

# EIR

Executive Intelligence Review

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British prepare genocidal war in Sudan  
LaRouche TV show challenges voters' illusions  
Mont Pelerin Society targets the Americas

**Leibniz, Gauss shaped  
U.S. science successes**



**THERE IS GOING TO BE  
A RUDE AWAKENING!**

# Russia's future: dictatorship, chaos, or reconstruction?



**“There exists no possible solution to this crisis, either for Russia or for the world within the bounds of the previously accepted terms of dominant international economic and financial institutions.”**

—Lyndon LaRouche

in “Prospects for Russian Economic Revival,” prepared for Feb. 20, 1995 hearings at the Russian State Duma.

## **What is LaRouche's authority on Russia?**

- **On Oct. 12, 1988**, in Berlin, LaRouche issued his famous Food for Peace proposal, which included collaboration between the Soviet Union and a free, reunited Germany to overcome the growing economic crisis.
- **In November 1989**, LaRouche enunciated his Paris-Berlin-Vienna Productive Triangle, an infrastructure program for the economic reconstruction of post-communist Eurasia.
- **In October 1993**, LaRouche was elected to the Universal Ecological Academy for his contributions to the science of physical economy. The Academy was founded in May 1989 by a group of scien-

tists many of them veterans of the Soviet space program

- **In April 1994**, LaRouche, paroled in January after five years in prison, made his first visit to Russia, at the invitation of the Universal Ecological Academy.

**WHY YOU NEED THIS REPORT:** *EIR's* Special Report, issued in August 1994, includes **“Russia's Future: The Three Alternatives”**: Lyndon LaRouche's account of his six-day trip to Russia. **“A Reconstruction Strategy for Russia—And the World Economy”** by Lyndon H. LaRouche, Jr. **“Whither Russia: A Situation Report,”** by Brig. Gen. Paul-Albert Scherer (ret.) **“The Military in Post-Bolshevik Russia,”** by Konstantin George **“Have We Already Lost Eastern Europe and Russia?”** by William Engdahl

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## From the Associate Editor

Among the many and varied responses to Lyndon LaRouche's Jan. 27 national television broadcast, were those of a couple of people who complained, "He wasted a lot of time talking about Italy, or some damned foreign country," and "What is his big shtick about France?"

In case any such people are reading this magazine, let me underline why the eyes of the world should be riveted now on Sudan, a place that some foolish Americans might consider "too far away" to bother about.

Sudan was the subject of a *Special Report* in *EIR* of June 9, 1995. In the introduction, LaRouche stressed that the survival of every nation in sub-Saharan Africa depends upon the success of three nations in resisting the British monarchy's attempts to bring about the bloody destruction of their present governments. These nations are Nigeria, the Republic of South Africa, and Sudan. "If any of these three governments is successfully destroyed on London's stridently persisting orders, that entire region of Africa will be destroyed," LaRouche wrote.

See *International* for our report on the latest British escalation against Sudan, which, unfortunately, is being backed so far by Washington.

Our *Feature* this week is a follow-up to the ground-breaking study of "The Anti-Newtonian Roots of the American Revolution" in *EIR* of Dec. 1, 1995. In this installment, Anton Chaitkin and Jonathan Tennenbaum tell the story of the individuals who really created America's science and industry—contrary to the lie that this country was built upon British methods of free trade. Our report is based upon original archival research in the United States, Canada, and England, to uncover a story that has remained hidden until now.

The "American System" of political economy is often confused with secondary issues, such as tariffs. What it really involves is 1) government protection of science and industry; 2) a definite grouping of scientists and inventors, most of whom have been distorted or ignored by historians; and 3) a philosophical faction behind the first two points. This is the philosophical faction of Leibniz and Gauss, two of the greatest minds of history, whose very mention makes the British see red.

*Susan Welsh*

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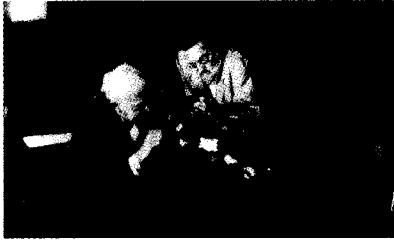
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## One year of IMF 'solutions' leaves Mexico bankrupt

by Carlos Cota Meza

One year after the financial debacle of December 1994, and after 12 months of the free-trade "solutions" of the International Monetary Fund's (IMF), Mexico is today in bankruptcy, both in its public and private sectors. The main reason for this state of affairs, which equally afflicts the world economy, is the decoupling of productive activities, which have collapsed abysmally, from monetary and financial aggregates, which are growing at an explosive rate.

What is happening in the domestic financial markets, in the money markets, with the dissolution of the Mexican banking system, has no correlation with the real physical economy which produces useful goods for the existence and reproduction of society as a whole.

If we understand this fact, then the only viable alternative for Mexico is a bankruptcy reorganization of the economy, precisely as the Ibero-American Solidarity Movement (MSIA) has proposed in its Bill to Reactivate the National Economy, which has been presented to the National Congress. If this is not done, Mexico will blow up in the immediate period ahead, with even more serious repercussions than we have already suffered.

The most urgent problem at the moment is that the Zedillo government is operating in the domain of virtual reality, the imaginary world of free trade. President Ernesto Zedillo's Jan. 29-31 tour of various European countries gives clear evidence of this. Do the host and visiting governments really believe that "Mexico is solving its problems"? Perhaps Zedillo's hosts believe that, somehow, despite the situation in which they find themselves, they will be able to "help" Mexico?

It is more than a year since the Christmas 1994 meltdown in Mexico, and the Zedillo government is still unable to explain what happened. According to Treasury Secretary Guil-

lermo Ortiz Martínez, the policies that caused the crisis are the same ones that will solve it.

In his "commemorative" statements to the various domestic and international media at the end of 1995, Ortiz argued that among the principal causes of the crisis was "the current accounts deficit of the balance of payments," indicative of a dependency on foreign financing rather than internal savings. However, says Secretary Ortiz, "the presence of a current accounts deficit is not an undesirable phenomenon. . . . A developing country such as ours offers attractive yields . . . that attract resources from abroad." In other words, Ortiz is offering precisely what Carlos Salinas de Gortari's Treasury Secretary Pedro Aspe offered, if in more "moderate" terms.

In order that such "moderation" will work, Ortiz maintains, the Mexican government must have "healthy public finances," a "prudent management of monetary policy," and "an increase in internal savings." This is the identical economic policy applied by Salinas—that is, imposed by the International Monetary Fund—that destroyed all private and government structures in the country during the past six years. Today, the Zedillo government is insanely attempting to apply them again, to place the country on a supposed course of "economic recovery."

### **Destruction of productive activities**

What has been done to the national economy cannot be measured in dollars; statistically, there is no way to put a value on the process of destruction, apart from what the government itself presents as information on the Gross Domestic Product (GDP) and its macro-micro variables.

In 1995, there was an officially acknowledged decline in the GDP of 7%. This figure is undoubtedly "touched up"; it

could well be as much as 10%, which is the official contraction of the Mexican economy during the second trimester of 1995. In any case, the GDP does not reflect the physical economy, since included in its category are all manner of non-productive and speculative activities.

We would do better, therefore, to examine some aspects of the physical economy. The National Institute of Statistics (INEGI) acknowledges 2 million new unemployed due to the severe economic adjustment program applied beginning in January 1995. However, the Labor Department maintains that the number of unemployed last year could be as many as 6 million. The Mexican Labor Federation says this figure could be 8 million. The Mexican labor force is currently about 37 million.

The National Council of Construction Industries, one of the biggest job-creating sectors, has indicated in preliminary figures that 2.75 million jobs were lost in construction alone. Of the country's 12,000 construction companies, 7,000 are idle, 600 have shut down and sold their equipment at half its original value, and the rest are working at 50% capacity. At the close of 1995, the sector was reporting a mere 250,000 employees.

According to the National Federation of Industrial Councils and other federations, 15,500 businesses shut their doors; another 86,000 are staring bankruptcy in the face and working at 50-60% of capacity. The National Federation of Chambers of Commerce estimates a 23% decline in commercial activity in 1995. In December, a seasonally high-sales month, there was a 15% fall-off in sales compared to the same period in 1994. These federations see no chance for a recovery in what remains of this century.

According to INEGI, the manufacturing sector is showing "less favorable" signs, with an estimated 8.4% contraction between January and October 1995. But this figure is not credible, given that Central Bank reports on wages corresponding to manufacturing industries showed a 21.8% fall in real terms for the month of September 1995, compared with January of the same year. That is, in nine months, one-fifth of wages paid by the manufacturing sector disappeared!

The Agriculture Department, in its preliminary report, indicated that only 14 million of 20 million hectares devoted to farming were sown in 1995, a decline of 30%. Production of corn, beans, rice, and wheat fell 30% in tonnage; meat production fell 20.5%; milk, 22.9%; eggs, 24.4%. Rural credit collapsed 47%, and total food production was 25 million tons, compared to national consumption needs calculated at 37 million tons (a deficit of 12 million tons, or 32% of total consumption.)

Food import requirements for 1996 are projected at 12-15 million tons, at an indeterminate cost in dollars, given that the international prices for various products are rising. According to Agriculture Secretary Francisco Labastida Ochoa, "It will take 15 years to reverse the crisis in agriculture." Until the year 2010.

TABLE 1

### Mexico's official foreign debt

(billions of dollars)

	1994	1995	Change
1) Public foreign debt	89.3	117.8	+32%
Public sector	85.4	102.4	
Obligations to IMF	3.9	15.4	
2) Private foreign debt	47.2	41.4	-12%
Owed by banks	25.1	21.1	
Owed by companies	22.1	20.2	
<b>Total</b>	<b>136.5</b>	<b>159.1</b>	<b>+17%</b>

### What is money for?

Up until 1970, the creation of money on the government's part was measured by the existence of paper and metal currency in the hands of the public (plus checking and savings accounts), in order to have a means for financing the productive process and for necessary commercial transactions. This is no longer the case.

After the December 1994 crisis, the Central Bank imposed a limit on expansion of money in circulation, as well as a contraction of money already in existence, in order to reduce "the volatility of the peso against the dollar" (i.e., to reduce the number of pesos available to be exchanged for dollars), and to limit "aggregate demand" in the economy (the argument is that there is too much paper money chasing a limited number of goods), which is forcing an inflationary price spiral.

According to the Central Bank, money in circulation as of January 1995 was 56.92 billion pesos—representing an already significant contraction over 1994. By the end of 1995, money in circulation was 66.808 billion pesos (an increase of 17.4%). But there is no correspondence between this increase and either increased productive activity or the buying power of wages. Money in circulation increased even as the GDP took a nosedive, wages collapsed (wage-earners are the greatest source of demand for currency, since they neither have credit cards nor invest in the stock market), bank credit fell by 22%, and there was a drastic contraction of productive activity in general.

Thus, the creation of money has no correspondence to the production of goods. The increase of money in circulation is due primarily to the monetization of interest on the domestic debt.

### Astronomic rise in financial aggregates

Interest on the domestic debt for 1995, according to preliminary estimates, cost 43 billion pesos (some \$6.8 billion, at an exchange rate of 6.3 pesos to the dollar as an annual average), and the rescue of the banking system has officially

cost, up until now, 84.6 billion pesos (\$13.4 billion). If we compare the nominal peso amounts involved, these categories amount to nearly twice the amount of money in circulation. The bank rescue of 1995 alone cost more than the government allocated in the budget to the Department of Public Education (40.611 billion pesos, or \$6.4 billion) and for the Health Department (9.760 billion pesos, or \$1.5 billion), combined.

The bad-loan portfolio of the banking system is calculated at 115 billion to 120 billion pesos (\$19 billion), a figure nearly equivalent to the budget allocation that the Executive grants its 19 ministries.

These simple relations between financial debts and the administrative functioning of the State, should suffice to conclude that it is absurd and ridiculous to talk about “healthy and balanced public finances,” while the bank bailout and interest on the domestic debt already surpasses what is in the public treasury. In 1996, it is officially estimated that government intervention to salvage the banking sector will cost another 83 billion pesos (\$13.2 billion).

Regarding the banks’ bad-debt portfolio, something approaching the truth is finally appearing. Treasury Secretary Ortiz admitted at the January meeting of the Mexican Banking Association, that 17% of the Mexican banking system’s entire loan portfolio is non-performing, that is, that payments are not being made on \$15 billion in loans, triple the amount recorded at the end of 1994. For some banks, he noted, the bad-debt figure reaches as high as 23%.

In the United States, a bank is considered unhealthy if its past-due loans add up to more than 3% of its total loans. Mexico’s 17% is already catastrophic, but if U.S. standards were applied, the situation would be seen to be much worse. In Mexico, only the total amount of interest owed is considered past due when payments are missed; in the United States, if three payments are missed on a debt, the whole debt is counted as “non-performing.” Applying those standards to Mexico, financial analysts estimate that some 34% of domestic bank loans are non-performing.

According to the president of Banamex, Roberto Hernández, 70% of the officially accepted non-performing debt corresponds to “corporate credit” which has not been able to be restructured. This corporate credit involves the deals struck between the banks and no more than 100 companies on the stock market, that dipped their hands into bank coffers to issue loans to themselves. It perhaps comes as no surprise that the non-performing debt of the corporations is 84 billion pesos (\$13.3 billion), precisely the cost of last year’s bank bailout, or this year’s.

Throughout the previous six-year period, the Central Bank repeatedly intervened in the so-called secondary market, lending money directly to financial intermediaries, for the purpose of resupplying them, and thus sustaining high-yield payments and the “stability” of the Salinas-era market. These interventions added up to 533.755 billion pesos (\$85 billion), a figure comparable to the total Mexican budget for

1996 of 553 billion pesos.

Recent investigations have shown that the claims of the Salinas government that it achieved “fiscal balance,” were a lie. It is believed that Treasury interventions into the stock market through its various dependencies, cost 36 billion pesos each year for 1993 and 1994. These interventions were never reported in the budget. Between the Treasury and the Central Bank, financial and market operations were carried out to the tune of 605.755 billion pesos, representing 84% of the GDP for 1994.

Do these figures appear in any category of accountability of the GDP? Do these huge quantities of money generate new wealth in some sector of the physical economy? Absolutely not. These financial obligations were imposed on the Mexican economy, and are growing more rapidly than the economy itself can pay them off. To extract the money required to pay off these obligations, austerity budget programs were imposed under the dubious slogan of achieving “fiscal balance.”

## Foreign debt

Because the Zedillo government is paying off the speculators’ losses incurred when the financial bubble created by Salinas de Gortari burst, the public foreign debt is now registering an explosive exponential growth which, should the Mexican economy try to pay it—as it has been—the economy will die from the effort.

The means by which the national economy has shouldered the burden of these debts is very simple: conversion of internal debt (dollar-denominated Tesobonos) to foreign debt (the “Clinton package”); conversion of Tesobonos in the hands of Mexicans, to investments in Cetes (peso-denominated government bonds) with an interest rate at least 300% higher than those originally contracted; taking on more little foreign loans (from the World Bank and Inter-American Development Bank), so that the private banks can pay their foreign creditors; payment in dollars at the current exchange rate, to foreign capital fleeing the Mexican market and to Mexican capital joining the stampede, and so forth.

Salinas de Gortari’s six-year term left a public foreign debt of \$85.436 billion through December 1994. By December 1995, under the Zedillo government, the foreign public debt was already \$102.436 billion. Adding to this the loans of the International Monetary Fund to the Bank of Mexico (another \$11.48 billion), Mexico’s total foreign public debt has risen to \$117.776 billion, an increase of 31.8% in just 12 months (see table).

It is a fact that the Treasury never includes the Bank of Mexico’s foreign debt in its accounts, as if central banker Miguel Mancera paid them from his own pocket. But, as all Mexicans who do pay well know, both amounts are a single debt.

Estimating a 7.3% fall in GDP, and an average annualized exchange rate of 6.3 pesos to the dollar, some analysts calcu-



late the 1995 GDP at \$285 billion, such that the total foreign public debt represents 41% of the national product. Adding to this the foreign debt of the banking sector (\$21.147 billion) and of the non-banking business sector (\$20.204 billion), the total foreign debt in December 1995 (\$159.127 billion) represented 55% of the 1995 GDP.

There is one consolation in all this, we are told. As the Treasury has assured us, such increases are not as problematic as they seem, in that the huge conversion operation of internal debt to foreign debt was merely a means of extending repayment deadlines. Throughout last year, Ortiz insisted that "we are changing short-term debt for long-term debt, resulting in a less-pressured payment schedule."

But what Ortiz does not say, is that this insane growth of financial obligations has nothing to do with productive activities which generate jobs and produce goods. What is going on is a purely financial transaction, in which the mountain of dollars involved is a world apart from the real physical economy. And all of it has been placed on the shoulders of the Mexican people.

According to the Treasury Department, service on the foreign public debt for the year 1995 rose to \$47.288 billion, of which 86.7% (\$41.4 billion) corresponds solely to payments on money market instruments, within which the Tesobonos absorbed \$30 billion. The amount of \$5.888 billion was allocated to servicing the interest on the "traditional" foreign debt.

For 1996, payments of \$15.481 billion have been allocated to service the public foreign debt. Added to what was paid out in 1995, the total is \$62.769 billion. Thus, in a mere 24 months, 70% of what had been the public foreign debt in December 1994, was paid out in service charges.

And if it is the case, as they claim, that Mexico's commercial banks and non-banking private businesses will be paying out \$14.948 billion combined in 1996, then the total outlay of the Mexican economy between last year and this will equal 87% of what the Mexican public debt was in December 1994.

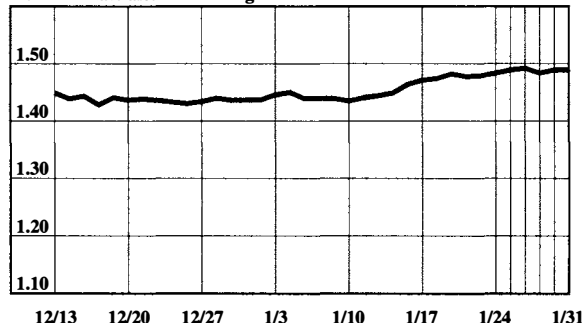
Why mix foreign public debt with foreign private debt? The answer is simple. Who is giving the dollars to the "private sector," if not the government? Ever since the blowout of the Salinas "economic model," not only was internal debt converted to foreign debt, but private foreign debt was also converted to sovereign (public) foreign debt. Throughout 1995, for example, the World Bank gave Mexico loans worth \$2.387 billion, and 63% of that (\$1.518 billion) was used to "rescue the national banking system."

Can the Mexican economy survive by delivering its flesh and blood over to the voracious parasites of usury? Evidently not. The only guarantee for survival that Mexico has, is for the nation to repudiate the IMF policies which have led it into the worst crisis of its history. The only possibility for survival is that the State once again undertake the historic function for which it was created: to lead the sovereign national economy along the path to progress.

## Currency Rates

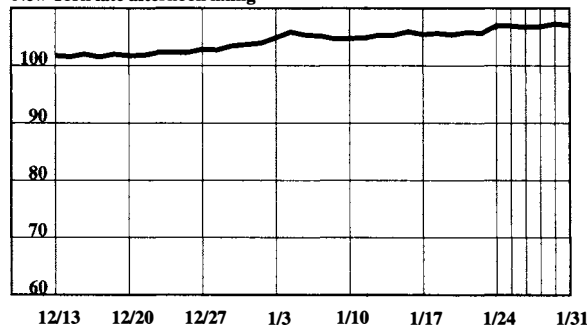
### The dollar in deutschemarks

New York late afternoon fixing



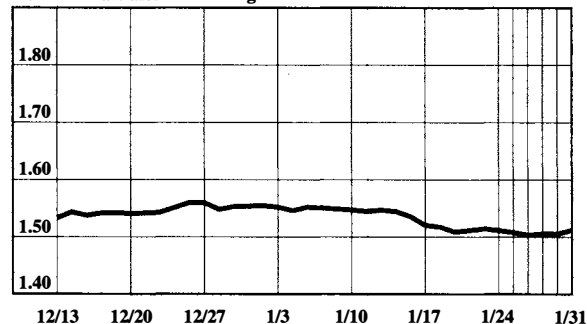
### The dollar in yen

New York late afternoon fixing



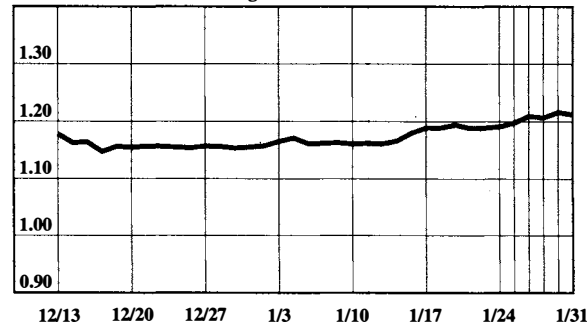
### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing



# Business Briefs

## China

### Development of the interior emphasized

China will attract foreign investors to develop its inland provinces, by giving them preferential treatment, according to the *Shanghai Securities News* daily, the Jan. 24 Singapore *Business Times* reported. The paper said that the State Economy and Trade Commission would amend policies to encourage equal distribution of foreign investment throughout the nation, in order to comply with the industrial policy.

"Policies will be amended to improve the attractiveness of the middle and western parts of the country to foreign investors," the report said.

Investment would be encouraged for integration of agricultural development and new technology, infrastructure construction, and speeding up reform and improving technology in State-sector enterprises. Labor- and resources-based industries, and industries promoted by the State, will also be developed in the middle and western regions.

So far, foreign investment in the 18 provinces and autonomous regions in China's interior amounts to \$10.42 billion, or 10% of the nationwide total.

## Europe

### Funding refused for Delors Plan projects

European Union ministers of economics and finance rejected a proposal for further funding for the 14 priority infrastructure projects of the Delors Plan adopted by the EU last year, in a meeting in Brussels on Jan. 22. The proposal had been put forth by European Commission President Jacques Santer, with the support of Lamberto Dini, the current head of the EU revolving presidency. They proposed to relaunch the "great trans-European networks" through the mobilization of new credits, with the aim of combatting unemployment.

Santer said that, in order to finish the

Paris-Brussels-Amsterdam-London TGV high-speed rail line, and the TGV line to eastern Europe, on schedule, the Commission needs roughly \$1 billion in new credits. In order to proceed with the 14 priority projects, the Commission needs to add 1.6 billion ECUs (about \$2 billion) to the originally planned 1.8 billion ECUs.

The response from France, Germany, Britain, and other EU members was a flat no. "Having stated often enough that the reduction of deficits is the only guarantee of full employment, we are not going to have a spendthrift attitude with respect to the [EU] now," stated French Finance Minister Jean Arthuis. He added, "In no case will France support a program that will unbridle spending in the Community." He declared that if any more money were necessary, it had to come from within the budget.

Belgian Minister Philippe Maystadt countered that the persistent unemployment justifies the spending: "The return of growth had perhaps created the illusion that we could avoid such accompanying measures. We are undoubtedly paying the price for that."

## Infrastructure

### Colombia bridges, economy are crumbling

Colombia's Transport Minister Juan Gómez Martínez declared a national transport emergency, after the eighth major bridge collapse in a little over two years, according to reports in the major Colombian dailies on Jan. 19. The bridges, several of them only just completed, are in different parts of the country; the latest to fall connected the northeast with the center of the country, and the country has been left divided in two.

Some of the results of this infrastructure breakdown include: the 40-50% increase in the cost of the average family market basket in the affected parts of the country; where detours are possible, they are costing passengers and cargo an additional, on average, 12 hours of transit time per trip; gasoline costs are rising dramatically in the affected areas; the country's coffee crops are not getting to

market, and farmers are running out of warehouse space for the beans.

The crisis is primarily due to cutbacks in already woefully inadequate infrastructure funding, mostly for investment and maintenance. The emergency has triggered an investigation by the Comptroller General's office into possible malfeasance. According to the Comptroller's office, the cost to the economy of the collapses is already 3 billion pesos a day, and 90% of the country's bridges are considered in critical condition.

Colombia has one of the poorest records on infrastructure in all of Ibero-America. While the Ibero-American average is 118 kilometers of roadway for every 1,000 square kilometers, Colombia's average is 96. The percentage of paved to unpaved roads in the region is 24%, while Colombia's is 8%.

## Finance

### Japan banks to take big hit in bailout plan

Japan's giant commercial banks said on Jan. 25 that they would now accept the Finance Ministry plan to bail out the bad loans at the *jusen* home loan companies, according to wire service reports. The banks are being told to forgive most of the \$59 billion in bad loans they made to the *jusen*, and the government will buy \$6.46 billion of those from the banks, using taxpayers' money. The Finance Ministry announced the week before that the *jusen* had \$77.5 billion in bad loans in real estate, almost double what was previously admitted, out of \$102 billion in total loans outstanding as of June.

Japanese Prime Minister Ryutaro Hashimoto, Finance Minister Wataru Kubo, and Bank of Japan head Yasuo Matsushita are saying that an early solution to the bad loan problem facing Japan's banks is urgent, in an attempt to get public support for the government's controversial plan to spend \$6.7 billion to bail out the bankrupt *jusen* home loan banks. Until the United States decides to go for a global bankruptcy reorganization, Japan has no choice but to "tap dance" around the problem in this way, U.S. econo-

mist Lyndon LaRouche has stated.

Major commercial banks are expected to revise earnings forecasts for fiscal 1995-96, ending on March 31, taking account the write-offs of loans to the *jusen*, Yukiko Ohara, a financial analyst at the Swiss Bank UBS Securities Ltd., said. Fuji Bank Ltd. and Hokkaido Takushoku Bank Ltd. have already said they will post losses for the fiscal year. Sanwa Bank Ltd., Sakura Bank Ltd., and three long-term-credit banks are expected to make similar announcements.

The Finance Ministry said that the government will cover half of any future losses stemming from the bad loans, and would consider arranging for the government-backed Deposit Insurance Corp. of Japan to guarantee low-interest loans to buy some of the bad debt and put it in "bad loan" bailout banks. Japan's tax authorities will also allow banks to make tax write-offs on the loan losses.

## South Africa

### British blackmail over privatization

Anglo-American Corp. of South Africa, the British-controlled mining giant, threatened the South African government on Jan. 18, that unless its profitability from its Freegold mine, the world's largest gold mine, is drastically increased in the next three months, it will eliminate 10,000 jobs. The threat comes as union opposition to the government's policy of privatization of State assets, which is being pushed most strongly by the Anglo-American Corp.-controlled Democratic Party in South Africa, is increasing.

South Africa's Labor Minister Tito Mboweni said that the threat, if carried out, would be a tragedy "too much to bear. . . . The negative impact on our society and others in southern Africa will be too grave. This will be a tragedy of enormous political, economic, and social proportions."

Anglo-American Corp. is moving big time into other African countries, including several in West Africa, in which labor unions—and the governments themselves—have been rendered powerless.

It is possible that President Nelson Mandela might be won over to the more dirigist position held by factions of the various union movements. In his African National Congress anniversary statement on Jan. 7, he said: "It is vitally important to ensure that the machinery of State and the assets which the State disposes of, are properly geared to serve the interests of the South African people as a whole. . . . We must expect that vested interests will wage an ideological struggle that argues that matters should be left to the 'market,' with minimal State intervention. The reality, however, is that this market, left to its own devices, can only work in a manner that further perpetuates the structural problems that limit growth, equity, innovation, diversification, and competitiveness."

## France

### Crises rack banking, real estate sectors

Crédit Foncier de France, a French real estate group, is urgently looking to find a "large single shareholder to inject capital and shore it up from collapse," the Jan. 25 London *Financial Times* reported. Despite an emergency loan of 25 billion francs (\$5 billion) the week before from the State entity Caisse des Dépôts, designed to keep the institution from insolvency over the coming 14 months, nothing has been resolved. At present, in the quasi-State real estate lending agency, UBS Bank of Switzerland is the largest outside shareowner with 6%, but the directors of Crédit Foncier reportedly are trying to get the State-run Postal Savings Bank, which has huge assets, to rescue it.

According to the British bank Barclays, several French banks will have difficulty making it through 1996. In January, the Dumesnil-Lebl bank collapsed.

There is also fear that the public administrations of the regions, which have recently become heavily indebted, might not be able to meet their debt obligations. Massive revenue shortfalls, due to unemployment and bankruptcies, are the main causes of the indebtedness.

**GERMAN** government, industry, and labor representatives signed an "alliance for jobs" in Bonn on Jan. 23, to "cut the jobless rate by one-half" by the year 2000. Whether this refers to the official figure of 4 million jobless, or the real figure of 6-7 million, is not clear, but observers have been left asking, who will create those jobs?

**THAILAND** lost almost 50,000 people in 1995 due to AIDS, and disasters on a similar scale are building in Burma (Myanmar) and India, the Jan. 22 *International Herald Tribune* reported. The World Health Organization is predicting that the number of infected people will rise from 3.5 million to 12 million by the year 2000.

**BELGIAN** airline workers planned to begin another round of strikes against Sabena airline in February, to protest the government's refusal to discuss alternatives to budget cuts, layoffs, privatizations, and outsourcing of airline servicing and maintenance functions. Sabena has been the target of repeated strikes in recent months.

**AUSTRALIAN** insurance and pension funds have been given guidelines by the Insurance and Superannuation Commission, to ensure that they invest "prudently" in derivatives, the Australian *Financial Review* reported on Jan. 26. The ISC seems particularly worried about a pension fund pool worth \$200 billion, about two-thirds of Australia's GDP.

**RUSSIA** will reorient foreign trade for the next 10 years toward Asia and the Pacific, particularly China, Oleg Davydov, vice prime minister for foreign trade, said in Singapore, the Jan. 25 *Business Times* reported.

**DENMARK** will begin offering jobs to foreign doctors and medical specialists, because many of its hospitals have only 50% of the required staff. Over 2,000 jobs for German doctors have recently been created in the United States and Britain. Most of these doctors have been laid off because of budget cuts.

## Mont Pelerin Society plots destruction of the Americas

by Cynthia R. Rush

The worst assortment of the Western Hemisphere's proponents of drug legalization, racism, slavery, and destruction of the nation-state, descended on the Mexican resort city of Cancún on Jan. 14-17, under the auspices of the Mont Pelerin Society. This secretive oligarchical organization, whose ideology falls under the general rubric of the "Conservative Revolution," was founded in 1947 by the fascist Austrian economist Friedrich von Hayek, following a 10-day meeting of 36 "academics" at the Hotel Park, at the foot of Mont Pelerin in Switzerland.

In a gushing article about the Society's aims in the Jan. 11 Mexican daily *El Economista*, the chairman of the Mont Pelerin Society in Mexico, Roberto Salinas-León, lyingly described the conference as an innocent affair, "whose purpose is simply to exchange impressions in an environment of intellectual cordiality." In fact, this was a regional organizing meeting convened to discuss how to impose the Mont Pelerin Society's fascist agenda in Mexico and Ibero-America, in the context of an accelerating international breakdown crisis.

Mexico, in particular, is a choice target for these networks, and their oligarchical patrons among the old, financial elite of Europe and America. Its institutions have been weakened by over a decade of International Monetary Fund free-market reforms, and, more recently, by a separatist insurgency in the southeastern state of Chiapas, backed by the British monarchy-led Club of the Isles. With strong support in the business community for the Mont Pelerin Society brand of philosophical liberalism, Mexico is viewed as ripe for the picking.

It is notable that Mexican President Ernesto Zedillo, who had been invited to inaugurate the Cancún meeting and was expected to attend, *did not show up*. Nor has his government offered any explanation. However, in the week prior to the conference, the Ibero-American Solidarity Movement

(MSIA), a co-thinker organization of American statesman Lyndon LaRouche, mobilized to urge the Mexican President to *not* attend the Mont Pelerin summit.

In a widely circulated Open Letter directed to President Zedillo, the MSIA told him, "It is one thing for us to have political differences, but it is a completely different thing for you, in the name of all Mexicans, to endorse an organization that actively promotes: 1) drug legalization; 2) slavery as a viable economic model; 3) the destruction of the institutions of our nations, including the Armed Forces and the Catholic Church, as well as the disappearance of the nation-state itself as the embodiment of national sovereignty; and 4) "free trade" policies which are based on the 'philosophical' doctrines of a certain Dr. Bernard Mandeville." The MSIA urged Zedillo to look at "the chaos caused in the United States by House Speaker Newt Gingrich and his followers," if he wanted to see Mont Pelerin politics in action.

The letter apparently touched a raw nerve among these circles. Salinas-León, in his article discussing the Mont Pelerin conference, whined that "some pieces of yellow journalism, including 'open letters' to the current administration, have circulated, reflecting total ignorance of the nature of this gathering."

### The vultures gather

Who did attend the Society's Cancún gathering? For one, Michael Novak, the "conservative Catholic" from whose book *This Hemisphere of Liberty, a Philosophy of the Americas*, the conference theme was taken, and to whose work the gathering was dedicated.

Novak has made a name for himself by supposedly formulating a "religious" justification for the British colonialist doctrine of free trade. In reality, his religious cover is a means of

subverting the Catholic Church from within, and attacking its social doctrine, premised on the conception of man created in the image of God. The church's doctrine is in fact totally contrary to the extreme individualistic, hedonist outlook espoused by the Mont Pelerin liberals. Novak's promotion of the Mont Pelerin agenda is wrapped in rhetoric about "individual responsibility" and "local empowerment." Ibero-America is poor, he states, because the continent's culture is rooted in Spanish "mercantilist" practices, based on overregulation and State meddling in commerce and industry.

One need only examine his *The Spirit of Democratic Capitalism* to discover what Novak actually believes: "No intelligent human order . . . can be managed on the basis of Christian precepts. . . . A free economy cannot . . . be a Christian economy." And in *This Hemisphere of Liberty, a Philosophy for the Americas*, he baldly states: "The only realistic possibility is to build an economy for sinner: the only moral majority."

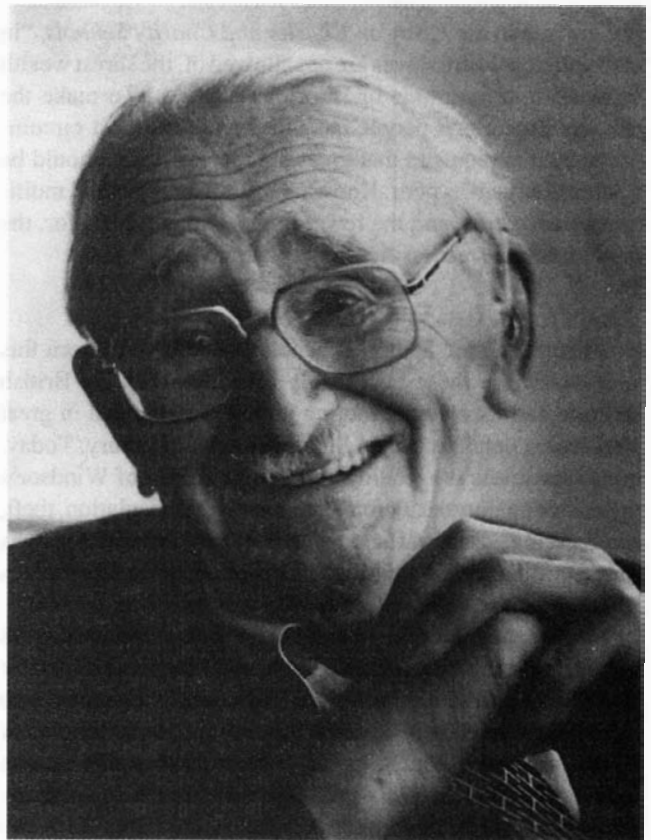
As a British member of the Mont Pelerin Society recently explained, the group doesn't think the "problem of Catholicism" is an obstacle to their policies in the Americas, precisely because there are a number of "Catholic knights," such as the Heritage Foundation's president, Ed Feulner, within the Society who can deal with the matter. Novak himself poses as an "adviser" to Pope John Paul II, and lies that the pontiff's encyclicals have fully endorsed unrestricted free trade.

It is revealing that when the Mont Pelerin Society was first created, it was nearly named the Acton-de Tocqueville Society, a reference to Britain's Lord Acton, a 19th-century British imperialist Catholic whose efforts to subvert the Vatican's social doctrine are Novak's model for today (see box).

Other attendees at Cancún included Edward Crane, president of the Cato Institute, a Conservative Revolution outpost in Washington, D.C. whose activities are dedicated to obliteration of the nation-state; Mexican economist Luis Pazos, a vocal advocate of drug legalization, a view he shares with Peruvian member Mario Vargas Llosa and the notorious Nobel Economics laureate and Mont Pelerin prima donna Milton Friedman; Hernán Bucchi, former Chilean finance minister and chief salesman of Chile's fraudulent "economic miracle"; Dr. José Piñera, the man who privatized Chile's pension system, and today works with the Cato Institute to impose this policy internationally; Steve Hanke, a leading proponent of the British Empire's currency board mechanism; and Charles Murray, co-author of the racist tract *The Bell Curve*.

### **Bestiality is called 'man's natural state'**

This representative sampling of attendees reflects the Mont Pelerin Society's fundamental philosophy, unabashedly enunciated by Bernard Mandeville (1670-1733), the Anglo-Dutch oligarch denounced by the MSIA in its open letter to President Zedillo. Mandeville's assertion that bestiality and evil are the "natural state of man," became the basis for the free-trade doctrines espoused by Britain's Adam Smith, Jeremy Bentham, Thomas Hobbes, John Locke, and their philo-



*The late Friedrich von Hayek: fascist, Nobel Prize winner in economics, and founder of the Mont Pelerin Society.*

sophical descendants—right down to U.S. House Speaker Newt Gingrich, his Contract with America, and his clones among the wild-eyed Republican "revolutionaries" in the Congress who are determined to destroy the U.S. Constitution. Here, Novak's "economy for sinners" fits right in.

Those who gathered at Cancún belong to a hemispheric—indeed, global—network committed to this degraded worldview. They blather about "family values," "empowerment," and "authentic federalism." But faced with the reality of an international breakdown crisis, which they know signals the end of an epoch of history, they, and their mentors in the financial oligarchy, have a single objective: Use the ongoing breakdown crisis to annihilate the nation-state and all its institutions, replacing them with an unbridled libertarianism and "free trade" in which man may freely pursue what Mandeville calls the "capital appetites"—laziness, avarice, pride, envy, vanity, lust. For them, man is a stupid beast who must be kept in ignorance, his every action controlled by a tiny oligarchic elite, as in feudal times.

Britain's Lord William Rees-Mogg, the former editor of the London *Times* and a spokesman for the British monarchy, is a leading mouthpiece for this depraved view. He baldly asserts that only 5% of the world's population need be educated, while the rest live in poverty and ignorance. Or, as Mande-

ville wrote in his *Essay on Charity and Charity Schools*, “in a free nation where slaves are not allowed of, the surest wealth consists in a multitude of laborious poor. . . . To make the society happy and people easy under the meanest circumstances, it is requisite that great numbers of them should be ignorant as well as poor. Knowledge both enlarges and multiplies our desires, and the fewer things a man wishes for, the more easily his necessities may be supply’d.”

### Let ‘Dope, Inc.’ rule the world

The economic activities which logically stem from this worldview are those historically identified with the British Empire and its colonial looting policies, elaborated in great theoretical detail by Adam Smith in the 18th century. Today, these constitute the leading edge of the House of Windsor’s offensive against the nation-state: financial speculation, theft, profiteering, drug trafficking, and money laundering. It is these crimes which the Mont Pelerin Society today defends as the “natural” state of affairs.

Intoxicated with their perceived power, these ideologues today manically travel around the world, bragging about their success in promoting “economic freedom,” to anyone who will listen. One such “success” that they take credit for, is Chile, a country which, as the book review in this section documents, became a laboratory experiment run by von Hayek’s followers at the University of Chicago Economics Department following the 1973 coup against socialist President Salvador Allende. It is an achievement Adam Smith would be proud of: All productive activities were thrown out the window to make way for financial speculation, money laundering, and export-oriented and agricultural activities.

The International Center for Pension Reform in Santiago, Chile, founded by Piñera, fraudulently promotes Chile’s pension model as a form of economic salvation for developing and former communist bloc countries. Even U.S. congressmen travel to Santiago to receive Piñera’s pearls of wisdom, with visions of eventually privatizing the U.S. Social Security system along Chilean lines.

Seminars sponsored by the Cato Institute, the Atlas Economic Research Foundation of Virginia, the Reason Foundation, Heritage Foundation, John Locke Institute, and others, proliferate—organized in conjunction with their counterparts in Ibero-America, Asia, and eastern Europe. It was Mexico’s Research Center on Free Enterprise, run by Salinas-León, which organized the Cancún summit. It coordinates with the Washington, D.C.-based Cato Institute, and entities such as the Center for Dissemination of Economic Knowledge in Caracas, Venezuela, and a host of similar think-tanks strategically placed in most Ibero-American countries.

To hear aspiring big-time currency speculator Steve Hanke, whose role model is world class speculator George Soros, one would think these economic fascists already run the world. Following Mexico’s December 1994 devaluation crisis, Hanke threw a public tantrum when Mexico refused his

recommendation to impose a British colonial-style currency board, and attacked the deputy governor of the Banco de México (Mexico’s central bank) for snubbing his proposal.

During an interview with *El Economista*, Hanke proudly handed the reporter a copy of a *Nouvelle Observateur* article which cites Hanke as the leader of a successful speculative attack against the French franc! And in a Dec. 3, 1995 article in *Forbes* magazine, Hanke pointed to the \$20 billion in dollar-bills shipped to Russia in 1994, and the \$100 million per business day in 1995, as “proof” that central banks should be eliminated altogether and replaced with currency boards. Hanke fails to mention that this extreme, privatized dollarization is the result of the rapid takeover of the Russian economy by the mafia, including the drug mafia.

A more recent addition to this collection of criminals is the Group of Latin American Observers (GOL), a secretive, Caracas-based organization which includes many Ibero-American would-be Gingriches, among them Venezuelan opposition figure Oswaldo Alvarez Paz, and Carlos Castillo Per-

## Lord Acton: Britain’s Trojan horse in the Catholic Church

Last year, a curious dispute occurred among Venezuelan neo-liberals linked to the Mont Pelerin Society, one which very clearly reflects the harmonious coexistence within that grouping of free trade advocates of all stripes. The dispute arose as a result of the proposal by existentialist neo-liberal Emeterio Gómez to “recast the market economy” so as to give it a “spirituality” which, he said, neither Adam Smith nor Friedrich von Hayek could offer. That “spirituality,” Gómez said, could be found in the writings of satanic philosophers Friedrich Nietzsche or Martin Heidegger.

For some time, Gómez has worked as academic director at the Center for the Dissemination of Economic Knowledge (Cedice), a think-tank founded by Venezuela’s Mont Pelerin networks. In a May 20, 1995 article in the daily *El Diario de Caracas*, Luis Enrique Ball Martínez, one of Cedice’s founders, attacked Gómez, correctly noting that Nietzsche and Heidegger are the sources of “communism, fascism, racism and existentialism, and the drugs and homosexuality which logically follow from them.” Instead, Ball said, “I prefer Lord Acton as a guide.”

This somewhat esoteric dispute is an updated version of the debate which occurred among the various neo-liberal lodges that founded the Mont Pelerin Society in 1947. At that time, “liberal Catholics” proposed that the group be named the “Lord Acton-de Tocqueville Society”; but

eza, president of Mexico's National Action Party (PAN). Originally founded in 1990 to lend public support to the puppet Endara regime installed by George Bush in Panama, following the U.S. invasion of that country, the GOL held two conferences last year, in Mexico City and Bogotá, Colombia, to map out its organizing strategy. Not surprisingly, its membership heavily overlaps that of the Mont Pelerin Society, and of the continental think-tanks affiliated with the Atlas Economic Research Foundation of Fairfax, Virginia.

## Fear of dirigism

But the Mont Pelerinites confess to having a recurring nightmare: that the breakdown crisis which they intend to steer toward fascism, would be seized upon instead by nationalist forces worldwide to establish a dirigist, State-directed economic development perspective, involving national banking of the type which built the United States beginning 200 years ago. Historical parallels to this tradition exist in many countries, and serve as a positive referent for what could be

done. At the mere mention of such names as the United States' Alexander Hamilton or Henry Carey, Russia's Count Sergei Witte, or Germany's Friedrich List, most Mont Pelerinites start to foam at the mouth.

This also explains their nervousness about political leaders such as Mexican President Ernesto Zedillo. Zedillo has imposed the International Monetary Fund's austerity dictates on his country, and has said that he won't break with the City of London and Wall Street, because he sees "no alternative" to their policy. During his Jan. 29-31 visit to Great Britain as part of a European tour, Zedillo went to great lengths to assure London that he is a thoroughly reliable partner. Yet unlike his depraved and corrupt predecessor, Carlos Salinas de Gortari, Zedillo is considered *unreliable* by both London and Wall Street because, under appropriate crisis conditions, they fear he might bolt from the free-market strategy to which he is currently committed.

As well he might, as might an entire world ravaged by IMF and Mont Pelerin policies.

"non-Catholic liberals" disagreed, arguing that the Acton name would give the Society too much of a religious connotation and scare off those who had no interest in mixing the two issues, or who had other religious "inclinations." The latter faction won out, and the organization took the name of the Swiss mountain, Mont Pelerin, near where the founding meeting took place.

Today, the Mont Pelerin Society's allegedly Catholic faction is represented by Michael Novak. During the last century, the leader of that faction within the British liberal movement was Lord Emerich Edward Dalberg-Acton (1834-1902), otherwise known as Lord Acton. But, unlike Novak, who poses as an "adviser" to the Vatican, Lord Acton and his nominally Catholic liberal faction distinguished themselves by their explicit rejection of the concept of papal infallibility.

Born in Naples on Jan. 10, 1834, Lord Acton was educated as a Catholic, first at the Ste. Marie de Oscott School, and later in Munich, under the supervision of Ignaz von Dollinger, a priest who led German opposition to the Vatican. It was Lord Acton's Catholic affiliation which for some time allowed him to serve as the British Empire's Trojan horse within the Catholic Church, for the purpose of attacking the influence of its social doctrine inside the political and social movements of that era.

Nonetheless, Lord Acton was first and foremost a British subject, and as such, subordinate to the Church of England, whose head is the Queen of England. Lord Acton made his political debut when he entered the House of Commons in 1859, under the government of Lord Palmerston. That same year, Palmerston again named William

Gladstone finance minister. Lord Acton established a close working relationship with Gladstone, in the latter's capacity as both prime minister (he had succeeded Palmerston in that post), as well as the leader of British liberalism. In 1861, Lord Acton founded the *Home and Foreign Review*, a publication attacked by Britain's Catholic hierarchy because Acton's aristocratic arrogance led him to believe that Gladstone was more infallible than the pope. Queen Victoria dubbed Acton a "gentleman-in-waiting."

In 1869, Lord Acton traveled to Rome during the Vatican I Council, which was debating the issue of papal infallibility. In Munich the following year, he published an attack, based on the ideas of Dollinger, on the Council's accords ratifying papal infallibility. In 1864, Pope Pius IX included Dollinger's heretical writings in the *Syllabus* of banned books, and, in 1871, the archbishop of Munich excommunicated Dollinger because of his persistent opposition to the Vatican.

Lord Acton's rejection of papal infallibility is not just a theological, but a political issue as well. Lord Acton opposed it at precisely the moment in which the Vatican was developing its social doctrine, which was later presented in systematic form in 1891 by Pope Leo XIII in his encyclical *Rerum Novarum*. In the midst of the last century's political and social struggles in Europe, and the ideological battles among liberals, socialists, anarchists, Mazzinians, and Bonapartists—that is, the many inhabitants of Lord Palmerston's political "zoo"—the Catholic Church's social doctrine offered an alternative in defense of the sovereign nation-state and the rights of all workers and citizens.—*David Ramonet*

# From Mandeville to the Mont Pelerin Society: the satanic ‘Doctor’ Novak

by Carlos Cota Meza

At the meeting of the Mont Pelerin Society in Cancún on Jan. 14-17, special homage was paid to Michael Novak, who has won undeserved fame for having created a “religious” argument in favor of free trade. Novak’s argument, variously known as “neo-liberalism” or “neo-conservatism,” is bandied about in Ibero-America as proof of a supposed defense of the doctrine of free trade by the “teachings” of the Catholic Church.

Among Novak’s better-known works are *This Hemisphere of Liberty: A Philosophy of the Americas*, and *The Spirit of Democratic Capitalism*, a bizarre admixture of Aristotle, Adam Smith, and biblical passages.

Novak is a former seminarian and, say his apologists, he can be trusted because he is a convert from socialism to Catholicism. He began his public life as a participant in the schismatic circles around Hans Küng, at which point he wrote *The Open Church*, in which Novak promotes the use of artificial contraception and attacks the Vatican’s opposition to birth control. Novak also wrote something around this time that says much about his sexual proclivities: “Dual Sex Eucharist,” in which he claimed that “the Christian man was expected to become, as it were, androgynous—to make his own the virtue of the feminine ideal.”

From this it can be inferred that for Novak, the ideal Catholic man would be pop singer Michael Jackson.

Since the late 1970s, Novak’s bases of operations have been the American Enterprise Institute (AEI) in Washington, D.C., and his own Institute on Religion and Democracy. The major contributors to both institutions include a “Who’s Who” of members of the Anglo-American banking community who are fanatical advocates of George Bush’s “new world order” and, some of them, participants in Oliver North’s Iran-Contra drugs-for-arms networks (see *EIR*, Jan 29, 1993).

Michael Novak is as perverse as can be expected of a follower of the “philosophical” teachings of a certain Dr. Bernard de Mandeville (1670-1733). The true intellectual father of the whole neo-liberal school, Mandeville is the fountain from which flows the rottenness known as the Mont Pelerin Society.

## Origins of the Mont Pelerin Society

From being a semi-secret organization, one highly meticulous in terms of whom it allowed within its ranks, the Mont

Pelerin Society is increasingly becoming more open in presenting its policy proposals and identifying its members.

The Society had its formal start in 1947, following World War II, when the Austrian-born economist Friedrich von Hayek gathered a group of 36 academics—mostly economists, plus some historians and philosophers—for 10 days at the Park Hotel, facing Lake Lemán, in Mont Pelerin, Switzerland.

The first undertaking of these academics to rebuild the Conservative Revolution, following the defeat of fascism, was to establish that the “foundations of liberty” were the economic principles that they themselves advocated, and that the dirigist economic policies which President Franklin D. Roosevelt implemented to get the United States out of the Depression and to defeat the Axis powers, must be uprooted. The stated objective of the Society was to keep alive the physiocratic-utilitarian economic thought that is known today as “neo-liberalism” or “neo-conservatism,” or better yet, as the Conservative Revolution. Adam Smith exemplifies that current.

Friedrich von Hayek wrote his book *Road to Serfdom* in 1944, in which he summarizes the thinking of the Austrian School of Economics, founded by Karl Menger (1840-1921). A self-described utilitarian-physiocrat, Menger equated every European attempt to industrialize during the last century, with “socialism.” He attacked the ideas associated with the founder of the American System, Alexander Hamilton, and American System economists Henry and Mathew Carey, as “statist,” a term he used as a synonym for “totalitarian.” Menger is credited with the revival of the “sociological” or “psychological” theory of political economy, which holds that an object’s value is determined by the usefulness it has for the consumer.

Von Hayek treats fascism, which he always refers to as National Socialism, as a classical expression of statist totalitarianism. He argues that all forms of *State dirigism* strangle the free market and inevitably lead to Hitlerian or socialist totalitarianism. He was awarded the Nobel Prize for Economics in 1974.

The predecessor of the Mont Pelerin Society was the Society for the Renovation of Liberalism, headed by Ludwig von Mises, another ideologue of the Austrian School and one of the co-founders of the Mont Pelerin Society. Others in von Mises group included the Mexican Luis Montes de Oca



(1894-1958), and Frank Knight and Henry Simons, both of whom would later train Milton Friedman at the University of Chicago.

Friedman, the 1976 Nobel Prize laureate in economics, is also a member of Mont Pelerin. In fact, a goodly number of the recipients of the Nobel Prize in Economics are either tied directly to the Mont Pelerin Society or have been indoctrinated by it. Besides von Hayek and Friedman, other members of Mont Pelerin who have been given the Nobel Prize include George Stigler (1982), James Buchanan (1987), and Gary Becker (1992).

### Dr. Bernard Mandeville

On March 23, 1966, Friedrich von Hayek gave a lecture at the British Academy on "Dr. Bernard Mandeville." Von Hayek lauded Mandeville as "a master mind" and the inventor of modern psychology. According to von Hayek, Mandeville was the seminal influence in the thinking of Adam Smith, David Hume, Charles Darwin, Jeremy Bentham, and others. In fact, it was Mandeville who inspired Adam Smith's arguments in favor of free trade, said von Hayek.

So, who was this Dr. Mandeville, whom the founder of the Mont Pelerin Society holds in such high esteem, and to whom he accords such intellectual transcendence in this day and age?

Von Hayek's lecture was apparently inspired by a biographical monograph of Mandeville by F.B. Kaye, which has been incorporated into the modern editions of *The Fable of the Bees*, Mandeville's *magnum opus*, since 1924.

In his monograph, originally presented as his doctoral dissertation from Yale University in 1917, Kaye successfully sought to prove that Mandeville was not only the author of the "ethical system" developed by Adam Smith in his *Theory of Moral Sentiments*, but that he was also the primary influence for the "theories" of free trade and division of labor that Smith develops in his *The Wealth of Nations*. Kaye also demonstrated, with a high degree of precision, the decisive influence that Mandeville had in bringing about the cultural-political movement known as the Enlightenment of the 18th century.

Bernard Mandeville was born in Holland. A medical doctor by training, he moved to London where he became well known for his licentiousness, and his leading role in the satanic Hell-Fire Clubs. There exists, in the British Museum in London, evidence that Mandeville was a protégé of Sir Hans Sloane, the court physician, and of the Earl of Macclesfield, the Lord Chancellor. There is also evidence that he was one of the shareholders of the South Seas Company, the largest speculative and defrauding undertaking of the 18th century.

In 1714, when Mandeville was 44, his book *The Fable of the Bees; or Private Vices, Public Benefits*, was published. The first volume is made up of six parts: "The Grumbling Hive," "An Enquiry into the Origins of Moral Virtue," "Remarks" (on the Grumbling Hive), "An Essay on Charity and



*Pseudo-Catholic Michael Novak, the intellectual offspring of the evil Dr. Bernard de Mandeville.*

Charity-Schools," "A Search into the Nature of Society," and "A Vindication of the Book." Volume II is composed of six dialogues among Horatio, Cleomenes, and Fulvia, which are nothing else than a satanic manual, as can be seen from the following excerpt:

**Horatio:** That Vileness of our Species in the refin'd Way of thinking that you have of late been so fond of, I call it the Scheme of Deformity, the Partizans of which study chiefly to make every thing in our Nature appear as ugly and contemptible as it is possible, and take uncommon Pains to perswade Men that they are Devils.

**Cleomenes:** If that be all, I shall soon convince you.

In all of Mandeville's writings, the axiomatic assumption is that the Seven Deadly Sins are inherent in "human nature." If all acts were suppressed, save those that were selfless, or done for the sake of pure goodness or the love of God, then commerce would cease, the arts would be unnecessary, and most trades would be abandoned, because all of these things exist to satisfy purely mundane appetites, which are all selfish.

According to Mandeville, if the nature of man is vicious, then those things that are of benefit to him, proceed from a vicious cause, and, thus, private vices make for public prosperity.

Mandeville develops this axiom in his so-called poem "The Grumbling Hive." Men, as the bees of a busy and prosperous hive, strive, some to hide from others their sloth, lust,

avarice, and pride. Envy and vanity are the wheels that move industry and trade. Anger arises “when we are cross’d or disturb’d in our desires.”

Mandeville summarizes the “moral” of “The Grumbling Hive,” as follows: One day the god Jupiter, in response to the insect-men’s grumbings about their own misdeeds, rids the hive of fraud, and fills the hearts of all with honesty. At that moment, all economic activity ceases and the hive (i.e., society) disappears.

In Mandeville’s words:

Then leave Complaints: Fools only strive  
To make a Great and honest Hive.  
To enjoy the World’s conveniencies  
Be famed in War, yet live in Ease  
Without Great Vices, is a vain  
Eutopia seated in the Brain.  
Fraud, Luxury and Pride must live  
Whilst we the Benefits receive. . . .  
Bare Virtue can’t make Nations live  
In Splendor; they, that would revive  
A Golden Age, must be as free,  
For Acorns, as for Honesty.

Based on “The Grumbling Hive” and his “Remarks,” Mandeville redefines the Seven Deadly Sins, which he re-names “Appetites,” and their respective virtues:

1. *Arrogance (Pride)/Humility*: This is because we think we are superior to creation. Humility is how we hide our pride.

2. *Anger/Forbearance*: Anger is the passion that takes hold of us when our desires are crossed or disturbed. Forbearance is fear, the only useful passion that man can contribute to peace and tranquility.

3. *Gluttony/Temperance*: Temperance (honor) is the fear of the opinion of others.

4. *Lust/Chastity*: Chastity is nothing else than an artificial masquerade for lust. It suffocates and hides the natural inclinations for the propagation of our species.

5. *Envy/Charity*: Envy is the engine of industry and commerce. Charity is merely an artifice that promotes sloth.

6. *Avarice/Prodigality*: Together, they are the noblest of sins. Avarice is the yearning for riches to spend.

7. *Sloth/Industriousness*: Sloth is caused by religious belief, and industriousness is only achieved by striving to gratify our own selfish desires.

The model developed by Mandeville is that of man as a compound of various selfish passions. By having free rein in society, the threat of anarchy is harmonized by other opposing selfish acts (fear, primarily), thus achieving the public benefit. Later, this would be known as *laissez-faire*.

## Laissez-faire or Lucifer?

One of the ways through which the Mont Pelerin Society has kept its origins under wraps, is by keeping the works of Bernard Mandeville from general public scrutiny, as secret

knowledge for its initiates. When Mandeville is mentioned in public, he is described as an “amusing” and “entertaining” fellow.

But, if one reviews Mandeville’s “philosophical” essays, one discovers that he is the supreme ideologue of evil: He is insistent that man’s fundamental nature is vice, and that any moral or religious precept is mere foolery. For example, in his *Enquiry into the Origins of Moral Virtue*, Mandeville argues:

“None were either so savage as not to be charm’d with Praise, or so despicable as patiently to bear Contempt. . . . Flattery must be the most powerful Argument that could be used to Human Creatures.”

The principal “flattery,” he suggests, is the absurd notion that man is made in the image and likeness of God.

“They agreed with the rest, to call every thing, which, without Regard to the Publick, Man should commit to gratify any of his Appetites, *vice* . . . and to give the Name of *virtue* to every Performance, by which Man, contrary to the impulse of Nature, should endeavour the Benefit of others or the Conquest of his own Passions out of a Rational Ambition of being good” (emphasis in the original).

Toward the end of the *Enquiry*, Mandeville writes:

“If the too scrupulous Reader should at first View condemn these Notions concerning the Origin of Moral Virtue, and think them perhaps offensive to Christianity, I hope he’ll forbear his Censures. . . .”

Mandeville expands his argument with a broadside against religion as such, in “An Essay on Charity and Charity-Schools”:

“As to Religion, the most knowing and polite Part of a Nation have every where the least of it; Craft has a greater Hand in Making Rogues than Stupidity and Vice in general is no where more predominant than where Arts and Sciences flourish . . . and it is certain that we shall find Innocence and Honesty no where more general than among the most illiterate, the poor silly Country People.”

And then he attacks the central concept of the New Testament, charity:

“Charity-Schools and every thing else that promotes Idleness, and keeps the Poor from Working, are more Accessary to the Growth of Villany, than the want of Reading and Writing, or even the grossest Ignorance and Stupidity.”

This is the intellectual father of the pseudo-Catholic Michael Novak.

## The satanic British political economy

It is in that same “Essay on Charity” that Mandeville is said to have anticipated the “classical” notions of the theory of value, the division of labor, and to have contributed to monetary theory. First, there is his defense of poverty—at least for others:

“In a Free Nation where Slaves are not allowed of, the surest wealth consists in a multitude of Laborious Poor . . . without them there could be no enjoyment, and no Product of any Country could be valuable. To make the Society Happy

and People Easy under the meanest Circumstances, it is requisite that great numbers of them should be Ignorant as well as Poor. Knowledge both enlarges and multiplies our Desires, and the fewer things a Man Wishes for, the more easily his Necessities may be supply'd."

But, Mandeville assures us, the poor like being poor:

"Abundance of hard and dirty Labour is to be done, and course Living is to be complied with: Where shall we find a better Nursery for these Necessities than the Children of the Poor? none certainly are nearer to it or fitter for it. . . . There is not a more contented People among us, than those who work the hardest and are the least acquainted with the Pomp and Delicacies of the World."

Mandeville attacks the development of the productive capacities of the labor force, which is the very essence of Christian economics:

"Reading, Writing and Arithmetick are very necessary to those, whose Business require such Qualifications. But where People's Livelihood has no dependance on these arts, they are very pernicious to the Poor, who are forc'd to get their Daily Bread by their Daily Labour. . . . I have sufficiently shew'd already, why going to School was Idleness if compared to Working, and exploded this sort of Education in the Children of the Poor, because it Incapacitates them ever after for down right Labour, which is their proper Province."

In the face of this vileness, Karl Marx assures us that Mandeville is "an honest man and a clear thinker." Adam Smith thought the same. There is abundant evidence that Smith's entire output is owed to Mandeville. Smith's own *Theory of Moral Sentiments* is a careful revision of what he called the "lively and humorous, tho' coarse and rustic, eloquence of Dr. Mandeville."

Explaining his affinity to Mandeville, Smith wrote regarding "certain doctrines," such as Christianity:

"It was easy for Dr. Mandeville to prove, first, that this entire conquest never took place among men; and, secondly, that, if it was to take place, universally, it would be pernicious to society, by putting an end to all industry and commerce, and in a manner to the whole business of human life. By the first of these propositions he seemed to prove that there was no real virtue, and that what pretended to be such was a mere cheat and imposition upon mankind; and by the second, that private vices were public benefits, since without them no society could prosper or flourish."

The ethical system Smith elaborated in his *Theory of Moral Sentiments* merely changes the terminology employed by Mandeville in his *Fable of the Bees*. Where Mandeville says "selfishness," Smith says "sympathy," and he asserts:

"Every man . . . is much more deeply interested in whatever immediately concerns any other man; and to hear, perhaps, of the death of another person, with whom we have no particular connexion, will give us less concern . . . than a very insignificant disaster which has befallen ourselves."

This despicable "ethical system" is what is today known as the "classical exposition" of the universal concurrence con-

tained in Smith's *The Wealth of Nations*.

To prove that Michael Novak is, as was Adam Smith, nothing more than a Mandevillian fascist retread, all that is needed is to quote him. In a lecture he gave in Krakow, Poland in July 1994, Novak said:

"If you want to make a Republic that will last, you must construct it for sinners, because sinners are not just a moral majority, they are virtually a moral unanimity."

In his 1990 book, *This Hemisphere of Liberty: A Philosophy of the Americas*, Novak wrote:

"Building an economy for saints anywhere on earth is useless. There are too few of them. The only realistic possibility is to build an economy for sinners—the only moral majority."

In Novak's 1982 book, *The Spirit of Democratic Capitalism*, he wrote:

"No intelligent human order . . . can be run according to the counsels of Christianity. . . . An economy based upon the consciences of some would offend the consciences of others. A free economy cannot . . . be a Christian economy. To try to run an economy by the highest Christian principles is certain to destroy both the economy and the reputation of Christianity."

Having become acquainted with the satanic theories of Dr. Mandeville, the only thing that remains to be said about Michael Novak is that the acorn doesn't fall far from the oak.

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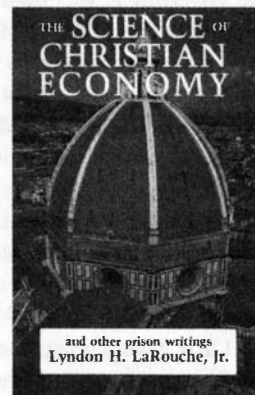
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# The Mont Pelerin Society in Mexico

by Carlos Cota Meza

The Mont Pelerin Society in Mexico has had decisive influence in educating the business grouping which styles itself the defenders of Mexican “private initiative,” as well as among the politicians historically linked to Liberalism (freemasonry) and identified with the reforms of President Benito Juárez in the 1860s. Members of this group are constantly inviting the best-known Mont Pelerinists to address their meetings, such as the Americans, drug legalizer Milton Friedman and “Catholic” blowhard Michael Novak, and the Mexican yuppie, Luis Pazos.

The epitome of this assemblage is the Mexican-born Gustavo R. Velasco, a key figure in Mont Pelerin Society and masonic operations through this century. One of his special aims has been to obliterate the social doctrine of the Catholic Church, which is seen as a barrier to the unbridled “free trade” doctrines they are peddling.

It was banker Luis Montes de Oca (1894-1958) who introduced Mont Pelerin Society operations into Mexico. He belonged to the Society for the Renewal of Liberalism of Ludwig von Mises. Montes de Oca was a permanent official in the government of Plutarco Elias Calles (1924-28) and his *maximato* (his practice of selecting future Presidents). Controller-general of Mexico in 1924-27, he then became finance secretary, a post he kept until 1932, when he became the director of the Bank of Mexico, the central bank (1935-37). He founded his Banco Internacional in 1941.

Gustavo Ricardo Velasco Adalid (1903-82), better known as Gustavo R. Velasco, Luis Montes de Oca’s nephew, inherited all these international friendships, including Ludwig von Mises himself (who was an adviser to the Manuel Avila Camacho government in 1940-46 and adviser-mentor to Antonio Ortíz Mena, finance secretary in 1958-64 and 1964-70 in the consecutive governments of Adolfo López Mateos and Gustavo Díaz Ordaz); Friedrich von Hayek; and Milton Friedman’s teachers at the University of Chicago, Frank Knight and Henry Simon.

As he writes in his book *El Camino de la Abundancia* (*The Road to Abundance*), Gustavo R. Velasco joined the Mont Pelerin Society almost from the day of its founding. He was its vice president in 1962-67. In his book, he reports on his participation in the Mont Pelerin Society meetings at Princeton University (1958), Stresa, Italy (1965), and Aviemore, Sweden (1968). He was at Ludwig von Mises’s 90th birthday party in New York in September 1971.

## The Free School of Law—masonic nest

In 1912 (after the Mexican Revolution and the Francisco I. Madero government), a group of survivors of the Gabino Barreda Methodophile Society (an organization of Juárez followers which pushed the positivist philosophy of Auguste Comte as the philosophical basis of both the Juárez and Porfirio Díaz governments) decided to create the Escuela Libre de Derecho, the Free School of Law, with a view to influencing the 1917 Constituent Assembly.

In the book *Al Servicio de la Escuela Libre de Derecho* (*In the Service to the Free School of Law*), Gustavo R. Velasco asserts that this school was founded to show that “natural law is an ideal, not a reality,” that justice is “the last refuge of unknown rights,” that “it is impossible to determine what is just or unjust.” According to Velasco’s story, the school was a “free association of friends” where “fervent Catholics like Agustín Rodríguez and Francisco León de la Barra cohabited with recalcitrant free-thinkers such as Miguel S. Macedo and Emilio Rabasa.”

From the Free School, Gustavo R. Velasco always kept direct control over the presidency of the Business Owners Confederation of the Mexican Republic (Coparmex, of which he was one of the most active promoters), because in general the presidents of this powerful business association and other of its officials had to be followers of his in the administrative law course. This was supposed to be a course on “a science of economics” as taught in the Higher School of Trade and Administration, an institution created under “the great Public Education Law (1870) of Gabino Barreda and Antonio Martínez de Castro,” Velasco states.

What is curious about the so-called Catholic current, is that its actual roots are masonic, concretely, the faction identified with Benito Juárez, during the epoch when Pope Leo XIII wrote his unequivocal condemnation of masonry. Gabino Barreda (1818-81) was the ideologue of the fiercely anti-Catholic Juárez government from 1867 (when he was made responsible for developing an educational reform) till 1872.

## Gustavo R. Velasco, a Nazi and a racist

If natural law does not exist, and if it is impossible to determine what is just, and if justice is an unknown right, then, what kind of society do we live in?

In September 1972, Gustavo R. Velasco gave a lecture entitled “Reflections on Equality and Egalitarianism,” for the “third symposium on human differentiation which the Institute of Humanistic Studies, of which I am honored to be one of the founders and an adviser, held in Gstaad, Switzerland.” Here, he averred:

“The truth is that the only things absolutely common to man are those that serve to classify him zoologically and to distinguish *homo sapiens* from other animals. . . . Moreover, what singles out and mainly characterizes man from a biological standpoint is his erect position and his bipedal position; the opposition of his thumb to the other fingers and his greater

cranial capacity. On the basis of these characteristics we discover what it is that situates man apart from the other creatures and constitutes his essence: the complex of psychic faculties which make it possible for him to think and reason."

Karl Marx would have been proud of such materialistic argumentation. Carried to its extreme, this human biological differentiation led to eugenics, later known as the Nazi race hygiene which Adolf Hitler would apply against what he considered "inferior races." This supposed difference between human beings is also the nucleus of the policy of "social hierarchy" preached by Gabino Barreda.

In September 1971, at the Ludwig von Mises 90th birthday celebration in New York, Gustavo R. Velasco presented the *Program for a Liberal Party* in which he insisted: "In the first place, the free market economy provides what the consumers ask for. The economy is . . . the freedom to consume or perhaps to desire, to seek new satisfiers, including forming new desires and needs." If Velasco pushed drug legalization, like most of his Mont Pelerin colleagues, it would be no surprise.

### **The Mont Pelerin Society in Mexico today**

At the dawn of the 1980s, in Mexico and all over the world, "private" institutes sprang up to propagandize the fascist garbage that Gustavo R. Velasco was expressing, as "democratic" and even "Catholic."

In 1984, the U.S.-based Center for International Private Enterprise (CIPE) started its operations as a "donor" to various business organizations in Ibero-America, to get them to launch furious campaigns against the guiding role of the State in national economies, as well as for "free trade," "privatization," and "democratic pluralism." Among the recipients of these funds were Coparmex and the Business Coordinating Council (CEE) of Mexico.

Later, it would be discovered that the CIPE was getting its money from the infamous National Endowment for Democracy, the legal front through which Lt. Col. Oliver North was conducting out his arms-for-drugs deals in the Iran-Contra affair. Given its clandestine nature, the relation between these funds and the creation of the mentioned institutions remains to be clarified, but the fact is that they arose from the same process.

**Center for Investigations into Free Enterprise (CISLE):** Founded in 1984, its current executive director is Roberto Salinas-León, who also appears as the chairman of the Mont Pelerin Society in Mexico. Luis Pazos, the most vulgar of the followers of Velasco at the Free School, is general director of CISLE and also an active member of the Mont Pelerin Society.

**Ludwig von Mises Institute:** It began its activities in 1983. The name "pays homage to the outstanding Austrian economist, Ludwig von Mises"; the aim is to "rescue the name and the ideas of the Austrian school of economics." This organization is directed by Dr. Carolina de Bolívar.

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## **Book Reviews**

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### **Chile was wrecked by Mont Pelerin experiment**

by Cynthia R. Rush

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#### **Pinochet's Economists: The Chicago School in Chile**

by Juan Gabriel Valdés

Cambridge University Press, New York, 1995  
280 pages, hardbound, \$49.95

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In *Pinochet's Economists: The Chicago School in Chile*, author Juan Gabriel Valdés has done some useful investigative work to reveal how the international financial oligarchy succeeded in turning the nation of Chile into a laboratory for the nation-wrecking economic policies it wants to apply worldwide today. The country became an experiment in the application of the fascist policies of Austrian economist Friedrich Von Hayek, his disciples at the University of Chicago, and co-thinkers at the Mont Pelerin Society following the September 1973 coup against the socialist government of Salvador Allende.

Allende, with the backing of Cuba's Fidel Castro, was in the process of wrecking the Chilean economy, while making it a Marxist beachhead from which to assault the rest of the continent. Chilean patriots and nationalists, including within the Armed Forces, were rightfully concerned with saving their nation when they decided to act in 1973. But what they ended up with, was an economic program as bad as anything Allende would have done, had he remained in power.

In the years following the coup, and especially after 1975, when their control over economic policy was consolidated, the Mont Pelerinites were euphoric over Chile. In an "in your face" display of arrogance, the Mont Pelerin Society even held its 1978 annual meeting in Viña del Mar, Chile. More important than their initial euphoria, however, the Von Hayek grouping went on to attain an intellectual authority which allows Conservative Revolutionaries today to peddle the Chilean "economic miracle" as the solution to the crises afflicting most developing-sector nations.

*EIR* has demonstrated that, since 1973, most aspects of Chile's physical economy have actually fallen in per capita and per household terms, while the speculative bubble of foreign debt grew more than *sixfold* (see *EIR*, July 21, 1995, "An Obituary for London's Chilean Economic Model"). But no one else has even addressed this reality, nor challenged the axiomatic assertion that the Chilean economy has supposedly prospered—a flat lie. Today, even critics of the Mont Pelerin Society's Chilean experiment argue, "Yes, there are problems with what they did, *but . . .* the economic model is largely successful." Thus, the fundamental intended purpose of the Chilean "revolution," *to change the way people think, especially about economics*, has, sadly, largely succeeded.

### **An international project**

Valdés is a political scientist, whose book is based on research he did for his Ph.D. at Princeton University. Thus, his work is marred by the jargon, mechanistic formulas, and pseudo-"objectivity" associated with such academia. The book is valuable, however, largely because of the author's meticulous examination of the contents of U.S. government records of the "Chile Project," the technical cooperation agreement signed in March 1956 by Chile's Catholic University, the University of Chicago, and the International Cooperation Administration, the precursor to the Agency for International Development in the U.S. State Department.

The 1956 agreement permitted Von Hayek's Chicago, "Austrian School" economists, led by the chairman of the Economics Department, Theodore Shultz, to set up Catholic University's economics department, achieving complete control over it by 1964; and by 1970, *one hundred* economists had been trained in the Austrian School of Economics' theories of how to rip up the nation-state in the name of "economic freedom."

Valdés reports that Dr. Arnold Harberger, considered to be the "father" of the Chile Project, emphasized that it was necessary to "de-Latin Americanize" the Chilean students, that is, turn them into traitors against their own country. The Chicago Boys did not enter the military government immediately following the coup. But by 1975, for reasons which were undoubtedly related to needing "international support," the Pinochet government was convinced to buy into the Von Hayek economic package. Chicago-trained economists quickly moved into the key positions in the Finance and Economics ministries, the Central Bank, and other government agencies.

Even minimal industrialization, based on import substitution, was tossed out the window, and was replaced with activities favoring "comparative advantage," such as mining, agriculture, forestry, and fishing. That was in the mid-1970s. Where this new system of "economic freedom" led, was revealed by a report in the French daily *Le Figaro* in early January, indicating that Chile is now one of the major drug-money launderers in the Western Hemisphere.

That this was a project of an *international* oligarchy, is

also made clear by Valdés's description of the role of the Edwards group, Chile's most powerful financial and political family which has functioned as a tool of British interests in the country since the last century. It was the Edwards family which worked with the British in 1891 to overthrow President José Manuel Balmaceda, a follower of German-American economist Friedrich List who threatened British interests in the nitrate industry and had a plan to industrialize the country. As an Edwards-linked banker bragged in 1892, following Balmaceda's demise, "we are the owners of Chile, owners of its capital and soil. Everything else is a mass to be influenced and sold; it carries no weight, either as opinion or as prestige."

In the 1960s and early 1970s, business magnate Agustín Edwards and his associates sold the Von Hayek economic model to business and financial circles, while organizing support for it internationally. It was Edwards who "showed the greatest interest in the dissemination of this doctrine expressed by United States professors and continued by their Chilean followers," Valdés writes. He also reveals that in the mid-1960s, the Chilean Chicago Boys were hired into the Edwards family's financial and corporate apparatus, offered money, jobs, opportunities, and protection outside of academia, and finally recruited in 1972 to join the team that would write an "alternative economic program" for a post-Allende government.

Edwards's U.S. connections, Valdés emphasizes, were "far greater than those arising from mere affinity, friendship or commercial interest." Once Allende took power in 1970, he reports, it was Edwards who asked Richard Nixon and Henry Kissinger to intervene militarily to overthrow the new President. That particular request was turned down, and Edwards left Chile. But three years later, Kissinger threw his weight behind the coup, and particularly behind the Von Hayek economic package.

### **Why Chile?**

In one sense, the choice of Chile as the site of this experiment is understandable. Historically, it has served as the stomping grounds for British financial interests, and a base for British geopolitical machinations against other Ibero-American nations. A case in point is the 1879-81 War of the Pacific against Peru and Bolivia, a model for such British-inspired geopoliticians as Luigi Einaudi today, who are out to wreck nation-states through manipulation of border conflicts. Yet, Valdés also points out that there is really no historical precedent, in Chile, or in any other Ibero-American nation for that matter, for the type of draconian program which was imposed on the country after 1975.

The circumstances surrounding the signing of the 1956 contract, and the choice of the Catholic University as the site for the University of Chicago's project, raise many questions. The Mont Pelerin Society and the oligarchic networks to which it has been tied historically, have infiltrated the Catholic Church in order to destroy it, particularly targeting the social doctrine of the church. The activities of "catholic" Mi-

## Chile's privatized pension funds are going belly-up

Chile's privatized pension system, so lavishly praised by Conservative Revolutionaries internationally, is little more than a \$25 billion slush fund, based on forced savings, designed to prop up whichever sector of the fraudulent Chilean economic "miracle" needs propping up. In December, *EIR* confirmed that, just like other speculative players before it, such as Orange County, California or Barings Bank, the entire system could go up in smoke overnight, because one-third of it is invested in the derivatives-heavy Santiago stock market, and the remainder in equally volatile mortgage securities, bank deposits, corporate debt, and overseas investment.

In September 1995 alone, the fund lost \$1.5 billion, reportedly due to "market fluctuations" (see *EIR*, Jan. 5, 1996). For 1995, the Chilean system experienced real returns of -2.5%, supposedly due to "over-concentration" of its investments in the electricity sector (54% of the total), which dropped by 25% during that year. This could be just a taste of what is to come.

While the system is still being promoted everywhere

by its architect, Dr. José Piñera, and by his associates at the Washington, D.C.-based Cato Institute, these recent developments are giving some people reason for pause. The City of London's *Financial Times*, on Jan. 18, portrayed the system in a very negative light, quoting a Chilean pollster who reported that "almost half our respondents said they didn't trust the current economic model, that it isn't stable, that the current success is just an Indian summer."

The *Times* explained that the fact that Chile's Armed Forces had remained within the old social security system, and that the new pension system was introduced by decree in 1981, didn't help to inspire confidence in it. Moreover, the *Times* reported, "only about half the active workforce of 5 million is up to date with contributions." Another 1.5 million affiliates of the Pension Fund Administrators "have made no payments into their accounts for more than a year."

But the most dramatic revelation, one which the *Times* argued could bring the pension system "under heavy fire this year," is the fact that for those pensioners who opted to take programmed monthly withdrawals from their savings account, rather than buying an annuity, the result will be a whopping 12-15% cut in their income this year!

—Cynthia Rush

chael Novak today show how such subversion works.

Was this why Chile's Catholic University was chosen by Shultz, et al.? Some Catholic University professors objected to signing a contract with an American university such as Chicago, which advocated "a brand of conservative economics where social justice considerations do not exist," Valdés says. But in the end, reportedly largely through Shultz's intervention, opponents were mollified, and the 1956 contract signed.

How honest opponents of the project might have been swayed, or silenced into acceptance of the contract with the Von Hayekites, is suggested in Valdés's report on the polemic which Chicago professors waged against Raúl Prebisch, founder of the "developmentalist" theory of economics, based on import-substitution and light consumer industries. Prebisch, who created the U.N. Economic Commission on Latin America in 1964, was vilified by the Chicago economists for supposedly advocating "statism," which they claimed was responsible for Chile's economic problems.

But, as *EIR* has documented, Prebisch was born of the same British "mother" as the Mont Pelerinists. In the 1930s, he and Bank of England official Otto Niemeyer worked together to set up the Argentine Central Bank, as a wrecking operation against the Banco de la Nación Argentina, the national bank founded in 1890 by free-trade opponent President Carlos Pellegrini. In 1955, following the overthrow of Argentinian

President Juan Domingo Perón, Prebisch again appeared on the scene to dismantle all of the dirigist measures Perón's government had implemented, paving the way for the International Monetary Fund's entry into the country.

The "pure economic science" elaborated by Milton Friedman, Frank Knight, Gary Becker, and other of the University of Chicago's ideologues, was the essence of curriculum in which the Chilean graduate students selected to study there were immersed for two to three years. In the process by which they were chosen, one of the criteria for selection was that students have little or no political affiliation or activity. The first candidates rather showed a "professionalist, secular, and individualist" bent, Valdés reports. The purity of the "core principles"—monetary theory, price theory, and resource allocation—must not be contaminated by historical, social, cultural, and particularly *moral* considerations, in the Von Hayekians' view.

Following completion of their program, the students were required to return to teach at Catholic University, where an exact replica of the University of Chicago curriculum was established. They dutifully reproduced themselves, through their teaching work, creating, as the project report optimistically put it, a "reservoir of skills which the Chilean community will be able to draw upon for many years to come . . . a human capital asset that is uncommon in the world's low income countries."

## Leibniz, Gauss shaped America's science successes

by Anton Chaitkin

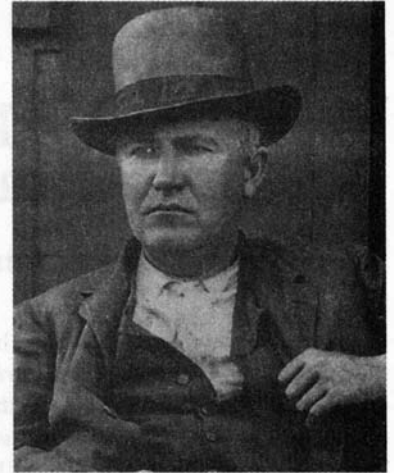
This report continues the story begun in the Dec. 1, 1995 *EIR*, "The Anti-Newtonian Roots of the American Revolution." That earlier segment demolished the myth that the American Revolution was inspired by "Enlightenment" British philosophy associated with Isaac Newton and John Locke. It showed, rather, that the British monarchy and its Empire were the principal enemies of the U.S.A. from colonial times to the twentieth century, due to a fundamental conflict over political and moral philosophy.

Benjamin Franklin (1706-90) and his circle carried on the war of ideas and statecraft that had been led by the German Platonic philosopher Gottfried Leibniz (1646-1716). These Americans, the heirs of Leibniz, opposed the imperialism, atheism, and irrationality of Britain, and of Locke and Newton, in politics and science alike. With Leibniz, they rejected Newton's dead universe and Locke's demand that property must dominate man. They made a Constitution and a government with the power to promote revolutionary technological change and improvement of man's condition.

The present report takes the story of this conflict from the eighteenth through the nineteenth century, to show how these Americans and their allies created "modern times"—in the face of bitter opposition from the British Empire. The question of how this came about—what is the origin of modern industry, modern agriculture, and the living standards achieved in the industrialized countries—is of particular current urgency: The world is in danger of losing the profound advances civilization has made, and falling into backwardness and brutal chaos.

After the fall of the communist system, Margaret Thatcher and George Bush rushed in to eastern Europe and Russia demanding that all government enterprises be sold off and living standards be slashed. They claimed that the only alternative to this "free market" savagery would be communism or some other tyranny. The result was catastrophic: Production collapsed, and millions have died as the death rate soared. And yet it is still almost universally believed in eastern Europe that the





America was founded on a conceptual blueprint provided by Gottfried Leibniz (left), the great German statesman, philosopher, and scientist. Leibniz proposed that government sponsor research, advanced manufacturing, and the elevation of workers' minds as the principal theme of national life. This way of thinking defined the "American System" of Benjamin Franklin (center) and informed the scientific work of Thomas Alva Edison (right).

"free market" caused the success of Western society.

In America, the spokesmen for this British line—Newt Gingrich and company—press ahead with their economic wrecking operation, while invoking the Founding Fathers. The Gingrichites assert that the West became powerful simply by preventing government from interfering with the unbridled quest for private financial gain.

This absurd fiction is promoted by both the radical free marketeers and the communists. Karl Marx (writing under British auspices) claimed that a so-called "capitalist class" had invented all modern technology, and that *their freedom from moral and legal restraints had allowed them to do so*. The adherents of Adam Smith, including right-wing populists, agree completely with the communists about this ridiculous story.

The classic historical writing in support of this theory is mere bluff and bluster. The basic facts of the industrial revolution and the political war over its accomplishment are simply omitted.

Two centuries ago, there were no industrial nations on this planet. No country had any factories in the modern sense, no machines powered by artificial means, no industries run on scientific lines. The West did not *gradually* become industrialized. Rather, there were suddenly very distinct bursts of invention, sharply defined periods of growth, that radically changed the life and work of society. In Britain, this rapid change began in the 1760s and was frozen in place by the turn of the century. In America, the great transformation took place in two phases, from the 1820s to the 1840s, and again to a higher level from 1861 into the 1880s.

All of these advances, and the modernization of continen-

tal Europe and Japan in the nineteenth century, were *deliberate projects for the improvement of humanity*. No credit belongs to the "magic of the marketplace," or to the magicians in London and their Wall Street clones, who opposed these developments. All the great breakthroughs in technology and living standards were guided by an alliance of Americans and Europeans centering on Benjamin Franklin and his party over three generations. The industries were created under government sponsorship and protection.

In the following pages, we will see:

- Leibniz's proposal for the Academy (later copied by Franklin's American Philosophical Society): his startlingly advanced educational, scientific, and industrial policy, by which America changed the world;
- England's industrial revolution, organized by Franklin and his friends;
- The nationalist leadership that revived Franklin and Alexander Hamilton a generation after the Revolution, and the State-sponsored first phase of America's industrialization;
- Cooperation between the American nationalists and the European scientific elite led by Carl F. Gauss, in a showdown with the British royal family over electricity and national destiny;
- Abraham Lincoln's statist economics, and his revolution in transportation;
- Lincoln's European-bred scientific agriculture, to make family farmers "independent of crowned-kings, money-kings, and land-kings";
- The nationalists' drive for worldwide industrialization, in a war with Britain's murderous sabotage; the inside story of the Edison project, and the birth of "modern times."

# 1. Leibniz's plan for the American System

by Jonathan Tennenbaum

Contrary to the myths which fill most history books these days, the institution of the *modern industrial nation-state*—as exemplified by the United States from the nineteenth century up into the 1960s—did not emerge by itself in some spontaneous fashion, but was deliberately *created* by groups of individuals who acted according to precisely conceived policies and principles. In fact, the founding of what was to become the world's most powerful industrial nation-state, by Benjamin Franklin, Alexander Hamilton, and others, was based on a kind of *plan*, a conceptual *blueprint* which had been provided in advance. Although the fundamental principles involved can be traced back to the fifteenth century Renaissance, the immediate initiator and architect of the conspiracy which produced the United States and the "American System" of political economy, was without doubt the great German statesman, philosopher and scientist Gottfried Wilhelm Leibniz (1646-1716).

Leibniz's efforts extended far beyond the American colonies or any other particular region of the world of his day. His was a Grand Design to defeat the forces of oligarchism and barbarism worldwide, and to uplift humanity as a whole, by fostering everywhere the development of sovereign nation-states based on scientific and technological progress. To realize this Grand Design, Leibniz organized and directed what can only be described as one of the greatest worldwide conspiracies of all time, extending from China and Russia, throughout Europe, and into the New World.

## Leibniz's national academies

The kernel of Leibniz's "blueprint" for the American System is contained in a series of memoranda spanning the period from 1671 to 1716, where he proposed the establishment of what he called "Societies" or "Academies" in various nations. As the following quotes make clear, Leibniz meant something entirely different from mere scholarly associations, of the sort the term "academic" would tend to suggest today. Leibniz intended the "Society" in each country to be the locomotive and organizing center of a rapidly-developing *national economy*, in direct opposition to the ruinous "free trade" policies of the Venetian-Anglo-Dutch oligarchy. Already in his early memorandum "Economy and Society," written in 1671, Leibniz is explicit about his political intentions:

"Thanks to these academies (or societies), which are institutions of research and of development, with their own manufactures and commercial companies directly attached, the

monopolies will be eliminated, because the academy will always offer a just, low price for merchandise; and quite often, in fact, these will become even less expensive, as new manufacturing activities are set up, where they do not presently exist. Notably the trading monopolies will be eliminated . . . because the wealth of the traders is much too great, and the misery of the workers far too profound—a situation seen particularly in Holland, where the method of the merchants is to maintain the workers in a state of poverty and menial labor. . . . Trade cannot transfer anything which has not before been produced by manufacturing. And why must so many people be reduced to such poverty, for the sake of so few? The Society will therefore have as its goal to liberate the worker from his misery."

In stark contrast to the bestial immorality preached by Hobbes, John Locke, and later Adam Smith—apologists of the British "free market" doctrine of the "law of the jungle"—Leibniz based his plan for the "Society" explicitly on the concept of man as "imago viva Dei," whose creative powers permit him to participate, in the image of the Creator, in the ongoing development of the Universe. In a beautiful memorandum setting forth the moral purpose of the "Society," Leibniz puts forward his notion of "the pursuit of happiness" which will later inspire the framers of the U.S. Constitution:

"[To] not only seek the majesty of God in Nature, but to imitate it; and therefore to honor Him not only in praises and prayers, or with words and thoughts, but also by Good Works; not only to contemplate the good He has done, but to devote and offer oneself to him as an *instrument*, and thereby to accomplish more good to the world and especially to the human race, since Man is the best in all visible Creation, in which we have the power to work. . . .

"To apply the discovered wonders of Nature and Art to medicine, to mechanics, to the convenience of life, to provide the materials for work and nourishment to the poor, to preserve people from idleness and corruption; to provide justice, rewards and punishments, to insure public order, to promote the good of the Fatherland, to eliminate times of scarcity, pestilence and wars; to do everything we ought and which is in our power, to spread the True Religion and the fear of God, and indeed to provide for the *happiness of the human race*, endeavoring in our own domain to imitate what God has done in the universe as a whole."

It is in terms of this higher goal that Leibniz outlines the principles of national economy, which Alexander Hamilton will later set forth as the official economic policy of the United States, in the latter's 1791 "Report on Manufactures." What Leibniz outlines, in concentrated form, is the kernel of the "American System" policy for rapid industrial development, through the "dirigistic" promotion and protection of domestic manufactures, science and education. Leibniz clearly identifies the key role of steam power in increasing the productive powers of labor—a development he took a leading role in initiating and promoting. In one of his memoranda, written

around 1671, Leibniz lays down the economic policies of the "Society" as follows:

### **From 'ideas,' to national industry**

"To Expand and Improve the Arts and Sciences.

"To preserve useful ideas, inventions and experiments . . . and to verify them with the help of models and tests; or if verified, to exploit them on a larger scale, than a private person could do.

"To combine Theories and Experiments, to remedy the defects of the one with the other.

"By putting together various experiments and inventions, to render useful that which is isolated and incomplete. . . .

"To provide poor students the possibility to support themselves in order to continue their studies, and to earn their bread, for their own advantage and for the benefit of the Society. . . .

"To improve the Schools. Therein to introduce curricula, correctness and standards. To educate the youth not only in Poetry, Logic and Scholastic Philosophy, but also in Realia: History, Mathematics, Geography, Physics, Morals and Civil Affairs.

"To set up Museums of Arts and Rarities, of Weaponry and Anatomy, unknown Medicines, Animals, and a Theater of Nature and the Arts, in order to provide lively Impressions and Knowledge of all things. . . .

"To Improve Manufactures

"With advantages and instruments to make work easier. To have constant fire and motion [the steam engine!—JBT] as the foundation of all mechanical action, Making use of all new ideas and concepts, Testing our own and those of others, And therefore not to drag behind.

"To bring into the country, and develop the existing stock of: mills, lathes, glass grinding and polishing, all kinds of machines and clockworks, water works, shipping, painting and all figurative arts, textile mills, glass-blowing and forming, dyeing factories, medicinal arts, steel and other metallurgical production, chemistry. . . ; to make better use of the mines, and in general to help the laboring people with many other useful inventions: those already existing, those we can obtain, and those we may hope to obtain. . . .

"To Improve Trade

"To bring food into the country, To keep people in the country, To bring more people in, To create manufactures here, And draw in commerce, To gradually eliminate undesirable foreign manufactures, without banning them. . . . To never let raw materials leave our country unprocessed, To process foreign raw materials in our country. . . .

"To set up warehouses and shops, supplying ourselves in good time with all kinds of articles, never to be lacking in necessary things nor to wait for an emergency, and thereby to prevent famine and increases in price. . . .

"To set up a secure bank for investors to invest their monies. According to opportunities, to form new companies, and

to acquire stocks in existing ones. . . .

"To obtain more from lended monnies, than the rate of interest. . . .

"To grant Priviledges inside the country for everything, that excludes foreign priviledges, and this without making anything more expensive.

"To obtain Priviledges outside the country for all activities and manufactures that are new, and have not yet been realized or produced.

"It is therefore to be achieved, that we be able to produce everything better here, than elsewhere, in such a way that we can exclude them [foreign manufactures] without Priviledges, but by the favorable cost of all manufactures, provided only that the effort be undertaken, to produce them more economically, than [abroad].

"To conserve and expand the Fund by a continuous Circulation, and to undertake all enterprises that are pleasing to God, useful to the Fatherland, and bringing honor to the Founders, to ever greater and higher ends."

In these brief lines we can already see the kernel of the monetary and credit policies developed by Franklin, Hamilton and others, which had as their goal and criterion the expansion of the real wealth of society through scientific and technological progress.

## **2. The Franklin circle starts modern England**

by Anton Chaitkin

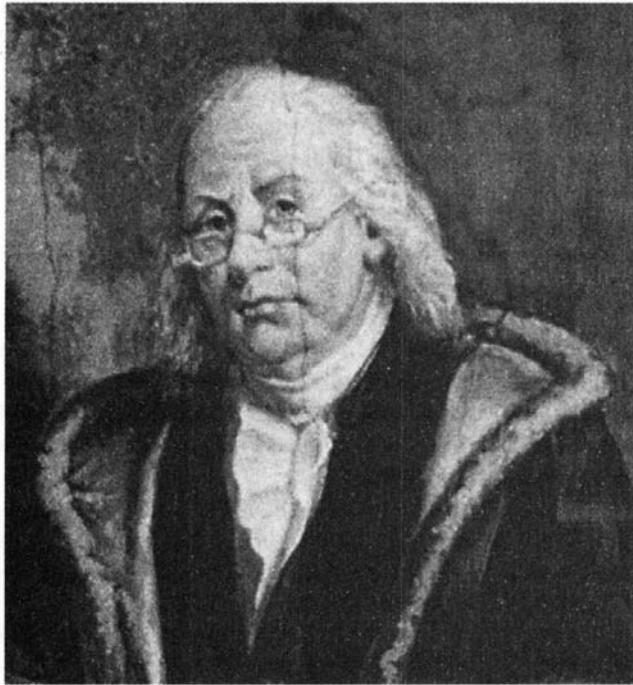
*Editor's note: All the remaining sections of this Feature are also by Anton Chaitkin.*

Benjamin Franklin sailed to England in the spring of 1757, the official political representative of the British colony of Pennsylvania. It was 19 years before America would declare its independence from the British Crown.

When Franklin took up residence there in July 1757, Great Britain was very backward. There were virtually no roads between cities, no canals, and no railroads. Iron, cloth, or grain could only be shipped overland in the saddlebags of a packhorse, and this only when there was relatively little mud. All manufacturing took place on a small scale by local operatives or in rural homes. London was wealthy from world trade and finance, but it was the capital of an undeveloped country.

The project to industrialize Britain, begun shortly after Dr. Franklin's arrival, was initiated by a small circle of his collaborators, and was carried to fruition under his leadership.

It was then the last few years of the reign of King George II. The king's grandmother, Electress Sophie of the German



*Detail of a portrait of Benjamin Franklin in the U.S. Capitol. Britain's "industrial revolution" began in 1758-75, with England's first canal-building, the invention of steam power, and modern chemistry and steel making. All this was organized by Benjamin Franklin and his close circle of friends.*

state of Hanover, had been the protector of the philosopher Gottfried Leibniz. Her succession to the English throne was arranged by Leibniz and his allies, the pro-American republican circles of Irish statesman and author Jonathan Swift. But Sophie had died too soon, and her intended English crown was taken by her boorish son George I, a tool of the British Empire "Venetian party," the oligarchy that ran the slave and opium trades. George I died in 1727; his son George II, who died 1760, was succeeded by the infamous George III.

The Leibniz-Swift faction had crumbled in England; the imperial cabinet was run by Nero-like members of the openly Satanic "Hell-Fire Club." This government was now forbidding the American colonies to develop manufacturing, or to expand to the west. Franklin was determined to create a thriving agro-industrial America, as the necessary basis for eventually securing independence. If some kind of manufacturing could be started here in the center of the British Empire, it would be that much harder for the ruling clique to snuff it out generally.

Franklin was already famous in England, and feared by the government, as a scientist and political leader of the colonists. His published experiments had clarified the nature of electricity. He had created the American Philosophical Society, the first organization uniting the colonies in any fashion; its subcommittees were now at work planning the creation of

(illegal) native industries.

Corresponding with a worldwide circle of sympathetic leaders in science, art, religion, politics, and the military, Franklin was chief of intelligence for the American nation, then in the process of its creation.

Though its results were to be of spectacular benefit to the general population, the project we report on here, was at times subject to extreme harassment, and had to be carried out with great caution, even secrecy. We report what is known of Franklin's movements and contacts in the opening phase of the project.

Franklin obtained an introductory letter from Cambridge University Greek and Hebrew professor John Michell, a pioneer seismologist, astronomer, and magnetic scientist. Michell's letter addressed to Matthew Boulton, Jr., son of a buckle manufacturer: "to introduce . . . the best Philosopher of America, whom you are already very well acquainted with though you don't know him personally."

No later than the summer of 1758, Benjamin Franklin and Matthew Boulton, Jr., began joint work on electricity, metallurgy, and the harnessing of steam power. Their collaboration, at times surreptitious and subject to police surveillance, continued until Franklin's death in 1790. Franklin became the inspiration, tutor, science adviser, and political counselor to a select group of Boulton's friends in Birmingham, including potter Josiah Wedgwood, and Boulton's physician, Erasmus Darwin.

## **The industrialization of Manchester**

The first task of the Franklin circle was to create an industrial city, with access to cheap fuel. In the process of building Manchester, England's first industrial center, the Franklin associates would initiate low-cost transportation for all goods, the *sine qua non* for an industrial nation. For these purposes, they would use a young, sympathetic, but not very wealthy duke of Bridgewater, whose estate came to be managed by the Franklin circle.

John Gilbert, a former apprentice in the shop of Matthew Boulton, Sr., and a lifelong intimate of his son, was hired in 1757 as the manager of the duke of Bridgewater's lands and coal mines at Worsley. Gilbert's brother, Thomas Gilbert, was already estate manager for the allied Bridgewater and Gower families.

In that year of 1757, the 21-year-old Francis Egerton, Third Duke of Bridgewater, came into possession of his inheritance, which included lands in London, and the Worsley estate located in an agricultural area some ten miles west of the market town of Manchester. John Gilbert convinced the new owner to cut a canal from the coal mines eastward to Manchester. Studying the layout of the mines and the land to the east, Gilbert turned the perennial problem of mine flooding into a technologically unprecedented aid to navigation. He proposed that canal digging should commence underground, in the mine itself, and proceed out through the side

of a hill. Newly mined coal could thus be loaded directly onto barges, while the mine's drainage would help maintain water levels in the overland canal.

Manchester then had only about 6,000 houses, and no factories requiring coal for steam power, which did not yet exist. Wood was used for hearth fires throughout England. There was no "market" whose logic Bridgewater was obeying when he decided to pursue such a construction project; and there were no other canals in England. But the duke's imagination had been well prepared for this adventure. He had gone to Europe as a pupil and ward of Robert Wood, a passionate devotee of Homer and Classical Greek civilization. Wood tamed the teenaged duke's carousing, and immersed him in the works of the Renaissance Christian humanism. He learned engineering and science at the Lyons academy and studied Florentine painting in Rome. The young duke viewed the canals of Holland, and closely inspected the great Languedoc Canal across France. The Languedoc had been surveyed by Leonardo da Vinci (who died in 1519), but it was built by Colbert in the late 1600s, using locks designed by Leonardo.

Excitedly agreeing to John Gilbert's proposal, the Duke Francis devoted his life to the construction of canals. Preparations began secretly, with initial purchases of land into Manchester. An act was put through Parliament, for the right to compel landowners along the canal route to sell Duke Francis their property. The price of coal from the Worsley mines was fixed by law at no more than four shillings per hundredweight, compared to the pre-canal average price of seven or eight shillings. Freight tolls were also set by law, and manure was to be toll free on the canal.

The duke was not a "capitalist," but a heavily encumbered landowner: He exhausted his personal funds early in the construction effort. In order to raise funds, the Gilbert brothers sold very small denomination bonds to local merchants, while the duke borrowed from his tenants. No backing came from London banks. Indeed, there was no net profit in the enterprise for some 15 years, though Bridgewater eventually made a large profit on the canal system, after decades of labor. Duke Francis routinely paid fair prices to landowners displaced for the canal. He hired many coal miners, paid them good wages, and got decent living conditions for his workers in new cottages.

The canal was begun in 1759 and completed into Manchester in 1761. Thousands of people began moving into the city and starting families there, with a secure supply of cheap Worsley coal for warm houses. And there were well-paying jobs: with a new labor supply and cheap fuel, a great number of profitable new manufacturing shops were set up. A greatly expanded canal system, and steam-powered machinery, would before long complete the amazing, virtually overnight creation of an industrial center.

By 1790, workmen from the new textile mills could be seen walking Manchester's streets, five-pound notes protruding ostentatiously from their hats. Yet 50 years later, that very

city was famed for the horrible poverty and cruelty in its mills, and for the so-called Manchester School of economic thought—the radical free-trade doctrine which claimed that the unrestricted freedom to do ill to one's neighbor was the *cause* of England's technical development, that poverty and misery resulted from new technology, not from the crime of those who had taken over in place of the inventors.

### More canals, and nation-building power

After the success of the Bridgewater canal was demonstrated, the entire Boulton-Franklin group swung into action. A partnership of the duke, the Gilbert brothers, Josiah Wedgwood, Erasmus Darwin, and Matthew Boulton, was eventually formed to extend the canal from Manchester to the port of Liverpool, and then to push on to connect Hull, Bristol, and London.

Wedgwood's partner, Thomas Bentley, and Erasmus Darwin wrote pamphlets in an effort to expand the British people's aspirations towards economic progress. Josiah Wedgwood placed the following newspaper notice:

"That great genius and Father of his Country, the Czar Peter, being well informed of the extensive Utility of Inland Navigation to the Growth of Commerce, completed a Canal between Petersbourg and the Wolga, at an incredible Expence, thro' an uncouth and arduous Country. The States of Holland owe their very Existence, as well as their opulence and power, to their numerous Canals.

"And the French Nation, our Rival in Arts and Arms, have already much availed themselves by navigable Cuts of vast Extent, and of amazing Advantage to their Commerce . . . that of Languedoc is a most stupendous Work" (*St. James's Chronicle*, May 16-18, 1765 (transcription courtesy of the Trustees of the Wedgwood Museum, Barlaston, Staffordshire).

After feverish negotiations, planning and lobbying, a bill authorizing the cutting of the partners' canal to Liverpool was steered through the Parliament, ending in a Commons committee whose chairman was Thomas Gilbert.

Meanwhile, Benjamin Franklin had started the group on a new project—to coordinate the development of a practical steam engine: From London, Franklin wrote to Boulton (May 22, 1765) "to introduce my Friend" Dr. William Small, "to your Acquaintance . . . an ingenious Philosopher, & a most worthy honest Man" and to ask "if any thing new in Magnetism or Electricity or any other Branch of natural Knowledge has occurred to your fruitful Genius since I last had the Pleasure of seeing you, you will by communicating it, greatly oblige."

Small, a native Scot, had emigrated to Virginia in 1758 to take a science and mathematics teaching assignment at William and Mary College. There Dr. Small, the Platonist law professor George Wythe, their student Thomas Jefferson, and Gov. Francis Fauquier, formed a regular string quartet. Franklin's friendship with Dr. Small probably began in 1763

when Franklin visited Williamsburg, during his brief return to America. A hostile administration at the college soon afterwards forced Small to leave his post; Small and Franklin went to England in 1764. The following year, Small accepted Dr. Franklin's momentous assignment.

On Franklin's recommendation, Matthew Boulton instantly accepted William Small as his personal physician and overall industrial manager. Boulton had inherited a buckle-making shop upon his father's death in 1759. He then built what was to become England's first great manufacturing plant, the Soho works outside Birmingham, with power supplied—temporarily—by a water wheel. Now that Small had come from America, the pace of activity at the Soho plant increased dramatically.

In February 1766, Dr. Franklin gave his blunt testimony in Parliament against the notorious anti-American tax known as the Stamp Act. He warned that the British Empire would be destroyed if it persisted in looting the colonies. Parliament repealed the Stamp Act on Feb. 22, 1766, to the delight and applause of the world's republicans. On that same historic day, Matthew Boulton wrote to Franklin from Birmingham, asking for his comments on the steam engine which Boulton and Small had built and had sent to Franklin in London:

"The addition you have made to my happiness in being the cause of my acquaintance with the amiable and ingenious Dr. Small deserves more than thanks. . . . I [introduce] to you my good friend Mr. Samuel Garbett . . . a Zealous Advocate for Truth & for the rights of your oppress'd Countrymen. . . .

"My engagements since Christmas have not permitted me to make any further progress with my fire-engines but, as the thirsty season [i.e., the dry season when the water levels were too low to provide power to the factory] is approaching apace, necessity will oblige me to set about it in good earnest. Query,—which of the steam valves do you like best? Is it better to introduce the jet of cold water at the bottom of the receiver . . . or at the top? Each has its advantages and disadvantages. My thoughts about the secondary or mechanical contrivances of the engine are too numerous to trouble you with in this letter, and yet I have not been lucky enough to hit upon any that are objectionless . . . if any thought occurs to your fertile genius which you think may be useful, or preserve me from error in the execution of this engine, you'll be so kind as to communicate it to me. . . ."

Erasmus Darwin wrote to Boulton on March 11, 1766, inquiring what Franklin had thought of the model steam engine and what he had suggested to improve it.

Franklin replied to Boulton on March 19, "excuse my so long omitting to answer your kind Letter . . . consider the excessive Hurry & Anxiety I have been engaged in with our American Affairs. . . .

"I know not which of the Valves to give the preference to, nor whether it is best to introduce your Jet of Cold water above or below. Experiments will best decide in such Cases. I would only repeat to you the Hint I gave, of fixing your Grate in such

a Manner as to burn all your Smoke. I think a great deal of Fuel will then be saved, for two Reasons.

"One, that Smoke is Fuel, and is wasted when it escapes uninflamed. The other, that it forms a sooty Crust on the Bottom of the Boiler, which Crust not being a good Conductor of Heat, and preventing Flame and hot Air coming into immediate contact with the Vessel, lessen their Effect in giving Heat to the Water. All that is necessary is, to make the Smoke of fresh Coals pass descending through those that are already thoroughly ignited. I sent the model last week, with your papers in it, which I hope got safe to hand."

Franklin here was addressing a central question in steam engineering. Certain primitive devices were already in use, involving hot water vapor, such as the Newcomen engine. But only a tiny proportion of the energy in the fuel was translated into delivered power. This problem was to be solved definitively at Soho.

The canal partners meanwhile pushed ahead. They at length prevailed in Parliament and were allowed eminent domain to build south, completing the link from Manchester to Liverpool. The new law required toll-free shipment of road-building materials, so that all the national transport facilities could grow simultaneously.

Boulton, the Gilberts, and Bridgewater now initiated canal projects all over England, and "canal mania" changed the face of the island. Britain converted at once to the use of coal from distant mines for fuel, instead of burning local stands of timber. The mass manufacture of iron and steel was now practicable.

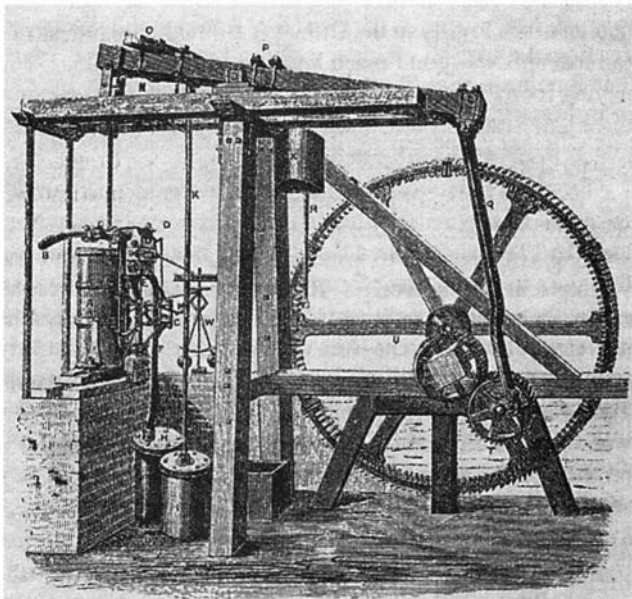
### **The world's first steam engine business**

The Scottish mechanic-engineer James Watt was employed in 1767 to survey for the Forth and Clyde Canal. He went to visit the Soho works and met there with the manager, Dr. William Small. They talked of Watt's own recent experiments with steam power in Scotland. Dr. Small wrote to Watt, Jan. 7, 1768, proposing the creation of a new firm: "you should settle here, and Boulton and I assist you as much as we could. . . . I have no . . . doubt of your success, nor of your acquiring fortune, if you proceed upon a proper plan as to the manner of doing business. . . . I should not hesitate to employ any sum of money I can command on your scheme. . . ."

While working as scientific instrument-maker for the faculty at Glasgow University, Watt had studied French, German, and Italian, and had applied himself zealously to the study of music. He learned to repair violins, guitars, and flutes. He studied harmonic theory, and, in building first a model, and then a full-scale organ, he devised new means of regulating its stops, tuning, and air pressure.

Watt then studied the available French and Italian literature on steam research; he conducted rigorous experiments on gas dynamics.

While repairing a broken Newcomen engine, he conceived the separate condenser, the eventual basis of a practical



*The Boulton-Watt rotative engine. Benjamin Franklin brought in Dr. William Small from Virginia to manage Matthew Boulton's Soho plant; Small hired James Watt, and Small oversaw construction of the first serious steam engine. The Boulton-Watt engine powered new industries designed by Franklin's circle.*

steam engine. He led the steam away from the main cylinder, liquefied it with a cold jet, reheated and brought it back into action, while the cylinder could remain hot and do more work with less fuel.

As part of the negotiations to set up the world's first steam engine business, William Small prepared a patent for Watt, which was tentatively approved on Jan. 6, 1769. With constant encouragement by Dr. Small, Watt finally moved to Birmingham in 1774; the partnership of Small, Boulton, and Watt, under Small's patient and scientific management, pressed on and completed their first successful machine late that year. Watt was frequently depressed and despondent. Over the years, his return to an active working role was several times revived by the pleas, threats, and rewards of Small and Boulton. The Soho group invested perhaps £50,000 in the development, with no real profits until the 1780s.

The Soho steam engine became the driving force for the English industrial revolution only after a last, crucial improvement was made. At first, the piston was packed with stuffing material, to close the gap with the cylinder wall and prevent the loss of steam pressure and force. The cast iron cylinder could never be shaped evenly for a tight fit around the piston. Boulton proposed to ironmaster John Wilkinson that his cannon-boring machine tool be modified to produce an engine cylinder.

Wilkinson's boring mill succeeded brilliantly, and Soho now made powerful, efficient steam engines, which Wilkinson used to run his furnace bellows, and to turn his machines. Here was the birth of many industries at once. Wilkinson

produced all the tools and machine parts for Soho, and Wilkinson and Boulton jointly launched modern English copper mining. Ironically, English high-efficiency steelmaking, its origin closely identified with Wilkinson, Watt, and the Franklin republican circle, was later used by the British Empire as an instrument of nineteenth-century trade war against the American republic.

### **A great stride in chemistry**

Ironmaster John Wilkinson's involvement with the Birmingham group arose on the basis of political and personal ties. His sister Mary and brother William were both pupils of the dissenting clergyman and schoolmaster, Joseph Priestley, who had married Mary Wilkinson in 1762. Priestley was to become celebrated as the discoverer of oxygen, after Benjamin Franklin made him a scientist.

The Wilkinson family, Thomas Bentley, and Josiah Wedgwood had patronized Priestley's early teaching career. The latter's devotion to reason and humanity led him to attack the government's church, and its modes of worship. He became a Unitarian and was perhaps theologically confused, but he remained a Christian, though he was to suffer greatly for it.

In December 1765, Priestley was introduced to Franklin in London. The American took the 32-year-old schoolteacher under his wing, and worked Priestley's nascent research interests into a passion for natural science as the most effective means for mankind's advancement.

On Franklin's request, Priestley wrote *The History and Present State of Electricity*, setting forth Franklin's discoveries in the field as the basis of further scientific work. The book lauded the genius of Italian physicist Giambattista Beccaria, whose precise experimentation and calculations had proven Franklin's theory of single-fluid, positive and negative electricity: "All that was done by the French and English electricians, with respect to lightning and electricity, fell far short of what was done by Signior Beccaria at Turin." Beccaria's follower Alessandro Volta later invented the electric battery after much collaboration with Priestley.

His book a success, Priestley was elected to the British Royal Society, on Franklin's nomination. Papers that the Englishman Priestley afterward wrote for that society were submitted for him by the American, Franklin, his political and scientific guide.

Priestley's work had immense global implications. He isolated the element in the air which supports life through respiration. He discovered how plants use the products of respiration; that plants renew the breathable element; and how light causes the growth of plants' green substance.

The Anglophile establishment has falsely identified Joseph Priestley with the methodology and general outlook of nineteenth-century radicals such as the degenerate Jeremy Bentham. In 1775, when war was breaking out with the American colonies, Priestley was subjected to a campaign of slander as a purported plagiarist. Bentham joined that attack with

his own criticisms of Priestley.

The scientist replied to a Bentham proposition that the friction of clouds causes lightning. Priestley said, "He will excuse me if I observe, that I find no sufficient *friction* to produce electricity in the manner that he supposes. The motion that is perceived in small clouds during a thunderstorm seems to me to be the *effect* of preceding electricity."

In 1780, he became in effect a paid staff member of the Boulton group, collaborating with Watt, Wedgwood, and others on diverse technical projects.

During a 1774 tour of continental Europe, Priestley met Antoine Lavoisier, and told the great French chemist of his discoveries regarding life processes. Lavoisier later gave the name "oxygen" to Priestley's breathable element, and developed the chemical science of combustion.

Franklin depended heavily on Lavoisier to help swing the French decision to arm and ally with the Americans, in their War of Independence. Lavoisier's chemistry was essential for the successful manufacture of the gunpowder behind the American bullets. Lavoisier was beheaded during the French Revolution Reign of Terror.

### **The end of the republican enterprise**

The firm of Small, Boulton, and Watt was incorporated in 1774, as the American Continental Congress was first meeting. War approached, and the climate chilled for republican activities in England. "Treason!" was cried against open friends of the colonies; mob violence and prosecution threatened them. Benjamin Franklin was himself repeatedly insulted and menaced in public gatherings; his Birmingham junto came under minute surveillance.

William Small died suddenly on Feb. 25, 1775, at the age of 41. No one has bothered to assign a cause to his death. Under circumstances of terror, Small's body was thrown into an unmarked grave. Franklin left England forever, a few days later.

Matthew Boulton wrote to James Watt about Small: "The . . . curtain has fallen and I have this evening bid adieu to our once good and virtuous friend for ever and ever. If there were not a few other objects yet remaining for me to settle my affections upon, I should wish also to take up my abode in the mansions of the dead."

After Small's death, the Birmingham group was secretly organized as the Lunar Society; only Priestley would ever speak openly about it, many years later.

Canal partner Josiah Wedgwood was publicly identified with the American cause, though he had to be very cautious. His pottery plant struck two heroic portrait medallions in 1777: the American commander, George Washington, and the Revolution's global coordinator, Benjamin Franklin. After the war, Wedgwood produced medallions depicting a Negro slave with his chains broken, and sent several to Franklin for his use as America's anti-slavery leader.

Matthew Boulton, under close scrutiny, made a proper

parade of his loyalty to the Crown. Yet Franklin wrote Boulton from his wartime French headquarters on July 25, 1780, paying for the fine paper Boulton had sent him, and ordering three letter-copying machines invented by James Watt, about which Boulton had informed him.

Franklin's networks made other technological breakthroughs. Clergyman Edmund Cartwright invented the power loom in 1784, and applied Boulton and Watt engines for the first time to textile manufacturing. Cartwright's motive was explicitly that of a republican Christian: Increased productive power would dignify the lives of the workers. Edmund Cartwright later invented a wool-combing machine. His inventions were to be of great manufacturing importance, but he was ousted from productive business by creditors. Edmund's brother, Maj. John Cartwright, founded The Society for Constitutional Information in 1780. Major Cartwright had refused a commission to fight the Americans, declaring that as human rights come from God, they cannot be taken away by any man.

Boulton and Watt toured France in 1787 as guests of the French government. English ironmaster John Wilkinson now taught the French the art of cannon-boring, supplied them with artillery and other vital military equipment, and helped build the Paris waterworks.

By 1791, the British oligarchy had mounted a broad counter-campaign against the republican movement. Their improvised mob terror was devastating France; U.S. President George Washington's administration was barraged with slander against the nationalist chief, Alexander Hamilton. With Britain poised for another war with America's ally, France, the Birmingham junto came under the long-expected attack.

The slogan was, "Down with the French Revolutionists," on July 14, 1791, as an officially sanctioned "rioting mob" sacked and burned Joseph Priestley's Birmingham house and laboratory, and two churches where he preached. Troops led by Lord Shelburne's Scottish lieutenant Henry Dundas then invaded Birmingham to "restore order." King George III said he was sorry for the disturbance, but was glad it had happened to Priestley. The Priestley family was forced to emigrate to America.

After the Birmingham riot, James Watt attended the next Lunar Society meeting wearing a pistol for protection. But the society was crushed, ceased functioning, and soon disbanded. Cartwright's Society for Constitutional Information came under police attack and infiltration. Society member Tom Paine, the Englishman whom Franklin had recruited to the American cause, escaped to France.

The open-ended project for science and industry, which could easily have been extended to develop the entire world in short order, was aborted in England. The enterprises begun in the 1760s and 1770s had created such immense public wealth that they could only be controlled, not cancelled. Britain would not again introduce strategically important technology to the world.



### 3. The nationalists dump free trade

The success of the American Revolution established the United States as an enclave protected from the imperial fist, a strategic center for the pursuit of mankind's progress. The administration of President George Washington, and Treasury Secretary Alexander Hamilton, boldly asserted that the duty of republican government was to sponsor industry. A Bank of the United States was created, to combat financier wrecking operations and usury.

But the promoters of British free-trade doctrines, the alliance of Southern slave plantation owners (who exported to Britain) and Boston merchants (who imported from Britain), overpowered the Washington-Hamilton program. Hamilton's proposals for protective tariffs and for government construction of canals and other infrastructure were stifled in Congress.

Beside the Bank, certain national institutions were born, and struggled along: A small Navy was supplied with some warships, but Albert Gallatin (treasury secretary in 1802-13) virtually dissolved it, and most of the Army with it.

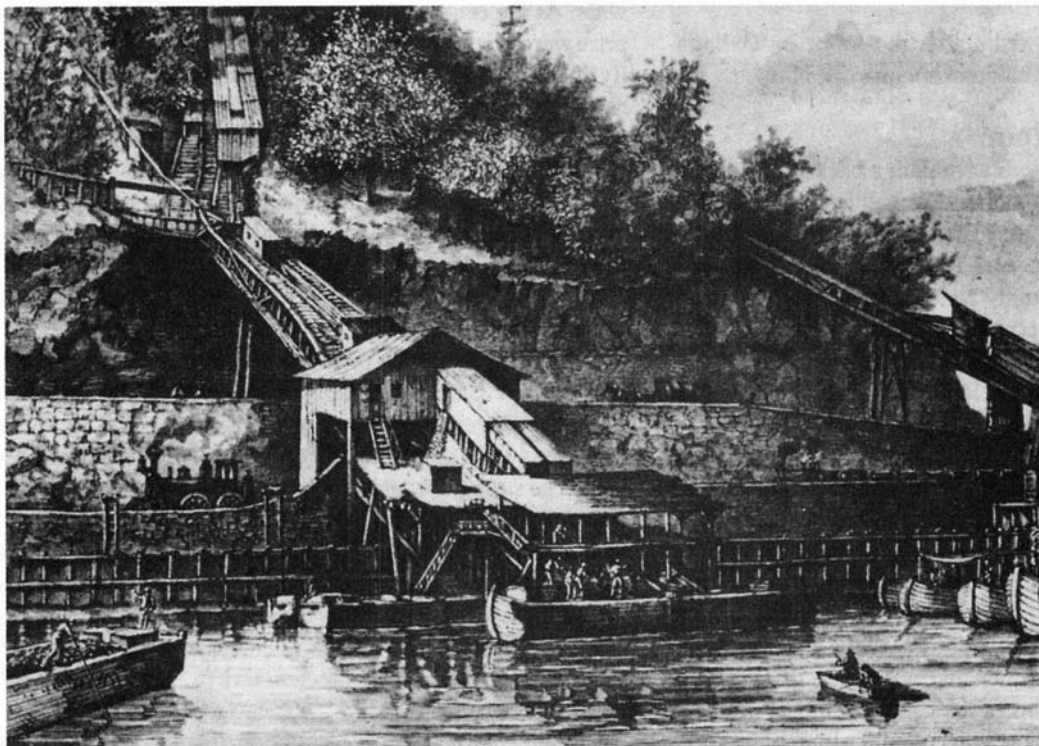
A U.S. Military Academy was established at West Point,

New York. Benjamin Franklin's nephew and former personal secretary, Jonathan Williams, was the tiny Academy's first superintendent. Williams founded a Military Philosophical Society, which lobbied for scientific, technological, and industrial development. Army arsenals, and certain private arms suppliers to the Army, pioneered in the precision design of interchangeable parts in manufacturing.

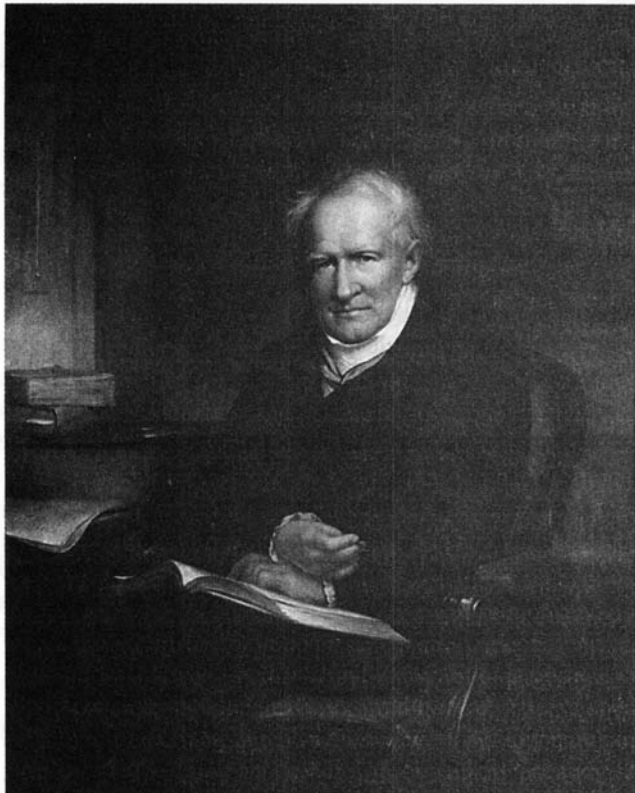
The nation also began to benefit from the steamboat invented by Pennsylvanian Robert Fulton. Franklin had introduced Fulton to his circle in England; Fulton had apprenticed in canal-building with the Duke of Bridgewater, and in steam engineering with the Boulton and Watt firm, which Franklin had guided, to produce the first commercial steam engine (see previous article).

Hamilton gave Fulton a private, lavish grant, enabling Fulton to move to France in 1797 to aid the French in their war against the British Empire. Fulton developed for Gaspard Monge, the Leibnizian geometer who had founded France's great technological institute, the Ecole Polytechnique, the previous year, a fully functional submarine and torpedoes. Fulton said they were designed "to destroy the British fleet," and to help end the "monstrous" British government. But Napoleon Bonaparte scuttled the project.

Fulton's steamboats, equipped with Boulton and Watt engines, made Fulton famous when they began to ply American waters in 1807. Fulton then led a campaign for a great waterway linking New York City to the Great Lakes. Construction on the Erie Canal would finally be started as a state enterprise



*Pennsylvania's state-financed transport system delivered cheap coal, to fuel the first phase of U.S. industrialization. Here, anthracite coal is loaded at Mauch Chunk, later called Jim Thorpe, Pennsylvania.*



*This portrait of German scientist Alexander von Humboldt is on display at the American Philosophical Society in Philadelphia. Humboldt sponsored and coordinated the work of scientists throughout the world, using his diplomatic influence to protect champions of republicanism and scientific progress everywhere.*

beginning in 1815, many years after the Jefferson-Gallatin administration had rejected federal sponsorship.

### **The nationalists regroup**

But the United States was to remain a backward, mostly rural country, until a nationalist movement revived Hamilton's policies a generation after the Revolution. Then, in two spectacular jumps, in the period 1824 to the mid-1840s, and from 1861 to about the mid-1880s, the nationalists made America the world's biggest industrial power. From their U.S. base, the nationalists would operate simultaneously in many countries, keeping the enemy British Empire at bay while they brought the world into modern times.

A large portrait of the German scientist Alexander von Humboldt hangs on the wall of the American Philosophical Society in Philadelphia. The painting commemorates Humboldt's 1804 visit to the city, and his indispensable role as foster-father to American science and republican strategy until his death in 1859.

In 1804, Humboldt, the collaborator of the German "poet of freedom" Friedrich Schiller and a devotee of Franklin, reminded the Philadelphians of their fathers' limitless ambitions for their country, and the great esteem which Europeans

held for the American cause. From this visit, the intelligence channel between the republican elites of Europe and America was revived and strengthened.

Ten years later, a second war was raging between the United States and Great Britain. British troops burned Washington, D.C., but the Americans fought the Empire to a standstill and forced a peace treaty in 1815.

Secretary of War James Monroe quickly sent Gen. Winfield Scott and Maj. Sylvanus Thayer to tour European military installations. Humboldt aided these U.S. officers in acquiring valuable material and personnel from the Ecole Polytechnique, which was being suppressed and destroyed by the concerted British and Continental European oligarchy ruling France after the fall of Napoleon. Books, maps, charts, and equipment were taken off to America and installed in the Army's officer training school at West Point. In this effort to preserve the Leibnizian scientific tradition, Humboldt at the same time was finding positions for Ecole teachers in the German states. He paid special attention to building up the capability of Göttingen University in Hanover, which Franklin had visited in 1766.

Claudius Crozet was brought from the Ecole to West Point, where he introduced to Americans the study of descriptive geometry, the crucial engineering methodology devised by Ecole founder Monge. West Point now suddenly acquired great significance in American life. The Army officers who were subsequently trained there constituted the nation's only pool of competent engineers.

Following the War of 1812, American nationalists reestablished Philadelphia, the former capital city of the American Revolution, as a headquarters for republican politics worldwide. At the center of the leadership grouping of this enterprise were Mathew Carey (1760-1839), who is known primarily as a publisher, and Nicholas Biddle (1786-1844), famous as the president of the revived Bank of the United States. Their leading collaborators were the German-born economist Friedrich List (1789-1846), who was a Philadelphian for a few crucial years, and the great American statesmen John Quincy Adams (1765-1848) of Massachusetts and Henry Clay (1777-1852) of Kentucky.

### **The leaders**

Let us introduce our protagonists.

**Mathew Carey** had come to America in 1784, an Irish Catholic refugee from British persecution. He had served as Franklin's leading political agent in the abortive Irish independence struggle, which coincided with the American Revolution (see *EIR*, Dec. 15, 1995, "America and the Irish Revolution," pp. 73-75). After working as a printer for Franklin in Paris, Carey had returned to Ireland to edit and publish the newspapers of the Volunteers movement, linking Protestants and Catholics together behind the Franklin-Carey program for Irish independence, protective tariffs, and industrial development.

When Carey was forced to flee to America, escaping a

British charge of treason, General Washington and the Marquis de Lafayette sponsored his start as a publisher. Carey went on to publish and promote the work of the best American writers, including James Fenimore Cooper, Edgar Allen Poe, and the geographer-theologian Jedidiah Morse, founder of the pro-republican Christian missionary movement.

Carey's widely popular pamphlet *The Olive Branch*, had rallied Americans to the bipartisan task of defense against Britain in the War of 1812. To counter the trade war which followed the peace in 1815, Carey wrote and issued economic pamphlets stressing protective tariffs for the defense of national interests. He challenged the British imperial free-trade economists such as Adam Smith and Thomas Malthus, who were considered "authorities" by Anglophile bankers and colleges under their influence. Carey was first and always a fighter for high wages and help for the poor.

In 1810, Carey, joined only by a few supporters, including **Nicholas Biddle**, led an unsuccessful campaign for the continuance of Hamilton's Bank of the United States, whose charter was due to expire in 1811. Then a Pennsylvania state legislator (and a classical Greek scholar), Biddle told his colleagues that without a U.S. Bank, there would be a credit squeeze and a financial monopoly by "moneyed aristocrats," which would "place the poorer classes at the mercy of the rich, and the great money lenders [would] issue abroad to prey upon their fellow citizens." After the nation was forced to fight the War of 1812 while bankrupt and disarmed, patriots generally followed Carey's lead; Philadelphian Alexander J. Dallas was installed as U.S. treasury secretary in 1814, and the Bank was rechartered in 1816.

Earlier members of Biddle's family had been members of Franklin's philosophical and political training group, the Junto. On an intelligence-gathering tour of Europe, Biddle had served (1807) as private secretary to James Monroe, then the U.S. ambassador to Britain, and had been virtually adopted into Monroe's family. Monroe was elected U.S. President in 1816; Biddle continued to serve him and his secretary of state, John Quincy Adams, as an intelligence adviser, with special responsibility for the growing movement for independence in Latin America. In 1819, President Monroe appointed Biddle to be one of the directors of the reestablished Bank of the United States.

Rep. **Henry Clay** had been the leader of the party demanding war against Britain in 1812. After the Peace of 1815, when Europe lay in the grip of combined feudal monarchies, Clay adopted the economic proposals of Carey as the means of ensuring the continued progress of Western civilization. Clay used the name "The American System," to signify Carey's proposed revival of Hamilton's protective tariffs, sovereign republican national banking, and national infrastructure projects.

**John Quincy Adams** was secretary of state in 1817-25, the sixth U.S. President in 1825-29, and the leading anti-slavery activist in Congress during 1831-48. He had taken up the study of Plato in 1784, at age 17, while he lived in Paris in

the company of the U.S. ambassador, Franklin. Later, Adams wrote that Plato's lesson of the "indissoluble union of moral beauty and goodness . . . made a deep and lasting impression on my mind." John Quincy Adams went to Prussia in 1797 as the first U.S. ambassador there, while his father, John Adams, was President. As America's main European intelligence officer, the young man immersed himself in the new German classics being written by Schiller, Gotthold Lessing, and other republicans. The younger Adams was for a time a Harvard professor—at odds with the fancy Bostonians—and a national leader in promoting German language and literature in America. Adams became an expert-historical student of the Grand Design of France's King Henry IV and his minister Sully, for the improvement of the world through sovereign governments acting cooperatively.

**Friedrich List** would become the leading international economist of the American System, in opposition to the British free trade dogma. List arrived in the United States in 1825, just as the nationalists had achieved political power. He had already spent several years in exile and in prison for his politics in Germany. He had taught political economy in Tübingen University, and was a protégé and political colleague of the Tübingen publisher Johann Friedrich Cotta, who had earlier promoted Schiller. List was the acknowledged leader and theoretician of the German republic movement.

In 1819, List was elected chairman of the new *Handelsverein* (association of industrialists). He aimed, as had Cotta, to unify the various German principalities under a single government which could industrialize backward Germany; this would make possible an alliance of Russia, Germany, France, and the United States, to break the power of the British Empire. A member of the Württemberg Parliament, List proposed government credits to build industry. The pro-British party and Austria's Prince Metternich procured List's imprisonment, then exile. Lafayette invited List, the honored convict, to accompany him to the United States. Lafayette's 1825 tour, with List, commemorated General Lafayette's role in the American Revolution, and recalled for Americans the Revolutionary ideas which the nationalists would now again pursue in earnest.

## Government action directs the first phase

Before the nationalists—Carey, Biddle, Clay, and Adams—came to power in 1823-25, the United States had no railroads, no canals (though the Erie Canal was slowly being built, with primitive methods), an insignificant iron industry, no modern factories to speak of, no industrial steam power, no metal machines operating in production facilities, and virtually no public schools.

President Monroe appointed Biddle president of the Bank of the United States in 1823, replacing Langdon Cheves, a tight-credit man, previously in that post. That same year, Clay became Speaker of the House of Representatives. In 1824, Clay put through the first effective protective tariff law, and the General Survey Act authorizing the use of Army personnel



Nicholas Biddle (1786-1844), president of the Bank of the United States. Biddle and political strategist Mathew Carey allied with John Quincy Adams and Henry Clay to revive the Founders' nationalism. They used public credit, Army engineers, and high tariffs to create America's railroads, canals, iron forges, and factories.

to aid in civil engineering projects.

John Quincy Adams was elected President in 1824, and took office in March 1825. He appointed Clay secretary of state, and Richard Rush as treasury secretary, through whom Biddle's Bank of the United States would work with the Executive branch of government. Rush was a Philadelphian, closely tied by family to Franklin, and to Biddle.

The nationalists were now ready to organize the creation of railroads and canals, and the beginning of the large-scale coal, iron, and machine industries that would define an entirely new economy, virtually overnight.

The wealthiest Americans, the Massachusetts elite merchants, had made their money from participation in Britain's slave trade and opium trafficking, and from importing British manufactures. They looked with scorn on productive industry in general, and they would not risk money building railroads.

Thus, *virtually all U.S. railroad construction was of necessity sponsored by government*, involving cooperation at the federal, state, and local levels.

President John Quincy Adams assigned West Point's Army engineers to plan the route for America's first successful commercial railroad, the Baltimore & Ohio. The enterprise was financed by the city of Baltimore and the state of Maryland, whose stock purchases and loans brought timid private investors in as partners. The resulting railroad line was privately owned and managed by Baltimore merchants who were republican allies of Biddle and Carey.

In all, 61 railroads were designed by U.S. Army engineers, until a free-trade-crazed Congress in 1837 outlawed the use of Army engineers for railroad planning. Meanwhile, states, counties, and cities invested massive sums to connect themselves to the rail grid. **Table 1** shows only some of this nineteenth-century financing, and does not encompass President Abraham Lincoln's revolutionary transcontinental railroad projects (discussed below).

The various state and local authorities arranged to organize and charter private railroad corporations, as well as state-owned canals, and usually issued bonds to subsidize or entirely pay for the enterprises, both private and public alike. These bonds would be marketed under the direction of Biddle's Bank of the United States, and often would involve the allies of Biddle and Carey in state government banks. (British bankers and capitalists who bought these state-issued or state-backed bonds, from time to time provided a certain undetermined minority fraction of the total funds invested in U.S. railroad construction. This fact has been turned into the myth that "the British" or "the Baring Bank" built U.S. railroads.)

List was invited by Carey's Pennsylvania Society for the Promotion of Manufacturing and Mechanical Arts, to prepare a book on economic theory, to attack Adam Smith and the British free trade doctrine. List's 1827 *Outlines of American Political Economy*, published by the Society, prefigured his 1841 *National System of Political Economy*. His work, and that of Mathew Carey's son Henry C. Carey, was to circulate throughout the world as the *standard economics texts outside the British Empire*—until the British succeeded in suppressing this literature in virtually every school in the world, obliterating it from public memory.

In 1827, Mathew Carey and List organized a great protectionist national convention in Pennsylvania. The following year, their movement pushed through the U.S. Congress a higher tariff schedule, branded the "Tariff of Abominations" by free-trade advocates ever since. This 1828 tariff became the focus of attack against the whole nationalist program, with the new threat that southern slaveholding states would secede from the Union unless the tariff were lowered.

The effects of the nationalist tariffs can be read most clearly in the record of the U.S. iron industry (see **Table 2**). No regular statistics were kept for U.S. iron or steel output until 1820, because American production of these metals was only carried on in tiny, primitive local forges. In 1820, the U.S. manufacture of pig iron (metal output from smelting iron ore) was 20,000 tons, about what it had been in the eighteenth-century colonial days.

TABLE 1

**Railroad construction financed by state and local governments**

(selected examples, 19th century)

State	Corporation or jurisdiction	Years	Amount and type of government aid*
Alabama	Ala. & Tenn. River RR	1850 1850s	\$100,000+; purchase corp. stock Federal land grant for RR construction
Arkansas	7 railroads	1868-1879	\$5,350,000 state bonds Citizens could invest in RR in lieu of tax payments.
Connecticut	Cities/counties	as of 1883	\$5,106,000 RR debt=ca. 3/4 of the debt of the localities.
Delaware	5 railroads New Castle & Frenchtown	1837- 1852	\$961,000 state loans to corps. \$180,000 purchase corp. stock
Florida	railroad companies	Begin 1835	Grant right-of-way, construction materials, land for stations
Georgia	Monroe railroad Atlantic & Gulf RR	1842 1867	\$200,000 stock purchase \$1,000,000 stock purchase
Illinois	Illinois Central RR 86 counties	1850s Early years	Federal land grant for RR construction \$16,088,027 total state subsidies
Iowa	Towns and counties	as of 1856	\$7,000,000 railroad bonds issued
Indiana	2 railroads	Early years	\$687,000 state bonds issued
Kentucky	Lexington & Ohio RR Lexington & Ohio RR localities	1833  As of 1871	\$150,000 guarantee corp. bonds \$200,000 purchase corp. stock \$13,783,983 local govt. RR debt
Louisiana	New Orleans 2 railroads 4 railroads	as of 1853 before 1861 1865-1879	\$3,500,000 city RR debt \$1,483,000 purchase corp. stock \$3,842,000 purchase corp. stock
Maryland	Baltimore & Ohio RR Baltimore city govt. Baltimore & Susquehanna RR	1828-1836 1828-1853	\$11,700,000 purchase corp. stock \$7,830,000 city RR debt \$1,879,000 state loan
Massachusetts	towns European & No. Amer. RR Western RR Various railroads	as of 1871 Early years 1836 1837-1870	\$2,351,000 railroad debt \$678,362 state subsidy \$1,000,000 purchase corp. stock \$11,290,000 state loans
Michigan	4 railroads	1837-1938	\$240,000 state loans
Minnesota	48 railroads 4 railroads	1869-1905 1858	\$2,949,150 towns issued bonds \$2,275,000 state loans
Mississippi	New Orleans, Ja & GN RR NewOr, Ja & GN RR	1854 1857 1850s	1/3 of Internal Improvement Fund 1/3 of Chicasaw school fund Federal land grant for RR construction
Missouri	7 railroads Missouri Pacific, etc.	as of 1853 1850s laws	\$8,124,075 city/county RR stock \$19,201,000 state bonds loaned
Nebraska	43 counties	Early years	\$4,918,000 railroad subsidy bonds
New York	294 cities and towns 51 counties N.Y. & Erie, 8 others	Early years Early years Early years	\$29,978,206 subsidies to RR construction subsidies \$5,000-\$3,000,000/county \$8,206,591 state loans
North Carolina	Wilmington & Rai RR Atlantic & N.C. RR Western N.C. RR Cape Fear & Yadkin North Carolina RR 2 railroads 4 railroads	1836 1854 before 1873  before 1873 before 1883 1838-1840	\$500,000 purchase corp. stock \$1,200,000 (2/3 of the stock) \$4,000,000 (2/3 of the stock) Entirely built by convicts \$3,000,000 (3/4 of the stock) state purchase corp. stock state guarantee corp. debts
Ohio	several railroads 6 railroads	before 1837 1837 law	Various specific RR subsidies \$717,515 state purchase stock
Pennsylvania	Pittsburgh Philadelphia 3 railroads	as of 1853 as of 1853 late 1830s	\$3,450,000 city railroad debt \$8,154,000 city railroad debt \$420,000 Bank of U.S. investment
South Carolina	Louvle Cin & Charleston 6 other railroads 8 railroads	ca. 1837 1848-1868 begin 1837	\$800,000 purchase corp. stock \$1,675,000 purchase corp. stock \$10,000,000 guarantee corp. bonds
Tennessee	Memphis/Ltl Rock RR 2 railroads various railroads various railroads	before 1852 before 1852 before 1852 Act of 1852	\$350,000 Memphis purchased stock \$851,000 state purchase stock \$2,196,000 state guarantee bonds \$28,351,000 state loans for RR construction at \$8-10,000 per mile

TABLE 1

**Railroad construction financed by state and local governments *continued***

(selected examples, 19th century)

State	Corporation or jurisdiction	Years	Amount and type of government aid*
Virginia	counties	Early years	\$10,000,000+ total county RR debts
	Chesapeake & Ohio	before 1861	\$5,000,000 state purchase stock
	Chesapeake & Ohio	before 1861	\$1,750,000 direct state construction
	various other RRs	before 1861	\$16,000,000 state purchase stock**
	4 railroads	before 1861	\$730,000 loans & guarantees
West Virginia	Wheeling	as of 1853	\$1,100,000 city RR debt
Wisconsin	counties	as of 1874	\$8,522,224 county RR investment

\* Subsidies, loans, and guarantees listed here total about \$300 million. \*\* State policy was to buy 3/5 of the stock of any railroad built in Virginia.

*Government—state, local, and federal—financed the construction of the U.S. railroads. Consider the early role of state governments. As of 1838, the individual states of the Union carried a total of \$60,202,000 in canal debts, \$42,871,000 in railroad debts, and \$6,619,000 in highway debts, for a grand total of \$109,692,000 in state transportation debts. This was 63.7% of the \$172,306,000 total debts of all the states at that time. [Source: Dorothy R. Adler, *British Investment in American Railways, 1834-1898* (Charlottesville: University Press of Virginia, 1970).]*

*The 1838 state railroad debt of \$42,871,000 represented \$22,410 per mile for the 1,913 miles of railroad already built. But what proportion of the cost of the railroads did this state commitment represent? Did railroads cost \$25,000 per mile, or \$125,000?*

*The U.S. Commerce Department's Historical Statistics of the United States tells us that 12 years later, by 1850, the total direct investment in American railroads was \$318,126,000, or \$35,265 for each of the 9,021 miles built by 1850.*

*Thus the \$22,410/mile figure for state railroad debt as of 1838 suggests that the states arranged for a large proportion of the funds to build the early railroads.*

*Neither county nor city railroad debts are considered here, nor the various government stock purchases or other subsidies, nor state or federal land grants, nor military engineering.*

There was some advance in iron production in 1821-23, with the mildly protective tariff of 1821. But the 1824, 1828, and 1842 tariff laws sharply increased protection against British-imported iron, and U.S. manufacturers immediately organized new production facilities in response to these changes in the law. As soon as the tariffs were lowered, in 1833 and again in 1847, new enterprises stopped being set up, and existing businesses contracted or folded.

Pig iron production rose from 61,250 tons in 1823, to 130,000 tons in 1828, to 200,000 tons in 1832. After the tariff was lowered, pig iron output rose and fell erratically, and was only 230,000 tons in 1842, when Clay was able to put through a sharply higher tariff. Iron output rose immediately, reaching 800,000 tons in 1847. Then, the Boston merchants and slave owners free-trade alliance reduced the tariff again, and U.S. annual iron production stagnated at an average of less than 800,000 tons until the Civil War of 1861-65.

Building an iron industry and railroads, the nationalists directed a radical shift in the national industrial base and a huge increase in energy throughput.

England had converted from primitive human- and animal-powered production, to artificially powered machine industry, by the projects of the Birmingham group: canals, coal, and steam engines. Fulton published a lavishly illustrated treatise in London in 1796, dedicated to President Washington, proposing the industrialization of America along similar

lines, and specifying Pennsylvania canals as the core strategy.

The Philadelphia group used the approaching completion of New York's Erie Canal as a public explanation for their dramatic proposal: in order to save their state's trade to the Great Lakes and the Middle West, in competition with New York, Pennsylvania must build canals on a grand scale. The Pennsylvania Society for the Promotion of Internal Improvements (Nicholas Biddle, secretary) won funding from the legislature for a \$13 million system of canals entirely within the state, the largest public works project yet undertaken anywhere, with a total mileage twice that of the Erie Canal.

Biddle's friends also built privately owned navigation projects. Ebenezer Hazard, a political operative of both Matthew Carey and Hamilton, financed the canalization of the Lehigh River for his son Erskine Hazard and Josiah White. Philip Hone, a political lieutenant to Clay and Biddle who was elected mayor of New York in 1825, built the Delaware and Hudson Canal, from northeast Pennsylvania into New York City; this was financed by the State of New York, and by Hone's merchant friends.

### **Coal-based industry**

These canal projects, public and private, were backed to the hilt by Biddle's Bank of the United States. But their objective was to industrialize America with coal.

Eastern Pennsylvania is rich in hard anthracite coal,

TABLE 2

**U.S. policy shifts, showing tariff rates and iron production**

(Figures shown for every third year, 1791-1908)

Year	Tariff rate (%)	Iron production (000 tons)	Policy shifts	Year	Tariff rate (%)	Iron production (000 tons)	Policy shifts
1789-1800			Nationalists, President Washington and Treasury Secretary Hamilton, but free-trade Congress	1843			Beginning of Henry Clay's higher tariff
1791	22.94			1845	32.57	631	
1794	24.82			1847			Beginning of free-trade faction's reduced tariff
1797	17.07			1848	24.97	800	
1800	17.54			1851	25.44	532	
1803			Free-traders President Jefferson, Treasury Secretary Gallatin	1854	25.61	833	
	22.06			1857	22.45	798	
1806	19.18			1860	19.67	884	
1809	18.26			1861-65			Lincoln regime, free-trade/slavery bloc dissolves
1812	18.66			1863	32.62	947	Iron-steel tariffs at around 50%
1815	33.66		War of 1812	1866	48.33	1,206	
1816			Bank of U.S. re-chartered; Ecole Polytechnique teachers and methods transferred to West Point	1869	47.25	1,711	Iron-steel tariffs at around 90%
				1869-72		"	Philadelphia Interests" in vast steel and RR projects
1818	21.24			1872	41.35	2,548	
1819			Mathew Carey begins protectionist tariff agitation	1873			British bankers destroy Jay Cooke, crash U.S. economy
1821	35.97*	34		1875	40.62	2,023	
1823			Biddle appointed president of Bank of the U.S.	1878	42.75	2,301	"Philadelphia Interests" launch Edison power/light project
1824	37.53	75	House Speaker Henry Clay's iron-protective tariff	1881	43.27	4,144	Nationalist Garfield inaugurated, shot in 4 months
1825			President John Q. Adams begins Army-engineered railroads	1884	41.61	4,097	
			Carey-List tariff agitation, canal-coal projects	1887	47.08	6,417	
1827	41.35	116		1890	44.39	9,202	Congressman McKinley's protectionist Tariff of 1890
1830	48.88	165		1893	49.46	7,124	Free-trade Grover Cleveland regime begins
1832			So. Carolina secession threat forces tariff reduction	1896	39.95	8,623	
1833	31.96	214		1897			McKinley regime raises tariffs
1836	31.65	258		1899	52.07	13,621	
1839	29.90	301		1901			McKinley shot, Teddy Roosevelt strikes at nationalism
1842	24.00	230		1902	49.79	17,821	
				1905	45.24	22,992	
				1908	42.94	15,936	

\* Tariff rates shown before 1821 are average *ad valorem* rates on free and dutiable imports; 1821 and after, rates on dutiable imports onlySources: Tariff rates and iron production from Fred J. Guetter and Albert McKinley, *Statistical Tables Relating to the Economic Growth of the United States* (Philadelphia: McKinley Publishing Co., 1924).

which burns with great heat and no soot. Anthracite was not in general use before the War of 1812, while the soft, bituminous coal found further west and south was used only in some locations, largely for home heating. Pittsburgh, a Philadelphia colony with immense mineral resources, had its own tiny, local coal-driven industrial economy. Boston and New York imported coal from England, for their fashionable hearth fires.

The Philadelphia nationalists, through such instruments as Hazard and White's Lehigh Coal and Navigation Company, bought up coal-bearing properties in the counties north of Philadelphia. Prof. Friedrich List was one of the leading mine operators, and a pioneer in coal transport technology.

While opening mines and digging canals, the group had to educate the community on the virtues of the new fuel. Public opinion had decided that anthracite was unusable. Blacksmiths had seen it *extinguish* their fires. A wide campaign of demonstrations and advertising, and plunging prices because of cheap canal transport, finally satisfied everyone that anthracite just had a higher ignition temperature, along with its higher energy content. Coal barges crowded the new canals, and a special fleet of Philadelphia steamers carried anthracite to all the cities of the Atlantic coast.

Anthracite production for the market rose from zero in 1819, to 8,000 tons per year in 1823, to 1 million tons in 1837. Production remained in that general range until the

opening of the Reading Railroad in the 1840s. This line had been a special creation of its fiscal manager, Biddle, backed by his Bank of the United States. Coal cars simply loaded up near the mines, went in trains down to the port, and rolled directly onto sea-going ships. Anthracite production jumped to 3.5 million tons by 1847.

Widespread American industrial use of coal, all of it the nationalists' Pennsylvania anthracite, began in the 1830s.

### **Biddle intervenes**

Meanwhile, Biddle steered the national economy on an upward curve. The Bank of the United States invested in railroads and purposefully bid up the price of their securities. State governments run by Clay-Adams Whigs built canals, and issued bonds which were marketed by Biddle's Bank; midwestern states were populated and filled with towns and industry as an immediate consequence.

When Wall Street or London drove the prices of some commodity too high or too low, Biddle intervened directly into the market to counteract the speculators, and restore steady growth and prosperity for farmers. The Bank of the United States and other financial weapons at Biddle's disposal, were used in exactly the same way that Hamilton had fought against the international bankers who claimed the right to dictate to the world.

President Andrew Jackson vetoed a renewed charter for the Bank in 1836. American credit became pinched, and then the Bank of England pulled the plug on the United States, stopping all credit lines and sending into bankruptcy the British firms that dealt with America. Depression gripped the U.S. economy in 1837, with hunger, unemployment, and fear.

But Biddle continued the Bank for a time under a Pennsylvania state charter. Near bankruptcy, he and his allies kept pushing for modernization,

With the final push of the 1842 protective tariff law, every major American industry changed immediately to machine production, to factories in the general sense we have known them since. During the effective years of this last Clay tariff, 1843-47, metal machines came to replace wooden ones. Newly applied industrial steam power gave one American worker the power of hundreds of people in countries not thus equipped.

There was a general rush to invest in manufacturing, to cash in on the protective tariff and the new technological circumstances. Boston financiers shifted funds into industrial plants and railroads, as they had begun to do under the Carey-Clay tariff of 1828.

But America's great start toward modernization was being dragged down by the power of the slave owners and other free-market advocates, who had closed the national bank and again blocked the protective tariff. A new flank in science and technology would prepare the nation for victory in the great crisis to come.

## **4. International scene becomes electrified**

The American nationalists worked closely with their European friends to overcome the British Empire's forceful opposition to industrialization. Britain's very active factional allies (or paid spokesmen) within each country reiterated Adam Smith's notion of the "division of labor between nations"—some were destined to supply raw materials, some could "naturally" manufacture.

In 1839, Czar Nicholas I sent Russian engineers to the United States, who met with engineers, inventors, and railroad officials throughout the country. The leader of this mission, Pavel Melnikov, reported back to the czar that Russia, with its great spaces to connect, must emulate America's railroad construction.

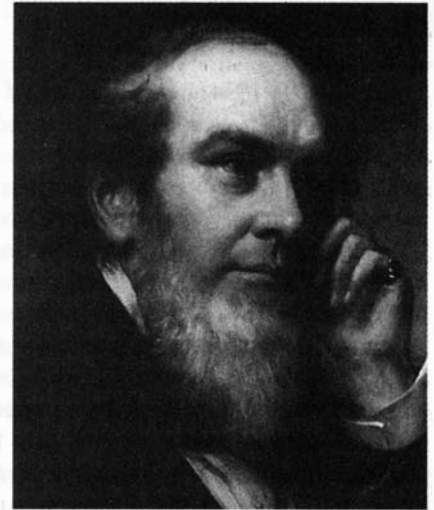
Several years later, Melnikov and Crown Prince Alexander II headed a committee to begin this development. The Russians hired a retired U.S. Army officer, George Washington Whistler, one of the original West Point engineers who had been assigned by President John Quincy Adams to design the first American railroad, as project supervisor. Whistler directed construction of the line from Moscow to St. Petersburg, Russia's first significant railroad. Whistler also built rail factories and fortifications, while engines were imported from the Baldwin Locomotive company of Philadelphia. In this period, Russia implemented a protective tariff, under which it began to create an iron industry and a factory system.

But the U.S. ability to sustain such development was in serious question. The charter of the Bank of the United States had expired on March 3, 1836. For the next 25 years, there would be only brief episodes of sane Presidential policy direction, until Abraham Lincoln rescued the country from impotence and bankruptcy.

Cognizant of the crisis they faced, the Philadelphia nationalists prepared a new enterprise to increase long-term national strength. A committee chaired by Nicholas Biddle came to be in charge of a substantial sum of money, the legacy of banker Stephen Girard, to found Girard College. On July 19, 1836, Biddle's panel commissioned Alexander Dallas Bache to tour Europe and study the finest educational methods. A confidential part of the young man's mission was to meet and coordinate efforts with the scientific elite of continental Europe.

Bache was to become one of the most important figures of civilization in the nineteenth century: The great-grandson of Benjamin Franklin, Alexander Dallas Bache had graduated with highest honors from the U.S. Military Academy at West Point in 1825—the year that West Pointers launched American railroads. Bache's cheerful diligence, and the general





*Germany's Leibnizian mathematician Carl F. Gauss (left) shaped modern science for America and the world, despite violent British repression. Gauss coordinated with Alexander Dallas Bache (right), Benjamin Franklin's great-grandson, who led American science and education, and created military institutions, including the Naval Academy. Friedrich List (center) sought to unify small German states into a single nation. Imprisoned and exiled, List helped lead the U.S. nationalist revival, then returned to Europe representing America. His railroad and tariff program led to modern Germany.*

awareness of his distinguished family tree (he was also the grandson of Treasury Secretary Alexander Dallas, who had rechartered the Bank of the United States) gave him great confidence, and inspired others to cooperative endeavors. Bache spent a year teaching at West Point and two years building fortifications in Rhode Island.

In 1828, Nicholas Biddle, then the chairman of faculty nominations at the University of Pennsylvania, invited Lieutenant Bache to return to Philadelphia to be a professor of natural philosophy and chemistry. Bache became the research leader of the new Franklin Institute, through which Bache gained close working ties with manufacturers, inventors, and skilled craftsmen. Bache headed the institute's federally funded inquiry into the causes and remedy of steam boiler explosions, leading to the design of more powerful American engines.

Bache and a close associate, physicist Joseph Henry, embarked together for Europe on Feb. 20, 1837. The two statesmen-scientists would take different paths, on complementary assignments. Bache's journey would encounter wild political fireworks, and would help lay the basis for an unprecedented improvement in mankind's condition.

By the end of 1837, a strategic confrontation was to occur between the British royal family and their opponents, including Bache. The British would move violently to suppress the work of the world's leading scientific thinkers, whose achievements would make the emerging power of America and Europe unstoppable.

### **List begins the German nation**

To understand the explosive events, we must first review the work of certain scientists and political strategists, working cooperatively in the United States and Germany.

Prof. Friedrich List returned to Europe in 1830. List had sought appointment as a U.S. consul, as a promoter of U.S. exports. He proposed to get the French and German authorities to build railroads from the North Sea to southern Germany—railroads which could use and also distribute imported American anthracite coal. He was chosen as U.S. consul in Hamburg, but the British party there protested the appointment of this “dangerous political fugitive,” and the U.S. Senate rejected his nomination. He served in other appointments as an official U.S. representative, including as consul in Leipzig in 1834-37.

List's influence in his native Germany had grown immensely during his years in America. As Europeans saw the success of America's nationalist economic measures, Prussia had taken halting steps toward unification with the some of the other German states ruled by princes.

At first he resided in Paris, the European headquarters for America's republican intervention into Europe's politics. List worked in Paris with Lafayette and the German poet Heinrich Heine, and through continual correspondence, with Henry Clay and the Philadelphians, and with the von Cotta family in Germany.

As his nationalist freedom movement grew, its opponents were forced to retreat. The people of the German state of Hanover demanded a constitution from their ruler, who was none other than William IV, the king of England, and son of the infamous, insane George III. (Recall that Hanoverian George I jointly ruled England and Hanover; he became England's king when his mother—Leibniz's ally—Electress Sophie, died before she could accede to the throne.) In 1833, King William IV granted a constitution with orderly laws and certain basic freedoms to quiet the demands from the people

of Hanover.

On Jan. 1, 1834, List's program of German unification was largely realized, when Prussia joined with other German states in the *Zollverein*, or Customs Union; 18 states were soon united, within an external tariff barrier protecting them from British import dumping. The *Zollverein*, implicitly the birth of the German nation, jolted the British into action. Foreign Minister Lord Palmerston coordinated British policy with Austria's Prince Metternich, who had openly denounced the industrial development taking place in the uniting German states. King William countered the *Zollverein* with a British-Hanover-centered group of German states.

In 1834, List, now U.S. consul in Leipzig, proposed a Leipzig-Dresden railroad to begin a German national railway grid. Under the sponsorship of the king of Saxony, a railway company was formed and the line was completed by 1837. Throughout this period List's influence grew, with backing from Alexander von Humboldt and his colleagues in the Prussian government. List's railroad magazine (the full title was: *The Railroad Journal, or National Magazine of Inventions, Discoveries & Progress in Commerce, Industry, Public Undertakings & Public Institutions, and of Statistics of National Economy and Finance*) was particularly well received.

If U.S. Consul Friedrich List had kept a log book of all his undertakings, it would have provided a unique window on the nineteenth century. For example: musician Clara Wieck lived for a time in the List household in Leipzig; composer and cultural leader Robert Schumann fancied one of List's daughters before deciding to marry Clara Wieck; and Schumann, a few years later, gave List a copy of his *Liederkreis* ("song cycle") Opus 24, set to Heinrich Heine's poems, to take to Heine in Paris.

In 1837, Metternich banned List's journal from Austria, and got the U.S. government to revoke his appointment as consul; List moved back to France. In conjunction with the American allies there, List worked up proposals for bringing France into an industrially powerful anti-British bloc with Germany.

## Electrical science enters world politics

With the above backdrop, we see the stage set, politically, for the explosion which was to greet Alexander Dallas Bache, the representative of America's political, military, industrial, and scientific leaders, when he arrived in Germany at the end of 1837.

Bache was slated to meet in a kind of "grand council" with German scientists Carl F. Gauss and Wilhelm Weber at Göttingen University. Bache had been working in Philadelphia on the measurement of the earth's magnetism, in accord with Gauss's scientific work. More importantly, Gauss and Weber had been experimenting, in tandem with American and French researchers, to develop the world's first electrical machines, that could greatly strengthen the nations which

were in potential conflict with Britain. These devices included the telegraph, that could shrink the great spaces of Russia and America, speed Germany's modernization, and proffer military advantages; and the electric motor, whose use to power industry would greatly outstrip Britain's industrial base.

Could its enemies stop this work, or would it go forward to bring vast power to mankind? We give here a chronology of the fast-breaking scientific events which were leading up to a decision:

**Winter 1819-20:** The Danish researcher, Hans Christian Oersted, showed that a magnetic needle is deflected by the action of a current of electricity passing near it.

**1820:** Dominique François Jean Arago, a republican ally of Humboldt, discovered that an electric current passing through a wire wrapped around a piece of iron, can magnetize the metal.

**1820:** André-Marie Ampère, the French republican and universal scientist, discovered that two wires, through which currents are passing in the same direction, attract each other, and in opposite directions, repel. Ampère concluded that naturally occurring magnetism, as in iron, is due to electrical currents in the metal's molecules, and that the general laws of magnetism could be derived from electrical effects.

**1825:** Englishman William Sturgeon made an electromagnet by bending a thin iron bar into the form of a horseshoe, covering it with varnish to insulate it, and surrounding it with 18 turns of a bare copper wire. While current came from a small battery, Sturgeon's seven-ounce electromagnet supported a nine-pound piece of iron.

**1829-30:** The American Joseph Henry, in accordance with the theory of Ampère, produced the intensity or spool-wound magnet, insulating the wire instead of the iron bar, and covering the whole surface of the iron with a series of coils in close contact. To greatly increase the power of the magnet, Henry wound successive strata of insulated wire over each other, producing a compound helix, formed of a long wire of many coils. He perfected the electromagnet capable of transmitting power over a long distance, and was the first to magnetize a piece of iron at a distance.

**1831:** Henry's distinctive work in the discovery of induction was reported in *Silliman's Journal* in July 1831. His experiment involved opening and closing a circuit on an electromagnet, making the magnet induce a current in another coil.

In an 1832 article, Henry distinguished his work from that of England's Michael Faraday. Faraday had simply moved a magnet away from and back next to a coil, and passed a wire near a magnet.

Henry reported that his own experiment, by contrast, "illustrates most strikingly the reciprocal action of the two principles of electricity and magnetism." And it led to his invention of the first electric motor, a simple see-saw like device:

a coil around a bar mounted on a fulcrum which rocked back and forth, alternately closing and breaking the circuit at each end of the bar.

He also applied “the results of my experiments to the invention of the first electro-magnetic telegraph, in which signals were transmitted by exciting an electro-magnet at a distance, by which means bells were struck in succession, capable of indicating letters of the alphabet.”

**1832:** Henry increased the power going through his magnet until it could lift more than 3,000 pounds. Alexander D. Bache helped publish and circulate Henry’s work in Europe as well as in America.

**1833:** Astronomer-mathematician Carl F. Gauss and physicist Wilhelm Weber, working at Göttingen University in Hanover, excitedly took up the leads provided by Henry’s experiments.

Gauss was, at the time, certainly the world’s leading scientist, and the ablest contemporary defender of Gottfried Leibniz. Gauss had served as an adviser to the United States Coast Survey since 1819, and was ardently pro-American; three of his sons emigrated to the United States.

Wilhelm Weber, Gauss’s working partner, discovered that the conducting wires of an electric telegraph could be left without insulation, except at the points of support. Gauss arranged the application of a dual sign in such manner as to produce a true alphabet for telegraphy.

Weber and Gauss built and demonstrated the world’s first long-distance telegraph. Gauss wrote to the astronomer Heinrich Olbers, on Nov. 23, 1833, that their telegraph was “conducted through wires stretched through the air over the houses up to the steeple of St. John’s Church and down again, and connecting the observatory with the physics laboratory . . . about eight thousand feet.” The telegraph was operated in the presence of the king’s brother, the duke of Cambridge. The first public notice of the telegraph was given by Gauss in the *Göttingische gelehrte Anzeigen* on Aug. 9, 1834.

On Aug. 6, 1835, Gauss wrote to astronomer Heinrich Christian Schumacher: “Could thousands of dollars be expended upon it, I believe electromagnetic telegraphy could be brought to a state of perfection and made to assume such proportions as almost to startle the imagination. The Emperor of Russia could transmit his orders in a minute, without intermediate stations, from Petersburg to Odessa, even peradventure to Kiachta [in Siberia, then on the Russo-China border], if a copper wire of sufficient strength were conducted safely across and attached at both ends to powerful batteries.”

As a practical step toward implementation of such a Grand Design, it was proposed that the railroad initiated by Friedrich List should install the Weber-Gauss telegraph along the line. Gauss and Weber both wrote memoranda to the directors of the Leipzig-Dresden railroad, and negotiations commenced.

Some years earlier, Humboldt had introduced Gauss to Weber, and had suggested to Gauss that he interest himself in

electricity—with spectacular results. What the British Empire and its allies feared the most, an uncontrollable breakout of technology and cooperative national development, was clearly in the offing.

### **Gauss, Weber, and Franklin’s ‘emanation’**

A.D. Bache and Joseph Henry set sail for Europe on Feb. 20, 1837; they would wend their separate ways in Britain and on the continent. Bache would arrive in Berlin in December, on his way to Hanover. But before he arrived, the British would overturn the Hanover government and provoke a deep crisis.

In June 1837, William IV, king of England and of the German state of Hanover, died and was succeeded by his niece Victoria. But the sixth century Salic Law, in force in Hanover, disallowed female monarchs, and William’s brother, Ernst August, became king of Hanover.

Ernst August was a true son of mad King George III. In 1810, he was suspected of having murdered his valet Sellis, perhaps over a blackmail problem arising from Ernst August having allegedly sodomized him; but he extricated himself from that difficulty when two men were imprisoned for accusing him of the murder. He was hated by the English people. And despite his German name and ancestry, the English-born Ernst August spoke not a word of German. British Empire policy needed such a one to do a dirty job.

Over Sept. 12-20, 1837, Göttingen University celebrated its jubilee, with Carl Gauss hosting Alexander von Humboldt at Humboldt’s alma mater. Students were said to have been deeply moved by the greatness of these men and their work, and inspired to use their talents “as honestly and as restlessly” as the humanist scientists.

But King Ernst August had been to Vienna to consult with Prince Metternich. And on Nov. 1, Ernst August revoked Hanover’s 1833 constitution, which had acknowledged the representative assembly and other civil and moral norms; citizenship was replaced by subjection.

For the British, this action came none too soon. During that same month, Friedrich List submitted a proposal to the king of France for the development of a grid of railroads and a national banking system—a giant step toward an anti-British Europe. List had started work in Paris on his magnum opus, the *National System of Political Economy*, attacking Adam Smith, contrasting the American and Colbertist concepts of physical production with the pure exchange of free trade, and emphasizing the needs of nations against Smith’s imaginary “cosmopolitan” world of consumers, in which no nations exist. A veritable war broke out within the French government over the List memorandum, sometimes resulting in fistfights.

In British-ruled Hanover, there was the expected popular outrage. Among the protests against the destruction of Hanover’s liberty, was a petition signed by seven prestigious Göt-

tingen professors: physicist Wilhelm Weber, Gauss's research partner; theologian Heinrich Ewald, Gauss's son-in-law; the brothers Jakob and Wilhelm Grimm, philologists and famous storytellers; and three other teachers.

On Dec. 7, 1837, Bache took up temporary residence with Alexander von Humboldt in Berlin. Bache's anticipated visit to Göttingen University, under Humboldt's sponsorship, would retrace the steps of Bache's great-grandfather, Benjamin Franklin, 71 years before. Franklin had come to Göttingen in triumph, just after his showdown in Parliament over the Stamp Act.

Alexander D. Bache's own high status and heart-felt reception in Germany, was reflected in an anecdote later told by Joseph Henry: "An elderly savant, on being introduced, clasped him in his arms, saluted him with a kiss on either cheek, and [said,] 'Mein Gott, now let me die, since I have lived to see with mine own eyes an emanation of the great Franklin!'" Bache's planned visit to Göttingen would occur in the same politically charged environment of scientific achievement and global political tension as had that of his ancestor.

On Dec. 12, the seven Göttingen professors who had signed the petition against revocation of the constitution were expelled from the university; three of them were ordered into exile. King Ernst August sent troops to surround the university to prevent demonstrations.

In January 1838, Bache arrived in Göttingen, now under the British terror. Bache met with Carl Gauss and the expelled Wilhelm Weber, and it is known that they discussed the progress of electrical science and the telegraph, among other topics.

But the British crackdown crushed the active experimental collaboration of Gauss and Weber. The pogrom against Gauss has been pursued by the British Empire science establishment up until the present day. Indeed, the expulsion of the Göttingen professors went a long way toward neutering the academic world across the globe. In fields as seemingly diverse as mathematics, physics, philosophy, history, and economics, it became increasingly unsafe to stray from Newton, Locke, and company. As King Ernst August told Alexander von Humboldt, "For my money I can have as many ballet dancers, whores, and professors as I want."

### **The 'Lazzaroni' create a military-scientific complex**

The heat of adversity and oppression had forged strong bonds of friendship between Bache and the greatest European scientists. This relationship would be the backbone of American science in its most important advances for the remainder of the century.

Bache recruited a handful of scientific associates, of undoubted loyalty, patriotism, and genius into a small junto, called among themselves the *Lazzaroni* (Italian for "beggars"). With strong working ties to Gauss and Humboldt, they

set out to create a military-industrial complex which could guarantee the defense of the republic. America's powerful Navy, and her steel and electrical industries, were among the direct accomplishments of the *Lazzaroni* and their closest allies over the next 40 years.

Participating in Gauss's international organization to measure the earth's magnetism, the *Magnetischeverein*, Bache resumed his observations at Philadelphia's Girard College. In 1840, he hired an assistant, Philadelphian William Chauvenet, a recent Yale graduate and accomplished Classical pianist. Bache and Chauvenet would found the U.S. Naval Academy within a few years.

Bache published, in 1839, his immense *Report on Education in Europe*, on the elementary, secondary, technical, and military schools in Scotland, England, Prussia, Saxony, Bavaria, Austria, Switzerland, France, and Holland. Between 1839 and 1842, he reorganized the Philadelphia public schools, taking guidance particularly from the Prussian schools that he had closely studied.

Bache and his friends now saw their national mission in terms coherent with Leibniz's "Academy" proposal. Addressing an 1842 Exhibition of American Manufactures at the Franklin Institute, Bache spoke of industrial America, a new civilization, bypassing the mere trading centers, such as the formerly powerful Venice, whose wealth had been "lavished to decorate the homes of the merchant nobles." Bache proposed to consider, beyond any subject of partisan debate, "the means employed in different countries for the promotion of manufacturing and the mechanic arts, and of the intellectual improvement of their cultivators."

He lauded the "great scheme" of the *Zollverein*, within which the Prussian state encouraged silk culture, porcelain manufacturing, metal foundries, and sugar beet production; licensed and examined the skills in trades and occupations; promoted inventions; published technical journals; and trained the young without cost as machinists, metal founders, architects, builders, and engineers. He contrasted Britain's closed, "competitive" society, which fearfully barred all significant public interchange of technology.

Bache spoke bluntly of America's most powerful advantage over the Old World:

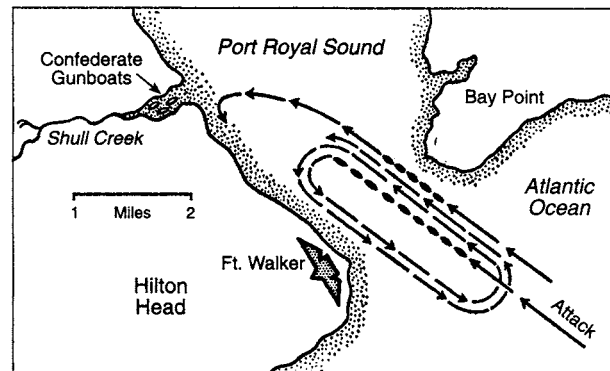
"The low wages of operatives generally in Europe, low relatively to the prices of conveniences, tends to keep the mass of them from intellectual improvement. Their youth is passed before they can judge of the necessity for culture, and [later adult responsibilities] . . . press on them so heavily, that they have time to think of little else. Until the means of life are more uniformly distributed, the mass of the mechanical population of Europe cannot become intellectual. The advantages of a different system of things, which exists with us, we should never lose sight of—never let go."

Nicholas Biddle appointed Bache to be the principal of Central High School in Philadelphia, and Bache built it into the first great public secondary school in America, the model

## Gaussian mechanics and U.S. naval warfighting

Captain Charles Henry Davis, Bache's chief assistant at the U.S. Coast and Geodetic Survey, was a leading collaborator of Carl F. Gauss; Davis translated Gauss's seminal work on the calculation of celestial orbits into English. Davis introduced a new principle into warfare which led to a vital Union success early in the Civil War: the capture of Port Royal, South Carolina, in November 1861. Davis, fleet chief of staff under Adm. Samuel F. du Pont, developed an "expanding ellipse formation," which permitted what was then the largest U.S. fleet ever assembled to capture the two forts protecting Port Royal. This reversed the standard theories which held "that one gun on land was equal to four on water." As detailed by David D. Porter in his *Naval History of the Civil War*, this action opened the gateway to the capture of other Rebel cities such as New Orleans.

Admiral du Pont divided his fleet into a main squadron of nine heavy ships and a flanking squadron of gunboats. The two columns passed midway between the forts. The



main force turned about in the sound and plied a narrow ellipse between the two forts until their fire was reduced by the naval bombardment. The ellipse was then expanded so as to bring the naval guns closer to the forts, increasing the effect of the artillery.

This was not the only application of Gaussian elliptic functions and celestial mechanics to naval warfighting. Admiral Porter utilized the mathematical hydrodynamics which had been taught to him by Davis's Coast and Geodetic Survey, in his successful navigation and conquest of the Mississippi with General Grant.—*Charles B. Stevens*

for all others. Bache established at Central High the nation's best-equipped astronomical observatory; Central High's astronomer, Sears Walker, quickly taught Bache's magnetic-observatory assistant Chauvenet the most advanced methods of the German astronomers.

In 1842, Commodore James Biddle, brother of Nicholas Biddle, made William Chauvenet head of a school that had been informally established within the Philadelphia Naval Asylum, the elderly seamens' home under Commodore Biddle's command. With Bache's help, the 22-year-old Chauvenet put old and young sailors through sophisticated courses in geometry, astronomy, and other navigational sciences.

In 1843, Bache was appointed head of the United States Coast Survey. He made the survey into a school for geodesy and hydrography for the entire military establishment, and the powerful base through which the federal government recruited and trained scientists. The work on oceanography under Bache (continuing the field developed by Alexander von Humboldt and by Benjamin Franklin), and mapping of the entire coastline, would allow the Union to impose a powerful blockade on the South during the Civil War.

Also in 1843, the U.S. Congress, under Henry Clay's close control, financed the implementation of Samuel F.B. Morse's telegraph (Morse had invented a good code, but only reluctantly conceded that he had not "invented the telegraph").

A.D. Bache and Sears Walker then developed the method of longitude computation by telegraph.

In 1845, Bache and his allies prevailed on the government to move William Chauvenet's naval school from the Philadelphia Asylum to the Army's Fort Severn in Annapolis, Maryland. Navy Secretary George Bancroft appointed Anglophile Cmdr. Franklin Buchanan to be superintendent; Buchanan later joined the Confederacy in the Civil War. But William Chauvenet continued in charge of the school's instruction and overall organization. He taught astronomy, navigation, geometry, and other mathematics; he and the nationalist Commodore Matthew Perry were the school's principal overseers. Before long, the name was changed to the United States Naval Academy.

Anti-nationalists had blocked the Academy's birth since it was proposed by Alexander Hamilton in 1799. But Bache's patriotic *Lazzaroni* scientists were too powerful, even taking over Harvard and Yale. It was also helpful that Bache's uncle, George M. Dallas, was U.S. vice president, and that Treasury Secretary Robert Walker was Bache's brother-in-law.

The Smithsonian Institution was founded in 1846, due principally to John Quincy Adams's fight for it. On Bache's recommendation, physicist Joseph Henry was appointed Smithsonian chief. Henry created the modern weather service, based on reception of reports by telegraph.

Meanwhile, *Lazzaronian* Benjamin Peirce founded the Harvard Observatory, and Harvard's Lawrence Scientific School; Yale's Sheffield Scientific School was created by Bache-ites Oliver Wolcott Gibbs and Benjamin Silliman, Jr.

During the Civil War of 1861-65, Bache was the recognized chief of America's scientists, with his *Lazzaroni* at the center of military strategy and intelligence. President Lincoln often consulted with Joseph Henry, and enjoyed rolling up his sleeves to help Henry at his experiments.

At the outbreak of the war, the President asked four men to sort out the loyalties of the naval officer corps: Alexander D. Bache; *Lazzaronian* Adm. Charles H. Davis, chief translator of Carl Gauss into English; Adm. Samuel F. du Pont, close collaborator of Bache and Davis; and Commodore Hiram Paulding. These men later swung the decision to produce the new *Monitor* ironclad warship.

National institutions had thus been formed, beginning in the 1830s, that could sharply upgrade U.S. technical competence and power. But radical free-trade dogma had dominated Congress and the Presidency; manufacturing was suppressed, and by the late 1850s, slave-grown cotton had become the leading product and export of the United States. By the time the slave owners' rebellion started the Civil War, the country was utterly bankrupt. New national life would come from Abraham Lincoln's revolution in economic strategy, as well as his war leadership.

## 5. Why Lincoln built the nation's railroads

During the Civil War, American armed force reunited the country. At the same time, President Abraham Lincoln ended and reversed the rule of "free trade" or "laissez-faire," by which the London-allied opponents of the American Revolution had expanded plantation slavery to the detriment of American industrial power.

Lincoln's breathtaking economic development program, begun when the country was bankrupt, continued in effect at least long enough after his assassination, for the United States to make itself the world's greatest industrial power. Lincoln's measures remained in force for several decades, controlling inflation through industrial innovation, and raising U.S. living standards to unprecedented heights.

Abraham Lincoln's economic program as President cohered with his long political career as a partisan of nationalist leader Henry Clay (1777-1852), and a follower of Philadelphia economist Henry C. Carey (1793-1879).

From the late 1840s until several decades after his death, Henry Carey shaped the thinking of nation-builders throughout the world. In his widely translated books, Carey demon-

strated that the free trade proposed by the "classical" school of economics was cheap British imperial propaganda. Henry Carey assumed personal leadership of the nationalist political-industrial-scientific complex in Philadelphia, that was the backbone of support to Lincoln as President. After the Civil War, this "private" apparatus, overlapping with the government and the military, would create huge, new American industries under government protection and subsidy.

Carey and his allies formed the Republican Party in the mid-1850s. As the party's 1860 Presidential candidate, Abraham Lincoln asked Carey to write his campaign's economic platform; it was a "statist" proposal, for protectionist tariffs to revive American industry. As President, Lincoln asked Carey to pick some significant Treasury Department appointees, so that the free trade policy of the slave owners could be erased completely from national government practice.

While President Lincoln built the world's most powerful armed forces, he put through an extraordinary program of economic measures, including:

- ultra-protectionist tariffs which virtually forced into existence a new American steel industry;
- government organization of railroad systems reaching across the wilderness to the Pacific Ocean;
- the sharp upgrading of U.S. agriculture, by such methods as government-directed agricultural science, free land for farmers, creation of the Agriculture Department, and promotion of new farm machinery and cheap tools;
- recruitment of immigrants, to rapidly increase population;
- free higher education throughout the United States through the Land Grant College system;
- reestablishing national control over banking, with cheap credit for productive purposes.

In this report we will focus on the railroad project and the creation of modern agriculture, which we chose in order to correct popular prejudice: that railroads were built by "robber barons" (in truth, they only stole them after they were built), and that government support for farmers is a "giveaway" (the government actually created the private family farm in America).

When Lincoln's first transcontinental railroad was completed in 1869, the 1,776 miles of new track took passengers and freight across mountains and desert from Iowa to California. Historians usually ascribe the building of this railroad, which immensely strengthened the United States, to such historical facts as the withdrawal from Congress of its Southern opponents. Abraham Lincoln's unique, lifelong, personal identification with the fight for Western development, is covered over with contemptuous, patronizing remarks, from Lincoln's ostensible supporters, and charges of corruption from his obvious detractors.

When President Andrew Jackson (1829-37) broke the Bank of the United States, and halted national support to road,

canal, and railway construction, he put the brakes on pioneer settlement of the West. But American nationalists, mostly members of Henry Clay's Whig Party, fought to continue the "internal improvements" construction policy, with the action of state governments to replace the missing federal support.

State legislator Abraham Lincoln, then 27, led this fight in Illinois. He sought to turn the mud- and ice-bound Midwest into the new industrial center of the continent, beginning with the construction of 2,000 miles of railways and canals to criss-cross Illinois. Here is what his first important biographers, John G. Nicolay and John M. Hay, report:

"If Mr. Lincoln had no other claims to be remembered than his services in the Legislature of 1836-7, there would be little to say in his favor. Its history is one of disaster to the State. Its legislation was almost wholly unwise and hurtful. . . . In the account of errors and follies committed by the Legislature . . . he is entitled to no praise or blame beyond the rest. He shared in that sanguine epidemic of financial and industrial quackery which devastated the entire community, and voted with the best men of the country in favor of schemes which appeared then like a promise of an immediate millennium, and now seem like midsummer madness.

"He entered political life in one of those eras of delusive prosperity which so often precede great financial convulsions. . . . It was too much to expect of the Illinois Legislature that it should understand that the best thing it could do to forward this prosperous tendency of things was to do nothing."

"Madness"? "Delusive prosperity"? In fact, as the *Encyclopedia Britannica* puts it, "The growth of manufacturing in Illinois, largely because of the development of the state's exceptional transportation facilities, was the most rapid and remarkable in the industrial history of the United States. In 1850 the state ranked 15th; in 1870, 6th."

Yet virtually all historians, and Lincoln biographers, reiterate the Nicolay and Hay vituperation of Illinois' "internal improvement follies" of 1836-37. Since Nicolay and Hay were secretary and assistant secretary to Lincoln during his Presidency, their 10-volume biography was given almost unlimited credence.

Abraham Lincoln was the sprited young leader of the "Long Nine" (all over six feet tall), Sangamon County's representatives who went to the Illinois Legislature in December 1836. Lincoln's forces pushed through plans for the state to build a series of rail lines and canals, taking a leadership that marked his first important political role. Twelve million dollars was appropriated, \$3.5 million for the state-chartered Illinois Central line to be built from Galena in the north, to Cairo in the south. The state would borrow money on U.S. and European capital markets, taking advantage of the great excitement internationally over America's development prospects, the success of the Erie Canal and the giant Pennsylvania program.

Lincoln also took the lead in defending and trying to expand the capital of the state bank of Illinois, hoping that, for

Illinois' purposes, it could stand in for the moribund Bank of the United States.

Construction began with the Northern Cross Railroad, projected to be built from Quincy on the Mississippi River eastward across Illinois to the Indiana line. The first locomotive to be put in operation in the Mississippi Valley was delivered from Paterson, New Jersey by riverboat in November 1838. The line was in operation from the Illinois River to the new state capital of Springfield by May 1842.

### **British tighten the credit screws**

But British-centered opposition to this American development proved too strong. The Bank of England withdrawal of credit from all American enterprises, following President Jackson's closing of the U.S. Bank, resulted in a terrifying credit squeeze.

In the spring of 1837, the British concentrated their attack on New Orleans. Agents in New Orleans were ordered to stop all purchases for British merchants and manufacturers. With American credit now draining away to England, there were no U.S. buyers to replace the British. New Orleans banks were forced to deny credit to merchants, factors, and banks serving the entire Mississippi Valley.

The Illinois railroad building project failed for want of credit, though the Illinois-Michigan Canal, connecting Lake Michigan with the Mississippi River system, was completed by the state government in 1848.

In 1850, the U.S. government, temporarily in the hands of the Whigs, authorized the granting of federal land to the state of Illinois for the construction of a north-south railroad with a Chicago spur. Three square miles of land were to be granted for each mile of railway constructed. In February 1851, the state legislature, frightened by the earlier collapse of its plans for state-owned enterprise, chartered the Illinois Central Railroad Company. The state gave the federal land grant as inducement to Eastern private investors to buy into the construction. Lincoln reluctantly supported this scheme as unavoidable, given the lack of national sovereignty over credit issuance. But we notice, that private capital was never expected to be able to *initiate* a significant railroad construction in America without the sponsorship and subsidy of the government.

The rail network which Lincoln had planned and championed was now quickly built, and eventually made Chicago the rail center of the continent.

### **John Hay: 'a thousand ties to Britain'**

Turning back again to the attack on Lincoln's legislative "follies" by his supposedly friendly biographers: John Hay wrote the first volume of the Nicolay-Hay biography, on Lincoln's first 50 years, and he steered and edited the other nine volumes, covering Lincoln's remaining six years. But his motives may come out more clearly in his 1883 novel, *The Bread-Winners*, where Hay attacked the working people of America,



Abraham Lincoln (1809-65), shown here with his son Tad, revolutionized the U.S. economy at the same time as he led the Union to victory in the Civil War. Lincoln's "statist" measures built the great railroads and heavy industries that made the country a superpower.

and "the restless haste and hunger to rise which is the source of much that is good and most that is evil in American life."

Lincoln's opposite worldview was expressed to a German group in Cincinnati in 1861: "I hold the value of life is to improve one's condition. Whatever is calculated to advance the condition of the honest, struggling laboring man . . . I am for that thing."

Hay later became famous as an atrociously Anglophile diplomat and secretary of state. Hay expressed his own sense of identity in 1898, as U.S. ambassador to Great Britain: "Knitted as we are to the people of Great Britain by a thousand ties . . . there is a sanction like that of religion which binds us to a sort of partnership in the beneficent work of the world. . . . No man and no group of men can prevent it. . . . We are bound by a tie which we did not forge and which we cannot break."

His "definitive" biography of Lincoln, published in 1886, does not even mention Lincoln's role in building the Pacific railway, next to nothing on his economic measures, and not a hint of the lifetime of dirigist philosophy behind them.

## Moving mountains

In August 1859, a year before Lincoln was elected to the Presidency, he visited Council Bluffs, Iowa, meeting privately there with a young railroad engineer/surveyor named Granville Dodge, who, as Lincoln's Army officer, was to be the chief engineer of the Pacific railroad.

As Dodge wrote later, Lincoln asked "what I knew of the country west of the Missouri River. He greatly impressed me by the marked interest he displayed in the work in which I was engaged, and he expressed himself as believing that there was nothing more important before the nation at that time than the building of a railroad to the Pacific Coast. He ingeniously extracted a great deal of information from me about the country beyond the river, the climate, the character of the soil, the resources, the rivers and the route. When the long conversation was ended, I realized that most of the things that I had been holding as secrets for my employers in the East, had been given to him without reserve. . . ."

Dodge continued that there was "a high bluff known as Cemetery Hill, just north of town. . . . He was greatly impressed with the outlook; and the bluff from that time has been known as Lincoln's Hill. . . . From here he looked down upon the place, where by his order, four years later, the terminus of the first trans-continental railway was established."

Lincoln signed the Pacific Railway Act July 1, 1862, authorizing huge government land grants to finance the construction. Two years later a second bill doubled the land grants and sweetened the other terms. Altogether 45 million acres of land were given away, and the government laid out some \$60 million in cash, compared to only \$4 million invested from private capital.

Lincoln was determined to "conquer space" to the west. At one point, when the project seemed dead for lack of funds, he arbitrarily redefined the Rocky Mountains as starting in their foothills, so that more money could be paid to the builders under the legislated formula—\$32,000 in the mountains, as against only \$16,000 per mile in the flatter land. It was said at the time, "Abraham's faith moves mountains."

## 6. How Lincoln made farmers scientific

The power of the Union's arms abolished black chattel slavery, the legal remnant of the British imperial past. But America still had to construct a positive alternative to the colonial plantation system. Abraham Lincoln's abiding passion for the protection and productivity of labor, shows up boldly in his Presidential action to bring scientific thinking into agriculture. To modernize America's farms, Lincoln's administration organized a national teaching apparatus run



largely by students of the pioneering German chemist Justus von Liebig. We will consider, below, Liebig's resolute Christian humanism and his contribution to America.

British imperial apologists Thomas Malthus and David Ricardo posited fictitious "natural resources," whose depletion by agriculture must deprive land of its natural, original value, making poverty and hunger inevitable. Colonial or other production-depressing regimes are beneficial, by this doctrine, since they delay the depletion of nature. Environmentalism is just a twentieth-century variant on this old theme.

But a nation mobilized in a war for freedom could not tolerate the blasphemous notion that God's laws consign man to perpetual scarcity and backwardness. Under Lincoln's leadership, Americans created a system to render farming so successful, so powerful and productive, that the lie of inevitable poverty was forever dispelled.

Millions of new private farms were created, by government land grants to households, and to railroads, which obtained credit by selling their grant-lands to new farmers. Farm families were educated at government expense. Government scientists supplied them with the latest intelligence on fertilizers, soil chemistry, and crop management. New farmlands opened up by government-organized railroads allowed for production economies of scale. Farmers with cheap, government-supplied credit, bought machinery, produced by patent-protected inventors using tariff-protected American steel. Diseases of livestock were conquered and eliminated by the vigorous prosecution of government science and federal law.

Lincoln's advocacy of human advancement would put him beyond the pale in today's politics. A visit to Niagara Falls set off reflections which led to his patenting an "improved method of lifting vessel[s] over Shoals," while a fellow visitor to the falls complained of Lincoln's alleged lack of a sense of wonder.

Neither did he romanticize or otherwise propitiate farmers; no farmer asked him beforehand to create the Agriculture Department or America's farm-centered state college systems.

Addressing the Wisconsin State Agricultural Society at its annual fair in Milwaukee on Sept. 30, 1859, Lincoln reprised the argument laid down by Gottfried Leibniz in his "Academy Proposal," on the motivation for work, and the increase of productivity by the elevation of the worker's mind: He began, "I presume I am not expected to [engage] . . . in the mere flattery of the farmers, as a class. My opinion of them is that, in proportion to numbers, they are neither better nor worse than any other people."

Lincoln praised the fair, rather than the farmers, for "exciting emulation, for premiums, and for the pride and honor of success . . . to stimulate . . . discovery and invention into extraordinary activity. In this, these Fairs are kindred to the patent clause in the Constitution of the United States; and to the . . . practical system, based upon that clause."

He warned that current agricultural practices were pro-

ducing the very low grain yields, 8-18 bushels per acre, compared to the possibility for 50 to 100 bushels, from merely applying available methods. "What would be the effect upon the farming interest," he asked, "to push the soil up to something near its full capacity? . . . Unquestionably, thorough cultivation will require more labor to the *acre*; but will it require more to the *bushel*? . . . It would [uncover] those unknown causes, which of late years have cut down our crops below their former average. . . in the deeper plowing, analysis of the soils, experiments with manures, and varieties of seeds. . . [T]horough cultivation would spare [at least] half the cost of land, simply because the same product would be got from half, or from less than half the quantity of land. . . .

"Again, a great amount of 'locomotion' is spared by thorough cultivation. Take fifty bushels of wheat . . . [on] a *single* acre, and it can be harvested . . . with less than half the labor which would be required if it were spread over *five* acres. This would be true, if cut by the old hand sickle; true, to a greater extent, if by the scythe and cradle; and to a still greater, if by the machines now in use. . . [which] substitut[e] animal power for the power of men. . . .

"The effect of thorough cultivation upon the farmer's own mind, and, in reaction through his mind, back upon his business, is perhaps quite equal to any other of its effects. Every man is proud of what he does well . . . his heart is in his work; and he will do twice as much of it with less fatigue. . . . The man who produces a good full crop will scarcely ever let any part of it go to waste. He will keep up the enclosure about it, and allow neither man nor beast to trespass upon it. He will gather it in due season and store it in perfect security. . . .

"The successful application of steam power to farm work, is a desideratum—especially a steam plow. . . . To be successful, it must . . . plow better than can be done with animal power . . . and cheaper; or more rapidly." Lincoln proposed the necessity of self-propelled farm machinery, before any such had been invented. But, he then pointed out, accurately, that steam-power was impracticable for this purpose, despite the success of the railroad and steamship, because of the weight of fuel and water a steam vehicle must carry over farmland. This problem was solved a generation later by the use of gasoline engines.

Lincoln then proposed the family farm as one of the means for upholding the freedom and dignity of labor; he went on to describe the problem-solving mentality of the scientific farmer, so different from the ignorant peasant:

Free labor, he wrote, "insists on universal education.

". . . I know nothing so pleasant to the mind, as the discovery of anything that is at once new and valuable—nothing that so lightens and sweetens toil, as the hopeful pursuit of such discovery. [For the] mind, already trained to thought in the country school, or higher school . . . [every] blade of grass is a study; and to produce two, where there was but one, is both a profit and a pleasure. And not grass alone: but soils, seed, and seasons—hedged, ditches, and fences, draining,

droughts, and irrigation . . . saving crops, pests of crops, diseases of crops, and what will prevent or cure them . . . the thousand things of which these are specimens—each a world of study within itself. . . .

“Population must increase rapidly—more rapidly than in former times—and ere long the most valuable of all arts, will be the art of deriving a comfortable subsistence from the smallest area of soil. No community whose every member possesses this art, can ever be the victim of oppression in any of its forms. Such community will be alike independent of crowned-kings, money-kings, and land-kings. . . .

“It is said an Eastern monarch once charged his wise men to invent him a sentence . . . which should be true and appropriate in all times and situations. They presented him the words, ‘And this, too, shall pass away.’ . . . And yet, let us hope it is not quite true. Let us hope, rather, that by the best cultivation of the physical world, beneath and around us, and the intellectual and moral world within us, we shall secure an individual, social and political prosperity and happiness, whose course shall be onward and upward, and which, while the earth endures, shall not pass away.”

### **Lincoln and continental European science**

The natural science, which was to revolutionize agriculture, was itself the work of opponents of colonial Malthusian doctrines. This is perhaps best exemplified by the successes of Justus von Liebig (1803-73), a chemist who grew up in Beethoven’s Germany. Liebig’s work would be brilliantly realized in Lincoln’s agricultural program.

Liebig identified the mineral nutrients required for the growth of plants; he created the analytical and educational methods that made modern biochemistry and such things as artificial fertilizer possible. Liebig described his own early development as “the reading of books without any system . . . just as they stood on the shelves” of the library, and “thousands of essays and treatises.” This “developed in me the faculty . . . of thinking in terms of phenomena. . . . Most closely akin is the peculiar power of the musician, who while composing thinks in tones which are as much connected by laws as the logically arranged conceptions in a conclusion or series of conclusions. There is in the chemist a form of thought by which all ideas become visible to the mind as the strains of an imagined piece of music.”

At age 17, he went to Paris, and exhibited his talents under the tutelage of Joseph Louis Gay-Lussac and Alexander von Humboldt. By 1820 the French Ecole Polytechnique, whose educators had virtually founded America’s early engineering and military science, was already more or less destroyed. So Humboldt used his influence to set up Liebig in his own chair of chemistry at a small German college, at Giessen, in May 1824.

Here organic chemistry was born; and for the first time, teaching took place in a chemical laboratory.

As Liebig described it, “a kindly fate brought together

the most talented young men from all the countries of Europe [and America!]. . . . Actual teaching in the laboratory . . . was only for the beginners; the progress of my special students depended on themselves. I gave the task and supervised the carrying out of it. . . . I received from each individual [a daily report about what] he was engaged upon. I approved or made many criticisms . . . by each participating in the work of all, every one learned from the others. . . . We worked from break of day till nightfall. . . . The only complaint . . . was that of the attendant . . . who could not get the workers out of the laboratory in the evening, when he wanted to clean it.” Liebig’s fame grew as his published works brought before the world the new agricultural and pharmaceutical sciences he and his colleagues were inventing.

Liebig wrote of “the present conflict between practical agriculture and scientific Chemistry.” It “concerns the weightiest material interests and the fundamental prosperity of the state. The most urgent problem which the present day has to solve, is the discovery of the means of producing more bread and meat on a given surface, to supply the wants of a continually increasing population,” a problem “which science is expected to solve.”

Liebig attacks the empiricist, who, with only practical experience and no understanding of the underlying laws of nature, must fail. At the heart of Liebig’s worldview is the unique dignity of man, whose creativity is potentially limitless. Man at first “sees everything around him bound in the chains of invariable, immutable, fixed laws. Within himself alone he recognizes a *something* which may govern these effects, a will which has the power to rule over all natural laws, a spirit which, in its manifestations, is independent of these natural powers, and which, when it is in its conceivable perfection, is subject only to its own laws.

“The . . . knowledge of nature forces upon us . . . the conviction that [beyond] this *something* within us . . . there exists [something] similar or more perfect [which] affirms the existence of a higher, indeed of an infinitely exalted Being, to contemplate and to comprehend whom our senses are too feeble, and of whom, in his greatness and sublimity, we can only form some conception by the highest cultivation of every faculty of our minds.”

### **The Agriculture Department is born**

On May 15, 1862, President Lincoln signed into law a bill creating the Department of Agriculture, “to acquire and to diffuse among the people of the United States useful information on subjects connected with agriculture . . . to procure, propagate and distribute . . . new and valuable seeds and plants . . . to acquire . . . all information . . . by means of books and correspondence and by practical and scientific experiments . . . employees [to include] chemists, botanists, entomologists, and other persons skilled in the natural sciences pertaining to Agriculture.”

The first scientist appointed by the department was Justus von Liebig's student, Charles M. Wetherill.

On May 20, Lincoln signed into law the Homestead Act, giving to any head of a family or to anyone 21 years of age, one-quarter square mile of free land for farming. For the remainder of the century, the act transferred millions of acres of the public domain to private ownership. With the first Lincoln-organized Pacific Railroad completed in 1869, settlers poured into newly opened western lands. Between 1870 and 1880, some 128 million acres were added to U.S. farmland, 49 million acres between the Mississippi River and the Rocky Mountains. The total amount of improved farmland increased 50%, from 189 million to 285 million acres.

On July 2, 1862, Lincoln signed the Land Grant College Act. The same legislation had been vetoed by "free enterprise" radical President James Buchanan, Lincoln's immediate predecessor. The act donated federal land which the states would sell, establishing a perpetual endowment for public colleges in each state. The curriculum, besides military tactics, and "other scientific and classical studies," was to "promote the liberal and practical education of the industrial classes," in areas relating to agriculture and the mechanical arts.

The Land Grant schools, such as Iowa State, Ohio State, and Pennsylvania State colleges, and the older universities which shared in the federal largesse, such as Yale and Harvard, became in the late nineteenth century the potent center of agriculture-related research.

Evan Pugh, the founder of Pennsylvania State College, was a student of Liebig. Another Liebig student, Eben Horsford, returned to America to open a pioneering laboratory at Harvard for teaching analytical chemistry. Horsford's innovations spanned the field from condensed milk to fermentation of bread and alcohol. Horsford's successor at Harvard's Lawrence Scientific School was Prof. Oliver Wolcott Gibbs, another Liebig pupil, and a member of Alexander Dallas Bache's "Lazzaroni" inner circle.

Liebig student John A. Porter, the first dean of the Sheffield Scientific School of Yale, helped develop its courses in agriculture and nutrition. Another pupil of Liebig, William H. Brewer, was professor of agriculture in the Sheffield Scientific School from 1864 to 1903.

Brewer's colleague, S.W. Johnson, returned from Europe and his studies with Liebig in 1856. He then began teaching at Sheffield and translating the latest European works on chemical analysis for American chemists. In 1869, with Johnson's urging, Connecticut passed its Fertilizer Law requiring accurate labeling of contents, to be determined by state chemists. This was soon copied by the other states, realizing in America Liebig's proposal for such government regulation of a field that had been entirely unknown to the previous generation. In 1877, Johnson became director of the new Connecticut Experimental Station, emulating the 100 such stations which Liebig's influence had already estab-

lished in Germany, Italy, and Austria. With Johnson's lobbying, the U.S. Congress passed the Hatch Act in 1887, creating a national network of experimental stations.

## A rich harvest

For about 35 years after the end of the Civil War in 1865, government-sponsored science and government-protected industry guided an immense increase in American agricultural productivity.

After World War II's immense economic mobilization, America used the agricultural institutions founded by Lincoln to take another leap ahead in farm productivity. Science in fertilization, breeding, soil analysis, and heavy mechanization caused record crops, and gave promise for the end of world hunger.

We must still consider that one last burst of technological progress, in the two decades 1866-86, which was necessary to create the "modern times" witnessed in the twentieth century. America's amazing post-Civil War development was instigated and guided by the Philadelphia-based nationalists who had tutored and sponsored Abraham Lincoln. As we shall see, the spread of modern conditions to Japan and some other nations, and the electrification of the planet associated with the name of Thomas A. Edison, were both part of this last nationalist enterprise.



## 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>

**TO REACH** the campaign by electronic mail:

[larouche@clark.net](mailto:larouche@clark.net)

Paid for by Committee to Reverse the Accelerating Global Economic and Strategic Crisis: A LaRouche Exploratory Committee.

## 7. The ‘Philadelphia Interests’: the world after Lincoln

Following the American Civil War, U.S. statesmen, industry builders, military officers, scientists, and inventors in the nationalist faction fought against terrible odds to advance global technology and civilization. Assassins struck down their President in 1865, another President in 1881, and another in 1901. The nationalists were bankrupted in 1873, and U.S. government finances came under foreign control; piratical foreign representatives seized the great industries. By 1902, adherents of British policy governed the United States top-down, and blocked any further revolutionary technological advance.

Despite these obstacles, in the post-Civil War period the tightly knit nationalist faction created new infrastructure and industries which vastly expanded the power of man over nature, in the United States and abroad. Their crowning victory was the electrification of the United States and other nations by their protégé and fellow fighter, the inventor Thomas A. Edison.

“But wait!” the reader may be thinking. “Your history may suit a communist country, but not the United States. In capitalist countries, no one *planned* new technology. Sure, some inventors might have been idealistic at times; but money and the market drive our economy!” The idea that forethought and strategic purpose have guided man’s progress, is perhaps even more unsettling to some people, than the thought that evil men conspire against that progress. This may be because, in 1996, such real progress is unthinkable, is banned by “budget cuts” and “ecology.”

Yet, in 1870, there still existed a powerful American alternative to Wall Street, to British ideology. There was a general expectation of dramatic material progress; there were men and institutions determined to bring it about, and they had allies abroad. We report here on how some of the main industries were built, with their new technologies. In order to unmistakably *identify the strategists behind these enterprises*, we will review some of their other objectives, political and military; and explain how the nationalists were ultimately brought down.

At the heart of America’s post-Civil War development, were the political and intellectual associates of Henry C. Carey and Alexander Dallas Bache, and the complex of government and private institutions they and their predecessors had built since Benjamin Franklin.

The nationalists’ power revolved around the Pennsylvania Railroad (PRR), and the banking house of Jay Cooke. The

PRR had been built in the late 1840s; the city of Philadelphia bought a quarter of the corporate stock to subsidize construction. In 1857, PRR President J. Edgar Thomson hired the young engineer William J. Palmer—to become the sponsor of Thomas Edison—as his personal secretary; Palmer converted the railroad from wood- to coal-burning locomotives. The Pennsylvania Railroad grew to become the largest American corporation, with 6,000 miles of lines.

During the Civil War, PRR executives Thomas Scott and Andrew Carnegie organized the U.S. military telegraph office. William J. Palmer became a cavalry general and was awarded the Congressional Medal of Honor. Philadelphia nationalist Jay Cooke raised \$1 billion for the war effort: He sold U.S. bonds to ordinary citizens, and beat Wall Street’s attempt to blackmail the President by denying credit to the government. Cooke continued marketing most of the federal government’s bond sales after the war.

Thus a combination arose, involving banking, government, and Bache’s naval and military connections, with immense potential power for technological transformation. At the center was economist Henry C. Carey, the grand old man of nationalist strategy. His books and articles defined the purposes of the nationalists’ efforts. Carey’s ideas informed the federal policy that protected the mills and kept federal finances out of the hands of the London-Wall Street banking axis. And Carey’s behind-the-scenes relationships with the military, the scientists, and the pro-modern parties in each foreign country, were the web which held everything together.

By 1871-72 a unified set of large industrial companies was owned by a partnership, known informally as the “Philadelphia Interests,” including J. Edgar Thomson, Thomas A. Scott, Andrew Carnegie, William J. Palmer, Matthew Baird, Samuel Felton, and others. They ran the Pennsylvania Railroad, the Baldwin locomotive company, the Denver & Rio Grande Railroad, the Pennsylvania Steel Company, the Kansas Pacific Railway, the Mexican National Railways, the Automatic Telegraph Company, and numerous other railroads, iron forges, machine builders, and coal mines.

Partner Andrew Carnegie was building the J. Edgar Thomson steel works in Pittsburgh, the world’s largest and first truly modern steel mill. The Philadelphia Interests had just taken control of the Union Pacific Railroad, and had started George Westinghouse’s career by installing his air brake on PRR trains.

Meanwhile the group’s banker, Jay Cooke, with huge government land grants under Lincoln’s law, began construction of the 2,000-mile Northern Pacific Railway.

The management of these enterprises overlapped with the Franklin Institute, the University of Pennsylvania and the American Philosophical Society. The cadres developed under Alexander D. Bache’s leadership, and otherwise nested within this extended Philadelphia research/industrial complex, supplied the genius and drive for the most important U.S. engi-

neering and scientific endeavors. For example: Samuel Felton, president of several of the partners' railroads and steel companies, was the brother of Bache-Lazzaronian Cornelius C. Felton, who presided over vital scientific capabilities as president of Harvard College. Another example: Bacheite Benjamin Silliman, Jr. had published in 1855 a "Report on the Oil Rock, or Petroleum, from Venango County, Pennsylvania," on the chemical composition of underground oil and how to refine it; this was the beginning of America's oil industry, which was first promoted by the Philadelphia Interests.

Henry Carey's disciple Joseph Wharton, founder of the Bethlehem Steel Company, led the Washington D.C. lobbying on behalf of Carey and the PRR group. They secured protective tariffs so high as to block any British interference with U.S. development. Joseph Wharton founded the Wharton School of Business (later a school for swindlers and parasites) as a Careyite nationalist center.

### **British financiers open fire**

In 1871, at the height of the nationalists' power, the British forged a new Philadelphia-New York-London axis that would be used to break the entire American political leadership. London banker Junius S. Morgan merged his New York son, J.P. Morgan, into the Austrian-origin Drexel banking house of Philadelphia. The new firm was "Drexel, Morgan"—later, J.P. Morgan & Co.

Anthony Drexel owned the *Philadelphia Ledger*, which had a joint editorial operation with the London *Times*. The *Ledger* began relentlessly slandering Jay Cooke, the main banker for the U.S. government and the Philadelphia Interests; they said Cooke was going bankrupt, that his depositors and lenders would lose everything. These articles were circulated throughout the world, while Drexel, Morgan coordinated an all-out war against Cooke's credit standing within the financial community. Furious "anti-corruption" propaganda by the Anglophiles against all railroad building had already caused the Congress to shrink from further support for Cooke and his colleagues, and Cooke was weakened. Drexel's campaign struck its target with explosive effect.

Jay Cooke & Co. folded and closed its doors on Sept. 18, 1873. Within two days the Northern Pacific and most other American railroad construction halted. The new steel mills shut down, banks collapsed, stocks crashed. In this Panic of 1873, the Philadelphia industrialists were totally removed from the transcontinental railroad business. The overall pace of development in the American economy was never again to be recaptured. The goal of densely settling populations along the western routes of transcontinental railroads was abandoned by the men who took over the lines.

In 1879, the year that Henry Carey died, the Specie Resumption Act was officially implemented, ceding sovereignty over U.S. monetary policy to the international holders of gold.

Britain's Newcomen Society gloated over the change: "Drexel, Morgan & Co. achieved a major position in the dis-

tribution of U.S. Government bonds, a field that previously had practically been dominated by the Philadelphia banking firm of Jay Cooke. . . . After Cooke was forced into bankruptcy by the Panic of 1873, the Drexel-Morgan firm held an unrivaled position in this field of finance. . . . To the United States Treasury, [Morgan] could now offer distribution facilities . . . [involving] Drexel-Morgan . . . J.S. Morgan & Co. in London, . . . [and] international distribution through Levi Morton and the Rothschild firm." In fact, those very British firms constituted a syndicate which had gained iron control over U.S. government finances.

But in the darkening 1870s, Henry Carey and his associates did not submit. We will here offer thumbnail sketches of four "projects"—three foreign nations, and one famous man's career—projects which were carried out under conditions akin to enemy military occupation, and which the nationalists would continue for a few crucial years after Carey's death.

### **Japan gets on the track**

The U.S. nationalists had opened up Japan in the 1850s, when Commodore Matthew Perry brought a fleet loaded with a railroad train and a telegraph system; with U.S. backing, Japan went on to create a new pro-modernization government. In 1872, Japanese Prince Iwakura and much of his regime came to visit, staying in the home of Jay Cooke. His delegation was preparing a trade treaty and a loan of \$15 million for Japanese development, and Cooke was negotiating for Asian connections with the Northern Pacific system. The allied nationalists envisioned a global belt of railways, canals, and shipping operations to vastly increase the effectiveness of their economies.

At that time Henry Carey's associates, led by geologist/industrial planner Benjamin Smith Lyman and economist E. Peshine Smith, were in Japan coordinating the American-allied government's identification of mineral resources, planning railroads, and outlining tariff strategies. This was the birth of Japan's industrial might.

The fiercely anti-British John Bingham became ambassador to Japan in 1873. Bingham hung on to his post through several U.S. regimes until 1885, battling British diplomat Harry Parkes for influence over Japan's destiny: Should it be a powerful technological republic or a British-model chauvinist empire, a plaything of British geopolitics?

The eventual collapse of America's nationalist faction was a tragedy for Japan as well as for the United States. The Japanese entered modern times on an American train, but the British sidetracked it.

### **Russia's western start**

As America's most influential newspaper writer, Henry Carey had swung public opinion behind Russia in its 1854-56 Crimean War with Britain. Carey himself went to Russia in 1859, apparently to secure a U.S.-Russian alliance in the deepening U.S. sectional crisis. During the Civil War, Czar

Alexander II did send his fleet to New York and San Francisco to prevent British direct intervention on behalf of the Confederacy, and the United States began supplying ironclad warships to Russia.

Former Pennsylvania Gov. Andrew Curtin went to Russia as U.S. ambassador in 1869. Henry Carey hosted a send-off dinner for Curtin, where a U.S. general proposed that the czar should build a trans-Siberian railway, to link up with the United States, and to break British hegemony.

Carey's Philadelphia friend, George H. Boker, was ambassador to Russia from 1875 to 1878, and a new venture was undertaken.

The Russians appointed the publisher of Carey's polemical anti-British magazine articles, banker Wharton Barker, as Russia's American financial agent. In 1878 Barker built four battle cruisers for the Russian Navy in Philadelphia. Wharton Barker went to Russia to plan iron and coal mines, forges and factories, for the transformation of southern Russia. He formally proposed that the two nations prepare as allies for a war against Great Britain, aiming at "the accomplishment of the common work of Russia and America, namely the dismemberment of the British Empire."

Wharton Barker and his closest associates brought about the nomination of their candidate, James A. Garfield, who was elected U.S. President in November 1880. The czar signed the industrial development contracts with the Philadelphia organization on March 10, 1881; on March 13, Czar Alexander II was assassinated. One week later, Garfield was inaugurated; President Garfield was shot in July, and died in September. The new czar, Alexander III, continued some of the proposed southern Russian development, but now without participation by the clearly dangerous Philadelphians.

Count Sergei Witte, an advocate of Friedrich List's nationalism, would build Russia's Lincoln-style trans-Siberian railway and begin the country's industrial modernization in the 1890s. But the Russian Revolution overthrew Witte, and cut the American tie.

### **Ireland and the Carey submarine**

One hundred years after Mathew Carey had become an Irish revolutionary, his son, Henry Carey, plunged in and took responsibility for reviving the Irish struggle for independence from Britain. Carey's disciple, Philadelphia Irish immigrant physician William Carroll, was designated head of the Irish revolutionary underground—the Fenians, or *Clan na Gael*—in 1875. Dr. Carroll was chairman of the Clan na Gael executive committee from 1875 to 1880; he was backed in the movement's leadership by other Carey allies, notably Knights of Labor chief Terence V. Powderly, and University of Pennsylvania economics Prof. Robert Ellis Thompson.

Carroll and his colleagues sent cash and guns to Ireland, and in 1878 Carroll toured the British Isles, reuniting the bickering Irish underground into a cohesive force of 20,000 members. (Twenty years later this Careyite initiative would

result in the formation of the Sinn Fein, which went on to free most of Ireland from British rule.) Dr. Carroll's main partner in this work was Irish revolutionary John Devoy, who had become foreign editor for James Gordon Bennett, Jr.'s *New York Herald*. Several others of the Carey-allied Irish nationalist movement joined Devoy in guiding the *Herald*—a newspaper that would be useful to Thomas Edison.

Perhaps Dr. Carroll's most spectacular enterprise was the invention of the submarine. The *Clan na Gael* "skirmishing fund" paid Irish immigrant John Holland approximately \$60,000 to build prototype underwater warships; Carroll justified the expenditure by reference to Robert Fulton's similar craft in the 1790s. The three-man submarine *Fenian Ram* was tested in New York harbor in May 1881; the British embassy protested, but Garfield refused to interfere with the Irish operation. (Garfield died soon afterwards.) The U.S. Navy in the 1890s decided to revive the *Clan na Gael's* project, and paid John Holland to build the Navy's first battle submarines.

## **8. The real Thomas Edison**

Thomas Edison was called by admirers "the Franklin of the nineteenth century," and it is not surprising that he should be slandered by his detractors precisely as was Franklin: "a mere tinkerer," "uneducated," "unscientific," "an empiricist." The Dec. 31, 1995 *Washington Post* labeled Edison "a grease monkey. A putterer. A mechanic." As the lie was put about, that Franklin was a "British agent," so has Edison been called a Wall Street stooge. It is said that J.P. Morgan sponsored Edison's work, or that speculator Jay Gould gave Edison his start.

These and other calumnies constitute an outpouring of Anglo-establishment rage which is puzzling until one knows who Edison really was.

At the height of their power, the Philadelphia industrial-scientific-political grouping (see previous sections) discovered *Thomas Edison* as a young, clever inventor of telegraphic devices. They set him up as an independent full-time inventor. They encouraged him into astonishing inventions. When they were grievously weakened, financially and politically, they schemed to make Edison famous. Recognizing the force of his genius, they asked him to invent the electric light and tutored him in the history of the field. They protected Edison as far as possible from the brutal sabotage of J.P. Morgan, their enemy, and they stayed with Edison, through to the victorious electrification of the world.

The following report is, as far as is known, the first published attempt to systematically account for Edison in his real relations to the "principalities and powers," and to see Edison's own thinking in the context of America's technolog-

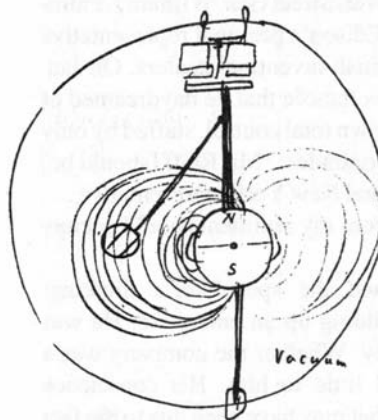
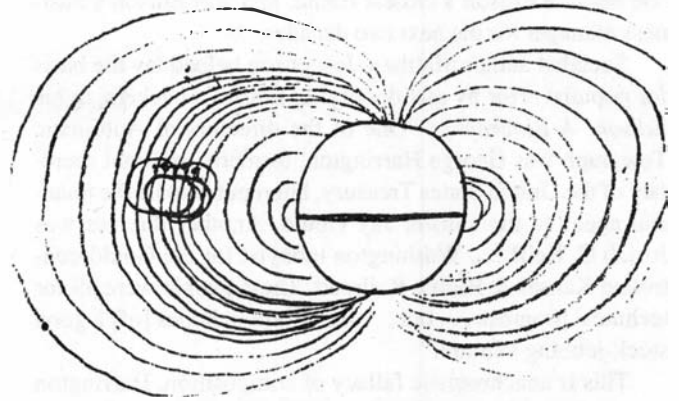


Thomas Alva Edison created the first modern research and development laboratory, an “invention factory” to transform the world, just as Leibniz had proposed. Edison perfected the telephone, and invented electric lights, the electric power industry, sound recording, and motion pictures. He is shown here with the “Edison effect” lamp.

ical optimism—something considered quite “incorrect” today.

It was William Jackson Palmer who directed the initial rescue of Edison out of Wall Street’s employ. By the end of the Civil War, Palmer had become a full partner in the “Philadelphia Interests.” He had converted the Pennsylvania Railroad to coal. As a Union officer, his cavalry had routed and captured an entire Rebel regiment in Alabama. The partners in 1866 sent Palmer and his assistant, telegraph expert Edward H. Johnson, out west to build the Kansas Pacific Railroad.

Backed by their industrial power, and the land grants and greenback-issuance policies put in place by President Lincoln, Palmer and Johnson surveyed the Kansas Pacific route through untracked wilderness in New Mexico and Arizona to the West Coast, and built the line from Kansas City, Missouri to Denver, Colorado. Johnson served as telegraphic constructor, surveyor, and Palmer’s secretary. With Johnson’s assistance, Palmer began building a line from Denver to Mexico City, with plans to develop modern manufacturing in both of the United States’ North American sister republics.



Entries in Edison’s notebooks, 1886. Edison hypothesized on the force geometries shaping the solar system, and theorized that overlapping force lines from the Sun and the Earth produced the Earth’s rotation. Left, an “apparatus to prove the theory.” Like Franklin, Edison had no use for Isaac Newton’s dead, purposeless universe.

But Wall Street was pressing everywhere to take over and milk or destroy productive enterprises. Jay Gould would get into the Kansas Pacific; the Boston Brahmins would move to shoot down Palmer’s operations.

### Backed by the Philadelphians

In 1870, Palmer, one of his Kansas Pacific executives named Josiah Reiff, and Philadelphian George Harrington, formerly Lincoln’s assistant secretary of the treasury, set up the Automatic Telegraph Company in New York City. The firm was supposed to compete with the Western Union Company, which only bought inventions in order to silence a potential challenge to its communications monopoly, and would suppress or make use of them as necessary.

Palmer sent Johnson back East to supervise Automatic’s work, and Johnson hired the 24-year-old Thomas Alva Edison to invent their technology. Edison had made a name for himself as an employee or contractor developing telegraphic devices, but Wall Street had hemmed him in. The Automatic Telegraph Company now gave Edison \$40,000 to set up a new shop; Reiff later arranged that Edison would be on salary

while doing his telegraphic inventing. Edison accepted on condition that Johnson be assigned as his chief assistant. Johnson became Edison's closest friend, and was Edison's business manager for the next two decades.

Socialist author Matthew Josephson helped lay the basis for populist error by misidentifying Edison's backers, in his *Edison: A Biography*: "One of the directors of Automatic Telegraph was George Harrington, formerly assistant secretary of the United States Treasury, but reputed to be the financial agent of the sinister Jay Gould. Another director was Josiah C. Reiff . . . Washington lobbyist for the Gould-controlled Kansas & Pacific Railroad. These people were all for technical progress . . . but . . . they were in hopes [of] a good stock-jobbing venture."

This is anachronistic fallacy of composition. Harrington eventually sold out to Gould; and Gould was contending for and eventually took over the Kansas Pacific. But Reiff, and Automatic's international representative Colonel Gouraud, were both agents of the anti-Wall Street Gen. William J. Palmer. Gouraud would become Edison's personal representative in England, dealing with British invention-stealers. On Jan. 17, 1870, Palmer wrote to his fiancée that he daydreamed of an "ideal railroad" under his own total control, staffed by only his closest and most trusted comrades: "Mr. Reiff [should be] general agent, Colonel Gouraud New York representative . . . and a host of good fellows from my regiment should occupy . . . various positions."

Edison himself explained the speculator's thinking: "Gould took no pride in building up an enterprise. He was after money, and money only. Whether the company was a success or failure mattered little to him. His conscience seemed to be atrophied, but that may have been due to the fact that he was contending with men [of Western Union] who never had any to be atrophied."

To understand Edison's mental map, it helps to consider the background of his Canadian immigrant father, Samuel Edison, who assisted Thomas in his Automatic Telegraph work and would construct his famous Menlo Park, New Jersey laboratory. Like Henry Carey's father, Mathew Carey, Thomas Edison's father was indicted for treason against the British Crown. Samuel Edison organized his townsmen against British rule, and, in 1837, he was forced to flee through the woods from British troops pursuing him. He escaped across the river-border from Ontario to Michigan, and later moved to Ohio, where Thomas was born in 1847.

### Attacking a problem

Johnson described Edison's probe of everything ever done before on the telegraph problem under study—how to send several messages simultaneously on the same wire, at high speed:

"There were numerous theoretical solutions in French books, but none of them enabled him to exceed the rate of 200 words a minute. . . . I came in one night and there sat Edison

with a pile of chemical books that were five feet high when laid one upon another. He had ordered them from New York, London and Paris. He studied them day and night. He ate at his desk and slept in a chair. In six weeks he had gone through the books, written a volume of abstracts, made 2,000 experiments . . . and produced a solution, the only one that could do the thing he wanted." Edison wrote, "I would construct a theory and work on its lines until I found it untenable, then it would be discarded and another theory evolved. This was the only possible way for me to work out the problem."

In 1876, Edison moved into the new Menlo Park laboratory, the "invention factory," with the Philadelphians' Johnson as his chief executive assistant. Alexander Graham Bell had recently developed a toy-like telephone device, somewhat better than two cans on a string, which could be used with difficulty over a short distance. Edison and his staff went to work to perfect the telephone; by 1877, he had invented the carbon transmitter and microphone, making the telephone practical.

Bell was backed on Wall Street by Boston's John Murray Forbes, a Baring Bank ally and head of the Boston-to-China opium syndicate; Forbes's son Hathaway would be Bell Telephone's first president. Edison, Johnson, and Colonel Gouraud created a rival telephone company and fought it out for preeminence in England itself against the Bell forces; the rival British companies eventually merged.

A few years earlier, Edison had met George F. Barker, a professor of physics at the University of Pennsylvania. Barker (no known relation to Wharton Barker) was chief scientist at the Franklin Institute, resuming Alexander D. Bache's role. Professor Barker became Edison's scientific "angel" and dear friend.

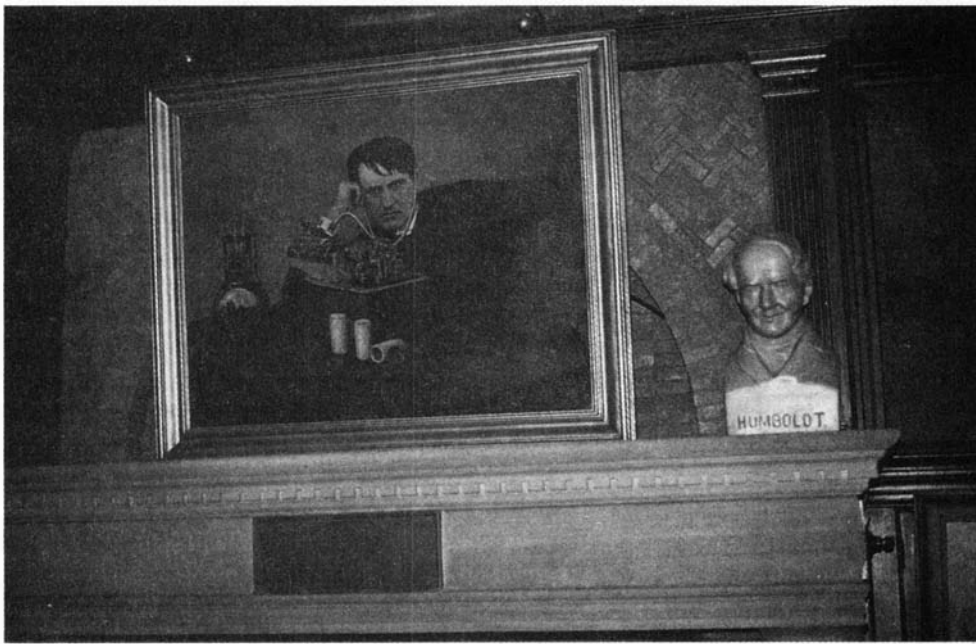
### Inventing the phonograph

The Bell-Edison telephone was going to market, and Edison asked: What if you call someone, and he is not in? The voice must be somehow preserved. Professor Barker encouraged Edison to take up the solution to the question—the invention of the phonograph. Edison had been partially deaf since childhood, but had trained his concentration so he could hear the entire musical overtone series. He loved Beethoven and hated Wagner; he worried that his new instrument could not reproduce a truly beautiful sound, and warned against its use for bad popular musical entertainment.

Once the phonograph was tested successfully, the embattled Philadelphia nationalists set out to make Edison famous.

Professor Barker arranged for Edison to be invited to the April 18, 1878 Washington, D.C. meeting of the National Academy of Sciences, an institution founded by Bache for loyal scientists during the Civil War. Barker and his friends made sure that the hall was packed with a warmed-up audience. The first words of the device to the public were, "The Speaking Phonograph has the honor of presenting itself to the Academy of Sciences."





*The Edison Museum in West Orange, New Jersey, displays a portrait of Thomas Edison alongside Edison's bust of German scientist Alexander von Humboldt. Edison considered Humboldt the father of American science.*

That night, a demonstration was held for the press in the Washington bureau of the *Philadelphia Inquirer*. The next day, with the cooperation of nationalist political leader James Blaine (soon to be President Garfield's secretary of state), the phonograph was demonstrated for congressmen in the home of Blaine's niece.

This publicity, organized by the Philadelphians and their political allies, made Edison world-famous.

To see a little bit of the connection between Edison and his political backers, we advert to a message from Professor Barker to Edison on March 22, 1878. Barker telegraphed that he wanted to hook up a direct telephone line from Menlo Park into the University of Pennsylvania for his forthcoming lecture. Barker then asked Edison, "Would it be too much of a favor to ask that you allow someone at your shop to give me occasionally a little time for experiment? For example I am to have at the University on Wednesday next, some of our most prominent men, Mr. Henry C. Carey, [Careyite journalist] Mr. Morton McMichael, Mr. Geo. H. Boker [former ambassador to Russia] etc. to see the telephone (the Bell [and two other devices]) and I should be very glad to use that opportunity to show them the greatest of the telephones, Mr. Edison's. Could you let someone do some talking [i.e., on the telephone from Menlo Park to the lecture-demonstration for Henry Carey et al.] about 4 p.m. on that day?" A few days earlier, General Palmer had written congratulations to Johnson: "Edison's last developments beat Aladdin completely."

### **The fight for light**

In July 1878, Professor Barker invited Edison to travel with him by the new railroad to Wyoming, to view a solar eclipse, and on to the West Coast. On this trip of two months,

Barker reviewed with Edison the development of electrical science, and the recent attempts to create light from electricity. *Barker proposed that Edison take this up as his own great project.* On Sept. 8, Barker next took Edison to Connecticut, to view an arc light (a bow of flame between two adjacent electrodes, unsuitable for indoor use) and a water-powered generator. Seeing a problem posed, and that no one was on the track to a solution, Edison excitedly took up the challenge.

Edison's object was to electrically heat, and cause to glow, some material ("filament") contained inside a glass, without consuming it; to "divide the light," by having an unlimited number of such devices running on the same power source; and to create a steam-driven generator that would convert fuel burned into electricity with such efficiency that the new light would be at least as cheap as the gas lights then in use.

Early the next month, October 1878, Edison boldly announced to the newspapers that he had invented the electric light, that he would produce light and electric power universally for the cities, thus moving civilization to a new stage.

Edison was confident he could do what he claimed. But the Philadelphians were staggering financially; Edison and his friends would have to get cash to move the work to completion. And those who controlled the main sources of available funding, Britain's U.S.-based financial agents, viewed Edison with alarm.

J.P. Morgan, his partner Anthony Drexel, and Rothschild representative August Belmont all came to Menlo Park in early December to negotiate for rights to Edison's yet-to-be-created electric light. Morgan immediately incorporated his Edison Electric Lighting Company (EELC).

Knowing that the London-New York financial axis wanted control so that they could suppress his work, and faced with

Morgan's lawyer Grosvenor Lowry's demands for secrecy, Edison used publicity to educate a broad range of supporters and potential financial backers.

The *New York Herald*, with its Irish underground editors, was Edison's special champion. A particularly influential article in the Dec. 21, 1879 *Herald* precisely and scientifically detailed the history of Edison's work on light and power up to that point, describing the result as "a bright, beautiful light, like the mellow sunset of an Italian autumn"; the author had accompanied Edison and Professor Barker on their trip out west.

The British scientific establishment and their American hangers-on churned out incessant, scornful anti-Edison propaganda. A special committee of Parliament heard experts testify that the electric light was impossible, and electric power would be dangerous in the general public's use. Sir William Preece told the Royal United Service Institution on Feb. 15, 1879:

"It is . . . easily shown (and that is by the application of perfectly definite and well-known scientific laws) that in a circuit [with constant] electro-motive force . . . additional lamps [inserted] . . . in series [will cause a sharp diminution of the light in relation to] the number inserted. Hence a sub-division of the electric light is an absolute *ignis fatuus*."

Among the attacks against Edison in the *New York Times* was an interview with a prestigious scientist, Henry Morton, pronouncing the whole electric light idea a failure, and repeating the British line that "no sub-division of the light is possible."

The nationalists' *New York Herald* replied, referring to the British heart of the problem: "Mr. Morton . . . will not have [the electric light] on any terms, and when a man of his eminence . . . refuses to consent to the electric light it is but little short of impertinence for Mr. Edison to invent it. . . . As Lord Russell [former British prime minister] was willing to consent that the progress of the British people might be admitted to go so far as he approved, but held that the point so gained must be a finality, so this professor will not admit that there may be any movement in the progress of invention beyond his finality; which is gas."

At length, Edison made his impossible light, his unlawful dynamo, and the hundreds of other inventions necessary for a working power system. Morgan blocked the manufacture of light bulbs, preferring to simply hold the patents. So Edison sold stock in the EELC and he and Johnson set up the Edison Lamp Company to make the bulbs.

A single power station was established, at Pearl Street, New York. The Morgan-controlled EELC bluntly refused to allow any more generators to be built. But the overwhelming public faith in Edison's competence made it likely that other money sources could somehow be found, and a brawl on the EELC board loosened Morgan's stranglehold for a time. Edison now proceeded with the spread of electricity the way the nationalists had built railroads before the Civil War—*municipalities issued their own bonds to pay for the building*

*of power stations*. Production of dynamos and their installation grew rapidly. Large city central power stations rose to 12 in 1884, and to 58 in 1886. By 1888, Edison had installed 200 central lighting stations and 1,500 isolated plants (and he held about \$4 million in municipal bonds).

Edison's power stations brought electricity to South America and Japan. Johnson and Professor Barker spread Edison's systems to Europe. German industrialist Emil Rathenau became Edison's partner in Germany. Rathenau was the opponent of the British-controlled Siemens company, whose 40% efficient dynamo had been bested by Edison's 90% rating. So it was Rathenau's Edison company, later called Allgemeine Electricitäts Gesellschaft (AEG), which turned on the lights in Berlin and electrified German industry.

### 'He couldn't solve a simple equation'

Who, then, really, was this man who brought light and power to the world?

With a mind that demanded problems to solve, that fought for solutions, Edison received direct support from America's best scientific thinkers, who had been trained in the milieu of Gauss and Humboldt. Edison's bust of Alexander von Humboldt sits in the Edison laboratory historic site in West Orange, New Jersey.

Edison's notebooks contain countless thousands of experiments and free explorations of much of the domain of science. His working hypotheses on the nature of gravity as electromagnetism, including his picturing of the origin of the earth's rotation in terms of the overlapping lines of force of the Sun and the Earth, are in the tradition of Johannes Kepler's work—and a challenge to the Newtonian dogma that separates gravity from electromagnetism.

At one point, J.P. Morgan's men brought in the young Francis Upton, trained by the prestigious Newtonian Hermann Helmholtz, to serve as "expert mathematician" to the presumably crude Edison. But, after a time, Upton confessed himself Edison's scientific inferior. Yet the man who brought Upton in, Francis Jehl, later bitterly complained to Upton that Edison had "such real little knowledge, a man that cannot solve a simple equation."

Edison attracted to himself fanatically dedicated young researchers, in the post-Civil War era of hope and determination to remake the world. Edison's laboratories were the first modern R&D facilities, in line with Leibniz's "Academy" proposal for "institutions of research and development with their own manufacturing and commercial houses directly attached . . . [to] offer a just, low price for merchandise. . . . The trading monopolies will be eliminated."

Edison's economic ideas were terrifying to the rentier financiers. As he put it, "The company with the best and cheapest machinery will do the business. . . . Fact is . . . all electric machinery is entirely too high now. These high prices hurt the business. With the leaden collar of the Edison Electric Light Co. all around me, I have never been able to show what

can be done. The ground of cheapening has scarcely been scratched. Let us break the leaden collar and you will see a brainy competition that will show them what real competition is. . . . [Prices] must go down 50 to 75% lower than now . . . and we will make a great profit.”

Among the assistants trained personally by Edison were Henry Ford, who created the automobile industry, and Frank J. Sprague. Sprague worked with Edison on electric trains,

then formed a new company led by the Philadelphian Edward Johnson; they developed the electric subways, the elevators, and many basic electric industrial tools.

The Edison companies, like all the great American industries, were usurped by Morgan and related British-approved financiers. No significant new technology is attributable to those financiers, to Wall Street, or to the “magic of the marketplace.”

## Bibliography and acknowledgments

The author gratefully acknowledges the research and counsel of the following persons in preparation of this article: Richard Black, Elliott Greenspan, Laurence Hecht, Denise M. Henderson, Carol Hugunin, Robert Hux, Michael Leppig, Alan Levinson, H. Graham Lowry, Arthur Murphy, Richard Sanders, the late Richard Sober, Charles B. Stevens, and Philip Valenti.

Many of the facts presented in this study are quite widely known, but they are not thought to be especially significant. Perhaps this may be attributed to the brain-death typical of academia, as much as to historians' Anglo-phililia or other prejudice.

Thomas Edison is a good case in point. Virtually every standard Edison biography mentions that a certain Prof. George F. Barker was Edison's science adviser and that he asked Edison to invent the electric light. And most biographies note that a certain Edward H. Johnson was Edison's best friend and business manager. But no biography really inquires into who these people were, where they came from, or what was on their minds.

A large volume of correspondence involving Edison and these two men, a vast array of Edison's notebooks and other treasures, are in the Thomas A. Edison papers, which are now available on microfilm at major libraries.

Some of the research for this article was done in the Duke of Bridgewater papers at Salford University, Salford, England; Matthew Boulton papers, Birmingham City Archives, Birmingham, England; Henry C. Carey papers, Pennsylvania Historical Society, Philadelphia; William J. Palmer papers, Pennsylvania State Library, Harrisburg; Wharton Barker papers, Library of Congress, Washington; records of the 1837 rebellion (for Edison's father), National Library, Ottawa, Canada; and the George F. Barker papers, University of Pennsylvania archives, Philadelphia.

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Since such historical figures as Franklin, Hamilton, and Lincoln acted on philosophical grounds which are today considered incorrect or dangerous, their own writings should be read in preference to most secondary works about them, which often range from pointless to deceitful.

## British prepare to ignite genocidal war in Sudan

by Muriel Mirak-Weissbach

On Jan. 31, the last day of their rotating chairmanship of the United Nations Security Council, the British rammed through a resolution condemning Sudan, for allegedly providing support and sanctuary to terrorists. The resolution called for “cooperation” on the part of the Sudanese government, in pursuing suspected terrorists, and requested a report from the U.N. secretary general within 60 days. The key clause in the resolution, not written, but understood by all concerned, is that if Sudan does not come up with three “suspected terrorists” within the two-month period, that august international body, which has slapped embargos on Iraq, Libya, and others, will impose trade sanctions against Khartoum.

On the same day, the U.S. government made known, through a State Department release, its decision “to suspend its diplomatic presence in Sudan.” All American personnel at the U.S. embassy in Khartoum were to be removed, “due to continuing concern for [their] safety.” The release said that the United States, having noted the presence of terrorists in Sudan, had urged the government to take measures to curb their activity and guarantee security of U.S. diplomats. The statement claimed that the decision represented “neither a break in diplomatic relations with the Government of Sudan nor a change in U.S. policy toward Sudan.”

The two moves, taken together, signal that the longstanding British imperial design to destabilize Sudan and the entire region, has moved into the operational phase. London knows exactly what kind of inferno this will unleash. Whether or not the queen’s little helpers in the State Department are aware of the grave consequences of their actions, Washington is stumbling headlong into one of the most catastrophic foreign policy blunders of its history. Unless the policy is reversed, and the drive for sanctions against Sudan is stopped, the Horn

of Africa will go up in flames, and with it, any illusions that America could command respect anywhere in the developing sector.

The imposition of sanctions against Sudan, would ignite chaos, economic and social disruption, and genocidal war. Trade with the country’s nine land neighbors, Egypt, Libya, Chad, Central African Republic, Zaire, Uganda, Kenya, Ethiopia, and Eritrea, as well as with Saudi Arabia across the Red Sea, would be disrupted, causing immediate suffering for populations dependent on such trade and trade routes for their subsistence. Sanctions would halt supplies of oil as well as military goods to Sudan, thus paralyzing the central government’s efforts to contain the armed rebellion in the south.

The sanctions policy is designed to beef up the rebel onslaught militarily, and prepare conditions for an overthrow of the Khartoum government. British authorship of this policy is a matter of history. It was the British who, shortly before conceding independence in 1956, ignited the rebellion among southern tribes which developed into protracted war over decades. Through their Colonial Office, re-baptized the Overseas Development Office, the British have organized political, military, logistical, and humanitarian support for the rebel faction of John Garang and his Sudanese Peoples Liberation Army (SPLA). Baroness Lynda Chalker, the overseas development minister, has personally run Ugandan dictator Yoweri Museveni, whose troops have been engaged in an attempted invasion of Sudan since November.

### Two-pronged military attack

Over the past three months, Eritrea and Ethiopia, both under direct British supervision, have been recruited to the war effort as well. The German daily *Frankfurter Allgemeine*

*Zeitung* reported on Jan. 29, that rebel forces, poised to launch an offensive in the dry season, “had amassed forces at the city of Juba, where the Khartoum government troops are said to have stationed 25,000 soldiers, in expectation of the attack.” The rebels “are receiving, predominantly from the North of Uganda, new weapons, spare parts, and medical equipment,” the *Zeitung* continued. Earlier, the London *Daily Telegraph* had trumpeted the news that a new rebel offensive would start, this time with “support from the outside.” This includes air shipments of materiel into the war zone, courtesy of Ethiopian Airlines, which flies weapons into Entebbe airport, which is closed down to civilian traffic “six to ten times a week,” according to the *Zeitung*, in order to host the military supply flights. Sudanese forces have seized military equipment coming from Egypt, as well.

In addition to escalating pressures on the southern front, the British have launched incursions, through their Ethiopian proxies, in the east. Between Dec. 29 and Jan. 11, Ethiopian forces reportedly penetrated Basalab, Lukdi, and Hamarayh. These incursions were repelled by the Sudanese, who inflicted casualties and destroyed tanks, but the Ethiopians have since continued shelling Sudanese towns and garrisons from their own territory. Furthermore, they have recently moved heavy artillery into Geisan and Kurmuk, locations in eastern Sudan not far from the rebel positions in the south. Although this virtual second front has been opened in the east, it is expected that the southern offensive will remain the major thrust of the rebels. Statements made by Ugandan dictator Museveni in the last days of January, accusing Khartoum of fomenting Ugandan rebellions, have been read as signals, that Uganda is preparing a major attack there, together with Garang et al.

Ultimately, the two-pronged military attack is designed to shatter Sudan’s national unity, creating a series of mini-states not only in the south, but also in the east. On the drawing boards of London’s geopolitical institutes, is a plan to create an artificial entity there, which would unite tribal groups of Tigrean stock, in Eritrea, part of Ethiopia, and the strip of Sudan along the Red Sea coast. Such a mini-state would effectively cut Sudan off from access to the sea.

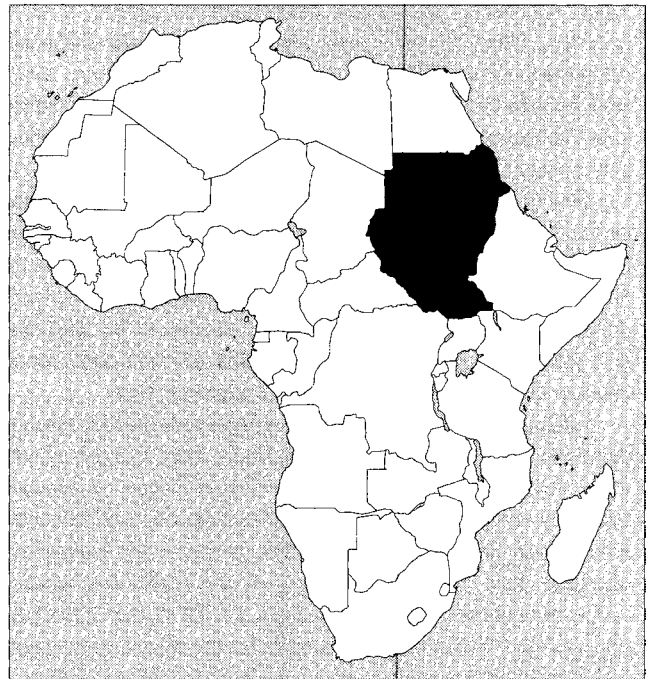
British strategy is to rev up the military assault from the south, continuing pin-prick incursions as diversionary moves on the eastern front, and then move for the kill in the capital itself. Herein lies the significance of the State Department decision to pull diplomatic personnel out. According to one Russian strategist, with experience in the Arab and Islamic world, the obvious reason is that “we can expect a great uprising, with killing and bloodshed in the Sudanese capital, it can happen.”

### Behind the ‘terrorism’ charge

The countdown to war in the Horn of Africa is the final phase of a process that the British have orchestrated over several years. To set the stage, it was necessary to paint Sudan

FIGURE 1

### Sudan in the African continent



as the enemy. Specifically, Sudan must be presented as the center of “Islamic fundamentalist terrorism.” Since the founding in 1991 of the Popular Arab and Islamic Conference, its leader, Dr. Hassan Turabi, has been depicted as the “Lenin of international Islamic terrorism.” Sudanese connections to terrorism then were alleged, as in the case of the World Trade Center bombing. But it was in June 1995 that the Sudanese were set up in earnest. On June 26, Egyptian President Hosni Mubarak was assaulted by a terrorist hit team, while driving from the airport to a conference of the Organization of African Unity (OAU) in Addis Abeba, Ethiopia. *EIR* reported at the time, Lyndon LaRouche’s assessment that the hit had been a deliberate miss, a “fake attack,” designed to whip Mubarak into line, and to lay the blame on the Sudanese. Mubarak returned immediately to Cairo, instead of attending the African summit, during which reconciliation talks between Sudan and its neighbors were to take place. He openly accused Sudan of responsibility for the attempt. Mubarak simultaneously exacerbated tensions in Halaib, Sudanese territory claimed by Egypt, while joint British-American-Egyptian maneuvers in the Red Sea simulated a blockade against Sudan. The Egyptians also changed legislation regarding Sudanese entry to that country, introducing visa and sojourn permit requirements. This was a precautionary move, to prevent an expected flood of refugees from Sudan, in the event the country were put under sanctions.

Parallel to the assassination attempt against Mubarak, was an initiative of the Christian Solidarity International (CSI), a British intelligence front headed by Baroness Caroline Cox, Lord Avebury, and other operatives in ethnic conflict schemes. The CSI sponsored a conference of the Sudanese opposition in the Eritrean capital, Asmara, in June 1995, which issued a resolution calling for extending the war in the south to the whole country, and overthrowing the Khartoum government by force.

One of the participants in the conference was John Eibner, of the Institute of Christian Minorities in the Islamic World, a subsidiary of CSI. Eibner is the person who wrote in the *Wall Street Journal* in 1992, that Sudan should be given “self-determination,” by which he meant, it should be split into five states. He pushed this option at the Asmara conference, convened to “give the initiative a ‘Sudanese’ face.”

Ethiopian investigators into the Mubarak murder attempt concluded at the time, that all assailants were Egyptians, and even sent Egyptian intelligence officers home, on charges that they were trying to bias the investigations and bribe the Ethiopians. But then, under British pressure, the Ethiopians changed their line. At a meeting of the conflict resolution committee of the OAU, held on Sept. 11, 1995, the Ethiopians charged that Sudan was responsible for the assassination plot, and that it was harboring a suspect whom it refused to release. The meeting had been especially so arranged, to obtain the desired result; Sudan had been neither invited nor informed of the charges.

### Conference at the British House of Lords

A second meeting of the Sudanese opposition was organized from Nov. 29 to Dec. 1, again by Baroness Cox and the CSI. This time, the conference was convoked in nothing less than the House of Lords in London! Thus, Cox and her ilk were openly acknowledging their authorship, sponsorship, and direction of the drive to destroy the government of a sovereign nation. The resolution adopted at the conference endorsed the Asmara conference resolution, underwriting that meeting’s call for the violent overthrow of the government of Sudan, and, as a prerequisite to this end, the conference pushed for the unification of the disparate rebel forces. Point 6 of the resolution reads: “In the struggle for the overthrow of the NIF [National Islamic Front] regime and the struggle for the restoration of democracy and rule of law, the opposition forces need unity and solidarity. The Conference resolves that the unity of all the political groups opposed to the fundamentalist National Islamic Front (NIF) regime is of paramount importance and measures should be undertaken to promote this unity.”

The House of Lords conference explicitly raised the proposal of sanctions against Sudan. It called on the “Friends of IGADD” to organize it. IGADD is the Inter-Governmental Authority on Drought and Development, a group of Sudan’s

neighbors who have been engaged previously in serious attempts to mediate a negotiated solution to the war in southern Sudan. Through arm-twisting and bribery, the IGADD has become a vehicle for Britain’s imperialist campaign to fuel the war against the Sudanese central government. What the House of Lords conference did, according to the final resolution, was “to request, as a matter of urgency, the U.N. Security Council to condemn the Government of Sudan as a terrorist regime and for its sponsorship of terrorist actions, within and outside Sudan, with particular reference to:

“—the attempted assassination of President Mubarak of Egypt;

“—its support of the Lord’s Resistance Army in Uganda, the Eritrean Islamic Jihad organization and other terrorist organizations in Egypt, Algeria, Tunisia, and other countries of the region;

“—its threats to invade Uganda.

“This conference urges the U.N. Security Council to initiate an arms and oil embargo to prevent the escalation of domestic and international terrorist and military activities by the Government of Sudan.”

The marching orders delivered by Baroness Cox in the House of Lords to her minions in the Sudanese opposition and the regional puppet regimes, were immediately followed. Although on Dec. 18, during another meeting of the OAU Conflict Organ, it was agreed that Sudan would be given time to work with Ethiopia, to search for the suspected terrorists alleged to be in hiding in Sudan, just days later, on Dec. 21, the Ethiopian government took the matter to the U.N. Security Council. The case against Sudan alleged that it was refusing cooperation, was behind the assassination attempt, and was seeking to coerce Ethiopia to engage in a coverup! As the Sudanese mission testified, the reason Sudan was the prime suspect, was that the assassination had been “very sophisticated.” The allegations that Sudan were trying to engage Ethiopian authorities in a coverup, derived from Khartoum’s request for cooperation in the investigation.

### British push for U.N. sanctions

The British, who were chairing the U.N. Security Council beginning Jan. 1, depended on Ethiopia to bring forward the charges. It had to appear, as if it were a regional power, an African government, that lodged the complaint. For this reason, the whole charade in the OAU’s conflict resolution group had been orchestrated. To make sure Addis Abeba would comply, London greased a few palms, by organizing a “donors’ conference” for “aid” to Ethiopia.

In the U.N. itself, the Brits held sway with little or no difficulty. The Germans, hankering for a seat among the club of the Security Council permanent members, would pose no objections. Abruptly reversing Bonn’s former, relatively balanced attitude toward Sudan, German President Roman Herzog undertook a tour of the anti-Sudan coalition countries in

Africa, just as the U.N. resolution was being typed up. Herzog traveled first to Uganda, where he went out of his way to praise the country as a "haven of stability" and "pearl of Africa." "In your governmental term, Uganda has developed into a haven of stability in this crisis-shaken region of Africa," Herzog said in his Jan. 23 address, listing the announced general elections and new constitution of Uganda as well as Museveni's decision to "host several hundred thousand refugees," as signs that Uganda is on the right path. Herzog then called on Museveni to support Bonn's efforts to "engage for a solution to the big problems of the region, predominantly in Rwanda and Burundi." (Herzog omitted any mention of Ugandan responsibility for the genocide in Rwanda and Burundi.)

According to the *Frankfurter Allgemeine Zeitung* report on his visit, "Federal President Herzog told this newspaper in response to a question whether, after this tour, Bonn was considering supporting the countries neighboring the fundamentalist Khartoum regime not just with friendly words, but also with financial aid or military equipment: If there were such promises, I would not be allowed to talk about them." And, "from among circles of the [German] delegation," the daily continued, "it was leaked that not only President Herzog, but also Foreign Minister [Klaus] Kinkel during his visit to Addis Ababa last week 'made concrete promises in connection with the development [the war] in southern Sudan.'" Thus, not only are the Germans supporting the rebels and their regional partners financially, but, it appears, also logistically. The *Zeitung* noted that crews of two German Transall air transports, flying under the cover of humanitarian aid, have been conducting surveillance operations on the hostilities there, through observations from 2,000 meters altitude.

To make one hundred percent sure that Bonn would go along with the British campaign for U.N. sanctions, British intelligence pulled a slick trick when Herzog was to visit Ethiopia and Eritrea, after Uganda. As the *Zeitung* reported, "security precautions for Herzog in Eritrea were drastically upgraded. Thus, on short notice, in addition to other vehicles an armoured German limousine was flown in from Germany to the capital Asmara." The reason? "Security officials feared that a terrorist commando, egged on by the Sudanese fundamentalists, could exploit the visit to organize an assault against the State visit."

How could Germany object to a U.N. resolution condemning Sudan, if its President were threatened by assassination? France, which had curried favor with the Sudanese government for the last years, showed its true colors, by lining up with Britain fully. Curiously, during the debate on Sudanese sponsorship of terrorism, there was no reference to the clamorous development in 1995, when Sudan apprehended the notorious Carlos, and, unprompted, extradited him to France. As for the remaining members of the U.N. "Perm Five," Russia was initially thought to be leaning in the direction of a

stalling tactic, to postpone debate, and ultimately kill it, in the interest of protecting its considerable economic and trade deals with Sudan. But, while the U.N. Security Council was meeting in the last days of January, Prime Minister Viktor Chernomyrdin was in Washington, looking for money. As a Russian strategist commented, "Do you think we would stop this resolution, after receiving that \$9 billion?" He was referring to the reported deal reached between Chernomyrdin and the International Monetary Fund in Washington, for an IMF standby credit. The man went on: "If the vote had taken place a month earlier, or a month later, it would be different, but we are not going to challenge the Americans now."

The State Department action makes clear that Washington is blindly following the British lead. Not only politically, but, if the *Zeitung* report is reliable, also militarily. The paper reported that "60 American soldiers of the 'Special Forces' are training, as instructors and advisers, the rebels in southern Sudan for the expected battles. At present, the American soldiers are said to be stationed near Juba."

### **An ultimatum**

The resolution passed on Jan. 31, constitutes an ultimatum to Khartoum: Hand over three terrorists within two months or we will impose sanctions, escalate the war, and overthrow your government. Based on past performance, it is to be expected that even if Sudan were to find the persons generically described as suspects, the British would not be placated. As the Permanent Representative of Sudan commented on Jan. 29, the draft resolution constituted "a punitive action." "It is not the pumice stone softening the hard skin of the Sudan," he said. "It is actually a thorny sharp instrument cutting hard and deep on the flesh of the people of the Sudan."

Britain is committed to sanctions as a trigger for chaos, and ethnic and tribal war, throughout the Horn of Africa, a genocidal inferno on a vast scale, which would make the Rwanda and Burundi tragedies pale in comparison.

Such an immense tragedy is being planned, yet the Western mass media have had virtually nothing to say. One of the most striking features of the entire British-led setup against Sudan, including the U.N. debate, is that it has been carried out in virtual silence. The other striking feature is the timing: The countdown to sanctions coincides exactly with the election campaign period in Sudan. For the first time since 1955, Sudan is planning to hold general, direct elections for Parliament and the Presidency, in March. (Next week, *EIR* will publish an interview on the elections with A. Moneim Z. Nahas, the head of the General Elections Authority in Sudan and a retired deputy chief justice.) Rebel leader John Garang, or opposition figures, like Sadiq al Mahdi, could run for office, if they wished. But it appears that the British have decided that such elections, which would enact the transition to civilian rule, should not take place. In their stead, sanctions, anarchy, insurrection, and genocide.

# Russia hedges on shift away from 'reform'

by Konstantin George

The cabinet changes directed by Russian President Boris Yeltsin during January, the most sweeping since the end of 1992, indicate a potential for major policy changes away from the failed economic "reform." But Prime Minister Viktor Chernomyrdin, who has gratified the International Monetary Fund (IMF) and London interests with his continuation of the "reforms," has remained untouched by the changes. Thus, whether a real shift will occur is an open question. In late 1992-early 1993, a portended break with then-Prime Minister Yegor Gaidar's policies turned out to have been mere rhetoric.

When he replaced Gaidar at that time, Chernomyrdin began his tenure emphasizing that the "first priority" would be "raising the level of production." After a few months, such talk evaporated, and it became clear that his real agenda was the continuation of IMF "reform" policies. His continuation now as prime minister, and the first reports from his Jan. 29-31 Washington visit, bode ill for any real policy changes.

Chernomyrdin came to the United States to meet not only Vice President Al Gore and President Clinton, but also IMF Managing Director Michel Camdessus and World Bank President James Wolfensohn, in order to nail down the next \$1.25 billion tranche in the IMF's \$6.25 billion standby loan to Russia, and, more importantly, a new IMF three-year credit of \$9 billion. Those funds have already been counted as expected revenue in Chernomyrdin's 1996 government budget! By the end of the second day, he had lined up U.S. support for the IMF credits, along with a restatement of the disastrous U.S. policy blunder of approving the continued destruction of Russian industry as successful "reform."

On Jan. 30, Chernomyrdin told journalists, "We won't swerve from the reform policy. There is no going back." He was asked to clarify earlier comments on upcoming "necessary corrections in the social spheres." His reply: "President Yeltsin on Feb. 15 will announce the new program in the social sector. I don't think I should comment on that until it has been announced." Moscow is anxious to alleviate the worst austerity features of the IMF policies, in an attempt to keep the increasingly desperate social situation "under control."

When Gore was asked whether the United States would support the IMF \$9 billion loan, he said: "The short answer is 'Yes,' and the principal reason we do is that Russia's commitment to continued reform is obvious from the record of the past year. . . . My own view is that the old saying in the

United States, 'two steps forward, one step back,' has consistently applied to Russia for the last several years. I remember very well when Gaidar left the government and many supporters of reform wrote that the sky was falling in and that reform was over. But, in fact, in the aftermath of that departure, the impetus toward reform continued. And the public, repeated, and vigorous commitment to reform on the part of President Yeltsin and Prime Minister Chernomyrdin is a much more reliable indicator than the reading of tea leaves by Western press."

## The latest changes

As a result of the cabinet changes, there was a brief flurry of fears in Britain, echoed through the London press, that the reforms were dead. On Jan. 16, Yeltsin fired First Deputy Prime Minister Anatoli Chubais, who oversaw the privatization of Russian enterprises at cheap prices to the Russian and western financial oligarchy. On Jan. 25, he named Vladimir Kadannikov, former head of the Avtovaz automobile works, to replace Chubais, and the privatization post went to Aleksandr Kazakov, who, in Yeltsin's Presidential Office, had maintained ties to Russia's regions. Kadannikov is reportedly in league with Russia's other first deputy prime minister, the military industry-linked Oleg Soskovets, thus generating talk of a stronger "industry lobby" in the cabinet.

On Jan. 26, the London *Times* nervously commented: "The move, although predictable, was greeted with disappointment in the business community and could delay or even derail a \$9 billion IMF loan due to be finalized by the end of this month." It quoted a Yeltsin address to Moscow students the day before: "Beginning on March 1, I am taking under my personal control the on-time payment of wages, students' stipends and pensions. We cannot talk about the successful completion of reforms without lifting the domestic branches of industry."

Wage arrears of up to four months have already led to work stoppages on the Trans-Siberian Railroad. Yeltsin has given no indication of how he plans to pay wages, short of cranking up the ruble printing presses; that would torpedo Chernomyrdin's success in curbing inflation to "only" 200% last year.

The London *Guardian* wrote: "Mr. Kadannikov's appointment will further isolate Viktor Chernomyrdin, the prime minister. On [Jan. 24], Mr. Kadannikov openly criticized Mr. Chernomyrdin, claiming he was out of touch with industry." Kadannikov had called for "serious changes in industrial policy," and for adopting, albeit omitting details, "protectionist" policies for Russian industry.

The cabinet changes represent a process of "stacking" the cabinet with Yeltsin associates. But policy is another matter. One should not jump to crown Kadannikov as the "savior" of Russian industry. His remarks on Jan. 25, also included that "privatization and market economy are the only way" for what he termed "a new organization" of the economy.



## British assets upset at LaRouche presence

by Allen Douglas

Australia's Anglophile establishment has gone absolutely nuts over the expanding presence "downunder," of the ideas of physical economist and U.S. Democratic Party Presidential candidate Lyndon H. LaRouche, Jr.

The most recent campaign against LaRouche's Australian co-thinkers, the Citizens Electoral Councils, opened on Jan. 27, with a front-page diatribe in *The Age* newspaper of Melbourne. *The Age* is controlled by British intelligence's Conrad Black, whose Hollinger Corp. has otherwise been on a jihad to destroy the Clinton Presidency. The article announced that CEC National Secretary Craig Isherwood was running for federal Parliament in the suburban Melbourne electorate of Wills, but then got right to the point: "In the electorate of Wills everyone knows [former Prime Minister] Bob Hawke and [current Member of Parliament] Phil Cleary. They are now about to become acquainted with Lyndon H. LaRouche."

There followed a wild series of allegations: that the CEC was raising funds under false names; that it had brought an "intelligence specialist" into the country to target Jewish groups, in particular the Anti-Defamation League-connected Isi and Mark Leibler; that this "intelligence specialist" had helped set up right-wing death squads in Spain; and that the CEC had provided a federal Member of Parliament with documents showing that Mark Leibler and his associates were involved with the Israeli Mossad and drug money out of the South American country of Surinam.

The drumbeat continued over the weekend, with Australian Broadcasting Corp. (ABC TV) nationwide evening news coverage of the charges, a Radio National interview with Mark Leibler, a hotshot tax lawyer, and coverage in Rupert Murdoch's newspaper, the *Australian*. On Jan. 30, a full-page article in *The Age*'s features section was entitled, "Families Fight Back: Defectors Tell of 'Psycho Sessions' and Relentless Demands for Cash Inside the Citizens Electoral Councils." The latter featured a parade of disgruntled populists, defectors, and other flotsam and jetsam whining about one or another disagreement that they had had with the CEC.

### Leibler calls for an investigation

The media barrage served as the pretext for Mark Leibler to issue a call on Jan. 28, for a federal investigation of the

CEC. Said Leibler, in a letter to Prime Minister Paul Keating: "I draw your attention to recent press reports in *The Age* of 27 January 1996 on activities of the Australian far-right political organization Citizens Electoral Councils, [and] the notorious American cult of Lyndon LaRouche. . . .

"I am appalled and deeply disturbed by the racist anti-Semitic objectives and activities of these organizations. . . . For a number of reasons, not least the national interest, it is imperative that the government undertake a full investigation as well as initiating a wide-ranging inquiry into these matters. . . .

"I have written to Mr. John Howard, leader of the opposition, urging that he and the opposition lend full and unqualified support to such an investigation. . . . I look forward to receiving your response on this disturbing matter."

The following day, the CEC's Isherwood responded with a press release entitled, "The Issue Is Lyndon H. LaRouche, Jr." Isherwood asserted: "There is only one matter at issue here, and that is the political personality of Lyndon H. LaRouche, Jr. The CEC and myself are being attacked solely because we have been forceful and effective advocates of Mr. LaRouche's ideas."

Asking, "Who is Mr. LaRouche?" Isherwood answered, "First, he is presently the second-ranking candidate, behind President Clinton, for the 1996 Democratic Party nomination for President of the United States. The first nationwide TV broadcast of his campaign was aired on ABC-TV [in the United States] Saturday, Jan. 27, the same day as the libel appeared in *The Age*."

Second, said Isherwood, "Mr. LaRouche has the same differences with the British monarchy today (and its influential appendages such as part-owner of *The Age*, Mr. Conrad Black), which President Franklin Delano Roosevelt and Gen. Douglas MacArthur had with Winston Churchill, over the 1942-43 defense of Australia," when the British tried to cede Australia to the Japanese, in order to prolong the war in the Pacific, to British advantage.

Isherwood elaborated that in its haste to dump speculative investments for commodities, the British Crown-centered international financial oligarchy was once again targeting Australia, "one of the richest repositories of such strategic assets on the face of the earth." Surmised Isherwood, "What consternation must have afflicted the Crown's advisers, to find here an organization such as the CEC, which is aggressively promoting Mr. LaRouche's ideas for national sovereignty and economic development—and becoming a major force in Australian politics."

Indeed, *The Age* bitterly complained that the CEC "has raised \$900,000 for each of the past two years and is one of the largest political fundraisers in the country." The next federal elections, in which the CEC is running a nationwide slate of candidates, were called by Prime Minister Keating for March 2. He made his announcement on Jan. 27, the day the first libel appeared in *The Age*.

# International Intelligence

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## **Russians make big moves into Central Asia**

Madrid's *El País* of Jan. 29 reported a massive Russian strategic/diplomatic deployment into the Central Asian nations of Kazakhstan, Tajikistan, and Uzbekistan. One highlight of this has been a visit of Defense Minister Pavel Grachov to Kazakhstan, where he signed 16 military agreements, and worked out arrangements for the establishment of a Russian naval base in the Caspian Sea. The Russians are selling the Kazakhs six ships. On Jan. 28, he went on to Uzbekistan.

Over the Jan. 27-28 weekend, Grachov also went to Dushanbe, capital of war-torn Tajikistan. There, he was joined by new Foreign Minister Yevgeny Primakov, new foreign intelligence chief Vyacheslav Trubnikov, Russian Border Guards head Gen. Andrei Nikolayev, and the Russian minister responsible for relations with the Community of Independent States, Vladimir Serov. This was all part of some nominally United Nations-linked "mediation effort" among the various warring Tajik parties in the neighboring country of Turkmenistan. Grachov stated that "the situation is heating up Tajikistan," but that "Russia will not allow Tajikistan to be undermined, it will not abandon it." He stressed Russia's vast "geopolitical interests" in Tajikistan.

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## **U.S.-inspired attack targets Peruvian military**

The Peruvian weekly *Caretas* devoted a January issue to an attack on the Peruvian Armed Forces, centered around a document issued by Gabriel Marcella of the Strategic Studies Institute of the U.S. Army War College. Marcella is the man quoted on the back cover of the Schiller Institute book, *The Plot to Destroy the Nations and Armed Forces of Ibero-America*, lamenting that Lyndon LaRouche has more credibility in Ibero-American defense circles than the Pentagon.

Marcella claimed that Ecuador won a "limited victory" in the border war with

Peru, because it was better equipped and better trained. The danger now, says Marcella, is that the Peruvian Army is on a revanchist drive to "recover its prestige." That drive is being fed by the "abundant resources generated by Peru's extraordinary economic growth," lied Marcella, who added that the re-armament must lead to a new conflict. Fortunately, says Marcella, the United States has major influence on what happens in the area, and a "pacifist diplomacy" is being wielded by Luigi Einaudi, a.k.a. "Kissinger's Kissinger in Latin America."

A second article in *Caretas* targets Army Commander Gen. Nicolás Hermosa, the man who won the war against the Shining Path terrorists. Author Fernando Rospigliosi blames Hermosa for the Peruvian "debacle" on the border with Ecuador, and complains that instead of being ousted, he was recently confirmed in his post.

The appearance of this package at a moment when Peruvian President Alberto Fujimori has succumbed to pressures to pull the Army out of the war on drugs in Peru, suggests that border conflicts—a specialty of Einaudi and his British geopolitical trainers—are again at the top of the agenda. What better way to loosen the noose that has been tightening around the drug cartels in Colombia, Mexico, Venezuela, and Peru?

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## **German leader stoops to praise butcher of Uganda**

The Federal President of Germany, Roman Herzog, while on a two-week tour of East Africa, undermined his peace mission in the area by lauding Uganda as a "haven of stability" and "pearl of Africa" in his address at the Ugandan State reception for him in Kampala Jan. 23.

After introductory remarks "on yesterday's visit to Queen Elizabeth Park" as having "presented us with the majestic landscape of Uganda," Herzog referred to discussions he had with Ugandan President Yoweri Museveni at the World Economic Forum in Davos, Switzerland, in February 1995, as having planted the impression in Herzog that there is no need to be an

"Afro-pessimist."

"In your term in government, Uganda has developed into a haven of stability in this crisis-racked region of Africa," Herzog said, listing the announced general elections and new constitution of Uganda as well as Museveni's decision to "host several hundred thousand refugees," as signs that Uganda is on the right path. Herzog called on Museveni to support Bonn's efforts to seek "a solution to the big problems of the region, predominantly in Rwanda and Burundi."

The Museveni portrayed by Herzog was quite the opposite to his real role in the region. As *EIR* has documented, Museveni is the biggest culprit of the British-sponsored butchery in Rwanda, most of which was engineered from within Uganda's borders.

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## **Kissinger hyperactive against nations in Europe**

On Jan. 18, according to *Jeune Afrique*, Sir Henry Kissinger was at the headquarters of Unesco in Paris, presenting the Houphouët-Boigny Prize (named after the late President of the Ivory Coast) to Mauritanian politician Traore. The latter, says *Jeune Afrique*, is very close to Unesco head Federico Mayor Zaragoza.

On Jan. 19, Kissinger was in Bonn, where he attended a "Holocaust Memorial."

Over the Jan. 20-21 weekend, he took part in a gathering of the Bertelsmann Foundation, on the subject of "The New Europe: Strategies of Differentiated Integration." According to the German financial daily *Handelsblatt*, the meeting was "confidential," but certain details are filtering out. Attendees included Czech Prime Minister Vaclav Klaus; German President Roman Herzog; European Union President Jacques Santer; German Foreign Minister Klaus Kinkel; Slovakian Prime Minister Vladimir Meciar; Russian economist Grigory Yavlinsky; former Dutch Prime Minister (and Club of Rome Executive Committee member) Ruud Lubbers; U.S. special negotiator for Bosnia Richard C. Holbrooke; and EU en-

## Briefly

**CHINESE** President Jiang Zemin made a speech, which was published Jan. 25, warning that China "must ban the cultural trash poisoning the people and the social atmosphere. We cannot sacrifice culture and ideology merely for a short period of economic development."

**JONATHAN POLLARD** was granted Israeli citizenship on Jan. 24, as part of a campaign to win his freedom. He is serving a life prison term for some of the most damaging espionage on Israel's behalf ever conducted against the United States.

**GERMAN** law enforcement circles are intensely discussing Clinton's Executive Order against drug trafficking and drug money-laundering, issued on Oct. 22, 1995. It could reopen debate around the current, loophole-ridden German law on money-laundering, passed in 1993, which "is based on the British model," an official told *EIR*.

**WEI JINGSHENG**, the leading Chinese dissident jailed for 14 years in December, was endorsed for the Nobel Peace Prize by an all-party group of British members of parliament, the *Honkong Standard* reported Jan. 24. The three view their move as playing the three "T-cards" (Tiananmen, Tibet, and Taiwan) against the Beijing regime.

**HISPANO-AMERICAN** lawmakers are joining a renewed drive to win the exoneration of U.S. statesman Lyndon H. LaRouche, Jr. during this election year. In the week of Jan. 22, Mexican Congressmen Gabino Fernández Cerna and Efrén Leyva, and Peruvian Congressman Alejandro Abanto Pongo, all signed the open letter to U.S. President Bill Clinton, calling for the exoneration.

**POPE JOHN PAUL II**, in his annual Lenten message, released Jan. 25, called on the world to tackle "the scourge of hunger." Presenting the message at the Vatican, Mons. Paul Cordes called its tone "not at all comforting and maybe even threatening."

voy to Bosnia Carl Bildt.

On the night of Jan. 21, Kissinger was in Munich, accepting a newly created Franz-Josef Strauss Award from the Christian Social Union think-tank, the Hanns Seidel Foundation. German Finance Minister Theo Waigel presented Kissinger with the award, praising Fat Henry as "the man who taught us all that there is no future for the nation-state."

### **Turkish support builds for Chechen rebels**

"Committees of Caucasian-Chechen solidarity" are sprouting up all over Turkey, with undisguised support for them coming from Turkish government, military, and intelligence circles, the French daily *Libération* reported Jan. 27.

Former Turkish Chief of Staff Dogan Gures, whose mother is of Chechen origin, has declared his "understanding" for the Caucasian militants who recently hijacked the ferry-boat *Avrasaya*. As a result of all this, Turkey has become a "rear base" for the Chechens.

One irony, *Libération* said, is that money flows into Chechnya, indirectly, from Russian vacationers in a Turkish resort area, who use the services of prostitutes controlled by the Azeri mafia, which funnels the money, via Dagestan, into Chechnya.

### **Walesa: Oleksy case signals Russian threat**

The resignation of Polish Prime Minister Jozef Oleksy amid allegations that he spied for Russia underscores the nature of a growing Russian threat to Europe, as the coming to power of "reformed communists" in eastern and central Europe may be exploited by the Russians, former Polish President Lech Walesa said in an interview published in the Jan. 26 London *Guardian*. Walesa warned, "Oleksy's case serves as a big bang, a wake-up call to other post-communist countries that a clean-up is needed."

According to Walesa, the Oleksy case

is not isolated, for the same problem exists everywhere in eastern Europe, with the exception of the Czech Republic. Moscow, which strongly opposes western expansion eastward, can use its old links to derail and cast doubt on the credibility of those countries applying for NATO membership. The stakes have been raised by the success of communists and nationalists in the December 1995 Russian Duma (parliament) elections.

Walesa holds the West squarely responsible for the situation now unfolding, by having stalled on European integration and having left a gray "buffer zone" in Europe. Says Walesa: "History will judge Western politicians as weaklings. There was a period when there was no threat" from Russia. "If there is any destabilization now, they are largely responsible."

### **China vows to cut Army, but beef up police**

China plans to cut its 3-million-strong People's Liberation Army by between 500,000 and 700,000 men, but would at the same time beef up its 1.3-million People's Armed Police to close to 2 million, according to a report from *Ming Pao Daily* picked up in the *Singapore Straits Times* on Jan. 25.

Quoting sources, the Hongkong newspaper said that apart from keeping a necessary amount of military pressure on Taiwan, the Chinese leadership felt there would be no need to station massive numbers of troops at its border because Beijing now enjoyed cordial relations with its neighbors. "Moreover, reducing the number of troops will help prove the China-threat theory wrong and frustrate efforts by the United States to contain China," the Chinese-language daily quoted one source as saying.

On the other hand, Beijing has decided that the armed police, rather than the Army, should be used to quell internal unrest, including ethnic conflicts in Tibet and Xinjiang and any large riots. Before 1989, there were only 300-400,000 armed police—but this more than doubled to 1 million after Tiananmen, the paper reported.

## LaRouche TV broadcast tackles voters' illusions

by Jeffrey Steinberg

At least 3 million American households watched Democratic Party Presidential candidate Lyndon LaRouche's first campaign '96 nationwide prime-time television broadcast on Saturday night, Jan. 27. It was the largest audience to watch a LaRouche broadcast since the candidate's 1984 Presidential campaign, when he aired 16 nationwide TV shows, and built a political movement that won a series of upset Democratic Party primary victories and party elections two years later, beginning in Illinois.

In some local viewing areas, like Detroit, Michigan, where more detailed survey data were available, as much as 25% of the total TV audience was tuned in to the Jan. 27 LaRouche show. The broadcast aired in Detroit at 1:30 a.m.

Within days of the broadcast, the LaRouche campaign announced that another nationwide 30-minute television broadcast will be aired on Saturday, March 2, 1996 at 8:00 p.m. EST on NBC-TV (local broadcast times may vary, so check with your NBC station). LaRouche told a radio interviewer on Feb. 1 that the topic of the second campaign broadcast will be "national economic security."

Despite the fact that LaRouche delivered his strategic assessment of the most profound global problems confronting American policymakers and citizens alike, the major national media uniformly blacked out any coverage of his TV address, choosing instead to fill the Sunday newspapers and airwaves with endless commentaries on Malcolm "Steve" Forbes's acne problems and his "flat earth" tax.

But among the serious thinkers in the American population, the reaction was substantial, as suggested by a Baltimore radio commentator who told his listeners the next day: "The best line of the Presidential campaign so far comes from, of all people, Lyndon LaRouche, when he said: 'An unbalanced mind can't have a balanced budget.'"

### Addressing reality

The LaRouche TV address was excerpted from a speech delivered to 250 Northern Virginia supporters on Jan. 15—Martin Luther King Day. It was loaded with what he referred to as "heavy ideas" that challenge some of the most deeply held illusions of the majority of American voters. (See last week's *EIR* for the full text of the Martin Luther King Day speech.)

In the broadcast, LaRouche began with the no-nonsense declaration: "The monetary and financial system of this planet, is presently dying. It is very near its death, its final moment. Nothing can prevent this monetary system, this financial system of this planet, in its present form, from dying soon." He then launched into a blunt polemic against the "insanity which has gripped the nation in the recent weeks; the insanity of the so-called balanced budget . . . the attempt to balance the budget, by unbalanced minds."

From all across the country, reactions to the broadcast are coming into LaRouche campaign offices. This has been, in part, fueled by the fact that for the past year and a half, over 10,000 American citizens have actively participated in the LaRouche movement, distributing over 10 million pieces of literature, including millions of copies of a pamphlet detailing the government's illegal frame-up of LaRouche and his associates, on behalf of Henry Kissinger, George Bush, and the British. In the past year, over 600 state legislators have signed an open letter to President Bill Clinton, urging him to reopen the LaRouche case, to probe the massive abuse of power by the "permanent bureaucracy" in the U.S. Justice Department, and to exonerate LaRouche. During Labor Day weekend 1995, the Schiller Institute sponsored two days of hearings on the LaRouche case and other egregious instances of Justice Department criminality. Videotapes of those proceedings are

circulating around Washington, and in policy-shaping circles all across America.

## The railroad conviction

The theme of the government's railroading of LaRouche and dozens of his associates was a key element in the Jan. 27 broadcast, and, in typical LaRouche style, he did not mince words.

"I want to say one thing about myself," he told the audience. "I'm saying tonight, as I do on other occasions, some things that are 'very heavy,' I believe the expression is. And, when I say things that are heavy, you have certain funny people around the United States and elsewhere, who say, 'Pay no attention to him. He's been convicted of this or that,' and so forth.

"In short, it's necessary to emphasize, that neither I nor any of my associates have anything of which to be ashamed. We committed no crime. The government records, the testimony of government witnesses, the testimony of government agents, clarifies that there was no crime committed by us, but was committed by a section of the government, on the initiative of Henry Kissinger, and with the complicity, largely, of George Bush, plus a bunch of crooks in the Justice Department, especially its Criminal Division, who have to be cleaned out. And no one yet has the guts to do so. I would propose that I do. . . .

"We were convicted for only one reason: Because in 1982, some people behind Henry Kissinger decided I was becoming too powerful in the world. And they said, 'Get rid of him.' And, as a result, in January 1983, a national security operation was set up to try to put us out of business.

"After the President of the United States adopted a proposal which I had developed, called the Strategic Defense Initiative, this went into high gear, and a group under national security cover, including the *Wall Street Journal*, NBC-TV News, the *Reader's Digest*, all kinds of groups, the Anti-Defamation League, other groups, were called together to run a defamation campaign, to set up to bring about my extermination.

"And when they couldn't accomplish that by other means, they made an artificial—an illegal—bankruptcy, and they used the illegal bankruptcy, as they said themselves, as the pretext to try to put us out of business. We're not out of business. We're here. The evidence is that the government lied all the way through."

The blunt manner in which LaRouche addressed the issue of his frame-up jailing, and the broader issue of the need to clean out the deep pockets of corruption inside the Justice Department, won universal praise from TV viewers who later spoke with the LaRouche campaign. If there is one issue on which a majority of Americans agree, it is the rampant corruption and abuse of power on the part of the federal judicial and law enforcement agencies.

On many other issues that LaRouche addressed, reactions

varied widely. Many listeners were dismayed by LaRouche's blast at the folly of the balanced budget, having themselves been snookered by the media and the Gingrich-Gramm crowd in the Congress into believing that government over-spending is the *cause* of the economic crisis. Others were frantic to dismiss the weighty evidence that LaRouche presented, in the form of nine statistical charts, proving the bankruptcy of the world financial and monetary system.

But even among those who were dismayed and even hyper-critical of features of the LaRouche message ("the charts were too difficult to read," or "the message went way over the head of Joe Six-Pack"), LaRouche campaign workers have found themselves presented with a golden opportunity to tackle some of the most dangerous political "blocks" that stand in the way of the nation's and the planet's survival. One of those blocks is the loss of any sense of history, which is one of the most dangerous consequences of 30 years of "dumbing down" of the American public. In the concluding ten minutes of the Jan. 27 broadcast, LaRouche had given a brief overview of the past 500 years of history, from the advent of the modern nation-state in France of Louis XI, to situate the unique role of the United States, as the world's leading Constitutional republic, in the present global crisis.

## Sneak preview

In the weekly radio program "EIR Talks" on Feb. 1, LaRouche gave a brief preview of the topic he will tackle in his March 2 broadcast.

"This concept of national economic security is one which we, of the World War II generation and immediately thereafter, are well aware of from experience," LaRouche told interviewer Mel Klenetsky. "We placed a premium on employment levels . . . also the question of what we call today entitlements—pensions and that sort of thing—as national security.

"We also realized that we had to maintain the agricultural supply domestically to feed our own people. . . . Secondly, we could not have a net dependency in any crucial area of infrastructure, or in terms of manufacturing. . . . We had to have a tariff policy which protected essential industries, so that our farmers did not have to go out of business, in order to compete with cheap labor abroad. That was the conception of national security. In the recent period, over the past 30 years, we have lost, from our government, all vital conception of national security. . . .

"Applied to the international scene, we have the same problem, in dealing not only with our national economic security, but realizing that the national economic security of other countries, may be essential to having stable relations between those countries and the United States, and peaceful relations among those states and their neighbors."

LaRouche is presently on the Democratic Party primary ballot in 21 states.

## Senate ratifies START II treaty

Three days after President Clinton called for ratification of the START II strategic arms limitation treaty with Russia in his State of the Union address, the Senate did just that by a vote of 87-4. The treaty commits both the United States and Russia to a level of about 3,500 nuclear warheads, including no more than 1,750 deliverable by submarine, by the year 2003, as well as eliminating multiple-warhead missiles from the arsenals of both sides.

Richard Lugar (R-Ind.) said that, with 3,500 warheads, "the United States would remain capable of holding at risk a broad enough range of high-value political and military targets to deter any rational adversary from launching a nuclear attack against the United States or its allies."

## Dole introduces bill to inhibit U.N. tax

Senate Majority Leader Bob Dole (R-Kan.) introduced a bill on Jan. 22 to prevent the United Nations from independently raising funds through taxation, borrowing, or other schemes. Dole said that he was acting in response to news reports that U.N. Secretary General Boutros Boutros-Gali was considering such action.

According to Dole, Boutros-Gali said earlier that, such power would mean, "I will not be under the daily financial control of member states." Dole admitted that the U.N. is facing a shortfall of funds, and that the United States was responsible for a large part of this debt, over \$1 billion. However, "the Republican Congress has been unwilling to provide funds to clear up this debt because of the often promised and never delivered reform." He said

that "while Boutros-Ghali and his supporters consistently point to the multi-billion-dollar shortfall, they ignore, cover up, and excuse outrageous abuses occurring regularly throughout the U.N. system." Dole suggested that the U.N. should address its own rampant corruption as the way to address its funding problems, rather than "taxing American citizens."

The bill, entitled "Prohibition on United Nations Taxation Act of 1996," has three main provisions: It lays out the conclusion of Congress that the U.N. has no legal authority to tax American citizens; it prohibits U.S. payments to the U.N. if it attempts to impose any taxation scheme; and it cuts off funds to any U.N. organization that develops or advocates taxation schemes.

Dole concluded that "as long as the United Nations spends its time on global taxation and not on its severe shortcomings, real reform will be impossible."

## Debt ceiling increase stopped by Senate

On Jan. 26, the Senate tabled, by a vote of 46-45, an amendment to the continuing resolution to keep the government open sponsored by Patrick Moynihan (D-N.Y.), that would have increased the public debt ceiling by \$500 billion, enough to last until about May 1997.

Moynihan argued that the public debt and the annual deficits are purposeful tools to starve programs that opponents couldn't abolish legislatively, a strategy begun in 1983 under Ronald Reagan. "Simply make it impossible to go forward because there are no funds, and indeed we looked the unthinkable prospect of default in the

very face [at that time]," he said, asserting that, with President Clinton's declaration in his State of the Union speech that "the era of big government is over," the strategy has worked. Moynihan suggested that the Congress "go forward now to extend the debt ceiling in the context of an agreement to bring about a balanced budget, not to put the United States at risk in a world in which we are the largest debtor."

William Roth (R-Del.) countered, that to open the continuing resolution to amendment, would "create an obstacle that will most certainly keep this bill from passing and result in a government shutdown." He said that there's no hurry to raise the debt ceiling because Treasury Secretary Robert Rubin had only asked Congress to do it by March 1. "Consequently," Roth said, "there's no urgency to extend the debt limit now, not if it means once again shutting down the government."

## NAFTA hurting Florida fruit-growers, says Goss

Rep. Porter Goss (R-Fla.), in remarks on the House floor on Jan. 23, called on the Clinton administration to act more forcefully "against price-based import surges from Mexico" of tomatoes and other winter fruits and vegetables. He said that the safeguards in the North American Free Trade Agreement (NAFTA) "have not lived up to our hopes," and announced that he was drafting legislation "calling on the President to live up to the promise he made" in November 1993, "and to protect our growers from potentially unfair Mexican trading practices."

Goss concluded that "those of us who felt NAFTA would be good for the United States of America want to

be certain that we correct the sore spots that are there, if they are correctable. If not, we will have to excise those sore spots with legislation. In any event, once we see those sore spots, the time is now to move and we have seen them and we must move."

Goss later reported that Sens. Connie Mack (R-Fla.) and Bob Graham (D-Fla.) had attempted to attach language to the continuing resolution to keep the government open, to "correct a technical problem faced by Florida growers because of existing definitions in section 202 of the 1974 Trade Act." Though also backed by House Appropriations Committee Chairman Bob Livingston (R-La.), the effort failed because of concerns in the Senate about adding any amendments to the resolution.

Goss reported that he was introducing legislation that would direct the President to "suspend current NAFTA arrangements as they relate to winter tomato production, pending his certification to the Congress that safeguard provisions and relief measures are functioning effectively and efficiently."

## **D**efense Authorization compromise passed

On Jan. 24, the House passed, by a vote of 287-129, a compromise version of the Defense Authorization bill that President Clinton had vetoed in December 1995. Two provisions that Clinton had objected to most strongly—for the deployment of a national missile defense system, and requiring the President to certify to Congress that any deployment of U.S. forces under U.N. operational control is in U.S. national security interest—were dropped from the bill. Clinton is now expected to sign it, even though it au-

thorizes \$7 billion more than the administration had asked for.

House National Security Committee Chairman Floyd Spence (R-S.C.) said, "These issues are of basic, fundamental principle," and, accordingly, "a majority of the conferees believed that no deal with President Clinton on these issues . . . was far preferable to a bad deal." The provisions were therefore dropped rather than watered down. "Nobody should think," he added, "that this is the last this Congress or this President has seen of these issues."

The Senate followed suit on Jan. 26, by a vote of 56-34. Armed Services Committee Chairman Strom Thurmond (R-S.C.) blamed the veto on "the administration's uncompromising opposition to deploying a system to defend the United States against ballistic missiles," and he vowed that "Republicans remain determined to enact forceful NMD [national missile defense] legislation in the near future."

## **K**assebaum, Kennedy seek vote on health insurance

On Jan. 25, Senate Labor and Human Resources Committee Chairman Nancy Kassebaum (R-Kan.) and ranking member Edward Kennedy (D-Mass.) joined in calling for the Health Insurance Reform Act to be brought to the floor for a vote, after President Clinton endorsed the bill in his State of the Union message on Jan. 23. The bill has been subjected to "holds" by conservative senators ever since it was passed out of Kassebaum's committee by a unanimous 16-0 vote last August.

The two main provisions of the bill would limit the ability of insurers and employers to exclude coverage due to preexisting health conditions, and pre-

vent insurers from dropping coverage when an individual changes jobs or when a family member becomes ill.

Kassebaum said that the bill "is a very positive step forward that will reduce barriers to health coverage for millions of working Americans."

Kennedy added that the reason the bill has been held up, is because "they know if the legislation is brought to the floor, it will pass overwhelmingly."

## **J**ohnston bill targets electric utilities

Sen. J. Bennett Johnston (D-La.) introduced a bill on Jan. 25 to establish a means by which the electric utility industry will be deregulated. He said that the goal of his bill is "to ensure that electricity markets will become competitive so that regulation will be unnecessary. Our goal must be to ensure price competition for electricity which will create savings, efficiency, and innovation." However, deregulation has hurt every sector of the economy in which it has been applied.

Johnston claimed that provisions in his bill will prevent the predicaments faced by other industries that have been deregulated, most particularly that associated with "stranded costs," the high costs of serving all customers under the old regulatory system "which cannot be recovered in a competitive market."

He also guaranteed that universal access to electric service would not be harmed by his bill. "It's essential to clarify that the states are not preempted from ordering retail access. . . . Overlooking this clarification will bring years of litigation, impeding American consumers from receiving the benefits of lower electricity prices."

# National News

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## Parity law could boost farm sector

Agriculture Secretary Dan Glickman met with House Agriculture Committee Chairman Pat Roberts (R-Kan.) and other House GOPers on Jan. 23, but failed to come to any agreement on a new national agricultural policy law. As of the end of 1995, no farm law (usually enacted every five years) had been passed, and the "permanent law" of 1949, which continued the 60-90% farm commodities parity prices that prevailed during World War II, is in effect. That law allows intervention by the government to buy, store, and otherwise deal with farm commodities in a way to give farmers 60-90% of parity (cost of production), depending on the commodity.

However, Glickman, Roberts, and others have said that they will not enforce the parity law. Glickman told the *Washington Post* that the law is "totally unacceptable in the modern world." Roberts said that the law "isn't going to happen." Parity pricing was abandoned in the United States in the 1950s, in favor of various so-called "market-based" national farm policies. Its enforcement would significantly boost family farm income, without spending taxpayers' dollars.

Roberts is pushing his "Freedom to Farm Act," which would inaugurate a totally free-market approach, with no farm supports of any kind, in seven years, as the Heritage Foundation and Conservative Revolution demand. Senate Minority Leader Tom Daschle (D-S.D.) is committed to prevent this.

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## Kevorkian murders victim number 27

Jack "Dr. Death" Kevorkian murdered his 27th victim, Linda Lee Henslee, 48, of Wisconsin, in January. She had multiple sclerosis, and was not "terminally ill." Oakland County, Michigan authorities, acting on an anonymous tip, found her body on Jan. 29 in Kevorkian's van, abandoned in the parking

lot of the Oakland County Medical Examiner's office.

Oakland County Chief Medical Examiner L.J. Dragovic pronounced the death a homicide, because it is physically impossible for victims to arrange their own death with Kevorkian's apparatus. The van has been used several times by Kevorkian to inflict "suicide" on his victims, much the way Nazi doctors used specially enclosed buses to kill chronically or mentally ill children by pumping poison gas into them. Kevorkian's "treatment" involves having the victim lie on a cot, and hooking the victim to his murder machine, or to a tank of carbon monoxide gas, which is how his latest victim was killed.

Kevorkian attorney and accomplice Geoffrey Fieger told reporters that the victim had "the support of her family" in "taking her own life." But in past cases, the family "support" usually meant that the family felt they would be better off without the victim. For example, two months after Kevorkian killed his first victim, Janet Adkins, who had Alzheimer's, her husband, who arranged with Kevorkian the details for her "suicide," moved in with his 28-year-old mistress.

Many victims do not get the assistance of disability programs or Medicaid, for needed medical treatment or special equipment that could improve their ability to live with their condition. Many such programs would be dismantled or radically cut by the Conservative Revolution wing of the Republican Party.

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## Hollinger crowd targets Constitution

The British intelligence operatives of the Hollinger Corp. media empire, who have been trying to destroy the U.S. Presidency, are disappointed that the attack on Hillary Clinton, who was subpoenaed to testify before a federal grand jury on Jan. 26, may have backfired. This crowd is now targeting the U.S. Constitution itself, as the problem with the United States.

Clinton-basher Ambrose Evans-Pritchard, a columnist for the Hollinger Corp.'s

London *Sunday Telegraph*, commented on the First Lady's handling of her grand jury appearance, in the Jan. 29 issue of that newspaper. Entitled "Hillary Gives Masterful Display in Prosecutor's Whitewater Show," he wrote: "Cool as a cucumber, you have to hand her that. Hillary Clinton did not show a flicker of concern as she stopped to chat with reporters on her way into the grand jury. And she was just as self-composed on her way back out, four and a half hours later, after making her mark yet again as a very unusual First Lady. One is almost tempted to join the cynics, in suspecting that her appearance at the U.S. District Court House was a show, a piece of political theater staged by the special prosecutor to salvage his own reputation."

In the same issue, Jonathan Clark, professor of British history at the University of Kansas, wrote that there is nothing special about what Hillary Clinton is accused of, it's just "corruption." The real problem in the United States, he argues, is the system established by the American Constitution. "What if the root of the problem isn't Bill Clinton at all, but George Washington and Thomas Jefferson? Moralizing zeal goes to the heart of Americanness. Even the Declaration of Independence, after a few lofty opening generalizations, soon launches into a long list of personal denunciations of the failings of King George III. Americans felt vindicated, but Britons were puzzled."

There are deep problems in the U.S. system of government, Clark insists, but the system is "unreformable," because "Conservative Americans have an immense regard for their Constitution. . . . Its famous pages are on display to the public in the National Archives at Washington, D.C., a purpose-built shrine: pilgrims file up the nave of this secular church, to do homage to the documents displayed on the high altar."

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## Cry-baby Gingrich admits, 'GOP failed'

House Speaker Newt Gingrich (R-Ga.) declared the GOP congressional actions in the last 60 days "a failure," and complained that he had been done in by the media, in



a speech to 500 local business leaders in Atlanta, Georgia on Jan. 26. "Yes, we failed. Let me be clear about that. In my judgment, the effort of the last 60 days was a failure," he said.

Gingrich said that congressional leaders will mount a new effort to craft fresh bills on welfare, Medicaid, and Medicare reform, with help from three Republican governors—Michael Leavitt of Utah, John Engler of Michigan, and Tommy Thompson of Wisconsin.

But the defeats have hit the Conservative Revolution fanatics hard. A bit over a year ago, the 73 newly elected Republican representatives emerged from a week-long brainwashing session at the Heritage Foundation and marched in lockstep behind Gingrich to the Longworth House Office Building. This year, on Jan. 25-26, only 30-50 (depending on the source) of the demoralized bunch showed up for their retreat in Baltimore. Gingrich was absent, and his name was not even mentioned inside the meetings.

## Education privateers set back in Hartford

The Hartford, Connecticut School Board voted on Jan. 23 to end its management contract with Education Alternatives Inc. (EAI), a for-profit company, to run its public schools, the *Washington Times* reported. It was the firm's largest and only remaining public school contract. The decision came as three members of the board previously supportive of EAI, switched their votes. "We entered into this relationship believing it was the right thing to do, and we end it for the same reason," said School Board President Stephanie Lightfoot, a former EAI supporter.

Hartford originally hired EAI because of poor academic performance, at a time when its per-pupil spending exceeded state and national averages. But EAI's "Tesseract" outcome-based education program failed to improve test scores during its 14-month tenure.

EAI officials said they were stunned by the move. "We thought we were on the verge of an agreement. We never expected this," said EAI's Hartford supervisor Gene Baten.

Baten said there had been no written notification of the cancellation, though a 90-day notification is required in their contract.

"This sends a bad signal," said school privatization pundit John McLaughlin. "It's frightening to see just how difficult it can be for an outside company to work with public school systems that have severe problems."

In Washington, D.C., the school board agreed last fall to allow for-profit and non-profit groups to sign contracts with individual schools. EAI is still bidding to manage individual District schools, having twice been rejected by the school board. But school board member Karen Shook (at large), a privatization advocate, told the Jan. 25 *Washington Post*: "It certainly gives one pause. . . . We have to be extremely careful with whomever we sign a contract with [sic]."

## Temporary funding hits government, firms

The fact that the government is being forced by the Conservative Revolutionaries to operate off a series of continuing resolutions, is creating severe economic problems, for both government agencies and private-sector contractors.

Government agencies are being forced to dismiss thousands of workers, the Jan. 28 *Washington Post* reported. The Environmental Protection Agency, for example, can either send home all 18,000 workers for over two weeks without pay, or eliminate 3,750 jobs. In the Commerce Department, the U.S. Travel and Tourism Administration, with 100 employees, will have to be shut down by March 15. Officials are now studying how to shift its functions to other offices. Similarly, the Occupational Safety and Health Administration can either place its workforce of 2,000 on unpaid furlough for 35 to 40 days, or eliminate 650 jobs.

In the Washington, D.C. area, of the \$4.3 billion a year in goods and services contracts to area vendors, a sizable number are not being filled because of budget uncertainty and severe cuts in the continuing resolutions.

## Briefly

**THE AFL-CIO** plans to spend \$35 million in the 1996 U.S. elections, more than seven times past spending levels, AFL-CIO President John Sweeney said Jan. 24, at an executive board meeting. The labor federation will aim at the defeat of 75 Republican congressmen, enough to give control of the House of Representatives to the Democrats.

**SUICIDE** was termed "a moral choice" for the terminally ill or those living in persistent or progressive pain, in a resolution passed by a majority of the 200 delegates of the 40,000-member Episcopal Diocese of Newark's Annual Convention on Jan. 27, the *Washington Times* reported. The assisting of suicide was also said to be morally acceptable. It will be taken up at the church's national convention in 18 months.

**THE GLOBAL WARMING** theory was ridiculed, in the Jan. 26 *Washington Post*. A group at the University of East Anglia in Britain, recently announced that 1995 was the warmest year on record, basing "its conclusion on the first 11 months of data plus an educated guess about December." Global temperatures in December had the largest recorded drop in 10 years, 1.3°F.

**NATURE** will clean up leaking underground fuel tanks better than the Environmental Protection Agency, saving billions of dollars and returning thousands of acres of land to use sooner, a study by Lawrence Livermore National Laboratory has found. Naturally occurring microbes in soil and water can clean up fuel contamination as effectively as human "pump-and-treat" efforts.

**ALAN GREENSPAN** has some unsavory backers, urging his reappointment to a third term as chairman of the Federal Reserve Board. Senate Banking Committee Chairman Alfonse D'Amato (R-N.Y.), on Jan. 26, called on President Clinton to renominate Greenspan. On Jan. 29, the London *Financial Times* also demanded that Greenspan be reappointed.

## Editorial

### *Save the children of Bosnia*

On Jan. 30, First Lady Hillary Clinton held a meeting attended by members of Congress, government agencies, and representatives of U.S. relief organizations involved in getting aid to Bosnia, including spokesmen from the Catholic Relief Services, the International Orthodox Christian Charities, and a U.S.-based Arab relief organization, as well as a representative of the U.S. Agency for International Development.

Mrs. Clinton made a very strong statement on the need for help in restoring the infrastructure of the region, providing health care, and taking care of the needs of the children of Bosnia-Herzegovina. Of the children, she said: "Today, the children of Bosnia are truly the world's orphans."

The most destitute losers in this bestial war are the children. Ten percent of all children and adolescents, between the ages of 1 and 19 years, were killed or are missing from 1992 to 1995. In addition, 19.8% of Bosnia's children were wounded—i.e., every tenth child has lost its life, and every fifth child has been wounded.

Helga Zepp LaRouche, founder of the Schiller Institute, issued a similar call to that of Mrs. Clinton, on Jan. 29. Highlighting the terrible injustice done to the children of Bosnia, she also discussed the devastation suffered by the whole of the population, only 37.8% of whom still live in their homeland. The rest have died or fled. And with only 20% of the industrial capacity remaining, only 10% of those still able to work can find jobs.

The role of the World Bank and the International Monetary Fund is outrageous. They are demanding that Bosnia assume 17% of the indebtedness of former Yugoslavia, before they can be considered eligible for any assistance—much of which will in fact be earmarked to pay that debt. To compound the insult, this so-called "Yugoslavian" debt is in reality the debt of Serbia, the aggressors in the war against Bosnia. A serious perspective for reconstruction and actual economic development is not under political discussion.

Immediately, on purely humanitarian grounds, an effective relief effort for Bosnia must be mounted. Otherwise, the results of Serbian genocide—in which many political leaders of the West were complicit—will be compounded. Such an emergency mobilization will provide time for the governments of the West to assume their obligation, to help rebuild the industry and infrastructure of Bosnia.

Mrs. LaRouche's words must be heeded and acted upon. The following remarks are taken from her call:

"We, the representatives of the so-called Western world, cannot make up for the crimes that were inflicted upon the dead of this war. But we have a moral obligation to the children of this war which cannot be dismissed with words, an obligation which stems not least from the fact that the Western governments have passively witnessed how this war of aggression by Serbs was conducted for geopolitical reasons, with the benefit of abundant support from Thatcher, Bush, Gorbachov, and Mitterrand. For these geopolitical strategists, the people in Bosnia and Croatia were nothing more than figures on the chessboard, who could be sacrificed in order to prevent reunified Germany from playing a crucial role in the economic development of the East.

"Today we face the shards of this policy. In particular, the intensification of the situation in Russia, as a result of the so-called reform policy, has led President Clinton to end the war in the Balkans by means of the Dayton peace accords, because otherwise, the threat arises of incalculable strategic dangers. Yet everyone knows, that this peace is no just peace. The victims have consented to it only because, even in this imperfect form, it is preferable to a continuation of the war.

"The greatest problem, however, that we face, is that bold, large-scale economic reconstruction of the entire Balkans, the only thing which could put forth the basis for a lasting peace, is completely lacking. And unfortunately, without this kind of economic development, it is almost certainly only a question of time, how long this peace can endure."

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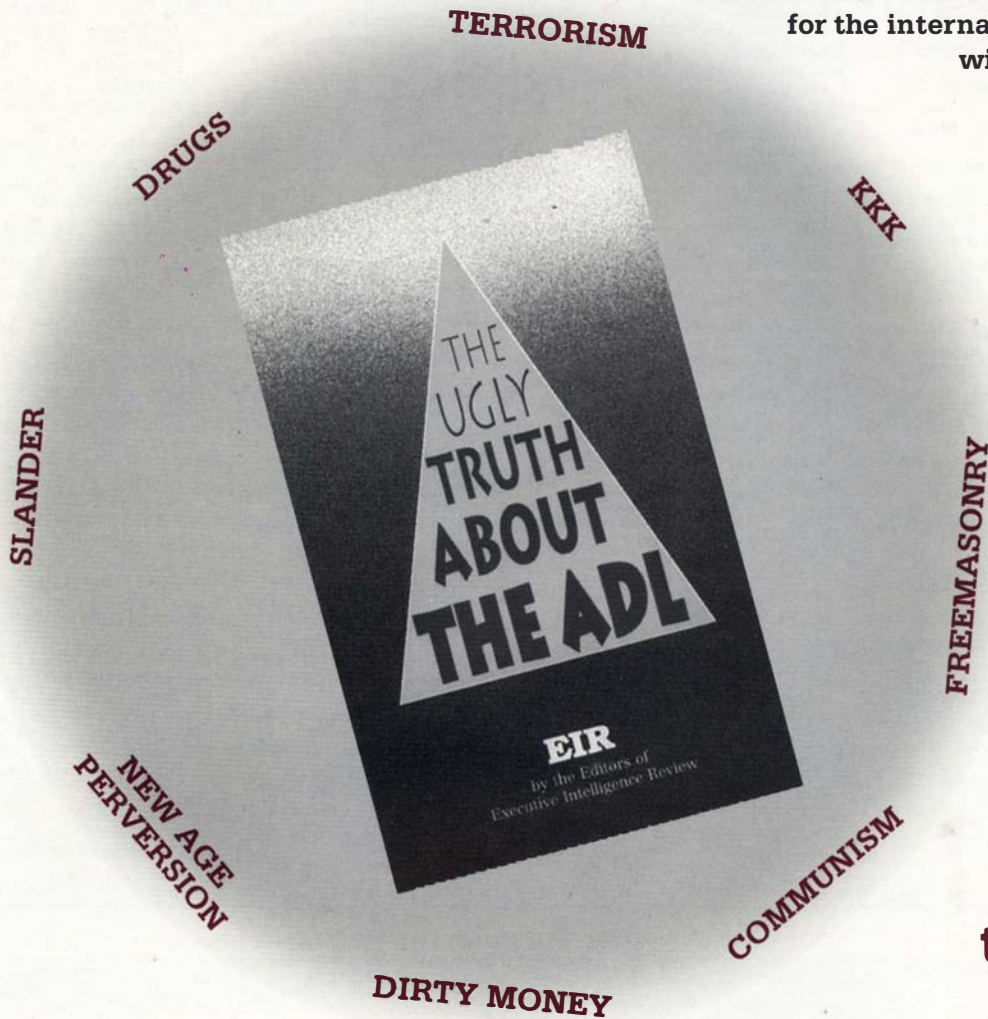
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