

# EIR

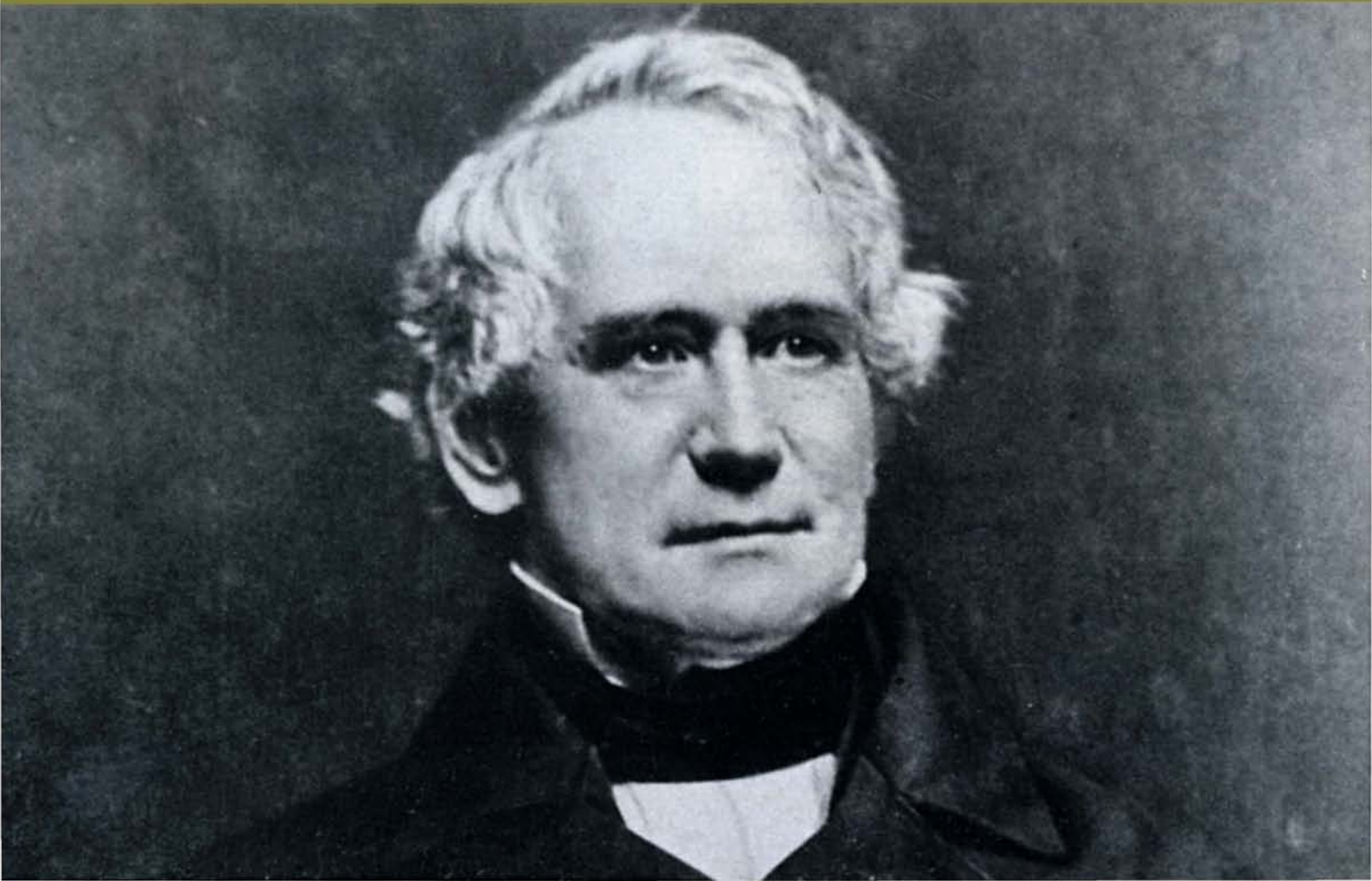
Executive Intelligence Review

May 2, 1997 • Vol. 24 No. 19

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Italy and the battle for a New Bretton Woods  
Netanyahu is the new 'Vladimir Hitler'

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global development program**



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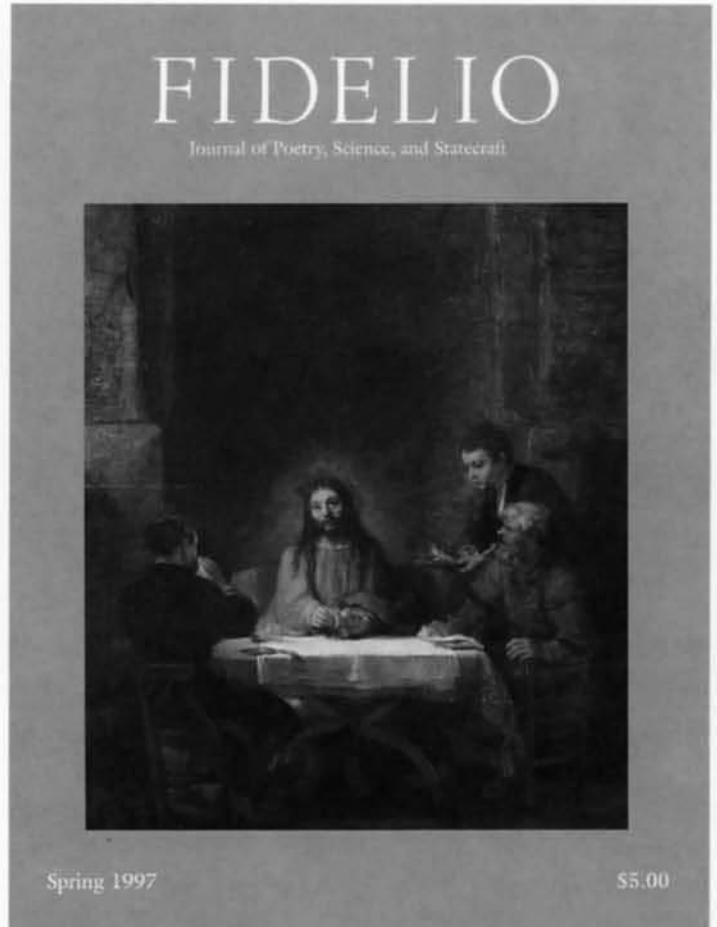
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*EIR (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July, and the last week of December by EIR News Service Inc., 317 Pennsylvania Ave., S.E., 2nd Floor, Washington, DC 20003. (202) 544-7010. For subscriptions: (703) 777-9451. World Wide Web site: <http://www.larouchepub.com> e-mail: [eirms@larouchepub.com](mailto:eirms@larouchepub.com)*

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**Japan subscription sales:** O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 3208-7821.

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**Postmaster:** Send all address changes to *EIR*, P.O. Box 17390, Washington, D.C. 20041-0390.

## From the Associate Editor

**W**e dedicate this expanded, special issue of *EIR* to the memory of Susan Parmacek Johnson, who died of cancer on April 22, at the age of 53. Susan was a friend and collaborator of Lyndon LaRouche for 30 years, and was one of the founding members of the National Caucus of Labor Committees, the philosophical association founded by LaRouche. Indeed, it was at her apartment in New York City, in May 1968, that the SDS Labor Committee was founded: the germ of what became the international LaRouche movement. Susan served as managing editor of *EIR* from 1980 to 1984, and her high standards of excellence will never be forgotten by those of us who worked with her.

Susan was a great lover of Classical culture, fluent in German. She devoted intensive efforts to making the treasures of Germany's cultural heritage accessible to Americans, through translation, particularly of the works of Friedrich Schiller. In this way, she sought to undercut a century of British anti-German propaganda, and to foster a German-American alliance. The following quotation from a work by Schiller which she translated, sums up Schiller's worldview, as well as Susan's:

"Our destiny is, to gain knowledge, and out of knowledge, to act. To both belong an ability to exclude the senses from that which the mind performs, because in all cognition the process of perceiving, and in all moral volition the carnal appetites, must be abstracted away." (From "On the Necessary Limits in the Use of Beautiful Forms.")

The content of this week's *EIR* would have made Susan very happy. The *Feature* presents the work of historians Anton Chaitkin, Graham and Pam Lowry, and William Jones, documenting a truly revolutionary understanding of American history. Under the leadership of economist Henry Carey in the nineteenth century, American patriots developed a grand strategic design for global economic development—"girdling the globe with a tramway of iron"—aimed at defeating the British Empire. This history, long suppressed by Anglophile historians, is finally coming to light.

Lyndon and Helga LaRouche are the heirs of that Carey tradition. See *Political Economy* for a full report on a conference in Rome, addressed by the LaRouches and distinguished Italian leaders.

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Henry C. Carey, photograph by the studio of Matthew Brady.

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## Bankers push deregulation, attempt to save their hides

by John Hoefle

With fires blazing all over the global monetary and financial system, and the imminent threat of a reverse-leverage disintegration of the \$100 trillion derivatives market, the British-centered international financial oligarchy has launched an assault on national banking laws. By asserting the primacy of the “markets,” the oligarchs hope to prevent the United States and other nations from taking the steps necessary to protect themselves and their populations.

There are two broadly defined policies on the political table. The first, advocated by economist Lyndon LaRouche and his co-thinkers, is for sovereign nations to band together, put the financial bubble through the equivalent of a bankruptcy proceeding, and launch a series of world development projects. The opposing policy, that of the Club of the Isles financiers, is to use the crisis to smash the nation-states, and turn back the clock to the days when the empires ruled the world, and 95% of the population were serfs, or worse. Policies which weaken the abilities of governments to respond to the crisis, strengthen the oligarchy.

It is from that perspective, that the calls for “private market regulation” in the United States must be measured. Private regulation is a euphemism for deregulation, for dismantling laws designed to protect the public from manipulation by the oligarchs; it is the law of the jungle, where the strong eat the weak.

### Self-manipulation

One of the leading voices calling for deregulation, is Federal Reserve Chairman Alan Greenspan, who has made a number of speeches over the last few months, touting the supremacy of private regulation.

“It is most important to realize that no market is ever truly unregulated, in that the self-interest of participants generates

private market regulation,” Greenspan declared on April 12, in a speech to a “zero-based government” conference of the Association of Private Enterprise Education. “Thus, the real question is not whether a market should be regulated,” he continued. “Rather, it is whether government intervention strengthens or weakens private regulation, and at what cost. At worst, the introduction of government rules may actually weaken the effectiveness of regulation if government regulation is itself ineffective or, more importantly, undermines incentives for private market regulation. Regulation by government unavoidably involves some element of perverse incentives.” As “the most painful and obvious example” of such “perverse incentives,” Greenspan cited “the Federal safety net for banks.”

“As the history of American banking demonstrates,” Greenspan claimed, “private market regulation can be quite effective, provided that government does not get in its way. . . . As we move into a new century, the market-stabilizing private regulatory forces should gradually displace many cumbersome, increasingly ineffective government structures.”

Greenspan’s comments are an open call for the systematic dismantling of the U.S. regulatory structure, a structure which, as demonstrated by the derivatives bubble—in which a loss equivalent to less than 0.5% of their derivatives portfolios would instantly bankrupt a number of major U.S. banks, triggering a reverse-leverage collapse of the entire system—has already proven dangerously inadequate. The indications are, that many such losses have already occurred, but are being “papered over” for as long as possible.

What Greenspan advocates, is precisely the policy that Lyndon LaRouche compared to doctors working to save the disease, even if it kills the patient.

The imperial authorship of these demands was made clear in an editorial in the April 15 edition of the City of London's *Financial Times*, which endorsed Greenspan's comments, adding that the government safety net "poses a much greater threat to banking systems than derivatives will ever do." "Derivatives trading . . . has yet to confront central banks with a failure that poses a systemic threat," the editorial lied.

## Freedom to loot

This rush to deregulate was the subject of hearings held April 15-17, by the House Agriculture Committee's Subcommittee on Risk Management and Specialty Crops. The hearings were held to discuss H.R. 467, the Commodity Exchange Act (CEA) Amendments of 1997, sponsored by subcommittee chairman Thomas Ewing (R-Ill.). A key feature of Ewing's bill, is an "exemption" from the CEA for "transactions involving professional markets."

"Capital does not recognize national currencies or boundaries," testified Chicago Mercantile Exchange Chairman John Sandner, at the April 15 hearing. He proceeded to complain of the "burdensome" costs of protecting small investors. "Markets are encrusted with regulation that inhibits their usefulness to sophisticated institutions," Sandner insisted. Sandner was reiterating comments he had made on Feb. 11, in testimony before the Senate Agriculture Committee on S. 257, the Senate counterpart of H.R. 467. Sandner complained that the Commodity Futures Trading Commission (CFTC) "does not view its role to be an advocate for the business of U.S. futures industry interests in the world economy. Instead, the commission views its role as the insurer of some ideally perfect regulatory scheme."

Pushing the same line at the House hearing, was Chicago Board of Trade Chairman Patrick Arbor, who demanded that the derivatives exchanges "be freed from the regulatory micro-management they have come to endure," insisting that the "viability of U.S. futures exchanges is in serious jeopardy," due to "crippling regulatory costs," and "outmoded and flawed economic thinking."

Another nasty little problem with derivatives was raised by International Swaps and Derivatives Association board member Mark Haedicke, of Sir George Bush's Enron Corp. Haedicke complained of "legal uncertainties that continue to exist" in the off-exchange over the counter (OTC) derivatives market, since the CEA "flatly prohibits off-exchange futures contracts." "If certain swaps transactions were ever classified as 'futures contracts,' " he warned, "they would be illegal and unenforceable as a matter of law." That "is obviously unacceptable," Haedicke complained, demanding that Congress exempt swaps from the CEA.

Amidst the greed and assaults on national sovereignty, the testimony of CFTC Chairman Brooksley Born was a voice of sanity. Born warned that the "professional markets exemption" contained in the bill "could lead to widespread deregulation," which "would greatly restrict federal power to protect

against manipulation, fraud, financial instability and other dangers." This would "radically alter the regulatory system," and would "pose grave dangers to the public interest," she warned.

Born noted that, by the exchanges' own figures, exempting entities with \$1 million or more in net worth from federal oversight, would exempt nearly 90% of the trading volume on those exchanges.

"It is the large institutions which have the greatest power to hurt us all by their attempts at manipulation," Born warned.

## Not forgotten, not forgiven

A similar assault is under way in the banking world, signalled by the April 6 announcement that Bankers Trust New York Corp., is buying Baltimore-based Alex. Brown, Inc., an investment bank and broker, a deal which takes aim point-blank at the Glass-Steagall Act of 1933, which prohibits commercial banks from engaging in investment banking. It is the Glass-Steagall Act, passed to curb the criminal activities of the banks that contributed to the Great Depression, which forced the breakup of the British-allied House of Morgan, into the J.P. Morgan bank and the Morgan Stanley investment bank. The House of Morgan has neither forgotten, nor forgiven, and is leading the fight to abolish Glass-Steagall.

The Bankers Trust-Alex. Brown merger is a clear case of the regulators working in collusion with the international bankers to violate U.S. law. Bankers Trust, readers may recall, was de facto, if unofficially, taken over by federal regulators, in the wake of the 1994 scandals in which the bank was caught flagrantly cheating its derivatives customers. Deputy Treasury Secretary Frank Newman resigned his government post to join Bankers Trust as vice-chairman, then quickly took over the presidency and chairmanship, replacing officials who were either fired, or "retired." Greenspan's predecessor as Fed chairman, Paul Volcker, was also brought in as a director. The regulatory coup complete, the new management began unwinding the bank's derivatives deals, and settling with cheated customers.

The Federal Reserve helped clear the way for the deal, by raising to 25%, from 10%, the level of gross revenues the banks could earn from the underwriting activities of their "Section 20" securities affiliates. Over the past decade, the Fed has actively undermined the law, granting permission to some 30 U.S. and foreign banks to set up illegal securities affiliates.

The elimination of the Glass-Steagall barrier between commercial and investment banking is intended to pave the way for a rapid consolidation between the two sectors, similar to the consolidation already taking place among commercial banks, thereby increasing the dominance of a handful of institutions. But the new banks won't be too big to fail: They will be too broke to survive. Chase Manhattan, for example, now has \$336 billion in assets, but also has \$5.6 trillion in derivatives.

# Wall St. 'lizards' want a private sector IMF

by Kathy Wolfe

While the media tried to convince Americans that no Wall Street crash is coming, a meeting of the "Reinventing Bretton Woods Committee," on April 4-5 at New York's Bloomberg Financial Center, discussed the urgency of the global financial crisis, which, the group believes, cannot be handled by existing institutions. The group's purpose, said Marc Uzan, executive director of the committee, is to "try to manage the crisis—the problem is, no one is thinking about the crisis! But we do." The group called for a new *private* world monetary system, which would "set up a private sector IMF [International Monetary Fund]," Uzan said, to be dictated, naturally, by the City of London, and by Wall Street.

While participants included World Bank Chief Economist Joseph Stiglitz and IMF officials, the "Reinventing Bretton Woods Committee," however, is funded and run by what *EIR* has called the "lizards": private family investment banks run out of London, with important Wall Street branches, such as Lazard Frères, the manager of the 1975 bankruptcy which destroyed New York City.

Allied to the "lizards" in the new committee, are the global raw materials cartels, such as Anglo American Gold Mines, the Cargill grain cartel, and other private cartels. The cartels, many run by the same private families, are busily cornering the world raw materials markets, while the Wall Street press continues to convince the "mickeys" to put all their money into stocks.

The group's funders, Uzan told a journalist, are Goldman Sachs, Salomon Brothers, Chase Manhattan Bank, Holland's Rabobank (which controls much of U.S. Midwest agricultural land), Swiss Bank Corp., Union Bank of Switzerland, and the World Gold Council, a front for Anglo American Corp.'s South African gold mines and Sir George Bush's other friends in the mining industry. Peter Munk, chairman of Barrick Gold, which Bush advises, is today the chairman of the World Gold Council.

The advisory board for the committee includes John Lipsky, the former Salomon Brothers chief economist who has just become executive director of Chase Manhattan Bank; Stiglitz; Harold James, who wrote the official history of the IMF; Ashwin Vasan of the London-run Oppenheimer Fund; and David Hale of Kemper Investments.

Their purpose, Uzan said, is to *replace* governments, es-

pecially any whiff of government influence over the private capital markets, including that of such bankers' institutions as the IMF. Even the IMF, they fear, might somehow, someday, be influenced by the governments comprising its executive board.

"There is an enormous fear, he said, "in the private sector, that there will be a series of Mexico crises, one after the other. . . . This can happen in Russia, which is issuing Eurobonds; what will you do when they default? The governments and their institutions such as the IMF and World Bank, can't do the job" of managing it all. The committee has even published a book in London, *Financial System Under Stress*.

## Revive the British Empire

Thus, Uzan said, we need to "rethink all the old Bretton Woods institutions," naming the IMF, the World Bank, the Bank for International Settlements, the UN, the Organization for Economic Cooperation and Development, and the other institutions, nominally run by governments, which were formed following world negotiations at Bretton Woods, New Hampshire toward the end of World War II. All of these, he said, "must be totally privatized and redesigned."

Today, governments are not only obsolete, but powerless to control the more than \$60 trillion in private derivative and other capital markets; the private sector tail is wagging the government dog. "When the old Bretton Woods institutions were designed in the late 1940s, government financing ran the world, and the private sector was not so considerable," Uzan explained. "Today, it's the complete reverse. Governments are doing less and less, the U.S. won't even pay its UN dues, let alone give major sums to the IMF—and the private markets are gigantic."

Thus, he avers, what must be done is to re-create the situation during the British Empire, when the London banks—backed by Royal Navy muscle—ran the world. "Whenever a government defaults—and there will be increasing numbers of defaults," he said, "we have to set up a private IMF to coordinate, to get all investors and creditors together, to negotiate with the defaulting country. It would be modelled on the 19th-century Council of Foreign Bond Holders," under which British gunboats were sent to collect the debt in Latin America, Asia, and Africa.

With the exception of the Rockefeller family's Chase Manhattan, with its important ties to the Six Sisters oil cartel, the other private banks involved in the committee are not commercial banks, which will take deposits, and make loans, thus taking the risk upon themselves. Investment bank "lizards," however, have little or no truck with John Q. Public and his deposits, and do not take loan risks "on their own books." They "manage investments" for wealthy clients—for a fee.

"The IMF, for example, may do a bit of negotiating for commercial banks with debtors," Third World countries



# Currency Rates

which got loans from the banks, Uzan pointed out, “but what about all the other billions of dollars being invested by private companies such as Goldman Sachs? . . . So, we bring in the finance minister from Mexico, Argentina, or Brazil, to explain to a group of private investors, what is happening in these countries.”

Asked about Lyndon LaRouche’s call for a “New Bretton Woods” monetary system pegged to gold to resurrect world trade, Uzan laughed that this is “impossible. . . . We need to reinvent the whole system, not just worry about currencies,” he said. “We cannot go back to a fixed exchange-rate system. We have enormous capital flows around the world, and we are for the free market, so there is no way to peg the currencies as we did before. We need other solutions to prevent panic.”

## Crush Asia and Africa

In Asia, Uzan warned, there will be massive currency crises, from Japan to Korea to Thailand, so what they really need is a new private “Asian BIS,” modelled on the Swiss-based Bank for International Settlements which groups the U.S. and major European central banks. The central bank in each country, of course, he pointed out, is controlled by the private banks—just as is the U.S. Federal Reserve. The hot money haven of Thailand, he said, is most loudly pushing for the “Asian BIS,” but the real controllers will be the British Commonwealth outposts of “Australia and Singapore, which will be very powerful. They must have a forum to deal with a Mexican-type crisis in Asia.”

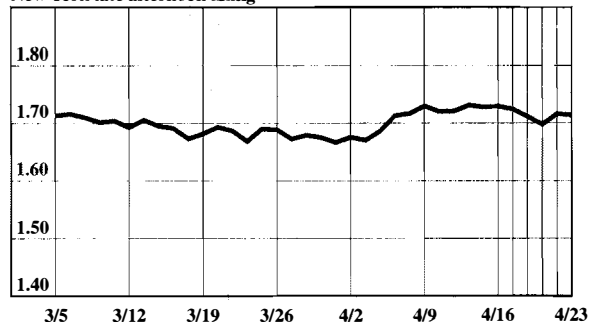
The “Reinventing Bretton Woods Committee” will hold its next event on helping the cartels take over Africa, which is now conveniently being depopulated. Their next meeting, on April 29 in Washington, is entitled “How to Reintegrate the Poorest Countries.” It will focus on “getting private investment going into the poorest nations, those without access to capital markets, especially in Africa,” Uzan said. It will be co-sponsored by the United Nations Development Program, the World Bank Multilateral Investment Guarantee Agency (MIGA), and the Chase Manhattan Foundation.

“African nations are not even ‘emerging markets,’ ” Uzan said, referring to the Wall Street buzzword for the so-called Asian tigers and other recent targets of Anglo-American hot money. “You’d have to call them the pre-emerging markets—or the submerged markets. The question is, how can we now catalyze the private sector to go in there and invest? The private sector, the investment banks, and others, have now invested in Latin America and Asia; how do we get them into Africa?”

Uzan, who wants to set up a private sector IMF, is not, however, averse to looting government funds to do this. He suggests that the World Bank’s MIGA insurance fund, entirely financed by U.S. and European national tax dollars, be used to insure the investments by foreign companies, such as Barrick Gold, in Africa. That is, as Henry Kissinger says, that the role of governments is to “serve” the private sector.

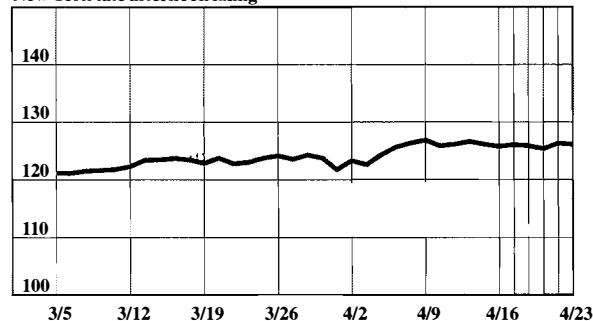
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New York late afternoon fixing



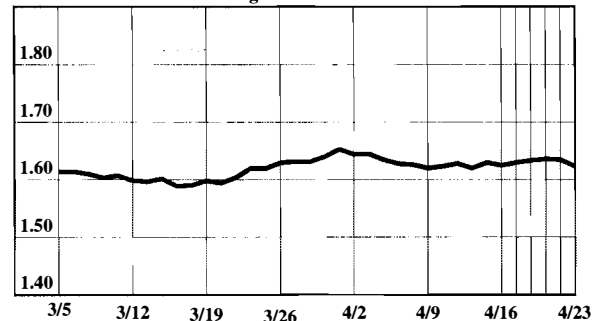
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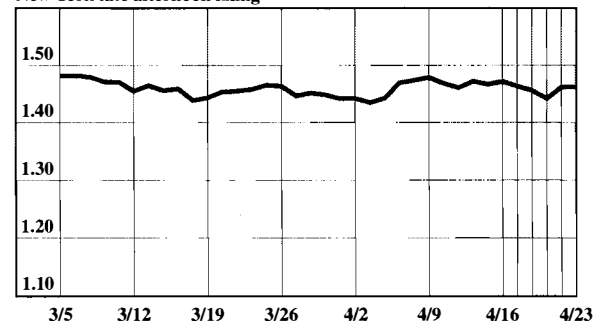
### The British pound in dollars

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### The dollar in Swiss francs

New York late afternoon fixing



# Red River floods show: Time to 'think big' about infrastructure

by Marcia Merry Baker

As this issue of *EIR* goes to print, the flood crest of the Red River of the North should be reaching the city of Winnipeg, Canada north of which the Red empties into Lake Winnipeg. The scale of flooding in parts of southern Manitoba, North Dakota, and Minnesota (the Red flows south to north) has been phenomenal—"biblical" is the term used by President Clinton, during his April 22 aerial inspection tour of the town of Grand Forks, North Dakota, located near the mid-point of the 564-mile-long Red River.

The lesson to be drawn, is that the protection to be provided against natural disaster should likewise be phenomenal—of a man-made kind. There's no technological problem, just a mental problem. The situation in Winnipeg makes the point for infrastructure-building policy in North America, and anywhere in the world: Think big.

## The Winnipeg Red River Floodway

Winnipeg (population 640,000) is home to the 29-mile-long diversion channel known as the Winnipeg Red River Floodway, otherwise called the "Ditch." In the wake of the 1950 flood of the Red River, which displaced 100,000 people from their residences, wrecked 10,000 homes, and caused an estimated \$650 million in damage, the town designed and built the Floodway, which was completed in 1968. The cost ran about \$2 billion—and was worth every penny. During the 17 floods since then, the town has been safe. At a low estimate of \$200 million in damages per flood, the city, province, and nation of Canada have saved \$3.4 billion, free and clear.

The current Red River "Flood of '97" is bigger than the previous floods, so Winnipeg may experience some damage this time, but it will be lessened thanks to the foresight of those who built the Ditch. The idea of the Floodway is to channel flood water eastward, into a levee-lined channel, away from Winnipeg, and dump it back into the river channel downstream. The Floodway is abetted by a network of permanent dikes, which can be, as at present, augmented by temporary reinforcements (sandbags and clay), as required. The Floodway is one of the biggest single projects in Canadian history. On April 21, the floodgates were opened.

On a piecemeal basis, certain other locations along the Red River watershed likewise have installed some critical flood protection structures. For example, Oslo, Minnesota (23

miles downstream from Grand Forks), has built a three-mile-long levee that stands an average of 12 feet high, and all but encircles the town. Eight towns in southern Manitoba have "ring dikes." However, the called-for infrastructure has not been built on an integrated, systematic basis throughout the Red River basin. Grand Forks does not have a ring dike system. Some 90% of the town's area (27 square kilometers) has been flooded; 48,000 out of 50,000 residents were evacuated.

Key infrastructure is likewise lacking in parts of the Red River's adjacent hydrological basins—the Upper Mississippi to the east, and the Missouri to the west. As the "post-industrial" policies took hold in the early 1970s, systematic water improvement projects were shelved. The hydrologic characteristics of each watershed differ, but the designs, in most cases, were worked out as of the 1950s, but not completed.

In the case of the Red River, the challenge is to build systems that cope with high water, over mostly a wide, flat plain—the old lakebed of the Ice Age Lake Agassiz. As of April 22, the Red River was almost 40 km wide near the U.S.-Canada border, nearly covering whole counties. Four major dams and reservoirs for the river's watershed (for floods, irrigation, and other uses) that were designed by the Army Corps of Engineers, were never built.

In the huge Missouri River basin, the overall plan voted by Congress in 1944, was never completed. The series of "Big Dams" and reservoirs on the main channel were built, but much else remains undone. An Army Corps of Engineers spokesman at the Omaha division told *EIR* on April 21 that flooding this spring, in such places as the James River Valley (flowing through the Dakotas, into the Missouri River in Nebraska), would have been mitigated if the Corps' channelization, irrigation, and related improvements to the James system had been done.

## A 'Marshall Plan' approach?

On April 22, President Clinton said of the Red River at Grand Forks, "I don't recall ever in my life seeing anything like this." He added that it was "not an ordinary disaster, if there is such a thing." He announced a rebuilding fund of about \$488 million. Why not a "Marshall Plan" approach, is the question that was raised on April 21, by administration officials at the meeting with representatives of the Congressional offices from the affected states (Dakotas, Minnesota). Govs. Ed Schafer (N.D.) and Arne Carlson (Minnesota) held a news conference that day, stating their intention to form a joint Red River management authority.

At an April 21 press briefing in Washington, Senate Minority Leader Tom Daschle (D-S.D.) said, "You've seen the reports, but the reports really can't do justice to the damage and to the extraordinary loss that we have incurred. It is estimated that we have lost 200,000 head of cattle, and loss and property damage perhaps exceeding a billion dollars. . . . It is without precedent, without any comparison in history in South and North Dakota."

## Machine-tool industry disappears

*The Industry Commission has put the final nail in the coffin of this once-vibrant sector.*

**T**he Mont Pelerin Society-dominated Industry Commission (IC), soon to be known as the Productivity Commission (see *EIR*, April 25, p. 11), has recommended that on June 31, the last remnant of Commonwealth government assistance to Australia's once-flourishing machine-tool industry be terminated. In January 1996, then-Assistant Treasurer George Gear mandated the IC to investigate the bounty (subsidy) on the production of machine tools and robotics in Australia. The IC report was compiled by Presiding Commissioner Maurice Joyce, a former manager of the Comalco subsidiary of RTZ-CRA, of the Queen's raw material cartel; Joyce is also an employee of the World Bank. His recommendation finishes off a sector which once challenged the world's best.

The history of machine-tool production in Australia is a study in dirigism: The industry has done well only when the government has made it a high priority, as it did during the two world wars of this century. Ian Kennedy, of Business Victoria, a Victorian state government department, has written a fascinating history of the industry entitled *Manufacturing History: The Australian Machine Tool Industry, 1910-1995*. In it, Kennedy reports that the industry began when 17 firms diverted resources to production of machine tools during World War I; Australia at the time was a country with a population of only 3 million.

But, by the outbreak of World War II, only three machine-tool companies existed. In March 1939, the government set up a Commonwealth Machine Tools Committee as part of the new Department of Munitions. The

committee established the Directorate of Machine Tools and Gauges, under the direction of Col. Frederick Thorpe, the nation's leading authority on the subject. In 1943, Thorpe wrote in *Australia Today*: "There is, generally speaking, no machine too large or too intricate for the Australian engineer to tackle, if the need is sufficiently urgent." A British MP, Sir Oliver Simmonds, who visited Australia in 1944, was reportedly astonished to find that of 52,000 complex machine tools being used in Australian industry, 11,000 were from the United States under Lend Lease, 5,000 were from Britain, and 37,000 had been manufactured domestically.

Encouragement for machine-tool production continued into the two decades following the war, with most of the impetus coming from Australia's post-war reconstruction program, particularly the huge Snowy River Hydroelectric Scheme, and the establishment of an automobile manufacturing industry, beginning with the government-initiated General Motors- Holden car.

However, in the 1960s, government support diminished quickly; between 1960 and 1965, ten firms ceased production, and imports soared. In 1966, the Machine Tools and Gauges Industry Advisory Committee, chaired by Wilton Eady, advised the Minister for Supply, Sen. N.H.D. Henry, that the "situation in the industry is extremely critical, and positive action must be taken if the industry is to survive." Despite this, the government directed, in November 1968, that "the machine-tool industry *should not be encouraged to expand beyond the range within which it is now operat-*

*ing*" (emphasis added). In 1972, the government introduced the Metal Working Machine Tools Bounty Act, which specified bounty assistance of 33.3% of the factory cost of drilling machines, grinding machines, lathes, power-fed special purpose machines, and numerically controlled machining centers. The general tariff rate at the time, 35%, was also a help.

But for many companies, it was too late. As Eady wrote in 1972, "Had the government acted in 1967, I think the machine-tool works might have survived. But by 1972 the situation was beyond recovery."

It got worse: In 1973, the Whitlam Labor government dropped tariffs by 25% across the board, and, during 1988-96, the bounty was dropped to a ridiculous 5%.

As Lyndon LaRouche has elaborated, without a "full-set" machine-tool industry, a nation can not be truly sovereign. The Mont Pelerin hacks who have dominated Australia's governments over the past two decades have made clear that they would like Australia to continue its colonial status. As current Primary Industries Minister John Anderson has stated, Australia should not be a "processing nation," but a "raw materials exporting nation." This deliberate collapse of machine-tool-led manufacturing was also the single largest contributor to last year's current account deficit of over \$14 billion.

At the end of World War II, U.S. President Franklin Roosevelt and Australian Prime Minister John Curtin envisioned using Australia's machine-tool industry to help industrialize Asia, to thus throw off the shackles of British and other colonialisms. With the new Eurasian Land-Bridge project, such a possibility is opening up once again; and, once again, will require a vast expansion of machine tools to really succeed.

# Business Briefs

## Russia

### Pro-development finance official Vavilov ousted

In a move orchestrated, if not conducted, by London, Russia's First Deputy Finance Minister Andrei Vavilov, who favored building the Eurasian Land-Bridge, was forced out of office on April 15, and replaced by Aleksei Kudrin, a free market protégé of First Deputy Prime Minister and Finance Minister Anatoli Chubais. The move occurred while Kudrin was in London, where he was attending the annual meeting of the European Bank for Reconstruction and Development (EBRD). Vavilov's ouster was not a surprise, since Kudrin had told the EBRD crowd a few days earlier, that the change had been decided, and an announcement would be forthcoming.

Kudrin told an interviewer from the London *Financial Times*: "Vavilov is leaving the government and will be moving into the commercial sector. He has handed his brief over to me and I will be taking over all his business in the government." On April 16, the *Financial Times* hailed Vavilov's departure, calling Kudrin "the tough-minded young market reformer, who is already a deputy finance minister," and adding that "Kudrin is a protégé of Mr. Chubais, the architect of Russia's mass privatization program."

## Shipping

### British taking over U.S. merchant fleet

On April 14, the Singapore-based Neptune Orient Lines announced that it is buying the APL shipping company, the second largest U.S. ocean-freight carrier. In 1996, APL had twice the revenue of Neptune Orient Lines, yet Neptune Orient is the company making the takeover. Last fall, P&O Containers, part of the British imperial Pacific and Orient Steamship nexus which had been central to Britain's 19th-century Opium Wars, purchased Nedlloyd Lines. And, Canadian Pacific Ltd. is proposing to take over Lykes

Brothers Steamship Co.

If the proposed Neptune Orient-APL merger is approved by the U.S. Maritime Administration, it will mean that 84% of containerized goods shipments will move in and out of the United States on foreign-flag ships: Of the top 13 U.S. shipping lines, only No. 1, SeaLand Services, and No. 13, Crowley American Transport, will be in American hands.

The British incursions into the U.S. merchant fleet raise serious national security questions: In the event of war, the private merchant fleet becomes part of the U.S. Merchant Marine/Navy, and functions to transport war matériel and industrial goods necessary for the war effort. For this reason, it has always been considered a matter of national security to keep the private U.S. merchant fleet largely in American hands, and every year the U.S. government provides subsidies to keep the merchant fleet in shape. Now, the U.S. carrying trade will be in foreign hands, and under the ownership of Her Majesty's British Commonwealth, in particular.

## Real Estate

### Berlin construction bust causing tremors

A real estate disaster in Germany's capital of Berlin is escalating into a banking crisis, at the same time that the state of Berlin is threatened by insolvency. There are 550 private construction projects with an investment volume of DM 70 billion (about \$44 billion) under way in Berlin, many of which are turning into failed speculations, as the economies of Eastern and Central Europe contract. Further aggravating the situation is the desperate financial condition of Berlin state, and the failed union of Berlin and Brandenburg states. Now, huge amounts of newly-built office space in central Berlin remains empty, while even apartments on the city's outskirts are going begging. The market for industrial real estate has almost completely collapsed.

One immediate consequence has been a shake-up in the Berlin banking sector. The Bankgesellschaft Berlin (the result of a

merger, in order to compete with the big Frankfurt banks) recently announced that it has had to write off DM 2.2 billion due to the collapse of real estate prices. In early April, the semi-public Berliner Grundkreditbank suddenly reported that it was doubling its real estate loan loss reserves. When rumors started that it was going under, it was hastily merged with the Berliner Volksbank. At the same time, Berliner Volksbank merged with the troubled Köpenicker Bank.

Simultaneously, Berlin's budget holes are tearing wide open, despite the alleged prosperity resulting from privatization schemes. In mid-April, the *Berliner Morgenpost* reported that by the end of June, the Berlin state government would have to declare insolvency. Finally, the Berlin chamber of trade and commerce reports that, since 1991, the number of industrial jobs there has collapsed from 256,000 to 130,000.

## Economic Policy

### 'Maastricht, not China, is threatening Europe'

Pedro Nuneo, chairman of the Academic Council of the China Europe International Business School in Shanghai, argued that Europe is not threatened by China, as the latest scare stories have it, but rather by Europe's "blind faith" in the Maastricht "convergence criteria" for monetary union.

Under the headline, "China's Economic Growth to Benefit World," Nuneo, a Spaniard, wrote in *China Daily*: "Europe is in deep trouble now. And certainly it is not because of China. It is because we in Europe have decided to implement the Single Market and the European Monetary Union (EMU), and the single currency (Euro). With blind faith, we are convinced that everything will improve in the long run, even if it becomes even worse in the near future. The process of convergence under the Maastricht Treaty is contributing to the paralysis of some economies, such as France and Germany. . . . This, in turn, creates mounting unemployment. We claim, in Europe, that we cannot sustain, anymore, the level of social welfare which we are used to, and on which

our society to a great extent is based. . . .

"We, in Europe, have failed to produce economic and business models that fit our reality. . . . We are now trying to fit Europe with a shoe-horn into the elegant simplicity of the single market, single currency model, in spite of the painful results."

By contrast, "China has been capable of sustaining outstanding rates of growth." The Chinese policy is "intelligent and coherent," driven by "creativity and imagination." He concluded: "It is important that China continues to maintain its own independent thinking in business and economy. There is wisdom in the way China is managing itself, and there must be respect. Statements about stopping China do not seem to be very scientific or rigorous, and probably not even ethical."

## France

### Public budget deficit showing robust growth

A confidential note from France's budget office to President Jacques Chirac and Prime Minister Alain Juppé projected that the country's budget deficit could hit 3.8% this year and rise to 4.5% next year, according to *Le Monde* on April 18. The Paris daily offered the analysis that this means the "public deficits could be extremely grave," and "make it impossible for France to satisfy the Maastricht Treaty criteria, unless a really rigorous plan is adopted."

The French had committed themselves to lower their deficit to 3% by 1997, in order to proceed with the European Monetary Union in 1999 as planned. The budget office's note gloomily says that even with new austerity measures, the 1997 deficit could not be brought below the 3.5% mark, which includes a social security deficit rising to 47 billion francs (roughly \$9.3 billion) instead of the FF 17 billion targeted by the 1995 Juppé plan. For 1998, even with a new austerity plan, the deficit would still hover in the 4% range, with the social security deficit reaching a record FF 58 billion. If France wants to reach the 3% target in 1997, it has to reduce budget commitments by 75 bil-

lion francs.

In this situation, says *Le Monde*, France must choose between plague and cholera: 1) an even tougher austerity plan projected by the Chirac-Juppé government (should it survive the "snap" elections, which Chirac called after *Le Monde's* analysis was written); or 2) a tougher austerity plan, plus a sharper "liberal" turn in the government policies, which were originally proposed by Juppé predecessor Edouard Balladur and his Budget Minister Nicolas Sarkozy.

## Eurasia

### Iran builds Caspian Sea to Persian Gulf canal

A good example of the long-term infrastructure development planning which is being undertaken in Iran, is found in the project for a canal to connect the Caspian Sea to the Persian Gulf. According to a brochure received by *EIR*, the canal will go from the Caspian, just north of Gorgan, to the Gulf port at Bandar Abbas. It will pass through the Central Desert, west of Mashhad, then along the Lout Desert, east of Kerman and west of Zahedan, to the port.

The estimated transport that the canal is to allow, both transit and internal, will be 100 million tons per year, in 2021. The design capacity specifies 5,000 tons deadweight (dwt) river sea-going vessels, plus 112 barges. At an average speed of 10 kilometers per hour, the transit time will be 12 days. The canal will be 2,070 km long, in three major sections: 230 km in the coastal area (from sea level to 850 meters), 140 km through mountains (maximum 1,400 m), and 1,700 km through level areas (approximately 850 m). The water required will be 750 million cubic meters, plus 300 million m<sup>3</sup> for agricultural and industrial use. The water resources are 950 million m<sup>3</sup> of surface water, plus 100 million m<sup>3</sup> of underground water.

The canal is apparently a pet project of President Ali Akbar Hashemi Rafsanjani, by profession an engineer, who can be expected to work on it, after he completes his term next year.

**CHINA** is expected to follow Russia and reach agreement for development of a large Iraqi oil field, an Iraqi oil official said on April 16. A delegation from the Chinese National Petroleum Corp. will be in Baghdad soon to sign an agreement to develop the billion-barrel Ahdab field. Earlier, three Russian companies secured rights to develop 8 billion barrels of reserves in the Qurana field.

**FILIPINO** retailers from the Katapat movement are threatening a strike if President Fidel Ramos acts to repeal the Retail Trade Nationalization Act, a 50-year-old protectionist law barring foreign investors in the retail sector. Katapat has 80,000 members representing 32 trade and industry associations.

**TAIWAN** and China opened the first direct shipping line between them, linking the ports of Xiamen and Kiaosiang, on April 23. Considerable investments in the rail and road infrastructure, port facilities, and industrial ventures will accompany the increase in trade.

**ARMENIA**, Turkmenistan, and Iran expanded their cooperation agreements during the recent meeting of their foreign ministers in Yerevan, Armenia, for their sixth tripartite discussions. They signed memoranda on cooperation in trade, transport, banking, energy and gas supplies, and tourism.

**AFRICAN AND ASIAN** ministers will hold their second meeting in Thailand on June 11-14, including ministers from 20 Asian and 44 African nations, to "discuss boosting economic ties."

'**ASIA TIMES**' responded to *EIR's* exposé of the free-market fraud of Asia's "toothless tigers" on March 27, by asserting that "ASEAN Tigers Will Roar Again Soon." Wrote columnist Levi Folk, former analyst for Bank Credit Analyst of Montreal, "judging by the strong economic start in evidence this year, 1996 appears to have been the odd year out."

## Battle for global economic recovery is brought to Italy

*On April 10, Lyndon LaRouche and Helga Zepp LaRouche were featured speakers at a conference at the Hotel Columbus in Rome, sponsored by EIR and the Italian Solidarity Movement, designed to discuss the necessity of a war plan to bring the world out of the worst financial disaster in mankind's history. LaRouche's call for President William Clinton to convene a New Bretton Woods conference, to organize a worldwide economic recovery, and the Eurasian Land-Bridge project, were prominently featured in the conference, which was attended by more than 100 people, including leaders from state-sector industries.*

*Some scheduled speakers could not attend, because of the ongoing election campaign in Milan, and the government crisis. They included the president of the Lombardy region, Roberto Formigoni, and Sen. Flaminio Piccoli, former general secretary of the Christian Democracy and president of the Christian Democratic International. In his telegram to the conference, Formigoni wrote, "Unpostponable institutional deadlines do not allow me to come to Rome. I wish however to express my vivid appreciation for this initiative, being aware of the importance of this conference which, I am sure, will give an important contribution to international economic policies." Piccoli is among the signers from Europe of the call for a New Bretton Woods conference.*

*We publish here the speeches and papers presented to the conference.*

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### Speech by Lyndon LaRouche

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My major intent is to indicate to you, the options which face Italy and other nations today. My purpose is to emphasize the solutions to the great crisis upon us, but to do so, I must indicate the nature of the crisis. Because what one reads in the press, what one hears in government circles today, is totally

irrelevant to the reality which faces the world in the immediate weeks and months ahead.

There is nothing in the history of Europe to compare with what is happening right now, since the middle of the 14th Century. You may recall that with the collapse of the great Lombard banks, Europe went into a Dark Age for some period of decades. That is the nearest approximation of a precedent for what is happening right now. But what we are facing right now is far worse, and it is global; it is not restricted to one part of the planet.

This is not a matter of a recommendation, it's a matter of fact: that, contrary to all debates and discussions of policy within governments and elsewhere, it is not possible for the present international monetary and financial systems to outlive the months ahead. If no one decides to destroy it, Maastricht shall be destroyed in the process. There is nothing to debate. That which ceases to exist, ceases to exist. It is beyond the power and will of man to save this monetary and financial system.

There are approximately over \$100 trillion worth of worthless paper sitting in the world financial and monetary system. If a chain-reaction collapse of this paper occurs, there is no possible resource, physical resource or assets on this planet, which could sustain that avalanche of collapse of the financial system.

And, those who say that somehow the system might be adjusted, or might be reformed, or might continue, are deceiving themselves. It's not possible to save this system.

In the past months, for example, the New York financial markets wiped out \$800 billion worth of paper values. That does not account for the effect of the same crash on international markets. This crash may end some time soon. It will soon be followed by another. It is like being in an earthquake zone, where the earthquakes will come one after the other. Nothing under the present system can stop this, except the virtual extinction of the international financial system. The



*If we don't set up something like a New Bretton Woods system, Lyndon LaRouche said, "then famine, epidemics, chaos, and so forth, the collapse of the nation-state system, will collapse the level of population potential of the planet back to the level of the 14th century. And therefore, we have to. And I think the only reason we will do it, is because we have to." From left: translator, Lyndon LaRouche, Paolo Raimondi (moderator), and former Minister of Transportation of Italy, Publio Fiori.*

collapse will continue, until some governments decide to stop the process by putting the international monetary and financial institutions into government-directed bankruptcy.

Apart from that decision to put the system into bankruptcy, there's nothing that any government or combination of governments on this planet can do to stop this system from disintegrating. And all discussion to the contrary is a pure waste of time. The system is dead. It is finished. It is over. Thirty years of the greatest insanity ever wrought by man are coming to an end.

We once had, with all its imperfections, we have on this planet, coming out of Europe, a system of modern nation-state republics. This was an idea which was created in Italy, particularly in the context of the great Council of Florence, out of which came the great organizing effort which resulted in the establishment of the first modern nation-state in France under Louis XI.

The use of the state, the commitment of the state to its citizens, was new in the history of mankind. The commitment toward universalizing education for all classes of people, the commitment to great public works, the commitment to the fostering of trade and industry, which are the characteristics of the modern nation-state, resulted in the greatest rate of improvement in the demographic characteristics of populations on this planet in the entire history and pre-history of

mankind. Despite wars, despite the effects of colonialism, despite every other catastrophe. From 1461 until about 1966, there was a general, global improvement in population, in life expectancy, in conditions of life, in productivity, and general quality of existence, throughout this planet. There was nothing to compare with it in all human existence. The human race increased in population, from 300-400 million people in the 14th Century, to now, of course, over 5 billion people today. Life expectancy increased. Diseases, one after the other, epidemic diseases, were brought under control. Despite all the evils made in the name of European civilization, there was net progress throughout this planet as a result of the influence of the modern state, until the middle of the 1960s.

For example, in the United States today, if we measure income in physical terms, plus education, health care, and science, the per-capita income, in terms of labor force, in the United States today, is half of what it was 30 years ago.

You see the same thing throughout the world. An uneven process. Sub-Saharan Africa is now being destroyed. Life expectancy of adult males has dropped down to between 30 and 40 years of age in Central Africa. Led by the British Commonwealth, the very political existence of nations of Africa is being liquidated. There is a deliberate policy in the Great Lakes region of Africa to depopulate it of its indigenous population. The mountain regions, which include

Rwanda and Burundi, are tending to be depopulated. These, of course, are the most densely populated areas of sub-Saharan Africa. And it's not accidental. The natural conditions for life are richest there. Some people think that Americans and Europeans should live there instead of Africans. Once the ethnic removal of the Africans has taken place, then they will sell the real estate to Europeans and Americans to live there.

### **The onrush of a new Dark Age**

The existence of political nations in that whole region is being presently, right now, destroyed. For example, eastern Zaire is being carved up into small baronies. These baronies are run by corporations. One is a British Commonwealth company called Barrick Gold, whose highest representative is Sir George Bush, the former President of the United States. They have stolen gold and petroleum reserves in the northeast of Zaire.

We have in other areas, copper, nickel mines, that sort of thing; and diamond mines. These are being taken over again by concessions, using mercenary armies to control the territory. The area around these entelechies being created, is a no man's land.

You find a similar condition in Italy and in France, and so forth, in the decline of the Roman Empire in the West, with the great collapse of population there. We have similar conditions developing in Central and South America. We have the same processes occurring in the Caucasus mountains, in Central Asia. We have the attempt to carve up existing nation-states in Europe, such as Italy, into smaller groups of states, on an ethnic or regional basis.

We are looking already at the onrush of a new Dark Age, planet-wide.

The point I'm making is, that 30 years ago, following the Cuban missile crisis, a decision was made in certain circles, to bring to an end industrial society. In the middle of the 1960s, this resulted in explosions in the student population in Europe, the United States, and elsewhere. This became known as a youth counterculture, echoing what happened, say, in Germany in the 1920s. This was used as a lever, to push upon society policies of ending the commitment to investment in scientific and technological progress; we saw the introduction of neo-Malthusianism and so forth, all in that same period.

Since that time, we have seen the systematic destruction of all of the institutions associated with the success of the modern nation-state. And presently, the political and economic, and demographic, effects of the devolution are now becoming most evident. We have a reversal in demographic trends throughout the populations of the United States, Europe, and elsewhere. Epidemics which we had controlled are now coming back in new forms. New epidemics and pandemics are emerging. The general reason for this is the breakdown in sanitation, and nutrition, and also medical care.

So, this great experiment in the New Age, in globalization of society, which started 30 years ago, has resulted in the degeneration of the system; in a great cannibalistic form of financial speculation. At the same time, everything is being done to destroy and undermine the authority and institutions of the nation-state.

In the name of democracy and liberalization, the power of national economies is being given to bureaucracies, such as the international bureaucracy in Brussels or the United Nations' bureaucracy. So, governments and their citizens are now under the control of supranational agencies over which no citizens of those nations have any political control. These are like dictatorial agencies of an occupied power. And, under these conditions, we've had a great speculative bubble.

### **The success of wartime economies**

In the meantime, what we've lost, or we're in danger of losing completely, is something we recall best from the post-war period. It's a peculiarity of the 20th Century, that in no case has there been a successful economy, in any nation of Europe or North America, during the 20th Century, except under conditions of war, or preparation for war.

There are two reasons for this. One reason is negative: that the forces which have controlled the world during the 20th Century, on the financial level, generally are opposed to high rates of industrial progress. So, those who controlled the financial systems and monetary systems were able to prevent large flows of capital from going into industrial development. Only under conditions of preparation for war or conduct of war, were large flows of investment made into the relevant areas of the economy.

Now, normally, what none of the economic textbooks teach: How is it that a form of economy called military economy, which produced largely waste, is the cause for the highest rates of growth of income in the modern nation-state?

And then you come to second stupidity in the economic textbooks. The economic textbooks generally teach, especially the systems-analysis variety, that you have so much value in goods and money going in, and so much going out. Now, if the student in the university is the way I used to be, he would say, "Well, professor, how do you make this transformation, is it done by monkeys, or is it done by human beings? If you employed monkeys instead of human beings, can you get this result?"

So what is it about a human being that enables a human being to transform input into something greater than is consumed? It is not, as Engels said, the opposable thumb; otherwise, gorillas would be great producers. It is the mind of man. It is the educated mind of man. It is the ability of man to create solutions to problems by discovering and applying principles.

How does this work? What the textbooks don't tell you, but every successful production manager understands: The first thing you want, if you're a good production manager, is



you want a lot of state-produced infrastructure: transportation, power, sanitation, and so forth.

### **Classical education and machine-tool design**

Now, you want the kind of education system which is almost illegal in the world today. You want an examination, for which no computer could score the results of the examination. If you went to a good school, in mathematics or physics, for example, then the most important questions on any written examination, would be questions for which you had no preparation in class or textbook. To see how well your powers of discovery have been developed.

In other words, the question is not, can you give the right answer you were taught to give; but, can you develop the right answer which you have *not* been prepared to recite? A student who has been educated that way, thinks scientifically. They don't memorize ideas from the past, they relive the act of discovering those ideas; which is why a good school has a lot of Greek Classics in it—to reexperience those great discoveries by the Greek Classical writers on which Western Civilization is based. You don't learn the right formula, you relive the experiments of the great scientific discoveries, beginning with the ancient geometric discoveries.

Such an education will produce a number of scientists, and also some very good engineers. Now, what do you do with these good scientists and engineers? Apart from the educational and scientific research business, you set up machine-tool design companies. Not just the maker of the machine-tool, but the *designer* of the machine-tool. New quality of machine-tools, from which you get new qualities of products and new productive processes.

These firms are generally owned by one or two people—small, maybe employ one or two hundred people at the most. They're almost family firms. Some are. These are the firms which make industry work. You want to set up a big industry, you want a climate of a lot of these firms around, especially if you specialize each type of development of machine-tool technology.

Now, when you put the labor force into the factories where these technologies are used, the kind of culture which is associated with the kind of education I described, gives you a labor force which can quickly assimilate and master the new technologies supplied in this process.

You have that in Italy, from the 19th Century in the tradition of the great mathematician Betti. The hydrodynamic technology in Italy was about the best in the world.

You have in Germany and the United States in the 19th Century, a close cooperation between the circles around Gauss and von Humboldt and the circles around Alexander Dallas Bache in the United States. There was actually a co-development of the machine-tool design sector of Germany and the United States—very close, during the 19th Century.

Now, in the development of modern warfare, in Europe,

especially since the command of the French forces by Lazare Carnot between 1792 and 1794, the decisive determinant of strategic military capability was economic. Not only logistics, but military technology.

So, when a modern nation-state prepared for defense in war, it had to rely upon having the most advanced technologies. And there's only one way you can produce advanced technologies: Expand the activity of the machine-tool design sector.

So, in the post-war period 1946-66, the characteristic of the United States and Europe, including Germany, Italy, and so forth, was the use of the machine-tool design sector, left over from the preparation for war and conduct of war, in the 1930s and the 1940s, to use that to build up and rebuild the economies of these nations.

Since the 1960s, we have seen the systematic destruction of the education system, in every country. In the greater part, the university graduates of Western Europe and the United States are called "unemployables." Actually, their education has, especially in social sciences—they generally destroyed their ability to perform useful work.

We have destroyed, almost obliterated, the machine-tool design sector. We have deliberately destroyed the world's food production. We have a world food shortage, not caused by too many people, but by too little production.

### **The crisis can be solved**

So the question is: How do you solve this problem?

The good news is, the financial system which is associated with this 30-year change in philosophy is going to be disintegrated; nothing can stop it. Either governments will bankrupt it and put it out of existence, or it will go out of existence anyway.

Now, I'm acquainted with governments well enough to know that at this point none of them have the courage to even think about bankrupting the system. That's like saying the captain of the *Titanic* has no idea of getting the passengers off the ship. The governments of every nation on this planet can be characterized as like the character of Hamlet in the play of Shakespeare. All the intelligent people in government know that this system is finished; they just hope it goes away more slowly. As Hamlet knew, that if he continued to act as he was acting, he was doomed.

Most intelligent governments know there are alternatives to what is happening. Most people in senior positions of experience know there are alternatives in practice, to what is going on now. But they will say, it's politically impossible to bring this about. The governments will never do it. Which means the captain will never let the passengers off the *Titanic*.

That's the problem I face; how to get a solution.

Well, there are a couple of things. There was a terrible time in China, under Mao Zedong. The Great Leap Backward, move the industry into your backyard; it's called out-sourc-

ing. This was followed by another period, of even worse insanity, called the Great Proletarian Cultural Revolution, which was spilled over into the streets of Rome, and other places. So, you know something about it.

But out of this came some people who survived—the political opponents of Mao Zedong, who saw the insanity of the Great Leap Forward, and some of them were imprisoned for seeing that. They recognized the absolute lunacy of the Great Proletarian Cultural Revolution, which for them—they compare it today, in retrospect, to the Nazi regime, living

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*Most intelligent governments know there are alternatives to what is happening. Most people in senior positions of experience know there are alternatives in practice, to what is going on now. But they will say, it's politically impossible to bring this about. The governments will never do it. Which means the captain will never let the passengers off the Titanic. That's the problem I face; how to get a solution.*

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under the Nazi regime in Germany. And the largest nation on this planet, is now committed to the ideas of Dr. Sun Yat-sen, or ideas in that direction. And, to a process I won't go through; Helga is an expert on this.

They came to the view of supporting and participating in the idea of developing development corridors across Eurasia, from the Atlantic to the Pacific and down to the Indian Ocean. They not only decided that that was a good policy, but they began to implement it. And today, China is the only nation on the planet which has any net growth tendencies within it.

Germany should have been involved in this, but Germany, because of agreements made with Mitterrand and Thatcher and Bush back in 1990, is not part of it. If you see the German government wearing shoes on its hands, don't be surprised. It's because it has shot itself in both feet, economically.

The rate of collapse of the machine-tool design sector in Germany, in the recent years, is one of the greatest catastrophes—economic catastrophes—in this period. If this is continued, then Europe as a whole will lose industrial potential. That is, there will not be enough machine-tool design potential coming out of Europe to maintain Europe as, really, a future industrial power.

## **The political line-up**

Then the question is, how does this line up? China is willing to cooperate with its neighbors, including Europe, in the development of these kinds of developmental corridors from the Atlantic to the Pacific, and down to the Indian Ocean. Iran is, essentially, a full cooperating partner with China in implementing this program. Recently, the President and the prime minister of India both took steps to enter into cooperation with China on the same projects. There are discussions among Iran, Pakistan, Bangladesh, Myanmar, China, Malaysia, Indonesia, and other countries, on the development of transportation corridors which will lead into Europe, down through Malaysia, and through a bridge into Indonesia and into Java. And also into the Hunan province of China.

These nations are eager to proceed. Some nations in Central Asia are also involved in discussions and cooperation on these projects. The Russians have a very interesting phenomenon, which is a little more complex.

Russia today, like most of the nations of the former Warsaw Pact, is an occupied nation. It has a government, which in effect, is a comprador government. The Russian people, the Russian institutions, do not make their policy with the government. Russia is financially bankrupt, and lives at the mercy and dictate of the IMF. A very dangerous situation is building up there as a result of this.

But the old institutions of the former Soviet apparatus, or some of them, are taking a long-term view. They're trying to maintain, in the way they inherited, from the old Soviet system, maintain the long-term interests of their own tribe. This is typified by the foreign minister of Russia, Yevgeny Primakov, who was an old KGB man in Central Asia.

So, Russia is cooperating with India, with China, and Iran, and other countries, on this project. Potentially, there is substantial cooperation which Russia could give, but the main thing that Russia is doing at the present is giving political cooperation to the countries, and using its political influence and resources to facilitate this cooperation.

## **The Privy Council of the British Empire**

The opposition to this comes from only one principal source: It comes from the Privy Council of the British Empire, otherwise known as the Privy Council of the United Kingdom, which actually runs the entire Commonwealth. And you have people like Kissinger and Bush in the United States who are totally a part of the British policy.

However, in the case of the U.S. President, we have a different situation. You should believe almost nothing you read about the American President, Bill Clinton, in the press. That's a story in itself, which I won't go over here. Despite his detractors, he does have deficiencies: he's a baby boomer. The post-war generation . . . never fought in war and never commanded troops in a war. He is totally against the British Empire, considers the British system the enemy of the United

States, which is why you hear so many bad things about him. He's also an intellectual, interested—he has studied his history. Intellectually, he's probably capable of deciding to do the right thing. But there are two things required, apart from intellect: emotion, and power of decision.

In most quarters, he has something right. But he represents, in opposition to the British Empire, the most powerful single nation on this planet. If the President of the United States continues his process of cooperation with China, and with countries also involved in the Land-Bridge effort, we have the possibility of reversing the political trends on this planet right now. Ron Brown, who was doing the initial negotiations with China on this, was killed, as we know, about a year ago. Ron Brown was the architect of the policy which the Clinton administration has toward China. Just like the policies which he had intended to implement in Bosnia.

If we can bring these forces together, under conditions of crisis, these nations and other nations will have to act in their own defense. We're headed toward a kind of event, which is inherent in the special nature of the financial situation. If a process of reverse leverage hits the derivatives market, under conditions in which we have seven days a week market, 24 hours a day, by computers and telephone lines, including Internet, you could have about a \$100 trillion worth of financial paper collapse to a very small amount within two or three days. Every major bank on this planet will have its assets vaporized by virtue of its direct, or non-direct, indirect, exposure to this collapse.

Under those conditions, governments are going to be inclined to act. Or, in some condition, leading to where that threat is immediately visible. The problem then, is how do you prepare the President of the United States, and the heads of government and other leaders of nations, to be able to assemble quickly to make the right decisions within in a matter of hours, at the right moment?

## **The Land-Bridge effort**

The Land-Bridge effort, if we include the cooperation of Europe with the Asian countries, Africa, and North America, is the basic economic program for the general revival of economy on this planet. It is the one possibility on this planet. It is extensive enough as a large infrastructure project, to cause an immediate economic revival throughout the planet.

It's easy to do it, for all of us who know how these things are done; that is, to make the decision to do it. The question is: Will the heads of state understand, when they meet, what it is they have to decide upon, in those hours?

Now, I work seven days a week, and I generally work about twelve hours a day. The reason I have to work like that, is because, with the recent developments, there is a great demand, among various governments, to know exactly what it is they should be doing when this decision is being made. There are a lot of questions going back in forth, in banking

circles, government circles, and so forth, in various parts of the world. By the reactions I get from my outlines, and the questions I get back, I have a fair indication of what they're thinking.

So, some weeks ago, in assessing this reaction among governments and bankers, and so forth, I produced a proposal, which I call a New Bretton Woods proposal. My reason for using that term, was to recognize that, among those of us who are in their seventies, and still alive and active today, there's an understanding of what the best features of the international monetary system that operated under Bretton Woods from 1946 to 1966 were.

What would work, and what has a successful precedent, would be the establishment of agreements among nation-states, like the monetary agreements which were operating among nation-states, in terms of the Bretton Woods system between 1946 and 1966. That system is workable. The difference is, that the central banking systems of the world, will all be bankrupt. There is not a single central banking system in the world today, which is not implicitly, hopelessly bankrupt. So, be careful about what advice you take from the central bank. The way they're managing their money, you don't want to be involved with their mudslides.

So, if you combine the best aspects of the monetary and tariff and trade agreements of the period 1946-1956, with national banking as a replacement for bankrupt central banking, then you have a model for administering an economy in reorganization and bankruptcy. If you combine that with a large-scale project, infrastructure project program, the Land-Bridge program, if you have governments participating in the cooperation in this Land-Bridge program, you have the basis for establishing an immediate recovery program in the world on a short notice.

Now the problem we have, is that this has to be looked at as a war plan. If you want to organize modern warfare, you have got to have a war plan. The problem with politicians, if they go into a meeting without a clear war plan understood among them when they go to the meeting, they probably will not be able to make a competent decision. If they do not share the confidence that they have a common plan, they will not have the will power to make those kinds of decisions. Thus, my purpose is to foment a process of discussion and reflection in that direction at this time, for the purpose of assisting viable leaders of government and industry and so forth, in formulating the war plans for making that kind of decision.

Can we do it? I am not sure. But if we don't, kiss your grandchildren good-bye. Because if we don't do something like that, then famine, epidemics, chaos, and so forth, the collapse of the nation-state system will collapse the level of population potential of this planet back to the level of the 14th Century. And therefore, we have to. And I think the only reason we will do it, is because we have to. And once people see what the alternative is, maybe they'll be more willing to do it.

# Return to national banking, statecraft

by Publio Fiori

*This speech was delivered by Hon. Publio Fiori at the conference sponsored by EIR and the Italian Solidarity Movement, in Rome, on April 10. Mr. Fiori was transportation minister in the Berlusconi government and is currently national coordinator of Alleanza Nazionale (the National Alliance party). The speech has been translated from the Italian; subheads have been added.*

If I were to give a political definition of the interesting introduction by Mr. LaRouche, I would define it as “the sunset of politics.” Presently in Italy, and, I believe, in many other countries in the world, we are living through a phase in which politics, instead of guiding civil and social processes, is being guided.

I was impressed by a simple, banal episode. In one of the first cabinet meetings of the Berlusconi government, when I was the transportation minister, we were talking about economic problems, and when we decided to make a proposal, proposed government legislation which went in a certain direction, the treasury minister interrupted me and said, “But the markets would not agree.” This sentence blocked us, because the Italian government at that moment was scared of the response that the markets would have given to our courageous, necessary choice, which was coherent with our election campaign commitment.

This is the present situation in Italy. Politics no longer acts as a function of the interests, the problems, the needs of the people. When it takes a measure, it looks and listens directly to the London stock exchange, because it is the London stock exchange which de facto makes the life and death decisions. Therefore, if politics does not regain its historical role, we shall be without hope, since politics is the instrument of democratic legitimization through which the problems of the people have to be faced, precisely because it is from the people that politicians get their mandate.

There is a confrontation between the political power, represented by various democratic institutions, and the financial power, represented by various international groups which, with the system of derivatives described by Mr. LaRouche, have by now occupied the scenario of national and international economics.

## What is wealth?

As transportation minister, I learned that the wealth of a people is not determined by the quantity of precious currencies and gold which it possesses. The wealth of a nation today, is determined by the quantity and quality of the networks it is able to put together: communications networks, cultural networks, highway networks, railway networks, development routes. This is the patrimony of a modern nation.

Being aware of this, I asked myself what Italy’s role should be, given its historical and geographic position. And I individuated that role as a passageway, a connection, in the center of the Mediterranean Sea, in the context of the great scenario created by the fall of the Berlin Wall, which meant that relations were no longer east-west, but north-south. Italy, in the center of the Mediterranean, is the connection between the great Western culture, the great Western market, with the developing countries in the Mediterranean and Africa, which are legitimately asking to participate in the great process of world development. A great humanist and historical tradition, a very important tradition of Catholic and Christian values, a meeting point between two very different and distant worlds, which is necessary if we do not want to go toward a clash with the other world, merely because they want to share a small part of the goods we consume. If we continue to pretend not to realize that 25% of the world population consumes 75% of the resources; if we do not realize this, we shall condemn ourselves to an epochal clash, compared to which the Second World War shall be nothing.

Peace and development: There is no peace without development, as there is no development without peace. This is the binomial in which we have to insert ourselves. We have to do this, however, giving power back to politics, because if the future of countries is to be determined by large financial groups, by the banking system, by financial speculation, by derivatives, by the speculative bubble, then there will be no hope.

## The state must create new clients

Therefore, we have to give some indications, we have to say what we want to do, and, as transportation minister, I asked myself this question. For example, I inverted the quantity of funds invested in new railways between northern to southern Italy. The markets demanded new high-speed railways in northern Italy, because that’s where the markets are, where the clients are. But I decided to invest in southern Italy, because the state cannot only invest where the clients are clients, but it must build elsewhere, and create new clients.

I thus transferred a number of resources and investments from northern to southern Italy, to the regions of Calabria, Sicily, and Apulia. I proposed and succeeded in having the high-speed railway not stop in Battipaglia, but go further, because, from the economic standpoint of development, I thought it would be essential that those who wanted to reach



*"If we continue to accept the diktats of the large financial centers, we will lead our country to a split," warned Publio Fiori. "If we continue to fail to give politics the role of hope that it should have, we will be making a big mistake, that of allowing international speculative finance to decide the destiny of men. But, as long as a true statesman is still alive, I think we shall not allow this to happen."*

the markets of central Europe not have to take such a long route, passing through the Strait of Gibraltar up to the great harbors of northern Europe, with an expense for each ship of \$250,000. I thought that these ships should be able to dock at a big harbor in southern Italy, and then bring goods to the European market on a high-speed railway.

This also meant more investments, because for example, our alpine passes are not equipped to handle containers of new types. In addition, our rail lines are not developed enough for high-speed trains. So, we are rapidly moving, as I had foreseen, toward a situation in which we will not be able to communicate with other countries, because Austria and Switzerland are restricting our road traffic, and we do not have new rail lines which can bring passengers and goods to Europe. The new alpine passes to Germany, Austria, and Switzerland, the new alpine pass toward Lyons, in France, the Frejus Tunnel, and the development corridors toward the East, should be connected through the great Trieste-Venice harbor, which should become the reference point for all Eastern Mediterranean countries going toward the new Eastern markets.

At the same time, we invested in Gioia Tauro. Gioia Tauro was the invention of a great entrepreneur, a brilliant entrepreneur, who is dead now, and about whom nobody speaks any more: the engineer Rivano. He understood that initially, the Gioia Tauro project was an economic mistake on the part of the government, because it only wanted to build a steel plant. He insisted that the harbor at Gioia Tauro had to be structured

in the way that the Japanese wanted; like the big ports for 500,000-ton ships, the so-called around-the-world ships, which come through the Suez Canal after sailing from Singapore and Hongkong.

We immediately accepted a convention with the private companies which managed the harbor, which should have become, and is becoming, a competitor of Malta. (By the way, Malta is presently building, with our money—50 billion liras [about \$325 million] in cooperation funds—a large harbor which will compete with our own.) Initially we planned a railway route which was to transport containers from Gioia Tauro all the way to Frankfurt. I do not know where that ended up.

At the same time, we started to study how to more effectively use the two big highways which we have, the one on the Adriatic Sea and the one on the Tyrrhenian Sea. We wanted to use these for coastal trade, so that from Gioia Tauro, one could reach the harbors in Genoa, Trieste, and Venice by sea, and then go further toward the markets in central, western, and eastern Europe. As you know, this type of transport allows much lower costs.

### **A different economic policy is needed**

We attempted, and are attempting, to carry forward an economic policy. What is our polemic with this government and this [parliamentary] majority? That this majority has accepted, in a subordinate manner, the Maastricht criteria. We do not enter into a discussion on these criteria as a reference

point, but in order to reach them, a different policy is required. We think that this policy of deflation, stagnation, and underdevelopment may bring us to Maastricht, but certainly in desperate conditions.

People speak of Italian inflation as low, but it is like the fever of a sick person, which falls suddenly because the sick person just died. Rather, a victory over inflation is the one recently observed in the United States, where next to a low rate of inflation, there is a high rate of employment and development. If we kill the economy, there's no doubt that we will see a reduction in prices, but it will not be a reduction based on the lowering of costs of production, but on other factors which have nothing to do with development and economic growth.

What proposals should be made, then? We are proceeding very quickly, in many cases, with privatizations. When one speaks of privatizations, there is immediately a polemic: "You're against the privatizations, therefore you're a 'statist,'" it's said, just because we have complained that a number of privatizations, such as that of the Banca Commerciale or Credito Italiano, were done in order to make some people's friends rich.

We are worried that other privatizations are going in the same direction. We can talk about San Paolo, for example, the largest Italian bank, which is being privatized according

to a mechanism in which the portion remaining public (with the public agency, that is), is 20%. However, by a unilateral decision taken by the agency, the voting power that goes with this portion is actually only 5%. This is a kind of inverted "golden share." Is this the road of the privatizations? Or, shouldn't we rather proceed with privatizations, not with the aim of making friends rich, but of opening up the state sector, the which sector I support though, because it led 50 years of economic development in Italy. Today, this sector may be superseded, but it is a system which played a fundamental role in Italy for development and social justice, which I support.

Today we want to change this system, because it is not sufficient for our new needs, but this does not mean that we should sell out cheaply, and unjustly enrich certain financial interests. Rather, we should raise public funds which should be used to finance development.

### End the diktat of the financial centers

The proposal we make is this: Let's establish a rule, a guarantee, that there will be no gifts to anybody, and that the funds raised through the privatizations will not be used to fill the holes of the public debt, or to cover current expenditures, but rather, to constitute the start-up fund for a National Bank for Development. That is, a national bank aimed at realizing large infrastructure projects, which are the indispensable precondition for development.

A final remark: When I was transportation minister, I was ridiculed because I had enthusiastically endorsed the idea of the bridge over the Strait of Messina. Everybody told me this was the wrong attitude, that I was just trying to create a fuss, that I was only doing this to promote my image. I believe, though, that the Strait of Messina project, which could, and can, be realized through a system of "project financing," which means without any expense for the state, would have constituted, and would constitute, an absolute and very important innovation. Not only because it would unify two cities which are divided only by the Strait, Reggio Calabria and Messina, thus making a single city out of them, and not only would we free Sicily of its historical isolation, which is one of the causes of the many problems in that region, but we would create a development driver which would create a large push for the development of all of southern Italy.

The day before yesterday, the Bank of Italy issued some significant figures: The income of a family in southern Italy is half that of a family in northern Italy. State investments made in southern Italy are inferior to state investments made in northern Italy. If we follow this path, the north-south division of Italy will be inevitable. If we continue to accept the diktats of the large financial centers, we will lead our country to a split. If we continue not to give politics the role of hope that it should have, we will be making a big mistake, that of allowing international speculative finance to decide the destiny of men. But, as long as a true statesman is still alive, I think we shall not allow this to happen.

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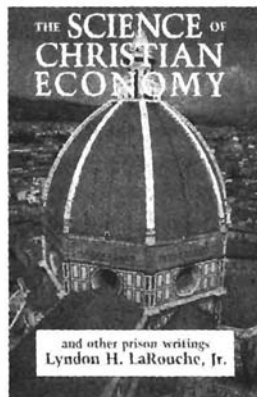
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# Eurasian Land-Bridge: A new era for mankind

by Helga Zepp LaRouche

*Helga Zepp LaRouche, the founder of the Schiller Institutes internationally, has become known as “The Silk Road Lady,” for her role in promoting the Eurasian Land-Bridge project. Her speech here is abridged; for extensive coverage of the Land-Bridge and the May 7-9, 1996 conference in Beijing, at which she spoke, see “Beijing’s Grand Design for Eurasian Development” (EIR, June 14, 1996, pp. 10-51), and EIR’s Special Report, “The Eurasian Land-Bridge,” January 1997.*

As the Honorable Publio Fiori was saying, the continuation of the Maastricht policy will lead to Hell. Fortunately, there is an alternative to the present suicide course that most governments in Europe are on, in an attempt to fulfill the criteria of Maastricht—governments that are crazy enough to impose upon themselves Middle Ages-like flagellant self-punishment, as they did in Holland this past weekend.

The alternative is specifically in the form of the Eurasian Land-Bridge, which is the idea to integrate western Europe, eastern Europe, China, South Asia, and Southeast Asia into one large economic zone, with infrastructure integration. This project is not only a proposal; it is presently, actively being pursued by China, especially by Iran, most recently also India, some of the Southeast Asian countries, Turkey, the Central Asian Republics. And, obviously, what is needed most, is the kind of technology and industrial potential of western Europe, to make this project the largest economic miracle in the history of mankind.

If we look at the population-density map of the world, already now, in this region of the world, there are currently 4.5 billion people. We have a few concentrations of population in the United States, some spots in western Europe, but the vast majority of the human race is in the area of China and South Asia, and there, will also be the large population growth in the next century.

From the 5th to the 7th of May, last year, there took place a conference in Beijing, organized by the Chinese government and the European Union (which begrudgingly had to agree to it), with the participation of 34 nations, and the subject of this conference was the economic development of the region along the new Eurasian Continental Bridge.

Now, I participated in this conference as a speaker, and I can tell you that it was absolutely joyful to see the cultural optimism that was evident at that conference. Because, what the Chinese government announced, was the idea that we have



*Helga Zepp LaRouche has taken the organizing campaign for the Eurasian Land-Bridge to cities around the world. Here, at a conference in Vienna, Austria, in March.*

a new era of mankind beginning through the Land-Bridge conception. And here there are no longer geographical preconditions, like the location of oceans or rivers, or about the richness of a country, but that through the conception of development corridors, infrastructure corridors, you can open up, for the first time in history, all of the land-locked areas of the world, and try to develop the interior of these areas.

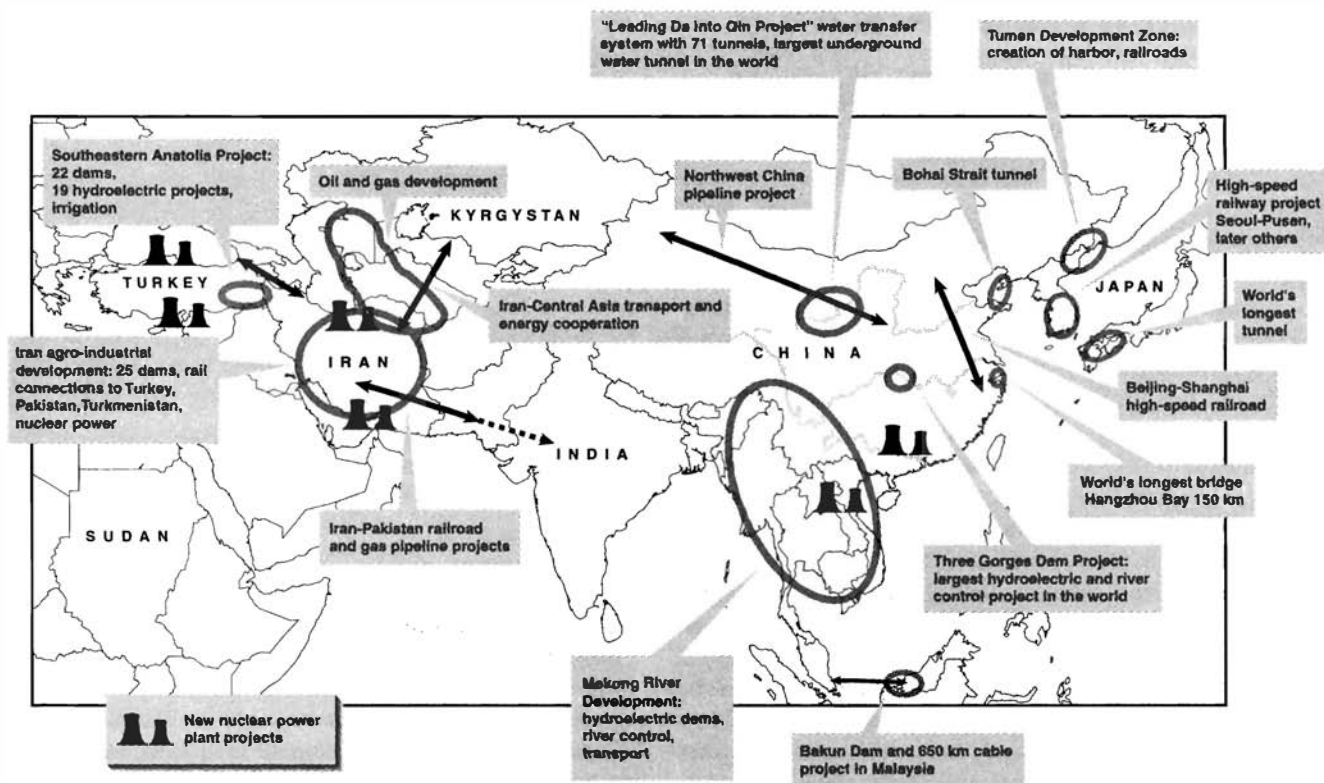
## China’s long-term strategic planning

So, here it was announced that the policy of the Chinese government, which has already been written into its long-term strategic planning, is to bring the development of the coastal areas of China as quickly as possible to the interior regions, the western regions, and then have China as a whole reach world-class levels of development, including the United States, western Europe, and Japan, as quickly as possible. But that the Land-Bridge conception should not be limited to the Eurasian Land-Bridge, but infrastructure connections should also connect to Africa; Africa should be integrated into this new Land-Bridge development, as well as through the Bering Strait, to the United States, and also Latin America. So, the Chinese government indeed presented there, a program for global reconstruction of the world economy, which in many points is very similar to what we have been proposing for 25 years.

Now, as was stated by China’s President Jiang Zemin recently at the 130th anniversary of Sun Yat-sen’s birthday, the Chinese government has returned to the policies of the founder of modern China, Dr. Sun Yat-sen. In an infrastructure map used by Dr. Sun Yat-sen in the 1920s, in a famous book called *The International Development of China*, he proposed a very vast program of infrastructure development: river taming, railroad building, energy production and distribution, which, basically, is what the Chinese government’s policy is

FIGURE 1

## Large development projects related to the Eurasian Land-Bridge



today, in modern form.

Now, what the Chinese government is actively pursuing, is a revival of the 2,000-year-old Silk Road, which, as was stressed by Song Jian, the chairman of the State Science and Technology Commission, the Silk Road is not only an economic road between Europe and Asia, but it is also, as it was 2,000 years ago, an effort to integrate cultures; to have the different nations and cultures of the Eurasian continent help each other, with the mutual forces of exchange of cultures, and therefore laying the true foundation of peace.

When I arrived in Beijing, I had a cultural shock, because I last visited it 25 years ago, in 1971, at the height of the Cultural Revolution, and Beijing had completely changed. You see construction sites, for miles and miles and miles. The famous Berlin Potsdam Platz construction site is just a tiny peanut compared to the miles and miles of construction you see in Beijing and many other cities.

Now, I will come back to the infrastructure corridors as such, but here is a map which has some of the largest industrial projects which are presently under construction in the area of the Eurasian Land-Bridge (see **Figure 1**). If you take all of these projects together, it is enormous, and China, as you know, is the only country which has had up to two-digit economic growth rates in recent years.

### Construction plans

I will just give you some idea. For example, presently under construction in China alone, are 14 subway systems in large cities; in the next five to ten years, they are building 100 airports and 100 ports, deep-sea water ports. In the next to 20-30 years, they have plans for the new construction of 200 cities with 1 million inhabitants each, because they expect the growth of 200 million people, and therefore they want to have nice modern cities for the people to live in—200 cities.

Of all the major projects, there are two big ones, which are called “projects of the century.” One is the famous Three Gorges Dam project. And this is basically a project which will tame the floods of the Yangtze River, and use the water for energy and irrigation. This was also Dr. Sun Yat-sen’s idea.

Now, you have never seen more hypocrisy on the side of the ecology movements, or the World Bank, than concerning this Three Gorges Dam project, because they all scream and yell about this project. But the reality is, that in the last flood alone, 33 million hectares of farmland were flooded, 1,000 people died, 800,000 houses were destroyed, and 2.8 million homes were damaged.

Now, in the past, when there were floods, up to 100,000 people were killed; by the year 2010, when the dam is completed, that danger will be eliminated forever. . . .



# Build the bridge over the Strait of Messina

by Fortunato Covelli

*The following paper by Fortunato Covelli, an engineer who is in charge of public relations for the Strait of Messina, Inc., was summarized at the conference sponsored by EIR and the Italian Solidarity Movement, in Rome on April 10. It has been translated from Italian.*

Our blueprint was born on the basis of a federal law passed in 1971. Twenty-five years have passed since then: Many years were wasted waiting for bureaucratic demands to be met, while on the other hand, eight years were spent productively by our company, in doing the investigative studies and making the plans that have allowed us to reach, at the end of 1992, the current, very advanced general outline of the project.

The building of the bridge over the Strait, is the result of analyses, research, and experimentation, employing what is considered the most advanced “state of the art,” in this discipline, in the international scientific-technical context (Japanese, Chinese, American, Danish, and so on): It is the first bridge which will be able to exceed the threshold of 2,000 meters for the central span.

## An extraordinary work

It is a suspension bridge, made entirely of steel, one span of 3,300 meters, 60 meters wide, with two railway lines and 12 traffic lanes. It is 70 meters above sea level, with two towers 376 meters high (that is, 6 meters higher than the Eiffel Tower and about the same height as the twin towers of [the World Trade Center in] Manhattan). Its backbone is a suspension system that uses two pairs of cables, 1.24 meters in diameter, and 5,300 meters long.

The bridge will have extraordinary strength and durability: It is designed to withstand, without damage, an earthquake of 7.1 on the Richter scale (more severe than the devastating earthquake that struck Messina in 1908, as well as the one which struck Kobe in Japan last year).

Thanks to its aerodynamic characteristics, it can withstand wind speeds of greater than 216 kilometers per hour (the winds in the Strait have a maximum speed of 130 kph), and survive even cataclysmic events, such as the crash of an airplane or a missile).

It is a safe work.

The suspension bridge permits 120,000 cars and trucks, and 200 trains to cross the Strait every 24 hours, and guaran-

tees safety, dependability, and continuity of service, even in extreme conditions. The overall security of the work is guaranteed, even against possible acts of sabotage.

The cost of the bridge, relative to the other proposed methods of crossing the Strait (subterranean or under water, which, for that matter, have been amply shown not to be feasible), are substantially lower, and it has none of the serious disadvantages of the other proposals—even without considering those disasters which are daily talked about in the papers, such as fires and hours-long interruptions in the tunnel under the English Channel, flooding and mud slides in the tunnels in Japan.

It is a work which is “married” to the landscape.

The compatibility between the bridge and the surroundings, has been amply demonstrated: The bridge inserts itself into the landscape, and becomes an integral part of it, a non-repeatable event, which is extraordinary, because it exalts it, rather than suppressing it; and it is extraordinary, precisely because that bridge fits within that landscape.

## Where do we stand?

The definitive overall blueprint for the bridge, presented by Stretto di Messina, Spa, in which the most qualified Italian and foreign experts have taken part—given the extraordinary dimensions of the work, which have demanded in-depth experimental research, an earlier study, preliminary to the one executed here, and full details of the particulars and of the construction processes—is to be considered very advanced, so much that it would require at this point a very short time to carry it out; moreover, the blueprint in any case is sufficiently detailed to be used as a basis for offering bids.

We believe, besides, that the in-depth report requested by the Concessions—ANAS and FS, the state-controlled companies that are in charge of highways and railways, respectively—which have already expressed their substantially favorable opinion, and the examination of the general blueprint by the Ministry of the Environment and Cultural Heritage, may be concluded shortly.

We also predict that the 1971 Law 1158, which has, in the context of the current international and Italian economy, become anachronistic and out of step with the times (among other things, it does not allow the involvement of private capital, Italian or foreign, in the construction of the bridge), will soon be modified, and made more flexible, conforming it to more modern criteria.

Thus, once the political decision to cross the Strait were made, it would be possible to set up an international competition, of pre-qualification for constructing the bridge, and at the same time to begin looking to preliminary work (detouring short sections of the superhighways and rail lines in Calabria, the construction of docks for servicing the principal shipyards, the depots, and the assembly zones in Sicily and Calabria). The cost of this preparatory work, which is estimated to take two years to complete, is on the order of 200 billion



*An artist's model of the bridge over the Strait of Messina. "The bridge as an element of national cohesion, carrying Europe into the heart of the Mediterranean, is a fundamental link of the north-south axis of the industrialized countries to those emerging in Africa, which will rationalize what has already been achieved, promote development, and bring with it a high standard of living and a higher quality of life for people," said Fortunato Covelli.*

liras [roughly \$130 million] and would employ about 1,000 people.

### **Vital to the Mezzogiorno**

The bridge over the Strait of Messina is surely one of the most important and complex blueprints, from a strategic standpoint, for the socioeconomic and territorial development of southern Italy.

This is located within a complex logic of the upgrading of the transportation infrastructure of the Mezzogiorno [the south of Italy], as a crucial element in structuring one of the plurimodal corridors identified by the General Transport Plan: the "Tyrrhenian Corridor," along the north-south orientation of Europe, and looking toward the Mediterranean.

It is an historic occasion to undertake a general process of reorganization and development of a geographic area, of prime importance in the economic panorama of the Mediterranean and with respect to the transfer of goods and knowledge to the other, mature countries of Europe, and to the developing countries of North Africa.

As a consequence, the prospect that beckons the Mezzogiorno, is one of becoming the industrial and industrializing "north" for the countries on the southern shore of the Mediterranean.

With its national scope, welding together the Italian regions with superhighways and railways, upgraded along the principal north-south highway (we cite in particular the upgrading of the SA-RC [Salerno-Reggio Calabria superhighway] and the completion of the ME-PA [Messina-Palermo superhighway]), the realization of the bridge constitutes an historic occasion for promoting territorial cohesion, which is also a cohesion of economic and social development for the

whole country: The bridges on the Bosphorus, the network of bridges between the islands of Japan, the connection via the [English] Channel, the bridges between the European continent and Denmark, and between it and Sweden, are all examples of how the logic of territorial continuity is today a prerequisite for balanced economic development.

### **The bridge will transform the area**

The bridge is the occasion for the revitalization and reorganization of the entire region of the Strait. Passing over a stretch of water 3 kilometers wide, the bridge becomes an element central to a reorganization of the urban area: The "system of the Strait" will complement the systems that have developed up to the present.

The welding together of the highway and railway systems between Sicily and the continent will rationalize the systems of transport, a condition necessary to the synergetic forming of infrastructure and the radiation of positive economic and social effects.

The easing of ferry traffic across the Strait—today one ferry leaves every eight minutes—will unclog the Strait, and open it back up to large-scale maritime traffic, while the ports of Messina, Villa, and Reggio, which today are substantially cut off from the principal Mediterranean routes, will be able to once again find their true vocation, opening themselves up again to coastal shipping, tourism, emergency and other services relevant to port cities.

The bridge is an element of cohesion for the cities along the Strait.

Connecting Reggio, Villa, and Messina with a superhighway and a train that will take barely 30 minutes to bring you from the station in Reggio to the one in Messina, including

intermediate stops (less time than takes to go from one part of Rome to another), will ignite a “metropolis effect” in the regions around the Calabrian and the Sicilian coasts.

The bridge will, in fact, bring into being one single and densely populated basin, which will permit the institution of very high-level services, sustainable only by a metropolis, the “city of the Strait,” further facilitated by the dovetailing of complementary services, today separated, which can instead form integrated systems—with the obvious economic benefits.

To get a sense of the scope of such potential of the Strait, there exists only one airport, at Reggio, and one single industrial port, Milazzo; and there are usefully integrable differences between the two shores in university structures, health care, and the productive sector, and primary and secondary services—to which one can add the conditions in some areas, favorable to locating new economic activities, such as container ports and industrial parks.

### The bridge brings jobs

The bridge is also a social fact in an area lacking in industrial and tertiary development, where the rate of unemployment has reached dangerous levels, and where emigration is producing the alarming phenomenon of entire areas being abandoned—areas which could be used in many different ways, where now the crime rate is very high, because of the lack of valid employment opportunities. The bridge brings jobs, with important spin-offs for all the productive sectors, among them, steel production, and the manufacture of steel products, which must grow to satisfy a demand for more than 500,000 tons of steel.

The bridge will introduce into the area of the Strait, a process of metropolitan integration and development, with an advanced tertiary pole, which will be a point of reference for the entire Mediterranean basin.

The number of those employed directly in the eight years of construction will be, for the bridge itself, about 2,600 men on average, and for connecting the highways and the railways, another 2,000 men. There will be 9,300 jobs created per year, for the whole system, locally and nationally, during the construction period, but this effect will continue for another five years, at an average job-creation rate of 2,300 per year.

Moreover, just to operate and maintain the bridge once finished, will require 500 men, with another 450 being hired on average each year.

It must be underlined that the jobs we talked about in the operating phase of the bridge, should not be considered as replacing those jobs presently brought by the ferry service: Past experience (e.g., Lisbon, Istanbul) confirms that, even when a bridge is built, the activities of ferries are partially maintained, even if they are operative in different forms and modalities (tourism, transport of hazardous materials and so on), and many of the people working on the construction of the bridge will be able to find work in a transformed area, not only in terms



*This map shows the transport connections that will be established with the completion of the bridge over the Strait of Messina. The bridge will connect the superhighway from Salerno to Reggio Calabria, with a superhighway that will link Messina to Palermo (solid line). The new rail line is depicted by the dotted line. Existing highways are shown by double solid lines.*

of industrial development, but also in terms of general revitalization and a better name for Italy abroad.

The bridge will encourage tourism. It will promote a consistent development of tourism, re-launching the historic-artistic vocation of places that are unique in the world, for their natural beauty, or their place in our historical and cultural patrimony.

In this respect, the strong attraction that the building of this bridge will have on people, will also have a palpable effect on the increase in tourism, right from the beginning of the construction, as was noted during the building of the Humber Bridge in England, the Great Belt in Denmark, and the Akashi Kaikyo in Japan.

### The bridge can finance itself

The cost of building the bridge is estimated at 4,300 billion lire, besides L 2,200 billion necessary for connecting to the

existing infrastructures on both shores.

Prudent projections of the traffic elaborated in 1992, estimate that from the date of the bridge's opening, there will be 5 million cars, 1.7 million commercial vehicles, 800,000 passenger and freight rail cars, per year.

If you factor in the same toll rates as those currently levied by the other large European bridges (and which are not much different from those today charged by the ferry service), and if you take into account the substantial sum today spent for ferrying trains, and then look at the financial analysis that has been developed, it indicates that the bridge could, at least in large part, finance itself.

In other words, the bridge is not only demonstrably a fundamental work for the development of the country, and hence of high economic and social return, but also an initiative capable of attracting and remunerating significant private capital, Italian and foreign.

The bridge as an element of national cohesion, carrying Europe into the heart of the Mediterranean, is a fundamental link of the north-south axis of the industrialized countries to those emerging in Africa, which will rationalize what has already been achieved, promote development, and bring with it a high standard of living and a higher quality of life for people.

## Return to national infrastructure planning

by Alberto Servidio

*Alberto Servidio, esq., is the former director of the Cassa del Mezzogiorno, the state development fund for financing and planning the development of southern Italy, known as the Mezzogiorno. The following remarks to the EIR-Italian Solidarity Movement conference in Rome, on April 10, have been translated from Italian. Subheads have been added.*

When faced with the recent polemics on the "social state," the question arises, why is this concept now identified with a policy of "transfer," instead of a policy of development?

Even if the redistribution of produced wealth is necessary for the solidarity which marks progress and cohesion within society, it cannot constitute an "independent variable," because it is actually a function of the capacity of the economic system to produce wealth.

It is up to policymakers to adopt the decisions which allow a system to combine development and redistribution in such a way that the latter is not detrimental to the former.

The instruments of public action—once the illusory utopias of rigid and centralized planning have faded away—are the classic instruments of the economies founded on pluralism and the market: revenue, currency, and actions directed at creating and guaranteeing favorable conditions for the best and most harmonic development possible.

But it is not always possible to use these instruments in an undifferentiated manner, in a single national situation.

### The policy of 'extraordinary intervention'

The reality of the Italian situation, which is characterized by a persistent dualism deriving from a long historic and geographic isolation of the peninsular area of the country from its insular area, demonstrates this.

Therefore, making market access equitable—a situation also postulated by the regulation of competition by the European Common Market, which assumes equal starting conditions—has required, and continues to require, a differentiated national economic policy.

The fact that this task is assigned to a national policy, is not accidental, because interventions on a regional scale remain insufficient, since the problem is multi-regional, and thus the solutions must be supra-regional.

This was very clear in the immediate postwar government

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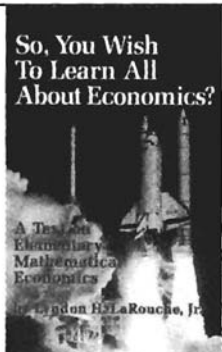
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*“Re-launching an infrastructure policy at every level appears to be one of the most efficient means to create and maintain the conditions of developing the real economy, and a harmonious diffusion of wealth and participation in progress,” said Alberto Servidio. Here, from left: translator, Lyndon LaRouche, Helga Zepp LaRouche, and Alberto Servidio.*

of [Alcide] De Gaspari, whose view of the question was based on an analysis to which the economist Pasquale Saraceno made a significant contribution: Initially, reconstruction, and, later, development, were generally promoted by intervening on the side of demand, but they were specifically promoted in the less-developed part of the country, by intervening on supply.

Thus, the policy of “extraordinary intervention” for the Mezzogiorno was born, with the intention of creating ideal conditions for development (hydro-geological projects, water reclamation and land transformations, water supply, communications infrastructure), and by encouraging productive investments.

This policy did not mean “hand-outs,” since it aimed to bring the Mezzogiorno to a situation of self-determination, through the increase in the area’s fixed social capital, and the stimulation of its entrepreneurial capability.

Objectively, the effects of the policy were remarkable, for the period in which the original concept of the intervention was maintained.

Here we should be clear.

It was not conceivable that the extraordinary intervention policy could eliminate the gap between the north and the south in just 20 years, since the opportunity for development would be exploited—as, in fact, it was—more widely and quickly in the more developed and industrialized areas. But without the extraordinary intervention, the gap would have become even wider. On the contrary, though, until the beginning of

the 1970s, the south had grown at the same rate as the country as a whole. It is true that the development gap still existed, but on a different base, which indicated significant progress in the south in absolute terms.

The first deviation from the extraordinary intervention policy came in the 1970s. But a more marked abandonment of the policy came in the 1980s, when the extraordinary intervention planning lost its territorial dimension, and, with this, the strategic aspect of its objectives and actions, and fell into a localist fragmentation, with the dissipation of resources as a consequence. This provoked resentment and polemics on the part of the more advanced areas of the country, putting the spirit of unity in jeopardy.

The regionalization of the intervention also provoked a large non-use (and the risk of loss) of European Community aid, as well as inattention to completing programs which involved wider-scale infrastructure projects.

This degeneration of the policy damaged the whole country, since the extraordinary interventions in the Mezzogiorno had also brought significant benefits to the industries of the north, in terms of supply, sales and larger markets, in addition to the special aid for programs to expand production in the southern areas (capital grants, special credits, services, tax incentives).

### **Recover the unity of planning policy**

In the light of these facts, there seems to be no alternative to recovering the unity of the planning policy for the develop-

ment of the Mezzogiorno, to once again give the intervention policy and the European Community aid a strategic aspect, inasmuch as the "region" in question is the Mezzogiorno as a whole, and not its existing regional partitions, entities which could, in any case, complete the projects that are currently under their direction.

There is no sense in becoming exasperated with bonds and divisions created by the constitutional ordering of the nation. The fact that these divisions may not be adequate with respect to the territorial dimension of the problems, does not mean that the solutions should be lacking, but that the organizational rules, which remain mere instruments with respect to national needs, should be made adequate.

This does not necessarily mean the reestablishment of past policies. If taking up past battles by the same name evokes bad memories for some people, then they should put their imagination to work in dealing with the objective dimensions of the problems.

### **Complete the water plan**

A clear and obvious example of a problem to deal with, is the completion of the water plan, which would guarantee a quantity of this fundamental resource adequate for the productive and civil development of the Mezzogiorno.

In southern Italy, water resources accumulate in the large masses of limestone of the region's internal mountainous ridge, and the area lacks an adequate system of rivers which would provide natural delivery of water supplies to the coastal plains, where the productive activity and the residential areas are concentrated.

Since there is a natural lack of these channels, it is imperative that we intervene with artificial works, to collect the water where possible, and transport it where it is needed.

The Cassa del Mezzogiorno, operating as a government authority in this field, financed, planned, and in large part elaborated an impressive system of water plans, which is still waiting to be completed and entrusted to industrial management, with the combined aim of avoiding a situation in which many investments remain without actual economic effect, and ensuring an efficient and optimal use of those resources.

The Cassa was also able to plan these systems with the entire southern territory in mind, because no obstacles were found the best technical solutions, based on the geo-morphological situation, the locations with the most recoverable water, and the distribution of water needs in the territory.

The regionalization of the later activities of the Cassa destroyed the unity of the inter-regional systems, and the functional unity of the strongly interconnected systems in the continental Mezzogiorno. Revitalizing the situation necessitates recourse to an authority which has competence in this field, which is absolutely necessary in order to balance the water budget.

Such a criterion also asserts itself more generally in terms

of the reorganization of water services, since the recent legislative reform has taken as its foundation the hydrographic basin defined by the law governing protection of the environment. That definition is based on rivers, and it is valid only for water supplies based on natural waterways. Where such natural waterways are insufficient or lacking, which is the case in the entire part of the country south of the Ligurian-Tuscan-Emilian level of the Appennines, one must create some type of authority to also manage the artificial water systems.

This means that, in order to plan the use of water resources, the national territory must be divided into large districts which are determined so that it is possible to meet the water needs in each one; which means that, in the areas where the recoverability of the resource is inversely proportional to the distribution of the need for it, we must include in that district, all of the areas where it is possible to recover and collect water sufficient for the needs of the area.

An authority of this type should have the power not only to plan interventions, but also to set rates for the cost of local distribution.

This means entrusting to self-financing (through fees and rates) the covering of maintenance and operating costs, and also a certain portion of the depreciation of the plants. These costs would represent the part of the project which is calculated to exceed the general public interest, according to the criterion (but not necessarily the measurement) of roadway concessions.

### **Other infrastructure projects**

Something analogous can be done for new projects, depending on the concession of construction and management.

This is not limited to water systems, but can be extended to other types of infrastructure, such as intermodality, the upgrading of underutilized transport hubs, tourist centers, the creation of research centers, and without, of course, leaving out the revitalizing of the energy sector, which was tragically interrupted by the referendum on nuclear energy.

Naturally, even considering forms of self-financing and quantities of private capital, a certain amount of public financing is still necessary, which cannot consist only of European Community appropriations. And thus, the question comes back to our point of departure: an adjustment of the relation between "transfers" and investments in public spending, to give an impetus to development, and also the real progress of society, which is not only based on the redistribution of wealth, but on concentration on producing wealth.

In this light, relaunching an infrastructure policy at every level appears to be one of the most efficient means to create and maintain the conditions of developing the real economy, and a harmonious diffusion of wealth and participation in progress. This is even more important in a situation marked by imbalances and inequalities, such as in Italy, if solidarity is still to be of value to the national community.

# Giorgio Vitangeli: 'We must re-launch the real economy'

*The following is a paraphrase of the remarks of Giorgio Vitangeli, formerly a journalist for the economic daily Il Fiorino, and currently editor-in-chief of the monthly Finanza Italiana. His remarks have been translated from Italian. A subhead has been added.*

Summarizing the pathological genesis of the international monetary and financial superstructure, which today presents the world economy with the imminent risk of collapse, Vitangeli first recalled the destruction of the Bretton Woods system, and the two oil crises of 1973 and 1979.

These crises represent the greatest manipulation and mystification in modern economic history. Using as a pretext the momentary disequilibrium in the oil market following two completely secondary episodes—a short little war in the Middle East and the fall of the Shah of Iran—the scare story about the end of our planet's oil resources was circulated insistently. And, on this false premise, two waves of price increases were manipulated, moving the price of a barrel of oil from \$2 to \$40.

This manipulation, Vitangeli underlined, has given to the oil-producing countries their ephemeral, illusory, and in reality, "doped" riches, while collapsing those countries, such as Italy and the developing nations, that are totally dependent on imported oil. But above all, it made appear almost indispensable something that till then had been considered unthinkable and criminal, i.e., the creation from nothing of an enormous mass of international currency (above all, dollar paper), necessary to sustain international trade at inflated prices.

The editor of *Finanza Italiana* recalled that the famous economist Robert Triffin calculated that in the ten years between 1970 and 1980, the amount of international currency that had been created was nine times the amount of all the currency created since Adam and Eve.

This mass of petrodollars went, first, to create loans made to the developing sector, above all the countries of Latin America, which have been thus imprisoned by a usurious logic, though the brutal increase of the interest rate of the dollar and the collapse of their national currencies. This increased enormously the mass of "xenodollars," i.e., those

monetary flows which are out of the control of national monetary authorities.

This has produced, first, a divergence, and later a complete schizophrenic split, between the financial and the real economy. The divergence also affected the currency exchanges and the stock exchanges. In this way, for years we saw the value of the dollar going up, while the United States faced growing budget and trade deficits, together with high inflation. At the same time, the deutschemark was losing value vis-à-vis the dollar, even if Germany had minimal inflation and a gigantic trade surplus. Also at the same time, the value of stocks went up, while the real economy collapsed into "stagflation."

Finally, the complete schizophrenia: Wall Street goes up and gives a premium to the companies that cut employment, while it is fearful and shaken up when the economy gives some sign of development.

Finance, Vitangeli underlined, instead of giving indispensable support to the real economy, became self-feeding, and to realize profit, it was unscrupulous in destroying jobs and in cannibalizing factories. If this logic is allowed to continue, it will become self-destructive.

This is now even more dangerous, because absolute freedom in the movement of capital favors speculation, and the use of financial derivatives increases out of proportion to the mass of speculative capital, while modern telecommunications enables the instantaneous movement of this capital all over the world, rendering the monetary authorities and the governments totally impotent.

## Some steps to be taken

How do we get out of this cancer, out of this "Financial AIDS"? LaRouche, Vitangeli underlined, has seen it rightly once again. We must first of all put in order the international monetary system with a New Bretton Woods, to end a quarter-century of anarchy and abuses.

It is also necessary to put a stop to the pathological development and improper use of derivatives, and to bring under control the wild speculation of "hot money," establishing clear distinctions between capital for real investments and mere speculative capital.

Also, concerning international trade, we need a re-regulation based on bilateral agreements, because the mythology of the "global market" depicts social abandonment and the exploitation of cheap labor in the Third World as free trade, which benefits a financial and trade oligarchy, but undercuts employment in the industrialized countries, creating economic, social, and political instability.

Finally, we need a global re-launching of the real economy, one able to create jobs and ensure development according to a social model which can transform the continuous increase in the level of productivity into the improvement of the living standards of all, and not in the increase of the financial power of a few.

## The ‘land-bridge’: Henry Carey’s global development program

by Anton Chaitkin

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### Preface: Resuming America’s mission

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Lyndon LaRouche’s pioneering Eurasian “land-bridge” program for world economic recovery, calls for intensive industrial development surrounding new high-speed rail lines across Asia and Europe. The struggle for and against its realization, is now, again, at the center of global politics.

LaRouche discussed his proposal in a Jan. 8 radio interview with “EIR Talks”:

“If you take the combined population of China, the Asian archipelago, the Pacific-Indian Ocean archipelago, the subcontinent, Bangladesh, India, and Pakistan, and so forth, you have there the overwhelming majority of the human race, which is at present in a development orientation. That is the potential for the future growth of humanity, and its economy.

“If you link the great traditional machine-tool centers of Europe, that is, the triangle of Paris, Lille, Berlin, Vienna, and back to Paris, if you link that machine-tool driver of the world economy to the greatest population centers of economic growth in the world, through a land-bridge route, you create an absolute revolution, in terms of growth of economy on this planet. It’s something which is in the vital interests of the United States to support.

“The British are determined that that shall not happen. . . .”

Nearly a century ago, the British Empire dragged humanity into World War I to stop just such a cooperative development; they later boosted Hitler into power in Germany, looking forward to another great war, for similar reasons.

The earlier “land-bridge” efforts, which we describe in this *Feature*, were launched following the Civil War by economist Henry C. Carey and Americans under his leadership. During the next decades, these nationalists and their international associates worked to make Germany, Russia, China, Japan, Mexico, Colombia, Peru, and other countries into modern, powerful nation-states.





*A Baldwin locomotive on display at the Smithsonian Institution in Washington, D.C. In the nineteenth century, Baldwin's production for the U.S. railways, as well as shipments to Russia, Japan, China, and other nations, were used by Henry Carey's political faction to promote world economic development.*

The following were among the particular goals of this initiative:

- Making Germany a superpower and America's partner in world development;
- Industrialization of Russia and China, with thousands of miles of rail lines;
- Development of Japan as an industrial power and counterweight to British genocidal Asia policies;
- World-wide electrification;
- The upgrading of labor and the condition of the people, as a necessary precondition for this industrial development.

And in order to succeed in these global purposes, the Carey circle planned an Irish uprising and the arming of Russia for a joint U.S.-Russian war effort to destroy the British Empire.

The planners of this world development crusade, who had sponsored President Abraham Lincoln, were the established leaders of America's industrial, military, scientific, and political life. Yet, by around 1902, British-allied financiers had displaced these nationalists from power, and their way of thinking—the heritage of the American Revolution—had become a fading national memory. Under Presidents Theodore Roosevelt and Woodrow Wilson, the mighty U.S.A. functioned in most respects merely as a British pawn.

Thus by 1905-14, the main players on the world stage, such as in Russia, China, Japan, and Germany, operated

in the desperate circumstances that *the actual American republic*, which had fought powerfully for the successful development of their nations, had, in effect, disappeared as an independent factor in world affairs.

Henry Carey (1793-1879) was probably the world's most famous living economist during the 1860s and 1870s. Carey's books and pamphlets were translated into most major languages, forming, with his predecessors Friedrich List, Henry Clay, and Alexander Hamilton, the main representation of the American or national school of political economy, opposing the British imperial school represented in print by John Stuart Mill and earlier writers such as Thomas Malthus, David Ricardo, and Adam Smith.

The political-economic initiative by Carey and his friends, outlined below, was in large measure responsible for the world's astonishing technological development in the late nineteenth century. The fight for this development policy and against British "free trade" frames the true, little-known history of all the great nations involved in the present political showdown, a century later.

This report has drawn upon manuscript collections and other archival sources which are readily available to historians, but which have been treated as politically untouchable during the reign of the Anglo-American "special relationship."

Let us now revisit and take inspiration from our predecessors' work, which we are called upon to resume.

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## The Union flexes its muscle

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President Abraham Lincoln was shot on April 14, 1865, just as the Union was securing victory in the Civil War. Despite his murder, Lincoln's cherished program of government-sponsored infrastructure, education and science, his protection for industry and family farmers, continued and blossomed in the nurturing hands of the "Whig" nationalists, headquartered in Philadelphia. Lincoln had been one of them, himself a lifelong champion of the American System of political economy that opposed the British free-trade system.

Lincoln's transcontinental railway to the California coast was completed in 1869, at a Federal government cost of \$64 million and huge grants of land. The second Lincoln-authorized transcontinental rail line, the Northern Pacific to Washington state, immediately went into full construction.

With the power of a fully mobilized economy and the world's most effective military behind them, the American nationalists envisioned technological and political progress in Eurasia that could in effect secure and extend the Union victory. The first steps toward the "land-bridge" focussed on Russia and Japan.

It was proposed that Russian Tsar Alexander II, Lincoln's Civil War ally, should, with U.S. help, "construct a grand trunk railway from the Baltic to the Sea of Okhotsk [Pacific] of like gauge with our Pacific Central." U.S. Gen. Joshua T. Owen was speaking at an 1869 send-off dinner given by Henry Carey for the new American ambassador to Russia, Andrew Curtin. "We have discovered that true glory is only to be attained through the performance of great deeds, which tend to advance civilization, [and] develop the material wealth of people," General Owen continued. By participating in "girdling the globe with a tramway of iron," Russia itself would be strengthened and unified. The general spoke bluntly: The allies could "outflank the movement made by France and England, for predominance in the East through the Suez Canal; and America and Russia, can dictate peace to the world."

Henry Carey had for many years personally managed America's pro-Russian policy; his widely circulated newspaper columns had turned U.S. public opinion toward Russia during the 1854-55 Crimean War against Britain and France. Among Carey's invited dinner guests paying tribute to Ambassador Curtin (the former Pennsylvania governor), were the Russian legation, and America's premier railroad and locomotive builders, along with their Philadelphia banker, Jay Cooke. Over the next few years, contracts were signed, under the supervision of the Carey political machine, for the sale of Philadelphia locomotives to Russia.

Meanwhile, in the 1868 Meiji Restoration in Japan, revolutionaries under Prince Tomomi Iwakura overthrew the feudal Tokugawa warlords; they set up a modern central government guided by Japanese students of Henry Carey.

The world at that time knew Carey as the leader of nationalist political thought, who had been the economic mentor to Abraham Lincoln and to the Union's industrial strategy.

As Kathy Wolfe has reported (*EIR*, Jan. 3, 1992), Japan's consuls in Washington and New York, Arinori Mori and Tetsunosuke Tomita, worked closely with Carey. Tomita commissioned the first Japanese translations of Carey's works. Mori would return to Japan to form the Meiroku (Sixth Year of Meiji) Society, dedicated to "American System" economics, as opposed to British free trade; this Careyite grouping would spearhead Japanese industrial development.

In 1871, Carey's student and political agent E. Peshine Smith was appointed economic adviser to the Meiji emperor. Other Carey associates were also then in Japan, working with

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## Henry Carey and Abraham Lincoln

Poultney Bigelow, the spoiled, Anglophile son of U.S. diplomat John Bigelow, was visiting Germany late in the nineteenth century. He asked a minor German official, who was the greatest American? The German replied, "Henry Carey." Bigelow spluttered that this was outrageous—"No one in America talks about Henry Carey!"

But in fact, economist Henry Charles Carey had been the chief of the U.S.A.'s national party or pro-nationalist leadership, from the 1850s to his 1879 death, and his global influence continued for decades beyond.

Henry Carey, born in 1793, inherited this leadership from his father, Mathew Carey, who had been Benjamin Franklin's revolutionary agent in Ireland, a full century before the events chronicled in this report. During America's War of 1812, Henry Carey served in the Pennsylvania State Fencibles militia, until the defeat of the British. As Henry was growing up, his father's political partners included Bank of the United States President Nicholas Biddle, German-American economist Friedrich List, Protestant missionary leader Jedediah Morse, U.S. Military Academy Superintendent Sylvanus Thayer, and such important Europeans as the Cotta family, publishers of the work of Friedrich Schiller.

Abraham Lincoln, though a Midwesterner, was of this Carey-led national party, the nationalist elite. In 1846-47, having just been elected to Congress, Lincoln made a set of notes for himself, in favor of economic nationalism ("Fragments of a Tariff Discussion," in Lincoln's *Collected Works*). He writes, "I . . . try to show, that the abandonment of the protective policy by the American Government must result in the increase of both useless labor, and

the new government identifying mineral resources, planning transport, and outlining protectionist tariff strategies.

On March 15, 1872, representatives of the new Japanese government arrived in Philadelphia, having travelled from Japan's embassy in Washington under escort by U.S. Gen. William Painter.

The city fathers published the official *Diary of the Japanese Visit to Philadelphia in 1872* immediately afterwards, boldly contrasting American and British purposes in the world. The pamphlet described the visit as "an event of great importance . . . to the mission on which these pioneers of an advancing state of civilization in their own country were engaged . . . the development of a country which has hitherto been almost hermetically sealed against the commerce of the

world,—for the least concession made to the foreign trader was immediately followed by the presentment of that aggressive policy, that arrogance, and grasping spirit of monopoly which have ever followed the British footfall on foreign soil,—so that, outraged and indignant, the Government of Japan has from time to time rescinded the privileges granted, thus retarding the progress of the mighty work of development, not from choice, but from a feeling of absolute necessity as a means to preserve its national and political autonomy."

The first stop of the Japanese party was the Baldwin Locomotive Works. There, Japanese planners and engineers inspected engine models, machine tools, foundries, and plans for locomotives that Japan would purchase or build itself with American assistance.

idleness; and so, in proportion, must produce want and ruin among our people."

To simplify the question, Lincoln writes, "let us suppose the whole agricultural interest of the country to be in the hands of one" farmer with 100 laborers, and "the whole manufacturing interest, to be in the hands of" one other man with 20 laborers. Consider "A and B . . . a Pennsylvania farmer, and a Pennsylvania iron-maker, whose lands are adjoining. Under the protective policy A is furnishing B with bread and meat . . . and receiving in exchange all the iron, iron utensils, tools and implements he needs. In this process of exchange, each receives the *whole* of what the other parts with. But the . . . protective policy is abandoned . . . and A determines . . . to buy his supply of iron [etc.] . . . of C an ironmaker in England" (Lincoln's emphasis).

He then shows the ruin which comes from such free trade. Lincoln has determined, at the outset of these notes, that he will not think in terms of money and monetary prices: "The *labor* price only is embraced" in his study of the question.

Lincoln writes that "A desires to exchange ten barrels of flour, the precise product of one hundred days' labour, for the greatest quantity of iron he can get; [the British] C, also wishes to exchange the precise product of one hundred days' labour, in iron, for the greatest quantity of flour he can get." But new and *unnecessary* costs of "useless labour" now intervene, the costs to and profits of merchants, ocean shippers, wagoners, storage, and insurance. These are so many tolls which parasitize on the useful labor, that both A and C receive only three-quarters of their own labor value in exchange for their products.

The foolish farmer thinks he'll benefit from cheap foreign labor! Of course, the prices paid to farmers in Europe are also too low; and the farmer loses his home market. The folly of free trade causes a collapse and general unem-

ployment in American agriculture and industry.

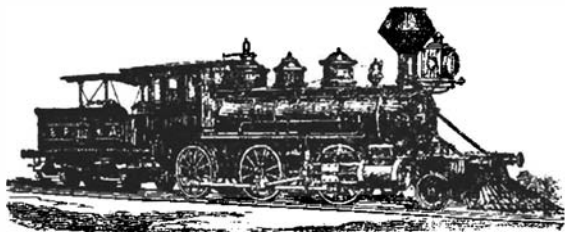
Lincoln divides the work force into "useful labour, useless labor and idleness." He explains that "all labour done directly and incidentally in carrying articles to their place of consumption, which could have been produced in sufficient abundance, with as little labour, at the place of consumption, as at the place they were carried from, is useless labour." (Lincoln comments, that if all productive labor should cease, and each individual should "work" by carrying food produced by others "continually about his habitation"—exactly today's "service economy"!—then "none would be left living.")

It is the "most worthy object of any good government," Lincoln writes, to secure "to each labourer the whole product of his labour, or as nearly as possible." Useless labor and idleness "are heavy pensioners upon" useful labor, "robbing it of its just rights." So we should "drive useless labour and idleness out of existence" by "making war upon" useless labor.

Henry Carey was the potent force behind the Lincoln Republican Party. The Republicans first appeared in 1854 after the demise of the old Whig Party, but the first Republican national Presidential nominating convention was held in Carey's Philadelphia, in 1856. That gathering was preceded by a Pennsylvania state Republican convention, chaired at the outset by Henry Carey himself. The party's 1860 convention in Chicago was a showdown between the Lincoln candidacy, promoted by Carey, and the candidacy of William H. Seward of New York.

Carey wrote the economics platform on which Lincoln was nominated for President. Carey then supplied his own students and associates for the Lincoln administration. They implemented the radical economic-nationalist policies adopted during the Civil War, which brought about the unprecedented advancement of U.S. industry to the end of the century.

ЛОКОМОТИВНАЯ МАПУФАКТУРА  
**„БАЛДВИНЪ“**,  
 ГГ. БУРНГАМЪ, ПЕРРИ ВИЛЬЯМСЪ и К<sup>О</sup>,  
 въ ФИЛАДЕЛЬФИИ, ПЕНСИЛЬВАНІИ—Соед. Штаты.



Изготовляемъ ЛОКОМОТИВЫ всевозможныхъ устройствъ для перевозки товаровъ и пассажировъ, приспособленные къ экономическому сожженію дровъ, кокса, смолстаго или антрацитнаго угля.

Распространеннымъ употребленіемъ въ Пенсильваніи топлива локомотивовъ антрацитомъ, вычисленная мапифактура болѣе всякихъ другихъ подобнахъ заводскихъ приборовъ особаю спитностію въ вытопленіи ЛОКОМОТИВОВЪ, ОТОПЛЯЕМЫХЪ АНТРАЦИТОМЪ.

Заводы «Балдвинъ», изъ числа всѣхъ занимающихся исключительно производствомъ локомотивовъ, въ настоящее время самыя обширныя во всемъ свѣтѣ; фирма эта принимаетъ на себя поставку по контрактамъ паровозовъ для желѣзныхъ дорогъ въ Россіи, съ доставкой ихъ ко всѣмъ портамъ Россійской Имперіи на борту корабля.

Локомотивы мапифактуры «Балдвинъ», отопляемые антрацитомъ, въ употребленіи на воровско-ростовской желѣзной дорогѣ.

Извѣстнѣйшіе каталоги локомотивовъ выслалаты по требованію.

За свидѣніемъ обращаться по адресу:

**«BALDWIN», LOCOMOTIVE WORKS.**  
 Philadelphia, Pennsylvania U. S. A.,  
 SS15. 22. 34—36.

*A Baldwin Locomotive Works advertisement circulated in Russia, approximately 1880.*

The history student today may imagine himself in the place of those Japanese visitors, by perusing the Baldwin Locomotive Works' nineteenth-century order books, now in the Smithsonian Institution, Museum of American History Archives Center, in Washington, D.C. There is a complete record for each of the thousands of locomotives ordered from the company, including configuration, materials used, price (in the range of \$9,000-\$18,000 each), and place of delivery.

Baldwin's shipments to U.S. railways and to Russia, Japan, China, Australia, Mexico, Brazil, etc., were calculated to promote world economic development by Baldwin's politically motivated controllers.

Baldwin, then emerging as the world's largest capital-goods producer, was just one segment of a conglomerate including the Pennsylvania Railroad, the Franklin Institute for scientific and technological research (in association with the American Philosophical Society and the University of Pennsylvania), the Pennsylvania Steel Company, the William Sellers machine-tool works, and numerous other industrial and mining enterprises, which flourished under the Republican Party's 50-90% tariffs against British imports.

Owned jointly by partners known as the "Philadelphia Interests," this conglomerate was the heart of America's power, in the political-military-industrial complex whose

guiding light was Henry Carey. Among the Philadelphia partners were J. Edgar Thompson, Andrew Carnegie, William Sellers, Baldwin chief executive Mathew Baird, and Gen. William J. Palmer, a Medal of Honor-winning Civil War cavalry officer who would soon begin building Mexico's national railways.

The Japanese visitors inspected the American Button-Hole Sewing Machine Company (hosted by its vice-president, Abraham Hart, who was also Henry Carey's partner in the Carey family publishing firm); the U.S. Navy Yard, to observe the manufacture of naval armaments; the ultra-modern Sellers machine works; and the William Cramp & Sons shipbuilding company.

During this 1872 visit, Prince Iwakura, Japanese cabinet ministers, and the embassy party (about 30 persons in total) were guests in banker Jay Cooke's house, while they prepared a treaty with the United States and a loan of \$15 million for Japanese development. Cooke was negotiating with Japan for Asian connections with the Philadelphians' Northern Pacific system, intended as part of a global belt of railways, canals, and shipping operations that was to vastly upgrade the economy and power of many sovereign nations.

Jay Cooke's banking house was vital to the nationalists' efforts in that era (see *EIR*, Feb. 9, 1996, "The 'Philadelphia Interests': The World After Lincoln"). Cooke had been the U.S. government's principal private banker since the Civil War. He had sold over a billion dollars of small denomination government bonds to the public, to outflank the extortion practiced against the Union cause by London and Wall Street bankers.

Baron Friedrich von Gerolt, the German ambassador to the United States, joined Cooke, the Philadelphia Interests, and the U.S. government in financing and promoting the Northern Pacific railroad construction westward, toward its Asia/Pacific rendezvous. Cooke quietly negotiated agreements aiming at U.S. annexation of the western half of British Canada.

As the Northern Pacific completed its link from the Great Lakes to the Missouri River in the Dakota Territory, the railroad created a terminus city on the Missouri River and named it "Bismarck," in honor of the German chancellor; Bismarck has remained the capital of North Dakota.

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## Carey versus London: 'The Queen pushes dope'

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The British Empire viewed this American world leadership as gravely threatening, and in 1873, the British struck with fury.

London *Times* financial editor H.B. Sampson, his "intimate house guest," Philadelphia *Ledger* editor George Childs, and the *Ledger's* owners at the British-allied Drexel-Morgan

bank, concocted a series of libels against the solvency and honesty of Jay Cooke and the Northern Pacific Railroad, and against their fundraising in Germany, “predicting” an anti-Cooke panic. These slanders were reprinted as leaflets, and distributed in banking circles in the United States and Europe. British bankers froze Cooke out of the money markets, and the Barings and Rothschilds talked down the value of the U.S. government bonds that Cooke was then marketing.

A scandal was gotten up against the Union Pacific railroad, pivoting around Credit Mobilier executive Francis R. Train, of the notorious British intelligence Train family. Congressional hearings smeared the chief political friends of the railroad builders. The demoralized, frightened Congress suspended payment on the old Union Pacific bonds, and thus undercut the market for all railroad securities. Congress then refused any subsidies for the cash-strapped Northern Pacific.

In September 1873, under increasing pressure from international bankers, the Cooke banking house was forced to shut its doors. This set off a panic, closing the New York Stock Exchange for seven days, and closing factories, shops, and mines throughout the country. Northern Pacific railroad construction was suspended for six years. London’s Drexel-Morgan (later House of Morgan) and Rothschild banks replaced the ruined Jay Cooke as the principal bankers handling the bonds of the U.S. government.

There was at this time (1873) a worldwide depression of commerce, industry, and employment, with great historical consequences, as we shall see.

The gravely weakened American nationalists determined to proceed as best they could, in the face of this British sabotage. Henry Carey was then 80 years of age; but, rather than capitulate to feudal oligarchs and their power, Carey fought back with a series of global initiatives that would transform and uplift humanity. Over the next months and years, Carey and his followers worked toward sweeping political and economic objectives in Europe, Asia, and Ibero-America: world industrialization, the defense of labor, and the defeat of the British Empire.

Henry Carey’s 1876 pamphlet, “Commerce, Christianity and Civilization Versus British Free Trade: Letters in Reply to the London Times,” quickly circulated and eagerly received overseas, was a clarion call for the world development fight. Carey singled out the British monarchy’s destruction of China with opium as the chief crime of the age.

The pamphlet consisted of open letters from Carey to the London *Times*, replying to its editorial of Jan. 22, 1876.

The *Times* had complained that the viewpoint of “Mr. Carey, of Philadelphia, the redoubtable champion of the protective system in the United States,” has been “repeated in hundreds of magazines and newspapers, and forming the staple of endless orations, has affected the economical policy of the Union up to the present time, and is held by multitudes. . . .”

The *Times* warned that free trade, “the cardinal doctrine



*The Franklin Institute for scientific and technological research, in Philadelphia.*

of English political economy, . . . to question which must indicate ignorance or imbecility,” is rejected by the Americans, by the French, and even by “heretical” Canadians, who are immigrant “Englishmen and Scotchmen who have grown up in our Free Trade pale, and have been taught to believe that the exploded doctrine,” protection of home industry, “could not be honestly held by an intelligent person.”

In the pamphlet, Carey asks the British rulers to look at themselves as others see them, as pirates and mass killers. These lines from Robert Burns serve as the dedication on the pamphlet’s cover page:

Oh wad some power the giftie gie us  
To see oursel’s as others see us!  
It wad frae monie a blunder free us  
And foolish notion.

The pamphlet is most striking for its attack on Britain’s policy of destroying China with opium.

“Early in the free-trade crusade,” Carey writes, “it was announced in Parliament that the smuggler was to be regarded as ‘the great reformer of the age,’ and from that hour to the present . . . Gibraltar, Malta, Nova Scotia, Canada, and other possessions [have] been chiefly valued for the facilities they

have afforded for setting at defiance the laws of the nations with which Britain has professed to be at peace.” Carey devotes the bulk of the pamphlet to describing how this British “great reformer” has done his criminal work in East Asia.

He writes that the East India Company’s opium smuggling into China, practiced with “bribery, fraud, perjury, and violence,” grew to huge proportions before the English monarch renewed the company’s charter with the “express understanding . . . that opium-smuggling should not . . . be interfered with. . . .”

“Thus sanctioned by the royal head of the English Church,” the dope trade was aggressively expanded. The Chinese “emperor’s councillors [advised] him to sanction domestic cultivation of the [opium] poppy,” and thus stop a demand that was draining the country of all [its] silver. . . .” Carey gives the emperor’s memorable reply: He may not have the power to stop Britain’s “introduction of the flowing poison . . . *but nothing will induce me to derive a revenue from the vice and misery of my people*” (emphasis in the original).

“So much,” writes Carey, mocking the British Empire’s religious pretense, “for a ‘barbarian’ sovereign for the conversion of whose unenlightened subjects to the pure doctrines of Christianity so much anxiety is felt by many of those eminent Britons [who lobby] . . . in behalf of the ‘great reformer of the age’ . . . on the shores of the China seas or on those of the United States.”

Carey recounts Britain’s bloody “bombardment of Canton . . . [compelling] the poor Chinese to pay \$21,000,000 for having been [forced] to submit to the humiliation of being plundered and maltreated by the ‘great reformer’; and . . . to cede Hong Kong, at the mouth of the Canton River, to the end that it might be used as a smuggling depot throughout the future.”

Carey tells of Britain’s unprovoked war of 1857, which forced China to legitimize the annual import of “millions of pounds, of a commodity that in Britain itself was treated as a poison whose sale was . . . subjected to close restriction.” China was then “thrown open to the incursions of British agents and travellers” who showed “an insolence . . . [d]etestation, contempt, ferocity, and vengeance” toward Asians, which seemed not “reconcilable with the hypothesis that Christianity had come into the world.”

Carey describes the downfall of India, from its relatively prosperous state before British occupation, to devastation and hunger under Britain’s “work of annihilation”: the forced closing of native Indian cotton manufacture, 70-80% taxes imposed on peasants, the diversion from the production of food and cloth, to the cultivation of opium with which to enslave China.

Britain’s hypocrisy is exposed: “Loud and frequent . . . have been the [London *Times*’s praise] of the [British] government . . . in endeavoring wholly to suppress the little remaining slave trade of Eastern Africa.” But Carey calls attention to the slavery “developed in Eastern Asia, . . . by Englishmen”:

“There is no slavery on earth to be compared with the bondage into which opium casts its victim,” destroying the body, demolishing the nerves and the free will, reducing man to brute.

Carey quotes from missionaries in China: that “Christian . . . Great Britain to a large extent supplies the China market with opium, is constantly urged as a plausible and patent objection to Christianity.” The bishop of Victoria (Hong-kong) is quoted, showing more candor than today’s lying Christian Solidarity International: “I have been again and again stopped while preaching, with the question, ‘Are you an Englishman? Is not that the country that opium comes from? Go back and stop it, and then we will talk about Christianity.’ ”

Carey describes the descent of England itself into impoverished barbarism for the working population, and idle boredom for super-wealthy aristocrats, reminiscent of ancient Rome and America’s southern slave states.

He surveys the world: the Turkish Empire, the Spanish American nations, India, all ruined and looted after being forced to submit to British free-trade policy. Yet Germany, France, and even Australia (defying mother Britain), have moved toward self-sufficiency, insofar as they have deliberately developed their home industry.

The United States, Carey concludes, has overthrown Negro slavery, so it has escaped from “British free-trade despotism,” under which the slave South and the free North had exchanges “only through the port of Liverpool, which thus was constituted the great hub of American commerce.”

Now America, looking “in a contrary direction,” has effected “a growth of internal commerce that places the country fully on a par with any other nation of the world.”

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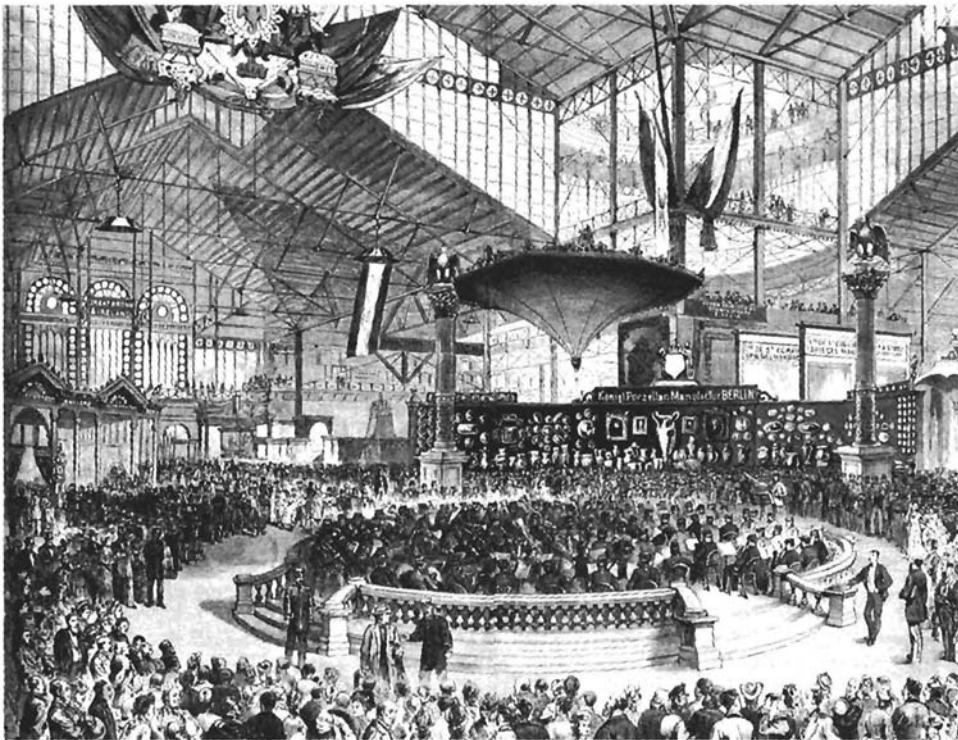
## The battle for Germany

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The issuance of Carey’s 1876 pamphlet intersected a decisive political contest in the heart of Europe between adherents of the British and American political outlooks. Carey and his nationalist circle, on both sides of the Atlantic, sought to shift Germany’s course toward government patronage of industrial progress, and into an implicit strategic alliance with the United States. Success would depend on overcoming Germany’s dangerous political and religious fractures.

From about 1860 up through the 1870-71 consolidation of the German Empire, Germany had wandered away from the direction given the nation by Friedrich List (1789-1846). List had been an organizer of America’s Whig nationalism, in partnership with Henry Carey’s father Mathew Carey, and Henry Clay and John Quincy Adams. List had returned from Pennsylvania to his native Germany, to create the *Zollverein* (protective tariff union) and plan the railroads, making List the father of German national unity.

But Prussia had given in to free trade under the hegemony of the Anglo-French alliance and the London-Paris “Cobden”



*At the U.S. Centennial Exposition in Philadelphia in 1876, a band plays in the center of the 21-acre main building. Among the many European visitors to the Exposition were German industrialist Emil Rathenau, and Franz Reuleaux, head of the German machine builders' delegation.*

treaty of 1860. Speculation, fraud, and looting expanded until a financial collapse devastated Germany in 1873, coincident with the British-induced collapse of Jay Cooke's banking house in America.

Socialists told German workers that industrialists were to blame for their unemployment. And Chancellor Bismarck—the victim of a British “sucker game”—was further dividing Germany with the *Kulturkampf*, his political war against the Roman Catholic Church, the enforcement of restrictions against Catholic religious and educational activities, and the demand that Rome not control the German Church.

Against this disastrous drift, the nationalists worked to fundamentally reorient German national policy. Closely coordinating with Henry Carey and his Philadelphia circle (and, beginning in 1878, with the aid of the new pope, Leo XIII), the Germans succeeded in shaping a decisive new course of action. The British-dictated free-trade policy was dropped, and the German government supervised a vast industrial and technological development program. For the remainder of the century, America and Germany were the twin motors of universal progress.

We will now examine the international collaboration that led to this great advancement. It should be of rather urgent interest today, for our befuddled statesmen, to see how the leaders of 120 years ago were extricated from self-defeating policies, from unnecessary economic depression, and from the trap of a “north versus south” clash of religions.

As we examine the actions and strategy of the Carey circle, we must see the republican-nationalist United States as

the nineteenth-century civilized world saw it. Having survived the Civil War, the British-instigated slaveowners' rebellion, America was the pivot of mankind's hopes against the British Empire and reaction.

Two hundred and fifty members of the Prussian Chamber of Deputies had signed an address to the American ambassador, in response to Lincoln's assassination in 1865: “You are aware that Germany has looked with pride and joy on the thousands of her sons who in this struggle have placed themselves so resolutely on the side of law and right. You have seen with what pleasure the victories of the Union have been hailed, and how confident the faith in the final triumph of the great cause and the restoration of the Union in all its greatness has ever been, even in the midst of calamity.”

Deputy William Löwe had said of Lincoln, in the Prussian Chamber, “In the deepest reverence I bow my head before his modest greatness, and I think it is especially agreeable to the spirit of our own nation, with its deep inner life and admiration of self-sacrificing devotion and effort after the ideal, to pay the tribute of veneration to such greatness, exalted as it is by simplicity and modesty.”

(These tributes to Lincoln may be usefully contrasted to the attitude of the London *Times*, which had reacted to Lincoln's announced decision to free the slaves with editorials on Oct. 6, 7, and 14, 1862, denouncing Lincoln as a “violent zealot” who “will appeal to the black blood of the African” and “excite the negroes . . . to murder the families of their masters. . . .”)

Löwe and other German nationalists would come to the

fore a decade later, in the German economic crisis and policy conjuncture.

German historian Lothar Gall<sup>1</sup> writes that in 1875, Chancellor Bismarck invited “the [political] parties . . . to state their wishes and make their offers . . . principally as regards the violently controversial area of future economic policy, where the Chancellor had very deliberately left all his options open. . . .

“The first to respond were not in fact representatives of the parties. They were the spokesmen of the protectionist interests. . . . In conversation with Baron von Stumm-Halberg and Wilhelm von Kardorff, both of whom were [legislative] deputies . . . but figured here purely in their capacity as representatives of associations, [Bismarck] advised them in December 1875 to remain on the offensive and to feel free to attack the free trade policies of the government. Furthermore, he added, the chances were that they would soon begin to find increased support among agrarian interests as well; in this quarter, too, highly critical voices were already beginning to be raised against the policy of free trade.”

Following this December 1875 discussion of Bismarck with Kardorff and his colleague, the tempo of political change picked up dramatically.

But who were these policy advisers, identified as representatives of “protectionist associations”? Utilizing the still-unpublished manuscripts mouldering among the Henry Carey papers at the Pennsylvania Historical Society, we are enabled to get a better glimpse *behind* the events of the great policy shift.

On Feb. 12, 1876, a German journalist named Stöpel wrote to Henry Carey, describing the circulation of some of Carey’s writings, edited and issued by Baron Kardorff, a German follower of Carey’s.

About three days later, the Central Association of German Industrialists (or “Central Verband”) was founded in Berlin, as an umbrella organization for the protectionist point of view in German trade and industry. About a week afterwards, on Feb. 22, 1876, the Confederation of Fiscal and Economic Reformers was founded among the landlords and farmers, to promote protectionist measures in agriculture.

A certain Herr Grothe reported from Berlin in a letter dated March 26, 1876, to Henry Carey:

“. . . The *protective* movement in Germany has very enlarged [sic]. To my Central Verband assist now the *greatest majority* of industries in Germany and a part of agriculturalists. . . . In the Reichstag we have now formed a fraction for protecting industries . . . I tell you the names: Dr. Löwe; von Kardorf[f]; Comte Bethusy-Huc; Baron of Schorlemer-Alst; Baron and ex-minister of Vambüler; Dr. Grothe; Dr. Hammaher; ex-minister Wind[t]horst; Dr. Bühl; Ackermann; Dr. Thilenius; Fäustle; Prof. Frühauf; von Borkum-

Solfs. . . .

“The Protectionists have about 140 friends of the Reichstag, the free-traders about 80-100 Members; about 200 Members are neutral and opportunists. Our ministers are not radical free traders; [to the] contrary it is possible that all Ministers were now elected from the protectionist party.”

On May 15, 1876, Baron Kardorff wrote to Carey, describing the rapid progress of the Carey circle in Germany, including their success in procuring Bismarck’s dismissal of Trade Minister Rudolf von Delbrück:

“Dear Sir!

“Returning from a meeting of a union of gentlemen of the protective party at Leipzig to my parliamentary duties, I was rejoiced by the ‘Letters to the London Times’ [which Carey had just published in the United States] and the portrait you were so kind to send me. Wishing to give the full knowledge and use of your brilliant little pamphlet to my own countrymen, I began on the spot the translation of the letters, with the intention of publishing it in a separate little volume with a preface written by myself in reference to the ideas about the necessity of self defense against the theories and the agitation of the radical Manchester free trade men, I wish to impress upon my people.

“The day before yesterday I see in the *Mercur*, a weekly journal published by my friend Dr. Stöpel at Frankfurt, that he also has begun to translate the letters. But, on the whole I think my own translation is a better one and notwithstanding the competition of my friend I shall publish it in the above-mentioned shape.

“I would not have done it without your own permission if time was not pressing. But our government is bound, to give warning for the revision of our commercial treaties with Italy, France, Great Britain, Belgium, etc. at the date of the first of July—and I hope that the necessary changes in these treaties will be influenced by the rigor and clearness of your exhibit of the workings of the British free trade policy in the whole world.

“Therefore pray excuse the proceeding of your humble follower as justified by extraordinary circumstances.

“We have had a great triumph, Mr Delbrück, a vehement free trade man and till now chief of the trade department of the German empire, having been induced to take his leave; but the battle is not yet won, the daily journals nearly all writing in obedience to the instructions of the Cobden Club [British free-trade society with honorary members among Anglophiles in America and Germany], and public opinion vacillating between the two sides of the question.”

Despite bitter opposition from free traders, Germany successfully revised its fundamental tariff policy, with a new German protectionist duty on iron, steel, and other products, adopted in July 1879. As a result, smelting and machine works enterprises increased 30%, and employment went up 40%, with higher wages, over the next six years alone.

1. Lothar Gall, *Bismarck, The White Revolutionary*, London: George Allen and Unwin, 1986; English translation of 1980 German edition), pp. 73-76.



Beyond the protective tariff, Germany adopted a thorough *dirigism*. Industries were cartelized for greater productivity, as in the pooling of laboratory facilities. Large banks, interlocking with the state-sponsored cartels, were set into motion for the financing of national and international development programs. The government intensified its sponsorship of education, and constructed a vast network of railroads, canals, and ports; subsidized merchant ships; and built a world-class navy.

Other aspects of the great shift in German affairs under Bismarck—the pro-labor social welfare laws, the German-U.S. partnership for German and worldwide electrification, the turnabout in relation to the Catholic Church—would have tremendous worldwide consequences. We must look further, behind the scenes in America, and into the realms of labor radicalism and Catholic Church politics, to understand these developments.

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## The Centennial: renewed American Revolution

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Carey and his allies spurred their worldwide organizing by obtaining Congressional sponsorship for a great celebration of the 100th anniversary of America's Declaration of Independence. The 1876 Centennial Exposition in Philadelphia, the capital city of the 1776 Revolution, called forth displays of the industrial progress of the United States, the Germans, and all the world's nations.

The huge exposition buildings in Fairmont Park were erected by the Philadelphia Interests industrialists such as William Sellers, who was a leader of the Franklin Institute, along with Baldwin boss Mathew Baird. The Carey forces managing the exposition were led by Henry Carey's political

### Emil Rathenau's part in the 'land-bridge'

*Emil Rathenau (1838-1915) was the founder of the German Edison Company (later known as Allgemeine Elektrizitäts Gemeinschaft, AEG), which electrified Germany's cities and industries. The following are extracts from a report by Frank Hahn.*

Emil Rathenau and Thomas Edison were direct business partners, and became dear friends. They often visited each other, and learned new things from each other.

Rathenau thought of machines as the "tools for the future," and the realization of his plans resulted in the most rapid economic boom in history: In less than 25 years, there were 7 million new jobs created, as the immediate result of the "replacement of physical labor by machines."

AEG functioned as a kind of private NASA. New branches of production, machine types, and affiliated spin-off enterprises were continually being founded, which all aimed at one goal: the electrification of the world economy. To this aim, Rathenau gathered together the best economists, engineers, and construction contractors of this time under the roof of the AEG. . . . Thus even before production, there was research into and development of new technologies.

Rathenau concentrated on electrification of transport, electrification of the chemical industry, and the building of large power stations and "full coverage" electrical networks.

His goal was nothing less than the electrification of the

world economy. So, he expanded AEG in the 1890s to become a worldwide enterprise, with affiliates in 18 countries: Austria, Switzerland, Italy, France, Belgium, Great Britain, Spain, Romania, Bulgaria, Russia, Denmark, Norway, Sweden, South Africa, Mexico, Brazil, Chile, and Argentina. Among other projects, AEG built the great electrical grids in Seville, Bilbao, and Madrid, Spain; as well as Warsaw, Poland; Genoa, Italy; and Buenos Aires, Argentina—and later in Russia.

After the successful introduction of electrical streetcars in Halle, Germany, in 1892, the city of Kiev, Ukraine gave AEG the task of constructing the grid for electric streetcars and to deliver 66 trolley cars to operate on it. Rathenau went to Russia himself, and soon there were tramways built in Moscow, Lodz, and Astrakhan. Not long after followed the electrification of St. Petersburg.

The word got around: "Berlin is the capital of the Russian electrical industry."

[At the same time, Frank Sprague, a partner of Thomas Edison and the Philadelphia Interests, introduced electric streetcars and subway trains to the United States—ed.]

In 1904, AEG began to work in China, though preceded there by Siemens, which had already built some streetcars and electrical generators there. Starting in 1912, AEG got the job of electrifying the Trans-Siberian Railroad.

The electricity generating plant at Niagara Falls, New York [with engineering directed by Coleman Sellers of Philadelphia's William Sellers machine works—ed.] was financed in part by Deutsche Bank. When Edison Electric Light was formed in the United States in 1889, the majority of shares was held by four German enterprises: AEG, Siemens and Halske, Bankhaus Stern, and Deutsche Bank.

lieutenant, Morton McMichael, the former Philadelphia mayor and America's leading Whig publisher, who was chairman of the Fairmont Park Commission.

The Philadelphia Interests displayed their industrial wonders. Baldwin contracted several exceptionally beautiful lo-

comotives, just for the Centennial. And the Careyites' 29-year-old protégé, Thomas Alva Edison, put on a display of his automatic printing and multiplex telegraph devices.

Only days before the July 4th opening of the Centennial, Edison had completed his move into his new Menlo Park,

## Franz Reuleaux's 1876 'Letters from Philadelphia'

Franz Reuleaux, the head of the German machine builders' delegation to the U.S. Centennial celebration in Philadelphia, wrote a series of reports on the exposition, in the form of open letters. They were printed serially in the European press, with great public impact and resulting in international controversy.

The letters beautifully illustrate the moral and philosophical character of the republican nationalists, Carey and his allies, who, despising chauvinism, fought to bring modern technology to the world.

Reuleaux, a professor of the science of development of machines at the Berlin Technical Institute (Berliner-Gewerbe-Akademie), served as the institute's president from 1876 for about 30 years. His teaching, writing, and political leadership were of very great influence in late-nineteenth-century German industry.

During his three months in Philadelphia for the Centennial, Reuleaux studied the methods of the city's great industries, the most important of which were the "Philadelphia Interest" firms led by Henry Carey's political partners. It is certainly the Carey circle to which Reuleaux refers, when he suggests, in the first letter, that a "master's hand" was behind the Philadelphia exposition.

The following are translated excerpts from Reuleaux's "Letters from Philadelphia" ("Briefe aus Philadelphia"), published in 1877 by Vieweg and Sons. Reuleaux and his writings were brought to *EIR*'s attention through the research of Lothar Komp.

### From the First Letter, June 2, 1876:

These numerous separate exhibitions, many of which are of vast dimensions, produce, together with the great exhibition halls, an impression much like the movements of a mighty fugue, in that every voice intones anew the main movement, each, however, with its own character, entwining and interweaving itself with the other figures, until, finally, the entire tremendous industry-orchestra, roaring and thundering, comes together to bring the theme

to the conclusion.

Never before has this overall impression been so perfectly achieved. In any case, the effect betrays a master's hand at the conductor's baton. . . .

Today I wish only to elaborate, in broad outline, on the reproaches that have been hurled against us. The quintessential charge is the motto: German industries' fundamental principle is "cheap and bad."

Unfortunately, for the most part, this really is the fundamental principle of our industry, at least insofar as its first half is recklessly applied, and therefore, as the consequence, its second part follows. Even though competent, upright industrialists who condemn this principle have endeavored to work against it in our country, even though many whose hearts are fond of our industry have spoken out against it, it nonetheless has the upper hand, and thus manifests itself all too clearly in our exhibition.

Second reproach: In the industrial and fine arts, the only motif Germany knows is the partisan-patriotic, which does not belong in the world arena, and which no other nation has brought; Germany no longer has feeling for unbiased beauty which is beautiful on its own merits.

Indeed, once this is said to us, we are overcome by a feeling of shame when we wander through the exhibition, and in our section we observe the Teutons, Prussians, Kaisers, crown-princes, "Red Princes," Bismarcks, Moltkes, and Roones, made of porcelain, biscuit, bronze, zinc, iron and clay, painted, embroidered, knitted, printed, lithographed and woven, which come marching out, battalion-like, from every nook and cranny to greet us.

### From the Ninth Letter, Aug. 25, 1876:

First of all to be emphasized, is . . . that in the recent decades, American industry has worked its way up to, for the most part, admirable heights. For this she can thank not only the skillfulness of her intelligent workforce, of which we Germans form a considerable portion, but also, without a doubt, the protective tariff.

The protective tariff has called forth, reared, and brought to a state of high perfection industries which did not exist here before, and it continues to have this same effect today. In Germany, one should not be astonished by this; because, in previous times, we ourselves used the protective tariff for entirely the same purposes and with the greatest success.

New Jersey "invention factory," under the sponsorship of Philadelphia Interests partner Gen. William J. Palmer. Palmer's executive secretary, Edward H. Johnson, had become Edison's business manager. University of Pennsylvania Prof. George Barker, head of research at the Franklin Institute,

was now Edison's science adviser.

Twenty months later (in March 1878), Barker would arrange for Carey, Carey lieutenant Morton McMichael, and George Boker, who had just completed his work as U.S. ambassador to Russia, to conduct a private telephonic ex-

Furthermore, the majority of American industry has sought its strength in the quality of its products. By this means it has succeeded, little by little, in pushing back a long line of foreign imports. The essential means to accomplish this are, firstly, the machine which spares bodily exertion and, secondly, human intelligence in the form of the skillfulness of the workers, by granting them high wages. Both factors together provide a product which, at relatively cheap prices, is of good, and for the most part of very excellent quality.

#### **From the Tenth Letter, written aboard ship returning to Europe, early September 1876:**

In the last few days of my transoceanic sojourn, more and more attacks [on the "Letters from Philadelphia"] from Europe have reached me which, in their violence, lack nothing. . . .

For me they are a proof that the enemies have written themselves into quite a rage. The English press could not resist adding slightly to the translation, to increase their instinctively awakened triumphalism, by telling their English readers that I called German products "cheap and nasty."

#### **From an unpublished research paper by Lothar Komp:**

In the introduction to his book *Konstruktör (The Designer)*, which for many decades was among the most important textbooks for aspiring machine-builders, Reuleaux attacked those who hold the view "that all polytechnical teaching must be subservient to the ruling principle of 'cui buono?', that all teaching methods must have a concrete relationship to specialized and 'bread and butter' studies [*Brotstudium*]."

Reuleaux, on the other hand, inspired his students with Schiller's inaugural address at the University of Jena, entitled "What Is and to Which End Do We Study Universal History?"

In his ceremonial speech celebrating the 50th anniversary of the Berliner-Gewerbe-Akademie in November 1871, Reuleaux refers to the achievements of universal minds like Leonardo da Vinci and Gottfried Wilhelm Leibniz and emphasizes: "Therefore, that education which achieves the utmost is inconceivable unless universal education is made possible. Therefore it is wrong, to expect

the utmost from specialized education, as penetrating as it may be."

. . . The accusations in his book *Kinematik*, published in 1875, are harsh:

"Today some want the machine engineer to believe that he should see his science merely as an expedient, which he is to learn and to practice only as it is immediately useful for his field. He is told that it should be his means of living, not, as the previous schools intended, an enlargement of his range of vision, an elevation of his viewpoint, a strengthening of the penetrating force of his intellect.

. . . The previous path, which made the German technical universities great and exemplary, was that which equipped the pupil with true scientific knowledge and lent to his technology itself that contemplative nature (*Innerlichkeit*) which brightens the range of vision and enables it to discover the possibility of forging ahead into new realms."

. . . The students of . . . Reuleaux accomplished what Reuleaux had demanded in his *Letters from Philadelphia*. Germany broke from strict adherence to the free-trade doctrine, and experienced a considerable increase in the living standards of its workers, per household. It was the graduates of the technical universities who achieved the breakthrough of shifting Germany over to "production according to the American system" [of standardized machined parts].

The components of machines and other goods were now, through the consistent application of machine tools, to be so precisely manufactured that they were to become interchangeable. Although this form of production is, at first, more expensive, because of the high cost of the machine tools, and of the highly paid specialized workforce, it made possible a drastic increase in the productivity of German industry. It is to be noted, that, without the principle of interchangeability, every single part of a machine, down to the last screw, must be "tailor-made." Around 1860 in Germany, it was still the case that, because of the lack of precision in the production process and the lack of standardization, for every nut, there was one and only one specially made bolt.

Universal interchangeability, on the other hand, demanded extraordinary precision in the production of individual parts; indeed, far more precision than was necessary for the functioning of one individual machine. This objective was only to be achieved with the most up-to-date machine tools.

periment with Edison in a University of Pennsylvania classroom.

Dmitri Mendeleev, whose “Periodic Table” hypothesis was revolutionizing chemistry, was among the visitors at the 1876 exposition. That Russian scientist and economic nationalist was then in Pennsylvania investigating the petroleum industry—a field of work which the Pennsylvanians and allied patriotic industrialists had just invented, but which John D. Rockefeller was crookedly monopolizing.

Another European visitor at the Philadelphia Centennial was the German industrial and technological innovator, Emil Rathenau. Five years later, at the 1881 Paris electrical exposition, Rathenau would meet Edison’s representatives, namely Carey-circle operative Edward Johnson, Edison’s business manager, and George Barker, science director for the 1881 display of Edison’s new electric light. Since Rathenau had been in Philadelphia, Professor Barker had counseled and steered Edison to embark on the invention of electric lighting and public power.

Upon viewing the Edison light in Paris, Rathenau was moved with a vision of humanity uplifted with the aid of electrification, and he became the partner of Edison and the Careytes in that endeavor. Rathenau’s German Edison company was to be an essential component of the transformation of Germany following the late-1870s policy shift to national patronage of industry. (See box, p. 39.)

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## The ‘Kulturkampf’ trap

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To proceed with their great economic and political objectives, the republican nationalists were required to solve dangerous social and religious problems in Germany.

We may look back from our vantage point of 120 years, and observe with calmed passions the dilemma of a Western nation that has been manipulated into a needless, destructive political-religious conflict. Unfortunately, what we observe seems horrifyingly like what the British oligarchy and its scribblers such as Samuel Huntington seek to incite today, a contrived “clash of civilizations” of the West against Islam.

The people and institutions of a major world religious faith, with a foreign center, are falsely defined as the “enemy,” as dangerous to the security and sovereignty of the state.

Thus was Germany’s Chancellor Bismarck, the wily East Prussian Junker aristocrat, squaring off in his *Kulturkampf* (or “struggle for civilization”) against the Roman Catholic Church, led by Pope Pius IX.

The May Laws and other measures against German Catholics were adopted by Prussia and the newly consolidated German Empire in the period 1871-73. This followed the July 18, 1870 decree of Pontifical Infallibility issued by the Council of the Vatican.

British Crown agents were playing a double game with

respect to the Church. Anglicans intrigued with north European Protestants, Jansenists, Old Catholics, and Orthodox Russians to whip up reaction to the “dangerous Papal infallibility doctrine.” The London-based stooge Giuseppe Mazzini had been thrown against Italy, his revolution and freemasonry terrifying and cornering the Vatican.

As pope from 1846 until his death on Feb. 7, 1878, Pius IX had, because of his fear of “revolutionary republicanism,” looked favorably upon the British-backed slaveowners’ rebellion against the American Union. Meanwhile, British Catholic “conservative” counsellors within the Church helped keep the Vatican confined to the false choice: protection of the Church by “black nobility” oligarchs, versus giving in to the atheist onslaught. Pius was rendered incapable of communicating with Germany’s leaders, who had made the Catholic Church their enemy.

Henry Carey had worked in many ways to outflank the British Mazziniite game in Europe. Carey met with Count

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## Carey and Pope Leo XIII vs. John Stuart Mill

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Political strategy in the late-nineteenth-century world revolved around the opposition between the view of man typified by Henry C. Carey and by Pope Leo XIII, on the one side, as against that of British Empire propagandist and “classical economist” John Stuart Mill.

In his 1859 *Principles of Social Science* (Vol. 1, pp. 28-31), Carey quotes his adversary Mill, describing what Mill claims is economic science:

“Political economy considers mankind as occupied solely in acquiring and consuming wealth . . . except in the degree in which [desire for wealth] is checked by . . . aversion to labor and the desire of the present enjoyment of costly indulgences. . . . All [man’s economic acts], though many of them are really the result of a plurality of motives, are considered by political economy as flowing solely from a desire of wealth. . . . Not that any political economist was ever so absurd as to suppose that mankind are really thus constituted, but because this is the mode in which the science must necessarily be studied.

“. . . For the sake of practical utility, [the principle of population is to be] interpolated into the exposition.” (Mill, *System of Logic*, Book VI, Chapter 8)

Carey comments that here “we have the political-economical man, on the one hand influenced solely by the thirst for wealth, and on the other so entirely under the

Cavour—advocate of railroad-building modernization—in the late 1850s, and worked with Italian patriots to promote a unified Italian nation.

Carey and his German allies confronted the *Kulturkampf* as a British-induced suicidal trap, blocking Germany's national development and its vital global role.

The problem was solved only with aid from the outside, with the Carey-led movement for dirigist nationalism, and with a new pope, Leo XIII, who understood British perfidy.

The German Catholic Center Party was of no help. Ludwig Windthorst (1812-91) led the Center Party, which he had co-founded in the 1860s. We have observed Windthorst's name, above, as a participant with the protectionists in the Reichstag. Indeed, the Catholic Center Party's support for the protective tariff was a decisive factor in making a majority for that policy. The Center Party organization itself, however, did not initiate the policy shift, although Catholic industrialists in western Germany played a crucial role. As

their depression-wracked constituency demanded change, the party accepted the inducement to make a deal with Bismarck under the emerging nationalist policy.

Ludwig Windthorst himself was a rather weak-principled individual; perhaps his greatest distinction was that under the *Kulturkampf*, he had become Bismarck's personal nemesis (Bismarck said that his life revolved around his wife and Windthorst, the one to love and the other to hate).

Windthorst wrote that Britain was "the country of hereditary wisdom" in politics, and in general he followed Britain's free-trade doctrine. He was a fervent devotee of John Stuart Mill. This is an excellent political litmus test for that era: Henry Carey was known to "swear like a trooper" when Mill's name came up. Mill had been intelligence director for the British East India Company, and in the 1870s headed up British Empire political intelligence operations in America and Europe.

Leo XIII was elected pope in February 1878, after he

control of the sexual passion as to be at all times ready to indulge it, however greatly such indulgence may tend to prevent the growth of wealth."

"[British] political economy," writes Carey, "presents for our consideration a mere brute animal, to find a name for which it desecrates the word 'man', [otherwise previously] recognized . . . as expressing the idea of a being made in the likeness of its Creator.

"It was well asked by Goethe—'What is all intercourse with nature, if by the analytical method, we merely occupy ourselves with individual material parts, and do not feel the breath of the spirit which prescribes to every part its direction, and orders or sanctions every deviation by means of an inherent law?' And what, we may ask, is the value of an analytical process that selects only the 'material parts' of man—those which are common to himself and the beast—and excludes those which are common to the angels and himself?

"Such is the course of modern political economy, which not only 'does not feel the breath of the spirit,' but even ignores the existence of the spirit itself, and is therefore found defining what it is pleased to call the natural rate of wages, as being 'that price which it is necessary to enable the laborers, one with another, to subsist and perpetuate their race, without either increase or diminution'—that is to say, such price as will enable some to grow rich and increase their race, while others perish of hunger, thirst, and exposure."

Carey sharply contrasted the purpose of his own global infrastructure program: "To the highly organized community . . . every new road brings with it increase of power

over nature, with increase of life," and the practice of Mill's British Empire: "Railroads are now being made *for*, but not *by*, the people of India, but their effects must, inevitably, be the same with those observed in Ireland. [Their] object . . . is the further promotion of the export of the raw produce of the soil, and the further extension of the centralizing power of trade; to be followed by increased exhaustion of the land . . . and more rapid decay of commerce."

As for Pope Leo XIII, he wrote, in his 1891 encyclical, *Rerum Novarum: On the Condition of the Working Classes*, that "animal nature . . . is far from embracing human nature, but rather is much lower than human nature, having been created to serve and obey it. What stands out and excels in us, what makes man man and distinguishes him generically from the brute, is the mind or reason. . . . Workers are not to be treated as slaves; justice demands that the dignity of the human personality be respected in them. . . .

"[I]t is incontestable that the wealth of nations originates from no other source than the labor of workers. Equity therefore commands that public authority show proper concern for the worker so that from what he contributes to the common good he may receive what will enable him, housed, clothed, and secure, to live his life without hardship. . . . [I]t is of absolute interest to the State that those citizens should not be miserable . . . from whom such necessary goods proceed. . . . Workers' associations ought to be so constituted and so governed . . . as to attain the object . . . that . . . the members secure, so far as possible, an increase in the goods of body, of soul, and of prosperity."

had closely monitored the German crisis for seven years. Leo immediately applied his new power to solving the problem.

Windthorst is known to have been "irked" at the course Leo took, in circumventing the Center Party and negotiating and working directly with Bismarck. Though the Center Party took part in the protectionist legislation, Windthorst continued in different ways to oppose Bismarck, backed the Socialists, and played a part in Bismarck's eventual dismissal by Emperor William II, in 1890.

The Vatican-authorized biography of Leo XIII, written by Rev. Bernard O'Reilly and published throughout North America and Europe just after Leo's 1903 death, indicates Leo's views of the *Kulturkampf* problem:

"It is known what active sympathy the Church of England gave to the Old-Catholic faction, which, in the minds of representative men in Great Britain, promised to separate from the Papacy the great body of German Catholics. In London, as in Berlin, [there were] those who were most hopeful of such a result. . . . So wrote the greatest of British newspapers. 'It may be necessary for the German government to make the experiment of reforming the Roman Catholic Church within their country; and if they could succeed it would be an admirable achievement. But, for our part, we think it more likely that they will fail'—The London *Times*,

Wednesday, December 11, 1873."

This Vatican-approved biography states, that "Dr. Döllinger and his followers . . . [had] formed themselves into what is known as the 'Old Catholic' church, which allied itself with the Jansenists of Holland, [and] with the Church of England. . . . [T]his 'Old Catholic' church . . . assembled in council with the Jansenist prelates and priests of Utrecht, [and] with the representatives of the Protestant Church of England. . . .

"During the seven years which preceded his own elevation to the Papal Chair [as Leo XIII, he, as] Cardinal Pecci, from his watchtower in Perugia, had followed with intense and sympathetic interest the noble struggle of the German Catholics . . . against the overwhelming power of a state . . . backed in its warfare against Catholicism by the combined forces of the secret societies and the influence and unscrupulous press controlled by the lodges or salaried by the state."

The biography continues, "One of the first acts of the Holy Father was to write to the [German] Emperor William, notifying his Majesty of his election and expressing his deep regret at the rupture between Germany and the Holy See."

Leo's biographer quotes Bismarck's later explanation, that he had always desired the "laws of conflict" to "lead

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- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?

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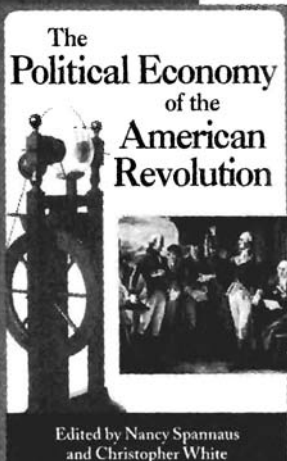
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to peace. . . . The hope entertained meanwhile that a Pontiff more disposed to peace was realized. . . .

"I began, as soon as the present pope ascended the throne, to open . . . negotiations with Monsignor Masella," the papal nuncio in Munich.

*Kulturkampf* was soon abandoned, by agreements reached between the German government and the Vatican.

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## Behind the German policy shift

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The nationalist program, for Germany to adopt protective tariffs, was certainly identified with the steel and coal producers and railroad builders. On the opposing, free-trade side, were Junker aristocrat landlords, importing merchants, and stock speculators. Yet, in the creation of a national consensus for state-sponsored industrial development, many aristocrats came over to the protectionist side, and merchants and investors generally flourished under the secure prosperity that resulted from the protectionist policy.

In reality, the political struggle was not between the material interests of contending economic sectors within a particular country. Rather, the leading advocates of national development knew they were fighting against a British Empire determined to stop them, and against a British-led worldwide free-trade lobby.

The case of John Prince Smith is typical of the British efforts inside Germany. The founder of Germany's free-trade movement, Smith was a British agent of influence, living in the character of an English schoolmaster stationed in the Baltic port of Elbig. In the late 1840s, Prince Smith had set up the Free Trade Union in Berlin and Germany's Association of Free Trade Societies. Though their propaganda made appeals to Germans' supposed material interests, these groups, the Cobden Club and other free-trade lobbyists, made little effort to disguise their British Empire affiliation.

The leaders of the protectionist movement, Carey and his allies, who proposed to "girdle the globe with a tramway of iron," proceeded programmatically from an idea of the dignified nature of man, and of mankind's needs, fundamentally opposed to the degraded British imperial view. The nationalists' goals went far beyond the immediate material interests of industrialists; in fact, the Careyites had repeatedly to contend with and correct the narrower notions of employers' self-interest, in order to save their skins as industrialists. But because the Careyites' idealism coincided with the only means for universal national prosperity, a powerful consensus was forged behind the nationalist program.

The creation of a social welfare system for the working class was a dramatic innovation in Germany's dirigist policy shift. By the late 1880s, German workers were protected by disability and health insurance, old-age pensions, and employer-paid accident insurance. Productive power grew with

industrialization and better national health: By 1913, there were only 409,000 annual deaths out of a German population of 66 million, compared to 1,219,000 deaths in 1888 out of only 48 million population.

As we look deeper into the politics of the 1870s-1880s, we will perceive more clearly the character of the political movement promoting the entire package of nation-building reforms, including the social welfare safety net adopted by Bismarck. This pro-nationalist movement included vital labor and religious components.

Right at the outset of the financial collapse of 1873, the German Union of Iron and Steel Manufacturers was established, to begin agitating for protective tariffs. They were supported by the very influential nationalist protectionist group, the Union for the Promotion of the Common Economic Interests of the Rhineland and Westphalia. The president of this latter Union, representing mainly Catholic industrialists, was the Irish immigrant W.T. Mulvaney; the group's politically well-known secretary was A.H. Bueck.

The Central Association of German Manufacturers, managed by Carey apostles such as Grothe and Kardorff, was established in 1876; Bueck was secretary of this group, as well as of the Rhineland-Westphalia group.

Pope Leo XIII, who came into office in 1878, exerted a powerful influence not only on the Catholic Church, but also much more broadly. Leo endorsed the dignity of labor, a decent living standard, and the right to organize unions, as set forth in his famous 1891 encyclical *Rerum Novarum*. Leo's views in the matter squared exactly with those of Carey and his movement.

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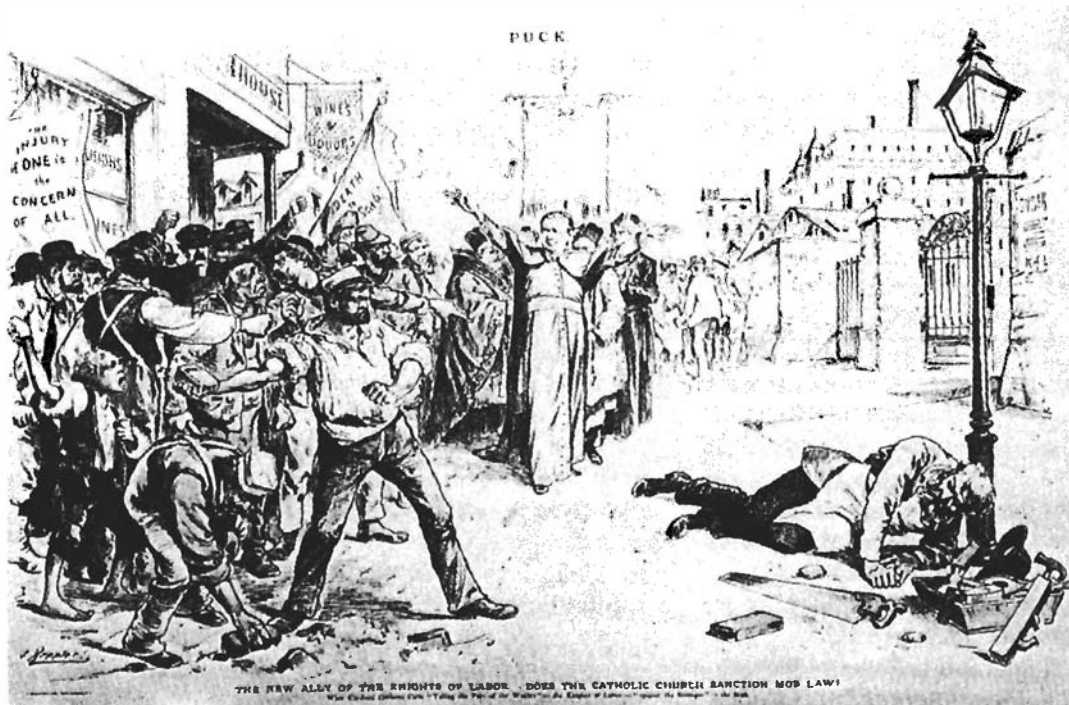
## Carey's 'knights' joust with Britain

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It was just in this era of the late 1870s, that the Carey circle in Pennsylvania sponsored a new movement for the self-organization of labor. This labor initiative—made practical only by the approval of Pope Leo XII—was an integral part of the Careyites' bitter global contest against the British Empire.

When Henry Carey was around 80 years old, one of his Pennsylvania disciples named Terence V. Powderly began an international career, combining mass labor organizing and astonishing military and diplomatic enterprises. Powderly is best known as the head of the Knights of Labor, the most important nineteenth-century American working class organization. The world knows little of his participation in the elite Carey circle, which sought to crisscross Eurasia with railroads, and to arm Ireland and other nations for war against Britain.

In order to put the Knights of Labor into its true historical context, we shall now summarily describe some of the leading activists in the Carey inner circle, and their extraordinary joint



*The British magazine Puck, March 23, 1887, attacks the Catholic Church for supporting the Knights of Labor, the anti-British mass workers' organization built by followers of Henry Carey.*

projects in and beyond Carey's last years (he died on Oct. 13, 1879):

- Philadelphia financier **Wharton Barker**, publisher of Carey's works in Barker's magazine, *Penn Monthly*, and initiator of James Garfield's 1880 U.S. Presidential candidacy. Barker urged upon the Russian government "the accomplishment of the common work of Russia and America, namely the dismemberment of the British Empire." In 1878, Tsar Alexander II appointed Barker as his special agent to construct ships for the Russian Navy. (The arrangements with Russia were facilitated by the U.S. chargé d'affaires in St. Petersburg, Wickam Hoffman, who had served as an officer on Gen. W.T. Sherman's staff during part of the Civil War.) After building four warships at William Cramp and Sons shipyard, Barker went in 1879 to Russia, to launch iron and coal mines, forges and factories, for the industrialization of southern Russia. Meanwhile, in the 1870s, the Baldwin Locomotive Works filled orders for gradual Russian railroad development.

In 1881, both the Tsar and President Garfield were assassinated.

- Philadelphia physician **William Carroll**, from 1875 to 1880 chairman of the executive committee of the Clan na Gael (or "Fenians"). Carroll went clandestinely to Ireland and England in 1878, pulling together the feuding Irish dissidents into the Clan na Gael's Ireland affiliate, the Irish Republican Brotherhood (IRB), with 20,000 members. Carroll wrote that Ireland and America should be guided by Henry Carey's program, which it had previously seen from his father, Mathew

Carey, during the 1780s. The Carey-spawned IRB later employed Michael Collins, who, with Carey disciple Arthur Griffith, forced the British to a stand-off in the Anglo-Irish shooting war following World War I; thus was born modern Ireland.

- **Robert Ellis Thompson**, Carey's editor and exponent as professor at the University of Pennsylvania, and the first dean of the Wharton School. Thompson helped monitor German political developments for Carey.

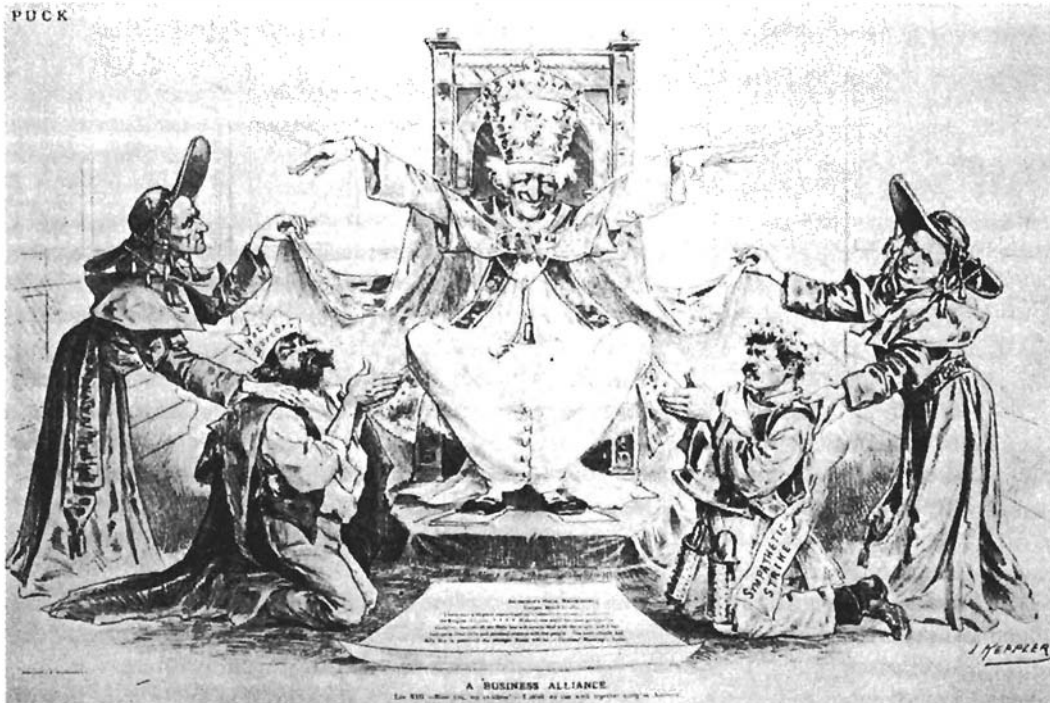
- **Terence V. Powderly**, treasurer of the "skirmishing fund" for the Clan na Gael. Powderly, Thompson, and the others collected American funds and sent guns and money to Ireland for the uprising, intended to be one front in a Russo-American war against Britain. Among those who were paid from Powderly's fund, was an Irish immigrant to the United States, inventor John Holland, who built the world's first modern submarines, on the American east coast, for the Irish revolution. The British embassy protested, in vain, to President Garfield, against the trials of the Irish revolutionary submarine in New York harbor. The U.S. Navy later hired Holland to build its first submarines.

Carey's "Irish brain trust," with their close ally John Devoy, worked in the 1880s to bring Irish-American voters over to protectionism, and against the British/Wall Street power combination.

It was thus, as an agent for the Careyite global political initiative, that Powderly became head of the Knights of Labor in 1879.

His parents had left Ireland in the 1820s, after his father





On April 13, 1887, Puck portrays a lunatic Pope Leo XIII blessing priests and their worker clients.

was jailed for “murdering” a rabbit on the property of an aristocrat. Born in Carbondale, Pennsylvania in 1849, Powderly got into Irish nationalist politics as a young boy. As a teenager during the American Civil War, he guarded railroad switches. He became a skilled machinist in a complex of railroad equipment building, steelmaking, and coal mining, in the northeastern Pennsylvania industrial area built up by Carey’s close friend and political partner, George Scranton. Scranton’s family dominated the city of Scranton, Pennsylvania, named for George.

In 1874, already a labor organizer, Powderly was initiated into a small Philadelphia-based secret society, the Knights of Labor.

In 1875 Powderly was fired by a boss who was notoriously anti-labor union, but was reinstated to his job by the intervention of the owner of the business, William Scranton.

In 1876, Powderly worked in state Greenback-Labor politics against the financiers’ national policy of Specie Resumption.

In 1878, Powderly was elected mayor of Scranton, Pennsylvania, against both the Democratic and Republican candidates.

In 1879, with the backing of the Carey machine, whose global strategy he was already helping to lead, Powderly was elected head of the Knights of Labor. Over the next few years, he made the Knights a mass phenomenon, with 800,000 U.S. members, employed and unemployed, blacks, women, and immigrants, Irish, German, and others. The Knights’ main goal, while defending workers’ living standards, was to bring

them together to discuss and learn American System political economy.

Powderly’s movement, which spread to Canada and England, terrorized the British Empire. The *Canadian* hierarchy of the Catholic Church forbade Catholics from joining the Knights, and demanded that the Vatican condemn the entire movement. But Powderly, a devout Catholic and an ecumenical leader, entered into negotiations with the Catholic Church hierarchy, going through Cardinal Gibbons of Baltimore and Archbishop Ryan of Philadelphia. Gibbons interceded with Pope Leo XIII, who rejected the British Empire’s demand to ban the Knights of Labor.

*Puck*, the British magazine which had made filthy attacks on President Lincoln during the Civil War, ran a cartoon on March 23, 1887, showing a mob of ignorant workers stoning a poor hardworking “scab”; the mob is blessed by a Catholic prelate. The caption reads, “The new ally of the Knights of Labor. Does the Catholic Church sanction mob law? What Cardinal Gibbons calls ‘Taking the Part of the Weaker’—the Knights of Labor—‘Against the Stronger’—the scab.”

On April 13, 1887, *Puck* ran a cartoon showing the crowned pope, looking like a lunatic, blessing sinister priests and their two low-life worker clients, a bearded one labelled “Holy Boycott” (i.e., the Irish rebellion), the other labelled “Sympathetic Strike”; the caption reads, “A business alliance: Leo XIII— Bless you, my children!—I think we can work together nobly in America.”

In an 1883 rally at New York’s Cooper Institute, Powderly was preceded on the platform by Henry Carey Baird, nephew

and disciple of the recently deceased Henry Carey. A newspaper account<sup>2</sup> gives Powderly's speech as follows, first quoting, then paraphrasing:

"I am a protectionist from the top hair of my head to the bottom of my boots, for two reasons. First, because I am a Pennsylvanian; and second, because I am an American. . . . He denounced the free-trade system as the result of British machinations. He called attention to the enormous purchases of land in this country by British capitalists: Sir George Read, K.C.B., 2,000,000 acres; the Earl of Dunraven, 6,000,000 acres; the Duke of Sutherland, 410,000 acres; Phillips Samson & Co., 1,300,000 acres; the Earl of Dunmore, 100,000 acres; English capitalists in Dakota, 45,000 acres; and that other foreign organization, the Standard Oil Company, 1,000,000 acres. . . . He had learned two or three trades, and he could make the drawings of a locomotive, and build it and set it up, and he felt that his opinion was worth something. . . ."

Powderly was forced out of the leadership of the Knights of Labor in 1893, when a cynical London-Wall Street political agent named Daniel de Leon and his leftist allies staged an organizational coup. The Knights collapsed, and de Leon went on to help found the American Communist Party.

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## China and America's mission

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Wharton Barker

Wharton Barker, narrowly described in reference works as a "financier" and "publicist," was to persevere with the Careyites' international initiatives into the last decades of the nineteenth century.

His family background had prepared him morally and politically to stand steadfastly against British geopolitics. As a Philadelphia teenager, Barker had helped his father organize, arm, and train the 3rd U.S. Regiment of Negro troops for the Civil War, while

his father led the fight to racially desegregate public transportation in Philadelphia. His uncle, Bethlehem Steel and Wharton School founder Joseph Wharton, was a member of the Henry Carey inner circle and a principal financier of Carey's later political efforts.

In the last decade of Carey's life, Wharton Barker published the *Penn Monthly* for Carey and his followers (who then controlled the University of Pennsylvania; in 1880,

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2. A New York newspaper, name unknown, clipping in the Terence V. Powderly Papers, Catholic University of America archives.

Barker became a university trustee and later the treasurer of the Board of Trustees). It was during this period that Carey's 1876 "Letters in Reply to the London Times" spurred the world's conscience with its blistering attack on the British rape of China. The *Penn Monthly* ceased publication after Carey's death in 1879. Barker put out *The American*, a weekly, from 1880 to 1900.

Barker had led the Carey circle's work in arming Russia and Ireland, and readying an American takeover of Canada, all aiming at "the dismemberment of the British Empire." His ally, Tsar Alexander II, was assassinated in 1881, three days after Barker received a telegram saying that the Tsar had decided for Barker to supervise industrialization in southern Russia, north of the Sea of Azov; and his successfully elected nominee, President James A. Garfield, was murdered a few months later. Thereafter, Barker concentrated on the industrialization and national unification of China.

As is the case today, all the Philadelphians' projects for infrastructure and modern industry had to contend constantly with British sabotage, often in the form of fomented regional wars or instigated rebellions. In a July 15, 1880 memorandum to Nikolai Karlovich Giers, acting head of the Russian Foreign Office, Barker warned Russia not to fall into the trap of "English statesmen anxious to embroil Russia" in a senseless war with China. We see his later efforts in China carried out in conjunction with his good relations with Russia; Barker continued, into the 1890s, to work in Russia to facilitate railroad construction there. It was in the 1890s that the Baldwin Locomotive Works and other Philadelphia firms would supply the equipment for the Russians to build the great Trans-Siberian Railroad.

In 1886-87, the government of the Chinese Empire contracted with Wharton Barker's organization to create banks, and to build railroads and telecommunications lines for the unification and military defense of China. The facilities were to be subject to strict Chinese national sovereignty. Barker aimed at setting up Hamiltonian national banking, to free China from British usury.

The announcement of Barker's arrangements with China brought a storm of abusive press attacks from the British and their New York and Boston allies.

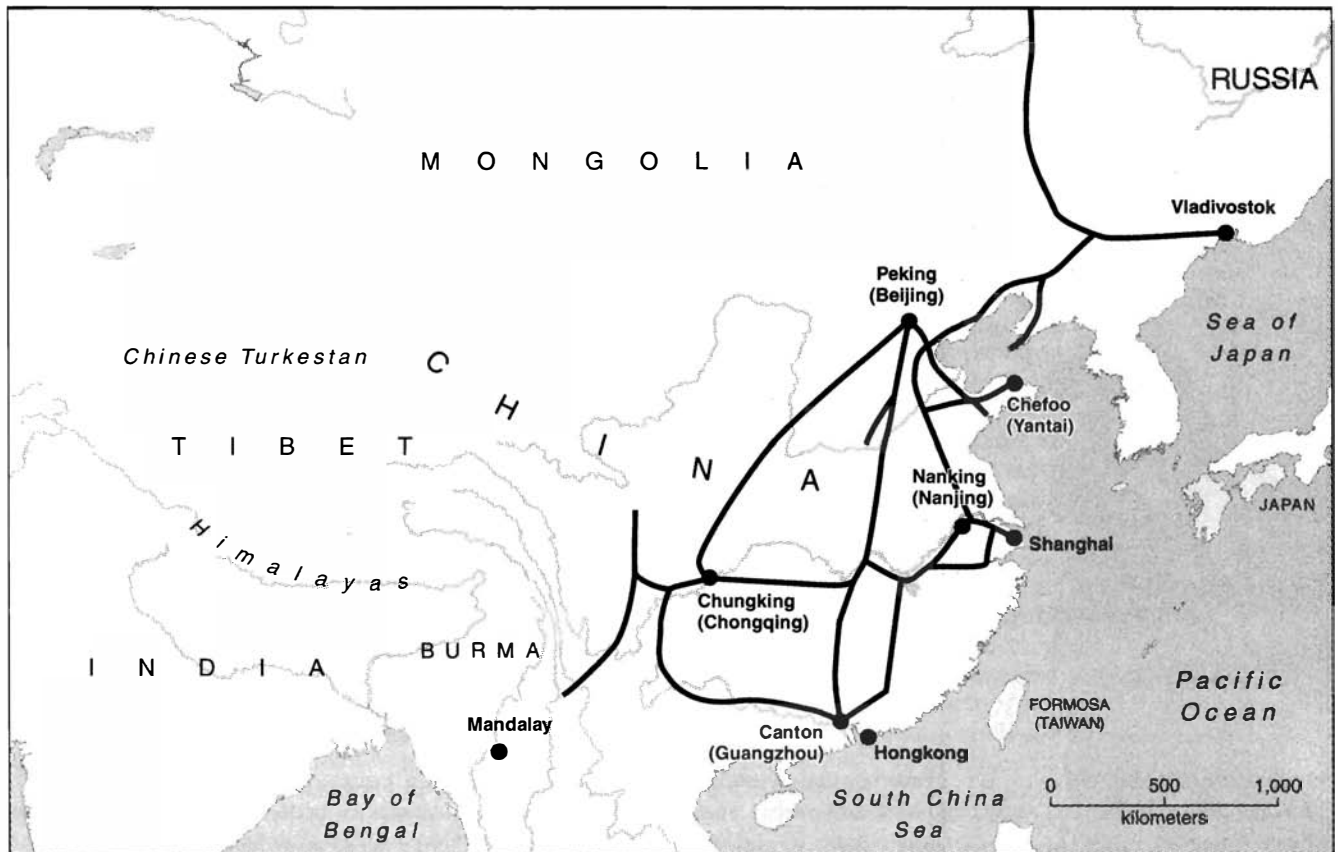
In response, Barker explained the program in his magazine, *The American*, Sept. 10, 1887, under the headline "Chinese-American Enterprises":

"Upon the initiative of a syndicate of Philadelphia capitalists, of whom Mr. Wharton Barker is the representative, concessions of far-reaching importance to the future development of the Middle Kingdom and to the commercial interests of the United States, have been granted. The negotiations to this end were conducted by Count de Mitkiewicz, of Washington, D.C. . . . They have covered a period of some months, and now appear substantially complete.

"If the Chinese have been more tardy than the Japanese in adopting the telegraph, the telephone, and the railways,

FIGURE 1

**Chinese railroads projected by Wharton Barker**



*Chinese rail lines projected by Wharton Barker, redrawn by EIR from a map in the Wharton Barker Papers, Library of Congress manuscripts division.*

or in taking advantage of the great mineral wealth of their country, they have at last taken up these instruments of modern progress in so thorough and effective a manner as to bid fair to distance their island neighbors. They have already a system of telegraphs connecting the cities along the coast, and extending inland along the Yangtse River as far as Hankow, and beyond. . . .

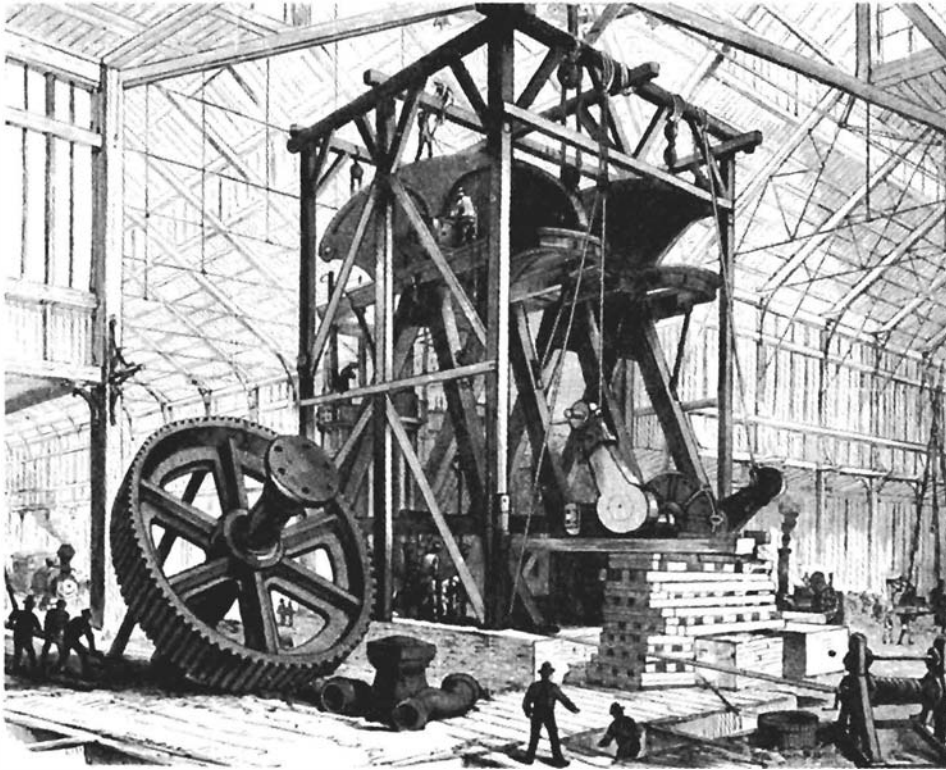
“The points covered by the telegraph lines indicate the proper route of the first railways to be built, viz., southward from Peking to Canton, connecting the great cities along and near to the coast, and westward along the Yangtse Kiang; while lateral routes acting as feeders to these lines will open up the interior.

“... Among the most obvious [advantages resulting from such a system are] the greater commercial prosperity of the nation, the improvement in the general condition of the population that must result from intercommunication between the inhabitants of the various sections; the means of forwarding and distributing food supplies in time to avert the famines which, in seasons of bad harvest, have decimated

the population of entire provinces; and the facilities for moving and concentrating troops in order to suppress popular uprisings.

“China is rich in mineral wealth. A few mines of coal and gold have been opened. With railways these could be made much more profitable and a number of others would be developed. The commerce of the coast and river ports is already considerable; with railways connecting those ports with the interior this trade would be greatly increased.

“... To create such a railway system (in accordance with the government policy that railroads and mines must belong to the Chinese themselves), requires a more orderly system of finances than obtains at present. China, speaking of the eighteen provinces, presents a fine object lesson of an unfavorable phase of ‘state rights.’ The finances, if such they can be termed, of the various provinces are conducted independently, without reference to each other, and with regard to the Peking government only in so far as the annual tribute is concerned. There is no ‘budget’ in any of them. The Viceroys, appointed by the Emperor for three years, and



*American technology for worldwide development: Here, the Corless Engine, which provided power for exhibits in Machinery Hall at the U.S. Centennial Exposition.*

holding office at his pleasure, levy the taxes and determine that such and such impost must yield so much money, their object being to raise enough to enable them to pay the required tribute and run their own government. There is no general tax levied by the Imperial Government, and falling alike on all subjects; indeed, there is no general system of finance.

“This accounts for the high interest paid on such loans as the Government has effected . . . [even though] the receipts from the imperial customs are pledged as security.

*“The establishment of a national bank has repeatedly been urged on the ground that it would help to regulate these matters, to the great advantage of the government and the people, and although the subject has been under consideration for about fifteen years, it is only now that decided steps for the founding of such an institution have been taken [emphasis added].*

“Count de Mitkiewicz during his recent visit to Tientsin obtained for [Barker’s proposed] Chinese-American Telephone Company the exclusive right to erect telephones, operate telephone lines, and manufacture telephonic apparatus and appliances. . . . In addition to this, he returns to this country with the basis of a charter for a Chinese-American Bank, to be under joint American and Chinese control, and the capital of which is to be contributed jointly by Americans and Chinese. The functions of this institution . . . will include the placing of all government loans for such public purposes

as the construction of railways, the working of mines, and the contracting for supplies needed for such undertakings. It is also to have authority to issue bank bills and to provide a uniform currency in gold and silver; such bank bills and coin to be legal tender for their face value throughout the empire.

“ . . . Viceroy Li Hung Chang, Premier of the Chinese Empire and Pei-Yung Superintendent of the Board of Trade, has consented to accept the supervisorship of the Bank, and . . . he has sent as his envoy to this country . . . S.P. Ma Kie Chung, who, in conjunction with the Minister of the Chinese Imperial Government at Washington, is to confer with Mr. Wharton Barker as to the minor details in the plan of the intended bank.”

Barker had been informed, just before he published his program, that the British counterattack of libel was being planted in the *New York World* and *Sun* by the Bell Telephone Company. The Philadelphians had dealt with Bell before. Thomas Edison, whose inventions had perfected the telephone, had set up an international telephone company, backed by the American nationalists, rivaling that of Alexander Graham Bell, who was backed by the British and their opium syndicate partner in Boston, the Forbes family. The two groups fought it out, with Edison eventually losing to the British-Wall Street financial power.

The press, full of anti-Chinese racist filth, claimed first that Barker had really made no arrangements with the Chi-

nese government; then, that the arrangements were fraudulent; and finally, that China had decided to cancel them. These lies were patiently rebutted in the U.S. press by Chinese officials. Finally the London *Times* printed a triumphant headline, Oct. 13, 1887, "End of the Chinese-American Bank." The Chinese Empire had capitulated to British force and withdrew the Barker concessions. The combination of British banking capital and Navy were not then being matched by the British-neutered U.S. administration of President Grover Cleveland.

Barker tried again some years later. In the autumn of 1895, Viceroy Li Hung Chang called him back to China, where he negotiated to build 5,000 miles of railroad trunk lines, at a cost of \$125 million. The rail system was to be owned by the Chinese government, which was to use the revenue to develop a Navy and a merchant marine, while the railroad promoters were to build Chinese steel mills, locomotive plants, and textile mills. These efforts were also blocked. The Chinese imperial government was too degenerate to stand up to the British, while the United States was itself coming increasingly under British domination.

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## The American Whigs and the birth of modern China

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Wharton Barker's entry in the standard reference work, *Who Was Who in America* (the volume covering deaths between 1897 and 1942), explains:

"Obtained, 1887, valuable railroad, telegraph and telephone concessions from China, withdrawn, 1888, by pressure upon Chinese Imperial Govt. by British Govt.; maintained correspondence with leading Chinese, some of them leaders in the revolution resulting in the republic, and regarded by them as authority on Far Eastern affairs; advocate of Am. cooperation in the development of China's material resources."

The mists of time, their own necessary secrecy, and the negligence of a British-dominated historiography, have all helped obscure the work of Barker and other Careyites toward the creation of modern nation-states. At present we do not know, for example, what part Barker personally may have played in the Chinese "revolution resulting in the republic."

But it is known that certain American nationalists, who shared Henry Carey's strategic objectives and whose paths intersected the Carey circle at many points, did in fact shape and sponsor the creation of Sun Yat-sen's organization; and Sun established modern China.

At the center of the story is the Hawaii-based American religious and political leader Frank Damon, who, with the support of his influential family, made Sun Yat-sen his protégé.

We can give here only the briefest account of this enterprise.

The Hsing Chung Hui, or Renew China Society—which would become the nationalist republican party of China, or Kuomintang—was founded in Honolulu, Hawaii, on Nov. 24, 1894. The founding meeting of about 30 persons took place at the residence of Li Chang, who had been brought from China by the independent Hawaiian government to serve as an adviser.

In this period, Frank Damon's brother, Samuel Mills Damon, was minister of finance of the Hawaiian government. The British-backed Hawaiian monarchy was overthrown in 1894, but the American patriots in Hawaii were resisting annexation to the United States, where racialism and imperial tendencies were growing.

Li Chang administered an oath to the founding members, led by Sun Yat-sen, to work for the "overthrow of the Manchus, the restoration of China to the Chinese, and the establishment of a republican government." As the organization grew under Li's and Sun's guidance, spreading throughout the Hawaiian Islands, its members took military training twice a week at Frank Damon's home.

Back in 1886, Damon had raised the money to send Sun Yat-sen back to China to do revolutionary organizing. In 1910, Damon would preside over Hawaii's send-off celebration for Sun to go to China and establish the Republic.

Damon sponsored Sun's movement in his capacity as head of the Hawaiian Protestants' missionary work to the Chinese. But Frank Damon wore many other hats. He and his father, Rev. Samuel Chenery Damon, were extremely sophisticated leaders in the realm of political intelligence.

Rev. Samuel Damon was in Hawaii as a missionary for the American Board of Commissioners for Foreign Missions (ABCFM), a group founded by Jedediah Morse against the British-backed Boston Brahmins and their Unitarianism. Damon arrived in Hawaii in 1842; two years later, the ABCFM's president, Theodore Frelingheysen, ran for U.S. vice president on the Whig ticket with Henry Clay.

Reverend Damon was an ardent Whig, and, on the eve of the U.S. Civil War, he wrote that racial harmony would prevail in Hawaii, "if we continue to treat man as man, irrespective of color or race; but a war will come when the wicked doctrines of the London *Times* are allowed to prevail, and the Anglo-Saxon is allowed to displace an [allegedly] inferior race in the interests of trade and civilization." Reverend Damon had educated a Japanese youth, Manjiro, who as the first Japanese English-speaker, translated for the 1850s U.S. naval expedition opening up Japan.

In 1869, Reverend Damon travelled across the American mainland on the first eastward train of the new transcontinental railroad. In Boston, he attended a festival commemorating the birthday of the universal scientist Alexander von Humboldt.



*Baldwin locomotives in parts and boxes, after delivery to the port of Newchang, near Beijing, China.*

In 1876, Reverend Damon attended the Centennial Exposition in Philadelphia as the official Hawaiian delegate, as a believer in the revolutionary influence of the “onward march of manufactures, trade and commerce.”

Meanwhile, his son Frank went on to Germany in 1876. From 1878 to 1880, at the time of the most intense ferment over Germany’s future course and place in the world, Frank Damon served as First Secretary of the Hawaiian government’s legation in Berlin. In 1878, the U.S. ambassador there was a Carey-allied poet from Pennsylvania, Bayard Taylor. In 1879, Carey’s disciple, Philadelphia Congressman William “Pig Iron” Kelly, discussed political strategy with Chancellor Bismarck in Berlin. Frank Damon himself reportedly “hobnobbed with Bismarck and Kaiser Wilhelm” during this period; Damon learned at least five languages while in Germany, including Sanskrit.

This, then, is the Frank Damon who protected and sponsored the organization of Sun Yat-sen’s movement.

Sun Yat-sen, considered by the Chinese as the father of their twentieth-century republic, proposed in the 1920s an immense infrastructure program for the rapid agroindustrial development of the entire country: 50,000 miles of railroads, 500,000 miles of new roads, canal and river control projects, and the construction of new cities.

Sun’s program, and his fierce resistance to British Empire world dominance, were rooted in the republican nationalism of Henry Carey and Abraham Lincoln—the movement which gave birth to the modern world.

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The author gratefully acknowledges the help provided in the preparation of this article by the staff at the Pennsylvania Historical Society, and at the Library of Congress; and by Mark Calney and Robert Wesser, who pioneered in the research on the Damon family of Hawaii and Sun Yat-sen; and by Gabriele Chaitkin and Richard Sanders, for editorial and translation assistance.

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## The enduring legacy of Sun Yat-sen and Carey

Helga Zepp LaRouche, the founder of the Schiller Institute, is now celebrated as the "Silk Road Lady." This is to honor her for her inspiration of the growing worldwide interest in developing a Eurasian Land-Bridge, a "New Silk Road" of prosperous industry from China to Europe. Speaking on Dec. 15, 1996 at a conference of the Schiller Institute in Germany, Mrs. LaRouche said:

"Just a couple of weeks ago, the 130th birthday of Dr. Sun Yat-sen, the founder of modern China, took place. We, for that occasion, published the book *The Vital Problem of China*, by Dr. Sun Yat-sen. . . . We published it in Chinese, and we did so, because it is one of the best analyses of what led to World War I. . . .

"Dr. Sun Yat-sen really understood the British. He said: 'Britain seeks friendship only with those which can render her services, and when her friends are too weak to be of any use to her, they must be sacrificed in her interest. Britain's tender regard for her friends is like the delicate care usually shown by farmers in the rearing of silkworms: After all the silk has been drawn from the cocoons, they are destroyed by fire or used as food for the fish. The present friends of Great Britain are no more than silkworms and they are receiving all the tender care of Britain simply because there is still some silk left in them.'

"After the horrible experiences the Chinese had with

colonial aggression in the nineteenth century, one can really say that China had the extraordinary fortune in having as the founder of modern China, Dr. Sun Yat-sen, born on Nov. 8, 1866, who happened to be a Christian. He studied for five years in Hawaii, namely the fundamental difference between the American and the British system. He became . . . a follower of the *National System of Political Economy* of Friedrich List, which he had translated into Chinese.

"He wrote a very beautiful book in 1921, which we only had to update a little bit with our Eurasian Land-Bridge report, called *The International Development of China*, which already contained the idea that China, with the aid of the most advanced technology and infrastructure, would become the new world of the twentieth century, and by doing so, would create the economic basis for world peace.

"Chinese President Jiang Zemin, at the large birthday celebration of Dr. Sun Yat-sen, quoted Dr. Sun extensively. He said: 'Dr. Sun proposed that China should be optimistic and learn from the strength of other countries. If we take the right for development in our own hands, we will survive. . . .'

"The Chinese . . . want our cooperation in building up China economically. They want our scientific and technological expertise. And they want our active European cooperation to build a new era of mankind.

"Rather than having our nations, our industries, and productive jobs collapse, why don't we join hands and help ourselves, by helping China and the other countries of Eurasia?"

# The mission of America's military nation-builders: global development

by Graham and Pam Lowry

Since the untimely death of President Franklin Roosevelt in 1945, few American patriots have understood how close the United States was, to reasserting its founding mission as a “beacon of liberty.” Roosevelt’s post-war plans for global development, using the tremendous economic power the United States had mobilized during World War II, were intended to break the British Empire’s grip everywhere on the planet, and end the evils of colonial subjugation. Instead, the British ran rings around FDR’s befuddled successor, Vice President Harry Truman—and the historic opportunity was lost.

Yet the means were there. By the war’s end, the United States had the largest trained force in engineering and construction in the world. Its combined military and civilian mobilization had broken the shackles of British-dictated financial policies, which had crippled the nation even before the Great Depression. In the face of economic ruin and the growing threat of war, Roosevelt had already used his executive authority to foster the buildup of U.S. infrastructure, frequently deploying the Army Corps of Engineers. The results included major hydroelectric projects (such as the Bonneville Dam), rural electrification projects (notably the TVA), and vast improvements in water management and irrigation systems (which transformed California into one of the world’s most productive agricultural regions). Under wartime conditions, the civilian labor force was rapidly upgraded; the Armed Forces also developed units specially equipped to meet logistical infrastructure requirements. Led by a revitalized machine-tool sector, the postwar U.S. economy was fully prepared to begin the work of global reconstruction—building railroads and bridges, dams and canals, or whatever was needed.

But, lacking the authority and trusted leadership of Franklin Roosevelt, their commander-in-chief, a demobilized American people also became demoralized; for they no longer grasped their history, the purpose of their republic, or even the unique character of the American military’s role in nation-building.

## Mobilizing for the future of the world

America’s War of Independence was mobilized around the highest conception of mankind, as boldly set forth in the

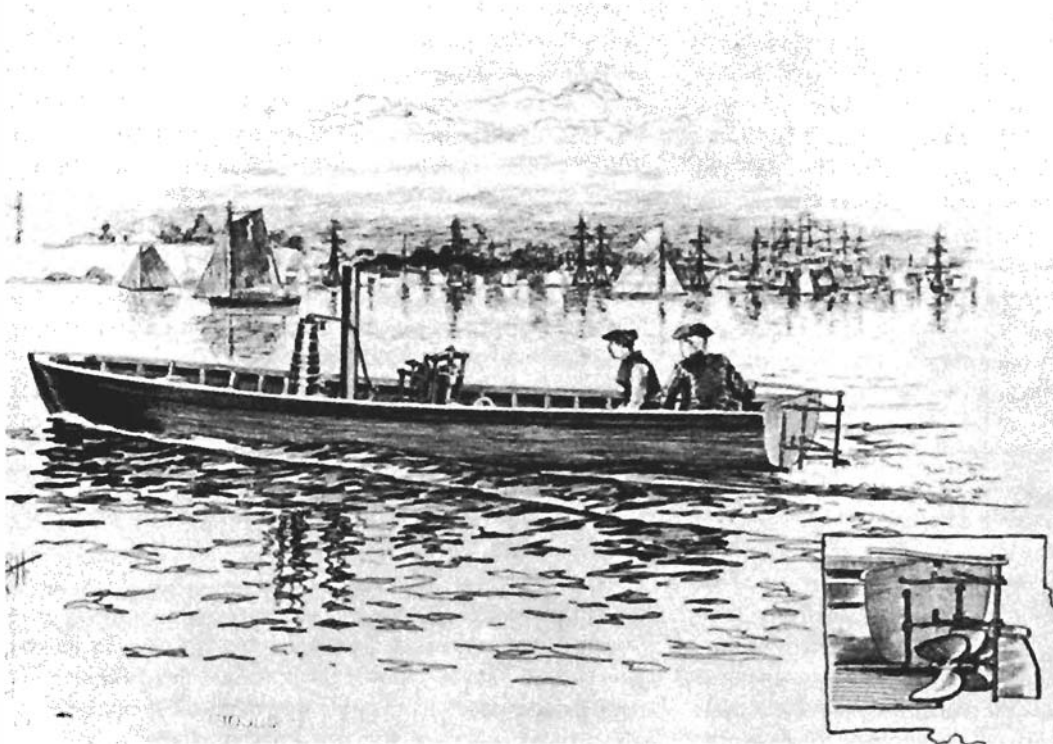
Declaration of Independence. Its military objective was to defeat the British Empire, *so that all of humanity might enjoy the blessings of being created in the image of God*. The foundations had been laid by Benjamin Franklin and George Washington, who seized every opportunity to promote scientific progress and economic development, and hammered the weak flanks inevitably exposed by any system of imperial rule. When the British Army surrendered in a rage at Yorktown in 1781, its fife-and-drum corps played the tune “The World Turned Upside Down”—which was exactly what the United States intended to do, by encouraging similar efforts to overturn oligarchical oppression anywhere in the world. Great Britain refused to formally accept defeat, until signing the Treaty of Paris in 1783.

The British Empire’s worst nightmare had only begun. Its former American colonies had long been crippled by imperial prohibitions against industrial and infrastructural development. They were ravaged by seven years of war; buried in public debt; without even a central government until 1789; and continuously besieged both within and without by the British enemy. Yet the United States mobilized a campaign for technological progress which astounded the world. Some of the daring plans for the new republic were devised during the Continental Army’s encampments at Valley Forge, Morristown, and Newburgh—where Washington and his officers discussed the requirements for rapidly developing the nation, especially the territories between the Great Lakes and the Ohio River, and west to the Mississippi River.

Within 20 years of George Washington’s taking his oath of office as President and commander-in-chief, the United States had initiated a vast system of inland waterways, developed the steamboat and the high-pressure boiler, opened the first fully automated factory in the world, begun an industrial engine-building and machine-tool complex, and even demonstrated the first automobile. The catalyst for these achievements was the lifelong leadership of Benjamin Franklin and George Washington, who personally laid out the plans for America’s early infrastructure projects, and then sponsored and encouraged four of America’s most dedicated inventors: James Rumsey, Robert Fulton, Oliver Evans, and John Stevens.

Washington recruited Rumsey as chief engineer for the





*John Stevens's screw-propeller steamboat of 1804. Stevens, who had fought in the American Revolution, devoted his life to developing steam-powered transportation and an ironclad U.S. Navy.*

Potomac Canal project in 1785. By 1787, with scientific input from Benjamin Franklin, Rumsey was also demonstrating his first steamboat on the Potomac River's Appalachian reaches, to the cheers of onlooking veterans of the Continental Army. Robert Fulton, sponsored by Franklin in post-Revolution Philadelphia as a young painter of miniatures, was soon understudying Rumsey on developing the steamboat, and formulating a plan for an integrated system of U.S. canals. Oliver Evans's design for a fully automated flour mill was embraced in 1791 by President Washington, who had one constructed for his farm at Mount Vernon. Evans moved to the nation's capital at Philadelphia in 1792, where he developed the high-pressure steam engine, a steam-powered automobile, and a machine-tool complex to produce them. John Stevens, a young captain in the Revolution, who raised funds to support the starving Army during Washington's New Jersey campaign, dedicated his life and his fortune to developing steam-powered transportation and an ironclad U.S. Navy. Stevens's uncle was Revolutionary War Gen. William Alexander, who in 1778 exposed the Conway Cabal, a British-backed plot to remove George Washington as commander-in-chief. His grandfather James Alexander—deported to America for his part in the 1715 Scottish rebellion against Britain's King George I—became America's leading American astronomer, and was recruited by Benjamin Franklin as a founding member of the American Philosophical Society in 1744.

America's engine of development was further acceler-

ated by the establishment of West Point, the military institution first fought for by President Washington. When President Thomas Jefferson finally abandoned the "states rights" arguments he had used against it as a member of Washington's cabinet, the Congress authorized in 1802 the creation of a Corps of Engineers, which "shall be stationed at West Point . . . and shall constitute a military academy." The chief engineer, as commander of the Corps, would also serve as the superintendent of the Academy. The first superintendent was Benjamin Franklin's grandnephew Jonathan Williams, who soon founded the United States Military Philosophical Society, using the books he had inherited from Franklin, as the core of its scientific library. The Society exemplified the fact, that both the political and military objectives of the United States, were to develop the nations of the world. George Washington wrote of this goal earlier, when he said, "I hope, some day, that we will become a storehouse and granary for the world." In that spirit, two early members of the Military Philosophical Society, John Quincy Adams and Robert Fulton, were working together in 1812 on a project for Russia, to connect its vast territories by means of Fulton's steamboats.

### **Launching the American System**

Immediately following the news that Britain would sign the Treaty of Paris in 1783, Washington left his encampment at Newburgh, New York, and traveled up the Hudson to the Mohawk River, to survey a westward water-link to Lake

Erie—which later became the route of the Erie Canal. He envisioned a comprehensive transportation system of rivers and canals—from the Great Lakes to the Ohio River, and on through the Mississippi Basin—to link the original 13 states with those which would emerge from the Northwest Territory. Washington had already secured legislation in Virginia’s colonial assembly in 1772, authorizing a canal to connect the tidewater of the Potomac River with the Ohio River. The project had to be abandoned during the Revolution; but in 1785, the Potomac Company was officially organized, with Washington as its first president.

Washington had already encouraged James Rumsey, his chief engineer for the Potomac Canal project, to develop a steamboat, as the necessary technological breakthrough for turning the nation’s inland waterways into highways of commerce. Benjamin Franklin, on his return from France, presented a paper to the American Philosophical Society on Daniel Bernoulli’s work in France on water-jet propulsion, which Rumsey incorporated in designing his steamboat. In 1786, Franklin’s protégé Robert Fulton was dispatched from Philadelphia for a two-month visit to Berkeley Springs, Virginia, to observe Rumsey’s experiments and acquire the training to continue his work. After several successful steamboat trials in 1787, Washington and Franklin combined to set up the Rumseian Society, which raised the money to send Rumsey to Britain, seeking to obtain a Boulton and Watt steam engine for his boat. Because of the technological embargo Britain imposed on its former American colonies, no such engines could be exported to the United States; and America had not yet developed the machine-tool requirements to forge the type of boiler needed.

Not coincidentally, Fulton’s patrons in Philadelphia found the money in 1787 to send him to England, to study painting under another Franklin protégé, Benjamin West. West’s American students had long doubled as an American intelligence network, listening quietly while painting portraits of Britain’s lords and ladies. Rumsey and Fulton were in close contact in London; and when Rumsey died under very suspicious circumstances, just days before his first steamboat trial on the Thames River, Fulton stepped in and took over the project. In 1796, Fulton published his “Treatise on Canal Navigation,” which proposed a system of canals to link all American cities, using standardized boats and fees, under centralized management. The first copy was sent to George Washington. Fulton moved from Britain to France in 1797—the year that Washington’s beloved Lafayette was finally freed from his British-dictated imprisonment in a Hapsburg prison at Olmutz, Austria.

With the benefit of years of experiments in France, Fulton devised significant improvements in the steamboat. His subsequent demonstrations of the submarine and torpedo to the British, whose imperial power depended on wooden sailing ships, made them very nervous indeed. Fulton returned to America in 1806, just as the threat of renewed war with Britain

was emerging. In 1807, he launched the trial voyage of his *North River* steamboat—later known as the *Claremont*—up the Hudson River from New York to Albany. From that time forward, the steamboat conquered America’s waterways. When the British tried to reconquer the United States in the War of 1812, Fulton built a steam warship named the *Demologos* (the “reason of the people”), and armed it with Columbiad cannon, red-hot shot, and a huge steam-powered hose, to blast the crews off enemy decks and douse their guns, so that they could not fire. The British were so afraid of this ship, that they staged an unsuccessful commando raid on a house on Long Island, where Fulton was expected to spend the night. Unfortunately, Fulton died of pneumonia in 1815 before the ship was finished, and before he could design the steamboats to connect Russia’s cities.

But the wave of scientific progress rolled on. In 1805, long before Thomas Edison had even dreamed of his laboratory at Menlo Park, Oliver Evans set out to organize a private association called “The Experiment Company,” to perfect the steam wagon (automobiles and trucks) and foster new inventions of every sort. Evans also thought that the federal government should sponsor research and development. He published an educational guide for young steam engineers in 1805, which was also translated and published in Paris. It included the argument that “if government would, at the expense of the community, employ ingenious persons, in every art and science, to make with care every experiment that might possibly lead to the extension of our knowledge of principles, carefully recording the experiments and results so that they might be fully relied on, and leaving readers to draw their own inferences, the money would be well-expended; for it would tend greatly to aid the progress of improvement in the arts and sciences.” With George Washington’s sponsorship, Evans had also published *The Young Mill-Wright and Miller’s Guide* in 1785, which went through 15 editions by 1860—some of them published by Mathew Carey and Son of Philadelphia.

Evans himself contributed some 80 inventions to the young United States, the most important of which was his high-pressure “Columbian” steam engine of 1801. In addition to powering river and ocean steamboats, it also served for such industrial and agricultural applications as grinding grain, sawing lumber, drawing wire, rolling and slitting iron, grinding lead, spinning cotton, and manufacturing cloth. In 1804, Evans demonstrated the first American automobile (“Oruktor Amphibolos”) on the streets of Philadelphia, before driving it into the Schuylkill River, where it also functioned as a steam dredge. By 1806, Evans had opened the Mars Works in Philadelphia, which he developed into a machine-tool and industrial complex for manufacturing steam engines.

Perhaps the most significant contributor to George Washington’s military-driven agenda for development was John Stevens, whose scientific credentials included a Socratic ability to demolish the quackery of Descartes and Isaac Newton.

Following his service in the Continental Army, Stevens purchased an estate at Hoboken confiscated from a New Jersey Tory, and proceeded to sell off the lands to finance his scientific experiments. Working with friends in Congress, Stevens helped to frame the act establishing the first U.S. patent laws, passed in April 1790. With some assistance from Washington's protégés Rumsey and Evans, Stevens became well-trained in steam engineering. In 1804, he launched the *Little Juliana*, one of the first ships driven by twin screw propellers. Stevens also developed the *Phoenix*, a 100-foot steamboat, which became the first ocean-going steamship in the world.

With steamboat development well under way, Stevens turned his attention to railroads. In 1824, at the age of 76, Stevens demonstrated America's first steam railroad on a half-mile circular track in his backyard, and whisked his passengers around at six miles an hour. Stevens's proposals for a vehicular tunnel under the Hudson, and an elevated railroad system for New York City, had to wait until later generations could implement them.

Stevens trained his sons as inventors, and with them developed the shaped projectile for artillery, and preliminary

plans for an ironclad battleship. As early as 1815, Stevens proposed an armored U.S. Navy. With the support of West Point officers, the Stevens sons were finally awarded a government contract to build a demonstration ironclad; but British pressure on succeeding administrations eliminated all funding. Undaunted, the Stevens family continued to sell off their possessions, and poured hundreds of thousands of dollars into the ironclad steam battery they were building at their pier in Hoboken. Their efforts finally bore fruit in 1861, when the Navy realized what the unfinished ship could have done to defend Fort Sumter. Two of the Stevens family's supporters encouraged John Ericsson to build his famous *Monitor*.

### The development role of the U.S. military

Within a few years of West Point's opening in 1802, Superintendent Jonathan Williams succeeded in establishing the U.S. Military Philosophical Society, for the purpose of advancing science and disseminating it throughout the nation. Williams had been in France during the Revolution, serving as American consul at Nantes, and working with Franklin's ally Caron de Beaumarchais, to funnel munitions and funds

## John Stevens on the philosophical war

Late in life, the brilliant scientist and inventor John Stevens composed a treatise on metaphysics, distinguished for its Socratic method of demolishing the absurdities of British empiricism. The surviving manuscripts include these observations on Isaac Newton and René Descartes:

"To say that the primary parts of matter must consist of solid atoms, because we cannot conceive how properties can subsist without substance, is certainly taking great liberties with nature. The fact is, the hardness and what is vulgarly called the solidity of bodies in no instance depend upon atomic hardness and solidity; for in that case all bodies would of necessity be hard and solid.

"Of what are the substrata of the various powers and energies of nature we are totally ignorant, but that such powers and energies exist we plainly perceive by their operations. I further contend that if such a matter as Newton has described really did exist, it would be impossible for us to acquire any knowledge of it, from its very nature. It is now the universally received opinion that all our knowledge of things existing without us is derived from impressions made upon the senses. Now I would ask in what manner can the *internal* texture of an atom—which is hard, solid, and impenetrable—operate upon our sense.

It is manifest [that] its hardness, solidity, and impenetrability can never be open to us, as it would then be no longer hard, solid, and impenetrable. . . .

"The truth is, it is now clearly ascertained that hardness or softness, solidity or fluidity, depend altogether upon temperature; that, by an increase or diminution of heat, all bodies may be made to assume a solid, fluid, aeriform or gaseous form. Until, therefore, we have a better evidence of its existence than merely the resistance of what we vulgarly call hard bodies, we shall take the liberty of dismissing this solid, massy, impenetrable being as wholly unnecessary. Perpetually hanging as a dead weight upon us, it has so embarrassed philosophers that, in their speculations respecting Matter and Spirit, it has drawn them unavoidably into the greatest absurdities."

When he turned to a consideration of *space*, Stevens reminded his reader that "Des Cartes was so enamored of a *plenum* that he declared nature abhorred a vacuum," and yet Newton "was compelled to require empty space, void of any resisting medium, in order that heavenly bodies might not be impeded in their courses." Again, discussing "metaphysicians of the Cartesian School on their own ground," he said "they tell us matter is inert; incapable alike of motion, thought, or design. Now, we find in the works of nature the most incontestable evidences of motion, thought, and design. What then are we to infer? Evidently that the Power of the Great Architect pervades the whole system! This conclusion, however skeptics may cavil, will ever be held by sound minds as incontestable."

from the French government to the Continental Army. Williams had also worked with his great-uncle Franklin on experiments in “Thermometrical Navigation,” published as a paper by the American Philosophical Society, of which Williams was vice-president.

West Point’s officers and cadets were automatically members of the Military Philosophical Society, but civilians could also apply for election. The Society became the semi-official archives for the Corps of Engineers, and boasted a library containing the finest collection of technical works in the country. Within a few years, most of its members were civilians, including such leading scientific and political figures as John Quincy Adams, James Monroe, John Marshall, Robert Fulton, Eli Whitney, and Bushrod Washington—giving the Society an expanded influence for organizing projects to develop the nation’s economy. By 1807, it had become a center of scientific activity in America. With the Corps of Engineers scattered during the War of 1812, a skeleton meeting of the Society in New York in 1813 voted to disband. The only dissenting vote was cast by Sylvanus Thayer, who would soon turn West Point itself into a military agency for scientific progress.

Following the conclusion of the war with Britain in 1814, Superintendent Joseph Gardiner Swift dispatched Thayer to Paris in 1815, to gather all the knowledge he could from the Ecole Polytechnique, the most famous military-scientific academy in the world. Arriving after Napoleon’s defeat at Waterloo, Thayer found that the British had already ransacked the Ecole and shut it down; but he still managed to obtain some one thousand books, maps, and models for West Point. When he returned to America in May of 1816, Thayer was appointed superintendent of West Point, and proceeded to turn the Academy into a first-rate military and civil engineering school.

An important adjunct to West Point was established across the Hudson River in 1818. Joseph Swift resigned from the Army and joined Gouverneur Kemble in establishing the West Point Foundry at Cold Spring. Kemble’s home, overlooking the foundry, was frequented by Washington Irving and James K. Paulding (a future Secretary of the Navy), and became the headquarters for the informal continuation of the Military Philosophical Society. The foundry cast some of the most powerful cannons in the world, produced iron fittings for the locks on the Erie Canal, manufactured rails, and built America’s first locomotives.

The Erie Canal, connecting the Hudson River at Albany to Lake Erie at Buffalo, was America’s first Great Project, and one that astounded the world. Begun on Independence Day, July 4, 1817, the entire canal—363 miles long—was completed by October 1825. The waterway reduced average freight costs to *one-fortieth* of the prevailing overland rates. On July 4, 1826, Pennsylvania began the Delaware and Ohio Canal, a 395-mile-long system of canals and railroads completed in 1834. Steamboats revolutionized internal com-

merce; they dramatically reduced shipping times, and continued to do so as their designs improved. Before the introduction of steam-power, a trip up the Mississippi from New Orleans to St. Louis took 120 days. Steamboats made the trip in 25 days in 1815; by 1826, the time had been cut to nine-and-a-half days. Steamboats on the Hudson made the trip from New York to Albany in 27 hours in 1820; by 1825, that figure had been cut in half.

From 1821 to 1829, during the Presidencies of James Monroe and John Quincy Adams, the development strategy which Henry Clay described as the “American System” began rolling at full steam. Its momentum increased despite the continuing obstruction of Constitutional powers, by British agents and slaveholding interests in the U.S. Congress. Thayer’s West Point played a crucial role. With the passage of the Survey Act in 1824, the Corps’ trained engineers were able to be deployed to assist local governments and private companies, in building canals and railroads deemed important to the public interest. By 1837, of West Point’s total of 940 graduates, 231 had each worked on at least one project to develop the nation’s infrastructure. These included the Chesapeake & Ohio Canal (which originated as George Washington’s Potomac Canal) and the Baltimore & Ohio Railroad. The ground-breaking ceremonies for both projects were held on July 4, 1828.

The B&O laid 12 miles of track that year—a seemingly modest beginning. But the rate of U.S. railroad development was phenomenal. In November 1832, a railroad from Harrisburg to Pittsburgh, Pennsylvania, was completed—a distance of 250 miles. By 1840, nearly 2,400 miles of track had been laid, mostly in the Northeastern and Mid-Atlantic states. During the 1840s, the transportation revolution swept through the Midwest, with more than 1,000 miles laid during that decade, and 9,000 more during the following ten years. Between 1850 and 1857, Ohio alone increased its railroad-building *tenfold*, to 3,000 miles of operating lines.

The military and *philosophical* mobilization directed by Washington and Franklin produced an engine of development which powered the nation for generations to come. John Quincy Adams, personally tutored in his adolescent years by Benjamin Franklin in France, attained the Presidency in 1825 by reawakening America’s sense of purpose, with the vital assistance of a year-long tour throughout the country by General Lafayette. In his inaugural address, Adams firmly declared that, if the constitutional powers of the Federal government to promote the welfare of the nation “may be effectually brought into action by laws promoting the improvement of agriculture, commerce, and manufactures, the cultivation and encouragement of the mechanic and elegant arts, the advancement of literature, and progress of the sciences . . . , [then] to refrain from exercising them for the benefit of the people themselves, would be to hide in the earth the talent committed to our charge—would be *treachery to the most sacred of our trusts.*”

# How the British Empire torpedoed Russia's 19th-century land-bridge

by William Jones

In 1892, with the appointment of Sergei Julevich Witte as Russian minister of finance, the final decision was taken by the Russian government to build the Trans-Siberian Railroad, extending some 5,800 miles from Moscow to Vladivostok on the Pacific Ocean, the greatest feat of railroad-building in history. More significant than a simple feat of transportation, such a railroad would serve as a land-bridge from Europe to Asia, and would, in the eyes of its designers, realize the idea of Henry Carey of a world-encompassing network of railroads.

The Carey tradition was already well established in Russia by the 1860s. At a speech in Moscow in honor of U.S. Assistant Secretary of the Navy Gustavus Vasa Fox (who had arrived in Moscow on the first transatlantic voyage of an ocean-going *Monitor*), a prominent merchant of Moscow named Shipov made a toast: "Russia, too, is beginning to understand that in strict protection of national labor, in connection with the full development of the resources of a country, lies the secret of national wealth. And by no one has this truth been so clearly and so convincingly put as by that highly respected American political economist Carey and by our esteemed guest, now for the second time in Moscow, General [Cassius] Clay."

Witte's own views on protectionism were informed by a detailed study of the Carey family's close ally and student, the German-American Friedrich List. In 1889, two years before the publication in Russian of List's primary economics text, *The National System of Political Economy*, Witte had already published a pamphlet, "On the Question of Nationalism—National Economy and Friedrich List," which consisted primarily of extensive passages from List's work of particular relevance for Russia.

Witte himself, whose father was a Dutch immigrant and whose mother was a member of the upper Russian nobility, was considerably American in outlook. In a biography of Witte published in 1915 in the magazine *Istoricheskii Vestnik* shortly after Witte's death, B.B. Glinski describes the great statesman: "Only democratic America knows of such breathtaking careers as that of our recently deceased prime minister, Count Sergei Julevich Witte. There, the woodsman, flat-boater and postal employee Lincoln reached the post of President of the United States by the sheer effort of his very

American energy and industry. Our Russian 'American,' employed as a clerk in a railroad office where he received a wage of 45 rubles a month, and working on a small provincial newspaper, was able to reach the prominent office of prime minister."

## The strategy behind the Trans-Siberian Railroad

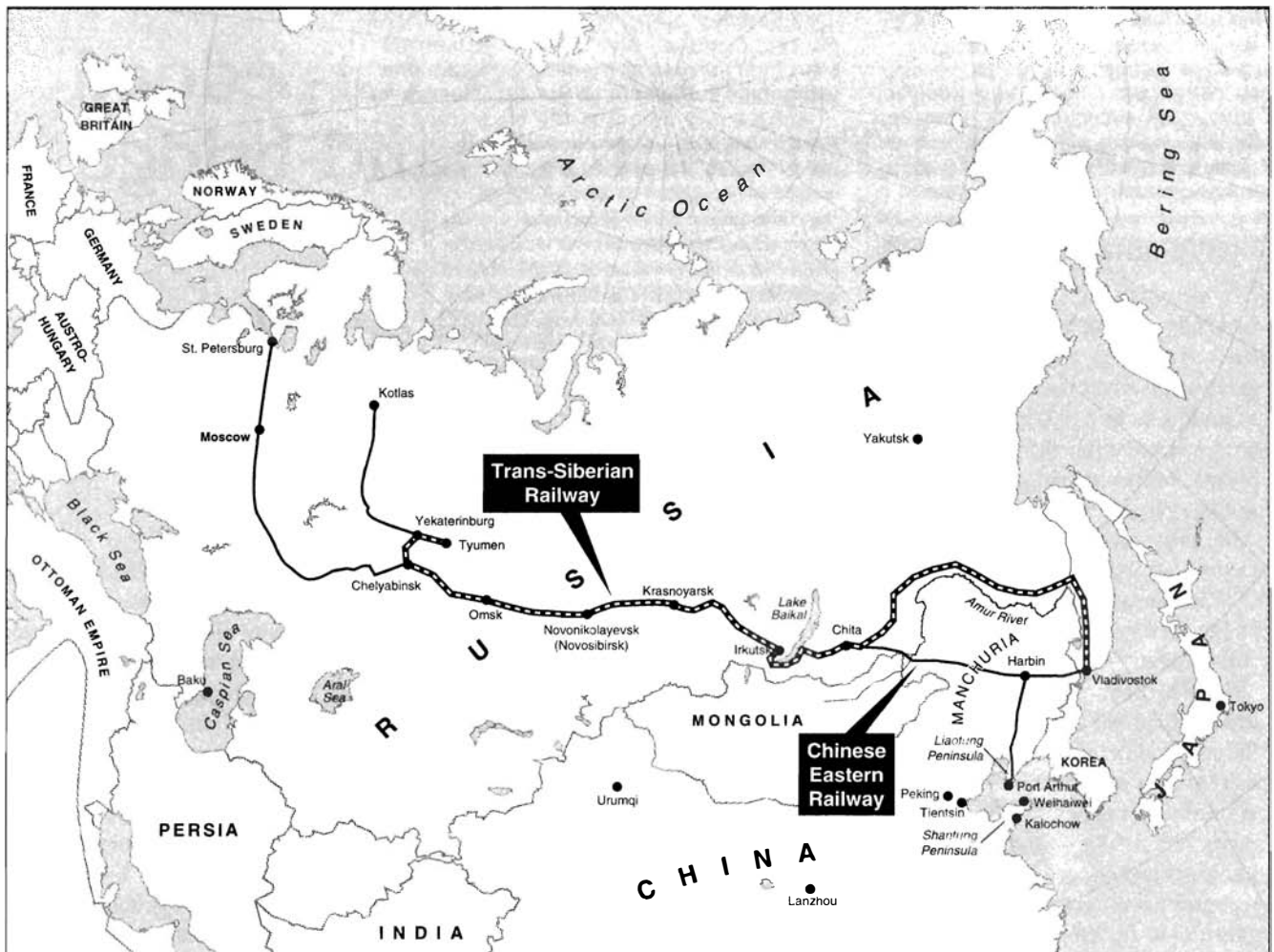
Witte's early work on the railroads in Odessa and in Kiev, as well as his experience as a boy, of the first coming of the railroad to his provincial city of Tiflis, taught him the importance of the railroad in transforming the culture of a country. Witte would later write that the railroad "exerts a civilizing influence, as a theoretical and practical school, where it does not so much adjust itself to the local conditions, but rather, where the local conditions adjust themselves to the needs of the railroad . . . ; even if it meets on its route an absolutely barbarous people, it will in a short time raise them to the necessary level of culture." For his policy of transforming a backward Russia just recently delivered from the blight of serfdom, the railroads would become all-important.

Although the abolition of serfdom by Tsar Alexander II preceded the abolition of slavery in the United States by only two years, the effects of the serf economy were still making themselves felt in the 1890s. One major economic bottleneck was still the lack of arable land for the liberated serf population. The opening up of the great Siberian expanses for colonization would offer almost unlimited opportunities for agriculture. Building the railroad to the Pacific would provide a means for the rapid transport of migrants to the Siberian lands.

Witte foresaw the tremendous development potential of the growing markets of the Far East. The markets of industrial Europe, for some time to come, would serve as an outlet for little more than Russian grain production. The products of Russian industry could hardly compete with the output of German, French, and American industries. But the populous areas of China and southeast Asia, relatively underdeveloped in comparison to Russia, would provide ideal markets for Russian industrial products—if an easy means could be provided for getting them there. A railroad designed to service

FIGURE 1

**Route of the Trans-Siberian Railway and the Chinese Eastern Railway**



this market, would provide the means of realizing that potential.

With this goal in mind, Witte envisioned building the final leg of the Trans-Siberian Railroad through Chinese Manchuria, rather than along the more tortuous route through Russia itself to Vladivostok, along the Amur River.

Uninterrupted rail communication between Europe and Asia would chart, in Witte's words, "a new path and new horizons not only for Russian but for world trade." It would rank "as one of those world events that usher in new epochs in the history of nations and not infrequently bring about the radical upheaval of established economic relations between states," and would, particularly in relation to the Asian nations, provide the basis for "recognition of tangible mutual interests in the field of the worldwide economic activity of mankind." Providing also the opportunity for "more direct relations with the North American States," as Carey and

others envisioned, the Siberian road would, Witte felt, disclose a "solidarity of political interests" between Russia and the United States.

There were also solid technical reasons for choosing the Manchurian route. It would cut the total length of the railroad by several hundred miles, a considerable saving for the tight financial resources of the Russian Treasury, and it would have the final stages of the railroad go through cities, rather than through the largely unpopulated forests of the Russian Amur region.

China, just recently opened to broad Western contact, had been primarily accessed by sea. By the 1850s, the British Empire had achieved a relative monopoly over the Chinese market. Until the end of the American Civil War, Britain was the leading maritime power in the world. Even China's maritime customs was controlled by an Englishman, Sir Robert Hart, a system which, according to one commentator

in the *National Review* in 1898, “fulfills the essential conditions of maintenance of the Imperial authority combined with the free employment of a foreign Executive.” (!) The British had also achieved a monopoly of the trade in the vital area along the Yangtze River, and had grabbed the island of Hongkong and Kowloon on the Chinese mainland, through two opium wars.

### **British maneuvers against China**

The first defeats for the British monopoly in China were suffered on the field of diplomacy. In 1894, at the conclusion of the Sino-Japanese War, a war fought over Korea, the victorious Japanese demanded that China cede the island of Formosa, the Pescadores Islands, and the whole of the Liaotung Peninsula, including Port Arthur, as well as pay a heavy indemnity of 300 million taels. Hearing of this, Witte argued, “very emphatically,” that for a long time to come, it was in Russia’s interest to maintain the status quo in China, and that this required that Russia use its power to support the integrity of the Chinese Empire.

The cession of Liaotung, Witte feared, would lead to the breakup of the enfeebled Chinese Empire. He therefore proposed that the European powers present an ultimatum to Japan, that she give up her claims to the Liaotung Peninsula in exchange for a large indemnity. The Germans and the French agreed, but the British declined. Faced with such a tripartite alliance, prepared to back up their demands with force, the Japanese agreed to give back Liaotung to China.

Witte then negotiated with a group of French banking firms to float a loan to China, by means of which it could pay her indemnity to Japan. Again with French support, Witte established the Russo-Chinese Bank, which was to play a major role in financing the Manchurian rail line, as well as French railway projects in the south of China. In gratitude for the Russian mediation, the Chinese granted Russia concessions for building a railroad, called the Chinese Eastern Railroad, from the Russian border near Sretensk, through Manchuria to Vladivostok. A secret treaty was also negotiated, in which Russia promised military assistance if China were again to be attacked.

The territorial integrity of the feeble Chinese Empire, under the corrupt Manchu dynasty, was soon threatened from another direction. The British, seeking desperately for an ally against Russia’s growing influence in China, were egging on the erratic German Kaiser, in order to destabilize the situation. They gave a “green light” to the Kaiser when he, using the pretext of a recent murder of two German missionaries, ordered the German Navy in November 1897 to occupy the port of Kiaochow, on the Shantung Peninsula. Witte was furious, sending a telegram to the Kaiser urging him to call off the operation. Although maintaining strong relations with German industry and with the Kaiser personally, Witte urged that Russia, in accordance with her secret defense treaty with China, move to get the Germans out of Kiaochow—by force



*Count Sergei Witte was compared by his contemporaries to Abraham Lincoln, and described as “our Russian ‘American.’”*

if necessary. If Kiaochow were to remain in German hands, other countries would also demand their own ports, and the dismemberment of China would quickly follow.

Pressure was put on the weak-kneed Tsar Nicholas II by the enemies of Witte at the Russian court, to follow suit, which he did, subsequently ordering the Russian fleet to occupy Port Arthur, at the tip of the Liaotung Peninsula. Witte adamantly opposed this move, but his opposition was to no avail. Witte would comment later: “The seizure of Port Arthur was a fateful step. It resulted in the elimination of our influence in Korea to placate Japan. It led to the destruction for all time of our traditional relations with China.” The British quickly followed suit by occupying the port of Weihaiwei.

Witte feared that the precipitate actions of occupying Port Arthur had created doubts about Russian intentions. The British were working steadily to use these doubts to bring into their camp Japan, China, and the United States.

### **U.S.A. and Russia build the Manchurian Railroad**

Faced with a coalition of France and Russia, with intermittent support from the vacillating Kaiser, the British were in desperate need of recruiting allies. One important target of this endeavor was the United States.

Aspersions were cast in the Wall Street press on the efforts of Russia to build the Siberian railroad. In January 1897, the *Journal of Commerce* wrote: “The truth is that the Siberian Railroad is a development, upon a stupendous scale, of the special racial idiosyncrasies which have for generations kept Russia in the rear of civilization. The Siberian Railroad is a

product of the dominant passion for territorial control and world-wide dictation. Unconsciously, it may be the ostensible scheme of commercial expansion is but a cloak for a bold ambition, an apology for a territorial intrusion. Russia would no doubt be glad to utilize the railroad enterprise for the beneficent ends she professes to have in view. But she cannot do it. . . . Commercially, her great railroad must prove a failure; but it may prove a strong temptation to aggressions that will injure other nations, if not promote destructive international strifes.”

But indeed, the United States at the time was in the process of becoming deeply involved in the construction of Witte’s Chinese Eastern Railroad. Writing to Secretary of State Richard Olney, in July 1896, U.S. industrialist John McCook told of his discussions with Russian Minister of Ways and Communications Prince Khilkov. Khilkov was born to a very prominent noble family, but, as Witte relates, “during the period following the liberation of the serfs, [Khilkov] had chosen to distribute most of his land to his peasants and, being of a liberal frame of mind, had left for America, virtually penniless, to work on the railroads.” He later became a machinist working for the Baldwin Locomotive Works.

Returning to Russia, Khilkov helped manage the burgeoning railroad system, being named by Witte as Minister of Ways and Communications. McCook recommended to Olney that Khilkov be brought together with the Chinese viceroy, Witte’s chief Chinese interlocutor, Li Hung Chang, in the United States, where Li was to be travelling. There, McCook explains, “there is reason to hope that they will conclude that the railways proposed to be built in Russia and China should be upon the American, rather than the European system.” Such a decision was never made, but the U.S. railroad industry would become the chief providers of the Chinese Eastern Railroad.

Within the newly elected McKinley administration, there were strong voices calling for cooperation with Russia on the Manchurian Railroad. In August 1897, President McKinley appointed Ethan Allan Hitchcock as U.S. ambassador to Russia. Hitchcock made it his prime task to help secure American contracts for the Russian railroad project. In a dispatch to Secretary of State John Sherman on Feb. 8, 1898, Hitchcock wrote: “Russian influence in China must necessarily be paramount not only because of existing territorial and neighborly conditions—but also in view of their present and prospective trade relations which will meet with rapid and enormous development upon the completion, within the next few years, of the Siberian Railway, and its Manchurian branch to Port Arthur, which, being one-third shorter in both time and distance than England’s most direct route, will make Russia a formidable competitor for the trade of China’s millions of buyers and sellers.” “Russian preferential friendship for our country,” Hitchcock added, “is not dependent upon pelagic [oceanic] argument, but is as sincere, and well worth cultivating, as it is traditional.”

A U.S. commercial agent in Manchuria, Sergei Friede, wrote in the *Railroad Gazette* in 1899: “Russia will soon be almost as near America as Germany now is, in fact, nearer to San Francisco, and with the friendly feeling that exists between the two governments it will doubtless be a common thing in the public schools of the United States before many years pass to teach Russian to the children of America, for the Russians and the Anglo-Saxons now encircle the globe in the Northern Hemisphere. . . . The Pacific is destined to become as great a ferry for ocean greyhounds as the Atlantic.”

By October 1898, it was clear that the United States had become the major supplier for the Manchurian Railroad. Russia had ordered 168 locomotives from the Baldwin works in Philadelphia, 1,900 tons of 20-foot bridge-girders from Carnegie Steel, 15,000 shovels from the Wyoming Shovel Works, a great number of scales from the Howe Scale Company, electrical equipment from General Electric, and millions of American tools. The Russian Railways had also signed a contract for \$3 million for equipping all its rolling stock with Westinghouse air-brakes.

## The Boxer Rebellion

As Witte had feared, the rush for concessions and ports led to a lawful reaction by the Chinese, the Boxer Rebellion. In a desperate attempt to stave off a feared dismantling of the empire by foreign powers, Chinese Emperor Kuanghsu had tried to reform the corrupt Manchu Empire along Western lines. This effort was frustrated, however, by the Empress Dowager, supported by the conservative Manchu party at court. Li Hung Chang was also discredited, since his policy of cooperation with the foreign powers had led to such a threatening situation. An anti-foreigner rebellion, spurred by armed secret societies called the Society of Harmonious Fists, or Boxers, began in the north and spread to Peking, leading in June 1899 to a siege of the foreign legations by the Boxers.

An international intervention force was organized to liberate the embassies. Then, groups of Boxers began attacking the Manchurian Railroad. Russian Minister of War Alexis Kuropatkin wanted to use this as a pretext to occupy all of Manchuria. Witte objected, but was forced to agree to sending troops to Manchuria, in order to restore order. Witte assured the Chinese emperor that the measures were only temporary, and that Russian troops would be withdrawn as soon as the troubles were over.

## Defending China’s national sovereignty

Witte was anxious that the troops be withdrawn as quickly as possible. If this were not done, it would quickly exacerbate relations with the Chinese, and would destroy the credibility that Witte had so carefully built up. In this, Witte found an ally in the McKinley administration. The United States had also sent troops to the relief of the U.S. Legation, but McKinley



was concerned that these troops be withdrawn as soon as possible, and that the lawful Chinese authorities be quickly restored to power. Demands by the U.S. Navy and the commander of the U.S. forces in China, General Chaffee, to appropriate Samsa Bay on the Chinese coast as a coaling station, were rejected by McKinley, intent on maintaining the territorial and administrative integrity of China.

On Aug. 28, the United States received a diplomatic note from Russia, disclaiming territorial designs, and inviting the United States to follow her in withdrawing her troops and legation staff from Peking to the port of Tientsin. McKinley called a Cabinet meeting to consider the proposal. The U.S. government drafted a reply to the Russian initiative urging the withdrawal of all the foreign troops from China, but later, due to internal pressures, limited itself to sharply reducing the troop presence in Peking. The United States, also in collaboration with Russia, called for a reduction of the heavy indemnities which the other foreign powers demanded that China give in order to pay for the intervention.

Writing from St. Petersburg on Sept. 11, 1900, U.S. Chargé d'Affaires Herbert Peirce said of the newly appointed foreign minister, Count Vladimir Lamsdorff, a collaborator of Witte's, who succeeded the recently deceased Count Muraviev: "Count Mouravieff has been succeeded by a personality which, while thoughtful and intellectual, appears to be devoid in some measure of personal ambition and inferior in initiative and in force to that of Mr. Witte and whose very thoughtfulness of nature would be likely to make his mind open to the cogent arguments which the Minister of Finance is doubtless able to bring to bear against territorial expansion in Manchuria with its necessary cost in administration . . . it may reasonably be supposed that the new head of the Ministry of Foreign Affairs might be disposed to reverse any policy of expansion which his predecessor may have entertained." "Russia's vested interests in Manchuria," Peirce continued, and "the proximity of Manchuria to her frontier together with the recent attacks on that frontier by the Chinese perhaps give her a certain priority over the other Powers in any claim for territory so that in the face of Russia's declining to take advantage of the situation to annex any part of Manchuria it might be difficult for any other Power to maintain a claim for any part of Chinese territory." Peirce's message was flagged "To The President."

The British and the Germans were demanding the payment of heavy indemnities by the Chinese for the costs of the military expedition. They were also demanding the death penalty for the perpetrators of the Boxer Rebellion. Both measures were opposed by the United States and Russia.

Their objections were ignored by the other powers, but Britain's prime minister and King Edward VII began to see the joint action as a very dangerous U.S.-Russia cooperation that boded ill for continued British control over China. They were intent on breaking up that alliance as quickly as possible and destroying, once and for all, the Eurasian land-bridge.

## The British imperial game

Fearful of this U.S.-Russian alliance, the British doubled their efforts to play the "Anglo-Saxon" strings. Anglo-American leagues and committees were organized in London and New York "to promote the unprecedented friendliness of Anglo-American relations," according to historian A. Whitney Griswold. Laudatory articles were written in the U.S. press about the great achievements of the "Anglo-Saxon race." Warnings of Russian motives in Manchuria proliferated in the U.S. newspapers, spread by British and Anglophile scribes.

A major battle was fought within the Republican Party, between the steel interests of Pennsylvania and Maryland, the real backers of the railroad agreements, and the southern cotton growers and their British-linked New England textile merchants. The latter were primarily interested in selling cotton goods cheaply in Manchuria, and were rallying around the war-cry of the "open door," specifically with an eye on eliminating the preferential railroad tariffs given to Russia for goods transported on the Chinese Eastern Railroad.

A British admiral, Sir Charles Beresford, came to the United States to plead the benefits of an Anglo-American alliance in support of the "open door." The British could play the "open door" to their hearts content—as long as their own little bailiwick, Hongkong and Kowloon, were excluded, which Anglophile Secretary of State John Hay so graciously made sure of, in penning his vaunted "open door notes." The cotton growers and textile merchants were supported by Standard Oil and other U.S. raw materials companies, interested in gaining a "level playing field" with the more accessible Russian Baku oil fields, for sale of kerosene in Manchuria. The assassination of President McKinley in 1901 finally put the nail in the coffin of U.S.-Russian collaboration in Asia, and swept to power the Anglophile Teddy Roosevelt. With the 1904 death of Ohio industrialist Mark Hanna, the pro-nationalist steel and railroad interests in the Republican Party were routed.

By 1902, in spite of the personal efforts of Witte to craft an agreement with Japan's Prince Ito Hirobumi (a key adviser to Emperor Meiji, who felt that an agreement with the Russians was far superior to any British proposals), the British had also brought the Japanese into their camp. The Anglo-Japanese Treaty of 1902 was the first in a series of agreements that would secure Japanese cooperation in British imperial plans up until World War II. Great Britain quickly deployed growing Japanese military might against the Russians in the Russo-Japanese War of 1904-05, which ultimately led to the downfall of the Romanov dynasty and eliminated Russia as a major political force for the following 35 years. The British geopolitical encirclement of Germany then led to the tragedies of World War I and World War II. Railroads had been built, but the "land-bridge" was doomed to die a thousand deaths in the trenches of the "Great War," with the United States playing the unfortunate dupe in this British-orchestrated tragedy.

## Israel's Netanyahu is the new 'Vladimir Hitler'

by Jeffrey Steinberg

The fate of the Netanyahu government in Israel, and the Middle East peace process, hangs in the balance. Although the Israeli Attorney General's office decided, for the time being, on April 20, not to indict Prime Minister Benjamin Netanyahu on corruption charges related to his alleged efforts to "fix" a long-pending criminal prosecution against the head of the Shas Party, a coalition partner in his government, it is still possible that the Israeli Supreme Court will override the no-indictment ruling in early June. A formal appeal to the Supreme Court was filed by the opposition Meretz Party within hours of the decision.

Several Cabinet ministers from Netanyahu's Likud party, and others from smaller coalition parties, are threatening to pull out of the government if Netanyahu does not fire Justice Minister Tzachi Hanegbi, a central figure in the case-fixing scandal, and a man known to be one of Netanyahu's prime "dirty tricks" assets.

Hanegbi, Netanyahu's liaison to the fanatical Israeli settlers movement, is the son of Geula Cohen, one of the original patrons of the late Rabbi Meir Kahane, the founder of the terrorist Jewish Defense League, and of other elements of the Jewish terrorist underground who assassinated Prime Minister Yitzhak Rabin, and who are committed to sabotaging the Palestinian-Israeli peace process at all costs. Cohen was a member of the Stern Gang terrorist underground in Palestine, in the pre-independence period.

Sources in Israel believe that if Hanegbi is dumped from the cabinet, or indicted, he might spill the beans on Netanyahu's involvement in a range of corrupt operations, including Netanyahu's efforts to shut down the prosecution of Shas Party head Aryeh Deri. The Attorney General's report called for the indictment of Deri, and for continuing the investigation into the role of Avigdor Lieberman, Netanyahu's top aide, in the case-fixing effort. On the night of April 20, hundreds of

Shas Party activists rioted in front of the home of one of their leaders, protesting the decision to prosecute Deri.

The decision not to indict the prime minister was not unanimous. On April 23, Hanegbi announced, in his capacity as justice minister, that he would not allow the release of a minority report from the Attorney General's office, which argued for the indictment of both Netanyahu and Hanegbi. The 15-page document, according to the Israeli daily *Haaretz*, was signed by three senior prosecutors, and "alleged there was enough evidence of criminal wrongdoing to indict Netanyahu and . . . Hanegbi."

Under Israel's new election law, the Knesset (parliament) could dump Netanyahu as prime minister by a simple majority of 61 votes in the 120-seat body, which would result in new elections within 90 days for prime minister and the entire Knesset. If a "super-majority" of 81 Knesset members voted against Netanyahu, new elections would only be required for the prime minister.

Further complicating the internal political scene in Israel is the fact that, in early June, the Labor Party will elect a new leadership. At that time, Ehud Barak, the former Israeli Defense Forces chief, is expected to replace Shimon Peres as head of Labor, and as the party's candidate-designate for the prime ministership. There is no guarantee that a Labor Party under Barak's leadership would pursue the full gamut of peace initiatives, including vital Arab-Israeli collaboration on the economic development of the entire region, which was a hallmark of Peres's policy and was adopted by Rabin.

### It didn't start with the Deri scandal

The recent crisis in Israel did not begin with the Deri scandal. In March, Netanyahu announced that Israel would break ground for a new Jewish settlement in Arab East Jerusalem, and simultaneously reneged on commitments that he had

personally made to the Clinton administration, in the Hebron agreements, to turn over substantial portions of the West Bank to the Palestinian Authority. As a result, the peace process was thrown into a deep crisis.

In early April, Netanyahu traveled to Washington for a one-day meeting with President Clinton, and he also met with Secretary of State Madeleine Albright. He was pressured to cancel the new settlement in East Jerusalem, and to honor his commitments under the Hebron protocol, which he had signed in late 1996. The administration even agreed to keep up the pressure on Palestinian Authority President Yasser Arafat, to reinstitute cooperation with Israeli police in the crackdown on Islamic terrorists. Indeed, Arafat's police successfully shut down a terrorist cell, responsible for the 1996 rash of car-bombings in Israel, and a recent suicide bomb attack in Tel Aviv.

Despite these efforts, Netanyahu showed no signs of returning to the peace track; ground was broken at the settlement in East Jerusalem and, following the April 20 decision not to indict him, Netanyahu arrogantly charged that he had been the "victim" of an attempt to "erode" his "legitimacy as prime minister."

If there was any silver lining in this hideous turn of events, it was the fact that Netanyahu showed his hand, and, hopefully, shattered any remaining illusions that "Bibi the American" (Netanyahu) was a practical politician, who could be cajoled into moving the peace process forward.

### **The view from the White House**

In one of the most thought-provoking commentaries on the Israeli government crisis, Patrice Claude, of the Paris daily *Le Monde*, wrote from Jerusalem on April 22 that, as a result of recent events, President Clinton has come to see Netanyahu as a fanatical follower of the late Irgun founder and Jewish fascist ideologue Vladimir Jabotinsky, who believed that "the Arabs will forever be the enemy of Israel." In an accompanying editorial, titled "The Flight Forward of Netanyahu," *Le Monde's* editors warned that Netanyahu's triumphant comments following the no-indictment decision, signaled that he would "avenge the offense against him, in a still more radical flight forward."

The editorial described Netanyahu's ten months in office as a monumental failure, but noted that the Clinton administration is "finally understanding his true nature, that of a man for whom colonization is more important than peace. In order that the three years [the remainder of his term] not be a nightmare, Washington must, by all means, convince Netanyahu of a truth, that peace and colonization are mutually exclusive."

In an interview with the weekly radio program "EIR Talks" on April 22, Lyndon LaRouche was even more blunt in his characterization of Netanyahu. "Netanyahu is entirely a British asset," LaRouche began. "Entirely. Even though he is largely financed, he and his goons, out of Brooklyn, New York. But, nonetheless, as Yitzhak Rabin emphasized just before he was assassinated by these goons, and as Mr. Rabin's

widow has emphasized again recently: In the press in Europe, the report is, this week, that the recent experience in dealing with this rogue, Netanyahu, has persuaded the White House—I haven't verified this myself, but the report is interesting because it responds to reality; I don't know what the President believes, but I do know what Netanyahu is, and the report says that the President has discovered what Netanyahu is. The argument is that the President has come to understand that Netanyahu is a true continuation of the avowed fascist, Vladimir Jabotinsky, the one who was referred to by a former prime minister of Israel, as 'Vladimir Hitler.' Now, Jabotinsky is key in understanding Netanyahu, as is Ariel Sharon.

"Jabotinsky was a product of the Russian pogroms, and the Russian secret police, the Tsarist Okhrana. He was turned up as a British agent in the context of the Young Turk operation, which was entirely a London-run operation, through, probably assisted through the B'nai B'rith International lodge of Salonika in what is now Greece. And the Young Turk government was actually a creation of the British Intelligence-controlled International B'nai B'rith lodge in Salonika. Now, this lodge had a publication, which was named in French, because it was the diplomatic language of the time, *Jeune Turquie*. The editor was Vladimir Jabotinsky. Jabotinsky was associated with a fellow, who was later upgraded, Volpi di Misurata, famous as the finance minister who put Mussolini into power. And through Volpi and company, Volpi di Misurata, Jabotinsky, who was the editor of the Young Turks' ideological magazine in an earlier period, moved on, to become closely associated with Mussolini, and became an avowed Fascist, and the leader of the Fascist movement within Zionism.

"Netanyahu is a continuation of that today. You see it in his style. If you understand fascism, particularly the Mussolini variety, the Jabotinsky variety of fascism, you'll see that Netanyahu's policy, his style, his way of making decisions, his duplicity—all of these objectionable, obnoxious qualities that make him civet cat of the region. These are truly echoes of the fascism of Mussolini, and Mussolini's client, Jabotinsky. And if people understand *that*, they'll understand why Jabotinsky was called by a prime minister of Israel, Vladimir Hitler, which for any person in the Jewish community, particularly the Zionist community, is very strong language, but very appropriate language. He was Vladimir Hitler."

### **Clinton must act**

LaRouche has been arguing for months, that the only chance left for Middle East peace in the foreseeable future, is for President Clinton to take off the gloves. Netanyahu must be told that the United States holds him personally accountable for the fate of the Middle East peace process, and will take whatever steps are necessary to ensure that he, and Ariel Sharon, and the other adherents of the Jabotinsky dogma of a "Greater Israel," are brought down, if they attempt any further steps aimed at wrecking the last, best chance for Middle East peace.

# 'The Plot': The book that London fears, is published in Brazil

by Silvia Palacios

Before an audience of more than 200 people on April 9, *EIR* presented in Rio de Janeiro the Portuguese edition of one of its most famous books: *The Plot to Annihilate the Armed Forces and the Nations of Ibero-America*, or in Portuguese, *O Complô para aniquilar as Forças Armadas e as nações da Ibero-América*. The presentation took place at Rio's prestigious Military Club, and included as one of the speakers Rear Adm. Sergio Tasso de Aquino (ret.), who served as Deputy Chief of Staff of the Armed Forces (EMFA) from 1990 to 1992. Other prominent civilian and military personalities attended as well, including the current club president, Gen. Helio Ibiapina.

In the four years since its 1993 release in Spanish, *The Plot* has been studied in many of Ibero-America's military academies and centers of learning, and is seen as a weapon that clearly draws the lines of the historic battle that must be waged to defend the sovereign nation-state from the globalist, British-led oligarchical onslaught. With an introduction by American statesman Lyndon LaRouche, the book's credibility among the Armed Forces is such that even the "experts" who take their cues from such architects of demilitarization as the State Department's Luigi Einaudi, admit that this book "worries" them. Military analyst Gabriel Marcella of the U.S. Army War College was quoted in the Dec. 6, 1994 *Miami Herald* warning that "when Lyndon LaRouche has more credibility in Latin America than the Pentagon, this is worrisome."

Nonetheless, the international oligarchy has been systematically implementing its plans to dismember the nations of Ibero-America, and annihilate their Armed Forces; the publication of *O Complô* in Brazil, therefore, couldn't be more timely. The historical conjuncture Brazil faces was eloquently expressed by Gen. Tasso de Aquino (ret.)—the father of Rear Admiral Tasso who spoke at the event—a former president of the Military Club, and author of the combative preface to the Portuguese edition. "We Brazilians suffer under a radical leftist government which is impious, Godless, deleterious, and revanchist, the head of which is a founder of the so-called Inter-American Dialogue, whose goal is to reduce Brazil to the status of a third- or fourth-rate country, without sovereignty, will, or honest ambition, a submissive vassal of the great powers."

## The Armed Forces and the Catholic Church

The danger of a loss of sovereignty has provoked a reaction among key sectors, such as the Armed Forces and the Catholic Church. Both have recently expressed their opposition to the privatization and handing over to British interests of the giant state-owned mining complex, Companhia Vale do Rio Doce (CVRD). It is this ferment that was so clearly expressed at the presentation of the Portuguese edition of *O Complô*.

*EIR*'s correspondent in Brazil, Lorenzo Carrasco, opened the meeting by giving background on *EIR*, which was founded by Lyndon LaRouche, and outlining on how the book came into being. He discussed the role which LaRouche's programmatic proposals and thinking have had on Ibero-America, beginning with his defense of Argentina's sovereignty against British imperialism in the 1982 Malvinas War, and including his proposals to create a new international monetary system, to replace the current rotting one. Carrasco concluded by discussing the Schiller Institute's initiative, which has gained widespread international support, calling on President Bill Clinton to convene a New Bretton Woods conference for that purpose.

One of the most enthusiastic responses from those attending the event came with the reading of messages from three individuals in the Americas who exemplify resistance to the nation-wrecking plans of the one-worldist oligarchy. One was from Argentine Col. Mohamed Alí Seineldín, imprisoned on orders from Britain; the second was from another political prisoner of George Bush's "new world order," Gen. Manuel Antonio Noriega. LaRouche, who has remained Bush's political prisoner since 1989, sent a statement he had written on the 15th anniversary of the Malvinas War.

The next speaker was Rear Adm. Sergio Tasso de Aquino, who discussed "The Armed Forces and the National Conjuncture." Emphasizing how the "new world order" had hurt Brazil, he reminded the country's military leadership that they are responsible for the nation, a concern which also guided his own service as deputy chief of staff of EMFA.

Rear Admiral Tasso de Aquino was forced into retirement three months after he read a document before the Navy's high command, underscoring these convictions. He presented the

document publicly for the first time at the *O Complô* gathering. In his final statements, Rear Admiral Tasso classified the government of President Fernando Henrique Cardoso as “an IMF government.” His characterization of the sale of CVRD as a “crime against the nation,” was met with cheers from the audience.

He continued: “The impeachment of [former President] Fernando Collor was a deception for democracy. This democracy has enthroned the oligarchy, the worst of which rules us today; it despises the people. The media are bought off to provide support for them with Goebbels-style methods—that is, by lying, lying, and lying. It’s like Orwell’s *1984*, with electronic control of the masses.”

On *O Complô*, Tasso stated, “It shows something very important, that this is also occurring in other countries. As Pope John Paul II said during his visit to Brazil, the Armed Forces are the guarantee of freedom, justice, and peace.” He concluded with a call to action: “It is time for each patriot to bare his Brazilian soul. Our vocation is not that of a colony. Come with us to fight for Brazil’s redemption.”

## ‘Our vocation is not that of a colony’

*The following are excerpts of the speech given by Rear Adm. Sergio Tasso Villar de Aquino, at the April 9 presentation of the Portuguese edition of The Plot to Annihilate the Armed Forces and Nations of Ibero-America.*

Pressures for the downsizing and neutralization of the Armed Forces began subtly, in the transition to the “New Republic,” in the so-called process of Brazil’s “re-democratization.” These were exerted by communists and revanchists, of every shade of leftism, who, aided by the amnesty granted at the end of the revolutionary period [of military government], returned to have strong political influence among the media.

These spurious pressures grew in intensity, especially related to the National Constituent Assembly, when an effort was made to modify the constitutional mandate of the Armed Forces and create a Defense Ministry, more as a vehicle for weakening military presence in our national life, and to subordinate military expressions to party politics. Fortunately, this effort failed, thanks to the vigilance and firm response of our military ministers, and the prestige they still enjoyed at that time. The purpose of this campaign, still alive today, was to take from the Armed Forces their passionate commitment to unlimited service to the Brazilian nation, and transform them into obsequious praetorian guards of those who would eventually take power. Then, as now, the goal was to wound the Armed Forces as a way of weakening the nation. . . .

The fall of the Berlin Wall and the dismantling of the Soviet empire, far from representing the advent of the longed-for era of peace, harmony, and progress for all humanity, instead gave rise to a hegemonic “new world order,” guided by those appetites for domination and subjugation, previously so opposed by Brazil’s good diplomacy. . . . What became increasingly prominent was the entry of big capital, cold and dominating, possessing no nationality and interested only in profit, in keeping poor countries in their state of backwardness and misery, so as to more easily exploit their wealth, without paying them just prices and not allowing them to develop, to avoid their becoming competitors in the “international market.” . . .

Under the rubric of “neo-liberalism” and “globalization,” this fashionable materialist philosophy grew, recruiting enthusiastic proselytizers, even among the victims of its actions, who were coopted and disoriented by a generalized and spectacular job of mystification, carried out in a lasting and very efficient manner by the mass media. . . .

The campaign against the Brazilian nation and Armed Forces, directed from abroad but faithfully executed by Brazilian-born followers, became obvious by 1990, when President Fernando Collor de Mello took office. From then on, the sentinels of Brazil and its nationhood witnessed the Armed Forces suffering all manner of insults and restrictions: the continued reduction of their participation in the national budget; a depreciation of wages which transformed members into second-class servants of the nation, rather than those unique ones who were loved and respected; reduction of their influence and participation in national life; campaigns for their extinction, supposedly because they were “unnecessary within the new world order,” or demanding their transformation into gendarmes, to be deployed in police and public safety actions, or fighting drug-trafficking, smuggling, and “ecological crimes.”

### The destruction of military industries

This also included destruction of Brazil’s military industries, previously so highly rated in the world in terms of volume exported, generation of foreign exchange and state-of-the-art technology. Two fundamental programs—building a nuclear submarine and the Complete Brazilian Space Mission—were put on hold. Terrorists and guerrillas were elevated to the status of “martyrs and heroes,” objects of praise and [recipients] of reparations, while the officers who opposed them, in defense of Brazil and social peace, and even the military institution itself, were indiscriminately condemned.

During this same period of the last seven years, foreign cupidity regarding the Amazon and its wealth, also reared its head. International personalities and organizations screamed to the four winds that Brazilians weren’t mature, responsible, or competent enough to exercise sovereignty over this rich region, so courageously conquered by our brave forefathers. They shrieked that [the Amazon] should be internationalized, declared the “patrimony of humanity.” The first step has already been taken with the inconceivable demarcation of the

“Yanomami reserve,” the result of unacceptable foreign pressures, welcomed by the Brazilian government!

Under the auspices of the current government, a savage process of privatization is under way, the pretext for which is the need for greater administrative and financial efficiency. Yet the country is becoming poorer and more dependent, as more strategically important state companies end up in foreign hands, almost always for a miserable price. Right now, the Companhia Vale do Rio Doce is scheduled to be sold, in bidding whose minimum price set by authorities would barely cover the cost of 20,000 homes in Lago Sul, in Brasilia, or to recover 40% of the money the current government has spent to prop up poorly run or failed banks through the PROER program.

The other side of the coin would not only be the handing over of the extremely valuable patrimony of this strategically important company, of inestimable [importance] to the future of a sovereign Brazil, but also the loss of the *know-how* of mineral exploration, achieved with such effort. Someone has already appropriately labeled the intended handover as a “crime against the nation,” and we, true Brazilians, cannot allow this crime to be perpetrated. As for the actions under way against the Armed Forces and the Brazilian state and nation, beginning in 1990, I authored, in my capacity as admiral and deputy chief of staff of the Armed Forces, documents which I submitted to my superiors and my peers at that time.

I consider two of them appropriate to read now: 1) “In Defense of the Sovereignty, Independence, and Integrity of Our National Patrimony,” dated Nov. 19, 1992, directed to the military ministers and Chiefs of Staff at that time; 2) a Dec. 28, 1992 statement before the Council of Admirals, including all of the naval high-command. . . .

The book presented here, *The Plot to Annihilate the Armed Forces and Nations of Ibero-America*, shows us that the process of domination and plundering which we suffer here in Brazil, is occurring in brother nations as well. The time has come for each patriot to fully claim his Brazilian soul. Our vocation is not that of a colony! The traitors and peddlers of the system ensconced today in Brazil, and who long for its perpetuation, shall not succeed in their acts of destruction! . . .

### **Address to the Council of Admirals**

*Below are excerpts from the Dec. 28, 1992 speech by Admiral Tasso before the Council of Admirals.*

The government which began on March 15, 1990, through the manifest will of its chief, carried out something unprecedented in the republican history of our country: the relegation of military matters to a level of unaccustomed unimportance. This took the form of budgetary restrictions of every order, which affected operational readiness and administrative activity, in addition to dramatically affecting the lives of each of its members, whose personal and operational dignity was undermined by the traumatic wage strangulation deliberately

imposed on them. On top of this, they were subjected to systematic slander campaigns. . . .

Using as a pretext a shortage of funds in the national Treasury, [the government] denied the resources needed to maintain troops in a state of readiness, the negative consequences of which were felt in their preparedness to carry out their duty to guarantee the sovereignty, independence, and integrity of our national patrimony. Similarly, the gouging of wages in the face of a constant increase in inflation, and in the cost and prices of goods and services, was deeply reflected in personnel morale.

We, the leaders, have the unrenounceable duty to reverse this situation, so threatening to our national survival; and this is the appointed hour, a moment of transition in government, to seek paths more consistent with our legitimate national aspirations, as they relate to morality, ethics, responsibility in public affairs; progress, development, and social peace, in a context of sovereign affirmation of our great national goals.

I have no doubt that the broad lines of thinking behind those actions which question the existence of the Armed Forces, and reduce their significance and presence in our national life, were inspired abroad, in unconfessed power centers; these are basically of an economic nature, stronger than even nation-states, and which seek to maintain the “status quo”—an international division of labor as it now exists: the South, in which Brazil stands out because of its potential, subjugated, supplier of raw materials and importer of ideas and models of thought, as well as goods—many of which are totally superfluous—and of an increasingly costly capital. . . .

In a serene, yet firm and energetic manner, I believe the time has come for the Armed Forces to institutionally, and through legitimate hierarchical channels, and based on the moral strength which their permanently ethical position confers on them, take steps to return public administration to the desired reasonable patterns of allocation of Treasury resources, to the benefit of the development, as well as the security of the nation, without privileges in remuneration of any kind, for those castes, which use the name and the desire for democracy, as a way of enthroning a plutocratic and nepotistic oligarchy. . . .

## **Greetings to the conference**

*These messages were sent to the April 9 presentation in Brazil of the Portuguese edition of The Plot to Annihilate the Armed Forces and Nations of Ibero-America, known also as The Plot.*

### **From Col. Mohamed Alí Seineldín**

*The following statement was released by Colonel Seineldín from the Campo de Mayo Military Prison in Argentina, on April 2. It was entitled, “Anniversary of the Retaking*

of the Malvinas.”

My Dear Sir and Honored Gen. Tasso Villar de Aquino:

My spirit is honored to warmly embrace you, from afar, to congratulate you for the upcoming presentation of the Portuguese edition of the book *The Plot to Annihilate the Armed Forces and Nations of Ibero-America*.

Rest assured, dear general, that you are about to take a very important step, to achieve clarity among the members of the military institutions and the noble Brazilian people, which will allow them to convincingly and energetically defend their Armed Forces.

The Armed Forces represent the last bastion of defense of national sovereignty. Their elimination, dismemberment, or weakening, will mean, without doubt, the end of all nation-states.

Through you, I also extend my thanks to Gen. Helio Ibiapina, president of the Military Club, for his support in allowing you to carry out this extraordinary patriotic mission.

I bid you good-bye with a strong embrace in Christ and Mary of Mercy, to Whom I pray, for you, the comrades assisting you, your family, and for Brazil and its Armed Forces.

Your subordinate and friend, who cares for you deeply, and for God and the Great Ibero-American Fatherland,

Mohamed Alí Seinfeldín

President, Executive Council

Movement for Ibero-American Identity and Integration

### **From Gen. Manuel Antonio Noriega**

To my Brazilian comrades-in-arms who, with dignity and courage, have made possible [the release of] *The Plot*.

Today, I transcend the human limits of the only Prisoner of War of the United States of America, to embrace the spirit and letter of *The Plot*. In 1988 and 1989, we evaluated and exposed the plans of economic strangulation, which the Reagan-Bush administration articulated through the IMF.

For the center of geopolitical power of the United States, and its New Order, the greatest moral threat came from the patriotic Armed Forces and soldiers who exposed the mathematical equation: neo-liberalism plus neo-imperialism equals the dismantling of the Latin American Armed Forces.

Because of that denunciation and its political consequences, the Malvinas War hero, Col. Mohamed Alí Seinfeldín, was persecuted and imprisoned. In the name of the New Order, Panama was invaded and bombed, its Armed Forces destroyed, and their commander jailed. But from my cell today, I speak out with the voice, thinking, and spirit which the New Order couldn't kill during the invasion. Nor has it been able to buy off, silence, or imprison his spiritual convictions.

For you, military officers and defenders of Brazil's integrity, at this moment your work is an example of courage, dignity, and profundity. Without doubt, *The Plot* is an example of Brazilian honor and pride.

Gen. Manuel Antonio Noriega

Miami, Florida

## **UN 'blue helmets' to police Andean border?**

by David Ramonet

Venezuelan legislator Lewis Pérez Duboin, the chairman of the Senate Defense Committee, proposed the creation of an Inter-American Council for Security and Cooperation, which would occupy itself with forming a "multilateral military force" to deploy on the Colombian side of the border with Venezuela. His proposal was made during a presentation to the Western Hemisphere Strategies Symposium, held in Miami, Florida on April 14-16, under the title "Hemispheric Cooperation in the 21st Century." The symposium was sponsored by the U.S. Army Southern Command, and drew participation from civilian and military officials from various countries of the Ibero-American continent.

For the past several months, each new attack by Colombia's narco-guerrilla armies across the border into Venezuela, has yielded new voices in favor of taking the problem to the United Nations Security Council, or before the Organization of American States. The first to raise the proposal, three years ago, was the governor of Zulia state, Lt. Col. Francisco Arias Cárdenas (ret.), although no one took his proposal seriously at the time. Arias Cárdenas is linked to the Causa R (Radical Cause) party, which is an affiliate of the narco-terrorist São Paulo Forum, to which also belong Colombia's narco-guerrilla FARC and ELN armies.

Now, Senator Pérez's proposal is being echoed by other political figures, both in Venezuela and in Colombia. At the same time, according to a spokesman for Pérez cited by the Italian news agency ANSA, the Venezuelan senator took advantage of his visit to Miami to urge U.S. Southern Command chief Gen. Wesley Clark to back his idea of a multilateral force.

According to Pérez's spokesman, the senator argued that "security matters of today and of the future are transnational in their origin, and have multilateral requirements." He added, "Despite the efforts of the Colombian government, that country has proven incapable of controlling the situation, while in Venezuela, there is growing demand for more energetic and radical action."

In Venezuela, the proposals of Pérez and Arias Cárdenas are being endorsed by figures as diverse as the neo-liberal Group of Latin American Observers, to which belongs the libertine Peruvian novelist Mario Vargas Llosa, to former

Venezuelan Armed Forces comptroller Gen. Oswaldo Suju Rafo (ret.), to Social Christian senator and chairman of the Senate Foreign Affairs Committee, Pedro Pablo Aguilar. In Colombia, Pérez's proposal has won support from former Colombian ambassador to Caracas Hector Charry Samper, uncle to Colombia's narco-President Ernesto Samper Pizano, and Sen. Julio César Turbay, president of the Andean Parliament.

## Fierce opposition

Various Venezuelan government spokesman have nonetheless furiously rejected the proposal. "Those who propose a multinational force don't know what they're talking about," declared Border Minister Pompeyo Márquez. "It is an insult to our Armed Forces, who are carrying out a great effort, an intense effort, to establish a presence where nothing existed before."

Venezuela's Foreign Minister Miguel Angel Burelli Rivas said, "This business of multinational forces is unacceptable. We do not intend to seek the support of foreign military forces. I consider this offensive to the National Armed Forces, who are making every effort and who are in a position to repel this and any other major attack."

Venezuelan Defense Minister Gen. Pedro Nicolas Valencia Vivas used the occasion of the April 4 celebration of Reservist Day, to stress that "there exist national Armed Forces with the capability, and which have carried out their tasks." He insisted that "we will make our sovereignty felt in the Arauca, even if it takes redoubling the presence of the Armed Forces and that of all Venezuela." Various proposals for defining a stretch of border that would be jointly patrolled by Colombian and Venezuelan troops, are being considered by both governments.

## A demilitarization scenario

The proposal to substitute Ibero-America's armed forces with the troops of transnational organizations, under any pretext, is part of the "plot to annihilate the Armed Forces and nations of Ibero-America" (see the book with this title, and p. 66, for an article on the release of the book in Portuguese in Brazil, edited by EIR News Service, Inc.) promoted by British strategists, their co-thinkers in the Washington, D.C.-based Inter-American Dialogue, the U.S. State Department's permanent bureaucracy and holdovers from the George Bush era, and others, in defense of London's one-worldist strategy for annihilating the nation-state.

The proposal to "multi-lateralize" the conflict on the Colombian-Venezuelan border will imply de facto recognition of the ELN and FARC narco-guerrillas as a "belligerent force," according to international conventions. Thus, it is no accident that all the proposals for multinational intervention are always accompanied by calls for a "peace dialogue" with those same narco-terrorist forces. Governor Arias Cárdenas is a pioneer in this "dialogue" strategy, along with his former

comrade-in-arms, Lt. Col. Hugo Chávez Frías (ret.), the Presidential candidate of the Revolutionary Bolivarian Movement 200 (MBR-200), which is also an affiliate of the São Paulo Forum.

In recent months, the ELN has carried out six separate attacks against Venezuelan military facilities assigned to protect the border. Invariably, the Caracas opposition daily *El Nacional* publishes, the very next day, a declaration by the FARC denying any links to their ELN comrades, despite the fact that they pursue joint strategies, in the context of the Simón Bolívar Guerrilla Coordinating Group and the São Paulo Forum, to which they both belong.

The FARC, meanwhile, proposes that the Caldera government in Venezuela serve as a mediator in a "peace dialogue" with the Colombian government. This proposal has been backed by Governor Arias Cárdenas and, more recently, by Congressman Pablo Medina, leader of the Causa R party, which will be meeting soon in Maracaibo, capital of Zulia state.

Chávez, meanwhile, has stated that there should be no dialogue with Colombian President Samper Pizano (because he is the head of a "narco-government"), but that Venezuela should conduct a dialogue directly with Colombia's narco-guerrillas!

It should be noted that Chávez has not only been promoted internationally by São Paulo Forum leader Fidel Castro (who has received Chávez in Cuba, with honors), but also by the British Embassy in Caracas, with whose representatives he has met publicly since 1995.

## The ELN, a British 'SAS' counter-gang

The whole scheme, centered around dialogue with the narco-guerrillas, is of British orchestration. Thus, the relevancy of Chávez's relations with the British Embassy.

The ELN grew as the result of oil exploitation in the Colombian border state of Arauca. Since the mid-1980s, Occidental Petroleum has exploited the rich fields of Caño Limón, paying the ELN directly for "security services," as was publicly acknowledged by Occidental Petroleum's president at the time, Armand Hammer.

Following Hammer's death, according to Venezuelan intelligence services, Occidental Petroleum contracted the services of KMS company—one of the many fronts created by British Colonel David Sterling, founder of the British Army's Special Air Services, or SAS—to coordinate relations with the ELN. Today, KMS is led by a retired British colonel, David Walker, a veteran mercenary from the war in Nicaragua, hired at the time by Lt. Col. Oliver North to train his "Contras," the Nicaraguan guerrilla movement financed by proceeds from the sale of cocaine, including in U.S. cities. With Walker in charge, the ELN's offensive against Venezuelan targets was unleashed, and has intensified to the point of raising diplomatic tensions between Colombia and Venezuela to an all-time high.



## **Another Colombian narco-financier falls**

*The arrest of a top narco, and his possible extradition to the U.S., is giving some politicians sleepless nights.*

**T**he April 17 capture of Colombian drug trafficker Justo Pasto Perafán in San Cristóbal, Venezuela, means that a new chapter may be opening in the story of the secret links of the continent's drug-trafficking networks to the ruling classes of Colombia, other Ibero-American nations, and even the United States.

In Colombia, Perafán is wanted on charges of illicit enrichment. In the United States, he is wanted on eight counts, including drug trafficking, which charge could carry one or more life sentences.

Colombian narco-President Ernesto Samper Pizano was frustrated in his first attempt to get Perafán back to Colombia through the quickest route, deportation, with the obvious intent of blocking his extradition to the United States, where his conviction is virtually assured. In the United States, Perafán could become a witness against Samper and Interior Minister Horacio Serpa Uribe, who is slated to become Samper's successor in 1998, at the head of a narco-dictatorship.

According to documents in the possession of the Prosecutor General's office in Colombia, Perafán contributed at least \$250 million to Samper's 1994 Presidential campaign, and offered that campaign the use of his luxury hotel, Chinauta Resort. Perafán reportedly also helped finance the (failed) senatorial campaigns of Samper's former defense minister, Guillermo Alberto González Mosquera, and of Samper's comptroller, David Turbay. It is also known that several members of the Accusations Committee of the Colombian House of Repre-

sentatives, which last year absolved Samper of being on the drug cartels' payroll, had received money from Perafán.

On April 19, three hours before Colombia's formal extradition request for Perafán was lodged with Venezuelan authorities, the United States registered its extradition petition. A similar case occurred in Spain in 1985, when leading drug traffickers Gilberto Rodríguez Orejuela and Jorge Ochoa Vásquez were arrested there. At the time, the drug traffickers' strategy was to get themselves accused of minor crimes in Colombia, to avoid extradition to the United States. The strategy paid off: Within months, Ochoa was sent to Colombia and freed, after paying a fine for illegally importing bull semen! Rodríguez went free within the year, effectively nullifying the evidence against him because "one cannot be tried twice for the same crime."

Since Feb. 4, 1987, when the Medellín Cartel's Carlos Lehder was extradited to the United States, not a single Colombian drug trafficker has been extradited to that country. Many Colombian congressmen, and perhaps some former Presidents and Presidential hopefuls as well, have not been sleeping well since Perafán's arrest, because the billionaire head of the so-called Bogotá Cartel knows too much. Narco-President Samper correctly fears that an extradited Perafán, together with former Cali Cartel treasurer Guillermo Pallomari and other informants currently in the United States, could prove a devastating witness in a U.S. judicial proceeding

against him.

Former Colombian President César Gaviria, now secretary general of the Organization of American States in Washington, a post obtained through the good graces of George Bush, also has reason to be concerned. It has yet to be explained why Perafán, who was an invited guest at Gaviria's 1990 inauguration, was named by that government to a 1994 mission to the Far East led by then-Foreign Trade Minister Juan Manuel Santos. Perafán went as a Colombian entrepreneur interested in doing business in the region. That same year, Perafán was awarded the Great Cross of the Order of Democracy by then-Senate President Francisco José Jattin, for his "honesty, constancy, and loyalty to the most noble ethical principles."

Former Colombian President Alfonso López Michelsen, known since 1984 as the "political godfather of the drug trade," also has reason to be concerned about Perafán ending up in the United States. Samper, after all, was his personal project, dating back to the 1970s.

The 51-year-old Perafán, whose vast global commercial empire is currently estimated to be worth \$10-20 billion, is believed to have entered into the drug trade following his retirement from the Army in 1979, where he had been a sergeant for 11 years. The smuggling contacts he developed in the Army served him well when he went into the whisky trade. In 1982, according to Interpol records, he was arrested in Panama with 500 kilos of cocaine, but escaped from jail. Today, he is wanted in at least five countries.

For the moment, the Venezuelan authorities' biggest job will be to ensure that Perafán doesn't die a mysterious death before he is extradited. There are political and financial figures in Venezuela, too, who would rather not see Perafán come to trial.

# International Intelligence

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## ***Shubeilat: UN must lift embargo against Iraq***

Laith Shubeilat, a former member of Jordan's Parliament and head of the country's Engineers Association, called on the United Nations to lift the embargo against Iraq during a speech on April 12 at a meeting of the United Arab Community Club in Los Angeles. The group is raising funds for medical shipments for Iraqi children, who have been victimized by the continuation of the Bush-Thatcher sanctions. An appeal endorsed by numerous Arab-American organizations addressed the "conscience of those at the helm of the UN to stop this outrageous collective punishment by lifting the embargo immediately. The UN should be an agent for saving children, not an instrument of destroying them."

Shubeilat told the Arab-American community that the embargo on Iraq is really an embargo against the Arab world, and is part of the population wars and genocide against the developing countries, "especially those with the cultural history to provide a backbone for a humane civilization, who would someday defy the looting of the poor world."

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## ***Political scandals and murders shake S. Africa***

As South Africa gets drawn deeper into the Great Lakes/Zaire battlefield, the British Empire is intensifying its grip over the republic, on the one hand co-opting leading figures in the African National Congress (ANC) via the privatization of state-sector enterprises, while, on the other hand, removing potential opposition via scandal and assassinations.

On March 24, Leonard Radu, head of the Internal Security Unit of the South African Police Service (SAPS) and member of the National Intelligence Co-ordinating Committee, which links all military and civilian agencies, was killed in a car accident, which is being investigated as a possible murder. Radu was the highest ranking ANC member in the police apparatus, and was handling an investigation of the former gov-

ernment's police spies within the ANC. Similarly, new disclosures in the 1993 assassination of ANC and South African Communist Party leader Chris Hanni, point to elements within the ANC in helping set up his murder.

A scandal has come to light in the course of joint South African-Swiss efforts to break a gold-smuggling ring, as well: Toward the end of 1996, Minister of Safety and Public Security Mufamadi told the Parliament that millionaire socialite Paul Ekon, who helped finance the ANC's 1994 election effort, was an object of the investigation, and that Swiss cooperation would be required in the probe.

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## ***George Soros fishing in Albania's troubled waters***

The role of global speculator George Soros in manipulating the upcoming elections in troubled Albania was the subject of an exposé by Danilo Taino in Italy's *Corriere della Sera*, on April 14. Soros, he wrote, financed *Koha Jone*, "the main opposition paper that played a central role in last months' rebellion: \$125,000 . . . without which, the newspaper would have died." Piro Misha, a director of the Soros's Open Society Foundation for Albania, told Taino: "Sure, at first, we had a good relationship with [President] Berisha. We hoped to work with the government and the new parties for an open society." Later, Soros supposedly recognized "Berisha's authoritarian tendencies, and since last year, the foundation has become a rallying point for the opposition."

Soros's Open Society foundations foster "democracy" in former socialist countries by pouring money into the election campaigns of their favorite candidates, in countries whose economies have been destroyed by free-market doctrines. Albania is no different, as Misha explained: "We have a project . . . to offer society the instruments to understand what their rights are. Soros's foundation in Tirana, which comprises 150 intellectuals, wants to contribute to writing the new election law and to reforming school programs, besides making 'material contributions' to the media, [and] publishing some books." (They just translated into

Albanian, *Right Wing and Left Wing*, by Italian terrorist controller Norberto Bobbio. Misha continued, "Officially, [the foundation] will not suggest whom to vote for. But . . . with the resources available to one of the richest men in the world, the influence of the foundation will be decisive."

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## ***Zimbabwe defense firms arming Kabila in Zaire***

The Zimbabwe Defense Industries, according to Germany's *Frankfurter Allgemeine Zeitung*, is directly arming the forces of Laurent Kabila, which would include his new Zairean trainees and the Katangan gendarmes, officially supplying "military hardware, food rations, uniforms, footwear, and tents."

Zimbabwe Defense Industries is run out of Harare, Zimbabwe by Col. Tsiaga Judge Dube, who is also on the board of directors of the UN Institute for Disarmament Research. Zimbabwe is emerging as the southern headquarters for the "African peacekeeping force" which is to be deployed exclusively by the UN Security Council, but the fact that Dube is supplying Kabila underlines that the UN is backing him. Further, according to a resident Africa expert at the Royal Institute for International Affairs, Britain is militarily building up Zimbabwe.

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## ***U.S. to help alleviate North Korean famine***

The Clinton administration announced on April 15 that it "has decided to provide humanitarian assistance in the amount of 50,000 metric tons of corn, valued at approximately \$15 million, for use in assisting the roughly 2.4 million children under the age of six in North Korea who we believe are at risk because of the current food shortages," according to State Department spokesman Nicholas Burns. Burns said the U.S. was responding to an "appeal targeted specifically towards feeding children by the United Nations World Food Program." The World Food Program's appeal is for 200,000 tons of food, estimating the short-

**IRAN AND IRAQ** resumed their talks on normalizing relations, at a meeting of their foreign ministers in Rabat, Morocco in mid-April.

**UGANDAN OPPOSITION** newspaper *The Shariat* of April 1-7, reprinted Lyndon LaRouche's editorial in *EIR* of Feb. 7, warning President Clinton against being drawn into a British-orchestrated quagmire in Africa, under the title "British Turn Museveni into a Mercenary." The feature is accompanied by a cartoon published in the *New Federalist* showing Lady Lynda Chalker walking Museveni, her "dog of war."

**SUDAN** invited its neighbor Egypt to attend the planned April 21 signing of the peace agreement between Khartoum and Sudan's rebels. Cabinet Affairs Minister Salah-Eddin Mohamed Ahmed Karra told reporters on April 14, "We would welcome Egypt to witness the signing, as it will be a chance to forget, or, at least, freeze our differences, and reaffirm the unity of Sudan."

**NEWCASTLE** Classics professor Peter Jones explained that most Englishmen could care less about the May 1 elections, because "the simple fact is that we do not live under a democracy. We live under an oligarchy," and most of the Queen's subjects know "they are powerless," he wrote in a feature for the *Sunday Telegraph* on April 14. "Our system bears no relation to original Athenian democracy. We make no decisions. . . . Rarely are Members of Parliament or civil servants held accountable. Even our voices are not heard."

**PRINCE PHILIP** made a tactless slip of the tongue on April 14 at Germany's Hanover Industrial Fair, where he referred to Chancellor Helmut Kohl as "Herr Reichskanzler" (there has been no Reichskanzler since Hitler). Perhaps not coincidentally, Britain is gearing up for another round of Germany-bashing, accusing it of trying to establish a so-called "Fourth Reich."

age at 1.8-2.3 million metric tons, nearly half of North Korea's food needs. "We have already heard credible reports of death by starvation in the North Korean countryside," Burns said.

U.S. Rep. Tony Hall and former U.S. Agency for International Development official Andrew Natsios confirmed the reports of widespread starvation at their press conference in Washington on April 17, but revealed that aid is, as Hall put it, "trickling in, and it's not much."

Natsios added, "The 100,000 tons of food the World Food Program asked for early in the year, I think, got a response of 50 or 60,000 tons. . . . The amount which is needed to stop the dynamic of the famine is 1 million tons. . . . A hundred thousand tons will feed the country for about a week." Hall stressed that what aid was coming "only serves somewhere between 1.5 and 3 million people. North Korea's population is around 25 million, and a great portion of the population is at risk."

## ***Mail bomb sent to Myanmar official***

A mail bomb intended for Lt. Gen. Tin Oo, Second Secretary of Myanmar's ruling State Law and Order Council (SLORC), was sent to his Yangon home, where his 32-year-old daughter was killed on April 6, when she opened the package. In a speech at the Defense Ministry, General Oo said that the bomb was part of a "wily scheme to grab power" by "underground and above-ground destructionists," according to media reports.

SLORC First Secretary Lt. Gen. Khin Nyunt told the Japanese newspaper *Nihon Keizi Shimbun* that anti-government groups in Japan were responsible for the mail bomb attack. He said that Myanmar leaders had received threatening calls from such groups in Japan on many occasions. He also hinted that Myanmar expatriates were receiving support from foreign organizations, and urged the Japanese government to look into the case.

In the same interview, General Nyunt ruled out any chance of working with the

National League for Democracy (NLD) led by Project Democracy darling and Nobel Peace Prize laureate Aung San Suu Kyi. "How can we do it?" he said, after criticizing the NLD's support for anti-government activities. In an act of defiance of the SLORC, Aung San Suu Kyi, who has been under house arrest, organized "New Year celebrations" at her home on April 14, inviting some 2,000 "democracy activists."

## ***Prince Philip runs global 'anti-corruption' mafia***

The Milan daily *Il Giornale* on April 18 reveals that Britain's Prince Philip and Evelyn de Rothschild have established an outfit called Transparency International (TI), to run a "holy war against corruption." This group has a close connection to Italy's "Clean Hands" corruption scandals, which, since 1992, have wrecked every postwar political institution in the country.

TI officially launched its Italian branch on Jan. 20, hosting Clean Hands prosecutors Piercamillo Davigo and Gherardo Colombo. Investigative journalist Gianluigi Nuzzi quotes from TI's basic anti-corruption document, which proclaims it is "An Interfaith Declaration for a Code of Ethics on International Business for Christians, Muslims, and Jews."

Nuzzi reported on TI's strategy, as it was explained to him by Italy's chairman Maria Teresa Brassiolo: "By this summer, TI will conclude close agreements with some South American and Eastern European countries to assist them in 'developing national strategies to eliminate corruption.' Then, the focus will shift to Europe, last stop: Italy. The way is simple: the World Bank will distribute loans to developing countries and 'will ask TI to create the system of control and budgeting.'" According to *EIR*'s sources, Brassiolo is a leader of the secessionist Northern League.

Nuzzi lists some 40 agencies that fund Transparency International, few of them models of any faith's definition of ethics: They include the Ford Foundation, the UN Development Program, and British Empire companies Rio Tinto Zinc and Tate & Lyle.

## Clinton team applauds Russia-China summit

by Jeffrey Steinberg

Contrary to persistently lying accounts in all of the major American print and electronic media, the agreements reached the week of April 21 between President Boris Yeltsin of Russia, President Jiang Zemin of China, and the heads of state of the three bordering Central Asian republics, do not represent a threat to vital United States interests. The extremely positive character of the economic and security accords among the five Eurasian nations has been fully recognized by the Clinton administration, and administration officials have explained in great detail, why the Russian-Chinese cooperation agreements advance, rather than detract from, U.S. global strategic interests.

The fact that the Clinton administration has come out wholeheartedly supporting the Yeltsin-Jiang summit results, has been blacked out of the American media. Instead, the *New York Times* lied, on April 24: "President Boris N. Yeltsin of Russia and President Jiang Zemin of China pledged today to work together to limit American power and influence in the world." The *Washington Times*, the same day, did not even bother to assign its own reporters to pen their disinformation. They merely republished a British "Big Lie" story from the pages of the Manchester *Guardian*, which began: "Russian President Boris Yeltsin and Chinese President Jiang Zemin proclaimed a new 'multipolar' world order yesterday in which both nations set themselves against the U.S. claim to be the only superpower."

What provoked this latest rash of coordinated Anglo-American media disinformation? For readers of *EIR*, the answer should be very obvious: The historic agreements signed by the Presidents of Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan represent an important advance of the Eurasian Land-Bridge policy, which policy, for well over a hundred years, has been a *casus belli* for the British oligarchy, and its

allies and assets abroad. To the extent that the United States government supports the construction of what the Chinese refer to as the "New Silk Road," the prospects of Eurasian peace and prosperity are greatly enhanced.

### Kissingerian 'triangular diplomacy' rejected

On April 24, State Department spokesman Nick Burns, speaking on behalf of the administration, delivered an unambiguous statement of support for the achievements of the Moscow summit. He chided the American press for their misrepresentations.

"The United States welcomes the agreement signed between Russia and China," Burns said, in prepared remarks at the regular State Department briefing, "because we hope that Russia and China will fully normalize their bilateral relationship and take efforts to make sure that the long border between those two countries is stable and peaceful. All of us remember the 1960s and '70s and into the '80s, when there were considerable problems along that border, and that wasn't good for the United States. No one wants to see these two very important countries fighting, or not in agreement.

"Now, Mr. Jiang Zemin is also going to be signing a treaty with Russia, Kazakhstan, Kyrgyzstan, and Tajikistan, which is a very important treaty. Those four countries have a 4,300-mile border, and there have been some border problems with the Central Asian countries as well as with Russia. This treaty leads to greater transparency in the military relationships among those countries, and we hope it will lead to an improvement on the situation along that common border.

"I would also say, some of the press has been touting the Jiang Zemin/Boris Yeltsin meeting as some kind of face-off with the United States. That is not how we see it. We're in the 1990s now. We're not back in the '70s, when Henry Kissinger

and others were playing triangular diplomacy among Russia, China, and the United States. The world has changed. The United States then had a competitive rivalry with the Soviet Union. Now the United States has a friendship and partnership with the Russian Federation. . . . We have a policy of engagement with China. And all of this improves stability, security, and the chances for peace in Europe and Asia.

“So I was surprised at a lot of the press commentary and coverage that, somehow, this is a bad thing for the United States. We think the meeting has been positive, and we want to work with both of those countries in the next century for peace on two continents and in two oceans.”

### **LaRouche: ‘Very good news’**

Upon being informed of the Clinton administration’s reaction to the Moscow events, Lyndon LaRouche, an architect and leading advocate of the Eurasian Land-Bridge policy, made the following observation:

“The agreements announced this week in Moscow are a key part of what we have been working on for some time. This will change the world situation. At a point when many things in the world are going badly, this is very good news. I hope that these working agreements on economic and security cooperation will help stabilize the region of the former Soviet Union.

“We attempted, beginning in 1989, to promote this policy, through the European Productive Triangle; however, the Four Powers administering Germany interceded to prevent this, and, instead, imposed a policy now known as Maastricht. Now, the Eurasian development issue has been revived. This time, the development initiative is moving from China toward Europe, rather than from Europe to China. By bringing the nations of the former Soviet Union into this process as full participants, this is proceeding along the same lines as our earlier Productive Triangle approach. We join with the State Department in applauding this development.”

### **Albright’s remarks on China**

The Clinton administration’s response to the Moscow summit was consistent with the President’s policy of “constructive engagement” with China. In the face of a frontal assault by the majority of the British and U.S. Anglophile political establishment, against his policy toward China—an assault documented recently in *EIR*—President Clinton has stood his ground, and publicly rejected the “yellow peril” propaganda that China is the new enemy, and must be contained.

This administration policy was very clearly spelled out by Secretary of State Madeleine Albright, in an April 15 Forrester Lecture at the U.S. Naval Academy in Annapolis, Maryland. That speech, too, was blacked out of the American media.

After discussing the broad issues defining American policy toward the Asia-Pacific region, Secretary Albright had the

following to say about America’s China policy:

“No nation will play a larger role in shaping the course of 21st-century Asia than China. With its huge population and vast territory, China’s emergence as a modern, growing economic and military power is a major historical event.

“In the United States, there are some, alarmed by China’s rise, who suggest that our policy should be to contain China. Such a policy assumes and would, in fact, guarantee an outcome contrary to American interests. A policy of containment would divide our Asian allies and encourage China to withdraw into narrow nationalism and militarism. Our interests are served by an Asia that is coming together, not splitting apart—and by a China that is neither threatening nor threatened.”

She continued: “What we see in Asia today is not a clash of civilizations, but a test of civilization. And that test is whether we can seize the opportunity for mutually beneficial cooperation that now exists, for we are privileged to live in an era when the protection of security and prosperity is not a zero-sum game.

“The U.S.-China relationship is guided by principles set out in the 1972 Shanghai and two later communiqués. Pursuant to these documents, we recognize the government of the P.R.C. as the sole legal government of China.

“At the same time, under the Taiwan Relations Act of 1979, we have maintained strong unofficial ties with the people of Taiwan, thereby helping to propel Taiwan’s flourishing democracy.

“Although leaders in both the P.R.C. and Taiwan recognize the need to resolve differences peacefully, those differences remain a potential source of instability. That is why we have stressed to both Beijing and Taipei that our ‘one China’ policy is firm, and that they should do all they can to build mutual confidence and avoid provocative actions and words.”

She concluded: “Later this month, we will welcome Vice Premier Qian Qichen to Washington. And later this year, we look forward to a meeting between President Clinton and China’s President Jiang Zemin. Throughout, we will continue efforts to narrow differences, expand cooperation, and build understanding. And we anticipate that the larger process of increased ties between the American and Chinese peoples will accelerate with profoundly positive results.”

This unambiguous rejection of Kissinger- and Brzezinski-style geopolitics toward Russia and China, on the part of the Clinton administration, comes at a critical moment. It is only through the rapid implementation of the Land-Bridge policy, of building technology-intensive development corridors, criss-crossing the vast expanse of Eurasia, that the world can avoid plunging into the new Dark Age, toward which the British oligarchy and their fellow-travellers are propelling us. For the Land-Bridge policy to become reality, the United States must be an active and visible participant. The Moscow summit, and the Clinton administration’s response, moved the world a few steps closer to achieving that goal.

## Specter bills would support dairy farmers

On April 17, Sen. Arlen Specter (R-Pa.) introduced legislation to require the Department of Agriculture to take certain actions to maintain reasonable prices paid to dairy farmers for their milk production. Referring to the steep decline in milk prices that began in November 1996, Specter said, "I am of the firm opinion that something needs to be done to help the milk farmers."

The first of two bills that Specter introduced, which is co-sponsored by Sens. Russ Feingold (D-Wisc.) and Herb Kohl (D-Wisc.), would require the USDA to "collect and disseminate statistically reliable information from milk manufacturing plants on prices received for bulk cheese," and would give the department the authority to require the reporting of such price information by manufacturing plants on prices received for cheese. This would replace the benchmark now provided by the National Cheese Exchange in Green Bay, Wisconsin. The Exchange, an entity controlled by the commodity cartels, has come under sharp criticism for possibly manipulating prices paid to farmers.

Specter's second bill would require that the prices paid by farmers for feed grains and other inputs required to produce milk be factored in when establishing the benchmark price for milk. "The government," Specter said, "should use what it costs for producers to establish the price of milk, so that if the farmers are caught with rising prices of feed and other rising costs of production, they can have those rising costs reflected in the cost of milk."

Feingold criticized the National Cheese Exchange for having such "tremendous influence" over national cheese prices despite the minuscule

amount of cheese that is actually traded on the exchange. He said, "It is essential that dairy farmers have some assurances that cheese prices, which have such a dramatic impact on the price of milk, are reflective of market conditions and are not vulnerable to manipulation."

## Alexis Herman taken hostage in Senate

On April 15, Senate Majority Leader Trent Lott (R-Miss.) indicated that the nomination of Alexis Herman to be secretary of labor, which has been cleared by the Senate Labor and Human Resources Committee, might be held up over Republican objections to an Executive Order proposed by President Clinton that would require the consideration of project agreements, which set union wage scales and work rules on Federal construction projects. Lott warned that if Clinton goes ahead with the proposed Executive Order, it might have consequences for the Labor Department budget, and other Labor Department nominees.

Democrats reacted angrily to Lott's threats, which have nothing to do with Herman. John Kerry (D-Mass.) said, at a conference of the Building and Construction Trades Department of the AFL-CIO, that what is behind the holding up of Herman's nomination is "deep-rooted ideology, a notion that workers don't have rights," and that "all the things that the labor movement has struggled for all these years and more somehow can be trampled on by one or two senators who want to deny the Constitutional rights of the Senate itself."

Edward Kennedy (D-Mass.) added his voice the following day, against a bill introduced by Tim

Hutchinson (R-Ark.) which would prohibit project labor agreements on Federal construction projects. Kennedy said that historically, such agreements have been very successful and beneficial, and have actually reduced costs by reducing work time lost due to strikes and accidents. "At the very least," he said, "the Federal government should not be denied the opportunity to gain the substantial benefits and savings that such agreements can supply."

## Budget deadline passes without resolution

The April 15 statutory deadline mandating passage of a budget resolution in both House and Senate, went by without any sign that such a resolution was soon forthcoming. Instead, Republicans brought to the House floor a proposed constitutional amendment to require a two-thirds vote to pass a tax increase, a measure which fell 67 votes short of the two-thirds vote required for passage.

In the Senate on the same day, Republicans offered what Minority Leader Tom Daschle (D-S.D.) described as a resolution "condemning taxes." He accused them of "throwing red meat to a rabid right wing because they have nothing else to give."

Byron Dorgan (D-N.D.) said that Congress spent the first month and a half talking about the Balanced Budget Amendment, because "that's what the majority party wanted to talk about," but, "when it comes time to do the actual work to put together the plan to require a balanced budget, they're nowhere in sight."

Republicans have said repeatedly that they need agreement from President Clinton to proceed with the bud-

get process, but Democrats reject that argument. Instead, they suggest that Republicans are caught between their promise to balance the budget, and their promise to their biggest contributors to cut taxes.

## **Gingrich leans on Dole to pay ethics penalty**

House Speaker Newt Gingrich (R-Ga.), in a speech on the House floor on April 17, announced that he would be paying his \$300,000 ethics penalty with a personal loan from former senator and Presidential candidate Bob Dole.

In his remarks, Gingrich reduced the whole scandal around him to two letters to the ethics committee prepared by his former attorneys, which contained inaccurate information about his "Renewing American Civilization" course. He placed the blame for the inaccurate information entirely on the lawyers who prepared the letters, but said, "I bear full responsibility for them and I accept that responsibility." He suggested that he may sue his former attorneys, but "that option could take years in court," which was why he ruled this option out as a method of paying the penalty.

Gingrich's announcement was accompanied by fireworks from Democrats, who objected to the praise being showered on Gingrich by his Republican colleagues. Lloyd Doggett (D-Tex.) said that "pollution is what has occurred here, lies and deception that threaten the very fabric of our democracy." He added, "There is nothing noble about the payment of the fine. There is something very ignoble about the conduct that produced it."

John Lewis (D-Ga.) said, "I'm surprised to see my Republican col-

leagues on the floor today congratulating Speaker Gingrich for doing something he should have done months ago, paying \$300,000 for lying to Congress." Lewis's words were ruled out of order and stricken from the record, and then he was prevented from continuing with his remarks, both times on party line roll call votes.

## **Mobutu, not British, attacked in House vote**

The House on April 17 passed by voice vote a resolution calling on Zaire's President Mobutu Sese Seko to resign and leave the country. The basic presumption of the resolution is that the crisis in Zaire is solely Mobutu's fault. No mention is made of the role of British-allied forces from Rwanda, Burundi, and Uganda in invading Zaire.

Ed Royce (R-Calif.), one of the resolution's sponsors, said the immediate task in Zaire "is to stop the fighting, develop a transitional government, and start on the path toward democracy. Mr. Mobutu has no role to play in this process. He should immediately resign . . . leave Zaire and withdraw from all political activity."

While the denunciation of Mobutu was unanimous, those who spoke were cautious in their references to mercenary Laurent Kabila, the leader of the so-called "rebels" in eastern Zaire. Robert Menendez (D-N.J.) said that Kabila "has ushered in" a new era in Zaire, but "we have to be cautious not to anoint him or anyone else for that fact, before they have proven their commitment to democracy, a free market economy, a commitment to holding elections in a reasonable time frame."

Don Payne (D-N.J.), a staunch supporter of British genocidal policies

in Africa, said, "I am not pro-Kabila or anti-Kabila, but I think the time is right, that we should see new leadership in that country."

## **Trade sanctions hurt U.S., businesses say**

On April 16, USA-Engage, a coalition of business associations led by the National Foreign Trade Council and the National Farm Bureau Federation, began a drive to "encourage government to seek alternatives to unilateral sanctions policies," which hurt U.S. economic interests. The drive is backed by a number of members of Congress.

The consensus of USA-Engage is that sanctions policies have little effect in changing the behavior of the targeted countries, and cost the U.S. export economy \$15-19 billion per year.

The leaders of USA-Engage were joined by Senate Agriculture Committee Chairman Richard Lugar (R-Ind.) and Reps. Lee Hamilton (D-Ind.), Jim Kolbe (R-Ariz.), and Don Manzullo (R-Ill.). Lugar said that unilateral sanctions give a competitive edge to foreign companies, but are attractive to many in the U.S. Congress, because "they create the illusion of action, allowing us to defer more decisive steps that might be justified by the nature of the security threat." He added that sanctions make diplomatic engagement and trade liberalization both more difficult. Though no countries against which the United States has applied sanctions in the last few years were singled out as nations which should get better treatment, Manzullo specifically complained that the environmental restrictions placed on U.S. Export-Import Bank assistance prevent U.S. companies from participating in China's Three Gorges Dam Project.

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# National News

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## Martin Lee backs MFN status for China

The leader of Hongkong's Democratic Party Martin Lee, after meeting U.S. Secretary of State Madeleine Albright in Washington on April 14, reaffirmed his support for Most Favored Nation (MFN) trade status for China. The endorsement came as the MFN debate in Congress is becoming more intense.

The economy of Hongkong, which will revert to China in July, is completely dependent upon the "free flow" of capital and goods in and out of China, Lee told the press. Lee has generally acted as a British provocateur over Hongkong's return to China after 199 years of British colonialism. Nonetheless, he correctly insisted that to cut China off from MFN, would be like saying to China and Hongkong: "If you don't stop beating your wife, I'll shoot her."

Still unwilling to give up MFN as a blackmail weapon, House Speaker Newt Gingrich, after meeting with Lee, told a TV interviewer on April 13 that he would favor something like a six-month extension only, so that Congress could monitor what happens with Hongkong. Gingrich, however, quoted Lee as having told him: "Please don't slow down the rate of economic evolution." House Majority Leader Richard Armey, also on a Sunday TV talk show, said that, although he is "an old free trader," he hasn't yet decided how he will vote on MFN. "I think the vote is going to be close," Armey said. "I think it could fail."

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## Clinton, labor announce anti-sweatshop accord

President Clinton and leaders of labor, human rights, and consumer groups announced on April 14 a voluntary accord aimed at ending sweatshop conditions around the world. Hailed as "an historic step . . . to eradicate the evils of sweatshops," by clothing workers (UNITE) President Jay Mazur, who attended the ceremony, the voluntary agreement bars the use of prison and other forced labor, prohibits the employment of children

under 15, and recognizes workers' rights to freedom of association and collective bargaining. Like several similar such recent initiatives launched by the President and organized labor, it is intended as a public signal that the administration would like to implement such a policy, but is being hamstrung by the Congressional conservatives.

Two days later, AFL-CIO President John Sweeney delivered the concluding speech to the Building Construction Trades conference. "Unless we get busy re-organizing on a massive scale," he said, "what will happen is, the first time a tough storm comes through, we're going to be left with little more than memories of what might have been." Sweeney said he was encouraged by the 1996 election results, but "it was nothing like what we are capable of doing." He cited the union organizing in Las Vegas and among California's strawberry pickers as exemplary of the kind of organizing and labor solidarity that can prevail against the Conservative Revolution.

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## Nurses strike Kaiser vs. 'bottom-line medicine'

Five AFL-CIO unions, representing some 30,000 employees of California's leading managed care company, Kaiser Permanente, announced their intention to back the April 16 one-day protest strike against Kaiser by 7,500 members of the California Nurses Association (CNA).

An estimated 25,000 Kaiser Permanente employees stayed away from work in response to the CNA's action against the world's largest health maintenance organization. "Not just the RNs, but nearly all other Kaiser employees, a large number of patients, and people from labor and community organizations demonstrated their alarm at the direction Kaiser is currently being propelled," said Rose Ann DeMoro, executive director of the CNA. "They want Kaiser management to abandon the rush to bottom-line medicine, stop curtailing essential services, and return to its original mission."

CNA leaders, who will soon meet to plan their next move, called upon Kaiser officials to return to the bargaining table prepared for constructive discussion of a

settlement that protects professional nursing standards and safe, quality patient care.

On April 18, CBS News reported that Kaiser's trail-blazing budget-slashing policies may cause it to lose its license in Texas. Talks took place on April 18 over Kaiser's cost-cutting practices, which have resulted in 24 wrongful death suits this year, soaring patient complaints, and malpractice charges.

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## Arizona lawmakers block medical dope proposition

On April 15, the Arizona State Senate voted 17-13 to block implementation of Proposition 200, the George Soros-funded ballot initiative that legalized the use of mind-destroying and addictive drugs for "medical use." The legislation would make "medical use" of such illegal drugs as marijuana, lysergic acid diethylamide, and cocaine contingent on Food and Drug Administration determination of their medical value.

A week earlier, the Arizona State House of Representatives passed a similar measure, by a much larger majority. Both votes reflected bipartisan support. The office of White House drug policy adviser Barry McCaffrey was very active in getting the legislation through both houses. In the Senate, five Republicans voted against the repeal bill, and this was offset by four Democrats voting in favor of the FDA requirement.

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## Fish safety supersedes hydro-power generation

The April issue of the Bonneville Power Administration's newsletter, *Circuit*, reports that, in the Northwest, "in a quiet coup two years ago, fish replaced power in the Columbia River operations hierarchy. . . . The old hierarchy on the river was flood control, hydro generation, and then anadromous fish protection. That changed under the Endangered Species Act." From April 10 to Aug. 31 each year, any action that would endanger fish, except in the case of flood control, is



## Briefly

not taken. During this period, water is moved over the spillways rather than through the turbines to produce electric power, to increase the flow rate of the river to allow the fish to spawn. Had the act been in force during the 1992-94 drought, writes *Circuit*, 80-95% of all the water stored in the federal reservoirs in the Columbia system would have been needed to protect the fish.

Worse, BPA will have to run turbines this summer at all its dams, even if the power isn't needed, because the streamflow from a wet winter and spring is higher than usual, causing gas bubbles that harm the fish. Running the water through the turbines breaks the bubbles up. Meanwhile, the Washington Public Power Supply System nuclear plant will *shut down* from late March through July, because the power will be produced from the dams, which are running their turbines for the fish. Saving the fish from dastardly gas bubbles could interfere with the flexibility that electric transmission system operators need in order to direct electricity flows by controlling turbines at different dams.

### Good riddance, Ambrose, the unintelligent Brit

In his final column on April 20, departing London *Sunday Telegraph* Washington correspondent Ambrose Evans-Pritchard puffed that he is not a British intelligence agent, responding to the charges by this publication that the Hollinger Corp. journalist's deployment was to destroy the U.S. Presidency on behalf of the British Crown. (*EIR* has never gone so far as to ascribe intelligence to Pritchard.)

Pritchard, stung after having been singled out by *EIR* in fostering the scurrilous Paula Jones scandal and acting as a publicist for would-be Clinton assassin Larry Nichols, wrote, beneath the headline, "Goodbye, Good Riddance": "It was something of a compliment, I suppose, when the White House singled me out for attack in their report on the media 'food chain' assault against the Clintons. Now, apparently, the President's men are relishing the prospect of my departure after four years as Washington correspondent for the *Telegraph*. . . . 'That's

another British invasion we're glad is over,' the White House told *George* magazine. 'The guy was nothing but a pain in the ass.' . . .

"Let me state for the record that I was not sent to Washington as part of a British government plot to destabilize the Clinton administration in revenge for U.S. meddling in Ulster. Or at least, I don't think I was. Contrary to assertions made in a Congressional hearing, I have never worked for British military intelligence, or MI5, or MI6, or for that matter MI7.5—the fabled Welsh branch!"

The citation to a Congressional hearing is an apparent reference to testimony given by LaRouche associate Webster Tarpley in early 1994.

### Five congressmen query Weather Service cuts

As the severe weather season began, five members of Congress requested the General Accounting Office to look into possible threats to public safety caused by cutbacks at National Weather Service (NWS) facilities. The five, all from states that suffer from frequent hurricanes and/or tornadoes, are Sen. Thad Cochran (R-Miss.), Sen. Kay Bailey Hutchinson (R-Tex.), Sen. Connie Mack (R-Fla.), Sen. Bob Graham (D-Fla.), and Rep. E. Clay Shaw, Jr. (R-Fla.).

The "Contract on America"-inspired budget recently mandated that the NWS cut up to 200 jobs in order to reduce its FY 1997 budget to \$321.8 million, cutting \$27.5 million, or 8%, from its FY 1996 level. The cuts would entirely eliminate the Weather Service's Southern regional office in Fort Worth, Texas, one of four regional offices, and slash 23 positions from other regional offices.

There is an ongoing fight against cuts in this key piece of national infrastructure, which have already resulted in preventable disasters. On Jan. 18-19, a frost caused \$300 million worth of crop damage in Florida, because the state agricultural weather forecasting service, which routinely issued frost and freeze warnings to farmers, had been shut down by a \$3 million cut in the National Weather Service's budget.

**RACIST** Pat Buchanan embraced the British China-bashing orgy in a *New York Post* commentary on April 19, ranting that, when Crown toady the Dalai Lama arrives in the United States, America should "put her moral authority behind his just cause." Buchanan urges House Speaker Newt Gingrich to offer the Dalai Lama the House podium for a joint session of Congress.

**BARRY MCCAFFREY**, the White House drug policy adviser, reiterated the administration's commitment to cooperating with Mexico on stopping the drug plague, while upholding our neighbor's sovereignty, at an April 17 press conference in Mexico City. McCaffrey quoted Benito Juárez's motto that "respect for the rights of others, is peace."

**RICHARD CULLEN**, the former Bush U.S. Attorney in Virginia, who went on to spearhead Virginia's no-parole policy, has been named the Commonwealth's Attorney General. He will replace James Gilmore in June—a kindred Conservative Revolution spirit of Cullen and Virginia Gov. George Allen—who is launching his gubernatorial bid.

**FORMER DEATH ROW** inmate, Ricardo Aldape Guerra, a Mexican immigrant, received a hero's welcome on April 17, when he returned to Mexico, after spending a harrowing 15 years on Texas's death row for a crime he did not commit. He reportedly advised Mexicans not to go the United States and to "beware the underside of the land of opportunity."

**DWAYNE ANDREAS**, 79, announced that he was retiring as CEO of the food cartel company Archer Daniels Midland. Last fall, his son Michael, who had been expected to head the firm, resigned, during the deal arranged with federal authorities for ADM to pay \$100 million in fines for price- and supply-rigging of corn-derived lysine. The company is under investigation by U.S. and overseas governments, for similar conduct involving other products.

### *No strategic blunder in Peru*

The victory in Peru against the narco-terrorist deployment of the internationally backed MRTA must be seen as a victory for the principle of national sovereignty, in a world in which the international financial oligarchy has determined that nation-states must no longer exist. From the start, the terrorist deployment against Peru was an internationally spawned, and supported, operation, that was intended to break resistance to this oligarchical design.

Among the things which the London-centered terrorist cabal was counting on, was a well-advertised softness in the U.S. government, particularly within the policy precincts of the Department of Defense. These weaknesses were taken on by then-Presidential candidate Lyndon LaRouche back in October 1995, in a document called "The Blunder in U.S. National Security Policy." The LaRouche attack on the dangerous false axioms behind some of the U.S. policies, was occasioned by the Defense Department's report "United States Security Strategy for the Americas," issued in September 1995.

What was the blunder which LaRouche identified? In sum, it was the adoption of "the irrationalist, 'therapy-group' technique of 'consensus-building,' 'sensitivity-training,' 'conflict resolution,' and 'mass-brainwashing,' which was introduced to the U.S. national-security bureaucracy by such typical 'New Age' perverts as the late Dr. Kurt Lewin, Margaret Mead, Gregory Bateson, and Brigadier Dr. John Rawlings Rees's London Tavistock branch of the British psychological warfare establishment." This technique itself rests upon the axiomatic adoption of a Hobbesian, sociological world outlook, that denies the truth about science, history, and economics.

From this blunder, LaRouche noted, the Department of Defense was led to deny the reality of narco-terrorism, and of the physical economic collapse being caused by current International Monetary Fund policy. In its place, these bureaucrats insisted upon "democracy" and "open markets" in name, even as the eco-

nomie and political conditions they were imposing made a mockery of those terms. Should blackmail into quiescence by narco-terrorists be called "democracy"? Implicitly, the Pentagon would have said, "Yes."

This is precisely the concept which the Fujimori government rejected in the course of the more than four-month hostage standoff in Lima, despite a formidable mobilization of international "authorities" against him. Groups such as the Inter-American Dialogue and Human Rights Watch, British Commonwealth spokesmen such as the Canadian ambassador, and a shocking majority of the international media—CNN and Reuters, in particular—constantly pounded on him to treat the terrorists as "poor, oppressed" people, and to compromise the nation's security by giving in to their demands.

While Fujimori took his actions as a sovereign head of state, the fact that the United States government did *not* join in with the gaggle of compromisers, should not be minimized. Moral support from the United States was undeniably crucial to the success of the operation.

Fujimori's successful rescue mission has had a dramatic remoralizing effect throughout various besieged nations. All of the major Colombian newspapers ran positive editorials, for example. Professional, heroic military action against terrorists who *every day* carried out a mock execution drill against their captives, was a reassertion of the proper mission of the armed forces in a sovereign nation-state.

Now that the blunder LaRouche identified has been neutralized, it's time for the next step. Thanks to *EIR*, numerous press outlets in Peru have honed in on the support which the British Privy Council, and especially the House of Lords, have given to the narco-terrorists in Ibero-America, including the MRTA, and even the more infamous Shining Path. That support network has been delivered a sharp blow, but a knockout one requires what LaRouche has called for repeatedly: a public identification of London as the center of international terrorism, with appropriate messages delivered to ensure that it stops harboring terrorists, or else.

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