the West. Who could blame them? The West *did* betray the East. Lebed warned, that if there were a NATO expansion under these conditions, the only answer Russia could have, would be a new military alliance, to be based again on nuclear deterrence. Others are portraying NATO as the new existential threat to Russia. It is clear how we could quickly get into a very dangerous dynamic.

There was a lot of concern in Italy, Germany, and other places in Europe, that when the Chirac government came into office and started the French nuclear tests, this was done in anticipation of dangerous developments in Russia. At a recent press conference in Madrid, French Defense Minister Hervé de Charrette told [*EIR* correspondent] Muriel Mirak-Weissbach, in answer to her question about the consequences of the free market economy having destroyed the East, that this was only our opinion, and that in European history there was allegedly no example of *étatisme* (statism) and dirigism leading to an improvement of the economy.

This insanity illustrates the problem. The current French government would rather prepare, in anticipation of a possible war, their own military arsenal, than change economic policy! They would rather have the entire country of France being torn apart, and pretend this crisis doesn't exist, than change the economics.

Look at what is happening with the so-called reemergence of communism in the East. As Lyn has emphasized, we are really not looking at communism in the old form. As the new Polish President, Alexander Kwasniewski, said in making the point that he was not really a communist: When he was in the government of Jaruzelski in the 1970s, there were already then very few communists in Poland, but lots of technocrats, opportunists, and liberals. This happens to be the truth, and it is all the more true today. Communism in the old form is dead. It collapsed, because of the axioms it had. But the problem was, that since the opposition to communism totally discredited itself, because it was associated with the free market economy, now, people who used to be in the power structure, old careerists, are coming to power and they are coming back.

It is the same phenomenon as in East Germany with the PDS, or in Hungary, Slovakia, Poland. Many times, these are not communists, but gangsters. The problem we have with [new German Social Democratic Party head] Oskar Lafontaine and Gregor Gysi [head of the parliamentary caucus of the PDS, which replaced the East German communist party] is not so much that they have a clear ideology. If you read the scribblings of Lafontaine, they are an eclectic mixture of praising Bertrand Russell, Kissinger, Marcuse, and various other Frankfurt School authors. The problem is, that Gysi and Lafontaine are making a power move, and they are calculating that if they have 30 to 40% in different states,

then this eventually will be sufficient to take power in all of Germany.

The problem is that the British oligarchy, right now, is playing all sides. They play the Conservative Revolution; this is still in place—the idea of total austerity, fascist dictatorships. But then, their tools, like Gingrich, don't function so well, and therefore they are building up other alternatives at the same time, such as the idea of a Fabian left based on the ideas of Russell and H.G. Wells. You have a whole emergence of the so-called New Left—Lafontaine, Gysi, Blair, Kwasniewski—who fit this profile. But, unfortunately, the British also play the nationalists in many countries, by simple doing exactly the same thing as they did during the Gulf War with the Arab world. In the case of Europe, they are using the map of Yalta and Versailles to play on nationalism and particularism, which can be equally dangerous.

After the monetary system collapses

What is the situation we confront? The monetary system will collapse, and nothing will stop it except the kind of reorganization measures we propose. The problem with Maastricht is in this context. States which stick to Maastricht cannot, by law, join with the United States in these kind of reorganization measures. With Maastricht in existence, eastern Europe has no chance and will fall back into wilderness, and many nations of eastern Europe will disappear. Maybe, at some point, there will be some feudal rule by Moscow, but also many West European nations will be thrown into chaos. The problem is, that all existing structures are doomed, and the politicians associated with these structures are really dinosaurs, prehistoric creatures who are of interest only from the standpoint of an archaeological museum.

The much more fundamental question is this: If an epoch is coming to an end, and not in the distant future, but *now*, what is called modern times is ending. The question is: What has to replace it, in order to avoid a total catastrophe?

Leibniz, in his *New Essays On Human Understanding*, made a very prophetic statement. He warned about the catastrophic consequences it would have, if British nominalism were one day to have hegemony in the world. And that is clearly the case today. Those infected by these empiricist opinions, who are following their bestial inclinations, he says, are seducing the minds of others. If they are ambitious, they can bring fire to the four corners of the world. The danger would be, that such opinions could also, step by step, get into the minds of those who govern and on whom things depend. Under those conditions, the public spirit would disappear quickly, and the rulers would make fun of those who care for their nations. In the end, they would suffer the same evil they were seeking for others, and a necessary subsequent revolution would heal the people.

I think he must have been talking approximately about

our time today. We have reached the end of this epoch, and all the axioms associated with these opinions will be swept away. But what do we need instead? A positive solution, and this has been my conviction for at least 15 years, and it becomes deeper as time goes by, can be found only if the political order is established on the basis of the order of Creation, on the laws of the universe, on the basis of a universal moral law. This universal moral law is what has been called, since Plato, natural law—resulting out of the nature of existence. How can natural law be intelligible? The idea of natural law is based on the assumption that there *is* a natural order, and that this order is intelligible, and that human beings must bring their actions into cohesion with that order.

In Classical Greece, the idea of an ontological foundation of morality, that ethics must be connected with the nature of being, was a common idea. Indeed, it is one of the pillars of modern civilization. Plato first formulated this idea. He is the father of the Classical teaching of natural law. He noted the undeniable fact, that human beings are capable of knowing the idea of the Good, which is the basis for knowing natural law.

Augustinus stated the same idea from a Christian standpoint: that God has created the universe according to a well thought-out concept, which is an order based on reason. These well thought-out laws of the creation of the world, from then on were called *lex aeterna*, eternal law. The created world, nature, is an ordered system of existences, which is developing. Man, who is part of this creation, can participate in and know this order, and recognize how he should behave in it. Insofar as man participates in the eternal law, it is called natural law.

All philosophers in the Platonic-Augustinian tradition attributed to man this ability to know the Good, deducible from natural law, and they called this ability to know it, *recta ratio* or *bona mens* or *lumen naturale* or *lumen internum*, as Leibniz called it.

But, even if there was a distortion of the natural law conception through Luther, Calvin, and Hugo Grotius, it was Hobbes, but especially John Locke, who launched a total attack on this idea. Locke really represents the watershed. From there on, there developed a whole series of epistemologies, which are no longer compatible with natural law. For Locke's empiricism, the foundation of morality and law in an ontological order is impossible, because the verification principle does not apply.

According to Locke, it is impossible to say anything meaningful about being, about essence, about existence, since being as a whole cannot be the object of experience. For this reason, one can say nothing about the natural order of existence. One cannot have any verifiable knowledge about it, and therefore there is no criterion to judge, if a human action is according to the natural order or not. This is the crux of the matter. That is essentially the entire argument

of all the different modern epistemological varieties against natural law. Nobody has come up with a more convincing argument than that.

By the same token, the argument goes, from the standpoint of presently accepted science mythologies, i.e., classroom mathematics, neither the idea of the ontological order of the universe, nor the deducible idea of a moral behavior following such an order, is determinable. Also, it is impossible to say anything definite about *the* nature of man. There is nothing universal about man; there is only the concrete individual.

The oligarchical standpoint

From an oligarchical view, the benefit of the rejection of knowable natural law is obvious. If there is no knowable common good, there is no knowable common good for society or for the community of people. Calvin was blatant enough to just declare the right to steal to be natural law, to justify his looting. But Locke's empiricism was really a much more fundamental attack on the axiomatic achievements of the Renaissance idea of the modern nation-state. The common good was no longer knowable, and obviously what you don't know, you don't have to serve.

The next step, then, was Hume and his infamous Hume's Verdict. According to Hume, from any existence, one cannot deduce obligations. Karl Rahner, who is still appreciated by certain forces in the church, in 1955 really said nothing other than that one could not deduce any binding laws out of empirical data. There is no moral obligation following out of that.

But the proponents of natural law are not without their own problems. It becomes problematic, if the definition of what is the common good according to natural law does not start from the totality of mankind, but tries to define so-called non-negotiable core positions, *bona particularia*, related to marriage, family values, rights of parents, and so forth. There is nothing wrong if these values are *also* considered, but it becomes very dangerous if these are the only relevant ones, as you can see today in the Christian Right in Europe or in the CDU/CSU [the ruling Christian Democratic party] in Germany. In the United States, the Christian Right has no problem with supporting Oliver North, George Bush, and similar evil people.

The question of verification is indeed a crucial question, from which to start. Lyn, in his paper about his own discovery,¹ has made a rather remarkable statement, which I really wish would be taken up by the economists of this world to be debated, because it touches upon the absolute revolution of his work. Up until the conceptual breakthrough Lyn made in the field of physical economics, one could only have approximations in the verification of epistemological truth, so there was no way to say, with scientific precision, whether something was true or not.

But, as Lyn has demonstrated in all of his work, the experimental proof lies in the existence of man. The only

way man can know the laws of the universe is through an increase of power to command the universe. The ontological characteristic of this is creative reason. The only way it manifests itself is through those fundamental discoveries in natural science and Classical art that lead to an increase in the potential population density, which is the measurement of man's power over the universe.

That is the closest approximation of a proof there is. The truth lies in the method of discovery, not in the empirical reality. The reality lies in *the change*, as Heraclitus had already said. The fact that the cognitive processes are efficient in the physical universe, touches upon what Leibniz searched for all his life, the *characteristicum universalis*. This *characteristicum universalis* also leads to a method of how to distinguish truth from falsehood. This is crucial: How do we differentiate between knowable truth, and mere opinions? If we don't have a criterion to decide that, there is no way we can talk to each other.

If this is the end of an epoch and all the axioms of current opinion are swept away, how do we find a language by which we can communicate with each other, and how can we establish ideas, which are truthful? This is a problem every serious thinker dealt with. For example, Confucius in the fifth century B.C., in a dialogue with his student Dsi-Lu, said the following: Dsi-Lu came to Confucius and said, "The prince of We wants to talk to you. He wants to govern with your help. What should he do first?"

Confucius answered, "First, he must bring his conceptions into order." "What," said Dsi-Lu, "You are not speaking about the core of the matter." Confucius: "How cultureless you are, Dsi-Lu! An intelligent man does not speak about that of which he knows nothing. When the conceptions are not in order, the language is not in cohesion with the truth of things. When the language is not in cohesion with the truth of things, then people do not fulfill their tasks well. When people do not fulfill their tasks well, then the customs and the arts are not flourishing. When the customs and the arts are not flourishing, then the rulers will not be just. When the rulers are not just, then the population does not know what to do. Therefore, an intelligent man wants his language to be precise and clear. The intelligent man regards it as important, that everything in his language is precise and clear."

So, if we want to get rid of flawed axioms of culture, which are the reason why this society is doomed, we have to do what Plato did in his dialogues. We have to do what Socrates did—to attack the underlying assumptions, to establish reason. We have to create paradoxes. For example, like the famous sentence by Socrates: "I know (with absolute certainty), that I know nothing (with absolute certainty)."

Leibniz had the same concern. He accused the empiricists of using defective conceptions, out of which follows nothing. For example, Newton's term of an absolute empty space is such a notion out of which follows nothing, because it's not a precise idea, as compared to the idea of a *monad*, an idea

expressing already the whole of the universe, as it is.

The same concern guided the pope in his speech on the 50th anniversary of the United Nations, in which he stressed that we must find a way to discuss the future of man in an understandable language.² He said that the universal moral law which is written in the hearts of man is a kind of grammar, which the world needs, in order to begin discussing its own future. It is interesting, by the way, that the pope takes the search for freedom—which he says is one of the great powers of motion in the history of mankind and which is manifest today in every corner of the world—as a reflection of the existence of this universal moral law, and of the universal character of man.

Nikolaus of Cusa

What, therefore, could be such a grammar, with the help of which we can discuss the common future of mankind? We must find the philosophical common denominator which unites mankind, over and above all differences and apparently hardened prejudices of the different peoples against each other. Let's look at the ideas of two thinkers who were both filled with passionate love for the idea of a community of peoples.

For Nikolaus of Cusa, the community of peoples was only one aspect of the problem which he worked on the most throughout his whole life, namely the old Parmenides problem, the relation between the One and the Many. On the one side, the different peoples and nations are an expression of the multiplicity of creation, but they do have an individual character or essence, to which a transcendental representation corresponds. For Nikolaus, the peoples have as much natural and inalienable rights as do individuals.

Peoples must be respected politically, but also united together in a universal unity. This is possible, says Nikolaus, because of the *spiritus universorum*, the universal spirit which works in everything created. In the *De Docta Ignorantia*, he says that the whole, the universe, as the most complete, precedes the order of nature. So that everything can be in everything, *quod libet in quo libet*.

Peoples and nations are elements of particularization, but their unity exists before their differentiation. And, he says, totality means universality, the unity in plurality. Concordance in the macrocosm can only exist if there is a maximum development of all microcosms. Each nation must relate to each other, like the members of a family, and wish the best development of the other. The differentiation of the unity is necessary, as a matter of fact, welcomed.

All beings, and therefore also all peoples and all nations, are supposed to develop their particularities to the maximum, but they should not do it by closing themselves off from one another but, on the contrary, by realizing this great general unity. Any progress in knowledge, any new scientific advance, accomplished by one nation, should immediately be made available to all others. Any cultural gap between them

should be immediately remedied.

In 1454, in a sermon for the Feast of Epiphany, Nikolaus gave what has been termed a tremendous eulogy of civilization. With total excitement, he called the existence of the free and mechanical art the great donation to mankind. In the fourth book of the *Idiota* dialogues, he makes an appeal for the systematic collaboration of scientists, anticipating a similar call by Leibniz.

In his experiments with the scale, he aims to found a better medicine; he develops a way to measure the specific weight of metals, to measure magnetism, to predict weather

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patterns and to measure the depths of the oceans. All of these he sees as contributing to the common good of humanity. He ends with a passionate appeal to the great leaders of the world to create scientific and technological institutions for international cooperation, so that all the discoveries are collected so that we can find many still hidden things and discover them more easily. The fact that scientists and artists of all fields exist in each nation makes it possible for them to communicate easily, he says.

He also stresses the idea of consensus and representation. The representative system, in which the representatives are obliged to represent the common good, these laws require extensive consultations, even daily, as he demands in *Concordantia Catholica*.

In the context of his U.N. speech, the pope demanded a new U.N. charter to define the rights of nations, an equivalent to the charter on human rights. While many of the conceptions in the original charter of human rights are noble, the reality of the United Nations, what they did in Bosnia, in Rwanda, and many other places around the world, has shown that they have moved totally away from the original idea. The reason the United Nations, the European Union, and similar institutions do not function, is that, from the beginning, they were not based on metaphysical convictions and contained no clear definition of the common good. For Nikolaus, this metaphysical foundation existed, and it led him to a most interesting conception, the discovery of what nowadays would be called the “biogenetic fundamental law.”

Crucial to this method is the double concept, *complicatio explicatio*. To illustrate this polarity, several examples from nature and mathematics are used by him.

In the *Docta Ignorantia*, he uses the point and the line as well as the mathematical number One. The line, the plane, and the cube unfold progressively out of the indivisible point, which includes those, not in a quantitative way, but in the highest simplicity (*complicat*). The number one unfolds out of itself the successive series of numbers. These are, therefore, already in the One in a complicative way. Concerning creation, these examples are supposed to be metaphors for God the Creator, the absolute One, Who develops out of Himself the ordered multiple manifold of created things in the universe.

In *De Coniecturis*, Nikolaus applies his conception of *complicatio-explicatio* to the inner complexity of the universe in such a way that the respective higher unit, being more potent in its being but more simple in its essence, includes the subsequent, more complex, but weaker unit as roots, so to speak, and unfolds this multiplicity out of itself. For the absolute *complicatio*, Nikolaus also uses the concept *coincidentia oppositorum* (the coincidence of opposites).

The idea of a Christian evolutionism

Nikolaus combines the idea of creation and development, into what is really the idea of a Christian evolutionism. Only that can unfold which virtually already exists, but in greater simplicity and in richer existence. What unfolds is the efficacy, the *Wirkkraft*, which proceeds from the highest, the divine, to the lower, weaker in its essence; it is a *descensus*, a descent.

The modern notion of evolution thinks in terms of an ascent, of an upward motion, the evolution of something higher out of the lower, from the more primitive to the more complete forms of life. Then, *progressio* does not mean *descensus*, but an ascending progress. So, in what sense does Nikolaus speak about a biological evolution in the modern sense?

In the first two books in the *Docta Ignorantia*, he speaks clearly about the unfolding of the divine unity into an ordered system of multitude, which he sees as the “world soul,” the unfolding of the divine spirit and as the complicative principle which orders the entire multitude of things to one unity in the universe. He sees the “world soul” as *necessitas complexionis*; everything is rolled up in a ball, a cue, which, in the course of history, unfolds in space and time.

But, Nikolaus also describes, in *De Coniecturis*, how the creaturelikeness ascends upward into spirituality. He emphasizes that the higher species of life is already dormant in the lower. In the darkness of vegetative life there is already the hidden cognitive *spiritus intellectualis*. This reveals itself, for example, in the way the branches carry themselves and the way leaves and shells protect the foods. We find more signs of understanding among the animals, he says, whose

spirit is clearer than that of the plants, because in the senses, in the power of imagination, but especially in thinking, *ratio*, we respectively have clearer and clearer signs of the intellectual power.

Nikolaus describes how, in the history of nature, there is a process from the lowest matter, from inorganic to the organic life, up to man as the bodily and spiritual being. Consciousness, which is only fully there for men, already exists in a diffuse way in organic life. So he describes both processes as simultaneous: the coincidence of the descending and the ascending motions. Since the descent of the spirit and the ascent of the bodily are identical, *spiritum descendere est corpus ascendere*, you must think both together. On the one side, there is the successive evolution of the species, on the other side is the ontological primary original causality in God.

In a most remarkable sermon of Jan. 1, 1441, Nikolaus says that the entire history of mankind repeats itself in a condensed fashion, recapitulates itself in each individual. Therefore, the development of the human species in general obeys the same laws, as are true for the individuals—*quod libet in quo libet*—everything participates in each thing. Even in the smallest thing in the macrocosm, the universe is somehow already reflected. But it is organized in such a way that the higher forms of life, because of their superior unitybuilding power, encompass the lower ones. Man is, on the one side, *imago viva Dei*, the living image of God, but also the world in the small, because he represents the unity of the universe in its multitude and in all its physical and spiritual powers, descensive and ascensive, in himself.

Nikolaus, like Leibniz later, had this conception of the universe. All its species and kinds follow each other, like a series of numbers, and build a kind of chain from the highest spiritual being to the lowest, nearly bordering the nothing. And this represents a value scale, in which the highest species of the lower kind already coincides with the lowest species of the next higher kind. On the one side, there is therefore continuity, but on the other side, there are unbridgeable separations between the species. Without this principle—that the higher form enfolds the lower—this gap could not be bridged. The reason lies in the fact that, in the existing order of the universe, no individual can exhaust the entire wealth of being and life of its species, because each individual is only *one*, beside all the other individuals, and therefore remains behind the boundary of its species.

There is also no space between the species in which a new species could somehow sit in the middle. It is impossible that an individual could settle in-between, because the metaphysical border area is indivisible. If any individual wants to fully realize its essence and meaning, it must be more than only a being of his kind. To fulfill the potentiality of one's own kind, one has to transcend into the next higher.

Now, this is very fascinating. It is also verifiable. This metaphysical conception can be proven, because, as the con-

tinued existence of man demonstrates, the physical universe is prone to obey the cognitive processes of man. The Cusanian idea of evolution leads directly to Leibniz's idea of the *characteristicum universalis*, to understand all processes in the universe at once from the standpoint of cognition.

Locke's attack on Cusa

It is my conviction that Cusa's work already contains in it, in essence, all the ideas necessary to solve the political problems of the world. If you consider the devastating effect of John Locke in all fields of knowledge, also in natural law, it is most interesting that John Locke certainly deployed to counter Nikolaus's influence—even if he never mentions him. During his time in exile, in Holland, Locke had access to a collection of Cusa's works, just before he started to write his own *Essay on Human Understanding*. Leibniz, naturally, understood the evil principles of Hobbes and Locke and the British empiricists in general, and he countered Locke with his own *Essay on Human Understanding*, a devastating critique of Locke.

Leibniz, like Confucius, Plato, and Nikolaus before him, is very concerned about the adequacy of conceptions. And he proposes, therefore, to reduce the sensuous multitude of the content of consciousness into its simple components, and then to reassemble them in a more ordered form. He was trying to find a kind of alphabet of thoughts which was supposed to order all possible conceptions—where he again and again tried to deal with the problem of unity and multitude, the One and the Many, as the ordering principle.

He echoes Cusa's idea of a value scale of species and powers of species. This "universal characteristic" was supposed to become a kind of language in which all ideas and things would be ordered in a clear fashion, so that different nations could communicate with each other in reference to that language.

Leibniz was convinced that once the universal characteristic was elaborated, one would discover an even deeper secret about the universe. It is as if God, in giving to mankind arithmetic and algebra, only wanted to give them a shadow image of this deeper secret, he said. This touches upon the idea of *lex aeterna*, the participation of man in the eternal law through natural law, and the *lumen internum*, or that within man which enables us to understand these laws ever more precisely, and to bring ourselves in ever greater cohesion with creative reason.

Contrary to Locke and all the silly empiricists, this desire for optimal self-perfection in accordance with the laws of the universe, is the universal nature of man. So much so, that it is the human law of life. Creative reason, acting upon the universe and increasing man's power over the universe, is what Lyn has characterized as the process which functions in congruence with Riemann's series typified by the term " $(n+1)/n$ "—which implicitly corresponds to an enumerable density of discontinuities for any arbitrary selected interval of

action. That term is a metric which corresponds to a function expressing continuous increase of potential relative population density.

This is why Leibniz correctly said that the world is the best of all possible worlds. Because each discovery increases the degrees of freedom and therefore furthers the *perfecto generalis* of the entire universe. For Leibniz, the result of creative discovery is the progress in all great arts and sciences, which all serve the *gloire de Dieu*, the honor of God.

Concrete progress in the sciences and the development of the beautiful arts are, for him, a service to mankind for the “common best.” His own scientific, political, and diplomatic initiatives are simply expressions of this: *Je suis toujours prêt à tourner mes pensées vers ce grand but*. “I am always ready to turn my thoughts to that great aim of mankind, that great goal.” This was the central thought of his life, he never moved away from it.

For Leibniz, the benefits of scientific progress are the realization of the *civitas Dei* [the City of God], and, as for Nikolaus before him, every concrete discovery—from the deviation of the magnetic needle and its beneficial consequences for navigation, to the comparative study of languages as the means to uncover the historical relations between the Slavic people and the rest of the European people, as well as just legislation and universal education—all these elements are important building-blocks toward the “great goal.”

A new community of nations

The desire for perfection, which Leibniz recognized as the basic tendency of our existence and which has the universal validity analogous to a law of nature, is, naturally, also the basis for a new community of nations. Therefore, any splintering off and different courses of certain nations, cultures, and ethnic groups are regarded as a departure from the *harmonia universalis* and also the mark of an *esprit sectaire*. . . . *En cela, je ne distingue ni nations ni partis*—“In this, I do not distinguish any country or party.”

This is the same idea as that of Schiller, who says every nation has the right to pursue its own interest, but that this interest can never be against those of mankind as a whole. The flourishing of arts and sciences is the proof of the desire for perfection, and, Leibniz says, the country that does this the best will be the most dear to my heart, because the whole human species will profit from it and its true richness will be improved. It is this universal harmony and mutual support among nations which characterizes humanity and differentiates it from bestiality.

Leibniz fought against the separation or isolation into different domains of life, which started to encompass all areas as a result of the Enlightenment. He was absolutely opposed to the specialization of knowledge which is so dominant in the academic world today. Against that, he posed the need for a universal all-sidedness of knowledge as an

important criterion for perfection. Nikolaus stated the same idea, he even demanded that all people should know all essential knowledge of their time in order to be able to define the necessary next step of knowledge. For Leibniz, *justitia est amor sapientis*, justice is love of science. This was the highest principle, not only for law, he said, but for all areas of life. It was this metaphysical basis of universalism oriented toward the optimal development of the “common best,” which was the foundation of his political efforts for an alliance among peoples and cultures.

When Russia became more prominent in European politics in the 17th century, Leibniz became totally fascinated with the possibilities Russia presented. For him, the emergence of this country opened up completely new options in the European political theater. He said, like a city one builds totally from scratch, it can be much better designed and be much better than one that just keeps adding on pieces. So, with Russia as the centerpiece and mediator, he proposed a gigantic plan for worldwide integration of culture, the unification of the Occident and the Orient.

Through the reports of the Jesuit missionaries, he was convinced that Chinese culture was guided by the same drive for perfection as the Christian culture of Europe. In parentheses, it was Leibniz’s enthusiastic writings which caused the China excitement of his time. Especially when he discovered in Peter the Great the kind of science-oriented monarch, approximating, at least in this respect, his own vision, he proposed the construction of the land road from Europe through Russia to China.

He wrote innumerable memos to Peter the Great elaborating how, in this way, one could take the best of what Europe had produced and that of China and improve both sides. Russia was in the middle between two cultures, with the possibilities of both but without the mistakes of past history. A true integration of East and West, an economy oriented towards the common best—the implementation of physical economy based on the idea of a science driver, to use the modern jargon.

What a vision Leibniz had at the end of the 17th century! The Academy in Berlin represented in the small what Leibniz wanted to realize in Russia in the greatest dimension: the idea of the *societas* as the model and form of organization to bring all scientists together for joint work. Just as he saw Russia as the middle between Europe and China, he saw Germany and Berlin as the middle between Western Europe and the East. In each case, he saw the same possibility of creative give and take among all cultures and nations, enabling each one to unfold all potentialities to the fullest. This is the idea of the *Concordantia Catholica* of Cusa applied to the system of states in the 17th century—concordance in the macrocosm is only possible through the maximum development of the microcosms.

Leibniz proposed infrastructure, the construction of waterways and canals throughout Russia, a road from North

Siberia to America, and he wanted to connect the oceans in that area. All of this was the result of his idea of the development and improvement of *humanitas*, the one human species. In *Propagatio Fidei per Scientias*, "The Propagation of Faith through Science," he writes: "I will take it as my greatest honor, joy and merit, Your Great Majesty the Czar, to be able to serve in such a laudable God-pleasing work, because I am not so much interested in your fatherland or any other specific nation, but I go after the benefit of the entire human kind. Because I regard Heaven as my fatherland, and all well-meaning people as its citizens, I am much more happy to accomplish much good with the Russians than very little with the Germans, or the other Europeans. Even if I sit here in great honor, wealth and calm, this would not benefit others much because my inclination and passion is directed towards the common best."

These remarks reflect the sentence "*Justitia est amor sapientis*"—an incredible love for the development of mankind. If some nations, or some peoples, are too used up to respond, then let's concentrate on those who are open, and advance mankind in this way.

In his *Novissima Sinica*, Leibniz describes how he found some of his own basic ideas of mathematical philosophy (Dyadik) in the writings of the Emperor Fo Hi, again a proof of universal human culture uniting peoples and epochs with each other. If it just were possible to light the *lumen internum*, the internal light which is in all human beings as a talent through the *propagatio fidei per scientias* then the *res publica re literarum*, the worldwide realm of the mind will be the result.

The alternative is a new Renaissance

So, we clearly are at the end of an epoch. The writing on the wall is visible. Worldwide, Rwandas, Bosnias, Chechnyas: the rule of the mafias and armed gangs, the collapse of mankind into an even more bestial condition than present Hollywood movies portray, and they are pretty bestial already. Violence, the survival of the fittest, sexual perversion, a return to slavery and to feudalism, and worse. Do we want this? Or, do we want the outcome of the crisis to be a new epoch, a Renaissance, freed of the oligarchical flaw of the past 600 years?

We have to find an agreement among ourselves: What mankind do we wish to have? It should be obvious that an agreement concerning the final goals of mankind is the absolute necessary precondition for any durable national and international order. We must find an agreement about the image of man, the final goal of all human efforts. Do we want an image of man defined from below, as modern thinking defines him, to show his ethnological, anthropological roots, proving that man is only a higher ape, like Prince Philip? As Cusa would say, do we want *homo animalis* or *homo spiritualis*? If we think that the thought model, *complicatio explicatio*, has scientific merit, if we think that Leibniz's

ideas that there indeed exists a *characteristicum universalis*, then our future is bright. Then we agree that man is indefinitely perfectible and that every human being can become more and more heroic, that is Leibniz's term for those people who pursue the "common best" in an uncompromising, vigorous way.

I think the choice is clear. Since we are not outside the universe, but part of it, and therefore determine, at least to a certain extent, its laws, it is our determination of what should be the goal of posterity which makes the difference.

There is one other important matter. Love for humankind is not an abstract matter. If we seriously think that we can only get out of this mess together, mankind as a whole, that for the first time mankind sits in one boat—no longer can one portion live and the rest die—and that therefore we need universal thinkers like Nikolaus, Leibniz, and LaRouche, then we also have to become compassionate with each other. It is not so difficult these days to find people who are victims of the present system. They agree that the system must be changed.

But it is much more difficult to get a representative of the Ibos in Nigeria to care about the plight of the Hungarian minorities under conditions of economic breakdown in Romania. Or to get Russian patriots to understand why, without resolving the problems addressed in the Million Man March in Washington, Russia has no future. That is tough. But it has to be done.

The pope is right, we do need a new charter of the rights of nations. Bosnia has shown that. Rwanda has shown how urgent it is. But if we agree that the axioms that have led to this crisis have to go, that it was principally the Enlightenment, the evil principles of Hobbes and Locke and the like that have to go, then we have to reestablish the validity of natural law. Most important, this new charter has to state that there is a yardstick for the common good, a scientifically precise yardstick. And that yardstick is obviously the continued existence of mankind.

I want to leave you with a paradox of the *complicatio explicatio* world. If you take a composition of a great Classical composer such as Beethoven, or the poem of a great poet, such as Schiller's *Song of the Bell*, and you come to the last note or the last line and the work is finished, you know it has been completed. How do you know it is completed? Well, it is as if it would have been there all along. But the composer created the composition and, without him, it would not be there. That is the secret. But it is intelligible.

Notes

1. "On LaRouche's Discovery," by Lyndon H. LaRouche, *Fidelio*, Vol. III, No. 1., Spring 1994.
2. The full text of Pope John Paul II's Oct. 5, 1995 address to the U.N. General Assembly appeared in *EIR*, Vol. 22, No. 42, Oct. 20, 1995, with an accompanying analysis of "The Pope's Historic Intervention in America," by Helga Zepp LaRouche.

Worldwide backlash against the Conservative Revolution

by Edward Spannaus

The rapid tumble of Newt Gingrich in the United States in recent weeks, along with the mass strike ferment in Europe centered in France, represent the two most dramatic manifestations of a global reaction against that most reactionary of movements: the Conservative Revolution.

This backlash is the big story of 1995, taken together with President Clinton's war-and-a-half against the British. While in the arena of foreign policy, Clinton has outflanked British geopolitical maneuverings in the Balkans, Northern Ireland, and the Middle East, domestically he has shown a significant ability to stand up to the murderous budget-cutting demands of the Conservative Revolution adherents in the U.S. Congress.

The heritage of the "Conservative Revolution" of the 1920s and '30s, as *EIR* has documented over this past year¹, is today demonstrated most explicitly in the programs of the Mont Pelerin Society; these policies consist of the most brutal forms of monetarist austerity and slashing of social services under the labels of "deficit reduction," "deregulation," and "privatization."

What Gingrich and French Prime Minister Alain Juppé are trying to implement is virtually identical to the slash-and-burn policies which the International Monetary Fund (IMF) has been imposing upon developing countries for years, and which now are being promoted for Europe under the guise of the 1991 Maastricht Treaty for European Union, and for the United States under the guise of "balanced budget" policies.

The same sort of policies have also provoked a backlash in the countries of the former Soviet bloc, where communist

or reformed communist parties are coming back into power, in reaction to IMF-dictated "shock therapy" programs which have devastated the industrial and agricultural capabilities of those nations.

The 80% factor

Addressing a conference of the Schiller Institute in Germany, in December 1994, *EIR*'s founder Lyndon LaRouche spelled out the lessons of the 1994 U.S. mid-term elections which had just returned a "Conservative Revolution"-oriented Republican majority to the Congress. LaRouche predicted that the vast majority of Americans would soon come to realize what the Conservative Revolution represented.

"Eighty percent of the people of the United States will now soon be aware, consciously, that *this is their mortal enemy*, the person who is going to deny them the right to life by taking away the funds, as pensions, as Social Security funds, as health care funds, by which they maintain life," LaRouche said. "And there will be a revulsion against the Conservative Revolution which exceeds anything, in terms of the passion exhibited during the recent U.S. mid-term elections."

Then, LaRouche laid out the battle plan for 1995-96: "We are going *to destroy*, over the period of the next 18 months, the Conservative Revolution in America. We're going to crush it politically. And we will have some help in doing that, from people who have to join us in crushing it, in their own vital self-interest."

In fact, by November 1995, "Crybaby Newt" had become an object of public ridicule, and by the beginning of December, Gingrich was "benched," committing himself to take a lower profile and stop shooting off his mouth so much—a promise he naturally found difficult to keep.

1. See "Why the Renaissance Must Prevail Over the Conservative Revolution," *EIR*, Jan. 1, 1995; and "Phil Gramm's Conservative Revolution in America," *EIR*, Feb. 17, 1995.

The reaction to Gingrich

The first major defeat to the Conservative Revolution occurred in the 1994 mid-term elections, with the destruction of Oliver North's candidacy for the U.S. Senate in Virginia. North's defeat, spearheaded by LaRouche's associate Nancy Spannaus, not only kept North out of the Senate—where he would have been working side-by-side with Phil Gramm—but it also showed sometimes-defeatist Democratic Party activists what a hard-hitting attack and a determined mobilization can do.

The next nodal point was Sen. Edward Kennedy's (D-Mass.) speech on Jan. 11, in which he upbraided his fellow Democrats for running away from the President and from the issues for which the Democratic Party has traditionally stood. "If we become pale carbon copies of the opposition and act like Republicans," he said, "we will lose, and deserve to lose."

Ten days later, President Clinton told the Democratic National Committee that they must mobilize for the battles ahead, and he affirmed the importance and the constitutional role of the U.S. government, in the face of Gingrich's calls for a Jacobin "revolution" against the federal government.

Indeed, after the "100 Days" ended on April 5, almost none of the "Contract with America" had been enacted into law. Perhaps the most important defeat suffered by the Gramm-Gingrich gang was their loss on the Balanced Budget Amendment. And those measures which were passed in the House, found much tougher going in the Senate. Indeed, it was the Republicans' inability to get their drastic cuts in entitlements through the Congress by normal procedures, which led them instead to try to blackmail President Clinton into accepting them, by their shutting down of the government in November and again in December.

The reaction builds

During a Dec. 20, 1995 radio interview with "EIR Talks," Lyndon LaRouche identified three crucial events which helped to catalyze the reaction which Gingrich's proposals and policies have provoked. First was the Oct. 4-8 visit of Pope John Paul II to the United States, in which the pope preached against the culture of death. The second element was the Oct. 16 Million Man March, called by Minister Louis Farrakhan of the Nation of Islam, and supported by a broad-based group of African-American leaders. The third point was the Oct. 25 election of a new leadership in the AFL-CIO, which, LaRouche indicated, "signalled a change in AFL-CIO policy, and labor policy more generally, toward a more combative attitude against the attempt to wipe out the American wage-earner, effectively, or reduce him to coolie status."

These things resulted in a very rapid rise of opposition to Gingrich, LaRouche noted, "and Gingrich is now about as popular in the United States, as Hitler, or he's getting in that direction, very rapidly."

The downfall of Gingrich, LaRouche explained, "is a

result of the fact that the American people—just as the people in France who moved against the Maastricht conditionalities—do not think we ought to try a Hitler-style, fascist economics. And that's what Gingrich represents: fascist economics. We're getting a popular reaction against fascist economics, as people realize that Gingrich is, in effect, a mass killer."

Economics and politics

Similarly, the key issue behind the mass strikes and protest marches which paralyzed France in early December is the austerity measures imposed as conditions of the 1991 Maastricht Treaty, which mandates strict criteria for those nations which seek to form a European currency union. The treaty calls for "convergence" among member states of their national inflation rate, public debt level, annual government deficits (not more than 3% of GDP), and for "stable" foreign exchange rates.

Ironically, Maastricht also demanded, in effect, a seven-year balanced budget. Stage One had actually begun in July 1990, with coordination of the "convergence criteria, and all convergence criteria are to be met by the beginning of 1997.

The specific trigger for the French public sector strikes was the efforts of Prime Minister Juppé to eliminate the so-called "social welfare deficit" in two years by increasing taxes, reducing benefits, and raising eligibility requirements for pensions. Also at issue in the French strikes, as in the Belgian strikes which followed, were plans to restructure the State railway system by reducing jobs and benefits—all part of meeting the Maastricht conditions.

In a Dec. 7 interview with "EIR Talks," discussing the French strikes, LaRouche said that the Maastricht conditions there should be seen as a continuation of what Gingrich and others are trying to do in the United States, by imposing austerity and reducing entitlements.

And in fact, as various sources in Europe had noted, the smashing of Gingrich, and President Clinton's resistance to murderous cuts in entitlements in the United States, were important factors in stimulating resistance to austerity measures in France and elsewhere in Europe. "The defeat of Newt Gingrich . . . has spilled over into Europe," LaRouche noted. "And the fact that Newt is getting the boot, in the United States, has encouraged forces in Europe to resist similar kinds of measures there. All of this occurs somewhat beyond the power of human will, in the fact that the entire monetary and financial system in the world is on the verge of collapsing entirely."

"That's not a prediction," LaRouche said, "that's a diagnosis."

"And as a matter of diagnosis, the entire international monetary system, and [the] financial system attached to it, is provably on the verge of a total disintegration," LaRouche concluded, and this is likely to take place before the next Presidential election in the United States.

IMF 'reformers' go down to defeat

by Konstantin George

The Dec. 17 elections to Russia's State Duma, the lower house of Parliament, gave a popular mandate for Russia to stop being subjected to foreign humiliation and reassert itself as a strong power. A majority of Russians voted for parties that have profiled themselves as opponents of the failed "reforms." Thus, the results can be seen as a serious, if not yet decisive, defeat for the radical free-market "reform" policies, conducted on behalf of the International Monetary Fund (IMF) by the government of Prime Minister Viktor Chernomyrdin.

Results released by the Russian Electoral Commission on Dec. 18 broke down the vote, based on 62% of returns tallied. Four parties cleared the 5% hurdle to enter the Duma:

1. Communist Party of the Russian Federation (CPRF), led by Gennadi Zyuganov: 21.9%
2. Liberal Democratic Party of Russia (LDPR), the party of Vladimir Zhirinovskiy: 11.1%
3. Our Home Is Russia, led by Prime Minister Chernomyrdin: 9.6%
4. The "Yabloko" bloc, led by Grigori Yavlinsky: 8.4%
5. Russia's Democratic Choice, led by Yegor Gaidar: 4.8%
6. Women of Russia: 4.5%
7. Congress of Russian Communities (KRO), the slate of Gen. Aleksandr Lebed, Yuri Skokov, and economist Sergei Glazhev: 4.3%
8. "For the U.S.S.R.," a Communist splinter party: 4.2%
9. Party of Workers' Self-Management: 4.1%
10. Agrarian Party: 3.0%

Besides the majority vote against the failed "reform" policies, the voting pattern for parties reflects which forces control the electoral machinery: The CPRF has relatively strong regional machines, while in the major cities, power is dominated by the regime and allied "reformist" parties. The former showed in the scope of the Communist Party's victory, and the second-place showing of the party of extremist Zhirinovskiy. These results occurred at the expense of the KRO.

On the government side, there was the surprisingly high vote for Chernomyrdin's "Our Home" and the Yavlinsky bloc, which summed to 18% of the vote nationwide, and the 4.8% for former Prime Minister Gaidar's group, which the regime may still try to boost over 5% in the final tally.

Their showing was strictly due to the regime's control of the voting in the large cities. In Moscow, "Our Home" received 19.5%; Yabloko, approximately 15%; the CPRF, 15%; and the Gaidar bloc, 11.5%. In St. Petersburg, the Yavlinsky bloc led with 16.5%, followed by the CPRF with 13.5%, then Our Home with 12.5%, and the Gaidar bloc at about 12%.

Leaving aside the question of crude vote-rigging, the Russian financial and "business" oligarchy threw huge sums of money into the campaigns of the Chernomyrdin and other "reform" slates. The future of this monied caste depends on the continuance of comprador interests in power, and they mobilized accordingly. But despite the financial infusions, the "reformists" went down to a crushing defeat in the party list section of the vote, throughout Russia outside the big cities.

With 215 of 225 single-seat constituencies counted as of Dec. 20, the reported totals were: CPRF, 57 seats; Agrarian Party, 20; Yabloko, 14; Our Home, 10; Democratic Choice, 10; Power to the People, 7; KRO, 5; other parties, 23; independent candidates, 73.

KRO caught in the pincers

The new Duma will probably not be in a position to act in a coherent and responsible manner, despite its popular mandate. The key to such a capability lay in the Congress of Russian Communities (KRO) bloc, led by patriots of national stature: General Lebed, Yuri Skokov, and Russia's leading dirigist economist, Sergei Glazhev. The KRO's chances to clear the 5% hurdle as late votes come in were diminished by the regime's commitment to keeping them out, in which the regime has the assistance of its "Trojan Horse" in the opposition, Zhirinovskiy's party. Beyond that, at least elements of the Communist Party were complicit, if for no other reason than to pad their own vote, in keeping the KRO's vote below 5%.

The western media contention that this was a "defeat for General Lebed," the KRO's star candidate and a 1996 Presidential contender, is absurd. Lebed won his district race with 60% of the vote in the city of Tula, an indication of what can happen in an election, like the Presidential one, where the name "Lebed" appears on the ballot and not initials like "KRO." Tula is the base for one of Russia's elite Airborne Divisions, and Lebed received votes from soldiers and their families, as well as from industrial workers. As a center of military industry, Tula is a bellwether for the mood of this largest single component of the Russian industrial workforce.

General Lebed charged, after the vote totals came in, that the results were "clearly a falsification." He said he would investigate "this terrible trickery against myself."

The failure of the KRO to enter the Duma as a party will have serious near-term consequences. Had it become the number-two party in the new Duma after the CPRF, a

coherent force anchored on a KRO-CPRF alliance could have used the Duma as the forum for presenting sound economic reconstruction and modernization policies. This would have guarded against the danger of the popular mandate against the regime being exploited to launch Russia on an imperial course based on geopolitical axioms, an alluring "solution" to the country's existential crisis.

What the lack of a strong KRO fraction means can already be seen in Duma acts before the elections. Zhirinovskiy's support was crucial to passage of the Chernomyrdin government's 1996 austerity budget. For all his noise as an oppositionist, Zhirinovskiy to date has backed the regime on all crucial questions, especially concerning economic and financial policy.

Another pre-election Duma act was the Dec. 8 resolution, sponsored by CPRF leader Gennadi Zyuganov, calling for a referendum on restoring the Soviet Union. It failed by 17 votes, but Zyuganov has pledged to re-introduce it in January in the new Duma. This exercise typifies the extent of British manipulation of those in the Russian opposition, who are inclined by prejudice and nostalgia, to be led to believe that a "Third Rome" road of geopolitical expansion should take priority over national reconstruction.

During the election campaign, Zyuganov (somewhat moderately) and Zhirinovskiy (in the extreme) engaged in populist anti-western attacks, chiefly aimed at the United States. The contrast of these postures with those of the KRO highlights another aspect in which the KRO's absence in Parliament will be felt. It is a tribute to General Lebed, that he did not succumb to the temptation to engage in America-baiting. He rather stressed that Russia's problems with the "West" would disappear once Russia cleaned its own house and rid itself of the comprador groups now in power. He denounced western policies that have humiliated Russia, but did not attack western nations.

Overture to the 1996 power struggle

Russian Presidential elections are set for June 1996. The British oligarchy already has its candidate, Chernomyrdin, as attested in the Dec. 18 London *Times*, which editorially called on Yeltsin to step down in favor of the prime minister: "The man who should draw the main lesson of the election is President Yeltsin. He should step down. . . . The future of Russia is no longer bound to the political survival of Mr. Yeltsin. His own health is still uncertain, and he could now hand over, with honor, to his protégé Mr. Chernomyrdin."

Speaking on election day, Yeltsin said that Chernomyrdin would remain as prime minister. But personnel changes, likely to be portrayed as "reshuffles" or "shakeups" in the weeks ahead, will portend the ultimate demise of the government sometime later in 1996, through either a profound policy shift, or chaos.

Besides the anticipated departure of Foreign Minister Kozyrev, Deputy Prime Minister Sergei Shakhrai is likely

to leave; he has become an outspoken opponent of the Chernomyrdin government, and has Presidential ambitions. Also likely to go is First Deputy Prime Minister Anatoli Chubais, known and hated as "Mr. Privatization," for his role in the bargain sale of Russian firms to domestic and foreign private interests.

Demagogue Zhirinovskiy slanders LaRouche

Vladimir Zhirinovskiy, the unstable Russian demagogue who heads the Liberal Democratic Party of Russia, slandered American economist and political figure Lyndon LaRouche, in a book released on the eve of Russia's parliamentary elections. His publishing a smear of LaRouche has deepened the conviction in Russian opposition circles, that Zhirinovskiy functions as a provocateur for hire. Zhirinovskiy is already widely known as "the Le Pen of Russia," after the French racist radical.

On page 48 of Zhirinovskiy's book *The Last Blow Against Russia*, released Dec. 13, 1995, he writes: "The outward prosperity of the U.S. is the formal entrance hall of a bankrupt, who is being chased by his creditors. Its astronomical debts could not be paid off by honest work. So, what are they counting on? They are counting on the U.S. being able, having first liquidated our military-political system, to seize our country—first economically, and then politically—and turn it into a source of profit. In an interview in early 1995, U.S. Presidential candidate L. LaRouche, the founder of an international network of research centers, stated that 'their [the centers'] goal is to destroy Russia.' . . . If these plans for destroying Russia's economy, liquidating its sovereignty and turning it into a motley bunch of regions 'on their own' are implemented, ours will be the lot of colonial appendages for covering the above-mentioned debts of the U.S. Ultimately, America could seize and sell our land and property to its creditors, the world industrial-financial oligarchy."

The quotation from LaRouche, "Their goal is to destroy Russia," appeared as a headline over excerpts from an interview with LaRouche, published in the Moscow newspaper *Oppozitsiya* on March 1, 1994. Zhirinovskiy and his editors attributed to LaRouche and his "research centers," the goal that LaRouche in the interview had accused leading British figures and the International Monetary Fund of pursuing, namely, the looting of Russia.

A disastrous year for the House of Windsor

by Scott Thompson and Jeffrey Steinberg

The year 1995 was bound to be a really bad year for the British monarchy. The Windsors were reeling from the global circulation of this magazine's Oct. 28, 1994 *Special Report*, "The Coming Fall of the House of Windsor," which exposed the role of Prince Philip in the genocide in Rwanda, through his World Wide Fund for Nature; and, for the first time, revealed the existence of the Club of the Isles, the agency through which the British royals have steered their geopolitical games for over a century.

Barely a month into 1995, the oldest bank in the City of London, Barings, went belly-up after a loss of \$27 billion on the Far East derivatives market. The Bank of England concluded that nothing could be done to save the 300-year-old institution that once formed the financial pillar of the British East India Company.

The collapse of Barings triggered a series of emergency takeovers of some of the City of London's most prestigious banks. ING Bank of the Netherlands did buy up Barings—for £1! Next, Swiss Bank Corp. took over S.G. Warburg in May 1995; Dresdner moved a month later to take over Kleinwort Benson; and Merrill Lynch bid in July to take over Smith New Court. Barings and Kleinwort Benson were personal bankers to the Windsors.

As the result of these maneuvers, and the summer 1995 bailout of Lloyd's of London by the American International Group (AIG) of Maurice Greenberg, the British Crown not only lost a bundle of money; it lost partial control over the City of London, the hub of global offshore finance, to continental European and North American factions within the Club of the Isles. For the first time since the death of King Edward VII, the House of Windsor found itself on shaky ground, even within the factional alignments of European oligarchical power.

'War and a half' with Clinton

But the biggest rub of 1995 was the fact that the Clinton administration refused to repair the "Anglo-American special relationship." The President of the United States continued to hammer at some of London's prize geopolitical schemes, taking charge of the entire Bosnia peace effort; forging ahead with Middle East peace, even after the murder of Israeli Prime Minister Yitzhak Rabin by a British-inspired

Jewish assassin cult; and forcing the John Major government to make concessions toward resolving the Northern Ireland conflict. When President Clinton traveled to London in November, he told the British Parliament, with ironical humor, that he still worries that London will attempt to sack and burn Washington, as it did during the War of 1812; and that he is eternally grateful to his ancestors for leaving the British Isles and settling in America.

Clinton then proceeded to Belfast, the first American President to visit Northern Ireland while in office. The day before the President's arrival in London, British Prime Minister Major, under White House pressure, made some concessions that may jump-start the stalled Northern Ireland peace talks, which had been all but shut down by British intransigence. While he publicly praised Major for making a courageous concession to further the negotiations, President Clinton privately joked that he had given his national security adviser, Anthony Lake, a bottle of champagne right after Major's announcement, further underscoring the fact that the Northern Ireland peace process is a "Made in America" product.

Two other blows

The most serious Clinton administration assault upon the power of the British Crown and the City of London, however, hit at the heart of the British Commonwealth's secret power: illegal narcotics, the underground economy, and the role of the British banks in laundering over \$1 trillion a year in black market money.

In a speech to the United Nations General Assembly on Oct. 22, the President denounced the growing power of organized crime as a threat to all civilized nations. He simultaneously signed a public Executive Order declaring a state of emergency over the threat to national security posed by the Cali Cartel and other drug-trafficking organizations. He signed a classified Presidential Decision Directive (PDD-42), ordering every cabinet-level agency to join forces to shut down 50 international money-laundering centers. PDD-42 authorized the secretary of the treasury to cut off all access to the U.S. banking system to any nation that refused to cooperate in the shutdown of the hot-money centers.

If there were any doubt that PDD-42 had drawn a bead on London's offshore money-laundering empire in such locales as the Cayman Islands, the Bahamas, Hongkong, and Singapore, those doubts should have been dispelled on Nov. 12, when the *Sunday Times* of London's Washington bureau chief, James Adams, penned a column admitting that the Clinton initiative targets London. Not only are the British Crown colonies of the Cayman Islands and the Turk and Caicos Islands on the very top of the list of PDD-42 targets; London itself is also "rapidly becoming the money-laundering capital of the world," he wrote.

Exactly one year before the President's declaration of a "national emergency" over the spread of the narco-economy,

EIR's Special Report had identified the vast offshore banking apparatus, and control over strategic raw materials, as the two pillars of power of the Club of the Isles.

Princess Di takes center stage

The British royals were delivered another, potentially fatal blow, when Princess Diana, the estranged wife of Charles, Prince of Wales, gave an interview to the BBC's "Panorama" television show, in which she declared Prince Charles unqualified to serve as king. Every faction within the Club of the Isles scrambled to capitalize on the latest bout of Windsor bashing. Soon, allegations were flying that Princess Di had made a deal with Margaret Thatcher, whose dislike of Queen Elizabeth II was well known and barely concealed by the former prime minister. Further confusion was sown a week after the BBC broadcast, when the Princess of Wales appeared with a top official of the British Labour Party on a public platform, violating all Windsor protocols.

On one level, the Princess Di affair sparked infighting among Europe's oligarchy, which is faced with the greatest existential crisis in 600 years, as the financial system upon which they base their power is teetering on the edge of disintegration. But, the outbreak of the latest cat-fight among the Windsors also forced to the surface a more profound revolt against monarchism and oligarchism—an issue hitherto almost the exclusive domain of Lyndon LaRouche and *EIR*.

On Nov. 28, 1995, E.J. Dionne, Jr., a *Washington Post* syndicated columnist with close ties to the Clinton White House, penned an op-ed titled "The King Is Dead," which declared open season on the House of Windsor. Dionne observed: "The world should be grateful to this Windsor lot for proving what our American forebears understood long ago: that republics are better than monarchies, that monarchism and its philosophical ally, aristocracy, are dead ideas that deserve to stay dead."

The significance of the Dionne piece was not missed by the British oligarchy. Within 48 hours, Lord William Rees-Mogg, the Club of the Isles' chief propagandist against President Clinton, wrote a response in the *Times* of London, defending the "hereditary principle." He observed: "In the 20th century, the hereditary principle has been widely discredited in application to human beings, though it is still generally accepted for racehorses. Yet, the more the scientists discover about the human brain, the more clear it becomes that brain structures are genetically determined physical realities, like our noses or our muscles. . . . Kings are successful both because they have the necessary mental attributes and because they are trained to be kings. It seems likely that training on its own cannot produce a great monarch, any more than it can produce a Derby winner."

London's reply: terrorism

Throughout 1995, assets of the British Crown were dispatched to carry out irregular warfare attacks, all to further

London's geopolitical aims, and especially to destroy the Clinton Presidency and break up the United States.

A case in point: On March 9, over strenuous British objections, President Clinton decided to grant a visa to Irish Sinn Fein President Gerry Adams. Included in the travel permit was an invitation to attend a March 17 St. Patrick's Day celebration at the White House. Immediately, the *London Times*, the Hollinger Corp.'s *Daily Telegraph*, and even the Fabian-aligned *Guardian* all assailed the Clinton decision, pronouncing it new evidence that the Anglo-American special relationship is dead—so long as Bill Clinton is in the White House.

A month later, on April 19, a car bomb leveled the federal building in Oklahoma City. Although a former U.S. Army soldier, Timothy McVeigh, was soon arrested and charged with the crime, U.S. government investigators remain convinced that a more sophisticated conspiracy, probably hatched from abroad, was responsible.

On April 21, just 48 hours after the bombing, the *London Guardian* reported that Conservative Party members of Parliament, "still resentful at the U.S. administration's red carpet welcome for Gerry Adams, the Sinn Fein president, in Washington last month, responded to the Oklahoma bomb outrage by claiming that it had taught the Americans a lesson."

The *London Economist* followed with an even more pointed warning to President Clinton on April 22: "Suddenly everywhere in America seemed vulnerable. But, of course, it has been so for years. America, famously free of terrorism, is indeed still as wide open to it as the fundamentalists boast. . . . And although America's leader may take his morning jog in a daunting phalanx of Secret Service agents, cranks last year found no difficulty in firing on the White House or crash-diving onto it in small aircraft."

The other major terrorist attack of 1995, the assassination of Israel's Prime Minister Yitzhak Rabin by a member of a British-sponsored assassin cult, had immediate and grave consequences for the Mideast peace process upon which President Clinton has, in part, staked his Presidency. It was the same assassin network that attempted unsuccessfully, in February 1994, to kill off the peace process between Israel and the Palestinians, by massacring Islamic worshippers at the Cave of the Patriarchs in Hebron. The networks, including the Hollinger Corp., that are behind the Jewish terrorist underground, have been in the forefront of the assault against the Clinton Presidency since the beginning of 1993.

Apart from the irregular warfare attacks of 1995, the year has been more broadly characterized by global terrorism coming from a wide range of British-sponsored assets. Among these are the Aum sect in Japan, which staged a series of poison gas attacks on the Tokyo subway system; and the "afghansi" mujahideen, who have conducted terrorist attacks worldwide—all conforming to British geopolitical objectives.

Shubeilat or IMF on trial in Jordan?

by Our Special Correspondent

Jordan was rocked at the beginning of December 1995 by several events which augur ill not only for democracy in the kingdom, but for stability in the entire, strategically crucial region. On Dec. 9, a former member of Parliament, independent Islamist Laith Shubeilat, was arrested, on charges of *lèse majesté* and undermining the stability of the national economy and currency. The charges stem, reportedly, from public remarks made by the Islamist, critical of the policy of the government.

The arrest comes as the climax of a series of attacks and counterattacks, which has pitted the government and Crown, on the one side, against the opposition, and its symbolic leader, Shubeilat, on the other. The opposition has charged that the normalization process with Israel should not proceed so fast, or at all, and that economic conditions have worsened, not improved, since a peace treaty was signed with Israel in 1994. The opposition has blocked normalization, through its control over the powerful professional associations, or unions, and has found echoes to its position in the press. As King Hussein charged in a speech to the military establishment on Nov. 9, the Amman summit on economic development had not been supported adequately inside Jordan. The unions boycotted the summit, and several forbade members to have contacts with Israelis. The response of the king, in his address, was to propose revised laws, to curb political activity by the unions, and to limit freedom of the press.

The arrest of Shubeilat was meant to decapitate the opposition. It came just days after the Islamist opposition swept elections in the Engineers' Union, and as public opinion polls reported a majority of the population opposed to the peace treaty with Israel. Thus far, almost all the professional associations, including the Engineers' Union of which Shubeilat is president, have rallied to his defense, as have numerous public figures, calling for his immediate release. In addition to their protest against the charges brought against Shubeilat, which the accused has sworn he is innocent of, his supporters are charging that the arrest was carried out in unlawful fashion, and that members of his family placed under undue pressure. His wife, Rima, has not been allowed to visit him in his unheated isolation cell.

What will be on trial is not just Shubeilat the person, or the opposition to the peace process. Rather, the real issue is economic policy. If one disregards the factor of ideological dogmatism, the main reason for popular opposition to the

peace process, lies in the fact that the expected "peace dividend," in terms of a brighter economic perspective, has not materialized. The question that is being raised in the Shubeilat case is: Will Jordan and the entire region be offered up for looting by the vultures of the International Monetary Fund (IMF) and World Bank, as current trends would indicate, or will it be allowed a future of real economic growth?

The crime Shubeilat committed, was to utter some uncomfortable truths about the reality of IMF schemes which have been cynically imposed in the name of peace.

In remarks to the press shortly before his arrest, Shubeilat said that the unions were being threatened with political curbs, because they "have been leading the struggle of the professionals, and the masses behind them, to protest the low living standard, rise of prices, collapse of wages and the handing of the professionals to foreign investors and Zionists as cheap labor." He singled out the Middle East and North African economic conference held in Amman in late October, as the occasion on which the IMF-World Bank looting approach was heralded. Shubeilat said, "In the Amman conference, foreign investors celebrated this 'economic feast' and the victory of the slogan, 'profit is the absolute value,' while every other concept of development which has become coupled with the term 'social development,' a nice name which they mention to the unions, falls apart around that slogan. They do this in order to prevent anyone from stopping their looting the country. If the State truly says that the political conflict is gone and the means of conflict now is economic, then the unions must have a political representation, because they are the people's biggest partner and the most targeted by the conservatives, market economy capital and the International Monetary Fund."

Shubeilat had been arrested in 1992 and charged with conspiracy to overthrow the government. Though swiftly tried by a security court, convicted and given a death sentence, later commuted to 20 years' hard labor, Shubeilat was, in the end, pardoned by the king. This time, the situation is very different. Shubeilat in 1992 was a maverick parliamentarian who was respected by a multitude, but defended by very few. Today, he is the president of the most powerful of the nation's professional associations, which are far more influential than the political parties. All have rallied to his defense. Then, the charges against him were obviously contrived; the farce was organized to teach him a lesson. Today, whether the prosecution realizes it or not, it has raised life-or-death issues of economic policy, in the charges it has brought against Shubeilat: He is being accused of undermining the stability of the national economy, when in point of fact, it is the IMF policies, rammed through the Parliament, which have produced that effect. If open debate on these vital questions can not be guaranteed by the democratic structures restored by King Hussein in 1989, there will not be much of a perspective for peace, regardless of the treaties signed, sealed, and delivered.

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- PRINCE GEORGES COUNTY—
PGCTV Ch. 15
Thursdays—9:30 p.m.
- WEST HOWARD COUNTY—
Comcast Cablevision—Ch. 6
Daily—10:30 a.m. & 4:30 p.m.

MASSACHUSETTS

- BOSTON—BNN Ch. 3
Saturdays—12 Noon

MICHIGAN

- CENTERLINE—Ch. 34
Tuesdays—7:30 p.m.
- TRENTON—TCI Ch. 44
Wednesdays—2:30 p.m.

MINNESOTA

- EDEN PRAIRIE—Ch. 33
Wednesdays—5:30 pm
Sundays—3:30 pm
- MINNEAPOLIS—MTN Ch. 32
Fridays—7:30 p.m.
- MINNEAPOLIS (NW Suburbs)
Northwest Comm. TV—Ch. 33
Mondays—7 pm
Tuesdays—7 am & 2 pm
- ST. LOUIS PARK—Ch. 33
Friday through Monday
3 p.m., 11 p.m., 7 a.m.
- ST. PAUL—Ch. 33
Mondays—8 p.m.

MISSOURI

- ST. LOUIS—Ch. 22
Wednesdays—5 p.m.

NEW JERSEY

- STATEWIDE—CTN
Sundays—6 a.m.

NEW YORK

- BRONX—BronxNet Ch. 70
Saturdays—6 p.m.
- BROOKHAVEN (E. Suffolk)
TCI—Ch. 1 or Ch. 99
Wednesdays—5 p.m.
- BROOKLYN
Cablevision (BCAT)—Ch. 67
Time-Warner B/Q—Ch. 34
(call station for times)
- BUFFALO—BCAM Ch. 18
Tuesdays—11 p.m.
- HUDSON VALLEY—Ch. 6
2nd Sunday monthly—1:30 p.m.
- ITHACA—Pegasys
Wednesdays—8:05 p.m. Ch. 57
Thursdays—7 p.m. Ch. 13
Saturdays—4:45 p.m. Ch. 57
- MANHATTAN—MNN Ch. 34
(call station for times)
- MONTVALE/MAHWAH—Ch. 14
Wednesdays—5:30 p.m.
- NASSAU—Ch. 25
Last Fri., monthly—4:30 p.m.
- OSSINING—Continental
Southern Westchester Ch. 19
Rockland County Ch. 26
1st & 3rd Sundays—4 p.m.
- POUGHKEEPSIE—Ch. 28
1st & 2nd Fridays—4:30 p.m.
- QUEENS—QPTV Ch. 57
(call station for times)
- RIVERHEAD
Peconic Bay TV—Ch. 27
Thursdays—12 Midnight
1st & 2nd Fridays—4 p.m.
- ROCHESTER—GRC Ch. 15
Fri.—11 p.m.; Sun.—11 a.m.
- ROCKLAND—P.A. Ch. 27
Wednesdays—5:30 p.m.
- STATEN ISL.—CTV Ch. 24
Wednesdays—11 p.m.
Saturdays—8 a.m.
- SUFFOLK, L.I.—Ch. 25
2nd & 4th Mondays—10 p.m.
- SYRACUSE—Adelphia Ch. 3
Fridays—4 p.m.
- SYRACUSE (Suburbs)
Time-Warner Cable—Ch. 13
1st & 3rd Sat. monthly—3 p.m.
- UTICA—Harron Ch. 3
Thursdays—6:30 p.m.
- WEBSTER—GRC Ch. 12
Wednesdays—9:30 p.m.
- YONKERS—Ch. 37
Fridays—4 p.m.
- YORKTOWN—Ch. 34
Thursdays—3 p.m.

OREGON

- PORTLAND—Access
Tuesdays—6 p.m. (Ch. 27)
Thursdays—3 p.m. (Ch. 33)

TEXAS

- AUSTIN—ACTV Ch. 10 & 16
(call station for times)
- DALLAS—Access Ch. 23-B
Sun.—8 p.m.; Thurs.—9 p.m.
- EL PASO—Paragon Ch. 15
Thursdays—10:30 p.m.
- HOUSTON—PAC
Mon.—10 p.m.; Fri.—12 Noon

VIRGINIA

- ARLINGTON—ACT Ch. 33
Sun.—1 pm; Mon.—6:30 pm
Tuesdays—12 Midnight
Wednesdays—12 Noon
- CHESTERFIELD COUNTY—
Comcast—Ch. 6
Tuesdays—2 p.m.
- FAIRFAX—FCAC Ch. 10
Tuesdays—12 Noon
Thurs.—7 pm; Sat.—10 am
- LOUDOUN COUNTY—Ch. 3
Thursdays—8 p.m.
- MANASSAS—Ch. 64
Saturdays—12 Noon
- NEWPORT NEWS—
Cablevision Ch. 96
(with box: Ch. 58 or 81)
Wednesdays—7 p.m.
- RICHMOND—Conti Ch. 38
(call station for times)
- ROANOKE—Cox Ch. 9
Wednesdays—2 p.m.
- YORKTOWN—Conti Ch. 38
Mondays—4 p.m.

WASHINGTON

- SEATTLE—TCI Ch. 29
Tues., Jan. 2—10:30 a.m.
Tues., Jan. 16—10:30 a.m.
Weds., Jan. 24—3:30 p.m.
Mon., Jan. 29—10:30 a.m.
- SNOHOMISH COUNTY
Viacom Cable—Ch. 29
Weds., Jan. 3—3 p.m.
Tues., Feb. 7—3 p.m.
Weds., Mar. 6—3 p.m.
- SPOKANE—Cox Ch. 25
Tuesdays—6 p.m.
- TRI-CITIES—TCI Ch. 13
Mondays—11:30 a.m.
Tue.—6:30 pm; Thu.—8:30 pm

WISCONSIN

- WAUSAU—Ch. 10
(call station for times)

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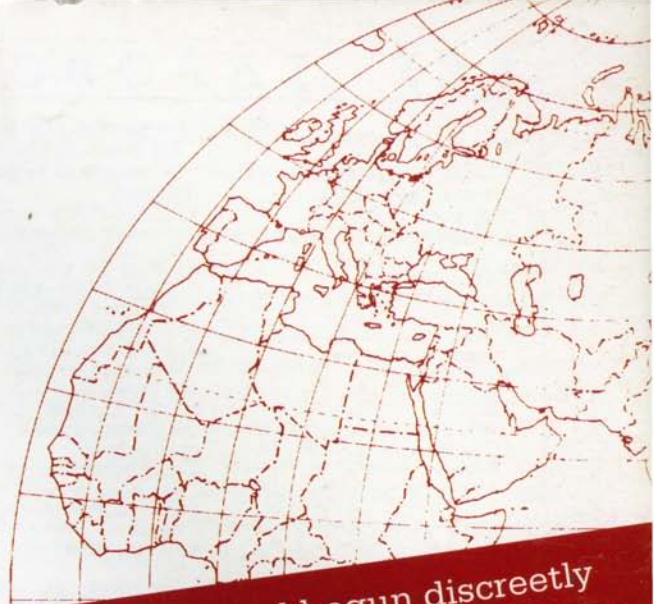
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