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Executive Intelligence Review

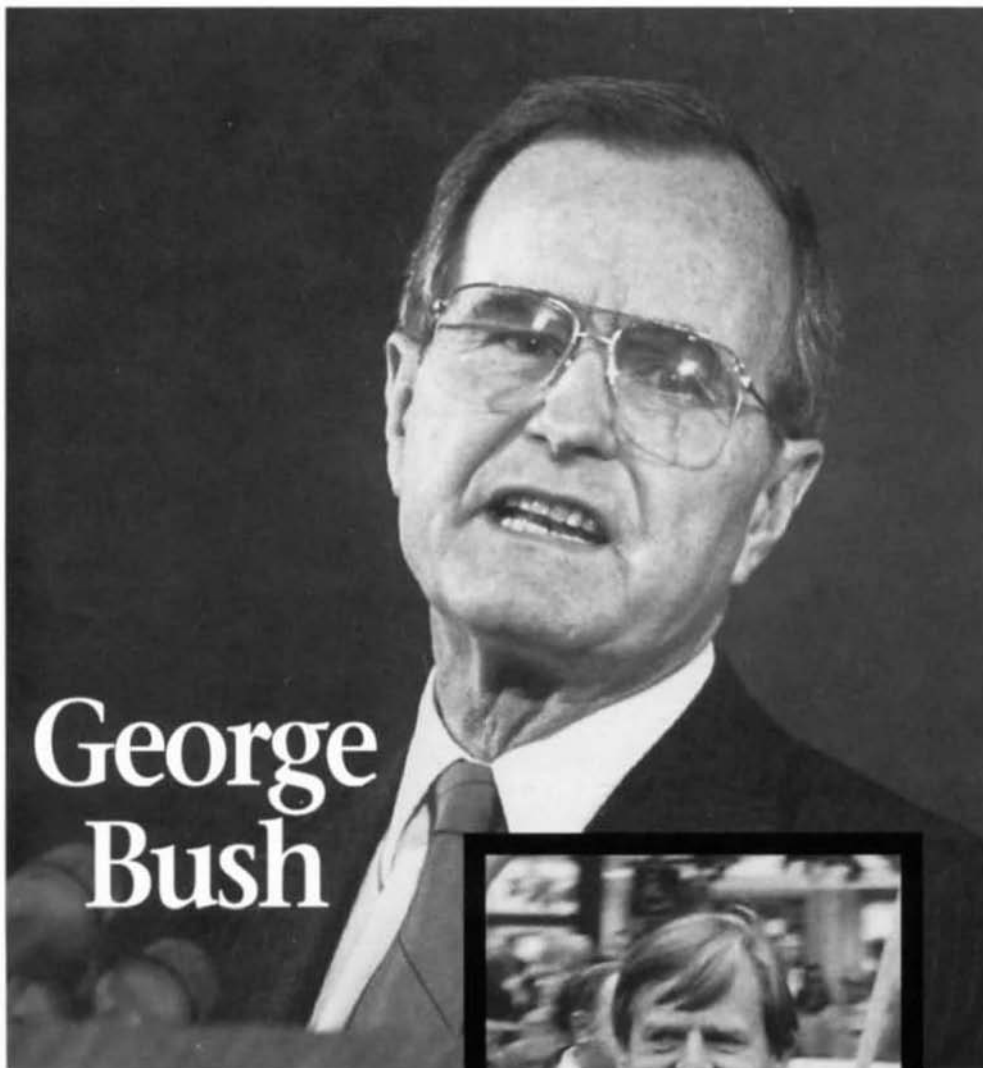
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\$10.00

Nothing can save the system
Machine-tool design: the brains of profit
A year of progress for the New Silk Road

**LaRouche's role soars:
History has changed in 1996**





George
Bush

And the 12333 Serial Murder Ring

Growing numbers of the cronies of George Bush's orgy of worldwide drug- and weapons-trafficking, not-so-secret wars, and just plain murder are pointing bloody fingers at each other, and also at their former masters. A case in point: the murder of Sweden's Olof Palme.

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George Bush and the 'Ibykus' principle, by Lyndon LaRouche

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New revelations tie Palme murder to Bush, Thatcher-linked arms cartel

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From the Associate Editor

One year ago, in our first issue of 1996, *EIR*'s cover picture was Lyndon LaRouche's "typical collapse function," showing schematically why the world economy is heading for a bust (see p. 21 of the current issue). As monetary and financial aggregates soar into the stratosphere, the production of physical goods and services necessary to sustain the population plummets. In the intervening 12 months, the processes captured by that graph have become even more accentuated, yet the world's governments and leading institutions have, in general, refused to recognize that reality, and have failed to take the emergency action required. The political movement led by LaRouche, with *EIR* as its "flagship publication," has played a unique role: telling the truth, and laying out what must be done.

During 1996, as this special New Year's issue documents, the LaRouche movement has emerged with a new institutional prominence and influence. The photo on our cover records that reality: LaRouche addressing a meeting of the FDR-PAC in Washington, D.C., a coalition of broad-based political forces determined to reverse the morally bankrupt budget-cutting policies that are decimating health care and throwing people onto the streets. These constituency leaders are people who are not afraid to call things by their real names; the FDR-PAC is demanding for the prosecution of the modern-day Nuremberg criminals, who are committing crimes against humanity with the stroke of a pen—just as the Nazis did. In the year to come, the mass strike process that began to develop in both the United States and Europe, must be expanded into an unstoppable political movement, organized around LaRouche's recovery program.

In this issue, you will find LaRouche's Dec. 14 keynote speech to the conference of the Schiller Institute and International Caucus of Labor Committees, in Kiedrich, Germany, in which he gives a strategic briefing on the battles that lie ahead, and how to win them. Elsewhere in the issue is a broad panorama of coverage of LaRouche's growing influence around the world, and updates on the most important positive development of the year: the emergence of the Eurasian land-bridge at the center of the political agenda.

Susan Welsh

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Correction: In *EIR* of Dec. 13, 1996, p. 5, the article titled "Huge Mineral Reserves" mistakenly described the Brazilian company CVRD as the world's largest steel producer. It is actually the largest iron ore producer.

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Lyndon LaRouche addresses an FDR-PAC forum on the theme "Managed Health Care Is a Crime Against Humanity," Nov. 9, 1996. Seated, left to right: Dr. Abdul Alim Muhammad, Nation of Islam; Barbara Mallory, Nurses of Virginia; Debra Hanania-Freeman, moderator; Dr. Kildare Clarke, Kings County Hospital in New York; Marcia Merry Baker, *EIR*.

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Nothing can save the current system

by Lyndon H. LaRouche, Jr.

The Schiller Institute and the International Caucus of Labor Committees met in Kiedrich, Germany on Dec. 14-15, 1996, for a conference on the theme, "Our Future: The Eurasian Land-Bridge Economy." The 400 people in attendance represented over 30 nations, including from along the northern, middle, and southern routes of the Eurasian land-bridge, as well as Africa. Lyndon LaRouche delivered the following keynote speech on Dec. 14. Due to technical problems, our transcript contains some gaps, indicated by ellipses.

This address should be received as a word of optimism, because when you have old, stinking clothes, the announcement that you're about to get rid of them, should come as a blessing. I was recently in Italy, at an occasion in Busseto, which is the birthplace of Verdi, Giuseppe Verdi, to celebrate the publication in Italian of a first volume, the first book of a Music Manual which is the fruit of a project which I began, or initiated, some 15 years ago. The affair was organized by Maestro Arturo Sacchetti, a famous organist who had been formerly the head of the Vatican radio music program. The event was hosted by Carlo Bergonzi, the famous tenor, who runs a school in Busseto, and we had the participation of Piero Cappuccilli, the famous baritone, and others.

The theme which oppressed us in celebrating this publication, is that, from the standpoint of developments in this century, in the past two centuries, but particularly this century, and especially the past 30 years, in speaking of the great music of Europe and the methods of composition associated with it, we're speaking almost of a dying art.

If you look at the percentile and numbers of the population which participate in this art, and the changes in the participa-

tion in that art over the past 30 years, you would say we have a dying culture.

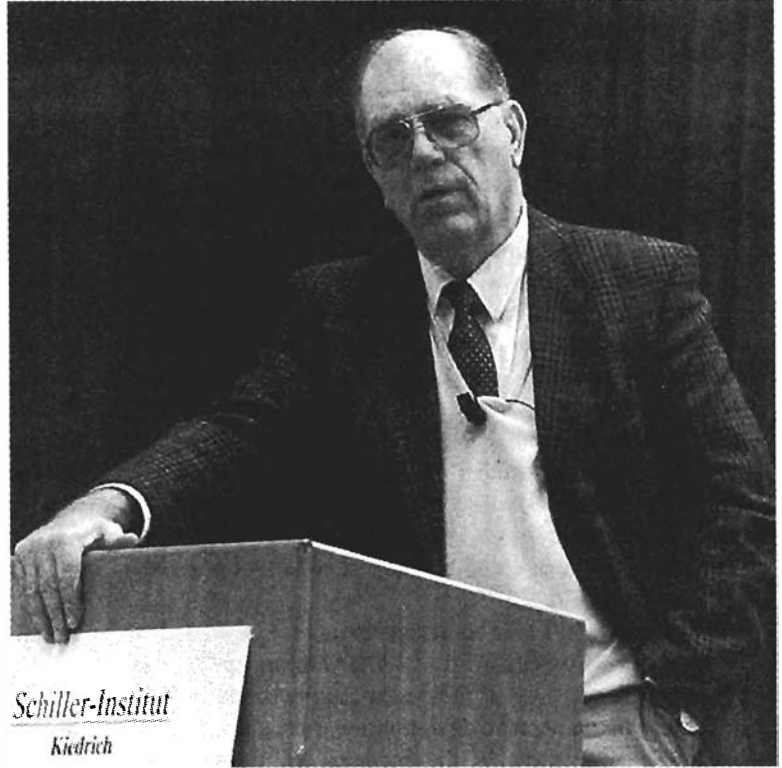
If you look at the quality of education in Europe or North America, in particular, which used to be the heartland of economic strength of the world, the quality of education today places people who are today under 35, almost as a different species than their grandparents: those who benefitted, say, in Germany, from a Classical humanist education prior to the Brandt reforms.

You see the scores, you see the results, you see the illiteracy of university graduates, in the United States in particular. Many university graduates, perhaps the majority of them, would not have qualified in literacy as secondary school graduates 40 years ago. You see, in every aspect of our life, *rot*, typified by the rock-drug culture in many parts of the world.

But, these are only symptoms of a dying culture. And now, that culture which is dying, is about to come to an end. Not in the distant future. It is already dying. And the death will come violently and abruptly. And, one way or the other, it will be soon.

Think of this culture, this world culture or the dominant world culture, as like the famous unsinkable ship—British ship, naturally—called the *Titanic*. Now the *Titanic* is sinking. The unsinkable is sinking, this world economy in its present form. The question is *not*, at what minute is it going to sink, or even what hour it's going to sink; but, do the passengers have the intelligence to get off the ship before it does?

So, all of us who are sentient, shall we say, who can recognize the fact that the economy is collapsing, the system is collapsing, can take hope from the fact that now we are pre-



Helga and Lyndon LaRouche at the conference of the Schiller Institute and International Caucus of Labor Committees, in Kiedrich, Germany on Dec. 14, 1996.

sented with an opportunity to correct many of the errors which have made this world increasingly unsafe over the past 100 years, especially the past 30 years.

The 'Big One' is coming

The collapse of the culture will come, as it is coming now, in the form of financial, monetary, and economic earthquakes. And, referring to the famous Richter Scale for earthquakes, we have already seen earthquakes on the scale of 3 on the Richter Scale, some of which are not reported in the press, but they've happened, some equivalent to 5 on the Richter Scale, some equivalent to 7, and one big one, equivalent to 10 or more.

The little ones involve major plunges in financial markets, the wipe-out of large denominations of monetary financial values. The slightly bigger ones, which are between 3 and 5 on the Richter Scale, are collapses of major banking systems, such as the banking system of France, which is ready to collapse faster than you can say "Crédit Lyonnais."

The German banking system is propped up, but it is in no better condition, essentially, than that of France. It used to be in better condition when Alfred Herrhausen was still alive. But with the changes in policy which have been introduced since the assassination of Herrhausen and Rohwedder, the German banking system has gone insane, and is probably

about as rotten as most other nations' banking systems.

The United States banking system is propped up by the political power of the United States, not by any intrinsic value in it. We're among the most rotten.

If the British Isles were not the base of a successful parasite which sucked blood from most of the world, the British banking system would have collapsed a long time ago. As a matter of fact, it's headed for several kinds of *Major* collapse in the immediate future. The good news is, Major's going to go; the bad news is, he will be replaced by Tony Blair.

Italy has been destroyed, ever since the royal yacht *Britannia* called in the financial and political lackeys of Italy to meet their master, the representative of the Queen on the Queen's yacht. They were instructed by the Queen to destroy Italy, and they went back, and proceeded to do so, with the so-called "Clean Hands" operation.

A chain reaction implosion

Now, the big crash which is going to come, is not simply the collapse of a national banking system, nor will it be the collapse, the financial collapse of *several* national banking systems taken together. It will be the collapse of the greatest financial bubble in history, the *most lunatic* financial bubble in history, sometimes referred to today as the "derivatives bubble." At the point that a collapse of the derivatives bubble

occurs, it will begin with reverse leverage on the bubble, as it's called, financial reverse leverage, probably caused by a collapse of one of the banking systems, or something of that sort.

Once that collapse starts, it will proceed like an explosion. The formulas for a chemical explosion would be the appropriate mathematical model for the collapse which will occur. An accelerating chain reaction, not of *ex*-plosion, but *im*-plosion. If that collapse proceeds without change in the system by governments, then, within a period of probably not less than three days nor more than five, *virtually every financial institution of the Americas and Europe will disintegrate, vaporize*. Not close their doors because of bankruptcy, but disintegrate. Because the ratio of financial obligations, the liabilities which are embedded in derivatives speculation, especially including the unrecorded off-balance-sheet derivatives speculation, is vastly greater than all of the nominal financial assets which could be used as collateral presently existing in the world.

For example, let's take some figures for the United States. During the period 1956 to 1970, of 100% of the annual foreign exchange turnover, each of these years, approximately 70%, more or less (by very small deviation), was accounted for by imports and exports, that is, the financing and payments on accounts of imports and exports.

After the beginning of the floating exchange rate monetary system, with the collapse of 1971 and the Azores conference of 1972, this percentile collapsed, rapidly, so that, in 1976, of 100% of U.S. financial turnover annually, only 23%, instead of 70%, was now represented by import-export transactions. In 1982, after the Volcker measures, this percentile had dropped from 23%, to 5%. Over the course of the 1980s, this percentile dropped from 5%, to 2%. Today, that percentile is *less than one-half of 1%*. And, this is typical of the trends and figures around the world.

U.S. economy is contracting

Now, as to the U.S. economy: Contrary to all official U.S. government and related reports, there has not been a single year since 1970 in which the U.S. economy had net growth. Not a single year! In point of fact, the U.S. economy has been contracting consistently since 1970, by a margin of greater than 2% in each and every year.

And, a measure of that: The way in which one can measure the actual growth of an economy in physical terms, is the following. First, we make a list of those kinds of physical products which are necessary, not only to household consumption, but to infrastructure, to agriculture, to industry, to physical distribution of goods, and to education, health, and science services. We measure these goods in market baskets, market baskets of consumption by households, family households, by infrastructure, maintenance and development of infrastructure, by agriculture, by cost of agriculture, by cost of

industry, and so forth. We measure these in terms of per capita of labor-force, that is, what does the average member of the labor-force produce of these market basket contents? We measure these in terms of consumption and effective output by the labor-force members of family households. We measure these in terms of costs, necessary costs, per square kilometer of land area.

We hope, in a healthy economy, that the output from production of the contents of these market baskets, will be greater than the cost of consumption. That is, the output should be greater than the input. That output is a margin of growth which can be called macro-economic profit. And, a healthy economy is one which is growing because the output of the content, at least necessary content of these market baskets, is greater than the required inputs.

By those standards, the U.S. economy today, per capita of labor-force, per family household, and per square kilometer of land area, is half, approximately, what it was 25 years ago.

Parallel trends around the world

Now, we have somewhat different but parallel figures, or parallel trends, for all of the world. The worst case since the 1966-72 period of transition, is Africa. Africa was the first part of the world, especially sub-Saharan Africa, to be red-lined; that is, to be put out as a basket case, like a goat tied in the forest, waiting for the tiger to eat it. And, Africa has been systematically destroyed and has experienced *no net growth* since that period, despite localized growth in some areas.

Generally, in the developing sector, development, in the sense that the First and Second United Nations Development Decade proposals specified, has ceased to exist, in net effect, since 1967. We have seen the economic destruction of what once was the Comecon, a recent development. We see a positive trend in China, in recent times, with problems involved in it. But, overall, the picture I gave for the United States, and for Europe, is representative of the world.

For example, in Europe, you look at Italy, you look at France, you look at Germany, and elsewhere in western Europe, and, almost every morning, you will look at the obituary column, you'll find the name of another major or crucial firm on which the prosperity of the economy of that national economy formerly depended. What happened to Deutsche Aerospace? What has happened to AEG, in Germany? And so forth and so on.

The great firms on which, for over a century, the economic power of Germany depended, are shot. The export industry is shot. The great shipyards are being shut down. The machine tool industry is being allowed to rot. The machine tool industry, which is the gut of the German economy, is allowed to rot, while major manufacturers, under the influence of idiots, resort to outsourcing of products from cheap labor areas of the world.

We have a general decay. We have cultural decay, we

have economic decay, we have financial decay, we have collapse of life expectancy. We have increases in general morbidity within the population. We are now systematically, each year and more frequently, calculating how many more people to kill. How do we do that? Very simply. We take away those economic factors upon which the sustenance of life depends: cut medical care, cut assistance to senior citizens, cut assistance to those who are in economically unfortunate circumstances. You increase the death rate, cut the use of nurses in hospitals, put the doctors under the management of a computer, instead of their own conscience and skill. The result will be an increase in the death rate, the kind of increase which came with a shock in Russia over the past five years, where the life expectancy of Russia in general collapsed, as a result of IMF conditionalities: the greatest, most murderous invader of Russia which ever existed, was the IMF. It killed more people than all other invaders combined.

You look at what's happened in eastern Europe, to similar effect. You look at the collapse of life expectancy rates, the increase in child and infant mortality rates and similar things, in South America, Central America, Africa, and parts of Asia, and you get the same picture.

The collapse of social structure

Look, for example, in the United States, at another factor: social structure. Twenty-five to 30 years ago, the standard of cultural living of the employed person was a family household which depended chiefly on the income obtained by one employed member of the family. That employed member of the family would support a household with their income, would support children, would often assist the children into higher education, as well as through public school. That household provided a cultural nourishment for its members, for the children. It provided a family unit. It helped to create a sense of community in neighborhoods, and so forth.

Look at what has happened in the past 25 to 30 years. Now, in the United States, a household, to attempt, unsuccessfully—that is, I'm talking about the lower 80% of the income brackets in the United States—to attempt to maintain, *unsuccessfully*, the kind of material standard of living which they enjoyed, the same kind of household enjoyed 30 years ago, three persons, not one; or three jobs, not one, must be used by that household, to not quite successfully support that household.

The result on the children, the result on the community of this social change is disastrous. If you do not have family nurture of children, you proliferate emotional problems. You have a poor base for education. You foster the degeneration of some of the poorest parts of urban communities, and others, into hellholes of adolescent violence.

In the United States, for example, as in Europe, the worst violence, the worst crime overall, is perpetrated by adolescent youth. *The most dangerous criminal class in the United States*



Anti-nuclear demonstrators in Wiesbaden, Germany, April 1996. The sign reads: "Chernobyl was also dead certain." The adolescent youth of Europe and America have been turned into freaks and even criminals, by the decline of family nurture resulting from the economic collapse, and by the terrible educational system.

and in parts of Europe, is adolescent youth; our own children, who have been turned into that, by two things. First of all, no family nurture, because the parents, the older members of the family have to maintain two or three full-time or equivalent employments, which means there is no time for family life. The family meal has been replaced by that McDonald's, where you can eat your favorite kangaroo, or whatever. There is no cultural life. The educational system is terrible.

The vital issue of education

Now, also very important to children, is good education. Not merely to qualify them for life, but for their emotional development, for their maturity and emotional development. What is a good education? First of all, a good education means good teachers. But, we're against that now. We want other kinds of teachers. Good education means a classroom size of not more than 15, 17, or 18 pupils. Why? Because a good education is not teaching children to learn answers to questions which will come up on examinations. Many of you who perhaps remember what a good education was, know the difference.

In a good education, the pupil would almost never, in an examination, be exposed to a question to which the pupil has been provided the answer. The basis of good examination in education, is to ask the pupil, in an examination, to find the answer to a question which they had never thought about before, and to which they never received the answer. These questions are designed on the basis of the *knowledge* which the child, the pupil should have acquired in the course.

On the basis of this knowledge, and development of their mental powers, the teacher who is experienced and so forth, could rightly expect the children who had mastered this knowledge, to be able to solve certain kinds of problems about which they had not thought, perhaps, before. Because, they knew the *principle of discovering solutions*. And, therefore, you would examine children on the basis of their ability to create valid new solutions, or approximately valid new solutions, to problems which they had not thought about earlier. That was a good examination.

Today, the child is told a formula, by someone who generally does not know the subject, called a teacher, sometimes called a facilitator. The child is expected to work through an example of this gobbledygook, I guess you'd call it, recited by the teacher. The teacher says some piece of nonsense: "This is a concept. It's called a concept." It's *not* a concept. It's a shibboleth. The child is then given an example of what the teacher purports to mean by this shibboleth. The child is then, later, given an examination, usually a multiple-choice questionnaire examination, in which the child's problem is to identify and remember the procedure, the protocol which was taught to him, by virtue of learning these phrases, and going through, working through this example.

If the students were confronted today, with a question for which the answer has not been prepared in instruction, the students in many schools would riot, saying the teacher had cheated them, because a question had been asked, for which the answer had not been provided in the previous course.

What that means, is that we are not treating children in schools as if they were human beings. We're treating them as if they were parrots, or monkeys. We're saying, "Learn a procedure, learn a behavioral response." *We are denying the child the conception of being human*. Because the human mind, its cognitive process, is capable of creating solutions.

What the child requires, is some knowledge of the great discoveries of the past upon which modern civilization is based. The child, in order to understand these discoveries, must *relive* them, as we used to do with the Greek Classics. The child must be given a problem, an anomaly; a paradox. And, the child must understand that that was a paradox faced by some great discoverer, who is duly named, hundreds or thousands of years before. The child is then asked to meet the challenge, with some help or discussion, of discovering, in their own mind, what had been the original successful solution to that problem, hundreds or thousands or dozens of years ago.

Therefore, the child is given the building blocks of civilization, which consist of validated discoveries by great discoverers, which are replicated by people who come after them. Those discoveries constitute the heart of culture.

The nature of discovery: an example

When a child relives an experiment—just take one example that I often use. Let's take the case of Eratosthenes' discovery of an estimate, a *good* estimate, for the length of the Earth's meridian, in the Third Century B.C. Eratosthenes, of course, was a man from a part of North Africa, Cyrenaica, who was a student and became a teacher, or leader in Plato's Academy of Athens, and was called, because of his great fame and skill, to educate the young pharaoh in Alexandria. He later wrote, and he was chief librarian of the Alexandria Library, and made a number of very impressive discoveries. He was one of the great discoverers, parallel and comparable to Archimedes, and was a correspondent of Archimedes at that time.

What he did, which is what we've replicated a number of times as a pedagogical device for children under 12, through 12, is to ask the children to relive the act of Eratosthenes' discovery of the estimated size of the Earth, a measurement from Syene, now called Aswan in Egypt, to Alexandria, which was a measured distance at the time (see **Figure 1**). And, the children simply use the angular differences in the shadow of the Sun at various points along the meridian, to see, by analogy, that the Earth is a spheroid. And, by simple means of similar figures, the child can estimate the size of the Earth, which Eratosthenes estimated, at about 50 miles error from the polar circumference.

Now, there are two things that are important about that example. First of all, instead of being *told*, as would be done today, that Eratosthenes made a measurement which came out with the right answer, the child will be asked to go through the experience of re-enacting the discovery. Then the child would be given a real zinger, as we say in the United States. You say, "All right. Children, you agree that Eratosthenes measured the curvature of the Earth, or estimated the curvature." The children will say, "Yes." "But how did he measure that," you ask the children, "if no one had ever seen the curvature of the Earth?" which poses the fundamental question of cognition. And, many of the simple things which come from the Greek Classics, for example, which are well known to us, has the same effect.

The child then begins to discover, in his or her own mind, that there is a power which is lacking in the animals; that all human beings, all children have this, that we can discover and transmit ideas which we can validate. And, the civilization and the mastery of nature, is based on these discoveries. The child responds to such education, unless the child is emotionally disturbed, the child responds to such education, with happiness, because the child has experienced the thrill of beauty

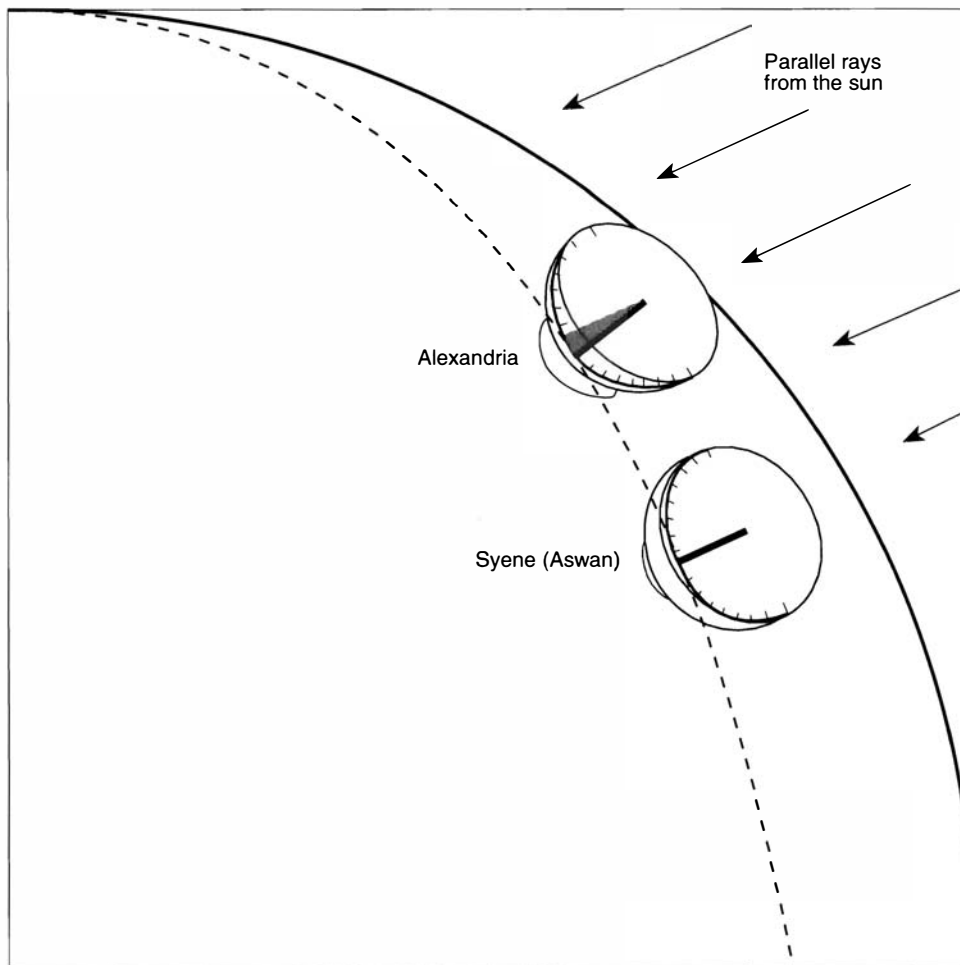


FIGURE 1
Eratosthenes' method
of measuring the size of
the Earth

Eratosthenes (Third Century B.C.) focussed on the difference between the angles of two shadows cast at different latitudes. Two hemispherical sundials are placed on approximately a meridian circle at Alexandria and Syene (Aswan) in Egypt, at noon on the day of the summer solstice. The gnomon in the center of each sundial points straight to the center of the Earth. The gnomon casts no shadow at Syene, but a shadow of 7.2° at Alexandria. By knowing the distance between the cities (~490 miles), Eratosthenes was able to calculate the Earth's circumference to be ~24,500 miles—which is accurate to within 50 miles!

in the child's own mind: the act of discovery. The child will respond, if he has some parents at home, about what the child has learned that day in school. "We learned an exciting new thing! We did this!" The child is happy, the family is happy, at the growing maturity of the child's mind.

Then you have the citizen who, when facing life, the problems of life at later times, approaches this with the memory of the experience of re-enacting many discoveries. The child knows the method, or becomes familiar with the method of thinking by which the child has re-enacted solutions to problems represented by great discoveries for mankind in the past. The child now has confidence in the validity of a method which the child knows, which now exists in the child's mind.

The child is faced with a new problem: The child is excited! Not angry, but excited, particularly if the problem is within reach of the development of his creative mental powers. It's a challenge! The child will try to solve problems, the way an athlete will try to climb a higher mountain.

This makes a great civilization, a great society. The development of European civilization from the Fifteenth Century on, was premised upon this cultural principle, as in the case

of France, which was the first modern nation-state, France under Louis XI, between 1461 and 1483. The basis of France's transformation from a feudal monstrosity into a modern nation-state during those 20-odd years, was, number one, the fostering of Classical humanist education, typified by the methods of the Brotherhood of the Common Life, which were Classical methods of the type to which I've alluded. Second, was to provide the opportunity for children receiving such an education to find a changing, growing, developing economy, an increasingly urban economy in which the opportunities for expression of this quality of mind they had acquired could be used.

By that great act, Europe lifted up all mankind, despite the evil things that had been done then, in that period. Because, prior to that, over 95% of the human race in every part of this world, lived in a relatively brutalized condition, akin to serfdom or slavery or worse. That is, of great deprivation. And, Europe provided, by this relationship between nation-states controlled by the intelligentsia of its own people, in the interests of the people—the nation-state committed to universal education of its children, a nation-state committed

to scientific, technological, and cultural progress and to opportunities for meaningful activity for all of its members—contributed in the constitutional nation-state, opposed to both landed aristocracy, and opposed to financier oligarchy, created a new form of society, which, despite all the evils that have come out of European and related nations, had, until 30 years ago, catalyzed or directly caused a net improvement in the life expectancy, the conditions of life, for all mankind on this planet.

The right to technology and science

For example, when I was in the service in the last war, and coming out of Burma by way of India, before returning to the United States, the poorest, most meanly paid coolie in the streets of Calcutta, could come up to me, and the question that would be foremost in his mind, is: “When you soldiers return to the United States, *will you cause the United States to send us the machinery which will enable us to develop our economy the way yours has been developed?*” Illiterate coolies, who couldn’t speak English, and they would get some student to translate to the American soldier.

This was typical, as we saw in the Development Decade proposal that passed through the UN, both the first one and then the last one that U Thant announced in 1967. The aspiration of the developing countries, was for the *right* for full access to sovereignty, to scientific and technological progress, to education, and to the improvement in the condition of life, which had then previously been considered the special right of the European nations or North America. That was prior to 30 years ago; now, this has changed. It’s gone in the other direction.

So, therefore, on the one hand, we had a great culture, with all its imperfections, a culture in which all humanity aspired to participate, *to claim its right to participate in ideas.*

Thirty years have gone by. What’s happened, and what is happening now; not something that’s going to happen, it’s already happened. We have come to the end of a civilization, the end of, if I can be specific, 400 years of a very special kind of European civilization, which emerged to dominate this planet.

Now, the reason I’m addressing you in these terms, is the same reason that I write many articles dealing with aspects of this subject, the reason why I am so *mean* to the mathematicians—and I am mean to them, they need it—is because we have come to a point where you can not fix the old *Titanic*. Do not come up to the bridge and say, “Captain, I have a suggestion as how we can save the *Titanic*.” Throw that person overboard, for their own good! And for the good of their fellow passengers. The question is: How do you get off the *Titanic*, and survive? How do you prevent a major loss of life, while you’re trying to make the transition from the *Titanic* to some other mode of existence?

That means that there are certain underlying assumptions built into the culture, the way it’s presently operating, which

are causing the culture to destroy you. In that case, what you need—it’s like an automobile which is not long for the world: You’ve got to get out of it, and get into a new conveyance. And, you use your experience, as with the case of the collapse of the old automobile you bought at the used car lot, your experience with the old vehicle, comparing its usefulness and, also, its failure, in the selection of the new vehicle; which means you have to look at the underlying assumptions which caused you, *for all too long*, to tolerate a culture which we should not have tolerated in its existing form.

We are now coming into a period, which is characterized, for the past 15 years or so, by the collapse of two systems. We have seen the collapse of the Soviet system, which is more or less like a train wreck. We are now seeing the disintegration of the system which survived the Soviet system, the system of western Europe.

We see the deliberate destruction of the nation-state, by things like Maastricht and other schemes. We see the destruction of the nation-state by proposals for “global free trade,” “global economy.” We see the ruin of things which are successes.

The German-American connection

Let’s take the case of German industry, AEG, for example, and Siemens: what they were, where they came from, what they are today.

In the early Nineteenth Century, there was a man in the United States, the great-grandson of Benjamin Franklin, the great scientist Benjamin Franklin, who was a serious scientist, contrary to what some people have said. His great-grandson was called Alexander Dallas Bache. Alexander Dallas Bache, in the course of time, studied at Göttingen University, and became closely associated with the circles of Carl Friedrich Gauss. He became, then, also associated with Alexander von Humboldt, and became a key link between Germany and the United States. For example, the U.S. Coastal Geodetic Survey was established on the basis of the geodesy of Gauss, through the mediation of Alexander Dallas Bache. Representatives of Gauss participated in the United States, including members of his family, in setting up the U.S. Coastal Geodetic Survey.

The interchange in that period between German universities and U.S. universities was intense. Germany was the nation, in that period of the Nineteenth Century, closest to the United States on the cultural level. Not necessarily the monarchy, but these institutions.

Now, later, in the course of time, Alexander Dallas Bache did a number of things. One thing, on the basis of his study of the Humboldt reforms in education in the United States, he introduced something similar in the United States, starting with a model secondary school called a high school, in Philadelphia, Pennsylvania. That high school, established by Alexander Dallas Bache, based on consideration of the Humboldt model, was the basis for the entire system of high school education in the United States thereafter. It was based on the

German model.

But, there was reciprocity. Alexander Dallas Bache was among the sponsors of a man called Thomas Alva Edison. And, Thomas Alva Edison made some inventions, which he had to fight to introduce into the United States, because the British didn't want them introduced in the United States. But, through Rathenau and Siemens in Germany, we had the rapid electrification, in both the United States and in Germany, within a relatively few years, as a result of this collaboration, the collaboration between the ideas of Edison and the implementation of Edison's designs by people like Rathenau and Siemens, who, in that period of the Nineteenth Century, were functioning as a team, with a division of labor, in terms of electronics.

Well, where are those great firms today? Where is the tradition of Edison in the United States? Gone! Where is the tradition of the high schools set up in the United States on the models of the Humboldt reforms, by Alexander Dallas Bache? What happened to AEG? What has happened to Siemens? And, similar stories can be told throughout the U.S. and other parts of Europe.

Now it comes to the main question: What's wrong? What happened? What happened in the past 30 years?

I can assure you, that every textbook, and every course in economics, in virtually every university in the world today, is axiomatically incompetent, worse than incompetent. This has been the case, for most of the Twentieth Century, in every part of the world. And yet, the collapse of the world economy from its previous rates of growth, occurred only about years ago. How are these two things related? Then you begin to see what the problem is.

Thirty years ago, we entered a period of deindustrialization (I'll come back to that, how that came politically about), in which we deemphasized investments in energy, in energy density. We deemphasized investment in infrastructure, we deemphasized investment in technological progress. It started in 1966, with the first program through the United States government, which began to take down the U.S. space program. We had a mass shutdown of sections of the aerospace program in the years 1966-1967, from which that program has never recovered to the present day. The space program today is a joke, compared to the space program of 30 years ago, even though some good things are being done.

But, look at the economic doctrines that are being taught today, and which are used by governments to justify policies of governments and banking institutions, which are, generally, fairly described as lunacy. It is fair to say that the leading policies of every government in the world today (we'll leave China out, that's a special case); that the leading economic, monetary, and financial policies of every government in the world today, is lunatic, absolutely, clinically insane. That is, it's not the kind of thinking which enables a species or nation to survive. . . . If you believe it, you're not going to exist as a species. You have denaturalized yourself, in the process of natural selection.

The bankruptcy of textbook economics

What's the great error in all these theories? They leave out man. *There is no economic doctrine generally taught in any textbook or university today, which takes into account the existence of man as human.*

Now, since economies involve the work of a lot of human beings, that might seem a little bit absurd. It is! How do they do that?

There are two theories of economy today, from the textbook standpoint, which are accepted by governments and other institutions throughout the world. One, is fairly called that "commodities are produced by commodities." The assumption is, that if you put in a certain number of commodities, including labor as a commodity, into a system, that you'll get so many commodities out of a system. Every economic theory taught on the basis of operating an economy, including an industrial economy, especially mathematical economics, is based on that assumption.

There's a worse version of the same thing, which is that it is not the commodities, but the *money* that produces the wealth. In other words, in all existing theories, it is taught that the use of commodities, the produced commodities is the basis for profit, and growth in macroeconomy. In the worst version of the theory, it is taught that money invested in the economy earns profit, and that is the source of wealth.

So, it leaves out of consideration the fact that in any such mathematical model, you can not have growth. Because the model would be intrinsically entropic; that is, it would tend to erode. Where does the growth come from? Well, *the growth comes only from one thing.* And, you look at the entire history of mankind, and the prehistory of mankind, of which you have a fair indication, going back many years. Human progress, from the life expectancy and population density of a baboon, to present-day man, is based entirely on the basis of discoveries, and transmission of those discoveries, in the form of culture from one generation to another. The source of these discoveries is one place: the mind of the human individual. In the case of economy, the same thing.

Let's take, for example, the German economy, when the German economy was successful. In the case of the success in the German economy, it was not based on the big firm, as such. That was not the secret of the economy. And, many Third World countries, so-called, suffer, because they have the impression that, by putting an industry, a manufacturing industry or something down in their territory, they're going to have economic growth. And, they don't. Why not? Because it's the wrong economic theory. The big firm by itself does not produce economic growth.

The role of the 'Mittelstand'

Look at the German industry. How does Germany prosper? Germany prospers with a special section of what was called the *Mittelstand*, and Lothar Komp has written a report on this subject, which we're publishing in English in the



The steel works in Bochum, Germany. The Schloemann-Siemag company (SMS), maker of one of the machines shown in the picture, is an example of the kind of small and medium-sized company that composes the Mittelstand—a kind of conveyor belt from the scientific laboratory and university, into the practice of machine tool design.

United States in *EIR* [see p. 39].

The *Mittelstand* is what? Some of you know what it is. It is generally a relatively small firm, headed by a scientist, or engineers, or people of similar talent. The function of these firms is not simply to produce machine tools, *but to design and produce machine tools*. They design machine tools. How does this work?

The *Mittelstand* is a kind of conveyor belt of the discoveries of science from the scientific laboratory and university, into the practice of machine-tool design, so that when a large firm employs the services of this kind of *Mittelstand* firm, as a vendor, the firm, unlike Lopez's Volkswagen, is not stealing ideas, designs. *It is actually developing a flow of constantly improving technology, into the firm's operation*. The products become better, the designs of the products are improved, the productivity of labor is improved, and, therefore, there is a constant growth, an advancement in technology and productivity in those firms.

It is not the big firms that produce the growth. It is the big firm's *use* of the *Mittelstand*, the machine-tool-design sector, constantly, in effecting the constant flow of changes in the mode of production and productivity. And, the reason the Third World countries have so much trouble in trying to imitate the developed sector on this account, is, that without

a machine-tool sector, and without infrastructure, industry doesn't work.

But, look at the case of the machine-tool designer as such. What is happening here? What you have, is the development of discoveries, discoveries of scientific principle, and, also, cultural principle, which is reflected in the process of education, and the relationship between a humanist quality of education, and scientific and related research.

The scientific and related research and education, working together, produce a highly qualified labor-force, or a labor-force of highly qualified potential. The flow of discoveries from the scientific aspect of the educational process, then produces the leader of a firm like the *Mittelstand* one: the gifted engineer, the gifted scientist, who leads, in causing his or her firm as a personal invention of his mind, so to speak, to produce improved machine-tool design, which revolutionizes the quality of products and the quality of technology and production, to increase the productive power of labor.

So, in economy, what do we have? As in the German economy, the same thing could be done to the economy of northern Italy, or the United States. The same principle. What does it demonstrate? It is the human mind, the flow of the education of the mind of the prospective labor-force member, the prospective member of society in general, and, also, the

Mittelstand, in the ability to make and implement some fundamental scientific discovery which revolutionizes for the better, the quality of life and production.

The mind, the mind; the mind of a human being. But, look at these theories. Look at the theories of derivatives speculation, for source of profit. Look at the theories that are taught in every textbook and every classroom, virtually, in the world. The mind of man is left out, because it's an inconvenience to bad economic theory and bad mathematical theory. Because the mind produces transformations which are contrary to the simplistic, mechanistic theories which are taught in modern economics or modern mathematics courses today.

Then, how did we ever have a good model? Well, we had an approximation of good economic theories, first in Leibniz, and then from people like Franklin and Alexander Hamilton in the United States; List, here, who was the product of the American System of Franklin.

But, during the Twentieth Century, virtually every economic textbook is incompetent. How did we have a successful economy? Because we had an economy which was oriented to the production of technological progress and wealth.

How production was organized

Now, how was that organized? It was organized by production managers. Production managers, of course, deal with products over a period of about a quarter of a century to 30 years maximum. If you want to run production, you have to think about, you have to know what you've got to work with, that is, the capital investment with which you're beginning, much of which was made 10, 15, 20 years ago, or 30 years ago. Plants, equipment, machinery, processes, and so forth.

If you're going to run one of these plants, you have to think at least 10, 15, 20 years ahead. You have to plan the flow, and institutionalize the flow of development of technologies, *into the future*. Do you know how long it takes to make and design a machine tool, to design a process, to organize the flow of production when you create a competent product, and market a product based on that work? This is a work of from 5 to 15, 20 years.

For example, even in agriculture, if a farmer wishes to plan a new crop program, the farmer may have to think at a minimum of a three-year cycle before he can begin to pay out the investment in developing that crop program. If a farmer wishes to develop a herd of high-quality cattle, milk cattle, that may be an investment of 25 years of development in that herd, before the herd becomes a self-sustaining economic [basis] of production.

So, people who manage production, whether in agriculture or industry or other things, must think in terms of past, and they must think in terms of the future.

These people were called the production managers. In any typical American firm back in the 1950s or 1960s, you would find two opposing political forces, in any competent firm. On

the one side, was the production manager, and that's that. On the other side, were the idiots, the finance officers and the accountants. And, when it came to production, they were both idiots, even though they may have performed a useful function, if they stayed in their place.

Because the production manager was a power, as in Germany. You had the alliance of Hermann Abs of the German banking system, together with the big firms, and the *Mittelstand*; and they understood something about production. And, they would fight to say that anything that violated the interests of production, was contrary to the interests of the German state—because Germany existed by 40% of its products being exported. So Germany, as a high-technology exporting nation, which relied upon the machine-tool process, particularly the automobile industry and other industries—a breadth and a head above other nations, in quality and in product design, and in productivity, was its essence.

German labor was not cheap. It was not a cheap-labor market. It cost more, for an hour, to employ German labor, or did, than it does in some other countries. But, that's justified, because German labor had a higher technological potential, and a higher productivity. Therefore, higher pay was better for Germans. And, the industrial manager *understood it*. And the bankers who worked closely with him, *understood it*. And they were a political force.

The same thing was true in the United States. Similar things were true in northern Italy. The forces around de Gaulle, in the development of the French economy out of the mess it was in the 1950s, reflected the same thing. In Russia, in the military-industrial sector, you had a similar recognition of some of these principles, as practical matters of policy.

The problem of 'Maoism'

So, despite the fact that, in former times, we had a society in which economic theory was insane, as it is today (maybe not quite as insane, but essentially insane); nonetheless, the economies functioned, because you had a functional feature of the economy, a powerful one: The production manager and what was associated with him, as a political force, kept the hyenas, called the accountants and financial management, in check, and the economics profession in check.

You would have economics conferences by these professors from various universities, babbling absolute nonsense. But, nobody paid any attention to them, because the production managers and their faction were in control. These were called the "Ivory Tower" people, who would get together and gabble like geese over corn, and you expected them to do it. But, nobody paid much attention to them. And, there were good economists.

In 1966, you had a change. Someone said, planting this idea, first, among the Maoists, who are old university students' children. When the Cultural Revolution occurred in China, it was bad there. But, it also occurred in western Europe and North America, 1966 to 1968. It is Maoism which

is destroying Europe from within today, not actually imported from China, but the Maoism which we've had in western Europe and the United States, particularly in the United States. That is a key part of the problem. But, they were used.

Why did people allow a bunch of unwashed lunatics, sodden with dope, babbling nonsense, not knowing which end of their body to pull their pants on, to shape the culture of North America and western Europe, and elsewhere, during the late 1960s and early 1970s? Why did that happen?

Because somebody from the top decided to do it. The reason we have modern society, over the past 400 years, is because those who opposed the nation-state, the forces of wealthy landowners, landed aristocrats, the forces of financial oligarchs, such as the Venetians, or the London financiers, or the Netherlands financiers, even though they hated and opposed the idea of giving political equality and intellectual equality essentially to the entire people of nations, were up against the problem which was identified by Niccolò Machiavelli, during the early Sixteenth Century: that the modern form of society, the modern urbanized industrial/agro-industrial form of society, first coming to the surface under Louis XI in France in 1461, by developing the society, and developing it in a way in which it could utilize and develop technology, had created in the populations of such societies, a potential military force which was superior to the forces of the oligarchy.

Therefore, the Sixteenth Century was a great struggle, led by Venice, against the new order of society, the nation-state, and the system of scientific and technological progress which developed from that. But, this failed; because, despite all efforts, it was demonstrated that the nation-state was superior in every respect, including military respects. Because the quality of population, including the technological attributes, the ingenuity, and the technology which the nation was able to deploy per capita, was the basis for a winning potential in general warfare.

Therefore, as long as this planet faced the possibility of general warfare among nation-states, any force that wished to survive, even a financier-oligarchical force, or a landed aristocracy, must resort to the methods of the nation-state to gain the simple military power to withstand the superior powers of the nation-state economy.

But, the people who were determined to destroy this system of society, did not give up. At the end of the Sixteenth Century, led by a very evil, sulfurous gentleman by the name of Paolo Sarpi, the follower of William of Ockham, a new system of thought in politics was introduced into Western European civilization, which was called later the Enlightenment.

Now, the Enlightenment denied the essential thing, that man is made in the living image of God. That was the big fight. Because if man is made in the living image of God, then every human being must be recognized and treated accord-

ingly. Society must be designed accordingly, to foster the development of those creative powers which distinguish man as made in the image of God, to provide the opportunities in life which fit an individual personality made in the image of God, to foster the life of that individual, to foster its productivity, to foster the conditions of environment which are necessary for such a being.

But, the opposition said, "No, that's wrong." They say, as Lord William Rees-Mogg, sometimes called Greased-Hogg, of London, said, "No. Ninety-five percent of the population should not be educated at all. We should go back, essentially, to feudalism, or the worst forms of financier-oligarchism, and keep 95% of the population in bestial backwardness. Therefore, we refuse to admit what the Renaissance emphasized: that the nature of the individual human being is the individual human mind's creative educable potential, the potential for individual discovery."

So therefore, Paolo Sarpi created a system, known as the system of Galileo, the system of Francis Bacon, the system of Thomas Hobbes, the system of John Locke, of Hume, and so forth, which became known as the Enlightenment. The Enlightenment denies the existence of a creative power of human mind, just as Kant does, for example, or as the German Romantics, such as Karl Savigny in the last century. The denial of the connection, the efficient connection, between art and science, that they represent the same state of mind, the same creative powers, is an example of this.

So, therefore, wherever the Enlightenment prevails, you had theories, such as bad economic theories, such as those of Quesnay, for example, which insisted that you must design society in such a way that you do not admit that the creative power of the human mind is the source of the increase of the population potential density of mankind, the source of the improvements in life expectancy, the source of the improvement in man's power over nature.

So, what we had, therefore, is we had a two-part society. We had a victim, which was the nation-state. On its back, there was a succubus, the relics of the old reactionary forces, the relics of the tradition of landed aristocracy, the tradition of financier oligarchs, the tradition of usury, the tradition of Descartes and Voltaire.

But, since we had nation-states and they were a powerful force in the world, and war was likely, these parasites could not get rid of the nation-state, nor could they rid themselves of this process of production, or the production manager. Therefore, you will find that in this process, generally, these nations developed their economies, as in the case of the United Kingdom, reluctantly. *From 1714 on, the British economy, the economy of the United Kingdom, never made an effort at technological [development], except to prepare for war.* The British economy lived by sucking on the blood of most of the world, in the form of colonial raw materials.

But, there was never a period—for example, 1811 to

1820: Britain was the most backward nation in Europe, in terms of economy, and in terms of science, especially science. England was behind Russia in science, behind the United States in science, behind Germany in science, behind France in science. So, the English said, "This is a danger to us, a military-strategic danger." Therefore, through the formation of the British Association for the Advancement of Science, Britain went into a science and economy boom.

The British Navy at the end of the century was eminently sinkable. It was only good for sinking, not for fighting. So, under Admiral Fisher, the *Dreadnought* was created. Why was the *Dreadnought* created? Because they were afraid of the United States. Why were they afraid of the United States? Well, I'll just take a little side trip here, to mention something which most of you don't know, I suppose. But, it's good fun.

Lincoln's plans for Britain

Abraham Lincoln, the President of the United States, knew that the Confederacy and the Civil War had been organized by the British and the French, the early Entente Cordiale. And, Lincoln realized that, at the end of the Civil War, the United States must prepare to deal with its mortal adversary, Britain. Lincoln devised a war plan, a war plan for the defense of the United States against any future threats from Britain. Part one of the war plan was: occupy Canada. Part two, was to send a fleet of a kind of ship, which was a warship which had been developed by Ericsson, the man who made the famous *Monitor*. These warships were called ocean-going *Monitors*. That is, they were the kind of larger *Monitor*, a steam-powered *Monitor*, which could sail across the ocean. And the way Lincoln was going to deal with the British, was to occupy Canada, to eliminate that problem, and then send a fleet of ocean-going *Monitors* to blockade every major British port, and to bring the British economy to its knees. Because the British had nothing which could resist such *Monitors*.

So, as a result of that fear of the United States, which was a concept of the United States; the British were always afraid that the United States would develop effective war capabilities at that point. The British came up with what was called the "Dreadnought Policy," as expressed by the first battleship, called the *Dreadnought*, the *HMS Dreadnought*. And, the British mobilized industry to produce, beginning the late Nineteenth Century, to produce and prepare for what became World War I. In the postwar period, after World War I, very little developed. Again, the same thing: The only British development of any significance, in the period after World War I, is preparing for World War II and the effects of it afterwards, that is, the conditions which existed for Britain after World War II. You've got a similar thing in France, to which de Gaulle was an exception.

But, the general history is that nation-states, under the influence of the Enlightenment, would mobilize technological progress and economic progress, *only to prepare for war*.

Now, there was a danger, as long as Roosevelt was alive, Franklin Roosevelt, that Roosevelt would do to Britain, what Lincoln had intended to do. As a matter of fact, Roosevelt at the time was thinking in those directions. But Roosevelt died, and Truman was a lackey for the British. It's a simple fact.

The postwar nuclear world

So, what the British did, in order to try to control the world, the postwar world, was to set up a nuclear confrontation between the Soviet Union and the Anglo-Americans. And, thus, from 1945, when the two nuclear weapons were dropped on Japan without any reason to do so, until 1989, the world was dominated by a so-called East-West nuclear conflict, even before nuclear weapons existed. The name of this doctrine of nuclear conflict was set forth publicly by Bertrand Russell in an article published in a magazine he controlled, *The Bulletin of the Atomic Scientists*, in September 1946. Every policy, including every policy of Henry Kissinger and so forth, is based upon that Russell doctrine.

The purpose of the doctrine, as Russell said, was to eliminate the nation-state, and to form world government, in order to eliminate war, is what he said. The point was, as I've said, was that the oligarchy could not rid itself of the nation-state institution, without bringing about a state in which the danger of general warfare would not force the nation-state back into existence.

In 1962, we had a missile crisis. In the aftermath of that missile crisis, with the personal intervention of Bertrand Russell, between his enemy John Kennedy and his friend, Khrushchov, agreements were reached which became known as the détente agreements, or the détente process of agreements.

Those in London and elsewhere who were aware of this, believed that the introduction of détente, meant that war was not eliminated from this planet, but that a general war, a general nuclear war in particular, between the forces of the Soviet Union and the West would no longer occur. That warfare thereafter would be limited to limited warfare, and, especially, surrogate warfare. By limited warfare they meant, generally, warfare below the threshold of nuclear exchange. And, those of us who remember, will remember that, in 1970 and 1980, every military exercise in which the *Bundeswehr* participated in Germany, would always break down, because it would always be deployed, in which the conflict in Europe would lead to situations in which one side or the other would have to use nuclear weapons, to avoid nuclear war.

Surrogate warfare

So, the idea of warfare only below the threshold of nuclear conflict, the use of third-party warfare; you set a party directly between the powers, you would pick a couple of third parties, and they would fight a war, and you would orchestrate that. The last war of that type, in the period of life of the Soviet Union, was the Afghanistan War, which was set up by the

U.S.-British establishment, in order to entrap the Soviet Union into a prolonged war against mountain warfare in Afghanistan, in which the U.S.-British side of the war, run out of London, was run through northern Pakistan, through the bases of what became known as the drug-money-funded operations of Margaret Thatcher and George Bush, funding the mujahideen, who were the agency sent into Afghanistan.

That was a surrogate warfare, just as the Vietnam War earlier was a surrogate war, a war to adjust diplomatically the relationship between superpower blocs, or superpowers, by fighting out a war under diplomatic cover, with third parties.

So, when that came, then, suddenly, the oligarchy, the friends of Bertrand Russell and others who permeate the Establishment—as the Frankfurt School here exemplifies that, as a lot of institutions in Germany are that. If you look at Yugoslavia today, you can not explain what has happened in former Yugoslavia today, without tracing out the links of Bertrand Russell's organizations; that is, the Bertrand Russell Peace Foundation, or the offshoot of that, called Praxis, which is a Frankfurt School-Bertrand Russell joint operation.

In the United States, you can not find any part of this operation of the counterculture operation, of the spread of the rock-drug-sex counterculture, which does not come out of Bertrand Russell and his associates, from as early as the 1920s or even earlier.

So, the people who felt they had gained a victory, by using a 1962 missile crisis to force through the détente process which Russell had laid out earlier in 1946 as the plan for bringing about world government, these people began to move toward world government. They began to move toward the *destruction* of those institutions of the nation-states. . . .

So, therefore, what we see here, in the past 30 years, since 1966, is a devolutionary phase within a form of society which has existed in Europe and North America, and beyond, for about 400 years, based on a symbiosis between the nation-state form of existence, which is the highest form mankind has known so far, and a parasite, a reactionary parasite, from the bowels of the past, the parasite known as financier oligarchy, usury, a landed aristocracy, which, since the end of the Sixteenth Century, has demanded to infiltrate, to dominate, and to corrupt the institutions of the nation-state.

Prince Philip founded the Greenie movement

What we've come to, is the point where the elimination of industrial progress, the so-called Greenie movement, has destroyed the character of the nation-state. It's a combination of the rock-drug-sex counterculture, and the Greenie movement, internationally. The Greenie movement, by the way, is founded by Prince Bernhard of the Netherlands and Prince Philip of England in 1961, called the World Wildlife Fund. And, all the Greenie movement since then is organized out of funding conduits under the World Wildlife Fund, or called today the World Wide Fund for Nature, including the Club

of Rome.

These institutions have destroyed the political power of the great firms, the production managers, the bankers who were associated with the production managers, have destroyed the influence of sanity in our government, in our economy. The idiocy which has lurked in the economics departments of our universities, in the form of "commodities produce commodities" views, or pure monetarist views, have come out rampant, have taken over the classes. There has been what Nietzsche proposed, a "transvaluation of values," in the direction proposed pretty much by Nietzsche—has occurred on this planet, most of this planet throughout the past 30 years.

So, therefore, the parasite which was within us, has taken over. And, the takeover of these corrupted institutions which we had before, by the parasites within them, has led, as I suppose in the case of most infectious diseases, to the imminent death of the subject.

Eliminating the parasites

Now, the obvious thing to understand, is that there were many good things in European civilization earlier. There were, obviously—obviously—many bad things. Many things which, in this form, have led to the destruction of our culture. The object today, must be to sort that out, and quickly: What were the foundations of the great contributions of European civilization to humanity, actually? What were the aspects of European civilization which were the parasite, which were the evil, the destructive force, that has brought this planet into chaos?

We must quickly establish institutions, or salvage institutions and reestablish them, which are based on the former, on the good, and purge ourselves, as we would of a dangerous cancer, of those tissues of policy and institutions which have brought us to our doom. We must use, as the doctor does many times, we must use the *shock effect*: where the patient is suddenly facing death, or possible death, to bring the patient to his or her senses, to stop doing that which is leading to their death.

And, therefore, we must look at the situation before us, as a very dangerous one, as a perilous one. But, nonetheless, we say we needed it. Because without the great shock which warned us that we could no longer continue doing as we have done, we will not survive. We won't make the decision which will enable us to survive. If nobody tells the passengers that the *Titanic* is sinking, nobody will be saved. If nobody warns that the system is doomed, no one will be saved from the Dark Ages and the collapse of the system. And, we will not be saved, unless we can distinguish within our institutions, those aspects of our institutions which are viable, and those aspects which must be weeded out.

We look to the East, to Moscow, in particular, and we see an example of that. As I wrote recently, the problem the



Helga Zepp-LaRouche (second from left) visits a farm in China, May 1996. With an ecumenical approach in matters of statecraft, we can transform the planet, in the interests of all nations.

Russian today faces, or the Ukrainian, or the Belarussian, or others, is to realize, that, in Russia's Twentieth-Century history, two Russian systems have collapsed. The old Tsarist system, and all its leading institutions, collapsed because they were too rotten to survive, morally rotten. The engagement of Russia, in alliance with France and Germany, the Entente Bestiale, to make war against Germany, committed Russia to its own self-destruction. And so, from 1905, 1907, until 1916, 1917, Russia, Tsarist Russia, walked with death. And, *every leading institution of Tsarist Russia participated in the rotten, the guilt of doing that.*

The corruption of the Tsarist institutions, created a vacuum, which a revolutionary of some particular *Entschlossenheit*, Lenin, exploited to establish a new Soviet society. The Soviet society, for different but also for distinguishable reasons, also collapsed. . . . We warned of precisely what was going to happen, before it happened. And, it did happen.

The problem in Russia today, is that, though there are many people who are making these inquiries as to what to do, nonetheless, the fact is, the system has not yet faced the reality. A simple question. We have gone, in a sense, in Russia, we have gone through a collapse of two successive orders, social orders, both failed. We can not simply jump wildly into a third order, brought in by that pirate George Soros, or Jeffrey Sachs. We must reconcile what was good in the old, salvage what was good in the old, to mobilize people around those things which are recognizably good, in order to build a foundation for what must be constructed to replace the disaster

which has befallen us.

We must recognize in Western civilization, what was good, in modern European civilization. The Renaissance, which is essentially a creature, institutional creature of the Council of Florence, 1439-1440: that is the good. The rallying of our history, our previous experience, to recognize the importance of the nation-state, a nation-state which is designed, which was created out of the influence of the same personalities who organized the Council of Florence. . . .

The nation-state was good. The commitment to the principle that every human being is sacred, that every human being has the capacity, is in the image of God, which is the Augustinian Christian view, and that each person is also *capax Dei*, as well as *imago Dei*. And that we will construct a society, a form of society, which recognizes and is particularly consistent with those things. The fostering of universal education, and of a humanist form of education, that is, one in which we learn to reexperience the great discoveries of our predecessors, in which we develop our minds, in which every individual is given the opportunity to utilize their self-development, to have a meaningful life. . . . We must pass on the talent which is given to us at our birth, to those who come afterwards, enriched; which used to be what we took for granted. We had to make things better for our descendants, than they were for us. That was our commitment.

That is good. The production system is good. Scientific and technological progress is good, the great Classical cultural tradition, is good. . . . Those must be celebrated and

upheld and preserved. And, those things which we can recognize were the enemy of the system, this good system; those which we recognize as the evil within, which we tolerated much too long, which we've tolerated to the point that it has virtually destroyed the entire human race: *That must go.*

The solution is going to be obvious.

The United States must react

My problem is, that I think the United States' decision on how it will react to this crisis, will determine the opportunity immediately faced by most of humanity. My concern is that the President of the United States, and the people around him, who are responsible, are willing to act properly at the moment of crisis. And, I don't think they are. Because they're cowards. They lack what Clausewitz called the quality of *Entschlossenheit*. . . .

To react in such a way, that the United States takes leadership in saying that the present monetary system and financial system shall be put into bankruptcy under government supervision. *The only way you can prevent chaos on this planet, is by the action of government, of sovereign government, to put the relevant financial and monetary institutions into government-supervised bankruptcy reorganization.* If you do *not* put these into government-supervised bankruptcy reorganization, then the nations will not survive, because chaos will result. And, in modern industrial society, that kind of chaos can be genocidal in its effects very rapidly.

Most nations lack the courage to do this. Most nations are too weak to initiate such measures without support. If the United States joins Britain in the effort to suppress any effort to declare international bankruptcy of these institutions, then most nations on this planet might be crushed, by the force of those forces. . . . Most governments are not quite as insane as they appear to be. They just fear the consequences they get from the Anglo-Americans when they don't do it, especially since the so-called Desert Storm war of 1991. People have learned what the British can do when they get a dumb American President to do whatever the British want, to make a horrible example of some nation on some pretext.

So, nations are terrified of this power. The Russians are terrified of this power. They may not admit it. . . . But they are terrified of the political power behind the IMF.

An ecumenical program

If the United States disowns the IMF, and says it's bankrupt, and that we must put the institutions which are bankrupt into receivership under government supervision to prevent social chaos, and we must immediately act to create a new monetary system, a new credit system to wipe out the old trade agreements and create new ones, and certain governments at least must meet to establish such a, shall we say, a "new Bretton Woods," immediately. Under those conditions, this planet can survive.

And after all the trouble we go through in a short period of time, we will come out much better for the rest of the decade than we have been for the last 30 years. What is needed is some unifying objective . . . the unifying objective which engages most peoples of this planet and most nations in some great good which is to the substantial benefit of all, whether indirectly or directly. I propose that this exists in the relationship of Europe to West, Eastern, and Southern Asia, in what is called the "Productive Triangle" program, and what is called in China the "New Silk Road."

Apart from India, virtually no nation in South and East Asia, except Japan . . . has a significant machine-tool capability. I have identified that very clearly, the kind of thing, like the machine-tool design capability of the *Mittelstand*, and so forth. The problem of Asia is, it has a vast population. The majority of the human race is located in Asia. . . . Therefore, in terms of any per-capita growth on this planet, [this] will be reflected in the highest rates of growth, in South and West Asia. But apart from India, there is no significant machine-tool capability adequate for that purpose in any part of Asia.

Europe and the United States, and Japan to some degree, represent a marginal machine-tool capability needed to make this great project work. Therefore, Europe must accept as its destiny the Triangle approach, the mobilization and reintegration of Europe as what it was in the Nineteenth Century, and later in the Twentieth Century, as the machine-tool design center for the world: a role the United States once represented. . . . And to utilize that machine-tool potential that we have, to make possible the economic success, as well as physical success of the Silk Road development . . . which is the rallying program, or, shall we say, a moral replacement for war, as the driving force of industrial and agricultural development on this planet.

If we do this, then we will find . . . in South and Central America, which has a cultural potential based in European civilization, [support for our effort]. . . . And in Africa, which is one of the richest potential areas of growth. . . .

What we should aim for culturally, is probably best described with the term *ecumenical*. We have a world which is partly Christian, although some Christians don't know what real Christians are. We have Buddhists, we have a large Islamic population in the world, and so forth. And therefore, in dealing with the fundamental principles of culture, we must have an ecumenical approach in which the differences in the cultures are deemphasized and the points of agreement are emphasized, particularly if they pertain to the matters of statecraft, the matters of cooperation between sovereign states. And we must make that ecumenical commitment to the transformation of this planet, and to the exploration and conquest and colonization of nearby space. We must make these goals, shared among nations participating, . . . the moral replacement for war as the motivating force for the development of industrial and agricultural potential.

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Feature articles in the Winter 1996 issue:

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'Time Reversal' in
Mathematical Economics*

by Lyndon H. LaRouche, Jr.

“‘When’ is the future? At what point in time? . . . The answer to this seeming paradox, was already known by Plato, by Augustine of Hippo, and therefore, also, Thomas Aquinas: *All time is subsumed under a general regime of simultaneity!*”

Mozart's 'Ave Verum Corpus'

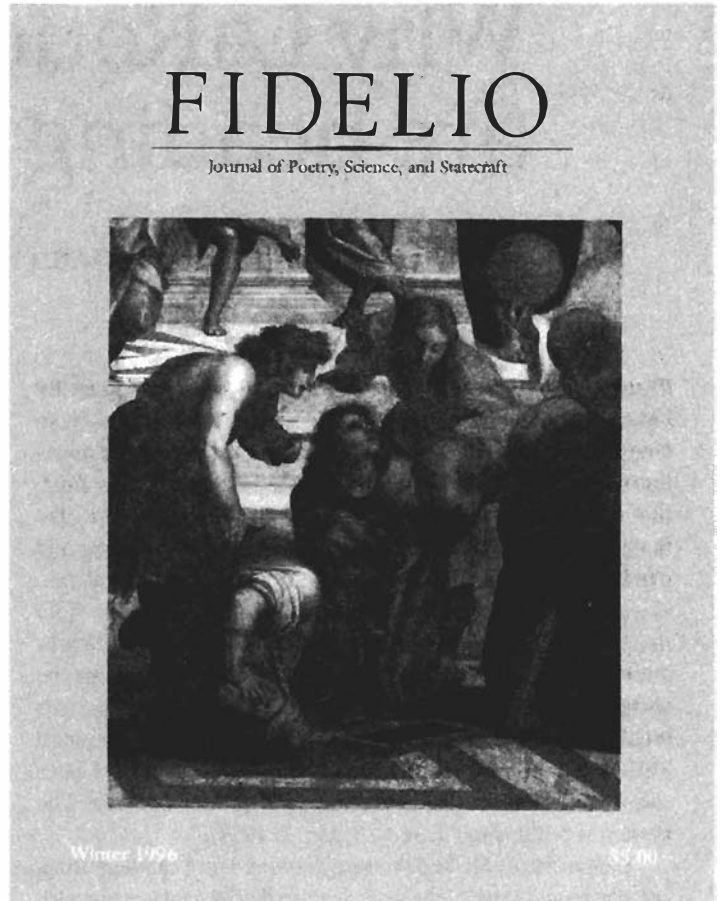
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Why LaRouche says we are heading for a crash

by Marcia Merry Baker and John Hoefle

Figure 1, a “typical collapse function,” was presented by Lyndon LaRouche in a keynote speech at a conference in Germany on Dec. 10, 1995, to summarize the process of disintegration of the world economy. LaRouche said at that time, in a presentation entitled “We Are at the End of an Epoch,” that, “for reasons I’ll indicate to you, generally speaking and overall, *there has been no economic growth on this planet, since the end of the 1960s*. None; if you measure the right magnitudes.” LaRouche said that “the American people produce *half as much* as they did 25 years ago, and consume about half as much, for various reasons. . . . That is a pattern around the world. There has been a secular tendency toward a 2-3% annual contraction in economy around the world, with some variations in that, over the past quarter-century. The system is collapsing” (see *EIR*, Jan. 1, 1996).

LaRouche described the three curves—not mathematical calculations—which characterize the disintegration process, beginning with the bottom curve, showing a decline in productivity in physical terms; the middle curve, showing an increase in monetary valuation and inflation; and the upper curve, showing hyperbolic growth in financial aggregates of all kinds, such as speculation in currencies, stock markets, derivatives, and so on.

Today, 12 months later, the processes described by the curves, in all but a few locations, have intensified, to the point of constituting a shock front threatening to destroy what economic means of existence remain, unless emergency measures are organized to intervene.

As 1996 ended, aspects of this situation were so obvious, that warnings were being sounded almost daily on the imminence of the “Big One”—a crash of the stock markets, or U.S. securities markets, or one or more of several national banking sectors (see the timeline of economic commen-

tary—warnings and virtual reality—which follows, for such comments). The “virtual reality” section includes the pronouncements from those demented souls who still deny the ongoing collapse, and make reference to nonexistent economic growth.

What is profit?

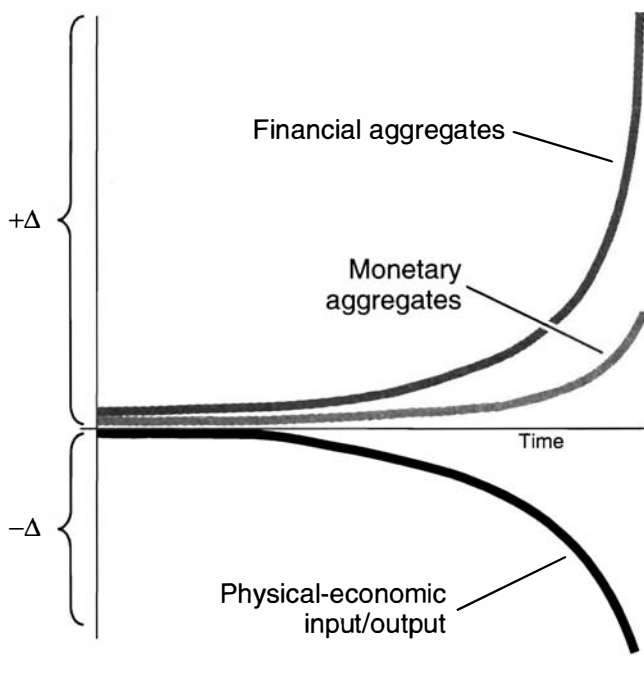
But, what can be done to rescue the situation in 1997? One essential point to understand, is the defining qualities of a genuinely profitable economy of a successful nation-state. In this *EIR* economic survey, we feature two articles on this subject: “Machine-Tool Design: the Brains of Profit,” by Lyndon H. LaRouche, Jr.; and the companion study, by our Wiesbaden economics correspondent Lothar Komp, “The Crucial Role of the *Mittelstand* in the Economy of Postwar Germany.”

As LaRouche states at the outset, the crucial point is, “that for any national economy taken as a unified whole, scientific and classical-artistic progress, combined, are the only source of sustainable profit, nothing else. The machine-tool sector illustrates the role of science in this. For the imperilled economy of the United States, and, of many other nations, today, the lesson told is a desperately urgent one, even if it appears to address only technological progress as such.”

In contrast to this scientific definition of “profit”—and Komp’s report elaborates these secrets of the postwar German economic “miracle”—the currently most popular truisms about economic success, are based on lunatic measures of increasing rates of “free trade,” “global integration,” “outsourcing,” national export-import “openness,” “ecological sustainability,” “market-based competition,” and so forth. To underline this point, we here provide selected magnitudes and events in 1996 relating to each of the three collapse function curves, beginning with financial aggregates.

FIGURE 1

A typical collapse function



Hyperbolic growth of financial aggregates

The process which is leading the global financial system inexorably to collapse, is one in which financial and monetary aggregates are growing at hyperbolic rates, while productive economic activity declines. To feed the speculative bubble, productive activity is cannibalized; infrastructure repairs and improvements are neglected; health care, education, and scientific work are allowed to deteriorate, while the funds which should go into these sectors are instead pumped into the financial bubble. Such a system, the equivalent of eating your own flesh to stave off starvation, cannot be maintained; sooner or later, it must collapse.

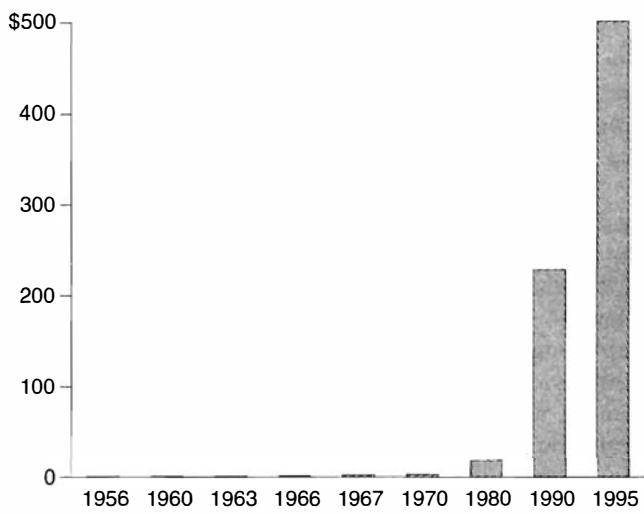
To postpone that collapse, the international financial oligarchy has transformed the global economy into a giant casino, dominated by derivatives instruments. While precise figures are hard to obtain, *EIR* estimates that the level of international financial turnover has likely surpassed \$1 quadrillion (\$1,000 trillion), with perhaps as much as \$5 trillion in paper values traded every business day, the equivalent of trading the gross domestic product of the United States every two business days, with a couple of trillion dollars left over.

In the United States, we estimate that the level of financial turnover in 1996 has reached at least \$500 trillion (see **Figure 2**), in sum total of nominal valuation of all types of financial instruments traded. To keep that bubble going, the U.S. economy, and the population, have been subjected to massive looting, through such techniques as reduced wage levels, corpo-

FIGURE 2

Annual financial turnover in the United States

(trillions \$)



rate downsizing, the moving of productive jobs overseas, cheating farmers, raiding of pension funds, and outright criminal activity.

Look at corporate downsizing in the United States, for example. By the end of 1996, some 500,000 Americans will have been laid off in the course of the year by corporations, compared to 440,000 layoffs in 1995, according to figures from Challenger, Gray and Christmas. Companies are laying off hundreds of thousands of employees, and shipping large numbers of productive jobs to countries where they can get away with underpaying labor, to boost their corporate stock prices, to meet the demands of Wall Street.

A recent example is Sunbeam Corp., the maker of household appliances. In November, Sunbeam announced that it would cut its 12,000-person workforce in half. Sunbeam's chairman, Al Dunlap, a notorious corporate hit man and protégé of British intelligence-linked Sir James Goldsmith, was brought in by the Wall Street funds which control Sunbeam, to gut the company in the same way he destroyed Scott Paper Co. At Scott Paper, Dunlap cut 11,000 jobs and sold the company; Dunlap received \$100 million for two years' work as hatchman.

Pension funds are another target of the financial sharks. At the end of 1995, U.S. corporations had underfunded their pension plans by \$64 billion, according to the Pension Benefit Guaranty Corp. Much of that deficit came from companies controlled by corporate raiders, such as Carl Icahn, Charles Hurwitz, and Laurence Tisch.

The sharks are also eyeing Social Security and other public pension plans, and have launched a campaign to force Social Security trust funds into the stock market.

One effect of this unbridled looting in the United States, is a record level of bankruptcies. In August, the Administrative Office of the U.S. Courts reported that, for the first time in history, the number of bankruptcies in the United States had passed 1 million; for the 12-month period ended June 30, 1996, there were 1,042,110 bankruptcy petitions filed, including 297,162 between April 1 and June 30, the highest quarterly level ever. For calendar year 1995, a reported 926,601 bankruptcy petitions were filed, including 51,959 business and 874,642 non-business filings.

While individuals and companies were going bankrupt at record rates, derivatives continued to cut a swath through the public sector. In 1996, a group of Pennsylvania school districts were hit with a \$2 million loss on derivatives, long after the lesson of Orange County, California, which was forced into bankruptcy in December 1994 because of derivatives losses, should have been learned. The schools joined the list of government agencies suing their investment advisers and salesmen.

All the while, U.S. banks are officially posting record profits. The derivatives holdings of the big banks continued to increase, rising \$3.2 trillion in the first nine months of 1996, a rate which, if continued, will give the banks \$21.5 trillion in derivatives by the end of 1996, a 25% increase over the year before.

Banking mergers were also prominent in 1996. Chase Manhattan merged with Chemical Bank, the largest merger in U.S. banking history, resulting in the growth of Chase to \$305 billion in assets, knocking Citicorp out of the top spot. Chase and Chemical had some \$5 trillion in derivatives between them. Wells Fargo made a successful hostile takeover of First Interstate, and NationsBank announced its acquisition of Boatmen's.

The federal government completed its takeover of Bankers Trust in 1996, with former Treasury official Frank Newman taking over as chairman of the bank, and former Federal Reserve Chairman Paul Volcker joining the board.

The Dow Jones de-Industrial Average

The big success story of 1996, from the standpoint of financial markets, was the incredible rise of the Dow Jones Industrial (more accurately, the de-Industrial) Average, from some 5,100 points at the end of 1995, to a peak of 6,548 on Nov. 25, a rise of 27% for the year (see **Figure 3**). At the end of November, the capitalization of the companies listed on the New York Stock Exchange was \$7.4 trillion, an increase of 23% over the \$6.0 trillion capitalization at the end of 1995.

The hyperbolic growth of the Dow, while widely touted as proof of economic progress, was an ominous sign, however, even to professional economists. On Dec. 5, Federal Reserve Chairman Alan Greenspan issued a public warning about the "irrational exuberance" of the stock market. That warning was quickly followed by leaks that the Fed wanted a "controlled deflation" of the stock market by as much as 25%, or 1,600 points, in order to prevent a crash.

"What Greenspan is proposing will not work," LaRouche warned on Dec. 7. He compared the effort to "the guy who, after he's gone off the bridge into the chasm, decides that it's time to do something to save the automobile, and perhaps himself, too, by putting his feet on the brakes."

What is coming, LaRouche said, is a series of escalating market shocks, such as the collapse of the French banking system, and international stock and bond markets, leading up to "the Big One, the general reverse-leverage implosion of the derivatives bubble," which, "in about three days, would vaporize every financial institution, or nearly every financial institution, in nearly every nation on this planet. Which would mean: forget your credit cards, forget your bank account, forget everything." The result would be that, "in major cities across the United States, probably 80% of the population would be exposed, within a matter of a couple of weeks following such a vaporization, to actual mass starvation, nothing to eat."

Input-output collapse

The bottom curve in Figure 1 schematically represents production decline in physical terms. During 1996, there were continuing declines in ratios of infrastructure provision (e.g., water and power per household, per unit area, and unit of production), in cycles of inputs and outputs of essential services (health, education, and so on), and in goods provisions for populations around the world—while millions of people are either without jobs, or misemployed.

Widespread food shortages are one obvious "marker" of this process of decline. On Oct. 13-17, in Rome, the World Food Summit was convened by the UN Food and Agriculture Organization, on "food security." The official estimate of the summit is that 800 million people (at least 15% of the world's 5.7 billion population) are now without adequate daily food.

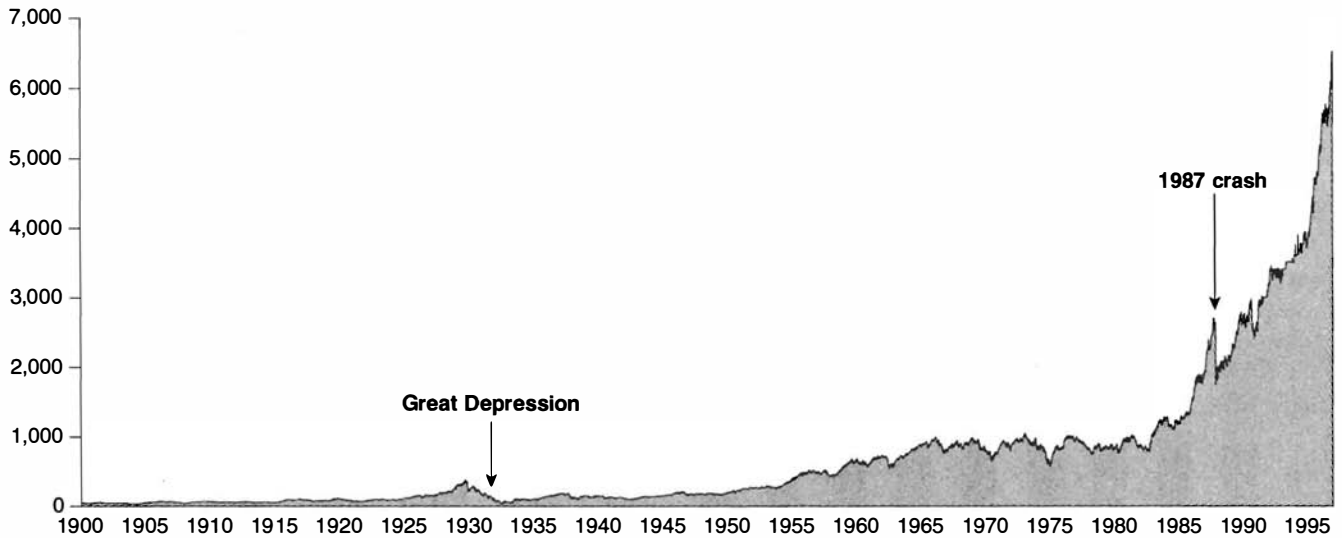
World annual grain output (all types) has leveled off at under 2 billion tons a year, while 3-5 billion tons are needed to provide decent nutrition. Therefore, in per-capita terms, 1996 marks the fifth straight year of decline in grain output. Dairy, meat, and other food commodities are far below per-capita needs.

These decreases directly reflect corresponding declines in ratios per hectare of essential farm inputs (chemicals, machinery, water), and infrastructure. Look at fertilizer, for example. In 1990, world annual fertilizer use, in nutrient tons (nitrogen, phosphate, potash), stood at 143.6 million tons, and then fell over the next five years, down to 123.6 million tons a year. In many locations, such as practically the entire continent of Africa, the 1990 levels of fertilizer use were far below requirements. However, the sharpest declines in agriculture so far in the 1990s, have been in Russia and the members of the Community of Independent States.

The Russian grain harvest in 1996 was only 67 million metric tons (official figure), far below the 80-100 million tons average of the 1980s, even under the Soviet command economy. As of 1996, on average, 35% of the current foodstuffs consumed in Russia are imported.

FIGURE 3

Dow Jones Industrial Average weekly closings, 1900-96



At a Moscow press conference on Dec. 10, Agriculture Minister Viktor Khlystun said, “The amounts of fertilizer applied have decreased from 84 to 18 kilograms per hectare. This is an appalling figure, because the extraction of mineral nutrient substances per year amounts to 26-28 kg at least, even when crop yields are low, whereas normally the figures are much higher. Therefore, we are simply exhausting the soil at present.” There is a crisis disparity between the price levels farmers must pay, and what they receive. Khlystun said, “In 1996 alone, in addition to the situation that has formed over the preceding years, the prices changed as follows: prices of agricultural machinery and equipment, spare parts, mineral fertilizers from January to November 1996 went up by 60%, while prices of agricultural produce during the same period (the procurement prices as an aggregate indicator) went down by 0.8%.”

What these agricultural figures reflect is the disintegration of national economies the world over.

Economic breakdown is no ‘accident’

In the United States, the consequences of economic decline were evident in the frequency and severity of dramatic “accidents” in 1996—all predictable in terms of the systemic breakdown in vital sectors:

- **Air transport.** On May 11, ValuJet Flight 592 crashed in Florida, killing all onboard. ValuJet is a “Wall Street wonder,” formed in 1993, and run as a cost-cutting/big profit operation. In early 1996, ValuJet’s fleet of 51 airplanes (bought used) averaged 26.4 years of age—more than double the fleet age of America’s three largest carriers (American, Delta, and United). In 1970, the average age of airliners was four years; by early 1996, the average age had tripled to 14 years.

- **Rail transport.** On Feb. 9, two New Jersey Transit commuter trains collided, leaving 3 people dead and 162 injured. Accidents continued throughout the year. Since 1980, some 60% of the U.S. rail workforce has been axed. Track mileage has been cut drastically.

- **Water.** In July, people in the nation’s capital were ordered to boil their water, because, after years of lack of maintenance, bacteria flared up in Washington, D.C. water pipes, merely under conditions of summer temperatures.

U.S. economic breakdown

The decrepitude evident in these infrastructure breakdowns characterizes the overall condition of every sector of the dysfunctional U.S. economy. **Figures 4 and 5** summarize a crucial metric of the collapse—the shrinkage of the productive labor force, compared to the non-productive labor force.

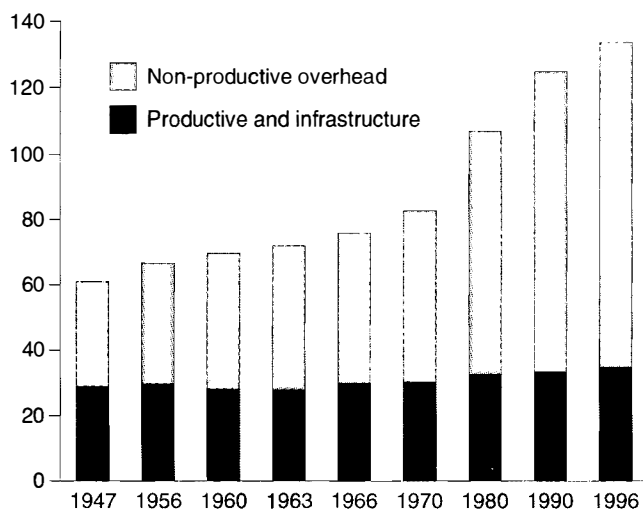
Figure 4 shows, in millions of people, the size of the U.S. workforce, broken down into two sections, those in “productive” employment (manufacturing, farming, construction, infrastructure, and essential services such as education, health care, and science), and those in “non-productive,” overhead employment (sales, legal, real estate, entertainment, and so on). You can see in Figure 4 how, beginning around 1970, the numbers of people working in “non-productive overhead” jobs grew far faster than those in “productive.”

By spring 1996, America’s workforce had grown overall to about 133.7 million (much of this growth reflecting women entering the workforce in the 1970s and 1980s), but the productive-infrastructure component of that was down to 26%; in the 1960s, it was close to 40%. Figure 5 shows how the percentage of the workforce involved in productive activity fell by half over the last 30 years.

FIGURE 4

Size of U.S. labor force, 1947-96

(millions)



This means that the U.S. economy is producing and consuming at only about half the levels of the 1960s. Such as it is, the U.S. economy is import-dependent in all basic categories, from footwear to food, with terms of trade (controlled by international cartels) amounting to looting of trade partners. In manufacturing, it's called "outsourcing"; in food and agriculture commodities, it's called "global sourcing." The U.S. trade deficit set records levels in 1996. In September, the shortfall for goods alone (not services) set an all-time record of \$16.1 billion.

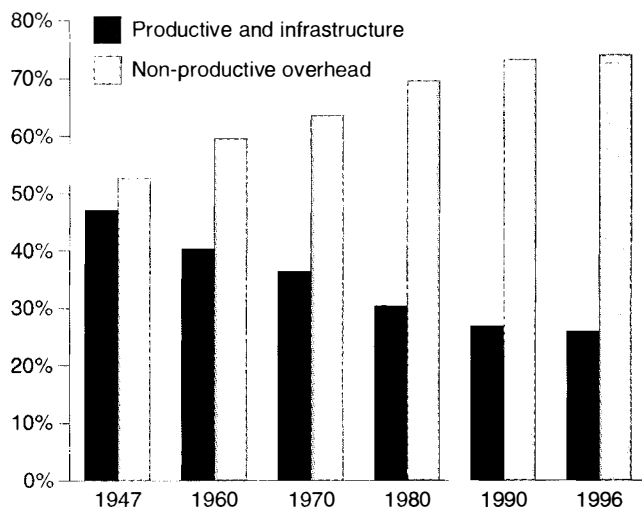
The United States' food supply is now heavily dependent on imports, i.e., America can no longer feed itself. Half of U.S. imports come from poor nations. The U.S. position paper for the November Rome World Food Summit praised this process. The policy paper rationalized: "The United States is a major importer of food from developing countries, providing them with valuable foreign exchange. . . . For fiscal year 1996, U.S. agricultural imports are forecast at \$30.5 billion. Taken as a group, developing countries have historically supplied just over half of total U.S. agricultural imports. In fiscal 1996, imports from developing countries are forecast at \$16.4 billion or 54% of the total."

Even with this imperial import flow, which subsidizes the goods and services available for consumption in the United States, nevertheless, American families' paychecks have shrunk, relative to household consumption needs. In 1996, it took paychecks from three full-time jobs, to equal what one paycheck of a single manufacturing worker provided to a household in the 1950s. This means that as of 1996, the single wage-earner provider, whose paycheck could provide sufficient income for a family, became virtually extinct.

FIGURE 5

Productive compared to non-productive labor force, 1947-96

(percent of total labor force)



But this decline cannot continue indefinitely; social-economic breakdown is under way. About 700,000 Americans are now homeless. One in 10 Americans is getting food stamps—domestic food relief. On top of that, the demand for additional aid (free meals, food donations) rose an estimated 20% in 1996 alone.

Moreover, whole families are now showing up without shelter, food, or basic health care, in contrast to the situation 30 years ago, then the majority of homeless were single, out-of-work men.

What was the official U.S. policy response in 1996? As embodied in the so-called welfare "reform" law, enacted in August and now being implemented: condemn the people, don't change the economic policy. In February, 1 million Americans are due to be cut off food aid (no food stamps). U.S. "managed" health care is murdering people.

The so-called 1996 agricultural "Freedom to Farm" law (officially, the "Federal Agriculture Improvement and Reform Act of 1996") is phasing out all vestiges of support for farmers, and exposing them to food cartel "free market" rule. Family farm bankruptcies are now the result.

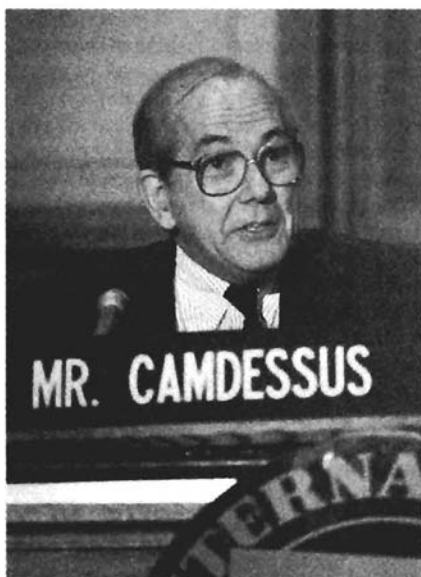
In Europe, there are parallel situations, under pressure of the Maastricht Treaty conditions; and, in other parts of the world, the consequences of the collapse of physical production are even more extreme.

What offers hope are the resistance movements and mass strikes gathering force as of the New Year, and the prospect of unleashing inspired "ingenuity," as described in the lesson of the German "miracle," to implement the economic recovery program that LaRouche has defined.

Economic commentary, 1996: warnings and virtual reality

On June 24, 1994, *EIR* published the “Ninth Forecast” warning by Lyndon H. LaRouche, Jr. “The presently existing global financial and monetary system will disintegrate in the near term,” he wrote. “That collapse into disintegration is inevitable, because it could not be stopped now by anything but the politically improbable decision by leading governments to put the relevant financial and monetary institutions into bankruptcy reorganization.” The following are selected economic commentaries over 1996, either warnings on the threat of a collapse, or denial and insistence on “virtual reality.”

Warnings



IMF Managing Director Michel Camdessus

June 28: *Folha de São Paulo*, a leading business daily in Brazil, runs an article, “Next Crisis Is in the Banks,” by Clovis Rossi, who filed the story from France, where he was covering the Group of Seven summit in Lyons. Rossi features the pre-summit remarks of International Monetary Fund Managing Director Michel Camdessus, with the subtitle, “Finances: In a seminar preceding the meeting of the G-7 in France, the director of the organization says that the financial system ‘is in pieces.’” Rossi writes:

“The ‘next earthquake’ in the world, after the Mexican crisis, will be in the banking sector, warned the authoritative voice of Michel Camdessus, managing director of the IMF.

“‘The world financial system is in pieces and it is extremely urgent to tighten the screws,’ Camdessus said. . . .

“For the first time, the IMF will participate, alongside the heads of three other international organizations (the World Trade Orga-

Virtual reality

January/February: Ethan B. Kapstein, Director of Studies for the New York Council on Foreign Relations, writes in the council’s journal *Foreign Affairs*, under the headline “Shockproof: The End of the Financial Crisis”: “Many Chicken Littles had predicted during the late 1980s and early 1990s that trading in derivatives—futures, swaps, and options—would trigger the next global financial crisis. But they overlooked the important role that derivatives have played in moderating systemic risk, providing banks with increased opportunities to diversify their portfolios and protect themselves from sudden market shifts. . . . The international financial markets have not suffered because the roots of the disease have largely been eradicated.”

April 23: Release of U.S. federal report, “Job Creation and Employment Opportunities: The United States Labor Market, 1993-1996.” The 10-page document was prepared under the direction of Joseph Stiglitz, chairman of the Council of Economic Advisers, and Lisa Lynch, head of the Office of the Economist of the Department of Labor. The four major assertions are:

1. “Since January 1993, employment has grown rapidly—expanding by 8.35 million new jobs” in the private sector through March 1996.

2. “Two-thirds (68%) of the net growth in full-time employment between February 1994 and February 1996 occurred in industry/occupation groups paying above-median wages” (emphasis in original).

3. “Even in the traditionally lower-paying service industry, a majority of net employment growth has been in managerial and professional specialty positions, which typically pay above-median wages. Contrary to conventional wisdom, the new jobs are not disproportionately part-time, low-skill positions.”

4. “Employment in ‘hamburger-flipping jobs’ actually fell between 1994 and 1995.”

5. “The unemployment rate has fallen from over 7% in January 1993 to 5.6% in March 1996.”

These assertions were evaluated in *EIR* on Aug. 2, and shown to be in wildly fraudulent error.

June 28: The Group of Seven heads of state summit in Lyons, France issues an economic communiqué, titled, “Making a Success of Globalization for the Benefit of All.”

From the Preamble: “Economic growth and progress in today’s interdependent world is bound up with the process of glob-

nization, the United Nations Organization, and the World Bank).

"Camdessus proposes, in order to 'tighten the screws,' that the systems of banking control that today are applied by the so-called G-10 (the ten richest), be generalized."

The article gives many references to the world economic and financial crisis, including the following:

- Standard and Poor's has downgraded Brazil's bonds; the Brazilian banking system is the riskiest one among the large Latin American countries.
- A report was issued in June by the Bank for International Settlements, warning "of the need for central banks to tighten their vigilance over the financial system and to gather more information about the global derivatives market which, in 1995, moved something around \$40.6 trillion."
- French Minister of Economics Jean Arthuis favors international controls over money flows. "We want the financial markets to be organized and for there to be prudent rules that allow us to avoid the systemic risks that could be disastrous for the world economy," said Arthuis."
- The Socialist International held a seminar in Lyons, prior to the G-7 meeting, proposing a reform of the monetary system that would take into account "the need to correct for the excessive weight of international capital flows and the total lack of taxation on speculative operations."
- Nobel Prize economist James Tobin has, for years, advocated a tax on currency speculation, "even named after him, the 'Tobin tax.'"

Sept. 28: IMF Managing Director Camdessus, at a press conference during the Washington, D.C. meeting of the Inter-American Development Bank (IADB), is asked, where, following Mexico's 1994 crisis, lightning would strike next. Camdessus replies, "My answer is that I don't know, but I suspect it will start with a banking crisis." He says that there is urgent need for reform, and, in reference to Venezuela's 1994 banking collapse, declaims, "Ladies and gentlemen, nevermore! Nevermore! This just cannot be so!" He says that banking "reform" in Ibero-America is lagging. "The fundamental causes of unsound banking systems persist, including poor internal governance and a lack of transparency about banks' operations . . . inadequate supervision and excessive official complacency about problem banks."

Oct. 1: Camdessus speaks to the IMF Board of Governors, stressing four of the "eleven commandments" on banking practices, incorporated in the recent Madrid Declaration, which must be followed by all countries. He warns that "macro-economic and structural weaknesses persist in all of our countries. Moreover, we know that the forces of globalization can magnify the adverse effects of policy weaknesses, pose new risks for all of our countries, and raise difficult policy dilemmas even when policies are sound."

The fourth commandment is "to take urgent care of the Achilles' heel of the global economy today—the fragility of national banking systems . . . in many countries, a banking crisis is an accident waiting to happen. And we know all too well why. Why? Weak macro-economic policies and poor economic performance undermine the banking sector. And, conversely, weak banking sectors stand in the way of effective macro-economic policymaking. As a result, countries with banking problems may shy away from tightening policies when needed, for fear of provoking a domestic banking crisis. But the failure to take early action can be costly. For the country concerned, the fiscal cost of resolving banking sector problems can be truly exorbitant and involve a tre-

alization. . . . These characteristics ["rapid dissemination of information, technological innovation and the proliferation of skilled jobs," etc.] have led to a considerable expansion of wealth and prosperity in the world. Hence, we are convinced that the process of globalization is a source of hope for the future."

From Section IV, "Implementing a New Global Partnership for Development: An Ambition for the 21st Century": Many developing countries are "experiencing robust growth" in international trade and capital flows.

June 28: U.S. Treasury Secretary Robert Rubin, speaking in Lyons at the G-7 summit, tells a press briefing, "With respect to job creation . . . we have had a remarkably successful 3.5 years economically in the United States. With the 9.7 million new jobs created, we have created almost 85-90% of the jobs that have been created in the G-7. . . . One of the things that struck me, at least, at this summit, was how much respect there was for what's been accomplished in the United States over the past 3.5 years, and how dramatically our position at these summits has changed now, as versus, say, five or six years ago, by virtue of having dealt with the deficit—the issue that the world has wanted us to deal with for so long, and our success in job creation."

July 31: A representative for the Africa division of Cargill, Inc., the largest company in the world grain cartel, speaks of the superiority of Cargill's private sector work in contributing to food security. The Senate Committee on Foreign Relations hearing on "Food Security in Africa," chaired by Sen. Nancy Kassebaum (R-Kan.), takes testimony from Cargill spokesman Michael Davies, who reports, "Cargill has been active in Africa since 1981." He stresses that his company represents the success of "private investment," with "offices and facilities in 10 African countries—Egypt, Ethiopia, Kenya, Malawi, Nigeria, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe." Davies says, "The central management of Cargill Africa is located in Cobham, Surrey, England, and it is there that I work." Besides stressing that private companies can best take care of food needs, Davies underlines that governments must keep hands off. "Investors struggle when governments try to control the economy. Governments in Africa have fallen into the habit of attempting to set prices, especially food and currency prices. This has been a recipe for economic disaster. Governments are awful at trying to guess what farmers should be paid or what the price of bread should be or what level the kwacha/naira/shilling should be against the dollar. It's not their role. And as long as they try, they are going to cause more confusion, more economic chaos."

Sept. 18: Renato Ruggiero, director general of the World Trade Organization (WTO), says at the Dublin meeting of European Union trade ministers: "Your meeting in Singapore in December will be an event of world political significance. . . . The WTO must become the World Trade Organization in fact as well as name. The 30 accession candidates must be brought in as soon as possible, in a way which strengthens the multilateral system. . . . European commitment and activism will be indispensable. I congratulate my good friend Leon Brittan on the key role he has played so far in moving these negotiations [unfinished GATT "reforms," such as those concerning financial services] forward."

Sept. 25: International Monetary Fund releases its annual "World Economic Outlook," at a Washington, D.C. press conference by Michael Mussa, IMF director of research. The two-volume report begins with the theme, as stated in the IMF press re-

mendous drain on countries' resources.

"On the basis of recent experience, let me tell you that this is something that we truly don't want to see repeated. At the same time, we must also avoid the systemic consequences such crises can entail."

Oct. 19: World Bank President James D. Wolfensohn addresses the Board of Governors of the World Bank Group: "Strong financial systems [in developing countries] are key. But there are pervasive problems with prudential regulations and their enforcement. About one in five developing countries face the banking crisis that Michel Camdessus spoke about."

Oct. 29: The *Times* of London runs a column by Anatole Kaletsky, "Watch Out for the Explosion." He states that there are "signs of wild speculation and rumblings of alarming [financial] policy changes that most of the pundits have chosen to ignore." Kaletsky repeats the warning of Hans Tietmeyer, head of Germany's central bank, the Bundesbank, that the decline of German interest rates is over, but the world has not understood this. Kaletsky describes various financial maneuvers in Japan, and concludes, "Japanese financial incompetence plus Bundesbank anger is a potent combination if you want to produce a worldwide financial explosion. You have been warned."

Nov. 4: Kenneth Courtis, chief economist for Deutsche Bank's Tokyo operations, says in an interview published in *Handelsblatt*, Germany's leading commercial newspaper, that during the summer of 1995, the world financial system was at "five minutes to midnight," nearing the point of complete disintegration. Courtis says that only a \$500 billion financial rescue package—an unprecedented sum—sembled by U.S. and Japanese monetary officials, saved the world from "the biggest crash ever."

Nov. 4: José Neme Salum, lead financial analyst for the Mexican daily *Excelsior*, writes that many "pro-monetarist analysts" are now warning of financial collapse, and quotes from Anatole Kaletsky of the London *Times*, Elaine Garzarelli of Germany's *Der Spiegel*, and Carlos Conrado H. of Argentina's *La Nación*. There are so many warnings, that Neme asks, "Why now, from 'the City' of London, to Wall Street and the IMF itself, do they accept the conclusions of the Ninth Forecast of U.S. economist Lyndon LaRouche, made in May 1994? Why do all of them now want to be LaRouchistas?"

Neme cautions, however, "Readers should also be aware that there are various intentions behind this recognition of the coming collapse of the financial markets. The most dangerous, that of the IMF, which today tells nations: 'The situation is out of control. You, as a country, cannot do anything. You should let the IMF manage the world crisis.'" Neme reiterates his own frequent warning, that the only solution is "to throw [the IMF's] bankrupt world order in the garbage." Neme notes that there is a possibility that, if the Democrats win the U.S. elections, they may impose a tax on speculative operations, as part of a set of needed measures.

Nov. 21: Prof. Maurice Allais, French Nobel Prize-winning economist, writes an article in the French daily *Le Figaro* entitled "How to Really Fight Unemployment," warning that "precipitous and anarchic globalization can only bring unemployment, injustice, disorder, and instability everywhere." Allais goes on:

lease, that, "the global economic and financial conditions remain generally encouraging, notwithstanding a disappointing performance recently in continental western Europe, and the global economic expansion is expected to continue at a satisfactory pace in 1996-97 and over the medium term. The strength of economic activity is particularly impressive in the emerging market countries of the developing world, with an increasing number of them reaping the benefits of structural reforms and strong macro-economic fundamentals."

The IMF report runs 85 charts and tables; no physical economic metric units are used (no water, power, infrastructure, population characteristics, employment), except for oil, but only such measures as: "simulated response of real GDP to monetary tightening" and "openness" of nations (the nation's sum of value of exports and imports, taken as a percent of its GDP).

Sept. 26: IMF Managing Director Camdessus speaks at a Washington, D.C. press conference, on the occasion of the annual IMF meeting; he praises success in the Mexico economy. "Our program is functioning well. I need not mention the successes in purely financial terms. . . . But we can also now speak in real economic terms, in particular, in terms of growth. The economy is reviving . . . about 3% growth. . . . The International Monetary Fund is preparing the program which will be a framework for Mexican growth in the coming years. But the IMF cannot do more than play its role. In particular, it's not up to us to say where, in macro-economic terms, our financing should be applied, nor in particular what should be the priorities in terms of economic development. That is up to my friends in the World Bank and IDB; they do this very well." In particular, Camdessus told reporters, in regards to Mexico, "I know my friend Jim Wolfensohn has been visiting your regions where there are indigenous populations, and wishes to maximize decentralizing bank activities in Mexico and, indeed wishes to establish a regional decision area in Mexico."

Sept. 26: U.S. Treasury Secretary Robert Rubin, before the Group of Seven finance ministers meeting, and the IMF and World Bank annual conferences: "The meetings over the next few days will be touching on the global economic picture and the issues all of us face. We come to these meetings at a time the United States is experiencing very healthy economic conditions, in part because the private sector has become competitive on a global basis across a broad array of industries. . . . Overall, the global economy is continuing to grow at a healthy pace."



World Bank President James Wolfensohn

"France is self-destructing. In the name of pseudo-liberalism, and by the spread of deregulation, we are heading bit by bit toward a globalist *laissez-faire chienlit*" (*a chienlit* is someone who soils his own bed).

"The globalization of the economy," he continues, "is certainly going to be profitable to certain groups of privileged people. But the interests of these groups cannot be identified with the interests of humanity as a whole. In the best analysis, in a truly liberal and humanist society, it is man who constitutes the final objective and the essential concern. It is to this goal that everything must be subordinated. . . . The globalist opening up of the European economy at all costs, done in a global context which is fundamentally unstable, and which is perverted by the system of floating exchange rates, is the primary cause for a profound crisis, which is leading us to the abyss. The facts are stunning: Economic analysis confirms them and explains them. The facts, as well as theory, permit us to state that, if the present policy is continued, it can only collapse. Today's crisis is, above all else, a crisis of intelligence."

Allais concludes, "Today's crisis, the intolerable massive unemployment which characterizes it and which dishonors us, the destruction of French society day by day, are only the consequences of the dogmatic policies followed without let-up since the great break of 1974, and they are leading us to disaster. It would be criminal to pursue these policies. The present situation cannot last. It must not last. And it will not last. . . . The economy must be at the service of man, and not man at the service of the economy."

Dec. 5: U.S. Federal Reserve Board Chairman Alan Greenspan states in a speech to the American Enterprise Institute: "But how do we know when irrational exuberance has unduly escalated asset values, which then become subject to unexpected and prolonged contractions, as they have in Japan over the past decade? And how do we factor that assessment into monetary policy? We as central bankers need not be concerned if a collapsing financial asset bubble does not threaten to impair the real economy, its production, jobs, and price stability. Indeed, the sharp stock market break of 1987 had few negative consequences for the economy. But we should not underestimate or become complacent about the complexity of the interactions of asset markets and the economy. . . ."

"The successes that most please us are not so much the visible problems that we solve, but rather all the potential crises that could have happened, but didn't.

"Doubtless, the most important defense against such crises is prevention. Recent mini-crises have identified the rapidly mushrooming payments system as the most vulnerable area of potential danger. We have no tolerance for error in our electronic payment systems. Like a breakdown in an electric power grid, small mishaps create large problems. Consequently, we have endeavored in recent years, as the demands on our system have escalated (we clear \$1.5 trillion a day on Fedwire), to build in significant safety redundancies. This has been costly in terms of equipment and buildings.

"Along with our other central bank colleagues, we are always looking for ways to reduce the risks that the failure of a single institution will ricochet around the world, shutting down much of the world payments system, and significantly undermining the world's economies. Accordingly, we are endeavoring to get as close to a real time transaction, clearing, and settlement system as possible. This would sharply reduce financial float and the risk

Nov. 13: U.S. Agriculture Secretary Dan Glickman, from a speech on behalf of the United States to the World Food Summit in Rome, from the section on "U.S. Role in Food Security": "The United States will continue to answer the call of those in need. We're the leading supplier of food to the world and among the world's most reliable suppliers of food. We are also a major provider of food and development assistance. Domestic market reforms have unleashed the full potential of American agriculture. Our farmers now plant for world demand instead of for government programs. We've also led international research efforts and increased our focus on sustainable development to ensure that the progress we make today does not come at the expense of food security tomorrow."



Federal Reserve Chairman Alan Greenspan

Dec. 2: "U.S. Sails on Tranquil Seas; Recessions No Longer Seem Inevitable as Nation, Policymakers React Quickly to Changes," is the lead headline in the *Washington Post*, presenting expert commentary on the theme that, "Many economists believe that this stability could easily continue for years to come because of a host of changes in the economy, including new technologies, the deregulation of many industries and the increased globalization of business and finance." Sources quoted include:

Lawrence H. Summers, deputy U.S. treasury secretary: "The economy seems better balanced than at any time in my professional lifetime."

Charles L. Schultze of the Brookings Institution, chairman of President Carter's Council of Economic Advisers: "We have come to an end of an era dominated by the politics of inflation and unemployment. I won't say we have solved those problems, but apart from something like an oil price shock, we've made an awful lot of progress."

Edward Boehme, president of the Philadelphia Federal Reserve Bank: "I think we have a reasonable chance of having a record peacetime expansion. The real world sometimes holds surprises . . . but this is a remarkable period with no noticeable imbalances in the economy."

Machine-tool design: the brains of profit

by Lyndon H. LaRouche, Jr.

Dec. 7, 1996

The importance of Lothar Komp's accompanying report on the role of Germany's machine-tool sector, is the clarity with which it illustrates a crucial point.¹ The point is, that for any national economy taken as a unified whole, scientific and classical-artistic progress, combined, are the only source of sustainable profit, nothing else. The machine-tool sector illustrates the role of science in this. For the imperilled economy of the United States, and, of many other nations, today, the lesson told is a desperately urgent one, even if it appears to address only technological progress as such.

If we measure the net production and consumption of the U.S. national economy in physical terms, rather than by the misleading prices of the monetarists' virtual reality, that economy shrank by approximately half during the past twenty-five years. That shrinking is reflected in such ways, as in the fact that more than two or three jobs per family household are required today, to come within viewing distance of the higher levels of real income, and productive output, for comparable households during the late 1960s. As measured per capita of labor-force, the U.S. economy has been shrinking by more than 2% per year, for each year since the August 1971 monetary crash. In the most recent years, since the October 1987 stock-market shock, the rate of collapse has accelerated, more or less world-wide, toward levels nearer to 5% per year, and soon much, much higher.

The decline of the machine-tool sector, in Germany, and among other formerly prosperous industrialized economies, demonstrates most clearly the reasons for the past quarter-century's economic catastrophe of our planet.

The chief cause of this collapse, is that radical change in economic, monetary, financial, and trade policies, which was introduced over the 1966-1972 interval. That was a period of great change, away from a traditional agro-industrial economy, whose superiority over all pre-Fifteenth-Century forms of society, had been rooted in fostering investment in scientific and technological progress. Since the middle 1960s, the

1. Lothar Komp, "The Crucial Role of the 'Mittelstand' in the Economy of Post-War Germany," see p. 39, in this issue.

economic policy of the U.S. has been misshapen by an increasingly fanatical, cultish devotion to piece-by-piece looting and destruction of the pillars of earlier economic growth. We have passed from the earlier, long-standing rationality of a production-oriented society, to mimic the pre-feudal "Malthusianism" of that Code of Roman Emperor Diocletian, the which ensured the collapse of the Roman Empire, first in the slavery-ridden, Latin West, and, later, in Greek-speaking Byzantium. We have passed into the infantile fantasy-world of "post-industrial" utopianism, as, also, into the charismatic delusions of a deranged, globalist ideologue's shibboleths of "free trade" and "floating exchange-rate."

Under present continuation of those irrationalist, pro-Malthusian trends in belief and practice, the existing form of global society would go out of existence soon. The end now in sight, will not come gradually; its death will come with that abruptness by which long-earned ugliness suddenly overtook the fictional "Dorian Grey." We have reached the fag-end of a thirty-year, hyperbolically accelerated process of moral, cultural, economic, and political decay.

Now, during the immediate short term, events will be dominated by an assortment of financial and monetary crises comparable to earthquakes. Monetary and financial crises at 3, 5, or 7 on the Richter Scale, are to be accepted as characteristic events of the present end-phase of the global system. We await the proverbial "Big One," about 10 on the Richter Scale: the implosion of the derivatives bubble which vaporizes, within about 3-5 days, the existing financial institutions of virtually every nation on the planet.

Nothing can preserve the world economy, the world's political system in its present form. As we speak, the world's present economic system is dying of an incurable disease, in the adjoining room.

It is really of no practical importance to estimate the exact day or week the system dies: it is sinking fast, and will never recover. The only important question, is whether you are prepared to accept the fact that it is doomed, rather than go down with it. Either we have the wit to leave the world's present economic "Titanic," or we shall certainly sink with it.

Today, only fantasy-ridden dreamers make plans for the Democratic or Republican Presidential nomination for the



Computer-controlled machining centers being built in a Cincinnati Milacron plant in Ohio. "Almost nobody in the U.S.A. knows anything important about production any more. Fifty years ago, even thirty years ago, as much as sixty percent of the U.S. labor-force was involved in agricultural or industrial production, or in some functional relationship to constructing, operating, or maintaining basic economic infrastructure."

year 2000; by the year 2000, possibly sooner, the good old U.S.A. itself, as we have known it up to now, will probably no longer exist: unless we abandon immediately every promonetarist, pro-Malthusian innovation in economic and monetary policy introduced during the past thirty years. Why worry about who will become the President of a nation which might no longer exist in its present form? Such is the short-term choice forced upon us. Swim for it, or sink: there is no available middle ground between the two options.

It is a good time to learn to swim. That is where Lothar Komp's report on the 1945-1996 German economy comes in. The present Washington economic policies do not work, and could never be made to work; they have failed catastrophically since the first year, 1966, they began to be introduced as neo-Malthusian policies of the U.S. government, thirty years ago. It is past time we should have returned to those proven, earlier policies which had served us so well, until we began to abandon them, thirty years ago. Now, we should either remember what worked, or learn it quickly.

We must tell the good news about the pre-1966 economy to that next leading generation, now under thirty-five, most of whom have come to recognize that their parents' generation has turned out to be the worst management of the economy since that Confederacy-minded Yankee, President, and virtual Nashville Agrarian Calvin Coolidge, pre-arranged the Great Depression of the 1930s. The up-coming generation of young adults may have been far more poorly educated in

public schools and colleges than their parents' "Baby Boomer" generation, but they are accurate in their contempt for today's government and political parties, when they complain that they and their children have no future in the direction the world economy is plunging today. Showing that up-coming generation what used to work, before the follies of riotous 1968, is the best hope for the future of this nation, and the world.

China's leaders of today have dumped "The Great Proletarian Cultural Revolution" of 1966-1976, with results fairly described as a brilliant success; it is past time that the U.S.A. "Baby Boomers" did the same. The key to economic survival of the U.S.A., and civilization in general, is to get back, very quickly, what Lothar Komp's facts present as typical of the time when national economies still enjoyed a general macro-economic profit: basing the economy on investment in the successful designing of ever-better machine-tools.

Do you use a personal confuser?

Not overlooking the fact, that some economists command the personal competence of a seasoned clinician:² every generally accepted doctrine of economics taught in any known

2. E.g., John Kenneth Galbraith, Maurice Allais. In each of the more notable instances of such clinician's competence, the specific quality of the expressed *virtù* is of a type located outside the realm of formal mathematical argument, as in the domain which Leibniz identified as "Analysis Situs."

university in any part of the world, is axiomatically worse than useless. On this account, there is little preference between the doctrines of the British Empire's Haileybury school, and that recocking of David Quesnay and Haileybury's Ricardo, which Karl Marx dished out of the British Museum's reading room. The worst of the common classroom effluent, is the variety of "mathematical economics" derived from John von Neumann's "systems analysis" hoax. The very worst economics, is that monetarist stuff suitable for dumping from the bilge of a personal computer. For each and all of the classroom economics dogmas, that of Marx included,³ the function which Kompreports for Germany's machine-tool sector, does not exist: a function upon which all successful modern economies have depended absolutely.

The present writer has identified that problem of competence in many earlier locations, including extended treatments of the problem in 1996 editions of *EIR*. In the latter locations, he has identified the problem as the axiomatically implicit, linear presumption, that "commodities are produced by commodities."⁴ As stressed in those locations, the axiomatic error of all such classroom doctrines and textbook theory is that they premise themselves upon a quality, "profit," or "surplus value," which is the *sine quanon* of their whole system; nonetheless, paradoxically, they describe a system which could never produce a net profit for any economy which is considered in its entirety!

The paradox is expressed in the following terms.

First: in fact, the ability to produce an array of products of a defined quality at a defined rate, depends upon two leading preconditions: 1) the development of such preconditions of production as physical-productive-capital, and of the infrastructure in which production and its product's distribution is physically situated; and 2) the development of the households of the employed labor-force. These combined preconditions, express a notional equivalent to "energy of the system." This "energy of the system" is expressed in respect to per capita of labor-force, per household from which the labor-force is drawn, and per unit of the relatively improved land-area in which immediate labor-force, production, and physical distribution are situated.

Second: for there to be a profit of such an economy as a whole, the produced output must more than replace the consumed energy of the system represented by combined physical costs and expenses of production, services, and "overhead." The margin of gain may be regarded functionally

3. In *Capital*, Marx confesses, that his system, contrary to the economics of G. Leibniz, Alexander Hamilton, et al., leaves out of account the role of technological progress. In short, all of today's generally accepted classroom doctrines, make no functional distinction between an economy (and, presumably, economics textbooks), produced by apes, and the practice of a society of human beings.

4. "The Essential Role of 'Time Reversal' in Mathematical Economics," *EIR*, Oct. 11, 1996; "While Monetarism Dies," *EIR*, Oct. 25, 1996; and, "The Descent to Bush from Man," *EIR*, Nov. 15, 1996.

as "free energy." When technological attrition is taken into account, we have the following.

For profit to be sustained, the ratio of "free energy" to the "energy of the system" must not decline, although the relative quantity of "energy of the system" per capita, per household, and per unit-area, are each and all increasing individually, and in combined effect. Thus, the economic process is characterized by "negative entropy," as that term was employed by biologists prior to publication of Norbert Wiener's "information theory" hoax.⁵

Worse (for the mathematical economists)! The development of modern society (e.g., European civilization since 1439-1440, until 1966), shows that such net increases of "negative entropy" are characteristic of modern European civilization as a whole, over more than five centuries. From the standpoint of animal ecology, the situation of the mathematical economists is devastating: the development of human potential relative population-density above a potential of several million individuals on a cultural level comparable to baboons, to the several hundred millions existing prior to the Fifteenth Century, shows that such "negative entropy" is the net characteristic of all human existence.⁶

Whence the "free energy" which is characteristic of all successful human behavior? Where is the responsible agency? What is the sufficient and necessary reason, that humanity, and humanity alone, should exhibit such characteristics? For the answer to such questions, and for a competent economics, one must, as Bernhard Riemann insists, depart the realm of mathematics, for the higher domain of experimental physics.⁷ This brings us into the domain which Leibniz identified by the rubric "Analysis Situs."

Analysis situs: a snapshot

Thus far, we have identified the external side of the matters which must be correlated, if one is to understand the nature of the policy-crisis which the present monetary-financial disaster represents. Now, we must look at the matter from the "inside." The underlying issue here is locked up, inextricably, with the notion of "mind over matter," the relationship of the functions of the individual human mind to mankind's ability to achieve physical mastery over the preconditions of human life. In other words, we are obliged to detour for a few minutes, to focus upon those matters which all today's generally accepted—which is to say, manifestly incompetent—economic doctrines prefer to leave unmentioned. This compels us to focus upon the practical implications of a branch of science much higher than mere mathematics, "Analysis Situs."

5. Norbert Wiener, *Cybernetics* (New York: John Wiley & Sons, 1948).

6. See, "While Monetarism Dies," op. cit., Figure 3, p. 18.

7. B. Riemann, *Über die Hypothesen, welche der Geometrie zu Grunde liegen* (habilitation dissertation), in *Bernhard Riemann's gesammelte mathematische Werke* (New York: Dover Publications (reprint), 1953), p. 286.

The notion of “Analysis Situs” is made intelligible through no other means than the proper definition of the Greek term “hypothesis,” a term which can be competently defined for science in no other way than by Plato’s Socratic method.

To wit: If a series of plausible propositions, such as prospective theorems of a geometry, appear to suffer no mutual inconsistency, what are the hidden, underlying assumptions, shared in common by those propositions, which supply the apparent consistency? In reply to that specific question, the Socratic method of Plato’s dialogues yields a set of interactive definitions, axioms (including the axiom of deductive method), and postulates; that latter set is termed an *hypothesis*.

If, in turn, we produce a castrated parody of Aristotle, by application of nominalist William of Ockham’s “razor” by the Venetian Paolo Sarpi; and, if we add the obsession with sensuality which a eunuch might thus achieve, we have added to a barebones Euclidean geometry’s underlying hypothesis, the axiomatic presumptions which transform Euclid into a reductionist. We have, then, one of the assorted materialist, empiricist, logical-positivist derivatives of what was called “terminism” in Ockham’s time, and philosophical “nominalism” today. That Ockhamite mutilation, as typified by Venice’s Paolo Sarpi, and by Sarpi’s lackey, Galileo Galilei, produced the empiricism of Sarpi protégé Francis Bacon, of Galileo’s student, Thomas Hobbes, of Locke, Newton, Hume, and the fraudulent doctrine of analytical mathematical functions derived from the neo-Euclidean, nominalist notions of infinite series of the Euler-Lagrange tradition.⁸

Thus, the delusion typical of Euler, Lagrange, Cauchy, and their followers, was provided a devastating refutation by the 1854 habilitation dissertation of Carl Gauss protégé and Göttingen professor, Bernhard Riemann.⁹ Riemann’s dissertation returned mathematics and physics to the standpoint of the principles of Analysis Situs featured within that posthumously published writing by G. Leibniz known as the *Monadology*;¹⁰ Riemann accomplished this, by exposing and correcting the fundamental fallacy pervasively corrupting all formal geometry, “from Euclid through Legendre”: that the assumptions underlying the axioms of Euclid had been asserted without the required, rigorously Socratic consideration of their origins and implications.¹¹

For example, Leonhard Euler’s fraudulent, 1761 attack upon the Analysis Situs of Leibniz’s *Monadology*,¹² was

8. Note 4.

9. op cit.

10. G.W. Leibniz, *Monadology and Other Philosophical Essays*, trans. by Paul and Anne Martin Schrecker (London: Macmillan, 1965).

11. op. cit., p. 272.

12. On Leonhard Euler’s 1761 “Letters To A German Princess,” see Lyndon H. LaRouche, Jr., *The Science of Christian Economy* (Washington, D.C.: Executive Intelligence Review, 1992), pp. 407-419. See, also, Lyndon H. LaRouche, Jr., “Russia’s Relation to Universal History,” *EIR*, Nov. 29, 1996, Note 27, p. 20.

premised, throughout, by a dirty charlatan’s trick: a willful fallacy of tautology. Euler committed the fraud, of purporting to prove, that extension in space-time is perfectly continuous; this sleight-of-hand was accomplished, by means of constructions governed by a geometry whose existence presumed that conclusion axiomatically. On this argument, which first appears in Euler’s work from about 1741, from Sarpi and Galileo, through Hermite, Lindemann, Felix Klein, Bertrand Russell, Norbert Wiener, John von Neumann, and their followers and other dupes today, the entirety of the distinctive features of the system of infinite series and theory of functions of the Euler-Lagrange faction depends axiomatically, absolutely.

It is the corruption of mathematical physics by that fraudulent presumption of perfect linearity, a presumption extended even into the remotest nooks and crannies of the microphysical domain, which is the source of the characteristic moral bankruptcy and related incompetencies of generally accepted classroom mathematics today. It is the same axiomatic presumptions of nominalist method, which render morally putrid every branch of generally accepted, taught classroom political science, social science, history, theology, musical theory, English prose style, and economics, among the university classrooms and barroom gossips of today.

Riemann’s correction, first presented in his 1854 habilitation dissertation, takes us directly inside Leibniz’s notion of Analysis Situs, thus freeing all honest and clearheaded scientists from further obligation to the Euler-Lagrange cult’s infinite series of linear mantras.

Drop the unsupported excesses, of presuming that extension in space and time are either boundless, or that such extension proceeds with perfect continuity. Then, extensions in space and time are but four among an open-ended series of geometric “dimensions” of the real-world physical-space-time manifold. Any discovered, independent principle of nature, insofar as it is supplied unique experimental validation, and as that validation is accomplished by aid of measuring extension, is a dimension of physical space-time, that in the same sense and degree one might accord a meaningful notion of “dimension” to independent senses of directedness in merely mathematical space-time.

Thus, each experimentally validated discovery of a natural physical principle, has added such a new “dimension” to man’s comprehension of a physical-space-time manifold. Thus, we must abandon the notion of a merely mathematical, and thus error-ridden geometry of Euclidean space-time, for a series of physical-space-time manifolds, in which the number of “dimensions” represented is in the process of transition from a manifold of “n dimensions,” to a higher-order manifold of “n+1 dimensions.” Not only does experimental physics show the necessary existence of each added dimension; experimental investigation also measures the difference in “physical-space-time curvature” expressed by comparison of the characteristics of action among the manifolds compared.

In physical economy, for example, the increases in productivity of labor effected through incorporation of some newly validated principle of nature as technology, represent the changes in characteristics of action within the manifold represented by the relevant physical economies as a whole.

Once we employ Riemann's standpoint, for presenting the empirical evidence of scientific and technological progress in economies, we have three principal schemes. First, the fact that the validated discovery of a new principle of nature, is a relevant paradigm for a mental, metaphorical act of creative discovery within the sovereign precincts of the individual person's cognitive processes.¹³ Second, we are supplied the means for representing technological progress in terms of the relative curvatures of a Riemannian series of physical-space-time manifolds. Third, we are able to measure the actual physical-economic progress corresponding to the Riemannian series of manifolds. In the application of Riemann's method to the present writer's own original discoveries,¹⁴ the third step, of measurement, is effected by correlating manifest increases in *potential relative population-density* of physical-economies with the "thermodynamic" requirement, that the ratio of "free energy" to "energy of the system" of the economic process as a whole, must not decline, despite the required, ongoing increase of the required rations of "energy of the system," per capita of labor-force, per household, and per unit-area.

Two fundamental principles of Leibniz's Analysis Situs are derivable from this lesson in the science of physical economy. First, the principle of Analysis Situs characteristic of all physical economy as such. Second, that law of the universe which is demonstrated conclusively by the experimental evidence of physical economy in general.

First, the series of physical-space-time manifolds represented by scientific progress expressed as technological progress, is twofoldly ordered. It is ordered by successively higher degrees of mathematically transfinite cardinality, of the form associated with the series $(n+1)/n$, and this correlates with an increase in the power of man in the universe: per capita of

13. This, by itself repudiates absolutely the central assertions on which the systems of empiricism, materialism, Euler, Kant, Norbert Wiener, and John v. Neumann are premised. See, Lyndon H. LaRouche, Jr., "On the Subject of Metaphor," *Fidelio*, Fall 1992. Scientific discovery, like great Classical forms of poetry, tragedy, music, and the painting of Leonardo da Vinci, Raphael Sanzio, et al., is expressed in the literal form of the media employed as an anomaly, an anomaly which can not, in any way, be resolved by resort to symbolic or other methods of deduction. The function of the anomaly (metaphor) is to evoke the generation of a non-linear solution for the anomaly within the sovereign precincts of the hearer's or viewer's wholly internal cognitive processes of mind. This principle of metaphor is the basis for all competent modes of education: the student must never "learn" the solution for an anomaly; the student must be prompted to derive the rediscovery of the solution within the sovereign precincts of his or her own, entirely private cognitive processes. Students so trained, know; others, like trick-performing dogs, have merely "learned."

14. Hence, "The LaRouche-Riemann Method."

labor-force, per family household, and per unit-area. This is expressed as the "not-entropic" requirement cited above.

In this physical-economic series of manifolds, each manifold corresponds to an underlying hypothesis, in the same sense that Euclidean geometry is underlain by its own governing hypothesis.¹⁵ Thus, physical economy confronts us with an ordered series of hypotheses: a well-ordered lattice of hypotheses. This ordering has a validated physical-economic correlative. What, then, is the ordering-principle underlying such a lattice? We are back to the challenge of the devastating, ontological paradox posed by Plato in his *Parmenides* dialogue. The formal answer, in Plato's terms of reference, is "higher hypothesis": As any open-ended lattice of mutually agreeable theorems is underlain by an hypothesis, so a lattice of hypotheses is also governed by an underlying ordering principle, which we may term either "Higher Hypothesis," or "Analysis Situs."

In the case immediately at hand, successful physical economy, Analysis Situs corresponds to that not-entropic universal characteristic of action which satisfies the requirement that the potential relative population-density must increase, and that the ratio of "free energy" to "energy of the system" must not decline, despite the imperative increase of the "energy of the system" per capita of labor-force, per family household, and per unit-area.

Second, the fact that mankind's increasingly effective domination of our universe occurs in this ordering of hypotheses, demonstrates the principle, that the universe is so "pre-designed" that it submits to mankind's will, when that will conforms to the not-entropic ordering of hypotheses manifest for the general case of physical economy. The fundamental law of the universe, is thus proven to be "universal not-entropy," in this sense of that latter term.

Here, we have summarized the intrinsic superiority of the principles of Analysis Situs to any mere mathematical precept. This accounts for the fact that the clinical insight of some notable economists stands in noble opposition to any generally accepted textbook of today's university classroom. The point is better understood by comparative reference to the case of Classical musical thorough-composition. We conclude the discussion of Analysis Situs as such, with summary of the musical comparison, and thereafter resume direct attention to the implications of machine-tool design functions within successful modern economies.

From Bach through Brahms

The rigorous *bel canto* domain of J.S. Bach's well-tempered polyphony, laid the indispensable foundations for a revolution in musical composition introduced by Wolfgang Mozart during the early 1780s. The generic name for this improved method of Classical composition, is "motivic thor-

15. All systems, Isaac Newton's included, are governed fully and thoroughly by an underlying hypothesis. See B. Riemann, op. cit., p. 525.



The chorus of the Collegiate of San Bartolomeo, in Busseto, Italy, directed by Rev. Tarcisio Bolzoni, performs Mozart's "Ave Verum Corpus," Nov. 30, 1996. "This seemingly little piece of Mozart's addresses faculties of the human mind far above the reach of any generally accepted form of classroom mathematics."

ough-composition."¹⁶ For convenience, we reference the notable, most-frequently quoted keyboard example of Mozart's derivation of his discovery of the new method, his K. 475 Fantasy, and its implicitly embedded Lydian mode, the example most frequently referenced in the compositions of Beethoven and Brahms, for example. Exemplary is the case of Mozart's own *Ave Verum Corpus*, as the relevant case was presented to a September 1996 conference by Mindy Pechenuk.¹⁷ This latter example serves to illustrate the musical role of the same Analysis Situs we have located within the setting of physical-economic processes.

Like the opening germ of a great Classical tragedy, such as the ironical opening setting of Shakespeare's *Hamlet*, a piece of musical thorough-composition begins with the ironies inserted into the musical universe by the explicit statement of a pair of intervals. This set of intervals, together with the shadowy, unsaid inversions it evokes in the musical intellect, constitutes an ambiguous modality, as the contra-

puntally implicit Lydian mode within Mozart's reading of Bach's C-major/C-minor modality, typifies this. From the polyphonic unfolding of a selected pathway of contrapuntal development, the entire composition flourishes.

From this flows a succession of modalities out of the opening germ, ordered according to implied, often explicit increase of relative cardinality. The effect is akin to the most ruthlessly perfected Classical strophic poem, or the most ruthlessly thorough-composed Classical Greek, Shakespeare, or Schiller tragedy. A process of "unfolding musical development" ensues. This is expressed as new modalities, an ordered series of musical hypotheses, in fact.

This brings us, as in the case of Mozart's *Ave Verum Corpus*, to a closing quoted modality. In that case, this involves a two-fold irony: the addition of a second "ave," at the outset of the vocal parts, provides an explicit access from the initial "Ave," to the Bach-Mozart, Lydian-implicated principle of Mozart's K. 475 Fantasy. This is key to the contrapuntal implications of the piece's concluding modality. The idea with which that concluding modality is associated liturgically, "the test of death," coincides with perfect functionality to the musical implications which the composition supplies to the closing modality.¹⁸ Mozart's true Classical musical genius, expressed at its highest level, in a most compact form.

This seemingly little piece of Mozart's, addresses facul-

16. This method is limited to the Classical composers, as typified by Mozart, the later Joseph Haydn, Beethoven, Schubert, Brahms, et al., and never the Romantics such as Liszt, Berlioz, Wagner, et al. The Romantics, as in the case of Liszt's keyboard sonata, sometimes attempt, unsuccessfully, to parody Mozart's or Beethoven's treatments of the K. 475 Fantasy, but have no actual comprehension of the method, since it is contrary to those principles of Nineteenth-Century Romanticism derived from the *Critiques* of I. Kant.

17. See, Mindy Pechenuk, "Mozart's *Ave Verum Corpus*," *Fidelio*, Winter 1996.

18. Mindy Pechenuk, op. cit.

ties of the human mind far above the reach of any generally accepted form of classroom mathematics. Indeed, all Classical forms of musical thorough-composition lie on a much higher level of the human intellect than any of today's generally taught versions of higher mathematics! In one "little" Mozart composition, we are presented with a magnificently coherent array of successive hypotheses, arranged to such effect that the last hypothesis forces the mind to elevate itself to a specific choice of Higher Hypothesis, which then serves, musically, liturgically, and philosophically, as the indivisible Idea of the musical composition taken in its entirety. Additionally, like all functions of higher hypothesis, the mathematical representation of the manner in which both the idea of the composition and its competent performance are constructed, compels us to enter the domain of functions in which apparent time-reversal rules.

This illustrates the point, that music composed and refined to conform with the Classical principle of composition so typified, reflects the highest cognitive faculties of the human mind.¹⁹ It shows the indivisible nature of that cognitive power of creativity which, contrary to both the ponderously silly Immanuel Kant and to the Nineteenth and Twentieth Centuries' Romantics and modernists, commonly underlies science and Classical art: *Naturwissenschaft* and *Geisteswissenschaft*. Indeed, the music of Bach, and of the principle of Classical composition which Mozart derived from Bach's highest principled achievements, since it is composed upon a higher cognitive level of mental processes than mathematics, has shown itself to be a more or less indispensable habit in fostering relatively high rates of creative scientific achievement among scientific professionals: whereas Country-&-Western and Rock, tend to promote blockheaded formalism, or worse tendencies. More narrowly to the point: it is the comparison of the roles of Analysis Situs in the best developed strictly Classical art-forms and creative scientific productivity, which provides us a kind of "Rosetta Stone" for understanding the domain internal to the sovereign precincts of the individual person's cognitive processes.

Notably, it is Classical art-forms derived from the tradition of Homer, Aeschylus, and Plato, which supplied Augustinian Christianity with the tools by means of which to launch the Fifteenth-Century ecumenical Renaissance and its original creation, the modern form of constitutional nation-state. It is that design of the state, derived from Classical art, not physical science, on which the effective economic development of physical scientific development depends absolutely.

Education and economy

"Out-sourcing" is the increasingly popular form of national economic suicide practiced by those silly governments and foolish firms, which abandon customary sources of tech-

nology services and component parts, in favor of importing components "just in time" from foreign places where labor is cheaper, and less skilled. From the standpoint of industrial management, "out-sourcing" rivals the post-Brandt-Reform collapse of quality of German education, as the thing which is slaughtering the technological competitiveness of the quality of as much German industrial production as survives the general industrial *démontage* of Europe and North America during the recent two decades. The case of the departed Lopez from Volkswagen is, in several respects, a complementary expression of the same disastrous trend toward "out-sourcing."

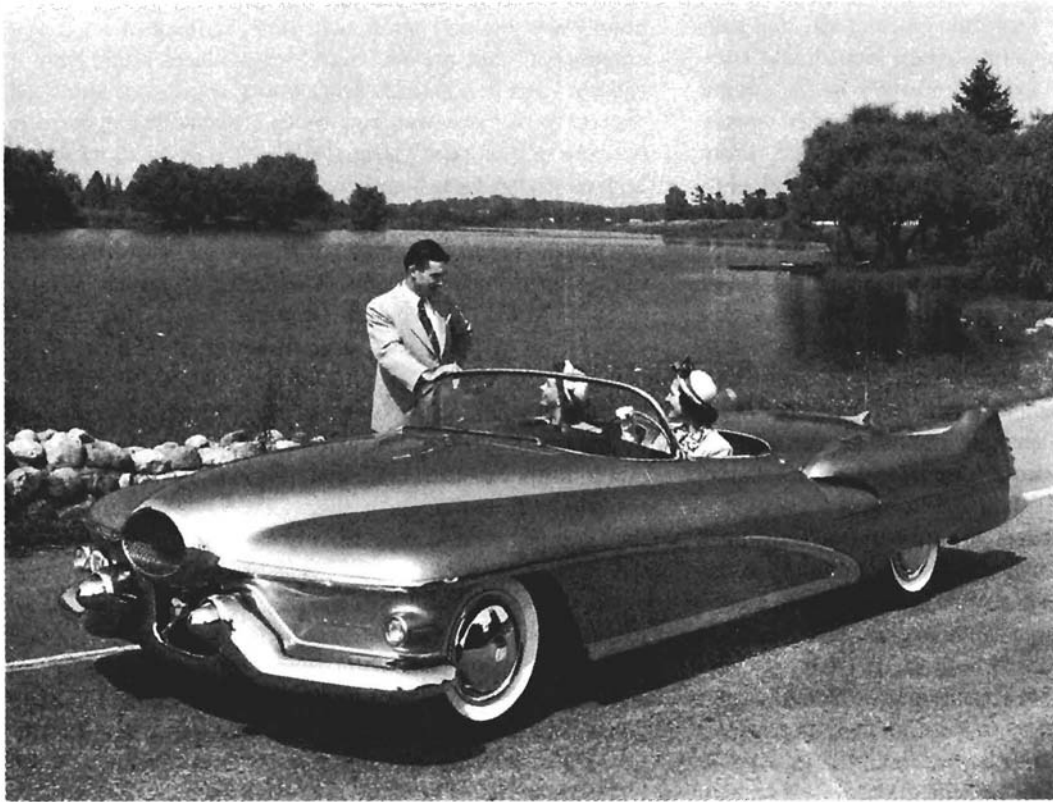
The function of the German *Mittelstand's* machine-tool design sector illustrates the point most clearly. The past economic history of U.S. manufacturing—as far back as *Monitor*-builder Ericsson, and earlier—illustrates the same point; the Germany case is more sharply focussed; but, the case of the conflict between the policies of Edison and Henry Ford, against those of Wall Street's General Motors, should be introduced to put the German case in its proper focus.

Under the influence of the Germany-educated, Gauss and Humboldt ally, and great-grandson of Benjamin Franklin, Alexander Dallas Bache, middle through late Nineteenth-Century science, agriculture, industry, and education, in the United States and Germany, were functionally closely interlinked in their development. In those days, Germany-linked Harvard University was a most eminently respectable, leading scientific institution. Exemplary of the Bache connection, are the interlinked cases of Bache-circle-sponsored Thomas Edison, Rathenau and Siemens in Germany, and the Edison-related case of industrialist Henry Ford. The United States, too, had a deeply embedded, Germany-like machine-tool-design tradition, until the heritage of Confederacy-linked Presidents Teddy Roosevelt and Ku Klux Klanner Woodrow Wilson signalled the Twentieth-Century process of destroying the patriotic and scientific tradition of the United States from within.

Henry Ford conceived of his "Model T" as a household "capital good." In rural areas, where it was well-intended for the challenge of deep-rutted muddy tracks sometimes used as if they were roads, it carried passengers, sawed wood, doubled as a tractor, and improved significantly, in vintage, from year to year, without significantly manifest concern for subtly sexual factors in seasonal styling. As General Motors emerged to challenge Ford's emphasis on technology, it brought with it the brothel-like artistic sensibilities of Manhattan's Seventh-Avenue Knock-Down industry and Hollywood's sleazeball notions of Prohibition-Era "Class."²⁰ Ford had the industrialist wisdom, but Wall Street had its hand on the spigot of big cash, and eventually Wall Street's accountant-errand boy, Robert McNamara, was installed as a kind

19. Romanticism, Modern, or Country-&-Western, or Rock correspond only to the bestial depths of soupy or satanic eroticism.

20. E.g., "Does the blonde model come with the car, like it says in your ad?"



A General Motors Le Sabre, the most famous of GM's parade of "dream cars." "As General Motors emerged to challenge Ford's emphasis on technology, it brought with it the brothel-like artistic sensibilities of Manhattan's Seventh-Avenue Knock-Down industry and Hollywood's sleazeball notions of Prohibition-Era 'Class.' "

of Gestapo figure at Ford.

Almost nobody in the U.S.A. knows anything important about production any more. Fifty years ago, even thirty years ago, as much as sixty percent of the U.S. labor-force was involved in agricultural or industrial production, or in some functional relationship to constructing, operating, or maintaining basic economic infrastructure. Most products were designed with the intent that they might be repaired cheaply, easily, and effectively, and a large ration of citizens, and adolescents, too, could perform significant repairs on most of the products which came into their possession. We were a production-oriented culture, and our ideas about consumption were rooted in that quality of culture. In today's U.S.A., that culture went down the tubes with the passing of the World War II generation from the leading positions of authority in the family, as in government, in education, and in management of leading firms. Largely as a result of that cultural change of the recent thirty years, our economy has gone down the drain, too, and at a presently accelerating rate.

Now, more and more view production with that same immoral mind-set otherwise seen when today's prospective heirs and Wall Street's health-management fanatics join forces to extol the serenity of "death with dignity" to family members reaching or past retirement age.

Until about thirty years ago, when we went collectively mad, production used to be a pipeline, through which the benefits of technological progress flowed more or less contin-

uously. For the production manager, who was concerned with products to be put on line as much as five to ten years hence, and with the phase-out of obsolete or worn-out plant and equipment a dozen or so years ahead, the "pipeline" was a process, filled with planning of future technological change in products and processes. The scope of any respectable firm's planning function was seldom less than a generation's span. Key to the technological change constantly in progress in any such large firm, was the role of the relatively small, high-technology firm which specialized in a range of machine-tool design and related specialties. The competitiveness of production, respecting quality of product and productivity, was derived from a relatively continuous process, generally hidden from the public—behind the scenes, so to speak, of technological improvements in product and processes.

View that "relatively continuous process . . . behind the scenes, . . . of technological improvements in product and processes," from the vantage-point of the general physical-economic function identified here at several points earlier. That the ratio of "free energy" to "energy of the system" must not decline, despite a constant, required increase in "energy of the system," per capita of labor-force, per family household, and per unit-area. It is the constant increase of productivity and product quality supplied to the productive process, chiefly through the machine-tool-design factor, which meets that requirement. The requirement is not satisfied by "getting cheaper parts from elsewhere"; it requires securing a cheapen-

ing of the effective cost by relying upon sources which have high rates of technology-driven improvements in productivity and product.

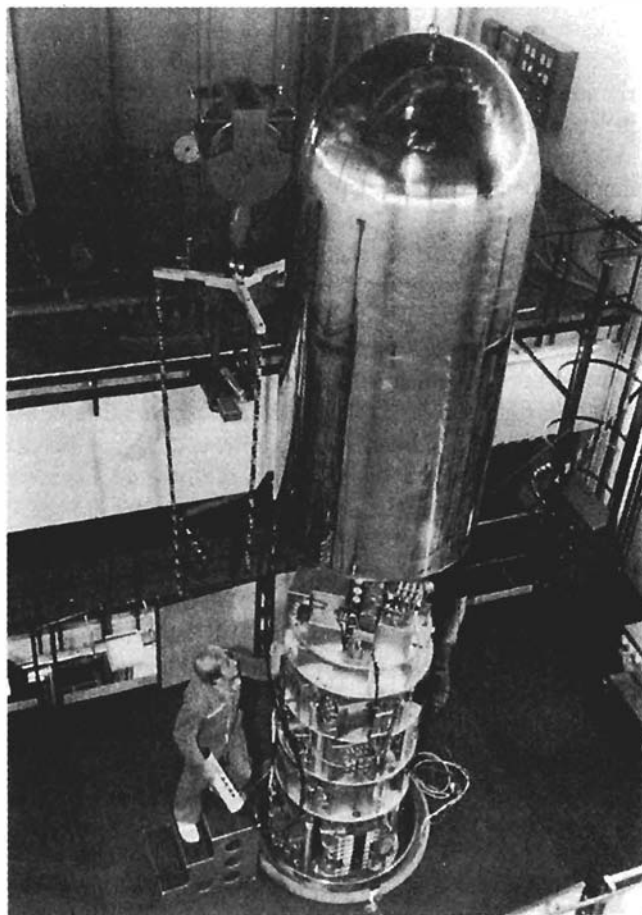
Very few of today's "third-world" countries are reliable sources for this purpose. India could be; it has the relatively largest machine-tool component of its industry. The Philippines used to have such a potential, centered around the military bases at Clark Field and Subic Bay. Argentina used to have a very high potential, until we destroyed one of the world's most productive economies there. At the same time, developing nations have very poor development of infrastructure, and poorly educated general labor forces; for highly skilled professionals in those nations, the relevant employment opportunities available to the most highly qualified, are chiefly the dwindling markets in Europe and North America. "Out-sourcing" from such "cheap-labor" markets, is the kind of policy no competent production executive would encourage; it is the Yuppies in the New York City financial center's lunacy-mills, or useless "good old boys" of the mint-julep circuits, who delude themselves that "cheap" is intrinsically more profitable.

The secret of sustainable economic growth and profit, is high rates of high-density technological progress in every possible pore of the productive process. It is not how cheaply we might import from cheap-labor markets abroad; it is not simply a matter of whether we are exporting jobs our people need. It is the density of such technological progress in production, per capita, per family household, and per unit-area in one's own national economy, which determines whether one's national economy is growing, as ours used to do, until about thirty years ago, or, like our own today, collapsing into bankruptcy through the kinds of policies which have taken over the United States during the past thirty years, up through the present day.

So, Lopez's former reign at Volkswagen represents two relevant types of blunders commonplace in Europe and the United States today. The idea, that a firm such as VW might have an advantage in swiping inventions from a General Motors, for example, shows intrinsic economic incompetence in the management which condones such practice. It is the development of captive pipelines of continued inflow of front-line technological advances, as an integral part of the operational policy of the industrial firm, which is the well-established secret of successful, long-term industrial management.

The turn of Germany's and U.S. firms to "out-sourcing," instead of fostering domestic machine-tool-design resources, is a kindred show of managerial incompetence. Buying components from a market which has low-density machine-tool-design fertility, is such an obvious blunder, of buying into assured obsolescence, that the practice could be condoned only by boards of directors which lack both the mental ability to remember yesterday, and to foresee tomorrow.

The principle is: do not think of this as a matter of buying products; it is a matter of buying change. When you buy a



Assembly of an electron accelerator at the Hahn-Meitner Institute in Berlin. "The secret of sustainable economic growth and profit, is high rates of high-density technological progress in every possible pore of the productive process."

product, are you also buying into the quality of change you will need for tomorrow? Are you buying into yesterday, or tomorrow? Production, and successful national economy, are both all about technological change. Therefore, the board of directors member, or operating executive, who does not understand that, should be fired with the same sense of urgency prompted by the detection of a chronic embezzler, pyromaniac, or axe-murderer in those positions.

Behind all this, is education, as Lothar Komp stresses the relevant point. The transmission of knowledge from the education and scientific-research institutions, into production, occurs chiefly in the conversion of validated experimental designs for proof of principle into the form of machine-tool designs by organizations such as the *Mittelstand* firms on which Komp focuses our attention.

This is the structure for technological progress: From Education, to Experimental-Scientific Discovery, to Machine-Tool Design, to Production Process and Basic Economic Infrastructure, to Product and its physical distribution. This structure is rooted in natural principles; but, the elaboration

of such a structure into the realized institutional forms of modern nation-state economies, is a production of a political-economic revolution launched by the 1439-1440 sessions of the great ecumenical Council of Florence. The keynote of that effort, was the building up of France's Dauphin, preparing him to become the Louis XI who established the first known nation-state in human existence: a society in which the intelligentsia drawn from the educated portion of a general citizenry emerged to challenge the reactionary authority of both the landed and financier oligarchies of feudal Europe. The process of state-backed educational programs, to transform growing portions of the ordinary citizens into a national intelligentsia, while fostering high rates of infrastructure-building, and agricultural and industrial progress, is the germ, planted in Louis XI's France, out of which the modern European nation-state economy developed, a revolutionary change in political society and economy, which, despite all evils perpetrated in the name of European civilization during this same period, had resulted, until thirty years ago, in the highest rate of progress in the human condition, in the planet as a whole, qualitatively greater than in all human existence earlier.

Without the appropriate quality of education, the kind of education which has been systematically destroyed during the past thirty years, the entire system of modern civilization must collapse into a "new dark age," whatever other errors of policy

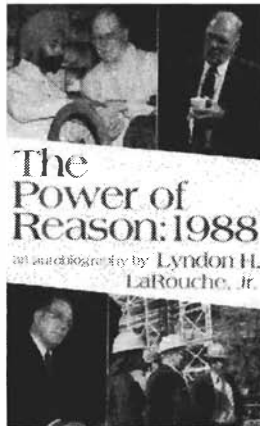
might affect the economic process. Without the fostering of high rates of experimental-scientific research, the economy must collapse, whatever the quality of other aspects of economic policy-shaping. Without the link between science and production provided by the sector of the economy devoted to machine-tool design, a similar catastrophe becomes inevitable.

In the final analysis, all that we have said here, all that is stated and implied by Lothar Komp's accompanying report, returns us to the point we have made in condemning generally accepted classroom economics doctrine for the "crime" of proposing, implicitly at least, either that it is commodities which produce commodities, or, worse, that it is financial capital which earns profit. The principle upon which the possibility of continued existence of civilization depends, is that principle of universal history, that continued human existence, and the further development of that human existence, depends absolutely upon valid changes produced by the not-entropic characteristics of the sovereign, creative-cognitive processes of the individual human mind. That is the principle one sees most plainly exposed in action, in the role of the German *Mittelstand's* machine-tool-design sub-sector. That is the capacity to survive, which is being presently destroyed in the United States by the recent and present official policies of the U.S. government and financial community.

Books by Lyndon H. LaRouche, Jr.

The LaRouche case "represented a broader range of deliberate cunning and systematic misconduct over a longer period of time utilizing the power of the federal government than any other prosecution by the U.S. Government in my time or to my knowledge."

—Former U.S. Attorney General
Ramsey Clark

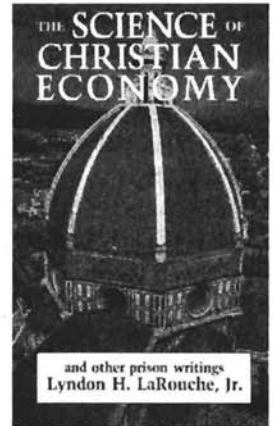


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The crucial role of the 'Mittelstand' in the economy of postwar Germany

by Lothar Komp

According to economic textbooks, the postwar success of the German economy was the result of essentially three factors: the currency reform, the liberalization program of Ludwig Erhard, and the influx of funds from the Marshall Plan.

But none of these reasons is really convincing. The currency reform, which was worked out by the U.S. occupying forces and then enforced in June 1948, had one primary purpose: to cut off the enormous amount of extra liquidity that had been created by Hitler's financing of the war. The currency reform was a necessary corrective measure, but in itself would never have caused an economic upswing. In effect, the immediate consequence of the currency reform was exploding unemployment in late 1948 and 1949.

The step-by-step abandonment of price freezes and similar liberalization measures by Ludwig Erhard were not a driving factor, but only a more or less natural consequence of economic normalization. The first really successful measure of the German government, following the mass unemployment in the winter of 1949-50, was the establishment of a huge job creation program in 1950, focussing on housing construction.

The Marshall Plan and the GARIOA funds (Government Aid and Relief in Occupied Areas) allowed crucial imports of food and raw materials for the German people and German industry in 1948 to 1952. But, simultaneously, the Allied forces destroyed or dismantled large parts of the remaining industrial capacities in Germany as part of the so-called "démontage" policy. Until the end of 1949, more than 300 industrial plants were dismantled in the Western occupied areas, representing something between 4% and 7% of industrial capacities. In the Eastern zone, the Soviets dismantled more than 50% of the remaining capital goods. The Marshall Plan funds were much lower than this form of industrial destruction. Furthermore, Germany was not the primary recipient of Marshall Plan aid, as shown by the following figures of U.S. Marshall Plan aid through the end of 1952 (millions of dollars):

Great Britain	\$3,165.8
France	2,806.3
Benelux countries	1,532.8
Italy	1,515.0

Western Germany	\$1,412.8
Austria	711.8
Greece	693.9
Denmark	275.9
Sweden	107.1

Much more important than the original Marshall Plan funds, was the continuous reinvestment of these funds up to the present day into the German industrial sector, and in particular into the modernization of small and medium-sized companies. Here we come closer to the secrets of the German postwar "economic miracle."

The Marshall Plan funds were essentially credits to the German private sector, in order to buy certain U.S. goods. The credits had to be paid back, not in U.S. currency, but in deutschemarks. In November 1948, the Kreditanstalt für Wiederaufbau (KfW), the Bank for Reconstruction, was founded in Frankfurt. It was established in order to receive the repayments of these Marshall Plan credits and then to reinvest this money into certain industrial sectors, in the form of medium-term and long-term credits. For almost the past 50 years, the KfW has been a crucial state-run instrument for dirigistic economic activities. Today, the KfW gives new credits of about DM 40 billion (about \$26.3 billion) per year to German companies.

In addition, German Finance Minister Fritz Schaeffer, in the early 1950s, created a taxation system that was designed to promote investments by small and medium-sized companies, in particular promoting their export-oriented efforts.

Thus, the German postwar economic success was not a consequence of the mentioned textbook measures. Instead, the most decisive factors were purely subjective ones: the skill and the creative potential of the German workforce, and the mobilization of this potential by certain dirigist policies. As I shall illustrate, the mobilization of such potential requires the establishment of what is called in German, the *Mittelstand*—the small and medium-sized firms.

The situation today

In general, economic sectors are dominated by big companies, when the following conditions apply:

- They require very large investments into plant and



A demonstration in Mainz by the Civil Rights Movement Solidarity, April 1996. The banner reads: "Production, Not Speculation." The mobilization of Germany's tremendous industrial potential requires an understanding of what really made possible the postwar economic "miracle."

equipment, such as basic industries;

- They produce bulk goods, such as steel, chemical goods, or automobiles;
- They require extensive infrastructure networks, such as railways or telecommunications;
- There is a need for risk sharing, such as the banking and insurance sectors.

But only 1% of the 2 million German companies have more than 500 employees. Even more revealing, concerning the orientation of the German economy toward medium-sized companies, is the fact that 60% of all jobs are with companies of fewer than 500 employees. About 70% of all taxes in the private sector are paid by small and medium-sized companies. In the particular case of taxes on profit, by far the biggest part of company taxes, 41%, is contributed by small companies, 32% by medium-sized companies, and only 27% by big companies.

The question is, why do we have so many small and medium-sized companies? What is their particular advantage or role? The answer to this question is given by looking at the crucial characteristics of *Mittelstand* companies. These are:

- The company has essentially a one-man leadership, where the manager is the owner of all the capital stock, without dependence on shareholders outside of his family.
- As a consequence, not short-term profit, but the long-term survival and well-being of the company, determines operations.
- The fate of the company and the fate of the owner's family are one and the same. The success of the company

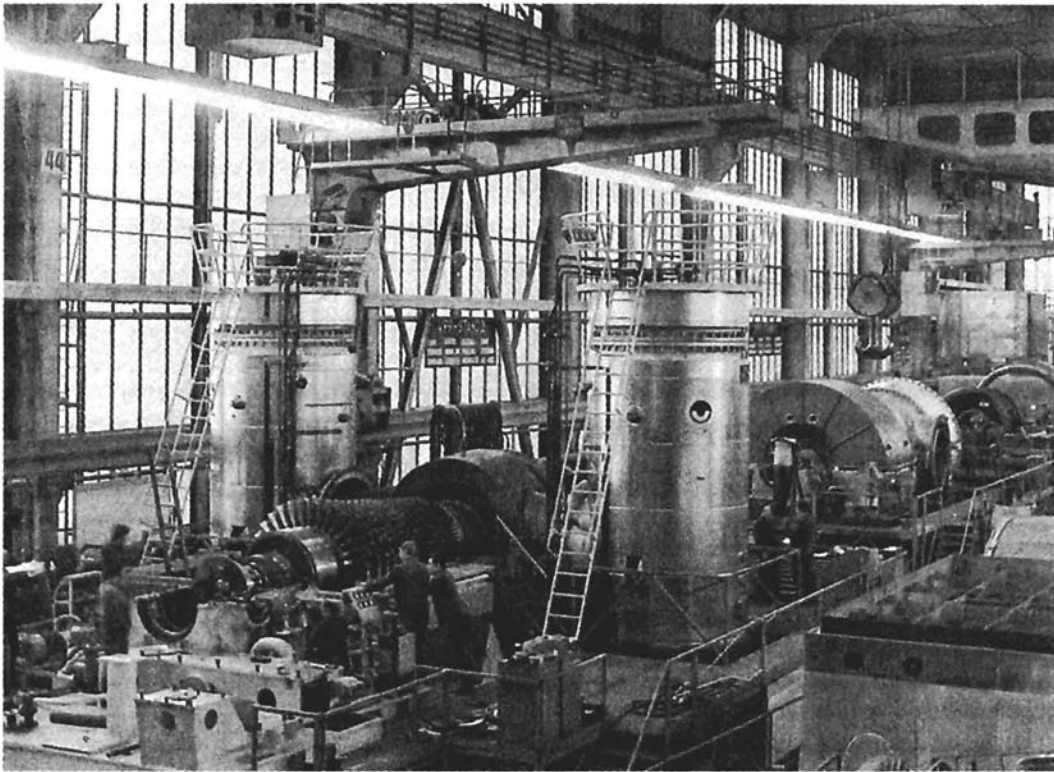
depends upon the successful work of not only the owner's present family, but also some generations in the past and in the future. In the case of failure, in most cases, the entire property of his family is lost.

- The *Mittelstand* owner knows every aspect of his company in detail and has a personal relationship to most of his employees.
- The difference between the manager of a big enterprise and the owner of a *Mittelstand* company is sometimes described as the difference between a member of a military general staff, on the one hand, and the leader of a military unit on the other. Only the *Mittelstand* is capable of performing flanking maneuvers. If the manager of a big company fails, he gets fired in the ordinary sense, whereas the *Mittelstand* owner gets "fired" in a more literal sense.

• In spite of its long-term orientation, the *Mittelstand* company is much more flexible in responding to new economic challenges and in adjusting and modernizing its production processes, both in terms of workforce and of equipment.

For this reason, *Mittelstand* companies have a much higher share of skilled employees than bigger conglomerates. Without this flexibility of the *Mittelstand*, the highly specialized market basket of consumer goods and capital goods that is essential for a highly developed industrial society, could not be produced.

- Therefore, the *Mittelstand*, in particular in the machine-tool sector, acts as a transmission belt, translating new scientific principles into the production process.



Turbine production at Kraft Werke Union. Industrial giants like KWU rely on the smaller companies of the Mittelstand to produce vital components.

Education

A key factor for the productivity of the German economy is the education and skill of its workforce. Since the education reforms in the 1970s—when the educational concept of Wilhelm von Humboldt was abandoned, which had focussed on overall character-building instead of modern “learn what you need” methods—some obvious defects have developed in the German educational system. This is illustrated, for example, by the wave of anti-technology and irrational tendencies, spreading in Germany since the mid-1970s. Other Western countries have had similar experiences.

However, in respect to the apprentice system, the radical reform plans of the 1970s were successfully blocked by industry. Today, the German apprentice system, the so-called dual system of simultaneous theoretical education and practical training, is still the best in the world, even if the number of new apprentices has been decreasing in recent years.

Out of the 1.85 million training positions in Germany, 85% were offered by small and medium-sized companies. In the productive sectors, this share is even higher: 90%. Most of the skilled workforce of big companies was first trained in *Mittelstand* firms. Here, the apprentice becomes acquainted with the entire production process in his company, even management operations. Because *Mittelstand* firms are much more dependent on the high qualification of their employees, they invest a lot of effort into training of apprentices, and also in the continuous further education of all their employees. To state it again, this crucial job for the German economy is being done almost entirely by *Mittelstand* companies.

Show cases: automobile and machine production

Figure 1 shows the distribution of jobs, relative to company size. As an example of a sector that is dominated by a small number of big companies, we can take automobile production. In the cases of aerospace or shipbuilding, we would get similar results.

In the mid-1980s, there were only 11 different automobile producers in Germany. They employed 400,000 people and achieved a turnover of DM 75 billion (\$49.3 billion) per year.

But almost none of the automobile spare parts are produced by these big companies. These come from a large number of highly specialized *Mittelstand* suppliers.

More than 50% of all the components of cars are produced by these small and medium-sized suppliers. Automobile suppliers and automobile service companies employ a total of 800,000 people. Here we have 3,000 spare parts and components producers, 800 trading houses for these products, 35,000 automobile repair firms, 5,000 car trading firms, and 24,000 gas stations. The automobile suppliers alone contribute about 500,000 jobs.

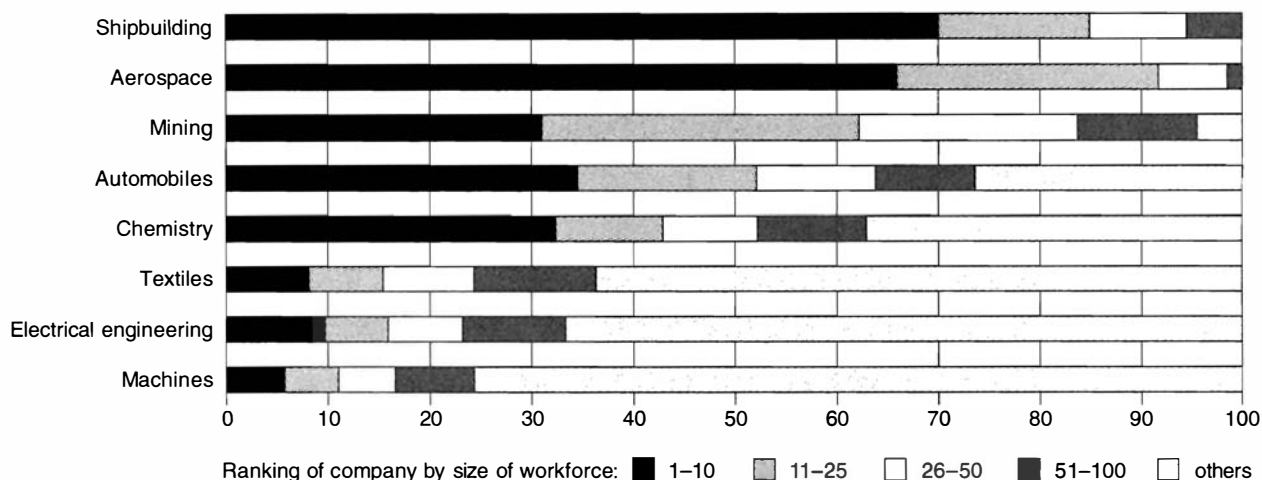
Daimler-Benz alone cooperates with about 28,000 small and medium-sized suppliers and service companies. Obviously, the productivity, high quality, and flexibility of these companies decides, whether a big automobile producer is successful or not.

Unlike automobile production, the machine-building sector is almost completely dominated by *Mittelstand* companies. The “top ten” western German machine producers share

FIGURE 1

Share of top companies in employment of sector, West Germany, 1990

(percent)



As the chart shows, the shipbuilding industry, for example, is dominated by the largest firms (70% of total employment in the sector), whereas in machine-building, 75% of employment comes from the smaller firms.

Sources: Federal Statistical Office, EIR.

less than 6% of the overall employment in machine production. Yet these 6,000 companies, employing 1 million people, in many areas dominate the world market (see Table 1). About 30% of internationally traded machine tools are produced by German companies, most of them having between 200 and 500 employees.

Hidden champions

There is a certain group of German *Mittelstand* companies that needs closer attention, because it is in some respects the heart of the German economy. Last year, there appeared a study by Hermann Simon, identifying 500 so-called “hidden champions.” These are all *Mittelstand* firms; most of them not well known, even to the German public. However, they all are leaders of the world market in their special production areas. It is estimated that these 500 “hidden champions” are only the tip of the iceberg of such companies in the German *Mittelstand*.

The typical “hidden champion” has 700 employees, an annual turnover of DM 200 million, and exports more than 50% of its production. Another 20% of such production is of spare parts for the export products of other German companies. So, taking this into account, the export share is 70%.

Some other interesting characteristics of the “hidden champions” are that, in general, they are by far not the cheapest producers in the world. Instead, they dominate world production due the quality and reliability of their products. Contrary to other parts of the German private sector, the “hidden champions” are not “outsourcing” their jobs to countries where cheap labor prevails. They are internationally success-

TABLE 1

World market share of German machinery, 1982

Drier facilities, surface coating and processing	48%
Steel mill and foundry equipment	47%
Woodworking machinery	39%
Printing presses and equipment	39%
Paper finishing and processing machinery	38%
Machines for the rubber and plastics industry	36%
Food processing and packaging machinery and equipment	34%
Gearboxes	34%
Building materials fabrication equipment	34%
Precision tools	34%
Mining equipment	32%
Machine tools	31%
Textile machinery	30%
Roller bearings	28%
Conveyor and materials handling technology	21%
Paper production machines	20%

ful by paying wages to their German employees that are well above prevailing German standards.

More than three-quarters of the “hidden champions” are owned by one person and his family. The median age of the owner is 67 years, an age at which many board members of big industries or banks, such as Hilmar Kopper of Deutsche Bank, have long ago finished their careers. About 40% of

TABLE 2

'Hidden champions' of German industry

(world market share is given in percentages, where available)

a) Machine production sector

Automatik App-Maschinenbau—underwater pelletizing equipment, 70%
Baader—fish-processing machines, 90%
Barmag—machines for synthetic fiber production, 3,700 employees
G.W. Barth—coffee- and cacao-roasting machines, 70%
Brueckner—biaxial foil-stretching machines, 280 employees
Claas—reaper machines
Deutz Motor Industriemotoren—air-cooled diesel engines, 80%
Duerr—varnishing plants, 3,000 employees, 20%
Ex-Cell-O—specialized milling and grinding machines for shaping parts, 1,300 employees, 70%
Grenzebach—cutting, storing, and transporting equipment for plate glass production, 450 employees, 50%
Hauni—cigarette production, 90%, and complete tobacco-processing plants, 100%
Heidelberger Druckmaschinen—offset printing machines
Kaercher—high-pressure cleaning systems, 35%
Karl Mayer—sorting machines
Koenig & Bauer—money-printing machines, 2,000 employees, 90%
Krones—bottle-labelling machines, 7,600 employees, 80%
LOBO Electronic—computer-controlled laser systems
Lurgi—specialty chemical plants
Nietzsch—machines for the ceramics industry, 2,800 employees
Prominent—dosage pumps, 800 employees
Putzmeister—concrete pumps
Rofin-Sinar—industrial lasers, 460 employees, 21%
Schaudt—specialized grinding machines
SEW Eurodrive—transmission engines
SMS Schloemann-Siemag—rolling mills, 2,500 employees, 30%
Stihl—power saws, 30%
Trumpf—cutting machines for sheet metal and industrial lasers
Uhde—specialized chemical plants
Weinig—profile milling machines, 50%
E.C.H. Will—textbook printing equipment, 50%
Wirtgen—asphalt milling machines for road maintenance and asphalt recycling machines
Peter Wolters Werkzeugmaschinen GmbH—machines for precision surface finishing and processing

b) Other sectors

Brita—water filters, 85%
Drägerwerk AG—respiratory equipment, medical and space travel
Gerriets—stage curtains, 100%
Heidenhain—electronic measuring instruments, 40%
Hensoldt & Söhne—binoculars, 1,000 employees, 50%
Matth. Hohner—harmonicas and accordions, 1,000 employees, 85%
Kiekert—automobile locking systems, 2,700 employees
Leybold—vacuum pumps and equipment, 30%
Maerklin—model (toy) trains, 1,700 employees, 55%
Louis Renner—high precision piano mechanisms
Scheuerle—heavy transports above 10,000 tons
Schott—ceramic hot plates (Ceram)
Schwank—gas infra-red radiators, 30%
Steiner Optik—military binoculars, 80%
Suspa—shock absorbers for washing machines, 40%
Webasto—automobile air-conditioning, 50%

the "hidden champion" companies are already more than 50 years, and 25% are more than 100 years old, and therefore have survived many political and economic shocks. In most cases, the owner has a technical or engineering education. Often, he himself, or one of his predecessors, has invented crucial improvements in the company's production process. Often, they invented products that previously did not exist, and for which there was therefore no existing market. In some cases, in particular in the machine production sector, three-quarters of all the products of the company have been in production for less than five years. Unlike the big aerospace or automobile companies, the "hidden champions" have, in most cases, no separate research and development department, but all the inventions of the company are made by one exceptional person.

The 500 identified "hidden champions" alone have an export turnover of DM 50 billion—that is, about 12% of all German exports, and employ 200,000 highly skilled workers. Not surprisingly, the largest group among the "hidden champions" is machine production (see **Table 2**), with a share of 37%, followed by electrical engineering (11.8%), and metal processing (10.1%), then chemistry, printing, food production, and textiles.

All the German economic successes of the postwar period were built upon this structure of *Mittelstand* companies.

DO YOU KNOW

- that the American Revolution was fought *against* British "free trade" economics?
- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?

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LaRouche's role soars: History has changed in 1996

by Susan Welsh

A Polish guest, attending the Dec. 14-15, 1996 conference of the Schiller Institute and International Caucus of Labor Committees in Kiedrich, Germany, remarked that, while the world situation has gotten much worse during the past year, yet the spirit of optimism pervading the conference was greater than at any previous such gathering. This paradox reflects the way world history was made by Lyndon H. LaRouche, Jr. and the international movement associated with him, even as we edge closer to the abyss of financial-economic collapse and a cultural Dark Age. In the battle against those oligarchical forces who are driving the world toward that collapse—the British-run “Entente Bestiale” and its local satraps—important victories were achieved in 1996.

In his keynote speech to the conference, published in this issue, LaRouche emphasized the need for an *ecumenical* approach, a commitment of all nations and peoples to transform the planet with economic development, and to begin the colonization of nearby space. The world's people are of many religious and cultural backgrounds; so, we must emphasize that which we have in common, as human beings made in the image of God—not that which divides us.

The outreach of such an ecumenical policy can be seen in an extraordinary array of activities worldwide, as we chronicle in the *Feature* report that follows.

In the *United States*, LaRouche's campaign for the Democratic Party Presidential nomination resulted in a grand total of 588,937 votes, or 6.4% of the votes cast in the primaries that LaRouche entered. This strong showing—despite an almost total media blackout—reflected the emergence of a political mass strike movement, particularly on the part of labor, senior citizens, and African-Americans—groups that are hardest hit by the murderous budget cuts of the Conservative Revolutionists. The LaRouche campaign insisted that budget cuts in vital services, such as health care, are crimes against humanity, punishable under the Nuremberg Code established in the post-war Nuremberg military tribunals. Under LaRouche's leadership, a coalition came together to demand the impeachment of Pennsylvania Gov. Tom Ridge,



Dr. Jozef Miklosko, Helga Zepp LaRouche, and Lyndon LaRouche (front, left to right) in Slovakia, with youth from orphanages and children's shelters, during a visit by the LaRouches on July 31-Aug. 3, 1996. Dr. Miklosko, the former vice-premier of Czechoslovakia, is chairman of the Slovak Friedrich Schiller Foundation for the Protection of Life, Culture, Education, and Human Rights.

and to defeat the Congressional election bids of such criminals as Gov. William Weld of Massachusetts. After the elections, the coalition is continuing, through the vehicle of the FDR-PAC's forums on the key policy issues. It is also campaigning against "drug super-kingpin George Bush," and his corrupt friends in the parallel government apparatus he directs.

Most significant in 1996, was the substantial progress made toward implementing the *Eurasian land-bridge* program, and the growing positive role that China is playing in that process. The Schiller Institute, and its founder, Helga Zepp LaRouche, have been instrumental in bringing that conception to fruition, including through their participation in international symposia in Beijing, Islamabad, and other locations. Beginning with LaRouche's 1983 call for a 50-year development program for the Indian-Pacific Oceans' basin, and continuing with his 1989 elaboration of the "Productive Triangle" policy for Europe, LaRouche has emphasized the importance of a Eurasian development perspective.

Vital to the success of the Eurasian land-bridge, and to the peace and stability of the world, is the situation in *Russia*. LaRouche devoted intensive efforts during 1996 to building support in that country for an economic program based on infrastructure development, and utilizing the best heritage of the Soviet period: the skilled scientific and technological workforce. LaRouche's interventions included a trip to Moscow in April, and a major theoretical piece, published in *EIR* on Nov. 29, titled "Russia's Relation to Universal History." Unfortunately, under the jackboot of the International Mone-

tary Fund's austerity regime, the situation in Russia has continued to deteriorate. Yet LaRouche's ideas are widely known among the intelligentsia, and several of his works on physical economy are circulating in Russian translation.

In *Europe*, the insane commitment of governments to the Maastricht austerity program has created an explosive political situation, in which there is growing openness to LaRouche's ideas. In western Europe, this can be seen most clearly in Italy, which Lyndon and Helga LaRouche visited in December. In eastern Europe, Helga LaRouche organized the Committee to Save the Children of Bosnia-Herzegovina, demanding a Marshall Plan for development of that country, and repudiating the British assault on Bosnian national sovereignty. The LaRouches engaged in a dialogue with activists from several countries of eastern Europe, where the impact of IMF shock therapy has been devastating.

In *Ibero-America*, lawmakers and other political figures are mobilizing to support the "LaRouche Plan"—draft legislation for a bankruptcy reorganization of the economy, and for relaunching industry, agriculture, and infrastructure.

In *Africa*, the LaRouches have played a unique role, exposing the genocidal actions of the Entente Cordiale to destroy nation-states, notably Zaire, Sudan, Nigeria, and the Republic of South Africa. There is no reason why Africa, rich in natural and human resources, should be poor and backward. With investment in infrastructure, food production, and education, in the context of a new world economic order, Africa's problems can be rapidly overcome.

LaRouches campaign for new policy agenda

Dec. 2, 1995: Lyndon LaRouche keynotes a conference of the International Caucus of Labor Committees (ICLC) and the Schiller Institute in Eltville, Germany. He warns that a 500-year period of history is coming to an end. Helga Zepp LaRouche warns that if the Maastricht Treaty is continued, Europe will degenerate into conditions existing before the creation of the nation-state (see *EIR*, Jan. 1).

Dec. 4, 1995: LaRouche holds all-day seminar in Eltville, Germany with representatives of the intelligentsia of Russia and eastern Europe. *EIR* published the partial transcript in its Jan. 26 issue.

Jan. 15, 1996: Democratic Presidential candidate Lyndon LaRouche addresses 250 supporters at a Martin Luther King Day event in Arlington, Virginia (see *EIR*, Feb. 2, "Unbalanced Minds Cannot Balance the U.S. Budget").

Jan. 27: LaRouche airs a half-hour national television campaign broadcast on ABC-TV on Jan. 27 (excerpts from his Jan. 15 King Day speech).

Feb. 4: LaRouche comments on Ethan B. Kapstein's piece, "Shockproof: The End of the Financial Crisis," in the January/February issue of the New York Council on Foreign Relations' *Foreign Affairs* (see *EIR*, Feb. 16). It "will go down in the history of the arcane, as the celebrated 'Kapstein Hoax of 1996,'" LaRouche said.

Feb. 6-9: LaRouche tours New England, with Presidential campaign appearances in Concord and Manchester, New Hampshire; Portland, Maine; Providence, Rhode Island; and in Roxbury, in Boston, Massachusetts (see *EIR*, Feb. 23, "LaRouche Campaigns in New Hampshire for U.S. National Economic Security," for the text of his speech in Manchester on Feb. 6; and *New Federalist*, Feb. 26, for the text of his speech in Roxbury).

Feb. 11: LaRouche writes "Subject: Reckless Disregard for Truth," a letter to Australian Member of Parliament Clyde Holding. LaRouche situates the slanders against himself as a fresh outbreak of the Roosevelt-Churchill conflict.

Feb. 12-14: LaRouche tours New England, including campaign appearances in Burlington and Montpelier, Vermont; Boston, Massachusetts; and Nashua, New Hampshire.

Feb. 15: LaRouche campaigns in Wilmington, Delaware (see *New Federalist*, March 4, for the text of his speech).

Feb. 17: LaRouche delivers the keynote address to the Presidents' Day conference of the ICLC and the Schiller Institute in Reston, Virginia (see *EIR*, March 1, "Overturn the

Axioms that Are Leading Us to Catastrophe"). "If you passed Economics 101, you are probably a member of an endangered species," he warned.

Helga LaRouche addresses the Presidents' Day conference on the theme of "Pre-Christian Cults versus the Principle of the Renaissance."

Feb. 23: LaRouche discusses the crucial economic importance of space exploration and colonization, in "Space: the Ultimate Money Frontier," *EIR*, Feb. 23.

Feb. 24-28: LaRouche tours Texas, including stops in New Boston, Dallas, and Houston. He tells the Montgomery County Chamber of Commerce on Feb. 28 that the Republicans did not really win the 1994 Congressional elections, but elements in the Democratic Party threw the election, and are preparing to throw it again in 1996.

March 2: LaRouche airs his second national half-hour television campaign broadcast on NBC-TV, on national economic security. LaRouche condemns Gingrich, Pennsylvania Gov. Thomas Ridge, and the Conservative Revolution crowd for "crimes against humanity," whose budget cuts will kill people in the same way for which we tried Nazi leaders at Nuremberg. His "job," LaRouche told "EIR Talks" radio program on March 6, is to prepare the President to respond effectively to an imminent disintegration of the global financial system.

March 6-7: LaRouche tours Louisiana, including an interview with KTLD radio in Alexandria, and addresses the Monroe Downtown Rotary Club (see *EIR*, March 22, p. 62; *New Federalist*, March 18).

March 9-10: LaRouche takes his campaign to Illinois (see *New Federalist*, March 31, for the text of his speech at the Wheeling Town Hall).

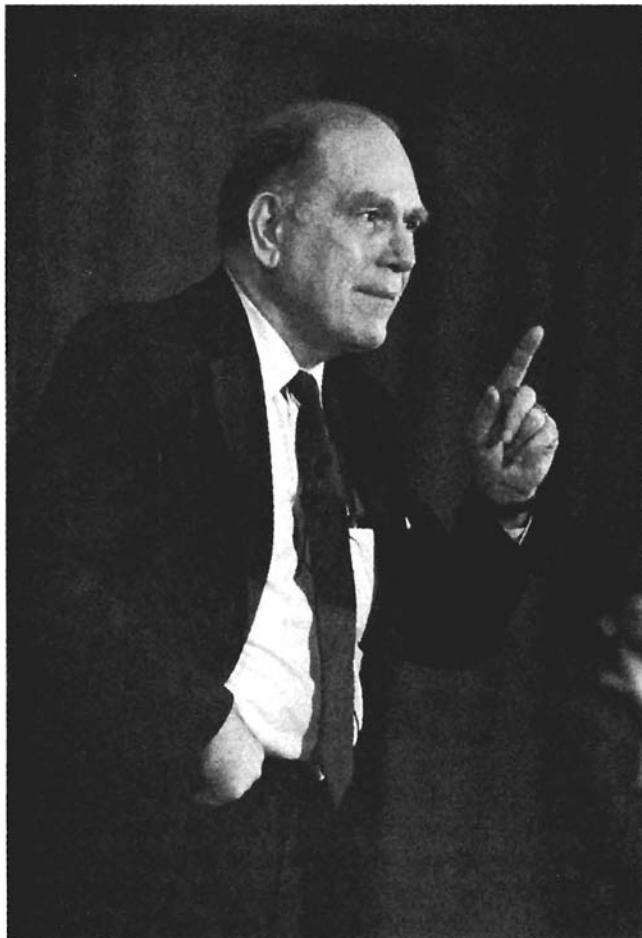
March 16-19: On a campaign tour of the West Coast, LaRouche speaks to a Los Angeles audience on the essence of foreign policy (see *EIR*, April 5, "Foreign Policy to Defeat the British Empire"). On March 17, He speaks to 600 Korean-American parishioners at the Los Angeles First Presbyterian Church, and to members of the Korean-American business community at an event hosted by the Koreatown LaRouche Committee.

March 27: LaRouche is interviewed by Reuters News Service, but, despite LaRouche garnering approximately as many votes as the much-covered Steve Forbes in the California primary, the interview is blacked out, continuing a near-total media blackout (see *EIR*, April 19, p. 66 for excerpts of the interview).

March 29: LaRouche writes "Accepting the UN as the World Government Is Unconstitutional" (*EIR*, March 29), in support of Army Specialist Michael New's questioning orders to don the insignia of a foreign power.

March 29: LaRouche speaks to 200 campaign supporters in Norfolk, Virginia (see *New Federalist*, April 29, for text of his speech).

March 30: LaRouche speaks at a candidates' forum in



Lyndon LaRouche addresses an EIR forum, May 16, 1996, reporting on his April trip to Russia.

Elizabeth City, North Carolina.

April 14: LaRouche issues a statement condemning the State Department for deploring the suggestion that Middle East terrorism could be attributed to Britain (see *EIR*, April 26, p. 46).

April 18: LaRouche airs his third national television campaign broadcast on CBS-TV. It was on "U.S. foreign policy as it *should* have been presented. But you never heard it this way before," he said. The broadcast entailed excerpts of his March 16 speech in Los Angeles.

April 20: LaRouche delivers a speech, entitled "U.S. Interests Are the Natural Ally of the Cause of Sudan," to a Schiller Institute-sponsored conference, "Stop Dirty British Imperialist Operation Against Sudan," in Washington, D.C.

April 24: LaRouche, in Moscow, participates in a round table discussion sponsored by the Institute for Socio-Political Research (ISPI) of the Russian Academy of Sciences, the Free Economic Society of Russia, and the Schiller Institute for Science and Culture. The event is chaired by Leonid Abalkin, head of the Institute of Economics of the Russian Academy

of Science. For a transcript of the proceedings, see *EIR*, May 31. Coverage of the round table also appears in the May 21 *Finansovyye Izvestia*, an economics supplement to *Izvestia* co-published by the *Financial Times* of London. Among other activities, LaRouche meets with members and friends of the Schiller Institute in Russia, at the Methodological University in Moscow on April 26 (see *New Federalist*, May 6).

May 6: LaRouche speaks to a forum of 200 community activists in Washington, D.C. on the theme, "Who Will Stop the Racist ADL from Destroying Washington, D.C.?" explaining why the Anti-Defamation League, a right-wing racist hate-group, is trying to destroy influential black leaders (see *New Federalist*, May 27, for text of his remarks).

May 7-9: Helga LaRouche visits China, and delivers a speech to the International Symposium on Economic Development of the Regions along the New Euro-Asia Continental Bridge, in Beijing, organized by the State Science and Technology Commission, the State Planning Commission, and the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China (see *EIR*, June 14).

May 10-11: LaRouche tours Alabama, and speaks to the New South Coalition's Membership Banquet and Endorsement Convention, in Mobile. (see *New Federalist*, May 20). The convention gives LaRouche "honorable mention," in his Presidential campaign.

May 12: LaRouche calls for Democratic National Committee Chairman Donald Fowler to resign, for engaging in a personal vendetta against LaRouche and sabotaging Democratic Party chances in the November elections.

May 16: LaRouche, at a seminar in Washington, D.C., reports back to Americans on the results of his Moscow visit (see *EIR*, June 7, "How 'Consensual Pragmatism' Ruined U.S. Policymaking").

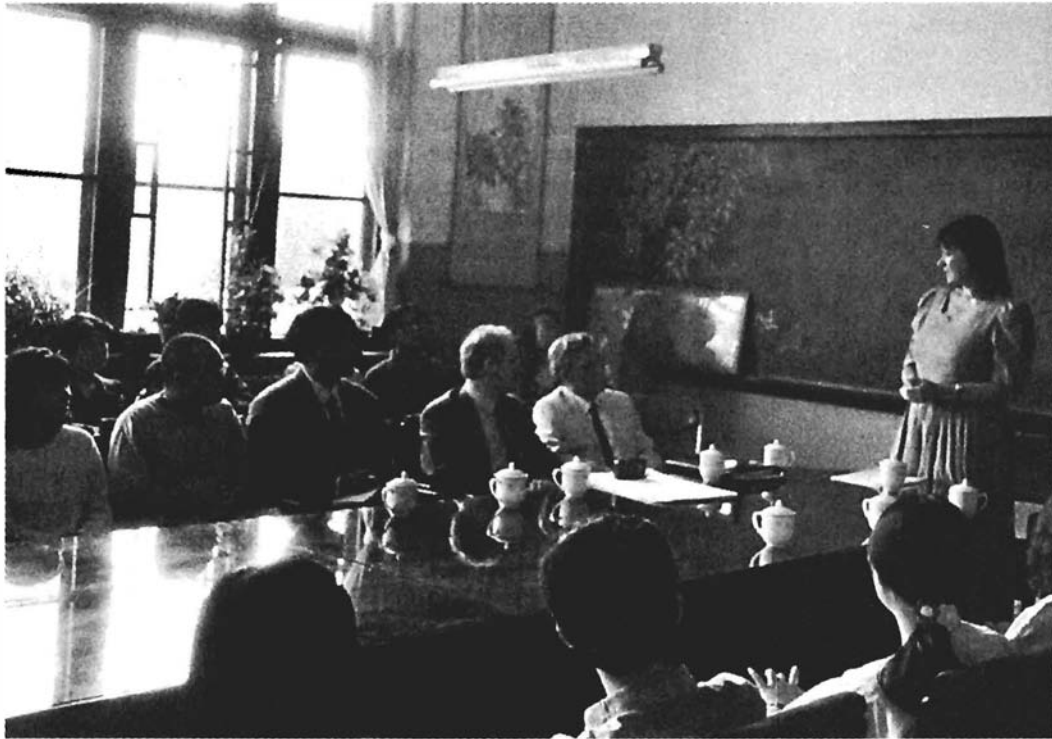
May 16: LaRouche issues a call for the impeachment of Pennsylvania Gov. Tom Ridge, on the day that Ridge signs a bill into law which eliminates state medical assistance to approximately 220,000 poor and disabled Pennsylvanians.

May 17-20: LaRouche tours Alabama, speaking to the Alabama Democratic Conference endorsement convention on May 17 and 18 (see *New Federalist*, May 27), and visiting Birmingham.

May 21: Paper by Helga LaRouche on "Education and National Security: The Moral-Philosophical Foundations of National Economy," is included in the proceedings of a hearing on "Education and National Security," held in Moscow by the Education Commission of the Russian Federation's parliament (Duma). Her speech appears in *EIR*, July 5.

May 21: LaRouche's state campaign staff in Pennsylvania issues a draft resolution to impeach Gov. Tom Ridge for signing into law S.B. 1441, a so-called welfare reform bill which eliminates medical assistance for 220,000 poor, disabled, and needy.

May 29 and June 9: "Music and Scientific Creativity," LaRouche's speech to conferences in Milan and Rome where



Helga Zepp LaRouche in Beijing, May 1996, speaking to a university audience.

Canto e dispason, the Italian edition of the Schiller Institute's *A Manual on the Rudiments of Tuning and Registration, Book I*, is released, is read by music historian Liliana Celani (see *EIR*, Aug. 16).

May 31: *EIR* publishes "More Nobel Lies," a book review by LaRouche of *Pragmatic Gradualism: Reform Strategy for Russia* (Moscow: Economic Transition Group, August 1995).

June 2: LaRouche airs his fourth national television campaign broadcast on Fox-TV. It is comprised of excerpts of his May 16 report-back on his trip to Moscow.

June 6: LaRouche outlines his policy toward Australia, in an interview with "EIR Talks." "Go back to [former Prime Minister] Curtin, [Gen. Douglas] MacArthur, and [President Franklin] Roosevelt. Let's have American-Australian cooperation, of that type, again, in the new context. Let's rebuild Australia," he said.

June 14: *EIR* publishes "Israel's Patriots vs. Harvard's Racists," an assessment by LaRouche of Daniel Goldhagen's book *Hitler's Willing Executioners: Ordinary Germans and the Holocaust*. As a result of the evil done by the assets of Britain's Tavistock Institute, says LaRouche, world Jewry has been divided between those who defend Jewry in terms of the achievements of "2,000 years of survival," and those poor wretches who define Jewry as virtually a mere predicate of a dozen monstrous years of Nazi persecution.

June 26: LaRouche comments that the Group of Seven summit in Lyons, France is "a desperation effort" to hold the international financial system together.

June 28: *EIR* publishes "Now, Rid NATO of the Entente Cordiale," in which LaRouche proposes that the United States replace its postwar, pro-British NATO arrangements with a new strategic alliance with Russia and China.

July 3: LaRouche holds a press conference in Harrisburg, Pennsylvania, building the campaign for the impeachment of Gov. Tom Ridge. LaRouche defines Ridge as the "lead duck," in the campaign to destroy the "Contract on Americans."

July 4: LaRouche delivers a campaign address to the Declaration of Independence Co-Signers Convention in Philadelphia (see *EIR*, July 19, "Stop Fascism in America, Impeach Pennsylvania's Gov. Tom Ridge!").

July 17: LaRouche tells a seminar in Washington, D.C. that the wild swings in the stock markets are a symptom of the underlying instability of the world banking system (see *EIR*, July 26, p. 4).

July 17: Helga LaRouche tells the Washington seminar that there is a choice between the globalist approach ratified by the Group of Seven at Lyons, or the strategic alliance among Russia, China, and the United States outlined by Lyndon LaRouche (see *EIR*, Aug. 2, "Our Choice: World Reconstruction, or World Dictatorship").

July 19: *EIR* publishes "SDI: the Technical Side of 'Grand Strategy,'" in which LaRouche analyzes the crucial strategic issues surrounding the 1982-83 debate on what became known as the Strategic Defense Initiative.

July 31: LaRouche releases a campaign white paper, "International Terrorism Targets President Clinton's U.S.A.," detailing London's role as the command center of a global

terror campaign, aimed at President Clinton and some of America's allies around the world (see *EIR*, Aug. 9, p. 42).

July 31-Aug. 3: Lyndon and Helga LaRouche visit Slovakia on the invitation of the Slovak Friedrich Schiller Foundation, for what LaRouche describes as "wall-to-wall meetings." Among the massive press coverage accorded LaRouche, the trade union newspaper *Praca* headlined its article, "American Sakharov Visits Slovakia" (see *EIR*, Aug. 16, p. 34). Among his presentations, LaRouche delivered "Present Problems in the Financial World and Their Importance for Countries under Transformation," at a public event on Aug. 1; and "On Religion and Science in Today's World," in the hall of the House of the Democratic Parties, on Aug. 2.

Aug. 9: *EIR* publishes LaRouche's essay, "Phil Gramm: Not the Only Quackademic." Although a small minority among today's economists is composed of both literate and insightful professionals, virtually everything taught as *principles of economics*, is an illiterate hoax, says LaRouche.

Aug. 16: LaRouche releases "U.S. Law: Neither Truth nor Justice," in which he demonstrates that the principles of natural law on which the founders of the United States based the constitutional republic, have been swept into the rubbish heap (see *EIR*, Aug. 23).

Aug. 16: LaRouche releases "Today's Echoes of Civil Wars in Ancient Rome" (see *EIR*, Aug. 30). "Most of today's terrorism occurs as covert warfare among leading powers of the world," he writes, "like the U.S.-backed, British covert war against the Soviet Union in Afghanistan, conducted by privately funded channels of an Afghansi mujahideen, and based out of the drug-trafficking paradise in northern Pakistan."

Aug. 23: *EIR* publishes LaRouche's article, "The Scientific Basis for Life on Mars." He writes that behind the new discoveries, "is a matter which pervades all my scientific work."

Aug. 24: LaRouche airs a half-hour campaign broadcast on WWOR-TV, a cable network, entitled "Impeach Governor Tom Ridge, for Nazi-Style Crimes Against Humanity."

Aug. 30: *EIR* publishes LaRouche's "Leibniz and the List Hypothesis," a "postlude" to a forthcoming book on the German-American economist Friedrich List.

Aug. 30: *EIR* publishes LaRouche's "The Pathology of 'Cultural Determinism.'"

Aug. 31: LaRouche delivers the keynote address to the Labor Day conference of the Schiller Institute and the ICLC in Reston, Virginia (see *EIR*, Oct. 11, "How the Future Shapes the Past and Present"). He launches a campaign to expose George Bush as the "drug-trafficking kingpin of the 1980s," and to form a "third force" in American politics to defeat the Conservative Revolution in the Nov. 5 elections. (See Oct. 11, on time-reversal, for the philosophical core of his speech.)

Sept. 5-9: LaRouche tours Texas and Louisiana, and calls for a national mobilization to break the power of "knuckle-dragger" George Bush. Among his campaign stops, LaRouche addresses the annual meeting of the Texas Conference of

TABLE 1

LaRouche election results in 1996 Democratic primaries

State	Percent of vote	Total # of votes for LaRouche	Total votes cast in Democratic primary	Date of primary
Alabama	4.0%	11,173	280,173	June 4
Arkansas	6.6%	20,669	315,503	May 21
California	7.0%	162,656	2,339,843	March 26
Colorado	11.2%	5,978	53,523	March 5
District of Columbia	1.5%	391	26,079	May 7
Delaware	9.6%	1,038	10,813	Feb. 24
Illinois	1.8%	14,300	779,907	March 19
Kentucky	7.3%	20,013	272,899	May 28
Louisiana	11.7%	18,150	152,703	March 12
Maine	2.7%	715	25,815	March 5
Maryland	4.4%	12,710	288,864	March 5
Massachusetts	3.4%	5,212	126,971	March 5
Mississippi	7.6%	7,007	92,197	March 12
Nebraska	11.2%	10,255	91,627	May 14
New Hampshire	0.5%	363	80,667	Feb. 20
New Jersey	5.2%	12,794	246,048	June 4
North Carolina	7.2%	40,936	572,160	May 7
North Dakota	34.5%	547	1,586	Feb. 27
Ohio	8.3%	63,677	771,842	March 19
Oklahoma	12.7%	46,392	366,735	March 12
Pennsylvania	8.2%	58,761	718,372	April 23
Rhode Island	4.8%	392	7,938	March 5
Texas	3.1%	28,258	911,548	March 12
Vermont	2.3%	699	30,929	March 5
Washington*	1.4%	4,611	324,615	May 7
West Virginia	13.8%	41,240	298,218	May 14
Totals	6.4%	588,937	9,187,577	

*For State of Washington, totals are sum of Democratic plus Nonaffiliated primary ballots cast for Democratic candidates.

Black Mayors on Sept. 6, and the annual Constitutional Banquet of the Monroe, Louisiana chapter of the Sons of the American Revolution on Sept. 9 (see *EIR*, Sept. 20, p. 50).

Sept. 9: "George Bush is *the* issue . . . of the Presidential and Congressional campaigns," LaRouche tells "EIR Talks," in the wake of new revelations that Bush was the crack cocaine super-kingpin in the 1980s.

Oct. 11: *EIR* publishes LaRouche's paper "The Essential Role of 'Time-Reversal' in Mathematical Economics." "How might one represent, mathematically, a function in which an event in the future might serve as the apparent cause for an event in the present?" he asks. In Classical musical composition, for example, "You perform the composition with an understanding of the idea which you are generating, which will be clear only in the end."

Oct. 11-12: In a televised presentation taped on Oct. 2, LaRouche addresses events throughout Ibero-America, held as part of the "First Continental Mobilization: There Is Life After the Death of the IMF." The authority of the economic institutions, such as the International Monetary Fund, which

have imposed the policies that have destroyed nations over the past 30 years, is crashing, LaRouche said. "The time for justice has come."

Oct. 25: *EIR* publishes "While Monetarism Dies," LaRouche's preface to the Chinese translation of his economic text, *So, You Wish to Learn All About Economics?*

Nov. 1: *EIR* publishes LaRouche's essay, "How Deregulation Shot Down the U.S. Airlines."

Nov. 1: LaRouche releases "On November 6, Reality Strikes!" (see *EIR*, Nov. 8). As the nation and the world confront an onrushing global financial crisis in the post-election period, the FDR-PAC is poised to intervene with an agenda for urgently needed policy changes.

Nov. 6: LaRouche writes "On the Subject of Evolution: The Descent to Bush from Man," in which he takes up the issues raised by Pope John Paul II's address on evolution, from the standpoint of his own expert knowledge as a physical economist (see *EIR*, Nov. 15). "Virtually all extant academic theories of evolution, including those which contain some useful elements of research, are essentially ideological fabrications," he writes.

Nov. 6: LaRouche writes "The Murderous Issue of Food Policy" (see *EIR*, Nov. 15). "The issue of the right to food has become the choice of contest which will determine whether this imperilled civilization of our planet survives the closing years of this century," he says.

Nov. 7: LaRouche writes "Winning Your 'Uncivil Rights': How to Win Your Election" (see *EIR*, Nov. 15). The folly of the "civility" policy, the failure by some Democrats to call Nazi policies by name, led to electoral defeats, he says.

Nov. 9: LaRouche addresses an FDR-PAC forum in Washington, D.C., on the theme "Managed Health Care Is a Crime Against Humanity." Let's call a bottle of milk, a bottle of milk, and Nazi policies, Nazi policies, LaRouche insists.

Nov. 12: LaRouche releases "Ring Around China: Britain Seeks War" (see *EIR*, Nov. 22). He warns, "Unless the U.S. government acts to warn the British openly, that the U.S.A. will not tolerate the presently ongoing, geopolitical ringing of China, the U.S.A. will be at risk of losing all significant ability to deploy an effective foreign policy in defense of vital U.S. global interests."

Nov. 14: LaRouche writes "Russia's Relation to Universal History" (see *EIR*, Nov. 29). His discussions with Russians in recent years, LaRouche says, "have centered around the problems generated by the fact, that, for well-known historical reasons, few of even today's ostensibly well-educated Russians, know the most crucial facts respecting the last three centuries of history of their nation's relationship to Venice, the British Empire, western continental Europe, and the United States."

Nov. 19: LaRouche addresses an *EIR*-sponsored forum in Washington, D.C. (see *EIR*, Dec. 13, "The Vital Issues of Statecraft Facing America in 1997"). "We are in a period where small forces' flanking situations will have to rout the

opposition," he says. "What is required is a Gideon's Army. If you wait for a majority, you're going to lose. If you wait for consensus, you will lose the world."

Nov. 26: LaRouche writes "Housing People in a 'Post-Industrial' U.S.A." (see *EIR*, Dec. 13), in which he examines U.S. housing policy from the standpoint of physical economy.

LaRouche must be exonerated in 1997

Despite a growing outcry from current and former elected officials, civil rights activists, religious leaders, and prominent individuals throughout the world, the U.S. government has still taken no action to exonerate Lyndon LaRouche and his associates, who were fraudulently convicted in a political frame-up, run by former U.S. President, drug kingpin, Moon-cult fellow-traveler, and knight of the British Empire, Sir George Bush. Furthermore, five associates of LaRouche—Anita Gallagher, Paul Gallagher, Donald Phau, Laurence Hecht, and Michael Billington—are still serving long sentences in Virginia state prisons, as part of the same political prosecution.

As the world heads toward the greatest financial and economic crisis in 500 years, the exoneration of LaRouche becomes an urgent matter for U.S. national security. Without LaRouche's direct leadership, the ability of the U.S. government to implement the necessary emergency economic measures, is doubtful. Stonewalling on LaRouche's exoneration not only condones the gross injustice done to LaRouche and his associates, but it leaves in place the nexus of corrupt U.S. Justice Department officials, the media, and the Anti-Defamation League (ADL), which remains a lethal cancer on America's political and legal system.

The "LaRouche" case was launched under U.S. Executive Order 12333, at the initiative of Sir George Bush's fellow knight, former U.S. Secretary of State Sir Henry Kissinger. Under National Security Decision Directive 3 (NSDD-3), Vice President Bush held ultimate responsibility for the foreign national-security operations through which the legal prosecutions against LaRouche were conducted.

Since being released on parole in January 1994, after serving five years in a federal prison, there has been a growing international movement calling for LaRouche's exoneration. Twelve and a half million pamphlets, titled "Summary of Relevant Evidence On the Record Demonstrating the Innocence of Lyndon LaRouche and Co-

Nov. 30-Dec. 5: Lyndon and Helga LaRouche make a week-long visit to Italy (see *EIR*, Dec. 13, pp. 8 and 49). On Nov. 30, they were hosted by Busseto, Giuseppe Verdi's hometown, at an event designed to build the movement to return to the "Verdi tuning," and revive Classical principles in musical composition. On Dec. 2, at the Circolo della Stampa

(similar to the National Press Club in Washington), LaRouche spoke at a conference co-sponsored by the Italian Solidarity Movement and the CDU party. He called on the audience to turn to the existing sources of Classical culture, to gather the moral and intellectual energies to face the current global financial collapse.

Defendants," have been distributed, and close to 750 current or former state legislators have signed an open letter to President Clinton and Congress calling for all measures to be taken to exonerate LaRouche. In 1995, the National Caucus of Black State Legislators passed a resolution asking Congress to investigate Justice Department abuses in the LaRouche cases.

Republicans in Congress contributed to the cover-up, by refusing to take up the LaRouche case in hearings held in 1995, into abuses of the Justice Department at Waco and Ruby Ridge. When asked to broaden the hearings to investigate the LaRouche case, Republicans refused, despite having been presented with sufficient evidence to warrant investigation.

From the beginning, the U.S. government knew LaRouche and his associates were innocent. To obtain the fraudulent convictions, prosecutors manufactured evidence, coached witnesses to lie, withheld evidence, conducted illegal wiretaps and break-ins, instituted a fraudulent bankruptcy, and participated in a media campaign to vilify LaRouche. To this day, many Americans continue to be affected by these defamations, avoiding political association with LaRouche, in fear of offending the Anglo-American Establishment. As LaRouche noted in *EIR* (Nov. 15, 1996, p. 31), "Whenever the name of 'LaRouche' is mentioned, credulous people suffer attacks of their own bad conscience, in tolerating what has been exposed as a fraudulent, politically motivated prosecution." Nevertheless, wherever citizens, judges, or elected officials have looked at the facts of the LaRouche case, they have recognized the magnitude of the injustice.

Prosecution of LaRouche condemned

Two independent panels of legal experts and elected officials have looked into the LaRouche case, and condemned the prosecution. A videotape of a September 1995 hearing, conducted by current state legislators, a former U.S. congressman, and international legal experts, is available from the Schiller Institute.

Six volumes of evidence of government misconduct were presented to the U.S. Court of Appeals for the Fourth Circuit, and additional evidence has surfaced in subsequent proceedings. Former U.S. Attorney General Ramsey Clark, who represented LaRouche during the appeal pro-

cess, has said that the LaRouche case "represented a broader range of deliberate cunning and systematic misconduct over a longer period of time utilizing the power of the federal government than any other prosecution by the U.S. Government in my time or to my knowledge."

The real criminals in the LaRouche cases, were the prosecutors and their accomplices. Vice President Bush was at the center of the infamous Contra cocaine-smuggling ring, carried out under the auspices of the same EO 12333 and NSDD-3 as the "LaRouche" case. Massachusetts Governor William Weld, who, as U.S. Attorney and, later, head of the Department of Justice Criminal Division, prosecuted LaRouche, covered up Bush's cocaine ring. Former Marine Lt. Col. Oliver North, who coordinated Bush's Contra cocaine ring, was also involved in LaRouche's prosecution. A May 1986 telex from Gen. Richard Secord to North, shows that North's apparatus gathered information against LaRouche. When this document surfaced in LaRouche's first trial in Boston, Federal Judge Robert Keeton ordered a search of Vice President Bush's office for documents about LaRouche. The case mis-tried shortly afterward, with the jury saying that they would have voted "not guilty" on all counts. Judge Keeton would later rule that the government was guilty of misconduct.

Lower-level operatives of the "Get LaRouche" task force, such as Loudoun County, Virginia Sheriff's Lt. Donald Moore and Cult Awareness Network (CAN) "de-programmer" Galen Kelly, spent time in jail on federal kidnapping charges. Moore had been a tentmate of North in Vietnam. The ADL was investigated by the San Francisco, California District Attorney for running an illegal spy ring.

Others in the prosecution team haven't fared too well either. Former Virginia Attorney General Mary Sue Terry, Loudoun County state prosecutor William Burch, and Loudoun County Sheriff John Isom were all roundly defeated in elections, in which they campaigned on anti-LaRouche platforms. CAN has been forced into bankruptcy.

The full exoneration of LaRouche, the freeing of his associates from prison, and the jailing of Sir George Bush and company, would be a fitting way to begin 1997.

—Bruce Director

A very bad year for LaRouche's adversaries

by Jeffrey Steinberg

What do Dick Morris, Phil Gramm, Newt Gingrich, Thomas Ridge, Donald Fowler, William Weld, and George Bush all have in common? Each of these prominent American political personalities will probably look back on 1996 as one of the worst years of their lives. And, if they are willing to allow themselves a brief moment of honesty, they will probably also reflect back on an observation made a number of years ago, concerning the late New York City mob lawyer, Roy Cohn: If you're going to get into a political brawl with Lyndon LaRouche, you had better not have any skeletons in your closet.

Each of the above-mentioned figures got into a lot of political trouble during the course of 1996; and their political demises, individually and collectively, will shape the political environment in which the second Clinton administration enters office.

Whom the gods would destroy . . .

The case of political consultant Dick Morris is superficially well-known to most readers of the supermarket tabloids, but the deeper story of his sudden fall from grace is known only to a relative handful of Washington, D.C. insiders, and LaRouche-watchers and associates. The story of Morris's demise offers a more universal insight into the process, by which the other political losers of 1996 orchestrated their own decline, and is, therefore, worth reviewing in more detail.

Morris was fired as President Clinton's chief re-election strategist, at the presumed high-point of his career, in the midst of the Democratic nominating convention in late August, ostensibly because a gossip-sheet, the *Star*, published the kiss-and-tell confessions of Sherry Rowland, his \$200-an-hour hooker-mistress.

In reality, Morris's troubles began in the spring of 1996, when LaRouche began issuing public warnings that Morris was in the process of bringing down the Clinton Presidency, in league with Democratic National Committee (DNC) Chairman Donald Fowler, by conspiring to transform the chief of state into a born-again Republican. During the spring, *EIR*

published a series of exposés of Morris's political pedigree, including his intimate family ties to the late Roy Cohn, and his recent years of service to some of the President's hard-core GOP "Conservative Revolution" enemies. At the time that LaRouche launched his campaign to "dump Roy Cohn's dirty Dick" from the White House, Morris was already a hate-object of many of the President's most loyal advisers. However, until LaRouche went public with the Morris dossier, no one was willing to take the first step to send the GOP "mole" packing.

When *EIR* obtained a candid interview with Morris's father, corroborating all of the most damning charges against the million-dollar-a-year political ad-man, Morris made a fatal error: He embarked on a defensive self-promotion campaign that hastened his own political fall. Reaching deep into the Cohn apparatus of media moguls, Morris planted a string of news stories, highlighting his personal political achievements—while burying his lifetime links to the despicable Cohn.

When Morris, by now obsessed with his own political stature, orchestrated a *Time* magazine cover story about himself, the week of the Democratic nominating convention, he drew an angry response from First Lady Hillary Clinton, who, for good reason, deeply resented his behind-the-scenes Sventali-like efforts to steal the media spotlight. Hillary Clinton's break with Morris was of strategic significance. On several previous occasions, over the years, when Bill Clinton had dumped Morris from his campaign apparatus, Hillary Clinton had later interceded to bring him back. The Democratic National Convention breach was irreversible.

The public airing of the Sherry Rowland sexual gymnastics story provided the convenient pretext for Morris's sudden departure—but it was not the cause of his fall.

An economic policy shift sabotaged

Not coincidentally, Morris's crash, during the Democratic convention, occurred at the same time that Morris's ally, Fowler, was also announcing his early retirement from the chairmanship of the DNC. Fowler had enthusiastically backed Morris's efforts to drive a wedge between President Clinton and the traditional voter base of the Democratic Party: the blue collar, middle class, civil rights, and entrepreneurial voters who had been the backbone of the party since President Franklin Roosevelt. The Morris-Fowler duo had opposed efforts by some leading Congressional Democrats, including Sen. Edward Kennedy (Mass.), Sen. Jeff Bingaman (N.M.), and Rep. Richard Gephardt (Mo.), to devise an economic platform and legislative agenda that would reverse the two decades of decline in real wages for working families, and also begin the process of revitalizing America's shrinking manufacturing base and collapsing public infrastructure. All of these proposals had been spelled out in detail in Lyndon LaRouche's 1992 Democratic Party Presidential campaign



A demonstration in Philadelphia, July 24, 1996. Pennsylvania Governor Tom Ridge threw 220,000 working poor off medical assistance, and people are dying as a direct result.

platform, and had been studied by a number of party-linked think-tanks. President Clinton was favorably disposed to the Kennedy-Bingaman-Gephardt initiatives, a fact that he principally expressed through the efforts of Labor Secretary Robert Reich. But, when the President caved in to the Morris-Fowler faction of the Democratic Party, and signed the draconian “welfare reform” bill, despite his promises to “fix it” in his second administration, the FDR-JFK policy revival was undermined.

Fowler had made his own strategic blunder, when, during the 1996 primary elections, he had blocked LaRouche from fully participating in the Presidential primaries. LaRouche garnered roughly 600,000 votes in 26 states, despite Fowler’s efforts, and won several delegates to the nominating convention. When Fowler, by executive fiat, refused to seat those delegates, a number of party activists sued him, on discrimination charges.

Unfortunately, the residual influence of Fowler, Morris, et al. deprived the Democratic Party of a golden opportunity to take back control over both Houses of Congress, and this has cast a shadow over President Clinton’s otherwise impressive defeat of Bob Dole in the Nov. 5 Presidential election.

There is no question that the Republicans maintained control of the Congress, courtesy of the Fowler-Morris sabotage

of the Democratic Party’s Congressional campaign effort. Two out of every three Democratic candidates for the Senate or the House were forced to run without any backing from the DNC. Chairman Fowler funneled all of the dedicated voter registration funds through Rev. Jesse Jackson, and, predictably, the money never found its way to the “get out the vote” operations.

Moreover, the myriad of campaign finance scandals still erupting around the 1996 Democratic effort are a continuing legacy of the Fowler regime, which President Clinton and the Democratic Party will be dealing with for many months to come. The scandals, and the general stench of corruption surrounding both the Democratic and Republican party campaign operations, were a not-insignificant factor contributing to voter demoralization and the pitiful turnout on Election Day.

The paradigm of the Fowler-Morris sabotage occurred in Arizona, where LaRouche Democrat María Elena Milton won the Democratic nomination for Congress in the Fourth C.D. against Gingrich protégé and GOPAC chairman John Shadegg. Fowler clone, Arizona state Democratic Party Chairman Sam Coppersmith, launched a “Democrats for Shadegg” operation to assure Milton’s defeat at the hands of one of Gingrich’s most important—and vulnerable—al-



LaRouche Democrat María Elena Milton and her family. Milton ran a tough campaign against Rep. John Shadegg (R-Ariz.), a top Congressional backer of the Conservative Revolution. Despite sabotage by the Democratic Party leadership, she won 34%, and received strong support from labor and senior citizens.

lies (she scored an impressive 34% of the vote, despite this).

Some responsibility for the Fowler-Morris havoc must be placed upon President Clinton and those of his close policy and campaign advisers, who failed to move against the dirty duo at the very outset of the campaign period, when Fowler first moved to block LaRouche from fully participating in the party campaign and mobilization. Fowler had issued a letter to state chairs early in the primary season, declaring his intention to block LaRouche from seating any delegates at the Democratic Convention. No orders came down, from the White House or anywhere else, for Fowler to retract the letter and correct the serious political blunder. Later, in the crucial final weeks of the primary season, when LaRouche sought to air a series of TV ads in Pennsylvania, targetting the Conservative Revolution's "lead duck," Gov. Tom Ridge, the Fowler letter was used to block the ads from airing. LaRouche's campaign against Ridge, had it gotten the media airing, might very well have tilted the outcome of the entire Congressional election to the Democrats, by

demonstrating the popular support for the drive to crush the murderous austerity in Gingrich's "Contract on Americans."

Conservative Revolution badly damaged

The demise of Morris and Fowler is, despite these missed opportunities, part of the bigger U.S. political "news of the year"—the collapse of the Gingrich-Gramm "Conservative Revolution."

Going into the 1996 Presidential primaries, the newly installed Congressional Republican leadership had already badly blundered, by seeking a showdown with President Clinton over the FY 96 budget. The confrontation turned into a fiasco, when the federal government was shut down twice, and voters held the Gingrich Congressional leadership responsible. Underlying the political tactical blunders was a far more important reality: Americans were not ready to accept the fascist austerity measures that the Conservative Revolutionists were out to impose.

LaRouche had already demonstrated, in the case of Oliver North's failed 1994 U.S. Senate race in Virginia, that voters, when confronted with the evidence of what the Conservative Revolution is really all about, will reject it. LaRouche had launched an all-out effort to defeat North, despite North's \$20 million war-chest. Flustered by LaRouche associates' exposés of his ties to cocaine-trafficking Nicaraguan Contras, North—like Morris—destroyed himself. On the eve of the 1994 elections, he had openly come out in favor of privatizing Social Security, a euphemism for looting the retirement fund on behalf of Wall Street's biggest speculators.

Sen. Phil Gramm was the "Oliver North" of the 1996 GOP Presidential primaries. LaRouche set his sights on Gramm early in the primary campaign period, publishing a string of devastating exposés of the Nazi-like policies of the GOP "Contract on Americans," and going on national prime-time television with the same message. Gramm's heavily financed, and George Bush-backed Presidential campaign never got off the ground.

By the beginning of 1996, Gingrich had already been politely relegated to the back bench by fellow Republicans, anxious to get rid of the Gingrich stigma, in time for the November 1996 Congressional elections. But for the willful sabotage of Fowler and Morris inside the Democratic Party, and President Clinton's own hesitation to break decisively with Morris's "triangulation" strategy of self-isolation from the rest of the Democratic Party, the Conservative Revolution would have been crushed, and a Democratic majority returned to the Congress in 1996.

Indeed, the 1996 survival formula for many first-term Republican congressmen, was to break with the Speaker on such issues as his opposition to the increase in the minimum wage, and, thereby, hang onto their seats, often by the narrowest of margins.

The Ridge paradigm

Another vital flank in the war against the Conservative Revolution was opened by the LaRouche forces in spring 1996, in Pennsylvania. Gov. Tom Ridge, one of the young Republican governors in the forefront of peddling the “Contract on Americans” at the state level, introduced an austerity program that included the cutoff of state health care benefits to approximately 220,000 Pennsylvanians. LaRouche recognized that the Ridge measures were identical to the murderous policies of the Nazis, and he and his colleagues attacked Ridge in precisely those terms. The Pennsylvania state AFL-CIO, the state legislative Black Caucus, and senior citizen groups joined the LaRouche Democrats in defeating Ridge’s austerity measures. After some cosmetic changes, and massive arm-twisting, Ridge later forced the cuts through. Within weeks of their implementation, Ridge’s cuts had already resulted in the needless deaths of several Pennsylvanians. Those individual cases were highlighted on the front page of the LaRouche movement’s *New Federalist* newspaper, over 100,000 copies of which circulate weekly throughout the United States.

To further demonstrate the fraud of Ridge’s argument that the state could no longer afford to provide the health care safety net for all of its citizens, state Rep. Harold James, a committee chairman and the head of the legislature’s Black Caucus, introduced a bill, calling for a tax upon all speculative transactions conducted in the state. By the most modest calculations, the tax would generate four times the amount of revenues needed to keep the health care program intact, and expand a number of other state services that had already been gutted.

LaRouche focused his Pennsylvania Democratic primary campaign on the the call to impeach Ridge for his Nazi-like crimes against humanity. In August, at the Republican convention in San Diego, Bob Dole passed over Ridge—and all of the other like-minded austerity governors—as his vice presidential running mate. Prior to the LaRouche effort, Ridge had been among the leading candidates for the VP slot. Going into 1997, the campaign against Ridge is escalating. In November, tens of thousands of union workers showed up on the steps of the state capitol in Harrisburg, to attack Ridge’s policies.

Bush and Weld

Two other longtime LaRouche adversaries, George Bush and Massachusetts Gov. William Weld, suffered serious political bruises in 1996, and face even more significant problems in 1997.

It has now been advertised in the pages of the City of London’s *Economist* magazine, that former President Bush is attempting to secure for his son George W. Bush, the Republican Presidential nomination in the year 2000. George W. Bush, the governor of Texas, is reportedly far less enthusiastic about running for the White House than his father.

Former President Bush’s own political fortunes are, now, in more serious doubt, as the result of a combination of recent political developments. In August, the *San Jose Mercury News* published a three-part exposé of the role of the Nicaraguan Contras in flooding the streets of South-Central Los Angeles with crack cocaine, to generate funds for their secret war in Central America, during the 1980s. The only serious error in the *Mercury News* series, was the characterization of the Contras as a “CIA-backed” group. In reality, as *EIR* subsequently documented, in a widely circulated *Special Report* entitled “Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?” the Contra program, including the drugs-for-guns trafficking, was run out of the White House, through a well-defined chain of command headed by Vice President George Bush. The exposure of the role of Bush in directing the crack cocaine-trafficking into America’s urban centers, has catalyzed a national outcry for action. Both the CIA and Justice Department inspectors general are probing the Contra-cocaine story, and two Congressional committees, plus the Congressional Black Caucus, are also digging into the evidence.

One of the early casualties of the Contra-cocaine revelations was Massachusetts Governor Weld, who was the head of the Criminal Division of the Justice Department during the mid-1980s, and who led the effort, at the time, to cover up the White House Contra-cocaine scandal. Weld was defeated by Sen. John Kerry (D-Mass.) in the Senate race on Nov. 5—largely on the basis of revelations of Weld’s role in the Department of Justice coverup of the Bush cocaine operations of the 1980s. Weld’s earlier role in sabotaging a Justice Department prosecution of the Bank of Boston for money-laundering, a bank with strong ties to the Weld family, has also resurfaced; and members of the Massachusetts State Legislature are calling for a thorough probe of that shameful affair.

If the truth comes out about the roots of the crack epidemic of the 1980s, George Bush may soon be off to federal prison. The Bush role, as crack cocaine kingpin of the 1980s, is one of the most important news stories that will play out over 1997.

More skeletons are coming out of Bush’s closet as 1996 comes to a close. He is tied to a string of British and Canadian companies that are linked to the ongoing genocide and strategic raw materials grab in Zaire; and, he has come under heavy fire in Ibero-America for his recent continental tour, with Rev. Sun-Myung Moon, on behalf of several of Moon’s dirty ventures. Already, the press in Peru has linked Moon to Texas Gov. George W. Bush’s year 2000 Presidential campaign.

Perhaps the biggest unanswered question, as the second Clinton administration gets under way, is whether the furor against Bush and the Conservative Revolution will now be translated into the kind of policy changes that have been the hallmark of Lyndon LaRouche’s political efforts for years. The survival of the United States and the rest of the world hangs in the balance.

The peregrinations of 'Sir' George Bush

Since leaving office in 1993, George Bush has not exactly been the grandfatherly, golf-playing "retired President" that his public relations officials portray him as. Here is a chronology of some of his travels and interventions.

1993

Jan. 3: With 18 days remaining in his Presidency, George Bush flitted around the world to tie up loose ends. After a two-day stay in Somalia, he arrived in Moscow with National Security Adviser Gen. Brent Scowcroft and former Secretary of State James Baker III, where he signed on Jan. 3 what he called a "balanced" START II treaty.

April 14-16: Bush went to Kuwait to be honored for his role in sending Americans to butcher Iraqis on behalf of the "freedom-loving" Kuwaiti oligarchy. Kuwaiti intelligence cooked up and foiled an Iraqi assassination plot against him, in order to short-circuit the lifting of sanctions against Iraq, where the sanction-provoked death toll will top a half-million lives.

Dec. 1: Bush was invested as an Honorary Knight Grand Cross of the Order of the Bath, by Queen Elizabeth II. The title of "Honorary Knight" narrowly squeaks by the U.S. Constitutional prohibition, forbidding those holding a U.S. "Office of Profit or Trust" from accepting "any present, Emolument, Office, or Title, of any kind whatsoever, from any King, Prince, or foreign State" without consent of Congress. "Sir" George Bush was invested with the highest level of honorary knighthood for a non-British subject.

1994

April 13-15: As part of the Citibank Leadership Series lecture tour, in Singapore, Bush called for free trade, to bring into being "what I call the new world order: more democracy, more economic freedom, and growth and prosperity for all. . . . No government program can equal the benefits of the global trade which will help bring the developing world out of poverty." Bush even took credit for creating the "recent economic freedom in South Korea, Taiwan, and the Philippines," referring to the deregulation which led their financial markets into disaster. Citibank also sponsored tours by Margaret Thatcher and Helmut Schmidt.

His Citibank tour later took him to Sydney and Melbourne, Australia on Nov. 22-23, and Djakarta, Indonesia on Nov. 24-25. In Taiwan in November, Bush met with President Lee Teng-hui, who was subsequently invited to

the United States by Congressional Republicans, in order to set up a confrontation between the Clinton White House and China.

Sept. 26: Bush traveled to Germany to receive full military honors in Bonn "for his role in German reunification four years ago," which he had, in fact, opposed. Bush was in Berlin earlier to deliver a speech sponsored by the Aspen Institute celebrating its 20th anniversary. Speaking on "America's Role in the World," Bush urged Western nations to do as much as possible to help Russia through its political and economic "reforms."

1995

April 2: Bush arrived in Buenos Aires, Argentina with Henry Kissinger. Both men met with President Carlos Menem.

July: At the Bohemian Grove, in California, Bush launched his campaign to buy the White House for his son, Texas Gov. George W. Bush. Bush was supposed to give a 25-minute presentation on "The Future of the Republican Party." Instead, he delivered an embarrassing 20-minute defense of his own record as President, and then introduced the younger Bush to give a 15-minute pitch. According to eyewitness sources, the Texas governor's surprise appearance went over like a lead balloon, because his father had violated all of the Bohemian Grove's strict, if quirky, protocols.

Sept. 11: Bush gave a paid address to the International Conference on Food in Beijing, sponsored by IMC Global, an Illinois-based fertilizer producer. Although there ostensibly as a private citizen, he met with Premier Li Peng.

Sept. 13-19: George and Barbara Bush gave a half-dozen speeches in five cities in Japan for an undisclosed, large amount of cash, sponsored by the Women's Federation for World Peace, headed by Hak Ja Han Moon, the wife of Rev. Sun Myung Moon. The Unification Church front group had previously hosted speeches by Bush at several events in Washington. The Bushes' appearance drew harsh criticism inside Japan, not least, because shortly after the Japanese National Police linked the Aum sect to the sarin gas attacks in the Tokyo subways, Japanese media reported that the Unification Church put up some of the seed money to launch Asahara's Aum sect. Two of the Aum members arrested are former members of the Unification Church.

A Korean source, alarmed about Bush's trip to Japan, and Moon's reciprocal tour of the United States, told *EIR*: "Bush's trip to China and his words of peace are a complete coverup. The Bush group in the Republican Party is trying to create a new Cold War against China, North Korea, and other Asian nations. It was Bush who went to Taiwan last year, and invited Taiwanese President Lee Teng-hui to the U.S."

"Now that President Clinton has repaired relations with Beijing, by sending his wife to China, the Bush people have to find another way to heat up the conflict," the source said.



***'My name is Ozymandias, King of Kings;
Look on my works ye mighty, and despair.'***

“So Reverend Moon and the Bush group are out to break up the U.S. nuclear agreement with North Korea.” The source emphasized Moon’s role in the World Anti-Communist League (which was founded in London).

According to former Bush aides, the ex-President received a cool \$5 million in cash from the Moonies; and he plans to use much of that money to buy the Republican Party Presidential nomination for his son George W. Bush, in the year 2000.

Sept. 27-Oct. 1: Bush, Thatcher, and Mikhail Gorbachov presided over a conference titled “Toward a New Civilization: Launching a Global Initiative,” in San Francisco, sponsored by the Gorbachov Foundation, an outgrowth of the Esalen Institute’s Soviet-American Exchange Program.

1996

Jan. 11: Bush went to China to inaugurate a joint venture gas pipeline between Atlantic Richfield and Chinese enterprises. He met with President Jiang Zemin and Prime Minister Li Peng.

Jan. 12: In Seoul, South Korea as part of the Citibank Leadership Series, Bush demanded that R.O.K. open itself up for deregulation and free-trade looting.

March: Bush, at times accompanied by his former national security adviser, General Scowcroft, made an eight-nation tour of the Middle East, described by his office as “just private visits to friends.” He met with King Fahd in Saudi

Arabia; President Hosni Mubarak in Egypt; and Sultan Qaboos bin Said in Oman. In Kuwait, Bush opened a new U.S. embassy building and dined with Emir Sheikh Jaber al-Ahmad al-Sabah.

Bush’s tour took place, just as Syrian-controlled Hezbollah terrorists were launching attacks on Israel, sparking Israeli retaliation into Lebanon and threatening the Rabin-Arafat peace accords. His “private” visits included Beirut and Damascus; he reportedly met with President Hafez al-Assad, to negotiate an oil exploration deal for the Texas company Enron. According to his office, Bush assured Assad that Clinton would not be reelected.

Prior to his Mideast swing, he attended the First International Conference on Kuwaiti POWs and Human Rights, held in London, along with Margaret Thatcher, former British Foreign Minister Douglas Hurd, and former Russian Foreign Minister Andrei Kozyrev. The conference was bankrolled by the Kuwaiti royal family.

June 17: Greek shipping tycoon Yiannis Latsis, a financial backer of Britain’s Prince Charles, hosted the entire Bush family, plus “Sir” Gen. Colin Powell, on a ten-day cruise aboard his yacht.

July 26: Bush, Dole, and Texas Gov. George W. Bush met in Kennebunkport to put aside their differences. The former President endorsed Dole with the memorable words: “My heart lies at his level, the Dole level.”

October: Bush on the stump for Republican candidates, including several TV ads. Particularly revealing, Louisiana Congressional candidate Woody Jenkins began airing ads featuring Bush, shortly after the scandal exploded around Jenkins’s involvement in the Contra cocaine-running operations. In the ads, Bush defended Jenkins’s Contra cutout “Friends of the Americas,” whom Bush described as “doing the Lord’s work.” Jenkins lost his election.

Nov. 17: Former Russian Security Council head Gen. Aleksandr Lebed arrived in Houston for a private meeting with Bush, Brent Scowcroft, and Bush’s former secretary of state, James Baker III.

Nov. 20-25: Bush toured five Ibero-American nations, bankrolled in part by Sun Myung Moon. He was received by the Presidents of Venezuela, Brazil, and Peru, and he was a guest in the home of Argentina’s President Carlos Menem. In Buenos Aires, he was the star speaker at a banquet inaugurating Moon’s new newspaper, *Tiempos del Mundo*. Bush accompanied Moon to Montevideo, Uruguay, where the Korean reverend led an “evangelization seminar” for 4,500 Japanese maidens.

Other low-lives with whom he consorted during his trip, in which he spoke out for expanding NAFTA to the entire Western Hemisphere, included Venezuela’s ex-President Carlos Andrés Pérez (convicted of malfeasance and impeached); and Brazil’s disgraced businessman Mario Garnero of Brasilinvest, who had joined Henry Kissinger’s debt-for-equity looting schemes back in 1982.

A year of progress for the New Silk Road

by Mary Burdman

During 1996, the matter of expanding and increasing the workability of the Eurasian Continental Bridge, has moved to the center of the international strategic, economic, and political agenda. The Eurasian Continental Bridge refers to the growing network of railroad corridors linking the countries of the Eurasian landmass. Throughout 1996, *EIR* Founder and Contributing Editor Lyndon LaRouche, his wife Helga, and *EIR* have played a catalytic role in bringing this vast development project into focus, as the only project on a scale big enough to provide a "motor" to pull the world economy out of the cataclysm it faces. The LaRouche-*EIR* intervention has been especially important in bringing the reality of the emerging "New Silk Road," to the attention of policymakers and an interested public in the United States and western Europe, regions of the world going through a process of economic suicide, thanks to adherence to so-called "neo-liberal," or "Thatcherite" policies.

China and Iran continue to construct rail lines for the Eurasian Continental Bridge, and this impetus is causing the nations of Central and Southeast Asia to engage in ever-more-concrete discussions of building the Silk Road. Most important, the Silk Road has been put on the agenda of South Asia's giant, India.

Political discussion among China, India, and Russia reflect these changes. The visit of Chinese President Jiang Zemin to South Asia was especially important. In India, Jiang Zemin, the first Chinese head of state to visit New Delhi, and Indian President Shankar Dayal Sharma and Prime Minister H.D. Deve Gowda, stressed creation of a "partnership" oriented toward the twenty-first century. On Nov. 29, China and India signed an agreement on confidence-building measures along the China-India border areas. A dispatch of China's Xinhua news agency from New Delhi likened the agreement to the "similar military accord signed by China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan," in Shanghai in April. These measures were part of the overall diplomacy of China to promote a policy of "securing peace through common development" in the region, essential to building the Continental Bridge.

Will U.S., Europe follow the British lead?

Serious problems remain in the functioning of the rail connections of the land-bridge from Central Asia to Europe, via Russia and the Caucasus. This situation makes the connec-

tion Iran opened from the Indian Ocean to Central Asia in May, all the more important. Now, however, there is new discussion of the policy in Russia, in which the section of the Continental Bridge opened between China and Kazakhstan in 1992 has been treated, generally, as a problem of "geopolitical" competition to the Trans-Siberian Railway.

Even in the United States, the Dec. 11, 1996 *Washington Post* gave prominent coverage to the importance of the Silk Road connection opened by Iran in May. Given the foolishness and shortsightedness of U.S. policy toward Iran at this time, the article, a fair picture of the importance of the "land-bridge," shows the impact the vast project is having.

The most forward-looking British strategists have identified this development as the "most serious threat to British geopolitical interests in decades." They cite the warning made by the British founder of geopolitics at the turn of the twentieth century, Sir Halford Mackinder, that Britain, as the central global "rim power," must always stop, at all costs, any potential for overall development of what they characterize as the "Eurasian landmass." These are the British mentors of former U.S. Secretary of State Henry Kissinger, the modern-day British descendants of those geopoliticians who set in motion the processes leading to World War I, in order to stop cooperation among the nations of continental Europe and Asia.

Proponents of "containment," targeting especially China and Iran, were hyperactive last year (see *EIR*, Nov. 22, 1996, "Ring Around China: Britain Seeks War").

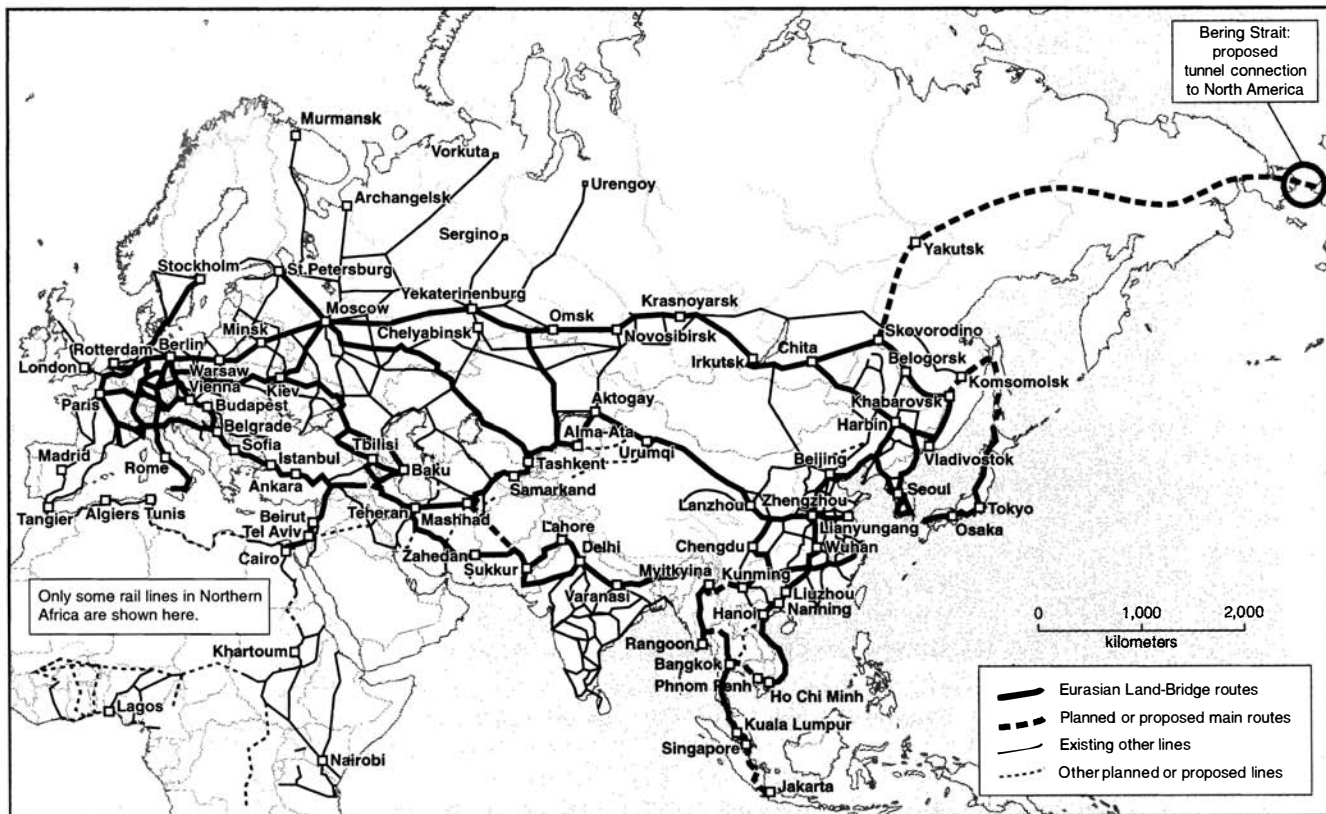
The question for 1997, is whether the nations of continental western Europe, now in the throes of political unrest due to suicidal economic policies, and the United States, will either promote this policy, or follow the British lead in impeding it.

Building the land-bridge

The government of China has been the biggest force in the construction of the Second Euro-Asian Continental Bridge. The final connection of the last few hundred kilometers of railroad, from Urumqi to Kazakhstan, was finished on Sept. 12, 1990, and opened for full traffic in June 1992. This marked the completion of the new comprehensive transportation line connecting the Pacific and the Atlantic. The Continental Bridge was the subject of numerous conferences in China, but by far the most important, was the government-sponsored International Symposium held in Beijing in May 1996, with the purpose to create the strategic relationship with Europe necessary to make the land-bridge a functioning transport artery.

Since 1992, various political frictions, especially with Russia, had prevented the rail links from being effectively utilized. Chinese diplomatic efforts, including a major Asian-European rail conference held in Beijing in 1994, the confidence-boosting measures of April 1996, and President Jiang Zemin's tour of Central Asia in July last year, have changed the situation; the railroad is now operating much better there. Jiang Zemin had visited Uzbekistan, Kazakhstan, and Kyr-

Eurasia: main routes and selected secondary routes of the Eurasian Land-Bridge



gyzstan. Uzbekistan's President, Islam Karimov, said that both China and Uzbekistan have been key links on the ancient Silk Road, and "today we are jointly making efforts to restore to its past glory the vital passageway linking the East and the West."

The International Symposium gathered over 460 delegates, from 34 countries and 13 international organizations, in Beijing on May 7-9. The meeting, organized by the State Science and Technology Commission, the State Planning Commission, and the Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China, was the result of a two-year effort by its organizers, to promote development of the "Silk Road" railroad connecting Asia and Europe. The UN Development Program, World Bank, European Commission, and Asian Development Bank, were co-organizers (see *EIR*, June 14, 1996).

Speeches of a group of national leaders of China, Iran, and other nations along the Eurasian Continental Bridge, presented their vision of a new "continental-bridge era" in human history and development. The concept of a "continental bridge," put forward by the Chinese organizers of the symposium, is to create new economic regions, enabling mankind to bring civilization to the 80% of the Earth's surface now too desolate for such development. Using the most advanced

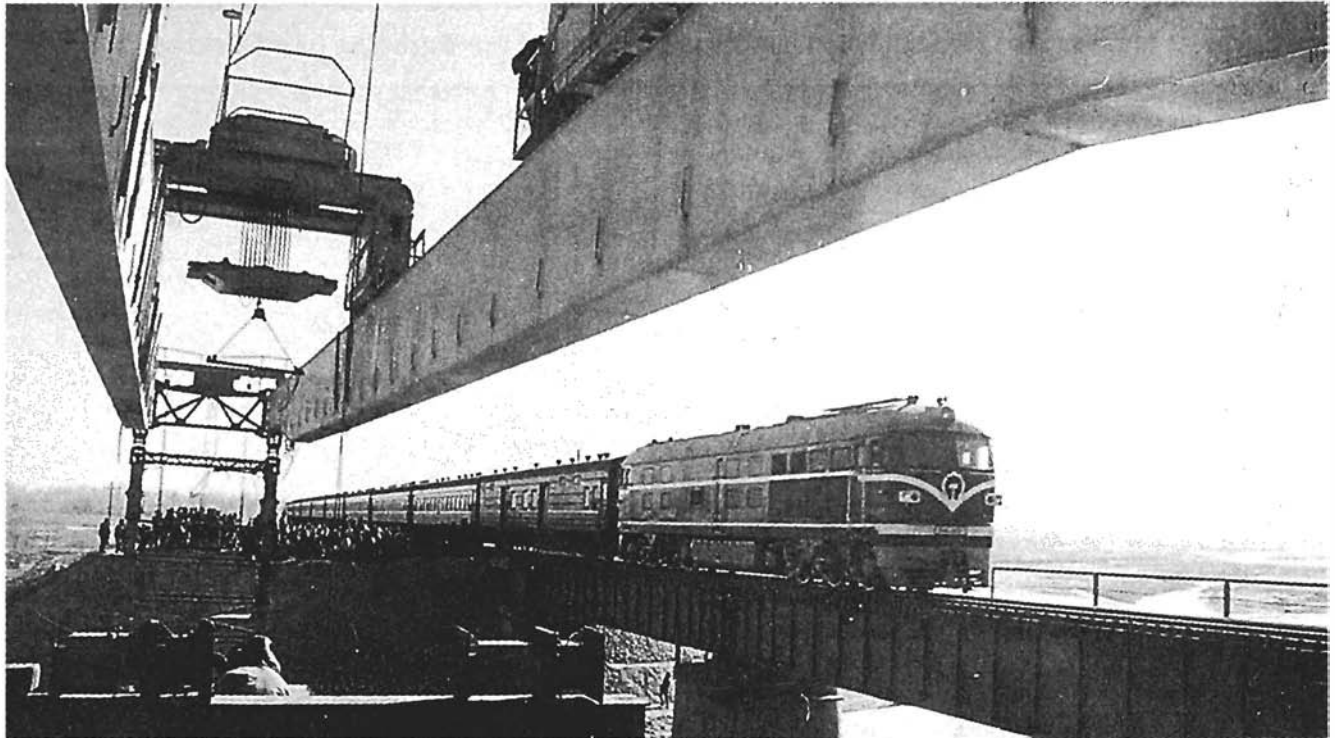
technologies, including the maglev train and nuclear energy, all regions of Europe and Asia, Africa, and the Americas, can be brought into the "continental-bridge era." A crucial idea was presented by Minister Song Jian of the Chinese State Science and Technology Commission: that respect for national sovereignty and "common development" are the only way to solve international problems along the bridge.

Human reason

Schiller Institute founder Helga Zepp LaRouche, an invited speaker at the symposium, introduced the principle of human creative reason, as the necessary means to resolve the conflicts among nations fostered by geopoliticians, and the economic crisis.

"It were tragic," Zepp LaRouche said, "if we were to fall for such nonsense [as Samuel Huntington's 'clash of civilizations']. . . . There is no such contradiction among world cultures, that cannot be overcome. To the contrary, it is the characteristic of man, which differentiates him from all other living beings, that he possesses the unique quality of creative reason. This is the universal quality which unites all men, and allows man to find the ever-higher levels, on which conflicts can be solved. . . ."

"Based on this thinking, American economist Lyndon



Construction of a new railway bridge in China. China is embarking upon an infrastructure development program on a grand scale; will Europe and the United States join in, or remain embroiled in British geopolitics and suicidal free market economics?

LaRouche proposed an economic program, the foundation-stone of which is that only the global reconstruction of the world economy can create a way out of the present crisis. The development of the Eurasian land-bridge, and the integration of the Eurasian continent, must play the central role in this program.

"If, in the next years, we are to prevent seismic economic and demographic collapses, it would be urgently required to overcome the current underdevelopment of vast parts of the former Soviet Union, China, India, South and Southeast Asia, in basic infrastructure," she said. The concept is: "Peace through development."

The effects of several years of extensive Schiller Institute and *EIR* work to promote the LaRouche policies in China, was reflected in the speech of Gui Lintao of Shaanxi Province, who said that the "Continental Bridge . . . connects in the East with the Northeastern Asian Economic Rim . . . through Middle and Western Asia, and joins in the west to the Central European Region which is formed by triangle of Paris, Berlin, and Vienna," the policy Lyndon LaRouche proposed for Eurasia (the Paris-Berlin-Vienna Productive Triangle) in the wake of the collapse of the Berlin Wall in 1989.

Construction of the land-bridge is continuing. On Sept. 6, Prime Minister Li Peng announced that China had begun building a new rail extension from the Continental Bridge, in Xinjiang, from Urumqi, Turpan, and Korla, another 975 kilometers, to Kashi, and will be completed in three and a half

years. The strategic importance of this railroad, is that the Karakoram Highway already connects Kashi, over the Karakoram, Pamir, and Himalaya mountain ranges, to Islamabad, Pakistan. The Karakoram Highway travels close to the Wakhan Corridor of Afghanistan. In addition, according to a well-informed Russian expert on Central Asia, there also were discussions at the Association of Southeast Asian Nations regional forum meeting in Jakarta at the end of July, attended by the Indian, Chinese, and Russian foreign ministers, of the possibility of building a road extension from the Karakoram Highway into India.

In June, Pakistan, China, Kyrgyzstan, and Kazakhstan signed a customs agreement to facilitate traffic on the Karakoram Highway. The nations had signed an agreement in 1994 to upgrade the highway, built in the 1970s by the Pakistani and Chinese militaries, to an international highway, and to build extensions to Almaty and Bishkek.

There will be other rail connections. For example, the current Eurasian Continental Bridge line, which crosses the border to Kazakhstan at the Alatau Pass, does not run directly to the Kazakh capital, Almaty. A new line to the south of the Tian Shan mountains, to Almaty, is now being planned.

South Korea has also begun using the Continental Bridge. A train, the first to carry containers from the Republic of Korea, left Lianyungang port, China, on June 30, bound for Europe. That month, container transport on the land-bridge had grown to 1,000, four times that of June 1995. The United

States, Kazakhstan, Uzbekistan, Kyrgyzstan, Japan, Thailand, and Hongkong have all been shipping containers on the Continental Bridge, and the port has signed contracts with 10,000 companies for transport. China has signed agreements with Kazakhstan, Russia, the Republic of Korea, Japan, Poland, and Italy for development of the Continental Bridge and border trade.

The Southern Silk Road

At the same time as the Beijing Symposium (and proudly announced there by the Iranian government), the government of Iran celebrated the opening of the Mashhad-Sarakhs-Tajan railway, connecting northeast Iran to Turkmenistan. This is the first rail connection of Central Asia to South Asia and the Indian Ocean. Twelve heads of state and representatives from 50 nations attended the ceremony on May 13. Again, as in the China-Kazakhstan connection, the “missing link” had been a mere 165 kilometers. The route, however, had not been working since the Mongols devastated the region in the thirteenth century, followed by three centuries of British imperial geopolitics (see *EIR*, June 21, 1996, p. 11). Turkish President Suleyman Demirel attended the opening, and Chinese Prime Minister Li Peng praised the new railroad as “the Silk Road for the twenty-first century.”

On Dec. 13, Iran began construction of a 768-kilometer railway between Mashhad in northeast Iran, to Bafq in the south, providing a short-cut between Central Asia and the Persian Gulf, cutting current distances in half. The new railway is designed to transport 8 million tons of goods, and 1 million passengers, from China and Central Asia to the Persian Gulf every year; it also connects the Iranian ports in the southeast of the Caspian Sea, to those on the Persian Gulf. Bafq is located on the crossroads of the Iranian railway network, and is connected with an already-existing 200-kilometer railway to Kerman, from where a proposed railway would extend to Mirjaveh on the border with Pakistan—which would finally link the 1 billion people of South Asia to Europe by rail. No date has been announced for when construction on this rail line will begin. The line is politically sensitive, as long as Indian and Pakistani relations are not resolved. However, Indian and Iranian officials continue discussions, which have gone on over the past several years, to upgrade cooperation, when Iranian Majlis (Parliament) Speaker Ali Akbar Nateq-Nouri met Indian President Shankar Dayal Sharma in New Delhi on Nov. 26. Sharma said, “Iran provides the most important, as well as the safest and surest route to Central Asian markets.”

Complementing Chinese and Iranian railroad building, Central Asian leaders have also noted the importance of the Silk Road. In August, Uzbekistan President Karimov published *Stability and Reform*, a book stressing Uzbekistan’s role in the “building of a Eurasian economic, scientific, and cultural bridge along the lines of the Great Silk Road.” Karimov discussed the Tajan-Sarakhs rail line, the Andijan-Osh-

Ergashtom-Kashi Highway (providing access to China and Pakistan), and the Termez-Herat-Karachi Highway to the Indian Ocean. In addition, on Aug. 30, Kyrgyzstan President Askar Akayev, in an interview with the *Wall Street Journal Europe*, said that the Silk Road routes which linked Europe to Asia have to be rebuilt, with a link from Kyrgyzstan to Pakistan, for his nation to prosper. Kyrgyzstan must have “access to India, Pakistan, and China,” he said.

The strategic importance of the Silk Road was also the subject of intense debate at a workshop held in Pakistan on Nov. 25-27 (see *EIR*, Dec. 13, 1996, p. 51). The Schiller Institute representative there, filling in for Lyndon LaRouche, as well as representatives of Pakistan, China, and the Central Asian republics, presented the development of the Eurasian Continental Bridge as the only solution for such brutal conflicts as has been raging in Afghanistan, a nation which still has no rail system whatsoever—the result of several centuries of British geopolitics.

From Pakistan, former Chief of Staff Gen. Mirza Aslam Beg (ret.) has enthusiastically promoted the land-bridge perspective, stressing its importance, and quoting widely from *EIR*, at a speech made at a Beijing conference also attended by such implacable opponents of this strategic development policy as the odious Henry Kissinger (see *EIR*, Oct. 25, 1996, p. 47).

Open debate in Russia

One of the most important indications of political shifts around the Silk Road, is the public debate on the Eurasian Continental Bridge which is now emerging in Russia. On Nov. 23, Vsevolod Ovchinnikov, an expert on Russian Far Eastern policy, wrote that Russia should not oppose the Eurasian land-bridge policy, in an article in *Rossiiskaya Gazeta* entitled “Russian Eagle Looks East as Well.”

In the article, Ovchinnikov, in discussing Russian Foreign Minister Yevgeny Primakov’s recent tour of Mongolia, Japan, and China, polemicizes against those Russian strategists who insist that the Silk Road policy would undermine Russia’s Trans-Siberian Railway.

Ovchinnikov writes: “The second focus of efforts is to join China, in making our countries the supports of bridges between Europe and Asia, between the Atlantic and the Pacific. This will not only create a secure foundation for cooperation between Moscow and Beijing, but will also bring Russia closer to the republics of Central Asia and strengthen its position in the Pacific Ocean basin.

“A ‘second transcontinental railroad’ has started operating in the nineties. Beginning at the Chinese port of Lianyungang, it goes via Kazakhstan, Russia, and Belarus to West Europe and Rotterdam. The eastern part of it almost coincides with the Great Silk Road, which in antiquity linked the civilizations of East and West. In order to organize container shipments on this route, a great deal of money will have to be spent on modernizing the old sections. Funds are also needed

for the fundamental reconstruction of the Trans-Siberian Railroad, constructed in tsarist Russia. Here, too, the question of priorities arises.

"I think it shortsighted of Moscow to seek preferential treatment for the Trans-Siberian. Russia's future interests are served by the efficient functioning of both railroads, and to set one off against the other is, I believe, a mistake. If we regard China's efforts to 'cut a window onto the West' merely as a threat to the Trans-Siberian, the main line of the new Silk Road could divert at Almaty and go to Baghdad and Istanbul, instead of going through Russia. Moreover, only through joint efforts by Russia, China, Japan, and Mongolia can magnificent energy plans for the next century be implemented, with the construction of a system of gas and oil pipelines from Central Asia and Siberia to eastern China, the Korean peninsula, and Japan. Relations with Beijing, Tokyo, and Ulaanbaatar are therefore foreign policy priorities for Moscow. So the Russian foreign minister's Far East trip was of strategic importance."

The other side of the debate has been expressed by Sergei Rogov, director of the U.S.A. and Canada Institute, at the National Press Club in Washington, D.C. on Nov. 11. The "struggle for the Eurasian Bridge," Rogov said, is one of the issues in Russian-Chinese relations. When questioned on whether the United States would play a "Russian card" against the rising power of China, Rogov said he did not see this happening. Russian concerns about retaining control over the underdeveloped and underpopulated Siberian and Far Eastern provinces would be one problem in the United States playing a Russia card against China. "There will also be the struggle for the Eurasian bridge—will it pass across Siberia or will the Silk Route be restored," Rogov said.

Debate over development of the Tumen River development zone project, reflects the same issues. Opponents of the project in Russia allege that it will only benefit the Chinese rail system, but, according to an article in *Rossiiskaya Gazeta* on Nov. 11, the Russian Federation Foreign Ministry is convinced that the Russian participation in the project will attract business for the Trans-Siberian and Baikal-Amur railroads.

The southern tier

The "southern tier" of the Silk Road is far less developed, and will be the critical issue for the coming years. This project, known as the "Trans-Asia Railway," has been under consideration since the 1960s, and the subject of a number of studies by the UN Economic and Social Council for Asia and the Pacific (ESCAP), based in Bangkok, but no government in the region has taken the initiative, except China and, more recently, Iran, to begin construction on the rail line. China is now determined to build sections of the railway, as New Delhi's *Hindustan Times* noted Oct. 23. China will build the rail line in southwest Yunnan province, which will connect China to Laos and Thailand. The newspaper reported a few days later that, except for the efforts of China and Iran, the Trans-Asia Railway project "remains elusive." While Iran is

constructing the vital link between Kerman and Zahedan (near Pakistan), even when this link, connecting the subcontinent to the Middle East and Europe, is finished, there is still no possibility of "through traffic" to Southeast Asia.

The changing view from India, could provide the essential political impetus, as discussed by *EIR* New Delhi bureau chief Ramtanu Maitra (see article, p. 64). The reality of what China is doing, as the *Hindustan Times* indicates, is having its effects. South Korea has also given big support to the project.

Rail connections in Southeast Asia and Indochina have barely advanced from the situation in pre-World War II colonial times. Two antiquated and inadequate rail lines connecting Vietnam and China finally reopened after almost two decades—both had been shut down after the 1979 border war. One line, linking Phnom Penh, Cambodia, with Ho Chi Minh City and Hanoi, Vietnam, was opened to Nanning, in Guangxi province, China, in February; the second, linking Hanoi to Kunming, Yunnan province, China, via the Vietnamese border town of Lao Cai, finally opened at the beginning of December.

Otherwise, the situation is primitive. Rail lines link Singapore with Bangkok and Chiang Mai in Thailand, but go no farther. Laos has no railways at all. In Myanmar, a rail line links Yangon (Rangoon) with Mandalay and Myitkyina, but this line has no links to the Indian-Bangladeshi railroads, which go as far as Chittagong, Bangladesh, nor with Thailand, nor China. Indonesia has rail lines only on the main islands of Java and Sumatra; there is no line which could be linked to the nearest mainland connection at Singapore.

A key problem in this area remains financing, which the governments of Thailand, Malaysia, and Singapore have consistently relegated to private investment.

South Korea provided the impetus to put the Trans-Asia Railway on the agenda of the Asia-Europe Meeting (ASEM), held in Bangkok March 1-2. While this meeting, conceived to simply continue trading relations between Europe and East Asia, with no Eurasian strategy (the nations of the Indian subcontinent and Russia were not even invited), South Korean President Kim Young-sam proposed building the Trans-Asia Railway. He said that Korea had already secured the understanding of China, Vietnam, and Singapore to build the Trans-Asia Railway. "North Korea has yet to agree on this project, but I believe that is a matter of time," Kim said. Joint construction of the railroad should begin along with development of the Mekong River region in Southeast Asia, Kim said.

ASEM leaders agreed to support Malaysia coordinating a study of the integration of the Trans-Asian Railway, with a study of possible integration with the European rail network. This would include building the first railroad through Laos, connecting northeast Thailand to Yunnan province in China, as well as the Korea-China railroad, which would likely connect to the Trans-Siberian Railway. Discussion was, however, "at a very early stage," one observer reported.

ESCAP and the second World Infrastructure Forum-Asia



The main railway line in Lanxin in northwestern China.

held another conference in New Delhi in October, which set up an “Asian Infrastructure Development Alliance” of government, private sector, and multilateral agencies, to be based in Singapore. The chairman of the project, Graham Galloway, stressed the importance of private sector investment to “engage the private sector in comprehensive and consistent dialogue to find realistic solutions” for infrastructure needs.

Thailand has also announced that it plans to build a railroad connecting Bangkok to Nam Tok, and then to the Myanmar border at Three Pagoda Pass. A railroad is being built from Yangon to Tavoy, which will join the Thai railroad at Thanbuzyat. Malaysian and Singaporean officials are considering a dual-track electric train between Kuala Lumpur, Malaysia and Singapore, which would cut travel time from seven hours now, to 90 minutes.

There are more signs of movement: The study to test the feasibility of the Trans-Asia Railway will start next month, Malaysian Transport Minister Ling Liong Sik announced Dec. 2. KTM, the Malaysian National Rail company, was to appoint a consultant group in December to undertake the study, according to Ling. Malaysia will grant \$800,000 for the study, which is expected to take 10 months. Consultants are to submit four reports to a supervisory committee of experts from the eight countries involved, including Singapore, Malaysia, Thailand, Cambodia, Vietnam, Laos, Myanmar, and China.

Three routes have been “shortlisted” for the Trans-Asia

Railway. It will begin in Singapore, go north through peninsular Malaysia, to Bangkok. One branch of the railway will run through the Mekong River basin, connecting Phnom Penh, Cambodia, to Ho Chi Minh City, Vietnam, to Kunming, in southern China. A second link will run from Bangkok to Vientiane, Laos, and from there also to Kunming. (The Mekong region is the least developed in Southeast Asia.) A third route runs from Nam Tok, Thailand to the city of Ye, Myanmar, which will link Yangon to the main line which also connects to Kunming.

Ling said that priority would be given to routes that will take the shortest time to build, which can be done by completing the missing links in existing networks. According to the London *Financial Times* on Dec. 4, Malaysia is seeking international consortia to fund and build the railway. Financing, which would total \$4 billion, has yet to be settled.

Ling said that preliminary studies show that the least-costly and quickest-to-complete rail route would run 4,700 kilometers from Singapore, via Kuala Lumpur, to Bangkok, to Phnom Penh, to Ho Chi Minh City and Hanoi, Vietnam, to Kunming, China. This could then connect to the Chinese rail network, and thus to either route to Europe, via Central Asia (the land-bridge) or the Trans-Siberian Railway. “Apart from two gaps along the route, in Cambodia and Vietnam, where new tracks have to be built, the rest is in place,” Ling said. “The east coast line is not the shortest, but we feel that it is the one which can make the project a reality in the shortest time.”

India awakens to land-bridge potential

by Ramtanu Maitra and Susan Maitra

On Nov. 28, *The Hindu*, a leading English-daily in India, carried an op-ed by a senior strategic analyst, Sujit Dutt, on India-China relations, which contained the following startling paragraphs:

“... China is rapidly expanding its political, economic, and diplomatic role through a promotion of the Eurasian land-bridge plan—the Silk Road—linking it with Russia, Central Asia, and Europe. Vast untapped markets and resources and trade would be opened up by such high-speed communication and rail networks.

“It is vital that India actively promote a similar land-bridge linking it to Southeast Asia, and through Pakistan and Iran, to Europe. Enormous gains are possible as the route opens up energy, agricultural, and industrial transfers through the entire region and [for] transforming the economies of all the states involved.”

Such a formulation by a senior analyst at the Institute for Defense Studies and Analysis, India’s premier defense and foreign policy think-tank, will not go unnoticed in the corridors of power. Its timing made it doubly significant. The article appeared on the day that China’s President Jiang Zemin arrived in New Delhi, the first visit to India ever by a Chinese President. The article served to remind Indian policymakers that, if India wants to interact with China as an equal power, it must broaden its vision and articulate its important future economic and development policies, and give them concrete shape. In this context, such multifaceted projects as the southern Eurasian land-bridge, which would connect Singapore to Europe by rail, should be brought up as a subject for discussion.

A few days later, on Dec. 5, *EIR* was invited by the School of International Studies at Jawaharlal Nehru University, Delhi’s leading academic institution, to present a paper on the reasons why India should build a southern development corridor linking Southeast Asia to Europe by rail. The *EIR* presentation outlining the land-bridge concept, was one of three on the subject of recent developments in Central Asia, the topic of the seminar, which was attended by a number of diplomats from Central Asia, top academics, and strategic analysts. The seminar was inaugurated by a former foreign minister and a senior Congress Party figure, Pranab Mukher-

jee. Those present at the seminar were concerned about developments in Afghanistan and Central Asia, and India’s lack of positive official response to them.

India must look to the region

Both Dutt’s article and the seminar discussions reflected the view that India, after being throttled throughout the Cold War and kept busy defending its territorial integrity, must now broaden its ties with the Association of Southeast Asian Nations, the Koreas, Japan, and Myanmar (Burma) in the east, and the Central Asian and Islamic nations to the west of India. India has tried, although with minimal results, to expand trade ties to the South Asian Association of Regional Countries (SAARC) member nations. With a population of 950 million, almost nine times larger than any other SAARC member nation, India is the obvious candidate to lead in integrating the region’s large pool of skilled-manpower-based industries to the ever-improving technologies in Europe and the United States. The potential that this kind of development opens up for the region has not been brought to the fore, however, because policy thinking has been locked in by geopolitical realities.

Dutt’s article has, in effect, broken up this game, stating clearly that the Chinese venture to connect its vast landmass, and the industrialized Asian countries to its east, to Europe, through the untapped vast reserves of energy and mineral resources of Central Asia, is no longer a mere concept, but a reality, and India must wake up to this fact.

Notwithstanding Dutt’s article, and a wide-ranging discussions on the subject among some strategic analysts recently, Indian authorities have not yet placed the issue on the table for discussion, although there are definite signs that it cannot be kept aside much longer.

The reasons for India’s lackadaisical approach center around the on-the-ground realities created by the 1947 partition of the subcontinent—the vital blow by the British Raj prior to its formal departure from Indian soil.

How the containment was built

Historically, India has been a trading nation, but it is no longer. Why? For millennia, traders from China had been coming into India through the narrow passes in the Himalayas in the east, to avail themselves of what was then called the “Southern Silk Road” on their way to Europe, while traders from Arabia and Europe were coming into India from the west. Indian traders visited throughout Southeast Asia, braving the sea using the trade winds.

All this came to a halt with the advent of the British “Great Game.” India, the “crown jewel” of the British Empire, was sealed off in the west, with Afghanistan made a buffer state, to protect against a hypothetical invasion by Tsarist and, later, Bolshevik Russia. In the east and northeast, buffer “tribal” states were created within India, by imposing restrictions

through the drawing of the “inner line.” These buffer states were erected ostensibly to prevent the Russians in the north and the colonial French, who already had worked out an Entente Cordiale with the imperialist British vis-à-vis Indochina and South Asia, from challenging the Raj. In the process of using the buffer states and the “Great Game” to establish “forward” policies probing, provoking, and testing such great powers as Russia and China, the British virtually choked off India, and made it a nation whose trade is directed through the seas to the south, dominated by the imperial British Navy, which controlled all the chokepoints on the route to Europe and beyond.

In 1947, when the partition of the subcontinent was executed, the pattern held, and India’s east and west were cut off to make another separate state—Pakistan. By 1971, this situation changed slightly, throwing out a ray of hope, which was shut off within a few years with the assassination of Sheikh Mujibur Rehman, the founder of Bangladesh, in 1975. So, India was effectively choked off from its natural gateways to both the southeast and the west, through a geopolitical setting, soaked with hostility, vis-à-vis Pakistan and, to a lesser extent, Bangladesh. Not surprisingly, India turned inward, almost seeing itself as a vast geopolitical “island.” During the Cold War, the Soviet Union, China, and the Anglo-American-led “Free World” engaged in a protracted struggle for geopolitical control in Asia. India’s containment and self-isolation became increasingly consolidated.

The end of the Cold War did not change the situation much. The United States, the “sole superpower” after the disintegration of the Soviet Union, emerged as a relatively economically weak nation due to its own economic follies of two decades.

However, China, contained earlier by hostile nations across the seas in the east and a hostile Soviet Union in the west and north, saw the historic opportunity. Following a lengthy period, in which China was largely paralyzed by internal strife (the “Cultural Revolution”) and a correspondingly unfortunate foreign policy toward many of its neighbors, including India, the leaders in Beijing developed a new foreign policy and geo-economic strategy. The Chinese leadership began to realize the great economic and development potentials that exist under conditions of a harmonious relationship with South Asia, as well as with Central-West Asia. The Chinese thrust for the Eurasian land-bridge is a central feature of this strategic re-orientation.

India’s special qualifications

There are certain realities which make India immensely competent to handle implementation of such a land-bridge concept immediately. For instance, the last “missing link” of the Eurasian land-bridge that the Chinese have established, involved joining the rail lines between Mashhad, Iran and Tajan (Tedzhen), Turkmenistan. The design and engineering

work for the project was done by two Indian public sector companies, IRCON and RITES. The work was completed last May, and the line was opened on May 14, following a get-together of heads of state and important personalities. Unfortunately, because of electoral compulsions, India was represented by a bureaucrat.

In addition to the availability of adequate engineering and skilled manpower necessary to accomplish such an important task, India has the second largest railroad network in the world, second only to Russia’s. However, railroad planning, a key indicator of the long-term policy for upgrading of technology and transport, remains inward-looking, trying to connect all parts of the country equally by rail. There has been no real vision to use the railroads for cheap transportation of the value-added, high-tech products which have begun to abound in India, thanks to joint ventures and international technology collaboration.

At the same time, there exists about 3,500 kilometers of broad gauge (1,676 mm) railroad connecting Myanmar to Iran, with one missing link, which, when filled, would connect India’s northeast to Myanmar. The length of the missing link is only about 50 km. Another missing link is in Iran itself, between Kerman and Zahedan, which is to be bridged by a 175-km standard gauge (1,435 mm) railroad. Myanmar and Southeast Asia, where another missing link exists between Myanmar and Thailand, is on a meter gauge (1,000 mm). In other words, the southern railroad land-bridge will have to deal with changes of rail gauges. However, the problem is relatively easy to cope with. Transfer stations, at the end of the meter gauge and at the end of the broad gauge, would work, particularly in the case of container traffic. In fact, the east-west broad gauge which runs through the subcontinent is about 3,500-km long, which makes it easy to operate. Similarly, the length of the meter gauge from Singapore to Burma is sufficient to make another transfer station viable.

In addition, India is now in the process of upgrading its locomotives. India has already received a license to manufacture 6,000-horsepower, 160-kilometer-per-hour locomotives designed by the Adtranz—a joint venture of ABB of Sweden and Daimler Benz of Germany. These locomotives, some 30 of which have been bought and are already under construction, will start rolling off the factory premises by 1998. Introduction of these locomotives, and the soon-to-be-introduced modern, electronic signalling system, a weak link in India’s railroad network, will enhance the railroad’s efficiency and capabilities significantly.

These facts are now being increasingly noticed, although not fully grasped. A document, prepared by the UN Economic and Social Commission for Asia and the Pacific (ESCAP) years ago, looked at the prospect of a Trans-Asia railroad and highway which would connect the Asian countries. The *Asian Age*, a major English-language daily,

reported in its front page on Dec. 9 that, during the recent visit to India by Bangladesh Prime Minister Sheikh Hasina Wazed, this issue was very much on the agenda for discussion, and there are definite indications that Bangladesh is willing to be a part of this railroad system.

ESCAP's Trans-Asian railroad proposes connecting Calcutta to Kunming, China, through Dhaka, Bangladesh and Myitkina, Myanmar, over a difficult mountainous terrain of about 350 km. India has also proposed a railroad which would link the Bangladesh cities of Dhaka, Chittagong, and Khulna, on its way to Yangon, Myanmar. It seems that both countries are interested in developing this railroad, in order to cater to the trade with China, Nepal, Myanmar, and Iran. Myopic as it is, this proposal is an important effort to break down India's containment in the east, and will be a very positive step toward putting together the land-bridge to Europe.

Even the more difficult containment in the west, which exists in the form of a hostile Pakistan, is showing signs of softening. The absolute failure of the Pakistani elite, the land-based gentry who made Pakistan's trade entirely depen-

dent on the health of the annual cotton crop, in the political and economic sphere, and even in their ability to govern the nation, has given rise to a group of entrepreneurs, best exemplified by the Karachi Chamber of Commerce, who want to integrate Pakistan into regional as well as international trade for the country's future well-being.

Iran has played a useful role in this endeavor. Isolated by Saudi Arabia and the United States, Iran seeks an outlet into Europe, and access to Central Asia, India, and to the east of India. Iran's perseverance in its efforts to persuade Pakistan to allow a gas pipeline to be laid to India through its territory, is indicative of its sincerity. Moreover, Iran is in constant contact with India for the purpose of enhancing its and India's trade with the Central Asian nations.

These are positive signs, although New Delhi has been slow in taking note of them. At the same time, the developments in Afghanistan, with the Taliban in power in Kabul, create uncertainties. New Delhi looks at it as yet another attempt to break through the containment, and give a boost to those Pakistani elites who have been instrumental in preventing India from trading westward by land.

LaRouches' role praised in Malaysian daily

The Kuala Lumpur daily *Sun* on Dec. 9, featured the leading role of Lyndon and Helga LaRouche in the fight for global development, in an article by well-known Islamic scholar Dr. Kassim Ahmad. Dr. Ahmad begins by summarizing the theme presented by Malaysia's Prime Minister Mahathir Mohamad, during a speech in Beijing in August, and again in Mahathir's keynote to the Third Pacific Dialogue in Kuala Lumpur on Nov. 22, where he called for "America and Asia and whosoever wishes, to join hands in a joint venture, to build a New World, a global commonwealth such as the world has never seen, worthy of the hopes of mankind and worthy of the twenty-first century."

Dr. Ahmad describes this as one of "two diametrically opposing views emerging on the future of the world": The oligarchical opposition being typified by Samuel ("Clash of Civilizations") Huntington, the Royal Institute for International Affairs, and the Bush-Kissinger Republican Party faction, who perpetrated genocide in the Gulf War.

Now, Dr. Ahmad argues, it is time for Asia to invoke the anti-colonial, republican, and humanist tradition of Americans like Washington, J.Q. Adams, Lincoln, McKinley, Franklin Roosevelt, and Kennedy. "Asia and the world need such an America to reshape the modern world.

Anti-colonial Asia, with rich philosophical-ethical traditions as are imbedded in the teachings of Confucianism, Buddhism, and Islam, are in such a position to invoke this anti-colonial, humanist, and republican (not the Republican Party, to be sure!) America, and to partner with it to build the New World defined by Dr. Mahathir."

That tradition "is very much alive [in] the much-maligned LaRouche philosophical-political movement of nearly 30 years . . . and in its younger sister organization, the Schiller Institute, led by Helga Zepp LaRouche." He continues, "Mr. LaRouche himself, now 73 years old, and wrongfully jailed for five years . . . and now on parole, has visited many countries and called on many heads of state."

Dr. Ahmad reviews the international scope of the Schiller Institute's work, including participation in three conferences in Kuala Lumpur against the Iraq embargo, on human rights, and in support of Bosnia-Herzegovina. LaRouche's writings on the disintegration of the world financial system and ridding NATO of the Entente Cordiale have been discussed in capitals around the world, while Helga LaRouche led a Schiller Institute delegation to the International Symposium on Economic Development of the Regions in Beijing, organized in May by the Chinese government, and attended by over 460 experts from 34 countries. Dr. Ahmad quotes her, that "the reason why I am so optimistic is . . . because the genie of world development is already out of the bottle," as well as from Pakistani Gen. Mirza Aslam Beg's September 1996 speech in Beijing citing the LaRouches' work.

Russia: Only hope for survival is Eurasian land-bridge collaboration

by Rachel Douglas

During 1996, one of the world's great powers, Russia, took a plunge downwards, the parameters of which, and possibilities for its reversal, may be focussed through the glass of Lyndon LaRouche's Presidential campaign statements, his ongoing interaction with the Russian intelligentsia, and his written interventions, aimed to revise disastrous United States policies toward Russia and the rest of the former Soviet bloc.

In a March 16 campaign address in Los Angeles, excerpted for broadcast on CBS-TV on April 18, LaRouche discussed "Foreign Policy as You've Never Heard It Before." Here, he located Russia as one of the few sovereign powers, capable of acting, in concert with the others, to defy and replace the London-dominated global financial oligarchy:

"What are we going to do about the world? . . . You've got to deal with the world; which means the President of the United States, must call together representatives of a number of powers, to enact, in various parts of the world, similar measures to those he's enacting in the United States. He must scrap existing trade agreements and tariff agreements, and set up a new series of agreements which are based on protectionism for both the U.S. recovery, and allowing other nations to do the same thing. . . .

"What are the powers we deal with? Well, first of all, the largest power we have to deal with, is called the British Empire. . . . Now that empire, which the British effectively control, except for a few dissident nations that don't like it, that empire represents about one-fifth of the world's land area . . . about 30% of the world's population. It controls 48-50% of the world's financial turnover, including the \$3.5 trillion a day derivatives turnover. It controls the majority of the world's international trade in what are called strategic metals, such as the metals that are required for most industry. It controls the majority of the international trade in petroleum. . . .

"Now, there are some other powers on this planet. There are the Russians. Now, the Russians have never had a nation-state. *Never*. They went directly from empire—from Tatar domination as satrapies, to an empire, to communism, without passing 'Go' or collecting \$200. They have now been put into bankruptcy, because the British, supported by George Bush, in 1989, said, 'Well, the Russians are down on the ground. Now we're going to make sure that none of the nations of the former Soviet empire *ever rise again*. We are going to *destroy* them, by reform.' A mass-murderous reform. . . .

"So, Russia has never had nation-state status. But they represent the *potential* of a nation-state, which more and more people in the place would like to have, and they represent power; despite their broken condition. So you have to deal with them as a primary-tier world-power.

"Mainland China is also a world-power, a first-tier world power. And there are no other first-tier world powers on the surface of this planet. The United States, the British Empire, Russia, and China."

A U.S., Russia, China alliance

In April, LaRouche visited Moscow for, among other events, an April 24 round table, "Russia, the United States, and the Global Financial Crisis," sponsored by the Institute for Socio-Political Research (ISPI) of the Russian Academy of Sciences, the Free Economic Society of Russia, and the Schiller Institute for Science and Culture (Moscow). Co-chairmen were Academician Leonid Abalkin, who heads the Institute of Economics of the Russian Academy of Sciences and is a leader of the Free Economic Society, and Academician Gennadi Osipov, the director of ISPI.

In his presentation, LaRouche reviewed the on-rushing financial and economic breakdown crisis, "from the standpoint of approximately 60 years of U.S.-Russian relations." He concluded:

"Therefore you have a system, which is not facing a future crisis, but a system which is presently involved in a *global breakdown crisis*. . . .

"From the standpoint of the United States, our law and tradition enable us to cope with this problem domestically. The President has the combination of emergency law powers and Constitutional powers, to solve the internal part of this crisis. . . .

"But in an interconnected world, this requires the United States to call together other powers, to set up corresponding international monetary reforms. There are only four world powers on this planet: there's the United States; there's the British Empire (not the United Kingdom—that's a joke; the British Empire), which will be the major opponent of any such change; there is, third, Russia—even despite Russia's condition at present, Russia is a world power, and at least the current President of the United States recognizes that fact; China is also a world power. There are no other world powers.



Lyndon LaRouche (center) speaks in Moscow, April 24, 1996, at a round table on the theme "Russia, the United States, and the Global Financial Crisis," held at the Free Economic Society.

"Therefore, Russia has a very crucial role to play in this process. . . . The combination of the United States and Russia, now as in 1945, with the cooperation of China and with the cooperation of other, lesser powers, who require the benefit of the same kind of development—we can change the course of world history, and get out of this economic mess.

"Now, the reason this possibly may occur, is because of the so-called force of Reason. None of us have any alternative."

Academician Abalkin, who in introductory remarks had welcomed the opportunity to hear from LaRouche, "with his original ideas and approaches," concluded the session with an appeal to its participants, "to awaken public opinion and draw the attention of political forces to the problems Mr. LaRouche has posed, and to the discussion that unfolded around them. I think that we must break through the wall of silence."

On May 21, the Moscow newspaper *Finansovyye Izvestia* reported on the round table with LaRouche, under the headline, "American Economist Predicts a Global Crisis of Capitalism." In November, a Russian-language transcript of the event (which appeared in English in *EIR*, May 31) was released by ISPI.

Collision with IMF

LaRouche reported back on his Moscow visit, in a May 16 lecture in Washington, D.C., excerpted for broadcast on

Fox-TV June 2, as a Presidential campaign statement:

"You have terrible conditions in Russia. Now, these conditions were *intentional*. There were no 'mistakes' made in Russia by Thatcher, Mitterrand, and Bush. They were determined to destroy Russia and its people, with a kind of worse-than-Morgenthau Plan, so that part of the world that had formerly been eastern Europe or the Soviet Union, *would never come back again*. It would be depopulated.

"The Russians would not be allowed to have advanced industries; they would export natural gas and petroleum, and strategic minerals, at low prices, to the London market. They would not be allowed to have industry. Their scientific establishment would be taken down and destroyed. The birth rate would be dropped. The population would be more than halved.

"The country is on the verge of an explosion. They have only one option, and that is to get rid of the IMF. The United States says, 'No. We are *not* going to get rid of the IMF. We're not ready for that. We are going to support the IMF conditionalities. But, we're going to tell the IMF to take it easy on the Russians, and give them a few loans.' This is a collision course!"

Russia has lost its sovereignty

Boris Yeltsin won reelection as President of Russia in the June-July elections, but destroyed his health—and the finances of the Russian state—in the process. To pay wage

arrears and fund other concessions to potential voters in the pre-election period, the Russian government borrowed the equivalent of \$28 billion from Moscow's new commercial banks, at triple-digit interest rates. A new non-payments crisis, for wages and goods deliveries, engulfed the country in the summer and into the fall, setting the stage for a wave of strikes. LaRouche took stock of Russia's rapidly deteriorating position and capabilities, in a July 27 presentation to a Schiller Institute seminar for representatives from eastern and western European nations, held in Oberwesel, Germany:

"The American people believe—as the people of Germany do not believe, as the people of France do not believe, except for psychotics, as the people of western Europe, as the people of Russia do not believe—they do not believe that Germans, French, Russians, and so forth can determine the policies of their nation. The recent Russian election was an affirmation of the fact that the Russian people do not believe that Russians can determine the policy in Russia, but know that Russia can only have as government a government by compradors, that is, leaders who have sold out to become agents of foreign occupying powers. . . .

"So therefore, in Russia, *as in every other country in Europe*, those of you who have inside knowledge of these countries know: There is no perception that these countries have any sovereignty."

EIR of Nov. 29 carried LaRouche's major essay on policy for, and toward, Russia, "Russia's Relation to Universal History." In the introduction, LaRouche stated:

"A so-called 'Reform' policy, was jointly imposed upon post-Soviet Russia, Ukraine, and Belarus, by Britain's Prime Minister Margaret Thatcher and the man she has described as her dupe, U.S. ex-President Sir George Bush. That 'Reform' policy, not reversed under U.S. President Clinton, has driven Russia presently to existential extremes, at which some sort of explosion is imminent. 'Explosion' does not signify 'global thermonuclear war,' but the ignition, and spread of chaos, out from Russia, to engulf much of the planet. It appears, that official diplomatic Washington is more concerned with clinging to the appearance of defending a failed British-designed 'Reform' policy, than replacing London's and the U.S. Republican Party's bankrupt policy with a sane American one.

"This policy-issue can not be approached competently within the limits of the Russia questions themselves. The same economic situation in Russia which is the driving force of the explosive social crisis in the region of the former Soviet Union, is an integral feature of an ongoing, currently accelerating, global, finance-driven economic collapse, the greatest financial and economic crisis in the modern history of this planet. Not only is the dynamic of the Russia crisis, a product, and reflection of that presently accelerating global financial and economic collapse; the exhaustion of the past five years' London-centered looting of the former Warsaw Pact region, is an important, contributing feature of the timing and ferocity

of the planetary financial collapse."

LaRouche reminded his audience that Russia's greatest strength is the capabilities of its scientists, tempered by their more or less explicit "dissidence" during the Soviet period; this is "the leading edge of cultural achievement bequeathed from Soviet society, and Russia before it, to Russia and the world today," that "presently living experience within the culture of Russia today, to which the people of Russia can turn for a comprehensible 'model' of how a presently bankrupted economy of Russia may be rebuilt. Here, in this facet of Soviet experience, the people of Russia can find that heritage, within their society, which best expresses that within them which is truly human, that which must be fostered, if human nature is to be summoned efficiently to rescue Russia from its present nightmare."

Russia's future tied to Eurasia

In a Dec. 11 radio interview with "EIR Talks," given just before the winter conference of the Schiller Institute in Germany, LaRouche cautioned that Russia's internal crisis can be neither evaluated, nor solved, separately from the overall development of Eurasia:

"What's important is that Russia is now engaged, visibly more so, like [Foreign Minister Yevgeni] Primakov's activities, for example . . . in forming a coalition of forces including Russia, India, China, also involving Pakistan, with a prominent role of Iran, which the United States doesn't want to talk to—silly United States! . . .

"And, therefore, this is all built around our policy for developing a network of railway corridor-centered development regions throughout Eurasia. This is something to which the British are absolutely, fiercely opposed. . . .

"And, that's the *only* thing one should discuss in respect to Russia. All the current internal fiddle-faddle . . .—*forget it!* It doesn't mean anything.

"The only thing that meant anything in Russia, in terms of domestic and foreign economic policy, beforehand, was the Third Force. And, with the aid of the International Republican Institute of Bush and Kissinger and Company, they managed to run manipulations through [Yuri] Skokov, and, now, the game they played with Gen. [Aleksandr] Lebed, to destroy the Third Force. As a result, there is no force in Russia in a well-organized, prominent position (even though there are plenty of Russians behind the scenes who are still there), which is prepared to do anything competent about the Russian economic policy. . . .

"But, in the meantime, the one thing the United States should latch on to—apart from people in Washington coming to their senses and saying, 'An end to the crazy talk about "democracy" and "reform" ' (shooting a Parliament is not a very democratic act)—is this coalition, this emerging coalition: China, now India, Russia, Iran, and, now, Pakistan. That's the key thing to look at, and that's where Russia is playing a significant role."

How Europe changed during 1996

by Nancy Spannaus

At a public conference held in Milan, Italy on Dec. 2, 1996, on the occasion of the visit of Lyndon LaRouche and his wife Helga to that country, Sen. Flaminio Piccoli, a former general secretary of the Christian Democracy (until recently, Italy's leading party), sent a message of greetings which concluded:

"I personally met him [Lyndon LaRouche] for the first time in 1976, and he appeared to me very well informed on the Italian situation. He said that if Italy accepted IMF [International Monetary Fund] conditionalities, it would lose its national sovereignty. Hard words, which were confirmed by the facts which have hit our country since then, and particularly so in the last two-three years, with the attack against traditional parties and particularly the Catholic one.

"Besides his in-depth knowledge of history, and of Italian events, what impressed me in him the most was the fact that for each nation, for each continent, he had concrete proposals of economic and industrial development, from Latin America to Asia, from the Middle East to Russia and China. Of his movement, I appreciate the international approach, the idea that Italian problems can only be solved by creating a more just world economic order."

While Senator Piccoli is clearly more public in his appreciation of LaRouche's role in European politics than other senior politicians on that continent, his assessment is by no means unique. Particularly over the course of 1996, as the European continent began to go through the economic wringer of the supranational Maastricht Treaty, and patriots began to realize that the effects of the speculative financial bubble, IMF austerity, and the Maastricht measures threaten the very existence of their nations, the ideas of Lyndon LaRouche and his movement have become increasingly part of the political debate.

The European continent is currently wracked by a political mass strike process, a state of revolt against the austerity measures which the leading political institutions have determined to put into place. Under such conditions, there is a premium on ideas appropriate to solving the acute crisis. Despite a limited physical presence on the continent, European organizations associated with LaRouche and his ideas, have greatly expanded in influence over the past year. Under the growing conditions of crisis, that influence is nearly assured to increase.

The end of an epoch

From the beginning of 1996, LaRouche's associates in Europe took out the message reflected in his elaboration of the "typical collapse function" (see article, p. 21), the fact that a continuation of decreasing physical production, against a hyperbolic rate of growth of financial speculation, would lead to financial, and then economic, disintegration. The thesis was produced in all the major languages of Europe, and many eastern European ones as well. Hundreds of thousands of leaflets went out in Germany alone, featuring the analysis of the collapse function.

What this message intersected, was a process of dramatic economic devolution—reflected in everything from cuts in traditional social services, to mass layoffs, to production shortages and depopulation—throughout every nation of Europe. The European Union had demanded a Maastricht strait-jacket, which required national governments to savage their economies in order to be integrated into a new supranational institution. Despite political resistance from unions, and even some industrial and banking figures, the governments determined to go ahead.

In Germany, in particular, the rate of collapse was spectacular. In the spring, unemployment reached levels higher than at any time since 1945, yet the Kohl government remained committed to implementing policies that would throw more people out of work. The Civil Rights Movement Solidarity, the German political party led by Helga Zepp LaRouche, ran candidates in a number of state elections in the spring, and Mrs. LaRouche herself, as head of the party, was given a short TV spot in Rhineland-Palatinate on March 9, in which she blasted the austerity policies, and attacked the policy of speculation. The Civil Rights Movement Solidarity launched a campaign in April against the health cuts, and was a visible presence within the trade union mobilizations that occurred through the summer, into the fall. "Production, not speculation" was the key slogan.

An alternative perspective

In the summer, after the German government had confirmed that it intended to go ahead with drastic budget cuts, and adapt to the new "globalized" economy of cheap labor and geopolitical conflicts, Zepp LaRouche launched an initiative around foreign policy. "We Need a New Foreign Policy," was the title of an open letter she addressed to economic and political leaders of Germany. The theme of the letter, which she wrote shortly after returning from a Beijing conference on the Eurasian land-bridge, was that Germany must orient toward economic development, by integration with the nations to the East, through corridors of infrastructure development.

Zepp LaRouche reviewed for Germans the lost opportunities of 1989, when she and her husband had first put the perspective of the Productive Triangle on the table. This proposal would have provided the basis for the development of Russia



Demonstration of the IG Metall metal workers union in Düsseldorf, Germany, September 1996. The sign reads: "The sick social state." Germany's spectacular rate of economic collapse during the past year, brought hundreds of thousands of workers into the streets.

and eastern Europe, from which base there could—in fact, must—be a thrust to promote industrialization in the Southern Hemisphere. But those leaders in Germany who were hospitable to this proposal, such as Deutsche Bank President Alfred Herrhausen, were murdered, and the necessary decisions were never made. Instead, the Bush-Thatcher-Mitterrand cabal launched a series of geopolitical ploys, including the Gulf and Balkan wars, and Germany let itself be trapped. One sign of accepting this trap, was German accession to the Maastricht Treaty, which was explicitly devised in order to prevent Germany from playing its necessary role in spurring eastern European and Russian development. This is evident in the fact that the Maastricht Treaty explicitly proscribes the kind of government-backed credit for large development projects, which a rational policy demands.

This paper on foreign policy was circulated widely in leading political and economic circles in Germany. The only visible change in German government policy has been toward China; when Zepp LaRouche first wrote her evaluation, the Germans had been playing anti-China games with Tibet's Dalai Lama, games which they have since put on the back burner, in order to pursue significant economic deals with the government in Beijing. Otherwise, despite mass popular unrest against the Maastricht restrictions, the Kohl government continues to insist upon a course of suicide.

Zepp LaRouche followed up this intervention in the fall, with a public response to a speech by German President Roman Herzog. In contrast to Herzog's thesis about the waning of the nation-state, Zepp LaRouche argued in defense of na-

tional sovereignty, as the only institutional basis for promoting scientific and industrial progress. Her document has circulated widely, and provoked considerable, if private, debate.

Eastern Europe

Because of the more rapid pace of collapse in the East, among other reasons, the LaRouche movement's alternative to the IMF has received more prominence there than in the West. Representatives of the Schiller Institute are in considerable demand, and have travelled extensively to give seminars in Poland, Slovakia, Croatia, Austria, and Bosnia. Schiller Institute representatives also travelled to Moscow in May, in order to deliver policy papers on the question of education policy, at a meeting held in the State Duma (parliament). This was a significant followup to Lyndon LaRouche's visit to Moscow in April (see p. 67).

The Schiller Institute launched a major initiative to save the children of Bosnia in January 1996, and raised the demand for dumping the World Bank-IMF diktat, in favor of a huge reconstruction, or Marshall Plan-style effort. Press conferences on this policy were held in Washington in February, and in Sarajevo in April, as well as in some German cities. The Schiller Institute organized delegations to Sarajevo, including prominent Slovakian political figure Jozef Miklosko and some U.S. state legislators, in March and April. In August, another prominent delegation visited Bosnia, including French political leader Jacques Cheminade, and a retired German general, J.A. Graf von Kielmansegg, in order to report back on the state of that target of British geopolitics.

The most prominent eastern European trip was that taken by LaRouche and his wife to Slovakia, from July 31 to Aug. 3, where the U.S. Democratic Presidential pre-candidate was described in the major Slovakian press as “the American Sakharov.” LaRouche gave a well-attended press conference, and addressed a meeting of political leaders in the capital, Bratislava, on the subject of “Present Problems in the Financial World and Their Importance for Countries Under Transformation.”

The Schiller Institute’s input on the economy has also been welcomed in Poland, where LaRouche’s associates have established a branch of the Institute, and maintain regular publication of a newspaper. In early December, Schiller Institute representatives held a televised debate on economics in the port city of Szczecin, and addressed a seminar at the Polish Ministry of Industry and Trade, on LaRouche’s economic perspective.

Austria has also been the scene of increased Schiller Institute presence in 1996, with 15 public meetings having been held there during the year, including presentations at two agricultural schools.

The French problem

The year 1996 began with a major mobilization by the French trade unionists against Maastricht austerity demands. The Chirac-Juppé government found itself extremely unpopular, but there was no visible leadership for an alternative economic policy. The situation was ripe for a rapid rise to prominence of the “surprise” Presidential candidate of 1995, LaRouche associate Jacques Cheminade. Despite his ultimately small vote, Cheminade’s ability to gather the signatures to get on the Presidential ballot had made him a national figure, and a potential rallying point for the opposition to Maastricht.

Allies of the British oligarchy in France, however, had different plans. From January forward, Cheminade found himself and his political organizations under virulent attack, particularly through the courts. First, Cheminade was condemned for alleged theft, in a totally fraudulent case which had been previously thrown out by an unbiased judge. Then, the courts ruled that Cheminade, the poorest of all the Presidential candidates, had violated election fundraising laws, and took action to recover monies which had been advanced to him by the state, for his Presidential campaign. This blatantly discriminatory and unwarranted move against Cheminade’s very limited financial means, continues to this day.

As *EIR* pointed out in the fall, the assault against Cheminade was of a piece with the British moves to consolidate a new “Entente Bestiale,” a geopolitical alliance with France to counter American strategic influence. The British oligarchy, which the LaRouche movement had moved aggressively to expose as a still-active imperial force over the previous two years, including a new study of the British Empire’s physical strength and power (see *EIR*, May 24, 1996, “The Sun Never

Sets on the New British Empire”), was determined to destroy the very concept of national sovereignty based on economic, scientific, and technological progress, and cooperation between nation-states based on this principle. The destruction of the de Gaulle tradition in France, and a collaborator of LaRouche—Jacques Cheminade—was an integral part of achieving this objective.

The Italian flank

Italy, home of so much of European civilization’s highest accomplishments, has been virtually destroyed industrially and politically over the past decades. This destruction has included shattering its political parties, and carrying out dirty operations against associates of LaRouche. But, in the course of 1995 and 1996, Italy became very fertile ground for LaRouche-led attacks on the British oligarchy.

It was in October 1995 that the LaRouche-associated Movimento Solidarietà (Solidarity Movement) launched a formal legal complaint against international speculator George Soros, for his illegal attacks on the lira back in 1992. But, on Feb. 3, 1996, the Italian press prominently covered the fact that Italian magistrates were now investigating Soros on the basis of this complaint. Over the course of the year, other charges by the Solidarity Movement against British-backed attacks on Italy have been taken up by a variety of political leaders.

These leaders can see that the shattering of Italy’s political institutions, is now set to be followed by the dismantling of the nation altogether. A huge vote for the separatist Northern League in elections in April galvanized a lot of people who had previously been reluctant to do battle with the British.

It is in this context that the LaRouches’ trip to Italy occurred in late November-early December. LaRouche and the Schiller Institute have a long history of promoting Classical Italian cultural achievements, particularly in the area of music. It was in Milan that LaRouche launched an international campaign for the Verdi, or Classical tuning at C=256, back in 1988. In late May 1996, *Canto e diapason*, the Italian translation of *A Manual on the Rudiments of Tuning and Registration, Book I*, which LaRouche had commissioned to present the scientific basis for this tuning, was released at events in Milan and Rome. With the LaRouches’ trip, the presentation was repeated, before a larger audience, in Verdi’s hometown of Busseto.

The fact that LaRouche’s political appearance in Milan was co-sponsored by one of the major sections of the former Christian Democratic Party, the CDU, reflects an advance in the degree to which leading Italians are looking to LaRouche. The combination of the cultural issue with the political issues per se, also underscores the point. The only way in which the world is going to get out of the global crisis, represented economically by the typical collapse function, is through reviving principles of Renaissance culture, which created the best of our civilization to begin with.

Ibero-America in 1996: Now, everybody is a 'LaRouchista'

by Carlos Wesley

On Nov. 4, columnist José Neme Salum posed the following question in Mexico's daily *Excélsior*: "Why do all of them now want to be LaRouchistas?" Neme, the leading economic analyst of Mexico's premier newspaper, was referring to the fact that even people who stand on the opposite side of the divide from Lyndon LaRouche, ranging from policymakers in the City of London and Wall Street, to International Monetary Fund (IMF) Managing Director Michel Camdessus, are echoing the warnings of a worldwide financial collapse that LaRouche first issued in his 1994 "Ninth Forecast" (see *EIR*, June 24, 1994, "The Coming Disintegration of Financial Markets").

Indeed, over the course of 1996, LaRouche's policy proposals came under increasingly serious consideration by different forces on the continent. Lawmakers in Mexico and elsewhere have begun to consider the draft legislation for a bankruptcy reorganization of the economic and financial system, better known throughout Ibero-America as the "LaRouche Plan." The bill calls for declaring a moratorium on the foreign debt, imposing exchange controls, establishing a new international financial system to replace the IMF, and the elimination of autonomous central banks, to be replaced by national banks that would issue low-interest credit to build infrastructure and for the production of needed physical goods.

Although there is as yet no government ready to act on these measures, the proposals are available to be implemented at the moment the crisis erupts.

Congressional hearings

On Dec. 4, Mexico's Congressional Committee on Population and Development held hearings in Mexicali, Baja California, at which a spokesman for the Ibero-American Solidarity Movement (MSIA), an organization of LaRouche co-thinkers, was invited to testify on the proposed legislation. The MSIA spokesman told the congressmen and others present, including Baja California state Gov. Héctor Terán, state legislators, and leaders of political parties, labor unions, and business organizations, that LaRouche has a track record that is unequalled in terms of accurate economic forecasts.

Mexican President Ernesto Zedillo is foolishly citing "macroeconomic indicators" to claim that there is an eco-

nomie recovery, when the truth is that the situation is getting worse. About 5% of Mexico's population is getting richer, while the other 95% is getting poorer. In mid-1996, *Forbes* magazine listed Mexico as the fifth-ranked country with the most *billionaires* in the world, with 15. At around the same time, the World Bank released a study showing that 85% of all Mexicans live below the poverty line, defined as having a daily income of \$5 or less.

In fact, the situation is worse, according to the Archdiocese of Mexico City, which found that 12 million households, that is, 60% of all households in the country, representing 57 million people, live on a daily income of \$2. This works out to about 44¢ per person per day, for food, clothing, lodging, and other necessities.

The MSIA spokesman reminded the lawmakers that the bill was first introduced to the Standing Committee of Mexico's Congress on Aug. 23, 1995, and was the subject of hearings in the Mexican Senate in May 1996. He read the proposed bill in its entirety to the assembly, and distributed copies of the same to everyone, including to Governor Terán, who had opened the meeting by stating that the Biblical injunction in *Genesis*, "be fruitful and multiply," is the basis of economic science—a formulation generally associated with LaRouche.

The same Congressional committee, as part of a "Consultation on Economic Development" that it is conducting throughout Mexico, held hearings on Dec. 11 in Guadalajara, Jalisco, at which the MSIA was also invited to testify, and earlier, on Oct. 30, in Celaya, Guanajuato. There, Arturo Hernández Fernández, president of the local chapter of the National Chamber of Commerce (Canaco), told the congressmen and the other assembled federal, state, and municipal officials, that the "LaRouche Plan" must be adopted.

Hernández also sent out letters to other state and local chapters of Mexico's Chamber of Commerce, calling on them to join in support of the "LaRouche Plan," which, he said, "is backed by several business, farm, civic, and debtor organizations in Mexico and Ibero-America," representing hundreds of thousands of people.

In Argentina, too, there was motion to rekindle the proposed bill, which was first introduced to the Argentine Congress in 1995 by Antonio Achem, Anibal O. Hardy, and Orlando Juan Gallo. During a tour of the country last fall, *EIR*

Ibero-American affairs editor Dennis Small spoke to some 200 students and faculty at La Matanza University, in Buenos Aires province. He also addressed a packed, \$100-per-person seminar on the subject, "There Is Life After the Death of the IMF," and gave a talk on the economic crisis and the "LaRouche Plan" in an auditorium of the National Congress of Argentina, in an event sponsored by a member of the Argentine House of Representatives.

These developments capped a year of intense activity, which also saw the publication of "The World Food Crisis: Famine as a Political Weapon," by the State Legislature of Rio Grande do Sul, Brazil. The 68-page "green book," prepared with the assistance of the MSIA in Brazil, is a compilation of articles taken from *EIR*, along with an introduction by the chairman of the agricultural committee, state legislator Giovanni Cherini.

Since it first appeared, to very favorable reviews, in June 1996, the book has gone through at least three printings, and it has circulated widely among government and other influential circles in Brazil and elsewhere. The Rio Grande do Sul representatives in Brazil's delegation to the recent UN Food and Agriculture Organization World Food Summit in Rome, reflected the widespread influence of the book when they attacked the "15 cartels that control the world's food supply," as reported by the Nov. 20 issue of the Pôrto Alegre daily *Correio do Povo*.

Continental mobilization

Perhaps the highlights of the year were two forums held in Mexico in 1996, under the title "There Is Life After the Death of the IMF." The first took place March 8-9 in León, Guanajuato. There, the nearly 300 delegates in attendance heard Marivilia Carrasco, leader of the MSIA in Mexico, warn that unless the LaRouche Plan is adopted soon, millions of Mexicans will suffer the fate of the people of Somalia or Burundi, and Mexico will disintegrate under "narco-terrorist mercenaries, such as the Zapatista National Liberation Army, who are working for the British Crown to destroy the sovereign nation-state." Her remarks got extensive coverage in the media, as did all the forum's proceedings.

At the same meeting, the MSIA announced that it was launching a campaign to destroy the Mont Pelerin Society, the association of economists, politicians, and supposed theologians who unabashedly promote the extremist Satanic doctrines of Bernard de Mandeville, the pederast Jeremy Bentham, Ludwig von Mises, and Friedrich von Hayek that are behind the IMF's neo-liberal, i.e., free trade, economic prescriptions and the genocidal Gingrich-Gramm Conservative Revolution.

The second forum of 1996 took place on Columbus Day in Mexico City, and it capped a week-long mobilization that brought out scores of organizations, representing thousands of people—ranging from Colombian oil workers, to Argentine farm women, to Peruvian port workers, to Mexican farm-

ers, to Venezuelan labor unions. These and others held demonstrations against the IMF, from motorcades and tractorcades, to rallies and prayer services, throughout Ibero-America.

The mobilization was endorsed by, among others, Mexican Congressman Walter León Montoya and Argentine Congressman Alfredo Allende, as well as by Venezuelan intellectual Juan Lizcano, who is one of the founders of the Venezuelan nationalist movement Fundapatria, Panama's Gen. Manuel Noriega, and Domingo F. Maza Zavala, a director of Venezuela's Central Bank. The Movement for National Identity and Ibero-American Integration (Mineii), founded by Col. Mohamed Ali Seineldín, the jailed Argentine nationalist leader, joined as a co-convenor and sent a representative to the Mexico City forum, which was also attended by delegates from El Salvador, the United States, and elsewhere.

LaRouche videotaped a message for the mobilization, which is still shaking up the continent: Not only was it shown at conferences held from one end of the continent to the other last October, but it has been repeatedly shown across Ibero-America since then. After reviewing the miserable condition in which the nations of the continent now find themselves, LaRouche asks:

"So, what do you say to somebody who is a patriot of Mexico or Argentina? That there is hope, because the economic power, the authority of the institutions which have imposed these policies over the past 30 years, is crashing. This is the time you can intervene, because those in power are at their moment of greatest relative weakness. And, that's our opportunity."

British-instigated countergangs

Typically, the British are seeking to take control of the resistance. At the beginning of December, Juan José Quirinos, national leader of El Barzón, the countergang established to disrupt the efforts of LaRouche's allies in Mexico to organize the farm and debtors movement, deployed to Argentina and Brazil, supposedly to organize a "continental debtors' movement." One of his first stops was in Pôrto Alegre, where LaRouche's friends in the MSIA have been working closely with the farm movement and the state legislature.

Since its inception, Quirinos's El Barzón has been promoted by the newspapers of the British Hollinger Corporation, particularly by *Sunday Telegraph* Washington correspondent Ambrose Evans-Pritchard, and by the *Wall Street Journal* and the London *Financial Times*, as the "real" rebellion in Mexico. El Barzón is openly integrated into the Zapatista machine, and promotes a plan to securitize debt arrears, which it had drafted by a Wall Street securities firm.

Despite British efforts to puff Quirinos up as the champion of the poor, downtrodden debtors, there is no erasing the fact that, at heart, Quirinos is a money changer, whose real business is in running the chain of exchange houses of which he is the proprietor.

LaRouche shapes security debate in Ibero-America

by Gretchen Small

Policymakers for the U.S. security establishment were instructed last year, via the *Joint Force Quarterly*, that they must read a “Lyndon LaRouche” book, *The Plot to Annihilate the Armed Forces and Nations of Ibero-America*, if they wished to understand the thinking of the officer corps of Ibero-America’s military.

The Plot (published in English and Spanish) was reviewed as part of a special package on “The Security of the Americas,” that appeared in the Spring 1996 issue of *Joint Force Quarterly*, the magazine of the National Defense University’s Institute for National Strategic Studies. The *Quarterly* warned that it would be a mistake to dismiss the book as “yet another odd conspiracy theory . . . by ‘U.S. economist and former political prisoner’ Lyndon H. LaRouche,” because the book “has sold thousands of copies in Latin America and the Mexican military has printed a special edition of more than 500 copies” (sic—the Mexican Defense Ministry printed 5,000 copies in 1994). “It is reportedly on the required reading list at several regional military academies and staff colleges. Students of Latin American affairs will ignore this book to their own detriment,” the review explained. “The book currently is commanding a growing following within the militaries of Latin America. Thus, it should be studied as an insight into one of the influences on members of the armed forces within our hemisphere.”

Speaking on behalf of pro-British policymaking circles, the *Quarterly*’s concern was to discredit that influence, but there was nothing inaccurate in its identification of LaRouche’s influence. LaRouche does command a growing following in many sectors in Ibero-America, the military included. In fact, LaRouche has been a strategic factor in Ibero-America since 1982, when his influence exploded in the region, around his now-prophetic identification of the common strategic issue underlying the great debt crisis of that year, and Great Britain’s war with Argentina over the Malvinas Islands. In a widely circulated document, entitled *Operation Juárez*, LaRouche argued, in 1982, that the British-centered international financial oligarchy had set out to use the global economic crisis to eliminate the sovereign nation-state, and with it, civilization. He proposed a counter-strategy, by which

Ibero-America could turn the crisis to its advantage, defeat the global enemy, and develop as an industrial superpower in the process.

Many, who in 1982 decried LaRouche’s warnings as “extremist,” now recognize in the shards of their national sovereignty, the truth of his strategic evaluation. LaRouche’s persistence in the face of the universal stampede of obeisance to the “god of globalization,” has earned him renown in military circles in Ibero-America as “Mr. Nation-State,” and he has become the intellectual leader of those “old-fashioned” nationalists who refuse to join the consensus of the day, at the expense of their nations.

Why now?

Rarely, until now, has LaRouche’s role in Ibero-America been addressed publicly outside of the region, despite the fact that it is well-known to any analyst who knows anything about Ibero-America today. Last year, however, the decision was taken by the policy circles committed to establishing a Western Hemisphere Free Trade Accord (an accord conceived from the outset as an economic *and* political-military supranational structure), that LaRouche’s influence in the military constitutes such a critical obstacle to the regional governance plans, that it had to be taken head-on.

The second summit of the defense ministers of the Americas, scheduled for October 1996 in Bariloche, Argentina, was chosen as a target date for advancing the military component of the WHFTA schemes, and, therefore, also a target for crushing the LaRouche factor.

The Spring 1996 *Joint Force Quarterly* package on the Americas, with its review of *The Plot* that attempted to rebut the LaRouche nation-state thesis, began the public anti-LaRouche offensive. The strategic impact of *The Plot*’s thesis was identified by Luigi Einaudi, the top Kissingerian strategist for Ibero-America at the State Department, who, in his article for the package, railed against the Ibero-American military for refusing to accept the formation of a supranational military force in the region. Einaudi blamed “conspiratorial hypotheses” of a plan against their nations, for building resistance to the plans.

Then, on Aug. 14, newspapers throughout Ibero-America reported that U.S. Gen. Lawson Magruder, Commander of the U.S. Army South, which operates out of the U.S. Southern Command in Panama, also named LaRouche publicly as the evil genius spreading such “conspiratorial hypotheses.”

Magruder made his remarks in Bolivia, where he paid an unexpected visit, two weeks after *EIR* Brazil correspondent Lorenzo Carrasco had addressed hundreds of Bolivian military officers, students, and businessmen on the world strategic crisis, during a week-long visit to La Paz and Santa Cruz. Carrasco reported that in *every* meeting, military or otherwise, just as *Joint Force Quarterly* feared, people pulled out their well-worn copies of *The Plot*, and asked their questions about what the book calls the “Bush plan” to

eliminate the nation-state, by eliminating national militaries, promoting indigenism and narco-terrorism, legalizing the drug trade, etc.

Only one major item was reported on Magruder's trip around the continent. According to the Spanish news agency EFE, "General Magruder said that there is no 'Bush Plan' for the gradual elimination of the armed forces of Latin America, it has never existed as official policy; this has been claimed only by an American political figure, Lyndon LaRouche, but it hasn't been supported by the President of the United States, Bill Clinton."

Did the tactic of taking on LaRouche's ideas succeed? Certainly, the stubborn refusal to approve the supranational plans continued at the Bariloche summit. It was held as planned in October, but Mexico sent only observers; several national delegations issued denunciations of mooted plans for a regional military force; and no major initiatives in any area were adopted, not even a firm date nor host for a follow-up summit.

Narco-terrorists begin screeching, too

The second, related, security issue in which LaRouche dominated the strategic debate in the Americas in 1996, came in the battle over the threat of narco-terrorism, and its organized expression today in the Americas, centered in the Cuban Communist Party-founded São Paulo Forum.

In his first major statement of his Presidential campaign, *The Blunder in U.S. National Security Policy*, issued in October 1995, LaRouche had warned the U.S. national security establishment against its foolhardy insistence that U.S. global security should be premised on the British Crown's "democracy and free market" policies, taking as his first example of that folly, Ibero-America.

His *Blunder* document was published in full by *EIR*'s Spanish biweekly, *Resumen Ejecutivo* (Nov. 15, 1995), as was also, shortly thereafter, a two-part study, commissioned by LaRouche, on the operations of the "New International Terrorism" in the Americas, detailing the extensive operations of the São Paulo Forum and the Shining Path-linked Revolutionary Communist Party, with documentation of how both narco-terrorist organizations are tied to London.

LaRouche dismissed as insane, verging on virtual reality, the lie ritually asserted in some U.S. security circles as dogma, that "the guerrilla insurgencies . . . have in most cases ended" in the Americas. LaRouche warned: "The new terrorist capabilities now being mobilized within the region, are far more numerous and dangerous than those of past experience." Narco-terrorism not only exists, but it is deployed as an instrument of the broader *irregular warfare* being waged against the nations of the Americas; as in the case of the Zapatista National Liberation Army (EZLN), with the "aim to conquer and destroy the Republic of Mexico."

As 1996 closed, the São Paulo Forum, in this case through the EZLN, has joined in the public campaign against

LaRouche's influence in the Ibero-American military, seeking to get official action against those who agree with LaRouche's evaluation, and set up LaRouche's friends in the region for narco-terrorist hits in the process.

On Dec. 1, David Fernández, S.J., the head of the Miguel Agustín Pro Juárez Center for Human Rights in Mexico and an admitted former guerrilla, gave an interview to the widely read Sunday edition of the Mexican daily *Reforma*: In reckless disregard for the truth, he claimed that the well-known friends of LaRouche, the Ibero-American Solidarity Movement (MSIA), and its leader Marvilia Carrasco, were behind a campaign of death threats against him and the Jesuit order in Mexico. The Pro Juárez Center is one of the most active Mexican groups using a "human rights" cover to defend the Zapatistas.

As evidence for this lie, Fernández singled out the Mexican military's use of LaRouche material. He told *Reforma*: "Today, in the Army, the book of Lyndon LaRouche, which is called specifically *Shining Path North*, has been printed as an Army publication for the education of the troops. There, an interesting link which must be investigated, begins to emerge. We have information that this has become an important text in the education and training of new military generations."

Fernández didn't have his facts straight. The Mexican military did reprint an edition of *The Plot*, but the "book" to which Fernández referred, is *EIR*'s Jan. 21, 1994 *Feature*, "Defend Mexico from Britain's Shining Path North," which documented the long-standing ties between the Zapatistas, and allied narco-terrorists in Mexico, and the murderous Shining Path of Peru.

The call for an investigation of LaRouche's influence in the Mexican military, has all the hallmarks of a decision taken overseas, at the level of the financiers who control the EZLN. Before his interview, on Nov. 19, Human Rights Watch/Americas, had granted a generous award to Father Fernández and his Pro Juárez Center, on the grounds that he required "an umbrella of protection" against the alleged operations against him. HRW/Americas brought Fernández to Washington to receive his award, and plan his defense.

HRW is not only heavily financed by the British Crown's speculator, George Soros, but Soros himself serves on the board of HRW/Americas. Like HRW and Soros, Fernández's Pro Juárez Center is active in the campaign for drug legalization.

The outgoing U.S. ambassador to Mexico, former chairman of the American Stock Exchange James Jones, immediately jumped onto the case, despite the fact that U.S. anti-drug officials have publicly pointed to Soros as the money-bags behind the U.S. legalization campaign. According to the Dec. 2 *Boston Globe*, Jones solicited an unprecedented meeting with Fernández, pledging that he would press the Mexican government to investigate the alleged threats, and offering to help obtain political asylum for those who sought it.

A new reality is emerging in Africa

by Linda de Hoyos

From Sept. 13 to 23, four U.S. elected officials traveled to Sudan for a fact-finding probe sponsored by the Schiller Institute of Lyndon and Helga LaRouche. The four—former U.S. Rep. James Mann (D-S.C.), Deputy Speaker Pro Tem of the State Legislature of Arkansas Benjamin McGee, Massachusetts State Legislator Ben Swan, and Alabama State Legislator Thomas Jackson—expected to find a Sudan that conformed to the portrayal of this crucial African country in the U.S. press: a harsh Islamic fundamentalist dictatorship, oppressing the rights of women and minorities, and fostering the slave trade, with a foreign policy centered on state terrorism.

This is not what they found, they told a seminar on Sudan at the Carnegie Endowment for International Peace in Washington, D.C. on Nov. 20. Instead, as McGee told the assembled experts at Carnegie, Sudan has a far more representative democracy than the level of participation registered in the Nov. 5 U.S. national elections. Further, there is no evidence that Sudan is a “terrorist state”; the Sudanese people enjoy religious freedom, as even opponents of the government admitted to the elected officials during their tour there; and, the government of President Omar al-Bashir, far from condoning slavery, is carrying out major agricultural and other projects (which these officials saw first-hand) that exemplify the type of economic projects that should be carried out throughout Africa. In short, the U.S. elected officials concluded, Sudan—perhaps because it has the means for economic self-sufficiency and the courage to defend the national integrity of both its territory and policymaking—was the victim of a “big lie” campaign.

The Schiller Institute’s sponsorship of the fact-finding investigation, highlights the role of Lyndon LaRouche and his associates toward Africa. In the case of Nigeria, Sudan, and the east and central African holocaust over the past two years, the Schiller Institute and *EIR* have *uniquely* told the truth. This distinguishing characteristic is making LaRouche a well-known force and rallying point in growing areas in Africa.

Finding the truth and exposing it, has brought LaRouche into direct confrontation with the British House of Lords, particularly Baroness Caroline Cox, deputy speaker of the House of Lords, and Baroness Lynda Chalker, British Minister of Overseas Development.

In the case of Cox, *EIR* has printed in detail how, through her ersatz Christian Solidarity International, she has spon-

sored the ragtag, discredited political opposition to the Bashir government in Sudan, and carried out a virtual crusade in the U.S. Congress to impose full-scale sanctions against the Sudanese people. Her CSI literature states plainly that the charge of slavery against Sudan should be used “as motivation” for the sanctions.

The British new colonialism

In the case of Chalker, a zealous Malthusian who justifies her policies of mass murder with the lie that “there are too many people in Africa anyway,” *EIR* has exposed her puppet-master relationship to Ugandan President Yoweri Museveni, the British marcherlord in east and central Africa. Under Chalker’s direction, Museveni launched the April 1994 blitzkrieg invasion of Rwanda; aided the murderous Tutsi military in Burundi; and has now launched through Rwanda and Burundi, a full-scale invasion of eastern Zaire, bringing death to countless thousands of Zairean and Hutu Rwandan and Burundian refugees. While the Western press fuels the analysis that central Africa is the victim of tribal war, *EIR* has exposed the way in which the British, and their partners, the French and the Belgians, have set up such a war with the aim of eventually placing such “failed states” under the “protective” wing of full-scale colonial rule.

In the face of such mass death, as was seen in Zaire over the last three months, the Schiller Institute, along with the Catholic Bishops Conference and other clergy, has been the only force to call for the United States to carry out urgent emergency relief operations in the region.

It is expected that the influence of the Schiller Institute will increasingly grow in Africa, an influence that was consolidated with the founding in 1995 of the African Civil Rights Movement with such African leaders as former Ugandan President Godfrey Binaisa. Since 1975, and the publication by a team organized by Lyndon LaRouche of the book *The Industrialization of Africa*, LaRouche has been the most consistent opponent of the genocidal policies of the International Monetary Fund and World Bank in Africa, as elsewhere in the developing world. LaRouche has also consistently exposed the Malthusian plans, put forward by Henry Kissinger’s National Security Study Memorandum 200, for drastically reducing the African population through war and famine. Many Africans have agreed with LaRouche’s perspective, but have been unwilling, given the tremendous risks involved personally and to their nations, to take up the fight.

The holocaust in east Africa, however, has introduced a new reality. British policies today in Africa mean the utter destruction of millions of people through the introduction of policies of mass murder of civilian populations. If African leaders do not come forward to fight for their nations on the basis of LaRouche’s strategic outlook, there is no hope for them, in the short term. Faced with this reality, imposed on Africa by London, more and more Africans are summoning the courage to fight in a way they have never fought before.

EIR's interviews in 1996: fighting for humanity, against the oligarchy

During 1996, EIR interviewed many officials and prominent individuals from around the world. Here are thumbnail sketches of who they are, and what they said.

Jose Albert, a member of the organizing committee of the Kilusan Tungo sa Pambansang Tangkilikan (Katapat), which held its founding convention in Manila on Nov. 23, 1995. "Filipinos Should Be the Economy's Sole Determinants and Beneficiaries" (*EIR*, Jan. 19).

Abdel Mahmoud Alkoronky, the press counsellor for the Sudanese embassy in London traveled to the United States to attend the Schiller Institute's Feb. 17-18 conference and to meet with policymakers in Washington. "U.N. Campaign against Sudan Is Based on Lies and Political Manipulation" (*EIR*, March 8).

Alfredo Allende, a national deputy representing the province of Buenos Aires, Argentina, a member of the Radical Civic Union party, and the secretary of the Congressional Committee on Foreign Affairs. "Much of the Foreign Debt Is Illegitimate" (*EIR*, Oct. 25).

Roberto Alvarado, a member of the negotiating commission of the Mexican government with the Zapatistas who participated in the Peace Assembly in Bogotá, Colombia on Aug. 27. "We Studied Colombia's 1991 Constitution" (*EIR*, Sept. 27).

Gen. Jorge Arzola, the military official in San Juan, Puerto Rico, in charge of the anti-drug radar for the U.S. Department of Defense. "Radar System in Puerto Rico Will Boost Anti-Drug Capabilities" (*EIR*, Feb. 2).

Jacques Bacamurwanko, former Burundian ambassador to Washington. "East Africa's 'Ethnic War' Is Really Britain's Doing" (*EIR*, Dec. 13). He sweeps away the lies about the genocide in East Africa.

Munir Bashir, the world's greatest living player of the oud—the stringed instrument which is a precursor to the lute—was interviewed in Baghdad, Iraq. In 1993, he was awarded the Cultural Communication between North and South Award. " 'If We Want Peace, We Must Have Love of Mankind, Morality, and Music' " (*EIR*, April 26).

Edward P. Beard, Sr., now Director of Senior Affairs for the city of Providence, Rhode Island, formerly served in Congress (1975-81), where he was chairman of the House Committee on Labor Standards. "Pound Gingrich into the Ground" (*EIR*, Jan. 26).

Harold Bedoya Pizarro, commander of the Colombian

Armed Forces. "In Defense of Justice" (*EIR*, Nov. 15). He evaluates the Army's role in the fight against narco-terrorism.

Dr. Valentin Belakogne, a specialist in shock waves and explosive processes in gases and plasmas, discusses the history, and future, of fusion "microexplosions." "Thermonuclear Fusion: A View from Russia" (*EIR*, March 1).

Godfrey Binaisa, the former President of Uganda, describes the Presidential electoral contest between the incumbent, Yoweri Museveni, and his rival Paul Ssemogerere. "The Ugandan Elections Pose a Challenge to London's Museveni" (*EIR*, May 10).

Wojciech Blasiak, a deputy in the Polish Sejm (parliament) and a member of the Confederation for an Independent Poland (KPN), "The International Economic Order Must Be Rebuilt Globally" (*EIR*, Jan. 19).

Leah Casselman, the president of the Ontario Public Service Employees Union in Canada, led the 67,000 members of the OPSEU out on the first strike by civil servants in Ontario's history, in protest of the anti-labor policies of the provincial government of Progressive Conservative Premier Mike Harris. "Union Leader Speaks Out on Ontario Public Service Employees' Strike" (*EIR*, March 22).

Dr. Randall C. Cutlip, the Research Leader of the Respiratory and Neurologic Disease Research Unit of the National Animal Disease Center, in Ames, Iowa, discusses progress toward finding a test for bovine spongiform encephalopathy, or "Mad Cow" disease. "National Lab Researcher Says: 'Mad Cow' Disease Test Still Needs More Work" (*EIR*, May 3).

Phil Gambino, the press secretary for the U.S. Social Security Administration. "Ritalin Prescriptions Funded by Government" (*EIR*, July 5). Ritalin, the brand name for methylphenidate, a form of amphetamine ("speed") that is a Schedule II controlled substance, is being medically administered on a daily basis to millions of children said to be suffering from the bogus diagnosis "Attention Deficit Disorder" (ADD/ADHD). Gambino confirms that the government is paying for many such prescriptions.

Yuri Gromyko, president of the Moscow Education Academy and rector of the Methodological University. "The Link Between Education and Russia's Development" (*EIR*, July 5). Excellence in education and the potential for economic development are closely intertwined, he says.

Alberto Guglielmo, the regional minister for Productive Activities of Italy's Lombardy Region. "Italian Industrialists Make a Bid to Help in the Development of China" (*EIR*, Aug.

30). Guglielmo led a delegation of 140 Italian industrialists to China in June, and inaugurated the Palazzo Lombardia (Lombardy Palace) in Shanghai, an Italian trade center which will coordinate economic cooperation between 2,500 Italian firms and China.

Félix Jiménez, the Drug Enforcement Administration (DEA) agent in charge of the Caribbean region. “If Properly Informed, the People of Puerto Rico Will Support the Radar” (*EIR*, Feb. 2).

Bishop Franjo Komarica, the Catholic bishop of Banja Luka, became famous because he refused to abandon his city when it was occupied four years ago by Greater Serbians. “Bishop of Banja Luka Speaks Out After Four Years of ‘Greater Serbia’ Terror” (*EIR*, April 5).

Lyndon LaRouche provided the uncensored transcript of an interview conducted on March 27 by Reuters’ Los Angeles correspondent, which was never released by the wire service. “The Economic Crisis Is the Major Issue of My Campaign” (*EIR*, April 19).

Maximiliano Londoño, the president of the Ibero-American Solidarity Movement (MSIA) of Colombia, explains why he came to the United States to urge government officials and lawmakers to back decertification of Colombia. “Without Decertification, the U.S. Would Be Samper’s Accomplice” (*EIR*, March 22).

Sara Madueño Paulet, president of the Schiller Institute in Peru. “Peru’s War Against Shining Path Has Not Yet Been Won” (*EIR*, Aug. 2). Madueño outlines how the war can be waged effectively.

Vazgen Manukian, leader of Armenia’s National Democratic Union and unified former opposition candidate in the Sept. 22 Presidential elections. “The Challenge Facing Post-Election Armenia” (*EIR*, Nov. 1). He discusses the vote fraud that left his country with a “semi-dictatorial regime, with a democratic shell.”

Most Reverend Theodore E. McCarrick, archbishop of Newark, New Jersey and chairman of the International Policy Committee of the U.S. Catholic Conference. “Proclamation of Liberty Is Our Responsibility” (*EIR*, Dec. 13). McCarrick discusses the basis for reforming U.S. foreign policy.

María Elena Milton, a LaRouche Democrat who won the Democratic Party primary election for the U.S. House of Representatives in Arizona’s Fourth Congressional District, against incumbent Republican John Shadegg. “I Am Leading a Crusade to Defeat Congressman ValuJet” (*EIR*, Sept. 27). Milton’s effort was a nationally prominent campaign against the Conservative Revolution.

Theo Walker Mitchell, a former state senator in South Carolina and the first (and last) African-American to serve as chairman of a Senate committee there since 1870. “The Malthusian Syndrome Has Caused a World of Pain” (*EIR*, Feb. 2).

Krzysztof Młodzik, regional chairman of the Upper Silesia Solidarity trade union of miners and energy sector work-

ers. “True Reform Begins with Infrastructure” (*EIR*, June 21).

Seyed Hossein Mousavian, the ambassador of the Islamic Republic of Iran to Germany. “Iran’s Strategic Economic Role Grows” (*EIR*, Aug. 23). He discusses Iran’s growing role in helping build the Eurasian land-bridge of rail corridors stretching from the Atlantic to the Pacific, a program on which worldwide peace and economic development depend.

Dr. Abdul Alim Muhammad, the Washington, D.C.-based medical doctor and a national spokesman for the Nation of Islam, gives an eyewitness account of Minister Louis Farrakhan’s recent tour of Africa and the Middle East (*EIR*, March 22).

A. Moneim Z. Nahas, a retired deputy chief justice, who now heads the General Elections Authority in Sudan. “Sudan Prepares First Elections Since 1955” (*EIR*, Feb. 16).

Faris Nanic has served as the chief of staff of Bosnia’s President Alija Izetbegovic and as spokesman for the Defense Ministry in Sarajevo. He is currently general secretary of the Bosnian ruling party branch SDA in Croatia, and head of the TWRA Press Agency in Zagreb. “What We Need Is Help to Ignite the Engine of Reconstruction” (*EIR*, July 26). Bosnia needs a new Marshall Plan, Nanic says.

In a second interview, “Bosnia Can Serve as a Bridge to the East, Islamic Nations” (*EIR*, Nov. 15), Nanic warns: “The International Monetary Fund program is leaning only toward something . . . which will never bear fruit, in term of economic development.”

Héctor Orozco Orozco, mayor of Florencia, Colombia (*EIR*, Nov. 15). He tells what is happening with the marches of coca-farmers in the region—contrary to what the media say.

Bogdan Pek, member of Poland’s Parliament from the Polish Peasant Party. “Free Market Economic Model Is a Fallacy” (*EIR*, June 21).

Qin Zhongyi, vice president of the China Yangtze Three Gorges Project Development Corporation. “The Three Gorges Project Is China’s ‘National Project’ ” (*EIR*, Dec. 6). The project is being built for flood control (floods periodically kill tens of thousands of people), electrical power generation (it will provide 18,200 megawatts when complete), and navigation (it will enable 10,000-ton boats to sail upriver to the city of Chongqing from Wuhan, annual shipping is expected to increase from 10 million tons to 50 million tons, and transports costs will be cut 35-37%).

Augusto Ramírez Ocampo, former Colombian foreign minister and a member of the National Reconciliation Commission, convened by the Bishops Conference of Colombia. “With UN Backing, Colombia’s President Samper Seeks a Deal With the FARC” (*EIR*, Sept. 27).

Dr. Pedro Rosello González, the governor of Puerto Rico. “The War on Drugs Can Be Won in the Americas, Says Puerto Rico Governor” (*EIR*, Feb. 2). He defends his faith in victory in the war on drugs.

Oscar Alfredo Santamaría, former foreign minister of El Salvador, and a member of the UN observer mission for

the Nicaraguan elections. "The United Nations' Salvadoran Peace Model" (*EIR*, Sept. 27).

David Schildmeier, the director of Public Communications for the Massachusetts Nurses Association. "Massachusetts Nurses Are 'Going Public' With the Hospital Crisis" (*EIR*, Oct. 25).

Dr. Judith Shindul-Rothschild, R.N., C.S., Ph.D., Assistant Professor at Boston College School of Nursing. "Nursing Experts Speak Out Against the Disaster of Managed Care" (*EIR*, Dec. 13). Shindul-Rothschild is the lead author of a nursing survey showing how managed health care has so ravaged the profession that patients are placed at risk.

Pawel Soroka, the coordinator of the Kwiatkowski Polish Industrial Lobby (PLP). "'Scientific Progress Needed to Save Poland's Industry'" (*EIR*, Feb. 2).

Solomon Terblanche, an economics professor at Stellenbosch University, described as one of South Africa's dirigist Afrikaner economists "of a bygone era." "New Thatcherite Policy Cannot Relieve Poverty" (*EIR*, Sept. 6). Free market policies will condemn South Africa to continued economic misery, he says.

Charles Quincy Troupe, a member of the Missouri House of Representatives, who was appointed by President Clinton to the Presidential Council on HIV and AIDS. "Fight Against AIDS is a Public Health Priority" (*EIR*, Jan. 12).

Karen Vardanian, a member of the Presidium of the Union for Constitutional Rights (Armenia), was interviewed during a visit to the United States. "Armenian Leader Tours U.S., Condemns IMF Genocide" (*EIR*, March 22).

Istvan Webel, head, along with his wife, Vera Webel Tatic, of the Center for Anti-War Action in Belgrade, Serbia. "Last Chance to Get Rid of the Bandit" (*EIR*, Dec. 13). The center is one of the very few Serbian groups to oppose Serbian strongman Slobodan Milosevic's "ethnic cleansing" from the beginning.

Dr. Loraine Wilson, Ph.D., R.N., a textbook author and nursing professor at Eastern Michigan University. "Nursing Experts Speak Out Against the Disaster of Managed Care" (*EIR*, Dec. 13).

Dr. Soogil Young, the president of the Korea Transport Institute (KOTI) of the Transportation Ministry in Seoul. "Eurasian Land-Bridge: The Economic Future of the 21st Century" (*EIR*, March 1). He sees the new development project as crucial for the future of Korea.

Viktor Yugin, removed from his post as director of the St. Petersburg TV Co. in November 1992—for allowing the broadcast of programs disloyal to Boris Yeltsin—was later vindicated by the courts. Today he heads the press department of St. Petersburg's City Assembly. "We Don't Have a Free Press Today in Russia" (*EIR*, March 15).

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- YORKTOWN—Conti Ch. 38
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WASHINGTON

- KING COUNTY—TCI Ch. 29*
- SNOHOMISH COUNTY
Viacom Cable—Ch. 29*
- SPOKANE—Cox Ch. 25
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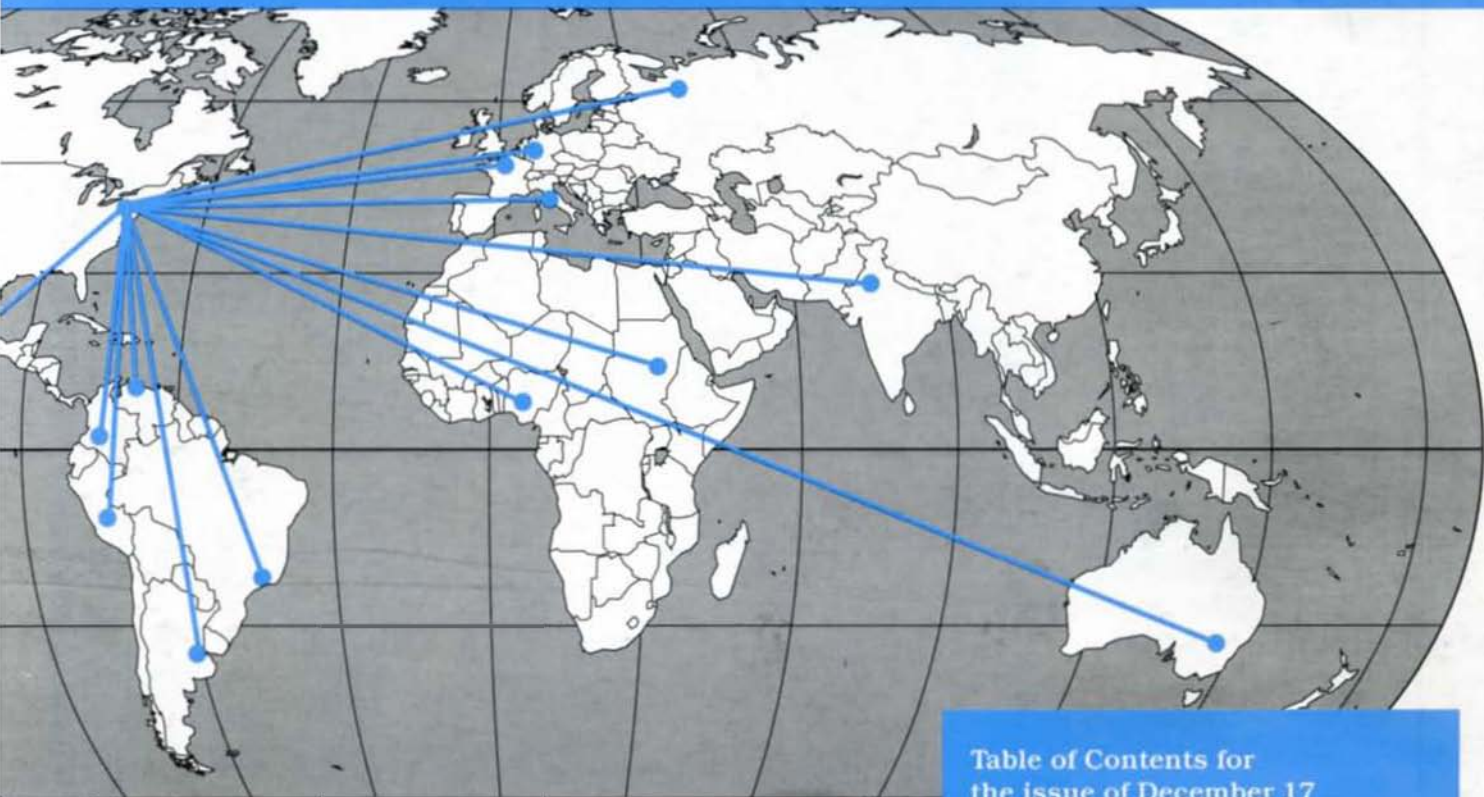
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