

## EIR Feature

# The contribution of the U.S. and China to the 21st century

by Helga Zepp-LaRouche

*The following is the keynote speech by Mrs. LaRouche on Jan. 18, at the Martin Luther King Day Conference of the Schiller Institute and International Caucus of Labor Committees, in Arlington, Virginia. The full title of the speech was "The Contribution of the United States and China to the 21st Century; How Does the World Treat Its Prophets?"*

I want to speak to you about the financial crisis, which is unfolding right now with breathtaking speed. As a matter of fact, there is a growing panic spreading around the globe. Last week, you had panic buying, not only in South Korea, but in Indonesia. And I want you to get a sensuous idea of what is happening to these poor people in Indonesia, where tens of thousands of people were storming stores, plundering, taking everything out, and, people did it despite the fact that the military had announced that they would crush any resistance, any riots, any social upheaval. The police so far have restrained from intervening, because obviously, once that happens, and a bloody crushing of this panic occurs, we are in a completely different ball game.

So, people fear for their lives, in Indonesia, in South Korea. But this panic is not only occurring in Asia; unlike in the United States, where the articles are still very few, and only one or two appear, in the *Washington Post* or in the *New York Times*, in Europe, on a daily basis, the articles become wilder and wilder about the reality of the crisis. People are realizing that this is not going to be contained to Asia.

You have articles daily, like the following in *Handelsblatt*, a leading economic daily in Germany. Just a couple of days ago, they wrote: "Let's assume that the collapse of the large investment bank, Peregrine, in Hong Kong, was only the beginning. What if other banks and investment houses go bankrupt in Asia, especially in Japan? What if the hoarding in Indonesia develops into a serious political-social upheaval?" Well, that is already the case. "What if the IMF programs don't function? What if the export orders collapse in the G-7 countries? What if the Asian



*Presidents Bill Clinton and Jiang Zemin, Oct. 29, 1997. During a visit to Beijing in September, Helga Zepp-LaRouche told her Chinese interlocutors that the fate of the whole world depends on the United States and China working together to reorganize the world financial system.*

countries default on their debts? What if the U.S. stock market collapses because major corporations have to announce major losses?"

These are no wild concoctions. Several of these possibilities are happening already, simultaneously. Nobody knows where this downward spiral will end. Who could have imagined, only half a year ago, that five Asian currencies would lose up to 70% of their value, in only a few months? People in Europe realize that this is going out of control very fast.

The international financial institutions are divided presently into two factions. There's the majority faction, which says, let's go for a bailout: pump money, pump liquidity, no matter what the consequences. And, as Lyn [Lyndon LaRouche] said yesterday, and has warned repeatedly, this means that the world is heading towards hyperinflation, Weimar style, like 1922-23.<sup>1</sup>

I can assure you: Everybody in Germany, even of my generation, has a very vivid memory of this. I have, among the things I got from my parents and from my relatives who died, these bills: 1 billion Reichsmark notes, or 1 trillion Reichsmark notes. And, they don't mean anything any more. And, as you know, in 1923, the whole thing stopped, when people stopped printing money, and they just used blank white paper, and people would write whatever they liked in the end, because it became so absurd. And then the system ended. So,

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1. Lyndon LaRouche's speech to the conference was published in *EIR*, Jan. 30, 1998.

people have a very vivid sense of what that means.

Then, you have a minority faction of people who say, this pumping of money has, in a certain sense, been our policy since 1995, since the famous Halifax summit, and that is exactly what brought us to this point, so it is no solution.

So, the dominant policy right now, is, save the banks, no matter what. And what several of our top-level contacts in Europe, in Germany, Switzerland, Denmark, Italy, and so forth, basically agree upon, is that what will happen in the next weeks and months, into the second quarter, is, you will have the paradox of simultaneous horror shows: of inflation, of deflation (meaning a stock market collapse), and a depression of the real economy.

Just this week, you had the following articles. One of the leading economic newspapers, *Wirtschaftswoche*, had a front-page banner headline: "Panic!" Just "Panic!" and then subtitles: "Will Asia Drive the Whole World Into the Abyss?" "On the Brink of Disaster," "New Shocks Out of Asia Will Hit Wall Street and Worldwide Stock Market." And they predict that up to the end of March, there will be a huge wave of bankruptcies in Japan, despite the fact that this pumping of money into the system is going on.

### **A psychological shift**

The mood is shifting fast. The same newspaper has an editorial by their lead economist, saying, "Stupid and nasty: This is how you describe the IMF actions in Asia. Isn't it an outrage that the taxpayers now have to pay for the failed

speculators? This is disgusting.” “The only question is,” he asks, “what is more disgusting: their nastiness, or their stupidity?” This is a conservative economic newspaper in Germany talking about the IMF. I find this rather remarkable.

This week’s *Economist* says, “In Japan soon, some very big names will go under. Should the IMF be abolished?” And then you have, all of a sudden, a whole chorus of people who attack the IMF, among them such shining examples of economic wisdom as Al D’Amato, Jeffrey Sachs, Milton Friedman, Henry Kissinger, and George Soros.

Some of our contacts in Europe, in a very serious way, say, “Well, Mr. LaRouche was right. His analysis has been fully confirmed.” And, more and more parts of the elite realize that this will not be gotten under control any more, that the crisis will fully escalate, and that we are heading towards a very, very big catastrophe. Several people in top-ranking positions—and I mean really top, top, elite-type people in Europe—agree with us, that in 1998, what we will see is not only a financial and economic chain-reaction collapse, but that such a chain-reaction collapse will also occur in the political field, in the social field, and, especially, psychologically, in the population.

This will have a special effect in Asia, because in Asia, over the last 10, 15 years, people were in a psychological situation where—let’s say in Thailand, or in Indonesia, or in Malaysia—they had the feeling that they would slowly get out of the mud. They were living in very poor conditions, very miserable conditions, but that slowly, step by step, their lives would improve. And they’re now confronted with the fact that they are being thrown back into the mud. And this creates an extremely explosive mass psychological situation, and it is expected that this will lead to social explosions.

In all soberness, one has to expect that the military will slam down. As I said, in Indonesia, they have already announced that they intend to do that. In 1965, when the Sukarno government came to an end, there were 650,000 casualties, as a result of this.

But, this will not only happen in Asia, but a new psychological factor will come into play in Europe and in the United States, because what we have been discussing for many years, is that for 30 years, the elites in the United States, in Europe, and elsewhere, have become completely arrogant. They thought they could get away with everything, to manipulate the masses, to create fake issues, to treat the people as if they were stupid. And, the same blindness with which they are now treating the financial crisis, has made them equally blind to the psychological phenomenon going on within the population. So, one has to expect gigantic upheavals, from a psychological standpoint, in eastern Europe, in Russia, in Europe in general, in Latin America.

Unfortunately, this will not be nice. This is not something to hope for, or to wait for. Look at Poland, for example, where, through a strange incident, the police killed a youth during a sports event, some fighting occurred, and now you have had,

for days and days, violent clashes between the youth south of Gdansk, in a very poor region of Poland, one of the regions which was destroyed by the flood. All of a sudden, this erupts. The same thing in France, where the government is extremely nervous, because the unemployed are starting to occupy the unemployment offices. They are now being backed by the trade unions and by the students, and the situation is extremely volatile.

But, look at the world. The Balkans is a powderkeg. Every expert in Europe expects that the next war will start in Kosova, that upheavals will spread from Montenegro into Macedonia, and that also the whole Balkan peninsula can erupt again. The Maghreb: Look at the horror shows in Algeria; but the situation in other countries is also extremely fragile.

So, for 30 years, the elites have been living in what one can describe as a cocoon of irrationality and arrogance. And they have lost contact with the suffering of the people. And now, most of these elites have a sense, *they do know that something big is coming*. But, they are not responding. Instead, they are saying, “Let’s close our eyes. Let’s put our elbows out, and let’s march through, as we were marching through before.”

### The systemic crisis

So, you will have a situation which refers to Lyn’s concept of the 1% of the population who think: people of outstanding intelligence, courage; mavericks, people who are not politically correct. And, they will respond, and, in part, they’re responding already. The majority of the leading institutions will become even more hardened in their politically correct line, because they are the ones that are responsible for the crisis which has occurred. And our job will be to catalyze this 1% to be the leadership for the people in all of these countries.

And, we are not in a bad position, because, I can assure you, in the last weeks, in particular, starting actually with the end of October, people called our offices in Wiesbaden and elsewhere—from Africa, from China, from Latin America—and they all would say, “LaRouche is a prophet. His authority has been absolutely confirmed.” Because people remember who has been talking about the systemic crisis.

Remember that in 1994, Lyn put out the Ninth Forecast, in which he predicted—and he said, “I’m very careful with my prognoses”—that we are now heading into a period of the systemic disintegration of the financial system. Then he reiterated that in the summer of 1997, and he was the only one who predicted that this systemic collapse would start in October. People have a short memory, but, if you remember, last August—and you can go to the library and look it up—the *New York Times*, the *Washington Post*, all of these papers, had articles stating that now that the “Golden Age” of eternal stock market gain has erupted, that there will no longer be business cycles, that you can forget about the real economy, that there will always be stock market increases, and so forth.

But then, in May, there was the beginning of the crisis in

Thailand. And, as it now is becoming clearer by the day, it was George Soros, the principal agent of the British Empire and his Quantum Fund, and Mr. Robinson from the so-called “Tiger Fund,” who started this whole present collapse, with an attack on the currency of Myanmar. And then, because Thailand disapproved of what was going on, they punished Thailand. And, that was the beginning of the unravelling.

Then, in August, there was the beginning of the trend change: the first stock market collapses in the markets, the first rumblings. By the end of August, you had hectic meetings of central bankers and private bankers, in Wyoming in the United States, in Switzerland. They met, and said, “We have everything under control. The markets are stabilized, nothing will happen.” This lasted for about two weeks.

### The perspective in Beijing

In mid-September, I, and a delegation of the Schiller Institute, went to Beijing, and for about 10 days, I had the opportunity to address seminars, institutes. I gave a lot of presentations, one-day seminars on this analysis, and I had a lot of discussions, presenting Mr. LaRouche’s analysis to these various institutions.

What I told people in Beijing, was that they should see that the Southeast Asian crisis—which, compared to now, in mid-September, was still relatively mild—that this Southeast Asian crisis was not a regional crisis, but that it was only the regional expression of a global crisis, and that the problem was, the reason why it happened, was that the so-called “emerging market funds,” which had poured, in the last five years, enormous amounts of money into Southeast Asia to get what they called “top gains,” hot money trying to get the maximum profit, that this began to collapse, because of a mixture of these currency speculations by Soros and other mega-speculators. But also, that was combined with the selling pressure of some of the emerging market funds, which had suffered losses, and were under selling pressure, trying to recover those, and that became like a domino effect.

I further pointed out that the Southeast Asian crisis was linked to a Japanese banking crisis, in which the Japanese banks are sitting on \$1.7 trillion in bad loans. That’s a lot of money! Not only was this the case for Japan domestically, but Japan has a very large exposure to Southeast Asia, and when Southeast Asia defaults, then that hits the Japanese banks. Then you have the problem of the collapse of the real estate industry, the real estate market in Japan, which means that the mortgages are devalued, and therefore, the banks have additional pressure from that side. Plus, you had already in the last year the beginning of a real depression, because, in the second quarter, industrial production in Japan went down by 3% which, projected to an annual basis, would mean that Japan would have an industrial collapse of 12% in one year.

I furthermore warned that the Southeast Asian crisis was not isolated to Southeast Asia and Japan, but that you had new “Mexico crises” in eastern Europe, in the Czech Republic

(another IMF “model case”), Slovenia, Poland, Hungary, but that also, new such crises would happen in Latin America, especially Brazil. And most dangerous of all, Russia, where the state is bankrupt. You will see, in the next period, a huge banking crisis, because the Russian state is bankrupt, the banks are bankrupt, and this will become very, very ugly.

But, this is all peanuts, because the real problem is the derivatives bubble of \$100 trillion coming due in the next months. And, this all has to be seen as one problem. It’s not a problem in Asia, and a problem in Europe, and a problem with the derivatives. But it is what one of the directors of the Swiss central bank, Dr. Gehrig, called (and I like this word in German) the *Klumpenrisiko*. It means an integrated risk, because all these different market segments are interrelated, and once you have a collapse in one market segment, it immediately jumps to others, and they are all interlinked.

So, the danger, therefore, is two things. On the one side, a chain-reaction collapse. Or—and maybe both at the same time—hyperinflation, Weimar-style. And, I told people in Beijing that all of this would become apparent in October. I also told people that this would set the environment for the coming summit between President Clinton and President Jiang Zemin in October. And I said: “Please do not concentrate only on the bilateral agenda, as important as it may be for your country; but I predict that the financial disintegration represents the most important security threat, both to the United States and to China, and therefore, the two countries have to collaborate.” If China and the United States do not work together to solve this, the world does not have a chance, because they have the same enemy, the British Empire in its present form, the British Commonwealth and the City of London, and together, they have to be strong enough to defeat this monster, which controls large parts of the world’s strategic raw materials, food cartels, and so forth. I predicted that if these two countries would not work together, there would be a collapse like there was in the fourteenth century.

I can assure you that the response of these Chinese leading institutions was extremely attentive, and it was much more serious than last year, or in 1996, when I went to Beijing in May, to participate in the conference on the Eurasian Land-Bridge, where people also responded with great interest, and were very open, and so forth. But, it had not occurred to them that China would be affected by this. And this was completely different now, because Soros’s attacks on Hong Kong had started, and people realize that this is starting to hit China directly. However, *nobody*, I can assure you, nobody thought that this would become a really serious problem. Maybe a nuisance, maybe something one had to guard against, one had to be alert against, but not at all that it would be of such a dimension.

A typical response was, “Well, what you are saying is very bold. After all, you are predicting the collapse of the financial system. This is very courageous. But if you are right, then you have done a great service to mankind, to warn China

of this danger.” So, people took it with interest, favorably, but I don’t think they really completely believed it. However, it was put on the record, that that was our assessment.

People at that point still had a very positive perspective. Because when I was in Beijing in September, the 15th Party Congress was also going on, at which President Jiang Zemin made a very, very optimistic speech about the future of China. Based on the enormous success of the economic reform in China, he outlined the fact that between 1990 and 1994, there was an average growth rate in China of 12.9%, and in eastern China, even 15.5%. And, an enormous success since the beginning of the Deng reforms. So, Jiang Zemin laid out the perspective of doubling the GNP as it would be by the year 2000, between the year 2000 and 2010, which is quite enormous: within 10 years, an increased GNP to double that.

Jiang Zemin said that this would be the policy of China, so that people could enjoy an even more comfortable life. He also announced that by the middle of the next century, China’s modernization program would be accomplished, and, by and large, China will have become a prosperous and culturally advanced country. It was the Chinese perspective to overcome the underdevelopment of the inner regions, and reach the level of the industrialized countries, to put all of China on the level of the United States and Europe.

It was very clear that President Jiang Zemin’s speech at that point showed that the priority of policy for China, is nation-building: to make life for the citizens better.

## The battle heats up

Then, during my stay in September, you remember that something else occurred, namely, that there was the annual conference of the IMF and the World Bank in Hong Kong, where the famous fight between Dr. Mahathir of Malaysia and George Soros started, in which Mahathir correctly accused Soros and the mega-speculators of destroying, within weeks, what Malaysia had tried to build in 40 years. And Mahathir called Soros a criminal. The *Wall Street Journal*, at that point, had articles in Asia and in Europe, claiming that LaRouche and *EIR*’s Soros report<sup>2</sup> were behind Mahathir’s attack, which may be true, or not be true, but it was clear that the LaRouche issue was in the middle of this fight in Hong Kong in September.

Mahathir’s answer to these accusations was extremely important, because he said that these mega-speculators, like Soros, obviously never knew what it means to run a country. They don’t understand that what these hyenas, these sharks, these criminals are doing, is destroying the life and the happiness and the existence of millions of people, within days.

This was the circumstance of my trip to China in September. And I had warned that by the end of August, the systemic crisis would unfold, and that the fate of the whole world would

depend on the U.S. and China working together to reorganize the financial system. From there, I went to India, also to meet extremely interesting people, especially from the Gandhi period, and then I came back to the United States.

## United States caught by surprise

But, what happened when I came back to the United States? Well, something very bad happened, because the United States government was not concerned about this crisis. They were not concerned about this analysis, and in the Congress nobody wanted to discuss it. Nobody in the Congress was interested in what I had to say. And now, these people have created an interagency task force of the kind normally only put together in times of war, and they are running all over the place, sending emissaries to Indonesia, to Malaysia, to Korea. Now, administration officials acknowledge that the scope of the Asia meltdown caught them by surprise.

Well, if a government is not able to prevent harm to their own people, maybe they shouldn’t be the government. The *Washington Post* had an article just two days ago, saying, “The State Department in particular is very sensitive to criticisms that Secretary of State Madeleine Albright has been insufficiently attentive to the potentially wider damage from the economic turmoil.” And then they wrote that her spokesman was quick to say, no, no, Mrs. Albright did pay a lot of attention! She even participated in a conference call on the Asian situation while basting her Thanksgiving turkey! If the image of Madeleine Albright at the ASEAN meeting, singing to the tune of “Don’t Cry for Me, Argentina,” about the little ASEAN Asians, was an insult all by itself, and disgusting; then think about Madeleine Albright basting her turkey and saying, “Oh, yeah. What do we do?” You get the picture.

By the end of October, the crisis hit. Wall Street started to collapse. As of Oct. 27, the crisis was on. And I said “Good Lord!” Because I had predicted that this would happen, and Jiang Zemin came on the 29th, so I was really on the hot seat. But I knew that Lyn’s method was right, so I didn’t take a very great risk.

Then the summit came. President Jiang Zemin came to the United States, and this was a very great success. And it went as far as it did, because the United States and China did establish a strategic partnership, which is, after all, the absolutely necessary condition to reorganize the world situation. And, even though they didn’t make the content public, there were reports that they did discuss the financial crisis.

But the problem is, when you do something in a crisis like this, *real leadership means momentum*. You cannot rest on your laurels, you have to keep going. And this summit was two and half months ago, and the momentum is completely lacking. So, what was supposed to be a whole process of summit consultations, especially to be continued at the APEC summit in November in Vancouver, was completely inadequate, because in Vancouver, you remember, Clinton made this absolutely horrible speech, in which he said that the fi-

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2. “The True Story of Soros the Golem,” April 1997.

nancial crisis in Asia is only a “glitch.” I mean, you cannot be that far off. It’s just not permitted.

In the meantime, the reality was, that between October and now, the world was probably at the brink of meltdown conditions five times. The first time on Oct. 27, the second time, after the Hokkaido Takushoku Bank failure, the third time after Yamaichi bankruptcy, the fourth time on Dec. 23, when Rubin intervened in the South Korean crisis, and then on Jan. 9, when Clinton called Suharto on the telephone.

The problem is that in the strategic partnership between the United States and China, the U.S. partner is floundering all over. And, as long as the United States does not stop supporting the IMF, and does not denounce Soros as the enemy of mankind, the world will not get through this crisis alive.

### Impact of the crisis in China

On the other side, in China, the view about the seriousness of the financial crisis has been dramatically changed. During a Dec. 9-11 Central Economic Work Conference in Beijing, Executive Vice Premier Zhu Rongji stated, according to press reports at the close of the conference, that the Asian financial crisis was more serious than expected, and that China had not foreseen any such developments in these countries. Then, starting with the Central Financial Work Conference on Nov. 17-19, one high-level conference after the other was held on this issue. And the entire Chinese leadership participated in almost all of these conferences: President Jiang Zemin, Prime Minister Li Peng, Executive Vice Premier Zhu Rongji, and many members of the State Council, the cabinet of China, and the top party leadership. The subject of all of these conferences was the urgent lessons to be drawn from the catastrophes in the Asian countries.

At the November conference, President Jiang Zemin warned that “China is facing new issues, with no foreign example to follow, and should a financial storm be triggered, all of China’s reform and development would be hit, and this would also lead to very serious social difficulties. In the case of such a financial crisis, China should not expect foreign aid, since it would not submit to the imposition of conditionalities.”

Now, in all the recent statements, high government officials are now no longer speaking of an Asian crisis, but they all speak of a global crisis, which would be cause for extreme concern. The Chinese government has formulated 15 measures to guard China against the effects of this crisis, and these include tightening central bank control of a regional administration, establishing a mechanism to deal centrally with bad debt, clean up international hot money, get it out of China and keep it out of China. The demands of the WTO [World Trade Organization] to speed up plans for a free convertibility of China’s currency, the renminbi, will not be met.

But, the *New York Times*, the *Wall Street Journal*, and the *Washington Post* are all gearing up, saying that the speculators say China is next. And, from our overview of various sources, there is right now a regrouping of the hedge funds,

which, after all, control an aggressive capital of well above \$1 trillion, and are positioning themselves to launch new attacks on Japan and China, but especially on China. They say China will have to devalue its currency soon. Because of the collapsing Asian currencies, China will no longer be in a situation to be competitive in respect to its exports. They will lose the exports in the Asian markets, and they will lose foreign investments, and so forth and so on. So, it is war. *Soros has declared war against China.* That is the reality.

Now, how dangerous is this? First of all, the good thing is that the Chinese currency is not convertible, and that has been one of the reasons why China has been relatively insulated against these attacks. Then, the bad debts of the state-owned industries: It would be completely insane to treat these as if they were in the same category as the bad debt of, let’s say, Japan or South Korea, because this was debt which was incurred in the context of the Five Year Plan, and was debt to the government. Therefore, it has the same quality as, let’s say, the debt in the former D.D.R. [East Germany], where the big mistake, when German unification occurred, was that the Western banks took over this debt, which was from a communist system, and they converted it into debt of the German reunified state: \$400 billion, for which the German taxpayers have to pay, at the profit of the banks. So, China should not treat this debt in the same way. The result of this, by the way, is that today unemployment is 50% in eastern Germany.

You have a gigantic effort by the British to force China to open up the markets, to become a member of the WTO, and to open up and capitulate. And I am pretty sure that the Chinese government is on the highest alert, to do everything in their power to prevent this from happening.

I want to show you a couple of graphs and maps to illustrate the problems that China is looking at. Just look at coal, electricity, rail transport (**Figures 1 and 2**). You can see that you have incredible growth rates since 1978. Coal had an increase of 100%; electricity, 300%; rail transport, 100%; cement, 600%; steel, 200%; chemical fertilizers, 220%; plastics, 400%.

**Figure 3** shows refrigerators in millions, washing machines, TV sets.

**Figures 4 and 5** show that already in 1978, the caloric intake was not deficient. People in the United States, I am told, always say to their children, “You have to eat everything on your plate, because of the starving children in China.” This is actually not true. If you say India or Africa, it may be true, but even in 1978, there was food self-sufficiency in China. But you can see the incredible increase in this period. Cereals up 50%, meat 400%, which is very important, because this is the intake of protein of the population. Concerning meat, the increase is very significant (**Figure 6**). In 1978, you had 25 grams per day, and in 1995, you had 110 grams per day. I think that’s not much less than you have in the United States, or in western Europe.

**Figure 7** shows China’s economic regions. As you can

FIGURE 1  
**Energy and transportation in China**  
 (index 1980 = 100)

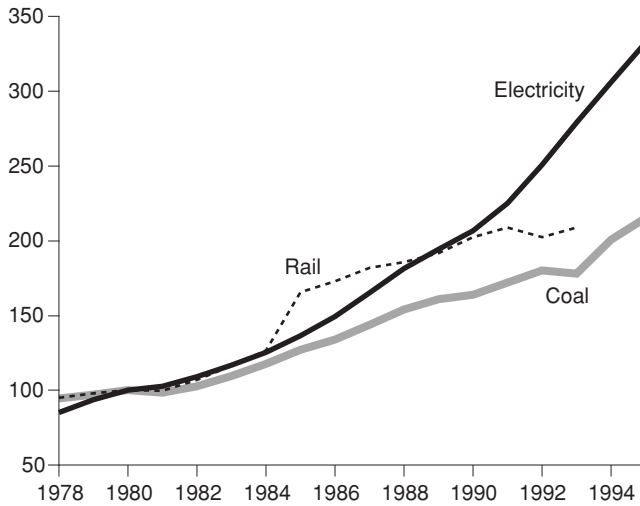


FIGURE 2  
**Industrial raw materials**  
 (index 1980 = 100)

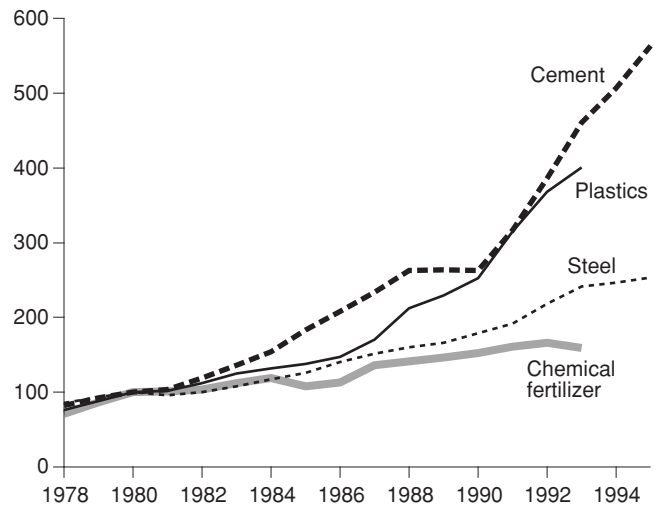


FIGURE 3  
**Consumer durables production**  
 (millions of units)

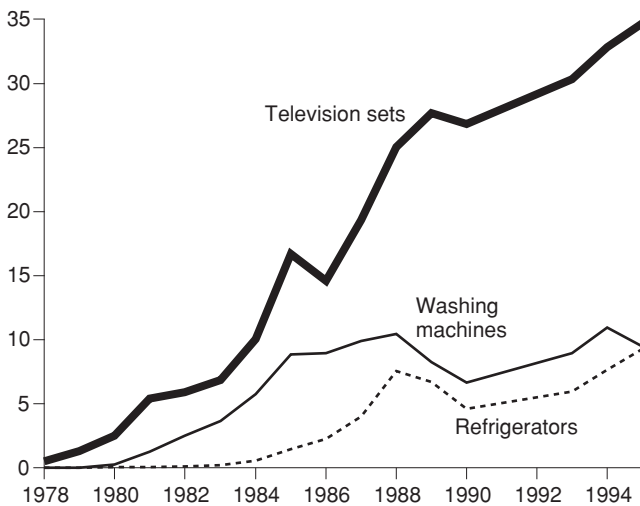
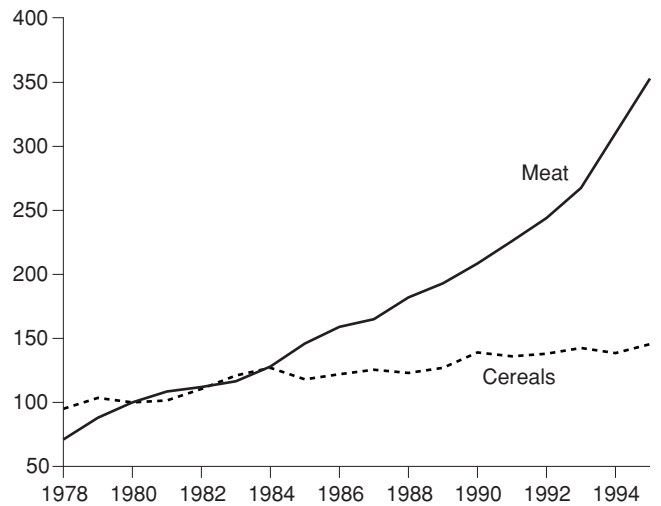


FIGURE 4  
**Food production**  
 (index 1980 = 100)



see in **Figure 8**, the GDP in the eastern developed region went up by 15.5%. But even in the western parts, it went up 9.15%.

**Figure 9:** This is the GDP now, differentiated in the different provinces. You can see that Shanghai is the biggest one, followed by Beijing and Tianjin.

**Figure 10:** The problem is that the foreign investment in China (these figures are from 1994), went almost entirely into

the eastern region, namely, 86%. In the central region, only 9.5%, and in the western region, 3.7%.

**Figure 11:** If you look at the different economic regions, you can see that the coastal region is the developed one, and then you have the central region and the western region, which has the least development. This is realized foreign investment in millions of dollars, figures of 1995.

FIGURE 5

### Total cereals production

(calories per capita per day)

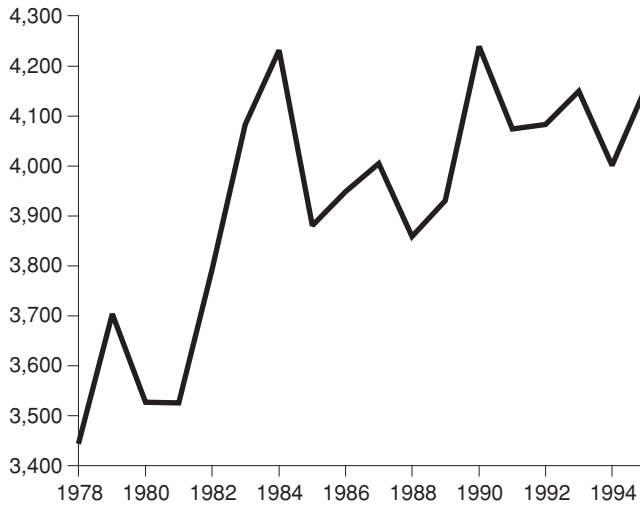
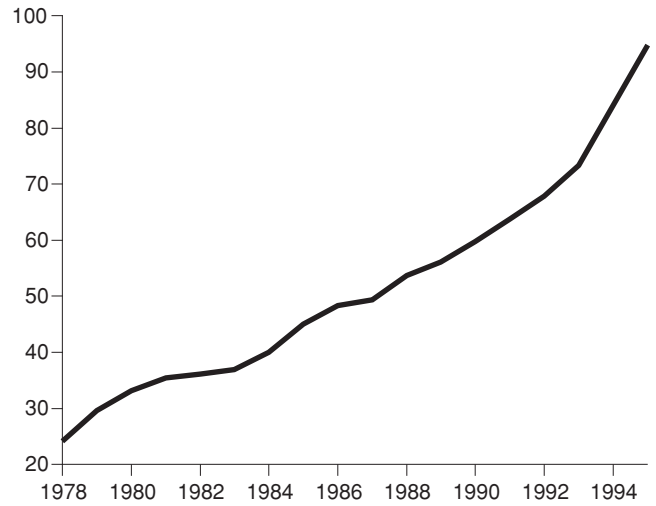


FIGURE 6

### Meat consumption

(grams per capita per day)



**Figure 12:** This is foreign trade as a ratio of the GDP in the Chinese provinces. Now, this differentiation and this inequality of development, where you have very developed western and southern parts, and less developed interior parts,

means simply one thing under conditions of this crisis: that the policy laid out by the Chinese government at the May 1996 conference, is more important than ever before, namely, that China now must shift away from being dependent on the

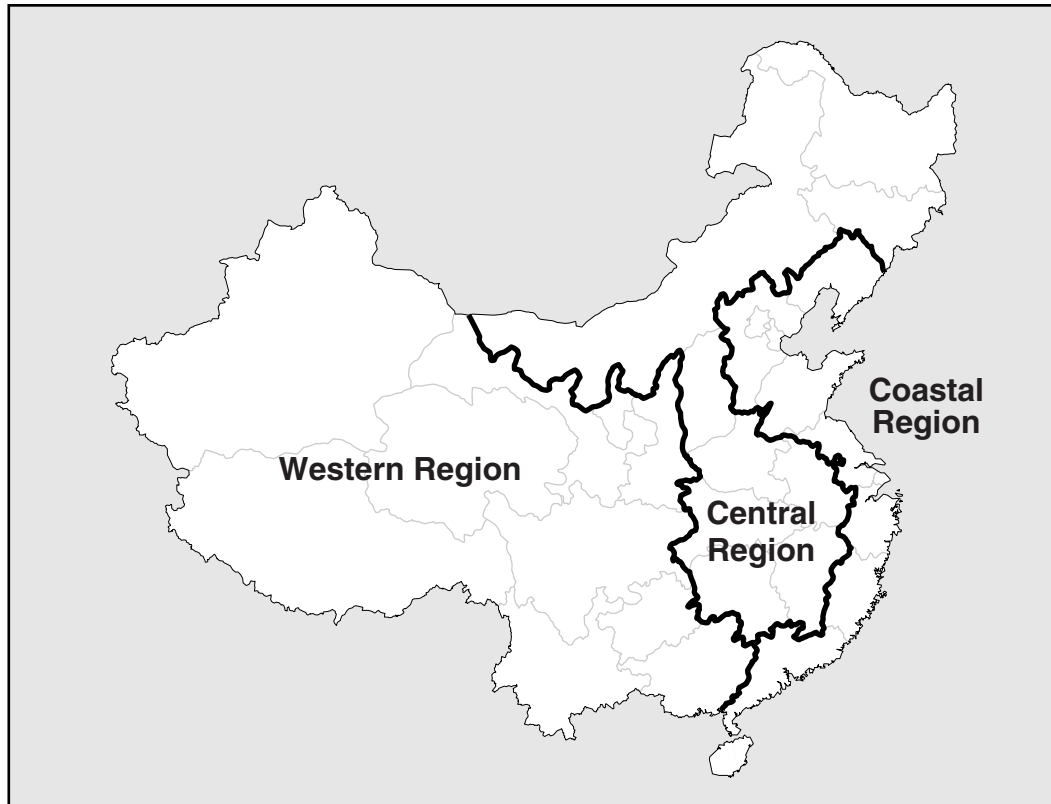


FIGURE 7

### China's economic regions



FIGURE 8

**Five-year growth of GDP, by region**

(yuan per capita)

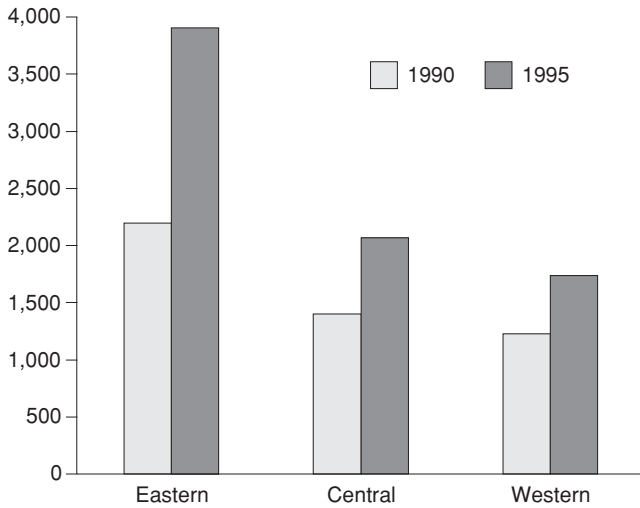


FIGURE 9

**Growth of GDP in selected provinces**

(yuan per capita)

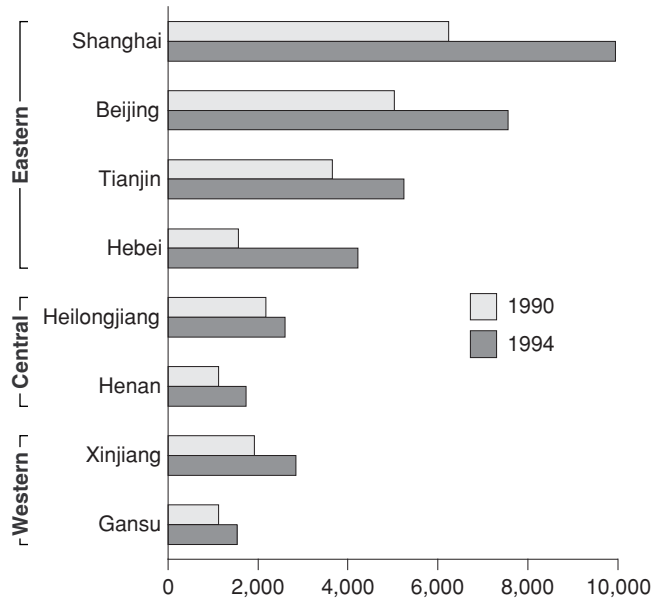
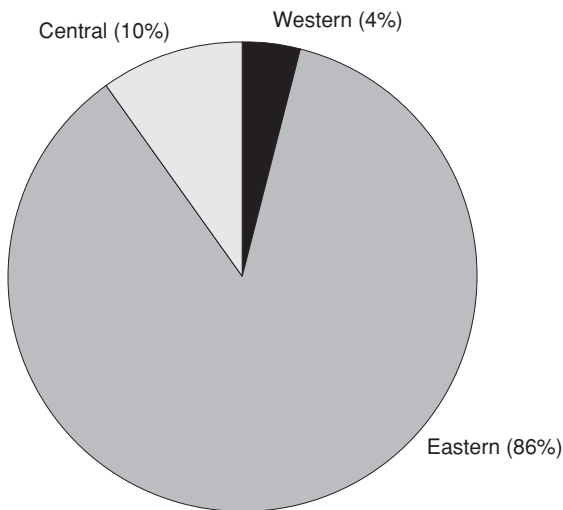


FIGURE 10

**Foreign investment in China in 1994**



export income from consumer goods, because China, in a condition where the world market is collapsing, cannot count on making its income by short-term consumer goods exports.

Until this crisis is over, China will be hit in this area, there is no question about it, and it has been hit already, because the short-term consumer goods and related exports will go down. It is very obvious that if you look at this map of China, they need capital formation, and to shift from the reliance

upon exporting consumer goods, into infrastructure and related development internally.

And the question is: Will foreign investors invest in China or not? I can only tell you that if you look around the world, China right now is the only safe place for investment. While the world around China is collapsing, stability is exactly the strength of China. Therefore, people should invest into a growing domestic market, not for production from an external market. There must be investment in long-term infrastructure development. This, at the same time, is also the way to deal with unemployment, because every part of China does need infrastructure. And obviously, this is the way to deal with it.

On the question of why should anybody in Europe or in the United States, invest in a domestic Chinese market: People have to shift their thinking, because the incentive, obviously, is not short-term money return, not so-called top gains, but a long-term security relationship with the largest market in the world. For a private business, or for private investors to have a position in the largest market in the world, where the greatest growth potential is (at least until India straightens out and develops a policy to develop all of its population, China will be the largest market), therefore, the key emphasis has to be on machine-tool design. And China needs partners who do have a such a capacity, so that it can develop its own machine-tool-design industry as quickly as possible.

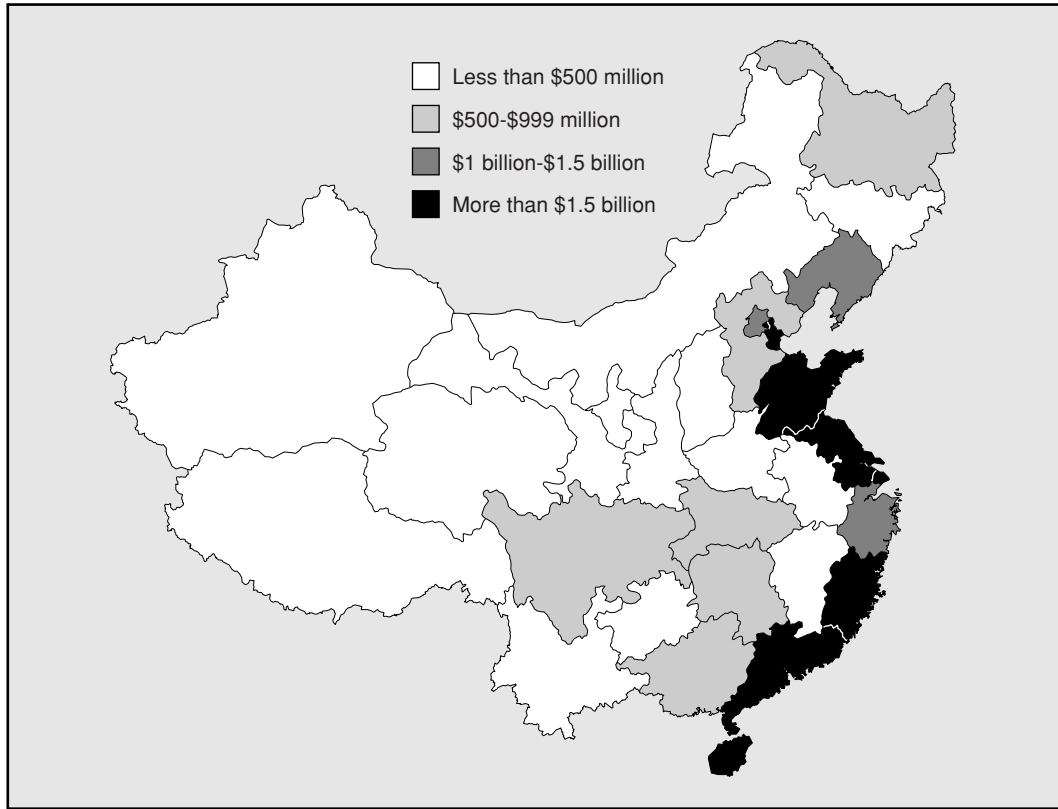


FIGURE 11  
**Realized foreign investment in China, 1995**

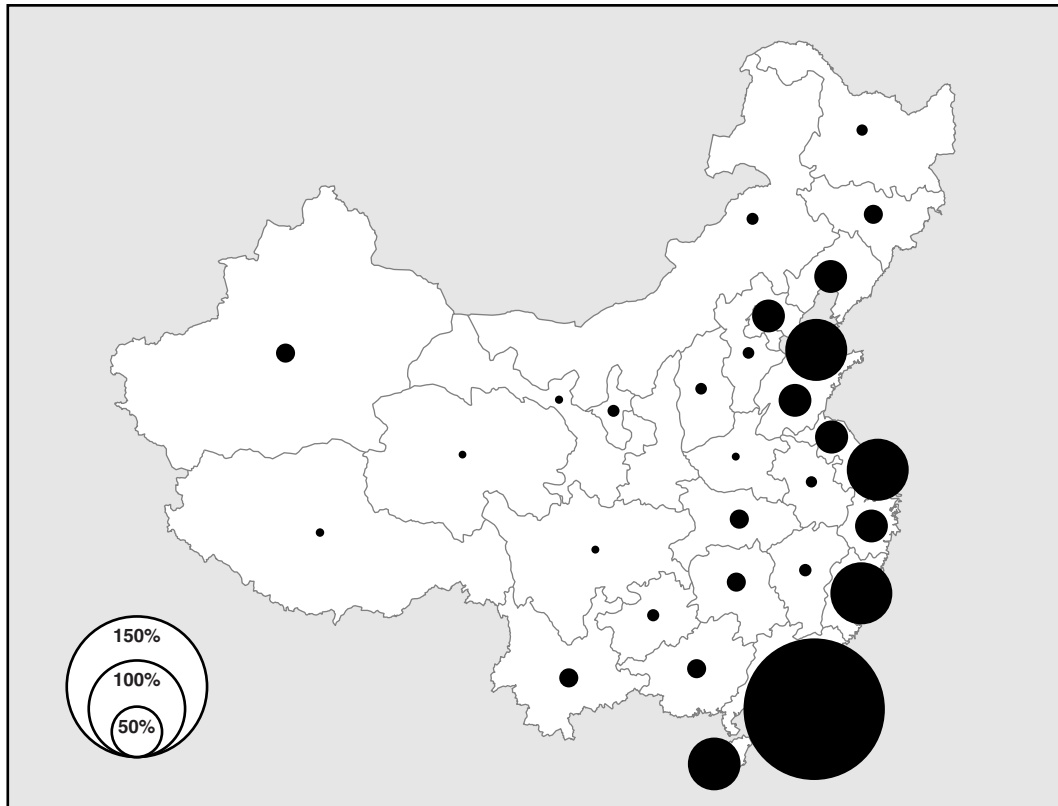


FIGURE 12  
**Foreign trade as a ratio of GDP in Chinese provinces, 1995**

What has to occur in the coming reorganization, therefore, is that governments should adopt a policy of fostering the development of the largest market in the world. And this is not some minor thing, but it is an investment in the future of everybody.

## The challenge of Nemesis

Let me introduce another dimension to the discussion of this drama. Because of the paradigm shift of the last 30 years, the introduction of the New Age rock-sex-drug counterculture, the elites were proceeding from the assumption that anything goes, that they can do whatever they please. “We have no accountability to the people. The people are simply the stupefied sheep who will swallow everything we impose on them. We can trample on their lives and happiness, and it doesn’t matter. We are the gods of Olympus, the oligarchy who will decide life and death.”

Well, it turns out that these days, this is an illusion, and that there is such a thing as Nemesis, or what was called Nemesis in the Greek tragedy. What is Nemesis? It is a higher law, which will bring the evil ones to justice. It is what Schiller, in his poem “The Cranes of Ibykus,” calls the Erinyes. Remember, this was the story where the poet Ibykus gets murdered, and there is nobody to help him, so he says to the cranes which fly overhead, “You cranes, you be my avenger.” And eventually, when the poets and everybody else are gathering in the big stadium, including the murderers, and the Erinyes, signifying the gods of revenge, come marching by, they create such enormous emotional tension that the murderers reveal their own guilt, and say, “Oh, these are the cranes of Ibykus! Timotheus, Timotheus!” And naturally, because people loved this poet, they say, “What! Why Ibykus?” And they recognize that these must be the murderers. And the murderers are put on trial.

In Beijing, when I was there in September, it was two weeks after the murder of Princess Di. You remember what an incredible wave of sorrow there was all over the world. Also in China; to my surprise, people did notice and care about this. And at that time, Lyn put out the analysis that the death of Lady Diana would be the beginning of a Pearl Harbor effect of changing the view of the people.

Why? Because Diana—I must admit, I did not pay much attention to her, I just dismissed her as nobility, and I didn’t pay attention. And I was quite surprised to see that the perception of the large masses around the world was different. People looked at her obviously as a beautiful princess, and identified with her, because she showed an incredible compassion for the poor and the disadvantaged. And, when she was killed, all of a sudden, the fairy tale was gone. And people realized: “Hey, we are poor! We have no future, we have no hope.” And they looked at the monarchy, and immediately people said, “Oh, this evil Queen! Maybe they have motives to kill her—this coldhearted, horrible person.” And all of a sudden, the “People’s Princess,” as they called her, was gone, and people realized, especially in England, that they were just the

miserable subjects of the British Empire.

And this had an instantaneous effect, most notably in the Arab world, because people started to suspect: “Hey, wait a second, if Princess Diana was about to marry an Arab, and an Arab, an Egyptian, would be the stepfather of the future King of England, *that* is the motive.” People didn’t have a problem in understanding that.

So, Lyn ordered the special *EIR*, “Will the Windsors Survive the Death of Princess Diana?”<sup>3</sup> and he said we have to focus on the French government’s cover-up. The French government, up to the present day, is doing everything to cover this up.

But Nemesis does exist.

In Greek tragedy, Nemesis is the goddess of justice. It’s the higher law of retaliation, which is efficient in history. It’s a moral power, which has to do with natural law. It does not act always immediately, so that every concrete crime is immediately followed by a concrete punishment. Its functioning has some aspects of twilight, of eeriness, and it does not seem to respond for a long time. But then, when challenged in a certain way, it comes down with a vengeance. Nemesis in Greek tragedy, or in Schiller’s tragedy, hints, in an eerie way, at the reality that *there is a divine plan for the world, which is outside and above the evil intrigue and malign designs of criminal minds*. It is that force which ruthlessly limits any arrogance of self-deification of the self-proclaimed gods of Olympus.

## British harbor terrorism

I’m convinced, as was Lyn in September, that the murder of Princess Diana was such a challenge of Nemesis, that by the British oligarchy slaughtering, murdering Princess Diana, they triggered something, which brought the long history of British crimes to the barrier, to flood over.

Several things came together.

One year ago, in January 1997, a Conservative member of the British House of Commons called Nigel Waterson introduced in the House of Commons, the so-called Conspiracy and Incitement Bill, which would have banned individuals from residing in Great Britain who plot and carry out terrorist actions abroad. The bill was proposed in the aftermath of the scandal over the British giving a safe haven to the Saudi terrorist Mohammed al-Masari, who openly bragged about the bombing of the U.S. military sites in Saudi Arabia in June 1996.

This bill didn’t go anywhere, because it didn’t get enough votes. But, in the committee which threw out the bill, Labour MP George Galloway, a close collaborator of Lord Avebury, who is the top terrorist controller in the House of Lords, made the following very remarkable speech. He said, “The bill will change political asylum in this country in a profound and dangerous way. It will change the state of affairs that has

3. *EIR*, Sept. 12, 1997.

FIGURE 13



A nineteenth-century French cartoon shows an Englishman roasting his beef over the charred ruins of Europe.

existed since Napoleon's time. . . . We are all in favor of controlling terrorism in Great Britain. Surely, not a single honorable member has any truck with terrorism here, but we are talking about terrorism in other countries, and what is defined as terrorism by foreign dictatorships, where there is no democratic process. . . . Inevitably, in conditions of extreme repression, the leadership of such movements will gravitate towards countries such as ours, where freedom and liberty prevail. The bill will criminalize such people, even though they have not broken any law in Great Britain. . . . I repeat the cliché, which is a cliché only because it is so obviously true, that one man's terrorist is another man's freedom fighter."

Galloway lied, because this is British policy, not only since the time of Napoleon, but for centuries: British policy has been to deploy terrorists to destabilize countries, and to overthrow their governments. The most infamous representative of this policy, as you know, was Lord Palmerston, the British prime minister who was behind the 1848 revolutions against France, Austria, and the Ottoman and Russian empires.

**Figure 13:** This is an Englishman roasting his beef over the destruction of the European continent. This was a cartoon in a French paper at the time. At that time, King Leopold of Belgium, the uncle of Queen Victoria, said about the policy of Palmerston that, "In England, a sort of menagerie of Kosuth [and other representatives of the Young Europe move-

ment] are kept, to be let loose occasionally on the continent, to render its quiet and prosperity impossible."

Then French diplomat DeBussy declared at the same time, "There wasn't a revolt started in England, nor a conspiracy hatched, without the audacious and criminal complicity of British agents."

Over the course of 1997, more and more articles appeared in the Arabic press, reflecting the *EIR* coverage, that Great Britain is harboring terrorism. Then came the assassination of Princess Diana on Aug. 31, and there was a profound impact. And all of a sudden, the ugly face of the British monarchy was revealed. So, you had the coverage, "Britain is harboring terrorism," the murder of Princess Diana. And then came the terrorist attack in Luxor, in which 62 people were killed.

And then, something very, very important occurred, which is that Egyptian President Mubarak made the historic accusation that the terrorists responsible are living in Great Britain, Afghanistan, and other countries, where they are being financed. And Egyptian diplomats have requested that they be deported and extradited to Egypt to face trial. Since 1992, there have been 25 such terrorist attacks in Egypt, killing 92 people altogether. And now, the Egyptian government is saying Great Britain is responsible. *Al-Ahram*, on Dec. 15, had an article saying that the Egyptian government may take the British government to the International Court at The Hague for harboring terrorism. And just yesterday, *Al-Ahram* had a long analysis written by one of our members.

In the meantime, this has spread. The Organization of Islamic Countries' conference in Teheran had a discussion about this fact, and passed a resolution that Great Britain is harboring terrorism, which was discussed and signed by 56 states. The Arab League meeting in Tunis, at the beginning of January, also adopted unanimously the Egyptian resolution denouncing this harboring of terrorism, and 20 more states joined this. It is most interesting that in Teheran, the resolution against British harboring of terrorism was introduced by none other than Dr. Mahathir of Malaysia, who made the connection between using terrorism and the use of economic fire to destroy Islamic states and economies.

The truth is coming out.

The whole point I'm making, is that this is leading to tremendous changes in the region. For example, Egypt is no longer claiming that Sudan is behind the 1995 murder attempt against President Mubarak, and they also say that similar such false accusations against Iran should be withdrawn. Mubarak is now moving to try to cool the conflict with the southern Sudanese rebels, and is fighting for Sudan's unity. The Islamic state parliamentarians met in Luxor, and again there they discussed the British being responsible.

Now, you have to imagine that 60 or 70 countries are waking up to the true goal of the British Empire. *The problem is, this is not yet discussed in the United States.* So the U.S. government, in a question by *EIR* to the State Department at a regular press briefing with their spokesman, James Foley, got the following answer. He said, "I really think it's a prepos-

terous assumption on your part. We have a thoroughgoing and very productive security and terrorism dialogue with Great Britain.”

This is the British special relationship in action, and this must be reversed. If this is not reversed, there is no hope for civilization. And I was absolutely dismayed when I heard that Blair was coming to Camp David for a three-day working session, where you have Clinton, Gore, Blair, and they also invited [AFL-CIO President John] Sweeney. The whole reason that they dumped Major and put in Blair, is because they figured they needed a new packaging, so that they could re-establish the “special relationship” between the United States and Great Britain, which had suffered a lot, because President Clinton, fortunately, has a very good understanding about the evil nature of the British. But they figured that if they put out this new package, with Blair, then this is a way of tricking the U.S. So we should be on top alert, because this is extremely dangerous.

However, Mr. Galloway, the infamous member of the House of Commons, I think is the Timotheus of present history, because he put on the record again, that Britain is itself admitting that they harbor terrorists acting against other countries.

Another element of truth which is coming out, is that the Algerian government itself is behind the massacres there. And there were articles even in the German press, saying, isn't it a miracle that these so-called Islamic fundamentalists who kill all these people, *never* attacked the oil fields? Yet, if they wanted to bring down the government, wouldn't they destroy these first? So, we know that the Algerian government is completely backed by Paris and London in this.

This is the strategic reality. Because only if the United States and China understand that they have only one common enemy, the British Empire, is there any hope. And one of the areas which is extremely dangerous, and I just want to highlight it, is that there is a new effort by the British to repeat the Great Game in Central Asia, in the region of the Caspian Sea, because there are very large natural gas and oil reserves there. As a matter of fact, it's suspected that 15% of world oil reserves and 50% of world natural gas reserves, are located there. And the problem is that after the disintegration of the Soviet Union, there is a very unclear legal situation in this region. So, the British are predicting that in 1998, the fight for Caspian oil will be the next flashpoint, even leading to larger wars. So, we should just remember, that that is exactly what British Petroleum and Shell, and others, are doing in Nigeria, and what other multinationals are doing in the Great Lakes region of Africa.

### **The enemy is the British oligarchy**

We have to understand one thing: What we see right now from the British, is not new. There have been no new features in British policy for 400 years! They know the system is coming down, and they are the first ones to take down their own riches, if they can hope to control the situation after-

wards. Soros triggered the crisis in Southeast Asia. These countries were vulnerable, because, as Mr. LaRouche warned, their economies were not based on sound economic principles. But, [the British] will lose money in this context. They will take down things, but they don't care.

When will people finally wake up, and understand what a monster the British Empire is, in its totality? Given the fact that we have people here from many countries, I would like to point, once again, to the nature of the British, because if people don't understand that the British are the enemy, there is no hope. And once again, the British have forced a war upon us, so we had better look closely at what kind of an enemy we are dealing with.

The British policy today, has to be understood in the context of the last 400 years. And the only reason why they succeeded again and again, was because of the incredible blindness and stupidity of others. The first thing one has to understand about British policy, is that they always will try to hide and cover up the true direction of their policy. They will never say what they're up to. As a matter of fact, the infamous Disraeli said, “Our influence can be made the strongest when its driving force is not recognized.”

Such sophistication, however, did not exist in earlier times. In the time of Drake, England regarded piracy as its very own domain. Remember that the British Empire started to become the empire, by simply robbing foreign ships, burning them, killing their crews. And in 1587, Drake destroyed, in Spain alone, 150 Spanish ships in large depots in Cadiz. When Philip of Spain tried to punish the British pirates, England didn't say that piracy was the issue, but posed as the defender of the Protestant faith. Drake's famous sailing around the world, was just one huge piracy, and he came back with a tremendous amount of loot.

The problem is, Drake is still regarded as a hero in Great Britain today, and British policy has remained the same. In 1651, Cromwell implemented the famous Navigation Act, forbidding foreign ships from bringing goods into England or out of England. This was a death blow, at that point, against the Dutch sea trade. And then, Cromwell demanded that all other ships had to lower their flags in greeting the passing English ships, which was a sign of the recognition of English sea domination already 350 years ago.

Cromwell also demanded the right to search all commercial ships of neutral countries in times of war, and used that as a pretext to confiscate them. When the Dutch Admiral Trompe refused to greet the British flag in this way, Cromwell ordered the attack on the Dutch fleet, and this war against the Netherlands continued until 1674.

England always saw itself as the police of the ocean, with the right to impose the “Pax Britannica” on the world. But also, one should be extremely attentive to the British policy of alliances and friendship treaties over the centuries, which always had only one purpose: to consolidate the British Empire. *Remember that still in 1940, Great Britain had 611 colonies, dominions, protectorates, and mandates. At the begin-*

ning of World War II, England controlled 35 million kilometers, which was 119 times the size of its own territorial extension, seven times as large as the Roman Empire, and twice as large as the Russian Empire. The policy of alliances essentially was to let others bleed for yourself. And if one looks back at the various treaties England signed, it was always to the disadvantage of these partners. Remember the Methuen Treaty in 1703, which ruined Portugal; the Asiento Treaty in the Peace of Utrecht between England and Spain, in which England reserved the right to bring a certain number of African slaves into the Spanish colonies every year.

When others made a breakthrough, or developed something, England always moved fast to steal it, as in the case of the Suez Canal. When the architect and inventor of the Suez Canal, Lesseps, in 1855 came to London to find capital for his Canal Society, Palmerston declared the project to be a swindle and a concoction, and against British interests. But after the Suez Canal was opened in 1869, the British view changed very quickly. When Ismael Khedire of Egypt got into financial difficulties, England grabbed 177,000 shares of the Suez Canal. And when there was unrest against Ismael, England sent its fleet to restore order. In 1882, the English Navy sent soldiers, and 15,000 infantrymen under Admiral Hoskins occupied the Suez Canal, occupied the buildings of Lesseps' society, and blocked international sea traffic. When this traffic was reopened, the canal, and Egypt, were English.

Hashimoto of Japan just gave an interview to *The Sun*, in which he praised the English talent which has produced so many things. The reality is: England, the British Empire, have discovered nothing. They are the most untalented people in the whole world. They only have made careers as pirates and such things, and unfortunately, they were able to use other people. If you look at the crimes of the British in Africa, where, for example, in 1873, in the horrible war against the Ashantis, a highly cultured people who had the misfortune to live in an area on the West Coast of Africa, which was very rich in gold mines, the British succeeded, with the help of tribes, in carrying out one of the worst massacres, exactly what they are doing today.

The British policy of alliances is an endless history of making others bleed for yourself. Over 400 years, they have moved without scruples, and if somebody did not want to make an alliance with them, they were attacked mercilessly. In 1801, the English fleet arrived in Copenhagen, and wanted to force Denmark to make an alliance with England, at which point they destroyed all the Danish ships. In 1807, there was an even more brutal attack: They bombarded Copenhagen, captured the Danish fleet, and Denmark was forced to hand over to them 650 ships. Immediately, the Danish trade with Southeast Asia was destroyed.

If you look at the long list of British crimes, and then reflect upon the fact of how little they are discussed today: That, alone, is an absolutely unbelievable thing. Obviously, the Nazis did what they did. But what a gigantic discussion about the crimes of the Nazis! And, I'm telling you, the crimes

of the British over 400 years, go very, very much beyond that, and the world will not recover, if this is not made clear.

## Ideological underpinnings of the British system

If one wants to understand the British, one has to look at Thomas Hobbes's 1651 work, *Leviathan*, which is practically the constitutional document of the British oligarchy, in which he says that the natural condition of man is each against everyone. Therefore, the only way to guarantee the security of your own life, is to transfer absolute power to the state, and only the state makes a difference between good and bad, where what the state blesses is good.

That means a *carte blanche* for absolute tyranny. There is no God, there is no man in the image of God. And, obviously, the policy is just what the oligarchs want.

It should be noted that I'm not talking about the English people. Many authors in the history of England themselves, including a person called Wyndham Lewis, who himself was an old landed nobility representative, have pointed to the fact that in the Opium Wars (**Figure 14**), the English people had no idea of what this was all about, nor in the Kaffir Wars from 1780 to 1870, nor in the wars in the northwest border of India, nor in the horrendous slaughtering of Spanish men and women in Bajados; these had no significance for the average Englishman, who in politics, especially in world politics, is as ignorant as a newborn baby, he said. The entire policy of looting is only for a very small class of the nobility, and, despite all the talk about democracy, the English subject has nothing to say about all of this.

FIGURE 14



*Britain's Opium Wars against China.*

Democracy is one of the other sacred cows of the British fraud, and it does not exist! It does not exist in Europe, it does not exist almost anywhere else. Because, if you look, for example, now in Germany, where four economic scientists have started to attack Maastricht, and they've instituted a constitutional lawsuit to prevent the euro — after all, one of these economists is the one who invited Lyn a couple of years ago to address the university in Hamburg — there was an absolute freakout, and these economists were attacked as “the gang of four,” and similar things. So, democracy does not exist.

One has to really understand that the two sacred cows, democracy and the free market economy, are hoaxes of the British Empire.

The origins of the free market economy go back to Hume, who wrote the *Treatise on Trade* in 1691, and his pupil, Adam Smith, said nothing that Cromwell had not already decreed in his Navigation Act, namely, the domination by England of world trade, to which Friedrich List answered in 1840, “There was never a more sophisticated reasoning getting into the light, covered with the label of a great cosmopolitan idea, the freedom of world trade, behind which there was a greater selfishness, and which was used, and still is being used to fool nations, in order to achieve for one of them the largest of all existing and imaginable monopolies: a world manufacturing and trade monopoly, at the cost of civilization, of prosperity, of independence, and of the power of other nations.”

And remember Dr. Sun Yat-sen, who compared the British policy with sucking the blood of the allies until they are dead, like a silkworm, and then throwing them away.

And there are many quotes of the German poet Heinrich Heine, which I don't want to read to you now, but you'll soon be able to read them, because I'm writing an article about it. The funny thing is that most of these juicy quotes are eliminated in present-day editions of Heine's works.

Then, remember, there was the evil Malthus, who had the ridiculous theory that food is increasing only in an arithmetic fashion, and people are increasing in geometrical progression, and therefore, you need population control, which obviously is a complete joke. But Malthus was an employee of the East India Company, which, after all, subjugated Surat in 1612. Here you can see the English tourists looking at the poor in India (**Figure 15**), 1639, Madras; 1631, Bombay; 1690,

FIGURE 15



*Aristocratic English tourists find India's poor quite picturesque.*

FIGURE 16



*A nineteenth-century cartoon about the policy of the East India Company shows British hunters using Indian babies as bait for the crocodile hunt.*

Calcutta. And this is another cartoon (**Figure 16**) showing that the British, when they were shooting crocodiles, would chain Indian babies to the trees as bait. That is a cartoon from the nineteenth century about the policy of the East India Company. And that was the British government.

Now, in July 1919, the Malthusian League, in their annual conference in London, put pressure on the League of Nations to force the member states to implement a birth quota which, at that point, was rejected. But, as you remember, it was the subject of the Cairo Conference a couple of years ago, and it is the British policy today.

One has to understand that nothing essential has changed concerning British policy, since Drake and Cromwell. And therefore, when we are talking about why Britain is harboring



FIGURE 17



*Ultra-imperialist Cecil Rhodes astride a mountain of corpses.*

terrorism, this is what has to be put on the table. *I think that unless the totality of the entire crimes of the British Empire for the last 400 years, become the basic knowledge of everybody around the world, the world will not be cured of this evil.* Even Bismarck, who is not a great friend of mine, wrote in 1857, “To threaten foreign states with revolutions: that is, since rather a great number of years, the business of England.” And there is the famous manifesto of Pitt the Younger, which said: We are completely justified to hype up all peoples and tribes in order to suppress the epidemic-like spread of opinions which would destroy mankind.

And, what they meant by that, obviously, was ideas of republicanism and human rights.

**Figure 17:** There is a caricature at the time of the war against the Boers, which shows Cecil Rhodes, who stands alone on the top of smoking ruins and corpses, a diamond king in the midst of destruction. And, I want you to remember this picture, because this symbolizes, and is characteristic of, British policy. An empire built on corpses. And, even when they are dead, England wants to continue for a while to live on its cadavers. And even if its plans were to succeed, in the end, it would have to die, like everybody else.

If people don’t get that, about the British being the enemy, there is no hope. Because when Lyn said a while ago that what we are experiencing right now, is the end of an epoch, where 500 years of the battle between the Venetian oligarchical model versus the nation-state is coming to a conclusion, it will only be possible to resolve this positively, if the oligarchy goes. And this is only possible if people stop being stupid about these issues. *The world is thrown into the biggest crisis in history, and people have to understand who is responsible. We are in a war, and if you are attacked, and you don’t understand who your enemy is, you are finished. And the British are the enemy.*

## Time to face reality

Therefore, when you discuss this in the coming days, and you find your neighbors and the people you are talking to are saying, “Oh, the British are our oldest and dearest ally,” what are they really saying? “I don’t believe in conspiracy theories. I follow the TV, I read the papers, I know what’s going on.” Well, if not enough people in the U.S. remember that the United States made a revolution against the British, then there is no hope that the United States will stop supporting the IMF and the British. Remember the War of Independence and the history of the United States: Everything which ever was great about the United States was anti-British. Therefore, it is a complete piece of treason to support the IMF and Soros, because they are nothing other than Adam Smith, and the very theories against which the American Revolution was made.

In the next two, three, four months, the world will go into incredible turmoil, and we will have to change the axioms of the population. Not with empty labels like “democracy,” but into real republican state citizens. Not the swindle of free market economy, in which the taxpayers pay for the losses of the speculators, who cashed in gigantic profits for years. The banks in Japan are now in the process of self-determining the value of real estate, in order to meet the criteria of the Bank for International Settlements. It’s as if you go to your bank, and you say, “I own a house that’s worth \$100,000, and I just revalued it to be \$1 million, so give me a credit on that basis.” Now, if the Japanese banks can do that, I think you can do it, too, and I think a lot of people’s problems would disappear.

The swindle of the free market, therefore, should be popped, because, as you see, it’s not so free. *Physical economy must be measured in terms of the cognitive powers of the individual, in terms of the increase of man’s power over nature, as the basis for society to survive. And that has to be established.* We have to have the end of supranational institutions, like the IMF, the UN, the WTO, institutions which, with one stroke of the pen, destroy the life of millions of people. We have to re-establish the nation-state, in which the elected officials are accountable.

So, when the old order of society is going under, and the question arises, “What will be the design of the future? What will be the order of the family of nations?,” then those big questions of humanity, which always posed themselves whenever such a qualitative change in history occurred, reappear. And therefore, today, more than ever, the challenge which was posed in 1787 by Alexander Hamilton, the first Secretary of the Treasury in America, in the famous *Federalist Papers*, which is the exact opposite of the *Leviathan* of the British—he asked for the United States the question that will



be the question for the international community for the next months, but especially for the United States. Alexander Hamilton wrote: "It has been frequently remarked that it seems to have been reserved to the people of this country by their conduct and example to decide the important question whether societies of men are really capable or not of establishing good government from reflection and choice, or whether they are forever destined to depend, for their political constitutions, on accident and force. If there be any truth in the remark, the crisis at which we are arrived may with propriety be regarded as the period when that decision is to be made; and a wrong election of the part we shall act may in this view deserve to be considered as a general misfortune of mankind. . . . Happy will it be if our choice should be directed by a judicious estimate of our true interests, unperplexed and unbiassed by considerations not connected with the public good."

Now, that will be a most urgent question in the period ahead: whether human society is capable, through reflection and free decision, to give themselves a good form of government, or whether they will be subjected forever to accident and force.

Lyn said something a while ago, many years ago, which had a very lasting impression on me: that in times of crises, people resort to, not what comes in the instant of the moment, but to what they have accumulated inside themselves, long before the crisis. And the same is not only true for individuals, it's true for people. How, from that standpoint, does the potential of the different nations and cultures to get out of this crisis look?

### China's cultural strength

I'm making the proposition that China is actually in a very good position to survive this. Jiang Zemin, at the 15th Party Congress in September, made the very proud remark that China has a culture with a glorious history, and it will use this history to make a necessary contribution for the development of human civilization. Now, Jiang Zemin, who is known for his love of literature, and quotes philosophers of the Tang and Song dynasties in his political speeches all the time, who recites Shakespeare, Shelley, Lincoln, and Pushkin, who likes Mozart and Beethoven, considers Chinese and Western culture the common spiritual wealth of mankind. And, in the speech he gave at Harvard University in October, he said, "China has a history of 5,000 years. It is therefore important to approach China from an historical and cultural perspective. It's important to draw widely upon other strong points to improve yourself. For over 2,000 years, Chinese doctrine was that loving people and treating your neighbors kindly, are extremely valuable for a country."

The fact that China has a culture of 5,000 years and is one of the creators of mankind, is extremely important for the identity of this people today. China already in the fourth century B.C., had a Classical period, which was at the same time as the Greek Classical period. China today, starting with the Deng reforms, especially in the last years, went much more

back to the historical roots than unfortunately one can say that about the Western countries going back to Platonic Christianity. After the interval of the Cultural Revolution, which is completely rejected today as an interval of chaos, China is consciously going back now to its 2,500-year tradition of Confucianism.

To understand the present-day longing of China for harmony, one has to look at the role Confucius played in this, and one has to understand that Confucius gave, with his teaching himself, the answer to 500 years of war, chaos, intrigues, and barbarism, in the Spring and Autumn period, which lasted from 770 to 475 B.C.

Confucius lived in a period of the greatest unrest, when the House of Chu fell into the hands of the princes of the different states. And therefore Confucius's goal was to rebuild society out of chaos, because, in his view, society had lost the right way, *wu dao*. So the first step therefore, in his view, had to be to bring the notions back to their correct meaning. But the most important notion of Confucian philosophy is *ren*, which means love, and *agapē*. Confucius said, "My teaching has an all-encompassing principle, *ren* and its realization." *Ren*, the idea of perfecting yourself so that you can develop the others better, to never do something to the other that you don't want for yourself; *ren* is something purely subjective, a kind of inner self-development. It has its source in itself. And, he says its realization is very easy: The moment you decide to have *ren*, it is there. The moment you decide to practice love, you can do it.

Society must further *ren*. Human beings, says Confucius, need *ren* more urgently than water and fire. It should play as big a role with the governing as with the governed. If the governing practice *ren*, it inspires the people.

The second most important notion for Confucius, is *li*, which means finding your place in society. It is equivalent to Nicolaus of Cusa's notion of the microcosm, that there can only be concordance in society if everybody develops his or her potential in the absolute best way. *Li* also means that there must be no break between the past and the present. *Li* is simply the expression of a cultivated humanity. If you follow *li*, you become a *junzi*, a noble person. You become your own polar star, a shining example whom all others follow like a satellite. If you realize in this way the law of heaven in yourself, you need neither force of laws, nor the power of the army, because everything develops by itself in the right way.

Confucius also developed a method of learning and teaching. One develops new knowledge by rethinking the old. Never cling to your opinions, never be prejudiced, never think you are infallible. Learn from your predecessors. Only if you walk in their footsteps, can you hope to achieve progress. You cannot enter the house of the master, if you don't follow in his footsteps. Confucius put great emphasis on the fact that his pupils should find solutions to problems through their own reflection. He said, "Always think of the three other possibilities." That was one of his principles. Confucius was the first one to have the idea of the great learning, lifelong

learning, the *da xue*, disregarding social status. As a matter of fact, Confucius insisted that the status of people in society should not depend on their birth or family, but on the degree of their moral perfection. The more moral a person is, the higher his status in society should be. The person who has reached the highest degree of moral perfection is *sheng ren*, a person who is under the rule of the mandate of heaven.

One day, one of Confucius's pupils, Zi Lu, asked him, what is the meaning of governing? And Confucius answered: "To walk ahead of people, to be a shining example for them, and inspire them through your moral excellence." In the famous *Lun Yu*, the Analects of Confucius, the connection between *li* and *yue* of music is explained repeatedly. *Li*, the rights, give strength to man, and *yue* make him perfect. And he gives different examples of how music is a reflection of the condition of the state. If you apply Confucian principles to America—well, the fact that Vice President Gore just had a poll conducted about who is everybody's favorite "Spice Girl," is unfortunately not a very good reflection.

Remember that it was the influence of Mencius, who lived from 390 to 305 B.C., a contemporary of Aristotle, which was the reason that Confucianism became the state philosophy in the Han Dynasty, and remained so until 1911. Mencius attacked the rulers of his time very harshly, for they had no concern for the well-being of the people. And he even accused them of having destroyed the old texts, out of fear that people would orient towards them. Mencius developed an entire program for a humanist form of government, which had to be built on the consensus of the governed, without which unity of the state was unthinkable.

Now, I can assure you that the U.S. government, the Bonn government, the Paris or Rome government, don't care about the consensus of the people. They think of the best way in which they can hide truth from the people.

Mencius also wanted the right of resistance against bad government. And he said, "You have to live according to your inner moral laws. I love life, but there are things more important than that." Mencius was convinced that the Confucian ideas would be realized very soon, because man's nature is essentially good, and therefore it would be possible to establish a political order and cohesion with the goodness of man's nature. For him, every man had the potential to reach the highest moral completeness. He said, "The ten thousand essences of

FIGURE 18



"A Monk with a Bag," by Liang Kai, Song dynasty.

all things are in us completely." That is the concept of the monads of Leibniz. "Therefore, let us follow our inner nature and be truthful. There is no bigger joy. There is a coincidence between the inner and the outer world, between heaven and man, between the laws of morality and the laws of the universe."

The teachings of Confucius and Mencius from the Han period belong to the basic teaching of every bureaucrat and official of government in China. Even if these teachings got new interpretations throughout the centuries, they are important for understanding China today, because, with the Deng reforms, China is going back to what Jiang calls "Socialism with Chinese characteristics." And when you look at these characteristics, you see exactly that this is the Confucian philosophy.

The Song dynasty brought about an important renaissance of these ideas. It was the philosopher Zhu Xi, who touched in many ways on the philosophy of Nicolaus of Cusa, and Leibniz. But it is important to understand, and I was very moved

yesterday by the remarks of [baritone] George Shirley, when he pointed to the fact that culture has to be not something separate that you put on the wall. Because, for Chinese culture, philosophy, poetry, painting, architecture, and sculpture, are always linked with your way of life. And when Lyn says that the most important thing is art, because it is art which differentiates man from the beast, because it refers to the power of cognition, and art only exists in the agapic processes of mind, I want you to look at Chinese art, poetry, or painting, because this was never regarded as an isolated feature, but as an expression of the highest humanity, of civilized humanity. Therefore, Chinese poetics, paintings, always are an expression of a general aesthetics and morality. Especially in the Song period, poets were mostly painters at the same time, and painters were poets<sup>4</sup>. . . .

**Figure 18:** This is a painting called “A Monk with a Bag,” from the painter Liang Kai, from the Song dynasty. If you look at it closely, it is quite incredible, because you’re not quite sure if this face is sly, or funny, if this is a smile. But then, if you look closely, it seems that he has a second row of teeth in his mouth, and then, underneath the painting, it looks like there’s another row of teeth in the chin. And, if you compare this painting close up with paintings from the same period in Europe, this has far more expression, in terms of individual features.

**Figure 19:** This is a painting called “Maples and Mountains in Autumn,” from the Ming Dynasty, a very beautiful picture.

I can only encourage you to go to the library and look up some Chinese paintings. You will discover a whole universe. As a matter of fact, you will get completely hooked on Chinese paintings and Chinese culture, because it is so beautiful that once you start to love it, you will never forget it.

Many of these paintings are in the form of scrolls, and they are entire stories, poems, epics. Many of them are painted by emperors, or government officials, or scholars. Even today, many officials are poets. I have met many Chinese who really think that they are an actor, or a poet. They write poetry in their free time. Leibniz, in the *Novissima Sinica* in 1697, said, “If we are their equals [meaning the Chinese] in the industrial arts, and ahead of them in the contemplative sciences, certainly they surpass us, though it is almost shameful to admit, in practical philosophy, that is, in the precepts of ethics and the policies adapted to the present life and the use of morals.” And then he said that “through a unique destiny, the two peoples on the Eurasian continent are like the two poles of development. They have to unite and lift up everybody in between.”

Coming back to the question of what underlying axioms of culture will come to the fore in the next period, and which *have to be* brought forward if mankind is supposed to get

4. For technical reasons, several of the paintings shown and discussed by Mrs. LaRouche cannot be reproduced here.

FIGURE 19



“Maples and Mountains in Autumn,” Ming dynasty.

out of this existential civilizational crisis in the next weeks and months.

My view is that China is in a relatively strong position, not only economically, but also culturally. That if China consciously draws on its rich history and culture, the Chinese people will have a lot of spiritual strength to conquer these difficulties. And the Chinese leadership has, for some time, been advertising a new international political-economic order based on justice and rationality. And one can only hope and encourage them, that China in the coming period will propose active initiatives in this direction, which it has not yet done, because it is not yet thinking as a global power. But, China should make such an initiative towards a just new world economic order, because that would be exactly the kind of crucial contribution to world civilization Jiang Zemin has been talking about.

### The challenge before us

In the United States, if the challenge which was posed by Alexander Hamilton and formulated in the *Federalist Papers* is to be answered positively, then the U.S. tradition of the American Revolution, of Franklin, Hamilton, John Quincy Adams, must come to the forefront now—the idea of a community of principle of sovereign nations. But most importantly, the axioms of the period associated with Lincoln, FDR, Kennedy, but, especially Lincoln. Only if we can evoke that spirit of the American Revolution—and remember that this is a British cartoon, for a change (Figure 20). It shows John Bull, and they paint Lincoln as a wild beast up a tree, to be shot. This is British entertainment of the nineteenth century.

Only if people remember these things, can the U.S. live up to its historical responsibility. But Americans have to stop being small-minded. You have to resolve the problem of what Schiller called, concerning the French Revolution, that “a great moment has found a small people,” and that you here in this room, and that others like you, have to become the pole stars, the 1% around which people rally and emerge as leadership in the period ahead. But that means you have to reject almost everything you regard as culture in the United States today, because popular culture is what is the problem. Everything from rap, or country music, to Hollywood. And it is only because of people like Bill Warfield, Sylvia Olden Lee, and George Shirley, that America has a true culture.<sup>5</sup>

Now we have come to a point of catastrophe, and it is not yet determined whether our civilization will make it. But you can be sure of one thing. In either case, whether we make it or not—if mankind collapses for several generations, and then maybe after 50 or 100 years crawls slowly out of the mud again, or if we make it—in either case, history will look back at the United States, and at you personally, and judge you by

5. William Warfield, Sylvia Olden Lee, and George Shirley are distinguished African-American Classical musicians and educators who participated in the Schiller Institute-ICLC conference.

FIGURE 20



A cartoon from the British magazine *Punch* shows John Bull shooting Abraham Lincoln.

how you have treated your prophet of your time: Lyn.

It seems that to be a prophet is a difficult job. Somehow, the elites, the rulers, the governments, seem to have a difficult time with them. They see them as uncomfortable most of the time. Just remember what happened to poor Confucius, who, during his lifetime, went from ruler to ruler, from country to country, from place to place, without being really able to convince them to change their policy. But, you know, Confucius was victorious nevertheless, because later, in the Han dynasty, his philosophy became the official state policy, and it influenced China and Asia for 2,500 years.

Then, think about Socrates. His trial gave democracy a very bad name. Well, I’m optimistic concerning Lyn, because people all over the world realize that this time, mankind is sitting in one boat. But, is it enough?

It will, and it can only function, if people from all over the world mobilize the best in themselves, become an army of warrior angels, take the best of their traditions and cultures, and draw upon the strong point of the other cultures. So, I suggest to you: draw upon Lyn’s strong point at this point—you—and please, not generations several centuries from now.