

EIR

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From the Associate Editor

The photo on our cover captures a turning point in world history, not unlike that we face today in some respects. President Roosevelt is shown at Yalta, flanked by Winston Churchill and Josef Stalin. What are these men thinking? The expressions on their faces convey something of the dramatic ironies of the situation: The wartime alliance against Nazi Germany is poised for its final victory; Roosevelt has imposed upon Churchill, at least for the moment, certain agreements governing the post-war world; but Churchill is already scheming about how best to block the potential for U.S.-Russian-Chinese collaboration against the British Empire.

Lyndon H. LaRouche, Jr. develops the strategic implications of these issues, in his *Feature* article in this issue. “By Spring 1945,” he writes, “the opportunity to exert a new world power, superseding entirely the kind of financier-oligarchical world-power hitherto exerted by Britain et al., lay within the reach of the U.S. President. Under Roosevelt’s post-war policy, the U.S.A. would be no empire; nonetheless, we were in a position to determine the shared, characteristic features of the global financial, monetary, and economic relations among sovereign nation-states. Under those historically specific circumstances, we in the U.S. had nothing to fear from the power of a Soviet Union or China, nor need we desire to establish imperial authority over their internal affairs. It was we, the U.S.A., who were now in a position to determine the global set of financial, monetary, and economic rules of the game, rules which would affect the relations among all states of this planet.

“If only we had seized that wonderful opportunity.”

Today, the U.S. President has the opportunity to resume the work that was interrupted by Roosevelt’s death—but under conditions of global financial breakdown. In LaRouche’s article, and in other reports in this issue, we analyze the obstacles standing in the way of such a happy eventuality, and how they might be overcome. Jonathan Tennenbaum reports on President Clinton’s trip to China; Rachel Douglas and Konstantin George analyze the policy debate in Moscow; Michael Billington has exciting new developments from Thailand; and Anton Chaitkin writes a new chapter in the history of the American System: the dirigistic development of the railroads.



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Photo and graphic credits: Cover, pages 17 (Truman and MacArthur), 45, 51, 53, Library of Congress Prints and Photographs Division. Page 7, EIRNS/Rachel Douglas. Pages 17 (MacArthur), 30, National Archives. Pages 48, 49, Stanford University Press. Page 55, Embassy of Peru, Washington, D.C. Page 59, White House web page/Ralph Alswang. Page 60, White House web page/Barbara Kinney.

Correction: In our July 3 issue, in the “Appeal to the OAU to Restore Peace and Security in Rwanda” (p. 54), the sentence reading “This extermination policy has continued . . . since the peace agreement was broken subsequent to the RPF’s war of aggression against Rwanda launched from Ugandan territory on Oct. 1, 1990,” an editorial error inserted the word “agreement.” It should have read, “since the peace was broken.” There was no peace agreement at that time..

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President Franklin D. Roosevelt (center) at Yalta, February 1945, with Britain's Winston Churchill (left) and Russia's Josef Stalin.

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By Lyndon H. LaRouche, Jr. "Had the same war-time, Roosevelt program of 1939-1945, been adapted to the rapid, post-war, agro-industrial development of new nations freshly freed from the debilitating hand of British, French, etc. imperialism, the U.S. and its partners would have enjoyed a continuing, post-war economic growth. The policy-shaping institutions established under the first two decades of such a post-war conversion program, would have virtually ensured further, planetary growth and stability throughout the 1945-1998 interval."

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Epicenter of the financial crisis shifts to Russia

by Rachel Douglas and Konstantin George

Without the least abatement in any country in Asia, the epicenter of global financial crisis shifted to Russia, as the second half of 1998 began. In Moscow, the deputy premier of one of the world's great powers, a nuclear power, put it simply in a June 29 interview. "What is the issue?" asked Boris Nemtsov. "Will we succeed in avoiding a bankruptcy of the Russian Federation or not? That is the issue."

The past six weeks' events in Russia confirm that it is at civilization's peril, that an institution such as the International Monetary Fund (IMF) is in charge of managing this crisis. Its approach, in the tradition of the 1919 Treaty of Versailles war reparations that caused so much grief in the 20th century, is that the greatest debt bubble in history must be serviced and maintained, even if it means the annihilation of the debt-servicing countries and their people. Nemtsov echoed the IMF policy-setters for Russia, reiterating during an early July tour of the Russian Far East (where the port city of Vladivostok plunged into darkness, as strikes by power workers led to electricity cut-offs, while Nemtsov toured the coast farther to the north), "We will pay all the debts, whatever the cost."

Anatoli Chubais, the monetarist intimate of IMF officials, brought back into government to deal with the Fund on Russia's behalf, announced in June that Moscow would require \$10-15 billion, beyond the periodic disbursements of the IMF's standing \$9.2 billion credit to Russia—and, the money would be needed by the end of July. By July 9, Russian officials were leaking to the *Financial Times* of London, that the emergency funding had better be closer to \$20 billion.

Russia needs to roll over the equivalent of \$1 to \$1.5 billion in domestic treasury debt (the GKO and OFZ bonds), each week for the rest of this year. Most of the June and early July auctions failed, with the rollover issues either failing to sell, or selling at yields that pushed 115%—nearly quintuple the interest rates presumed in Russia's 1998 budget plan.

Even with receipt of a \$670 million loan tranche from the IMF on July 1 and the floating of \$3.75 billion in Eurobonds during June, Russian Central Bank reserves fell from \$16 billion to \$15.1 billion, between June 26 and July 3. With the failure of the July 8 GKO auction, where only one-month bonds were offered, due to the astronomical interest rates, another \$725 million had to be spent. Russian stock share prices have now plunged 65% since the beginning of the year; trading on the Moscow exchange has dried up to almost nothing. Discussion of devaluation of the ruble is raging, in Moscow and abroad.

"That's a lot of money," the IMF's Stanley Fischer said about Chubais's cash wish list, as Fischer headed for urgent consultations in Moscow in June. There is no evidence that the IMF has any such lending capability, for Russia or any other recipient. Nonetheless, the potential for a Russian meltdown to detonate eastern and central Europe, and the banking system in western Europe, is no longer the stuff of remote scenarios. The handwriting is right there, on the wall.

Hot autumn, or summer, guaranteed

The Russian government unveiled its austerity "anti-crisis program" on June 23, just as Fischer's IMF delegation arrived. On top of budget austerity, the plan, crafted according to IMF conditionalities, this time requires the Russian parliament, the State Duma, to pass a package of financial laws. The Duma being the institutional expression of Russia's opposition, what the IMF requires is nothing less than the capitulation of that opposition.

With or without new funds, Russia loses. Should there be no bailout, it is only a matter of time before bankruptcy—three weeks, according to sources close to Commonwealth of Independent States secretary and financial power Boris Berezovsky, speaking at the end of June—and a plunge of the

ruble, in a free fall, reminiscent of the German Reichsmark in the early 1920s. With a bailout, the austerity implemented to qualify for the aid package, will provoke a dangerous social and political crisis.

The so-called "anti-crisis program" slashes state spending by nearly one-third, across the board, except for debt service. Expenditures are reduced by 42 billion rubles (\$6.8 billion), from a ceiling of 147 billion rubles, to 105 billion. A renewed "press gang" approach to tax collection is supposed to increase revenues by about 20 billion rubles (\$3.2 billion). The cuts entail the dismissal of 70,000 state employees (20%) by the end of this year, plus "significant cuts" in subsidies to agriculture, industry, and transportation. As of July 3, the State Duma had already rejected two key laws in the new package: a bill that would make the value added tax collectible when goods are delivered, as opposed to when they are paid for, and a new income tax package.

If the Duma fails to pass the package, President Boris Yeltsin may attempt to impose it by decree.

The financial maneuvers in and around Russia are overlaid by a pattern of social and political crisis. On July 9, the latest dive in Russian markets, and the value of the German deutschemark, was touched off by a spate of rumors about Yeltsin's being ill, or even dead. It is no longer taboo, for the nightly news in Moscow to show Yabloko party leader Grigori Yavlinsky, speculating on the prospects for the President to resign. The media report polls, that Yeltsin's rating has gone into negative territory. Coal miners' picket signs, demanding the resignation of the government and the President, may be seen outside government headquarters in Moscow, as well as on the Trans-Siberian Railroad, where the miners' protest blockade resumed on July 2. The demands of the new strike are not only the payment of the miners' own wage arrears, but an effective plan to save the coal industry and industrial regions, and a change of regime.

During June, the ranks of labor protesters were swelled by scientists from the Academy of Sciences, who marched on Moscow from scientific research centers in the surrounding area. "The castration of science means Russia is barren," read their signs. In July, thousands of defense sector workers picketed in Moscow, St. Petersburg, and other towns. For the first time since the Civil War of 1918-21, officers of the Russian Navy's Baltic Fleet joined in a major protest, starting a hunger strike over the lack of anywhere for them to live.

Rokhlin murdered

The ill omen of a political explosion matured further, with the murder of Gen. Lev Rokhlin (ret.), at 4 a.m. on July 3. Military hero of the fighting in Chechnya, former chairman of the Duma's Defense Committee, Rokhlin had become a feared opponent of the comprador establishment, when he founded the Movement in Support of the Armed Forces, the Defense Industry, and Science, last year. Within hours, the Security Ministry announced that Rokhlin's wife had confessed to the crime, a rush to judgment that was promptly

EIR confronts Camdessus

At a conference on July 2 in Frankfurt am Main, Germany, sponsored by the German Bundesbank, the *Frankfurter Allgemeine Zeitung*, and the International Monetary Fund, under the title, "The IMF's Role in Today's Globalized World," the keynotes were by Bundesbank President Hans Tietmeyer and IMF Managing Director Michel Camdessus. Both campaigned for the IMF's role in global crisis management, increased transparency in member countries, and more IMF surveillance in crisis spots in Asia. *EIR's* William Engdahl asked, "Informed estimates put Russia at best three weeks from default on its foreign obligations. Alone, German banks have an estimated \$75 billion at risk in Russia, to say nothing of French, U.S., or other banks. Without outside help on the order of at least \$15 billion, from the IMF or BIS [Bank for International Settlements] or whatever, Russia will go. Asia is now teetering on the brink of a new meltdown around the Japanese problems, the immediate risk of possible Chinese and Hong Kong devaluations and economic breakdown. Would you not suggest that something need be done beyond simply calling for greater IMF surveillance in this situation?"

As the panelists' polite smiles froze, Camdessus rose to reply, "We must avoid having catastrophe scenarios. I have with me in my pocket at all times a small card on which I write the major trouble countries; of course, I won't say who is on it. But we are all working to avoid contagion. We are working closely with Russia. I don't share the pessimism that a catastrophe will come in three weeks. Of course it is possible, but many times people have predicted Russian catastrophe in the past and it so far has managed to avoid it. In Asia, we are trying to do what is necessary as well, in order to avoid an atomic explosion there. Not with big amounts of money, but to convince the governments to follow IMF policy recommendations."

questioned, on national television, by the general's children, colleagues, and members of the Duma.

On July 7, some 10,000 people flocked to the House of Officers in Moscow, for Rokhlin's funeral. The funeral was delayed several hours, in order to accommodate the crowd, one of the largest gatherings in Moscow since the breakup of the Soviet Union. Moscow Mayor Yuri Luzhkov, who attended the funeral, commented on the absence of "top government officials." While saying that this was "their right, their choice," he added, "They are not really aware of the current situation in the country, I think."

The Russian fight for 'national economy'

by Rachel Douglas

If the weekly parade of press conferences on economic and financial crisis matters in Moscow were a competition in the grotesque, one of the prizes would surely go to Vladimir Mau of the Working Center for Economic Reforms, who appeared at Moscow's National Press Institute on July 2, with his associates from the Russian-European Center for Economic Policy. Mau was one of the original Russian cronies of Lord Harris of High Cross, the free trade fanatic from the Mont Pelerin Society's Institute for Economic Affairs, in London, who seized upon post-Soviet Russia as a laboratory in which to test Hayekian theory and practice. Mau worked with the first "reform" Premier, Yegor Gaidar, at the Institute for the Economy in Transition (IEA), and has boasted, "My institute contributed the most to the government, when it was formed in November 1991, because a good part of the government was from the institute."

The Gaidar government got the ball rolling, downhill. "Shock" deregulation of prices produced the year of 2,600% inflation, 1992, followed by one round after another of monetarist prescriptions from the International Monetary Fund (IMF) for how to "control inflation" by privatizing, looting, and generally wrecking the Russian real economy. Meanwhile, Russia's newborn capital markets were hitched to the post-1987 phase of globalized world finance, the domain of the greatest binge of currency speculation, derivatives trading, and unsupported inflation of financial aggregates in history.

Yet, on July 2, 1998, there was Mau, holding forth on the likelihood that if Russia fails to receive new IMF credits, and "worse comes to worst, we will repeat the fate of Albania and Indonesia." He prognosticated a banking collapse, a political disaster when the population's savings are wiped out for the second time in a decade, and he blamed the whole on the "gradualism" of the past six years—as if a more sudden, radical, and untempered liberalization would have avoided the crisis. Now, Mau proposed, the absence of oil revenues will force Russia to accept more radical austerity.

Another of the IEA's stable of young Russian economists, former Deputy Premier and administrator of privatization Anatoli Chubais, was reinstated in the government last month, as Russia's special envoy to the IMF and World Bank.

But, theirs is not the only school of thought in town.

In the institutes of the Russian Academy of Sciences, and in think-tanks attached to the Executive and Legislative branches of government, a debate is under way, over how to save the economy of Russia from destruction as the country's financial pyramid (along with the rest of the global financial bubble) collapses. Readers of *EIR* are familiar with some of the terms of the discussion, from the writings of Dr. Sergei Glazyev, Academician Dmitri Lvov, and Lyndon LaRouche's published discussions with members of the Academy of Sciences. These are members of the Russian intelligentsia, looking for a national salvation policy in the area where the scientist and economist Dmitri Mendeleev, and his younger colleague, railroad-builder Count Sergei Witte, found it after the ravages of the Crimean War and subsequent disorders during the last century: in the heritage of the school of "national economy," rooted in the American System of political economy of Alexander Hamilton, Mathew and Henry Carey, and Friedrich List.

During May and June, organizing around contemporary versions of the ideas of "national economy" came into greater prominence in Russia.

The Petersburg Economic Forum

Yegor Stroyev, the Governor of Oryol Province, demands that Russia have an effective "industrial policy," not merely financial crisis-management. Stroyev is the leader of the Federation Council, the upper house of Parliament, whose members are the elected executives of the regions and major cities of the Russian Federation. His economic advisory group is the Federation Council's Center for Information and Analysis, headed by Sergei Glazyev.

On June 17-19, the second annual Petersburg Economic Forum was held under the aegis of the Federation Council. Some 2,000 economists gathered at the Tauride Palace in St. Petersburg. The Forum had no foreign or government financing, but, as a report in the local paper *Nevskoye Vremya* remarked, Stroyev succeeded in bringing much of Russia's political elite. Premier Sergei Kiriyenko was there, as were Finance Minister Mikhail Zadornov, Deputy Head of the Presidential Administration Aleksandr Livshits, Commonwealth for Independent States Secretary Boris Berezovsky, and newly elected Governor of Krasnoyarsk Territory Aleksandr Lebed. Kiriyenko unveiled the draft of his "anti-crisis" program, which he would officially present the following week in Moscow.



Sergei Glazyev

Speaking to the Forum, Glazyev attacked the government's economic policy as a course of "financial degeneration," and the IMF as its effective author. So did Leonid Abalkin, director of the Academy's Institute of Economics, who called for a total shift of the country's economic course, and vigorous measures against capital flight, which, he documented, has beggared the nation. Like the Thai scientists and nationalists who would shortly meet on building the Kra Canal, to secure Thailand's economic future (see article, p. 12), St. Petersburg Gov. Vladimir Yakovlev told the Forum that infrastructure megaprojects should be part of the solution for Russia. "The Trans-Siberian route should terminate in St. Petersburg," he said.



Dmitri Lvov

The other major event this spring that reviewed the physical potential of the Russian economy, was a May 27-29 conference called "An Assessment of Russia's National Wealth," organized by Academician Dmitri Lvov in Moscow. Lvov, the academic secretary of the Academy's economics division, presided over an inventory of what Russia has lost, and what it has left, after seven years of "reform." The resulting estimate, according to an RIA Novosti report, was that the country has lost the equivalent of \$1.2 trillion of its "national wealth," or triple the losses in industry and the economy during World War II. In these seven years, more than 70,000 factories, including 5,000 large facilities, shut down. Russia has stopped farming 60% of its arable land, and the population has shrunk by 3.8 million. In a May 21 interview with *Finansovyye Izvestiya*, on the eve of his conference, Lvov argued that an accurate physical economic estimate of Russia's potential is an essential problem for the nation to solve, since it shows that Russia should be a rich nation, rather than slipping into the Third World.



Leonid Abalkin

Stroyev addresses the government

Yegor Stroyev brought some of these themes onto the national stage again on June 23, in his speech to the expanded

government session where Kiriyenko presented his new austerity plan. Stroyev recalled his skepticism, due to "the discrepancy between the tone and the real situation," in early 1998, when the previous government proclaimed that Russia was about to transit to "sustained economic growth."

"Unfortunately," said Stroyev, "neither the critical and constructive proposals made by the speakers nor the series of concrete decisions passed by the Federation Council on the role of the state in the emergence of the market economy, industrial policy, the improvement of the credit and financial system, on monopolies and excise taxes, were heeded or adopted at the time we put forward our program. As a result, in the first five months of this year the budget has received 7 billion rubles less in revenue, and spent 33 billion rubles more than last year to service the government debt. For the first time, we have a negative balance of payments. Arrears on wages and allowances run into many months, an intolerable situation.

"We sought to establish an open economy, but it turned out to be an economy opened wide up, and unprotected, to external crises and criminal forces within the country, which have come to dictate the rules of the game and the rules of operating in the market."

He attacked the sale of Russian manufactures abroad as scrap metal, at dumping prices, "at a time when all the factories have stopped." When duty-free import of sugar was allowed, he charged, it ruined beet-growing in Russia, depriving people of jobs and the budget of revenue.

Russia must choose between debt slavery, and development, said Stroyev. The country is at a crossroads, where "one way is to slide along the trajectory that has led to the crisis: continued external borrowing, the destruction of industrial and scientific capacities, and the build-up of pyramids of short-term government bonds." Monthly spending for the "upkeep" of the bonded debt pyramid (interest, and redemptions when necessary) already exceeds monthly budget revenue.

What Russia must do, Stroyev said, using the language of Glazyev's programmatic writings, is "pursue a vigorous industrial policy, support domestic producers, create bridgeheads for entering the 21st century. Nothing will happen by itself." He presented an investment scheme, in which the regions would take initiative, as opposed to the current concentration of 80% of Russia's financial capital in Moscow. He proposed to deploy the deposits of the Sberbank, the state savings bank, for investment in the productive sector in each region.

"Even without foreign borrowing, it would suffice to invest in the real sector of the economy at least the money of Sberbank in each territory. This would make possible a dramatic reactivation of the economy. . . . Not a single region in the country has less than 1 trillion rubles on deposit in Sberbank. Put it into production, and the question will be

resolved tomorrow.

“External debts, as well, should be incurred only for the productive sector, not for the benefit of speculative capital. . . . We should lay the foundation for long-term projects based on the latest technologies, and with a high rate of return. This will be for the benefit of our children. . . . It is high time to set up a special Presidential commission to unite domestic science, to review the accumulated experience, and to encourage domestic banks to take concrete actions, and gear toward 21st century technologies.”

At a press conference one week later, Stroyev denounced the current “tight money” policy as a prescription for permanent diversion of funds from the productive sector, into the GKO pyramid. “There is another option: to make sure, despite all odds, that advanced, 21st-century technologies are financed. This would create a tax base that will stimulate the development of domestic production.” At present, he said, funds from the regions flow to Moscow, and “are used for various purposes, most often the redemption of GKO’s. Let the regions keep the money, and direct it into production. That money alone will be enough to bring about an economic recovery, if the money goes to support progressive and forward-looking programs in industry and agriculture.”

The political dimension

Scant press attention in the West notwithstanding, Yegor Stroyev is a major national political figure in Russia. An article in *Nezavisimaya Gazeta* of June 9, one of many commentaries on the prospect of yet another complete overhaul of the Russian power structure, focussed on his potential role, if Kiriyenko turns out to have been a “temporary” figure. Author Sergei Dunayev wrote that Stroyev had probably been offered the premiership in April, but didn’t want it, after Glazyev had warned him that the financial pyramid was about to blow, and he didn’t want to be in charge when that happened. As “the new government’s status and power capacities seem to have tapered, the Oryol Governor discerns additional room for maneuver, which is indicative of victory, rather than defeat, in the government crisis.”

Glazyev’s ideas came through another political channel, in May, with the circulation of a “program of escape from the economic crisis,” adopted by a new political bloc, the Social Democratic Association (SDA). The daily *Pravda* reported on June 4 that “many well-known economists, specifically, Sergei Glazyev, took part in drafting it,” in order to chart a way “to prevent the final breakdown of the economy of Russia and the impoverishment of society, and [to create], before the end of the 1990s, conditions for the country’s extrication from profound socioeconomic crisis.”

The SDA was proclaimed by its organizer, Oleg Rummyantsev, as a “third force,” based on “an alliance of social democrats and progressive patriots.” (In 1993, Rummyantsev was

chairman of the Supreme Soviet’s Constitutional Committee, when President Yeltsin abolished the Parliament, and then crushed it by force.) Looking to 1999 parliamentary elections, Rummyantsev said he would try to unite Sergei Baburin’s Russian Public Union, Dmitri Rogozin’s Congress of Russian Communities (KRO), Glazyev’s section of the Democratic Party of Russia (DPR), and other figures, such as Moscow Mayor Yuri Luzhkov.

The SDA draft program incorporates protectionist measures in foreign trade, as well as drastic steps to promote real investment, including creation of “a state financial and credit structure (an investment bank) for the efficient concentration of funds, the pursuit of a single resource policy, and supervision of the targeted use of long-term investments.” The SDA program addresses “the menacing dimensions of the payments for servicing the public debt,” with a call to “restructure the domestic debt obligations, [incurred] as a result of the thoughtless build-up of public financial pyramid schemes.” As opposed to “blind following of the prescriptions of the IMF,” whose “regular upheavals on Russia’s financial markets . . . are acquiring an increasingly menacing nature for the country’s national security,” the SDA calls for monetary and credit policy that supports “the interests of the development of our own production.”

Only a healthy economy will save the ruble

Dr. Taras Muranivsky’s articles in the Moscow press regularly draw attention to the dynamic relationship between Russia’s crisis and the world financial breakdown. His latest, excerpted here, appeared in Ekonomicheskaya Gazeta, No. 26, June 18, 1998.

If Russia follows the “rescue technology” for currency speculators, as developed by the IMF, there will be not a kopeck for the Russian economy. . . . In reality, the collapse of the world financial system was the main reason for the economic and financial tremors in virtually all countries and all continents. Russia has, so to speak, picked up the baton from Southeast Asia, with respect to a negative influence on international finances.

Therefore, the assertion of Central Bank chief [Sergei] Dubinin, that several (as yet unnamed) currency speculators acted against the Russian markets, for the purpose of gaining by an attack on the Russian ruble, sounds the most

What can't be balanced

Some Russian coverage of Kiriyenko's "anti-crisis" plan, dubbed it a return to "statist" economics. In the middle of his June 23 speech, which presented drastic budget cuts across the board, the Prime Minister expounded the need "to ensure the development of production." He made hints in this direction, in his speeches to the Duma during the confirmation process in April, where he outlined a debt-moratorium plan for Russian industrial firms, under which a portion of their old debts, from the quadruple-digit inflation in the early 1990s, will be segregated and deferred for a long time, if current payments are made. There is also some tax relief for manufacturers, relative to the raw materials-extracting companies.

Kiriyenko told a June 21 TV interviewer, that he had met with a "working group of the Federation Council," while attending the Petersburg Economic Forum, which group was also working on "concrete proposals" to get out of the crisis. He added that, in addition to formalizing his recent meetings with leading financial magnates, into "a council of representatives of government and big business," he was "conducting discussions with the Academy of Sciences, about setting up a similar council for consultations."

In his crisis plan as a whole, however, Prime Minister

Kiriyenko's hopes about industrial revival took a back seat to his insistence upon "living within our means," i.e., cutting budget spending by nearly one-third, laying off 20% of government employees, slashing everything except for debt service.

Foreign Minister Yevgeni Primakov reflected in a June 25 speech in London, at the Royal Institute for International Affairs, on the interface between Russia's situation, and the global markets. "Why did the Asian crisis hit Russia so hard?" asked Primakov, "Because foreign investment was mostly portfolio investment in Russian government bonds. When the Asian crisis engulfed such strong countries as Japan and South Korea, many of those who had invested in Russian state bonds started to plug their own loopholes, by taking money from Russia."

Primakov said his country's priority had to be real economic growth. "We didn't pay enough attention to economic growth, because we were focussed on macroeconomic financial stability, at the request of the IMF." Now, "There is no question of returning to the past. But we can learn from the United States. During the process of recovery from the Great Depression, Roosevelt took some state measures, tax measures that benefitted the development of industry. These are areas on which we plan to focus."

plausible. Back on Sept. 20, 1997, Malaysian Prime Minister Mahathir bin Mohamad cited this reason, blaming specific currency speculators and the IMF for the devaluation of the Malaysian ringgit and the national currencies of other Asian countries. . . . Russia has now become a staging ground for these speculative games; instead of investment in production, Russia defends the interests of speculative capital, which invests huge sums in the stock market. This is why, under the guise of saving the ruble, the Central Bank decided to triple the refinancing rate. Anyone can see where this will lead. The fire may be smothered for some period of time. But, since the domestic debt will grow at a fantastic rate, it will be necessary to find means to pay it off. Then, suddenly, the speculators will attack again on the financial markets, and again the markets will have to be saved with new foreign currency injections, even larger than the last time around. . . .

Sergei Kiriyenko's government has turned out to be stuck in the slough of the ideological conceptions which guided the Chernomyrdin team. Have they really still failed to realize, "up there," what a mortal threat the ideology of monetarism represents to Russia and its very statehood? . . .

The problem is not that some government officials lack energy or executive zeal in tax collection. . . . Economic

practice is always based on certain theoretical conceptions. . . . For example, we have been convinced, that the widely advertised theory of Adam Smith, and its modern monetarist adherents, is unacceptable, not only for the purpose of saving the ruble from devaluation, but for restoring the economy of Russia. The well-known Russian economist and statesman from the turn of the 19th to the 20th century, S.Yu. Witte, pointed out the colonialist nature of A. Smith's theory, while our contemporary, the American economist Lyndon LaRouche, emphasizes that "free trade" was always "a policy, imposed by Britain on countries, which were its victims." . . .

In order to bring Russia out of its economic crisis, the recommendations of LaRouche and other economists, on the reorganization of the international financial system by governments of sovereign nations, through an organized bankruptcy process, are ever more urgent. The speculative "bubbles," with their unjustified diversion of resources and hindrances to investment in the real economy, must be given the chance to "pop in an instant," depriving them of the ability to parasitize on the body of the economy in the future. Revenues from tax collection and from domestic and foreign borrowing, should be directed to the development of production and productive infrastructure. Only then, may the ruble be saved from inevitable devaluation.

Russia boosts India's nuclear power program

by Ramtanu Maitra and Susan B. Maitra

Under pressure from the U.S. ban on technology transfer following the recent testing of nuclear devices, India got some relief when, on June 23, visiting Russian Energy Minister Yevgeny Adamov signed a \$2.5 billion deal to set up two 1,000 megawatt light water nuclear reactors in Koodankulam, in the state of Tamil Nadu.

The deal, which was finally clinched after a decade of protracted negotiations, not only points to the existence of special ties between India and Russia, but it stands out as the first nuclear deal between India and any foreign supplier in nearly three decades. In essence, Russia has broken the Western blockade on nuclear technology for peaceful purposes imposed against India when the country first tested its nuclear weapons devices in 1974.

That political significance of the Indo-Russian agreement became evident when U.S. State Department spokesman James Rubin, referring to the deal on June 22, said that Moscow had sent the "wrong signal at the wrong time." Rubin scolded Moscow for undercutting "the good work we have done together in the Permanent Five [permanent members of the UN Security Council] and the G-8 to get India to understand that nuclear testing does not bring rewards." Interestingly, London chose the identical words to denounce the deal on June 25, adding that Britain would urge Moscow to reconsider the decision.

Boost to India's nuclear power sector

Responding to Washington's and London's protestations, Russia's First Deputy Atomic Energy Minister Viktor Mikhailov said: "By constructing the atomic power station in India, Russia is not violating any of its international obligations, since this was purely a case of cooperation in the field of peaceful atomic energy." In an obvious reference to the voices of displeasure in the West over the deal, Mikhailov pointed out: "Russia does not like to lose a good market which would not only bring it money, but also provide jobs for its highly trained specialists."

The Koodankulam nuclear project is also expected to provide a boost to India's nuclear power program, which, over the past 15 years, has slowed to a crawl. India indigenously produces 235-megawatt CANDU-type heavy water reactors,

and is now in the process of developing a 500 MW version of the same, and also a prototype of the French-type sodium-cooled fast breeder reactor. The last time India imported reactors was in 1969, when the U.S. firm General Electric supplied two 160 MW boiling water reactors, located in Trombay in the state of Maharashtra.

The Koodankulam project, expected to be completed in six and a half years in the power-short southern Indian state of Tamil Nadu, will be placed under International Atomic Energy Agency safeguards. The \$2.6 billion cost of the project will be paid to Russia in hard currency.

On fusion research

Equally significant is the fact that during his recent visit, Energy Minister Adamov visited the Bhabha Atomic Research Center (BARC), India's prime atomic research center. There, Adamov discussed with India's Atomic Energy Commission chief, R. Chidambaram, the prospect of setting up an Asian Thermonuclear Research Fund (ATRF). The Indian Department of Atomic Energy has reportedly shown considerable interest in the venture.

The aim of setting up the fund, as reported, is to bring together the intellectual and industrial resources of the Asian countries for research in the field of thermonuclear fusion and plasma physics. It has been pointed out that although a number of Asian countries have pooled their resources to conduct nuclear fission research, Asia—unlike Europe, where the various countries fund the Joint European Torus fusion research program—has no joint program in this area.

The ATRF project has been percolating for some time. In February 1996, Moscow hosted the first international meeting of representatives of nuclear research institutes and industrial corporations from India, China, and Iran to establish an ATRF. Among other nations attending the conference were Pakistan, South Korea, Kazakstan, and Uzbekistan.

At BARC, Adamov and Chidambaram also discussed the establishment of a modern technological and industrial base for thermonuclear power engineering, essential for providing materials that can contain the very-high-energy plasma. According to available reports, both officials called for establishing an International Thermonuclear Research Center, where a Joint Asian Thermonuclear Experiment unit could be installed.

Although India has a modest research program at the Physical Research Laboratory in Ahmedabad, where high-energy-plasma experiments are carried out in a small tokamak, and a rather developed laser capability at the Center for Advanced Technology in Indore, the joint Asian effort for thermonuclear research will require a large number of scientists and engineers trained in multiple scientific disciplines. The goal of the ATRF will include promotion of national research programs and international certification, provision of assistance in training qualified engineering and research

personnel, and organization of international conferences and seminars on plasma physics and controlled thermonuclear fusion.

A fresh beginning

From the standpoint of Indo-Russian bilateral relations, the primary significance of the nuclear power plant agreement, however, lies in the fact that the deal itself may become the harbinger of wider cooperation between India and Russia in the coming decade. In the early days following the collapse of the Soviet Union, with which India had had a strong military and a substantial scientific relationship, confusing signals emanated from Moscow. There were several explanations making the rounds. Among them, changes in the territory of the erstwhile Soviet Union, Russia's improved relations with the United States and China, and India's waning interest in Moscow as a strategic ally were often cited. Moreover, Russia's foreign policy under Foreign Minister Andrei Kozyrev was arguably re-oriented to satisfy the interests of the United States and western Europe.

Confusion was heightened dramatically in July 1993, when Moscow, under pressure from Washington, froze a 3.05 billion rupee deal between the Russian space agency Glavkosmos and the Indian Space Research Organization (ISRO) for sale of cryogenic rocket engines and transfer of associated technology to India. Washington claimed that the deal, signed in January 1991, violated the Missile Technology Control Regime, which had been designed to restrict transfer of technologies that could help develop missiles which can carry warheads heavier than 500 kilograms over a 300 kilometer range. According to ISRO's plans, cryogenic engines were to replace the top two stages of the Polar Satellite Launch Vehicle, and the payload could be increased to launch multi-purpose satellites into geostationary orbit, approximately 36,000 kilometers above the earth.

Indo-Russian bilateral relations began to find their old track once again following the 1996 visit to India by Foreign Minister Yevgeny Primakov. New Delhi's persistence over the years, even when Moscow was only looking westward, bore fruit in 1997, when Russia and India brought the Koodankulam nuclear reactor deal back to the forefront, along with a host of other economic agreements, including a plan to forge a free trade or preferential trading area, with participation of other Commonwealth of Independent States members.

Military-industrial ties

Subsequently, Indo-Russian defense ties have been strengthened considerably. India has already received eight Su-30 jets, and Moscow has agreed to provide New Delhi with the second batch of 10 SU-30s, with Western avionics. India received the ninth Kilo-class submarine from Russia last year, and yet another is expected to be delivered this year.

Reportedly, the Russians are collaborating with the Defense Research and Development Organization in the development of the Advanced Technology Vehicle, a nuclear-powered submarine which will also serve as the launch platform for Sagarika cruise missiles.

Both Indian and Russian defense scientists are also involved in developing an advanced antiballistic-missile air defense system. Russian expertise in this area is important for India, since Moscow has developed the S-300-PMU-1 anti-tactical ballistic missile system, believed to have a clear edge over the Patriot anti-missile system developed by the United States. The Indo-Russian military-technical program, started in 1994, will continue to 2010, and the cooperation is likely to exceed \$16 billion.

Following the imposition of the ban on technology transfer, there were reports of the cancellation of an agreement between the U.S. firm Lockheed Martin and India's Aeronautical Development Agency for the development of the light control systems for India's Light Combat Aircraft (LCA), and rumors have it that the ban may also lead to cancellation of the next batch of GE 404 engines. Indian Defense Minister George Fernandes told the Indian Parliament recently that India's Gas Turbine Research Establishment of Bangalore has indigenously developed Kaveri engines, and these engines will be taken to Moscow for testing soon. The first set of LCAs, however, will be powered by the proven GE 404 engines.

There is every indication at this point that Indo-Russian cooperation will grow significantly in the coming days. Indian Defense Secretary Ajit Kumar has just concluded a "highly successful" trip to Russia, during which he was received in Moscow by Defense Minister Marshal Igor Sergeev. The trip also ensured a 10-year defense cooperation program between India and Russia, which was consolidated at a regular meeting of the joint working group on military-technical cooperation. The agreement will be signed by President Boris Yeltsin when he visits India in December.

The highlight of the new program will be the development of the antiballistic-missile system, as well as India's indigenous systems and the earlier-supplied Russian air defense complexes such as Osa, Strela-10, and Shika. Senior Russian officials, who had discussions with the Indian delegation, emphasized that "defense cooperation will not only continue, but there would be greater depth and it would cover a wider field," a news daily reported.

The visit of the Indian Defense Secretary was given little publicity, and it became evident that both sides want to keep the details of the agreement secret. The joint press conference by the co-chairmen of the working group, Indian Defense Secretary Kumar and Russia's First Deputy Defense Minister Nikolai Mikhaikov, was cancelled at the last minute. The Russian Defense Ministry said the press conference was called off at the request of the Indian side.

Thailand rethinks IMF, looks to great projects to end depression

by Michael O. Billington

One year ago, on July 2, 1997, Thailand succumbed to a sustained, multibillion-dollar assault from the world's leading hedge fund speculators, announcing a float of the Thai baht, and setting off what became known as the "Asian contagion." On the first anniversary of that black day, Thai Deputy Prime Minister and Commerce Minister Supachai Panitchpakdi, the closest adviser to Thai Prime Minister Chuan Leekpai, pronounced bluntly: "The IMF [International Monetary Fund] was wrong. They did not expect the crisis to spread out to other countries in the region—we had to warn them that we would face a severe recession."

Supachai should know. Not only was Thailand the first of the financial explosions, now erupting around the world at an accelerating rate, but it was also the first nation in the current crisis to be subjected to the IMF's "cure"—a medicine that has proven to be far worse than the disease. Although Thailand rigorously implemented the draconian austerity measures demanded by the IMF in exchange for a few billion dollars of (primarily) debt relief, the promised recovery at the end of the road has never emerged, while the Thai economy and its citizens have been battered. Even the IMF has been forced to acknowledge that an economic recovery in 1998 was pure fantasy. Most analysts predict continuing decline through at least late 1999.

However, the reality is far worse, and many Thai leaders see the real danger ahead. Deputy Prime Minister Supachai, two weeks before his swipe at the IMF, used "depression" to describe situation. "The second Asian crisis," he said, referring to the stock market and currency collapse, led by the fall of the Japanese yen, "would mean the first worldwide depression. Asia's second crisis . . . would pull the whole world into it. It would be like a black hole."

EIR Founder Lyndon LaRouche has warned repeatedly that the so-called Asian crisis is, in fact, a systemic crisis of the world financial system, and can only be solved through the replacement of the bankrupt IMF-centered monetary system. Telling the truth about the IMF and about the systemic nature of the crisis, as Supachai has done, is a crucial first step in rallying the Thais, and patriots of other nations, to take the emergency measures required to prevent the descent into chaos.

Dr. Mahathir bin Mohamad, Prime Minister of Malaysia, Thailand's neighbor, has been the most outspoken national

leader over the past year to identify the crimes of the speculators and the IMF, as *EIR* has documented. His unwillingness to bend to the new colonialism has provided leaders around the world with the courage to speak out—and nowhere more so than in Thailand. Although many Thai leaders at first distanced themselves from the outspoken Malaysian Prime Minister, Dr. Mahathir has now become a major topic of debate in the country. Bangkok's *The Nation* editorialized on June 12 that "perhaps Dr. Mahathir will have the last laugh." Mahathir, they write, "is no communist" when he lambasts globalization and speculation. "In that, he is almost alone. The media ceaselessly lampooned him when he blamed the likes of billionaire George Soros for the collapse of the Asian currencies. Perhaps Mahathir will be proven right after all." Pointing to the growing expectation of a collapse of the bubble economies of Europe and the United States, *The Nation* continues: "Should that be the case—and it is more a question of when—perhaps the West would be forced to recognize the danger of a global economy running wild, and the enormous power wielded by Mahathir's bugbear, the global investors and currency speculators."

The breakdown

The rate of collapse is escalating. With IMF-dictated interest rates and budget restraints draining credit out of the economy, Thai manufacturing has fallen 16% over the year. Thai exports, which the IMF promised would boom with the nearly 40% devaluation of the currency, have grown at a slower pace than the decline in export prices due to global price depression, leaving a trade surplus dwindling toward zero. State railway employees are facing payless paydays, adding to the fear of labor unrest. A mass march on Bangkok by destitute farmers was narrowly avoided by a one-year debt moratorium to one group of farmers, a partial measure that is unlikely to relieve the pressure from the rural area.

The government plans to sell \$10 billion in government bonds, half foreign, half domestic, to bail out the burgeoning bad loans of the banks and financial institutions (now over 30% and growing), and to provide some credit. The plan was subjected to stiff opposition in the Parliament, since it will effectively transfer private debt to taxpayers. However, the bonds are facing another problem: They can't be sold, except at usurious rates. The government postponed the issuance of

the foreign bonds, perhaps with an eye on the Russian fiasco, where foreign bonds are being offered at interest rates above 100%. As to the domestic bonds, the first offering of 5 billion baht (about \$120 million) on June 22, sold only 90% of the offering at the maximum allowed yield of 15%. Most of the sale went to offshore banks at the Bangkok International Banking Facility, taking advantage of a desperate move by the government, which allowed the banks to substitute these bonds for one-third of their currency reserves! This kind of “creative accounting” courts disaster.

The Thai banking system is also well on its way to becoming a *foreign* banking system. Booz-Allen and Hamilton’s senior vice president for Asia, Ronald Stride, has predicted that only four Thai banks will remain under Thai ownership when the smoke clears. This was the subject of an *EIR* warning in 1997, based on an analysis of the takeover of a majority of Ibero-American banks, by primarily British Commonwealth interests, after the 1994 Mexican crisis. The only reason most Thai banks have not already been gobbled up at severely depressed stock values is that the vultures are waiting for dead meat, knowing that prices are still far from hitting bottom.

Saving industry

But the Thais have taken some constructive measures to circumvent the IMF-imposed strangulation of their economy. The Chuan government believes, not without reason, that simply lowering interest rates, while speculators still abound, could provoke another run on the baht. It is estimated that every baht devaluation (the currency is now hovering around 41 to the dollar) translates into a \$2 billion increase in the nation’s foreign debt service. Prime Minister Chuan, therefore, took another approach. In a project called “debt compromise,” the Finance Ministry has set up a special “Joint Public and Private Consultative Committee,” chaired by Prime Minister Chuan, which will work out arrangements directly between major industries and their bankers to roll over existing debt, while also “lending into arrears,” i.e., extending new loans to indebted firms in order to enhance production. Banks and industries will be given significant tax breaks in return for their participation. Small and medium-sized businesses, and their banks, will be offered the same tax breaks for reaching agreements on their own, as will banks which extend home mortgages to help struggling homeowners.

Neighboring Malaysia, which has not subjected itself to an IMF diet, has established a more direct route to achieve a similar result. An “Asset Management Company” (AMC) was established by the government to lend selectively, but directly to firms suffering from forced devaluation and the depressed regional economy, but which firms are viable and crucial industries for the nation. Such dirigistic measures, similar to the methods of Alexander Hamilton and Franklin Delano Roosevelt, are ridiculed as “corruption” and “crony-

ism” by the IMF.

At a special meeting of Thailand’s leading economic ministers with Prime Minister Chuan on July 6, it was determined that Thailand, too, must have a government institution capable of lending to the real economy in addition to their “debt compromise.” Explaining that they understand the real situation better than the foreign (and IMF) experts, the ministers announced that they would insist on adjustments when an IMF team arrives at the end of July.

The Kra Canal

Most indicative of the emerging resistance to the IMF stranglehold on the Thai economy came at a July 4-5 forum, sponsored by the English-language *The Nation* newspaper, titled “Can Thailand Be Saved?” Fifty of the country’s top economists, business leaders, and academics, including former ministers and advisers to the Chuan administration, heard Vichai Panphoka, Bangkok-based general manager of Germany’s Dresdner Bank, call for reviving “great projects” to defeat the depression, including construction of a canal and industrial development zone across the Isthmus of Kra in southern Thailand. The Kra Canal was the focus of international interest and extensive planning in the 1970s and 1980s as one of the global “great projects” required to reverse the decline into “post-industrial society,” and to pave the way for the full-fledged industrialization of Southeast Asia. *EIR* and Japan’s Global Infrastructure Fund played key roles, working with leading Thai business, academic, and military circles, in building support for the project through a series of seminars, the last in 1988.

At *The Nation*’s forum, three professors from Chulalongkorn University’s Economics Faculty eloquently situated Thailand’s crisis, not as an isolated phenomenon, but as part of a regional and global crisis. Prof. Pairoj Wongvipanonda called for a global solution, requiring U.S. support, saying, “We need a Marshall Plan to stimulate the region so it does not collapse.” His colleague Somkiat Osathanugrah situated the Kra Canal in Thailand’s role as a link, north-south, between continental Asia and the Southeast Asian archipelago, and east-west between South Asia and China. On the relation between interest rates and exchange rates, Somkiat said, “This is a global issue. The U.S. must take a lead in this new world economic order.”

Dr. Pasuk Pongpaichit went further, urging leaders of crisis-wracked Thailand, Indonesia, Malaysia, and Korea to seize the opportunity to increase their collective bargaining power, globally, on several issues, including debt restructuring—an idea clearly in line with Helga Zepp-LaRouche’s recent call in *EIR* for creation of a new Non-Aligned Movement committed to fostering the equal right of all nations to scientific and technological development.

Only a return to such technological optimism, under a new, just world financial system, can end the looming global depression.

Business Briefs

Finance

Globalizers snap up Southeast Asian firms

European and U.S. firms have bought up \$32 billion in assets of distressed firms in Southeast Asia in merger and acquisition deals, since the beginning of the year, according to Daniel Schwartz, publisher of the Hong Kong-based *Asian Venture Capital Journal*, the Singapore *Straits Times* reported on June 22. The number of deals is given as 479 just for the first four and a half months, far outstripping the rate of 711 deals for all of 1997, worth \$59 billion.

Leading the feeding frenzy are multinational corporations, banks, and money managers. Michael Koenke, chairman of mergers and acquisitions at Merrill Lynch Securities, said that many more potential buyers are sitting on the sidelines, waiting for the prices to drop even further. The *Straits Times* noted the concern of regional leaders in Malaysia, Thailand, and South Korea, that they are "losing control of their economic destiny" as a result.

Economic Policy

Hamilton revival boosted by author

"Restore Hamilton to His Pedestal," is the headline of a commentary in the July 3 *New York Times*, penned by Michael Lind, the Washington editor of *Harper's* magazine, and a leading promoter of the Hamilton "revival" over the past years. Lind bemoans the fact that Hamilton, the author of the *Report to Congress on Manufactures* and several other reports on banking and credit policy which have become known as the "American System" of economics, has been taken down from the American pantheon of Founding Fathers over the past 25 years, now to be vilified as part of "big government."

Lind is on solid ground in identifying Hamilton's key role in founding the United States, establishing the basis for its becoming an industrial power, and creating a national government strong enough to enforce

such things as civil rights. He contrasts Hamilton to Thomas Jefferson on the issue of slavery and industry. While Hamilton wanted an alliance between industry and finance, Lind scores business for opposing government as a "hindrance to their personal profit," and the "left" for liking government, while hating business.

"If either side should prevail, America will come to resemble a continental chaos of squabbling ethnic groups with an incompetent military, a feeble government and an economy that enriches only a tiny oligarchy," Lind writes.

Lind calls for renewing the Hamilton tradition, but then reveals his weakness by citing as one of the symbols of that tradition, the oligarchy-controlled, private Federal Reserve System. Also glaring, of course, is the omission of reference to today's successor to the Hamiltonian tradition, Lyndon LaRouche.

Eurasia

Iran, Russia pen accord on transport, shipping

Iran and Russia signed a letter of understanding on surface transportation and shipping on June 20. The agreement was signed by Iran's Roads and Transportation Minister Mahmoud Hojjati and his Russian counterpart Sergei Frank. Among other provisions, the letter provides for improving every existing capacity for surface transport between Iran and Russia, and shipment across Iran of cargo between Asia and Europe. The agreement also provides arrangements for improving Caspian Sea shipping and adjusting port tariffs for smooth traffic of authorized shipping between the two countries.

Meanwhile, Iranian Deputy Minister of Roads and Transportation Rahmad Dadman, who is also managing director of the Railways of the Islamic Republic of Iran, was elected head of the Silk Road group of the International Railways Union, the June 22 *Tehran Times* reported. The election apparently took place during a meeting of railway representatives of 25 nations in Brussels.

Dadman told the meeting, on World Important Corridors, that east-west and north-

south rail links will connect Asia to Europe, and Central Asia via Iran to the open seas. He reported that Iran intends to reform its construction and operating systems of the railways, and is seeking foreign investment to enhance these plans. Dadman's proposal for five working groups to be set up to research ways of expanding rail networks on the five important world corridors, was accepted by the conference.

Transportation

Maglev program gets another chance in U.S.

The Transportation Equity Act for the 21st Century, referred to as TEA-21, which has been signed into law by President Bill Clinton, authorizes a potential \$1 billion "magnetic levitation transportation deployment program." For more than 20 years, transportation planners and legislators, especially Sen. Daniel Moynihan (D-N.Y.), have tried to begin a program of developing a maglev transport system in the United States.

In Phase I, the funding would start in fiscal year 1999, with \$15 million allocated from the Highway Trust Fund; \$20 million from the fund would be applied to the program in FY 2000, and \$25 million in FY 2001. These amounts would be used to conduct detailed engineering studies of potential corridors for a maglev system, such as Baltimore-Washington, Las Vegas-Los Angeles, or Atlanta-Chattanooga. After the engineering studies are completed, Congress will decide if the competition has produced "a viable project," according to a staffer at the House Transportation Committee.

Phase II involves the remaining nearly \$950 million required for the construction of a working maglev system, which is not authorized to be taken from the Highway Trust Fund, but will have to be appropriated by Congress during the annual budget cycle over several years. The Federal funding cannot be more than two-thirds of the total cost of the system, and Congress prefers financing to be through public-private partnerships.

MOBIL OIL and Kern Energy-Texuna, an Anglo-Chinese consortium, on June 16 won the first tenders to develop Turkmenistan's Caspian Sea oil deposits. Mobil acquired the rights to develop the Serdar deposit (also claimed by Azerbaijan), with estimated reserves of 150-200 million metric tons of oil. Kern Energy-Texuna will develop the smaller Gapan oil and gas field.

ROBERT RUBIN, the U.S. Secretary of the Treasury, commented that the crisis in Southeast Asia is "truly unprecedented," during a visit to Malaysia on June 28 and 29. Rubin also visited Thailand and South Korea.

ISRAEL'S unemployment rate rose to 8.8% in April, at 198,000, up from 8.3% in January and 7.7% last year. It has steadily increased by 0.1% every month. Amir Peretz, chairman of the Israeli Histadrut trade union movement, has demanded that Prime Minister Benjamin Netanyahu "immediately form a national emergency headquarters to combat unemployment."

DURABLE GOODS orders in the United States dropped 2.6% in May. Orders for primary metals, such as steel, fell 4.1%, and orders for industrial machinery and equipment fell 6.8%. Merrill Lynch economist Gerald Cohen said, "Asia's collapse and a domestic inventory overhang are taking a toll."

TOYOTA faces a downgrade of its top-rate triple-A long-term debt, affecting \$2.87 billion worth of securities, Moody's announced on July 3. Peter Boardman of Warburg Dillon Read said that the downgrade is not warranted. "It's a country risk and not a company risk," he said.

SOUTH AFRICA has concluded a \$175 million arms-for-oil deal with Libya, in overt defiance of a UN arms and trade embargo imposed on Libya for its refusal to hand over two suspects falsely accused of the bombing of Pan Am Flight 103 over Lockerbie, Scotland on Dec. 21, 1988.

According to the U.S. representative of the German Transrapid, it is a "big, intimidating challenge to come up with the one-third private money." He, and a handful of others who have been lobbying for a maglev system in the United States for many years, believe that the only way to finally get it built, is to get some private capital into the project. The need for a "new approach" was indicated by a staffer for the House Appropriations Committee, who reported that maglev funding had been authorized in the previous multi-year transportation bill, known as ISTEPA, but the funding was never appropriated.

Health

Report on AIDS gives alarming global picture

On June 22, UNAIDS and the World Health Organization issued a report on the global HIV-AIDS epidemic. The report indicates that by the beginning of 1998, more than 30 million people worldwide had been infected with the human immunodeficiency virus, which causes AIDS, and that 11.7 million people had lost their lives to the disease. There are nearly 16,000 new infections per day. During 1997 alone, there were 5.8 million new HIV infections, and some 2.3 million people died of AIDS. In roughly the same number, HIV infections developed into symptomatic AIDS. HIV is among the top 10 killers worldwide, and, given current levels of HIV infection, it may soon move into the top five, overtaking diarrheal diseases.

Nearly 600,000 children were infected with HIV in 1997. The number of children under 15 who have lived or are living with HIV since the start of the epidemic in the late 1970s has reached around 3.8 million; 2.7 million of them have died.

The areas hardest hit are in the developing world, mostly in nations least able to afford to care for those infected. Roughly 89% of people with HIV live in sub-Saharan Africa and the developing nations of Asia, which between them account for less than 10% of global Gross Domestic Product.

Demographically, HIV has caused huge increases in death rates among younger adults, just the age when people are having children. In rural areas of East Africa, 4 of every 10 children who have lost one parent by age 15 have been orphaned by HIV-AIDS. Some 8.2 million children have lost their mothers to AIDS. In 1997 alone, approximately 1.6 million children were orphaned by HIV, over 90% of whom live in sub-Saharan Africa.

In eastern Europe, the rise in infection rates has been dramatic. At the start of 1995, there were about 30,000 infections among its 450 million people. But, since then, infections have increased sixfold. By the end of 1997, some 190,000 adults in the region were living with HIV infection. In the Russian Federation, it is estimated that for every person who has tested positive for HIV, another six, who are untested, are infected.

Central Asia

Turkey-Turkmenistan gas pipeline under way

Turkey has completed a tender to construct a natural gas pipeline from the town of Erzurum in eastern Anatolia, to Ankara, the capital, as part of a project linking the country to Turkmenistan and Iran. The tender for a 1,215 kilometer (755 mile) section of pipeline was issued in December, and bids were received in March. Contract negotiations are now set to begin with the companies selected for each of the four sections of the pipeline. Turkey's Alarko-Alsim, and Russian-Turkish and Ukrainian-Turkish consortiums were chosen by the Turkish government to build the different sections of the pipeline.

The Turkish section of the pipeline is scheduled to be completed within 19 months. Another consortium was previously awarded a tender to build a 300 km section of the pipeline between Erzurum and Dogubeyazit, near Turkey's border with Iran, to be connected to the line from the western Iranian city of Tabriz. Iran is building a 270 km pipeline between Tabriz and the Turkish border. The pipeline will have the capacity to carry 16 billion cubic meters of gas annually.

Where Franklin Roosevelt was interrupted

by Lyndon H. LaRouche, Jr.

June 16, 1998

So far, since approximately October 1997, when the present, terminal phase of the present global financial crisis began, most of the governments and principal financial institutions of leading nations, have concentrated on supposed, short-term, "crisis management" schemes. The common feature of these schemes, is that each is intended to delay the onrushing collapse, rather than cure it. No such schemes could possibly succeed. At most, some such schemes might delay, ever more briefly, the moment of reckoning.

Usually, as we should have learned from the abortive crisis-management "successes" at the beginning of 1998, the pent-up crisis temporarily postponed in this way, soon erupts with more savage effects, than had it not been postponed. In most cases, such as the repeated, virtually suicidal, hyperinflationary measures taken by Japan's Hashimoto government, the attempted evasion of reality soon makes the situation much worse than had no such "crisis management" been attempted. The obsessive fixation upon "crisis management," which grips the deluded government of Japan, the IMF, and many others, is, itself, presently, the most immediate, single threat to the world economy.

Thus, the underlying problem of policy-shapers is, that, until now, no more than a relative handful is prepared to consider any proposed action which does not find support in prevailing, established, false beliefs about economic policy. Better said: so far, the majority of influential institutions and political parties, have insisted on limiting corrective measures to those actions which do not contradict the very same succession of ignorant prejudices which have governed U.S. economic policy, increasingly, since the late 1960s.

The characteristic mental disease, which affects popular

opinion and leading institutions today, is the obsession with "democratic solutions," delusory solutions, which, rather than consider the truth of the situation, seek to minimize the perceived affront given to the prevailing prejudices among powerful bodies of opinion. In such circumstances, a consensus is always a flight from truth, to disaster. The essence of the matter, is that it is precisely those hitherto prevailing prejudices on the subject of economy, especially those of the recent thirty-odd years, which are the cause for the present crisis. Thus, as the case of Japan's recent hyperinflationary follies illustrates the point, so far, governments and related institutions are attempting to cure the sickness with an overdose of the same disease.

This folly should be recognized as the fruit of a twofold blunder.

The case of Japan's suicidal flights forward exemplifies the leading source of the "bail-out" lunacies which continue to grip the governments of Japan, the U.S.A., and others. As a senior figure of Japan pointed out, sadly, there will be no return to sanity in Japan's policy-making until the presently dominant financial-political forces in Japan, merely typified by the Hashimoto government, eliminate themselves from the scene by the inevitable consequences of their own folly. Thus, in similar fashion, did the fabled Belshazzar prepare the way for the transition to Mesopotamia's Achaemenid dynasty. The presently ruling circles in Japan do not give a damn for the economy of Japan, or the savings of its ordinary citizens; for the ruling financial-political circles, it is the political and financial power of their faction which constitutes their perceived self-interest. Until that "class" is eliminated from power, there is no hope for sanity in Japan's policy-making, or the policy-making of any nation presently in an analogous situation.



President Harry S Truman's baiting and firing of Gen. Douglas MacArthur directly misshaped virtually all U.S. strategic thinking since 1951. Left: Supreme Allied Commander MacArthur signs the document of Japan's surrender, Sept. 2, 1945. Right: President Truman gives MacArthur a Distinguished Service Medal, Oct. 14, 1950. Six months later, Truman fired him.

This is typical. In western Europe, as in the U.S.A., political power is presently concentrated under the control of a class of financial parasites, which find a substitute for both patriotism and even simple morality, in their lunatic personal instinct for financial speculator's greed. For them, it is the perpetuation of that larcenous power, even for another few weeks, which is everything. The people and the real economy of the nation mean nothing to those who are still ruling policy-shaping in the U.S.A., western Europe, Russia, and most other locales.

Apart from the satanic greed of such presently powerful financier circles, the more general blunder controlling public opinion, is the increasingly hegemonic, false assumption of recent decades, that the performance of economies should be regulated by those, actually anti-scientific rules of thumb, which have been taught as conventional financial and monetary measures: rather than by rational forms of physical-economic policies.¹ The concomitant folly expressed by such leading opinion of academics, those of today's "Sixty-Eighter" and younger generations, is a deluded faith in the magical powers of "liberal democracy." Today, when un-

1. The monetarist seeks to explain everything in terms of price, as the marginal utilitarians do. It seems not to occur to such "economists," that the salary received by a Hollywood actress is usually not a mark of the film's artistic value.

pleasant truths are mentioned, most among the "Sixty-Eighters" and "Generation Xers" simply "switch the channel:" "We don't go there!"

In economic policy, as in physical science, a philosophy of policy-making opinion which prefers the ethics of the "sensitivity group," or public-opinion polls, to a sense of truth and justice, defines a society which, like the empire of Belshazzar's Babylon, lacks the moral fitness to survive. The most excellent of all political arts, is that which awakens a people to reject its own well-established opinion, in time to save itself from a self-imposed doom. Those who reject such a change in opinion, are fools doomed by their own stubbornness; they would rather defend their blind prejudices, than discover a solution which cured them of the fatal consequences of their own ignorance.

Until the untimely death of U.S. President Franklin Delano Roosevelt, the post-war policy of the U.S.A. was to have been the elimination of the dominant role of what Roosevelt described as the two most obnoxious features of Britain's imperial policies. These two leading targets of Roosevelt's intended such reforms, were, chiefly, the elimination of the dominant "British Eighteenth-Century methods" (liberal economics policy of Adam Smith) in world economic affairs, plus the eradication of the Venetian, fi-

nancier-oligarchical relics of British, Dutch, French, and Portuguese imperialism.²

The U.S. objective had been, to establish an “American Century,” based on the principle of cooperation among a post-imperial world of perfectly sovereign nation-state republics, each and all enjoying access to those same opportunities for benefits of scientific and technological progress, which U.S. patriots had fought Britain and its puppets, several times, to secure for ourselves.³

For those who know the history of the modern European struggle to free mankind from feudal, financial, and bureaucratic forms of oligarchical rule, and who know the related history of the United States’ mortal conflict with the British monarchy on this account, President Franklin Roosevelt’s anti-Churchill policies for the post-war world, are a reasonably consistent, and effective expression of that for which every true patriot of the United States stood in earlier centuries, and should stand today.

Unfortunately, since that President’s death, the past fifty-odd years of U.S.A. and world history, have turned our nation away from its patriotic heritage. As a result, the world has wandered, step by step, downhill, toward the present, global, systemic financial and monetary collapse. Unless we reverse course now, the planet as a whole shall be plunged, very soon, into a “new dark age,” a catastrophe which echoes the disastrous mid-Fourteenth-Century collapse of the Lombard banking system, but, this time, repeated on a planet-wide scale, and perhaps extended so during a period of two or more generations.

The practical issue is, whether some leaders of several, or more, key, both “industrialized” and “developing,” nations, can come together, to act in concert, to make those radical, global changes in financial, monetary, and economic policy, by means of which civilization might still be saved. Clearly, the best chance for success of such an effort, would be a leading role, among such a group of nations, of U.S. President Bill Clinton, in their joint action to force through, as emergency action, the establishment of a revived Bretton Woods system echoing the best features of the pre-1964 Bretton Woods system, and also fulfilling President Franklin Roosevelt’s aspirations for a just new world economic order, minus

2. The rentier-financier oligarchy and matching political system of “liberalism,” which developed in Portugal, and in Sixteenth-Century Netherlands and England, were directly implanted “clones” of the imperial model of Thirteenth through Fifteenth Centuries’ Venice. The French Empire, established by Palmerston stooge (Louis) Napoleon III, was chiefly a Nineteenth-Century clone of the British Empire.

3. Elliott Roosevelt, *As He Saw It*, 1st ed. (New York: Duell, Sloan and Pearce, 1946). See, also, *Life*, Oct. 12, 1942, in which publisher Henry Luce writes that the United States was not fighting the war in order to perpetuate British imperialism. On the history of the American patriots’ conflicts with our British enemy, see Anton Chatkin, *Treason in America*, 2nd ed. (New York: New Benjamin Franklin House, 1985), and H. Graham Lowry, *How the Nation Was Won: America’s Untold Story* (Washington, D.C.: Executive Intelligence Review, 1988).

the “Adam Smith” system, George Soros, and the sundry kindred relics of British, French, Dutch, and Portuguese imperialism. The practical issue is, whether such leaders are able to recognize, that the cause of all the principal disasters of this planet today, is those ideas which have become tolerated as virtually traditional popular opinion among the leading circles and the majorities of the populations. The question is: are there men and women with the qualities of intellect and will to make such a drastically radical change of direction of policy-shaping, away from today’s institutionalized opinion, even at this proverbial last minute?

Consider the relevant lessons now urgently to be adduced from the past fifty-three years’ changes in policy and practice, from this standpoint.

Eight periods of post-1945 history

Until the 1945 death of President Roosevelt, it could be assumed, that a post-war cooperation established among the U.S.A., China, and the Soviet Union, would counterbalance the combined pro-imperialist, international financier interests, the same imperialist interests, of the British Empire and Commonwealth, the Netherlands, Belgium, France, and Portugal, which were, and still are, presently, centered in the City of London.⁴ This counterbalance would enable the U.S.A. to bring into being a period of world history whose characteristic feature would be a political-economic order based upon the traditions of a United States under Benjamin Franklin, George Washington, Alexander Hamilton, the celebrated Careys, John Quincy Adams, and the Abraham Lincoln legacy. All peoples were to enjoy the right to the principles of national sovereignty set forth in the 1776 U.S. Declaration of Independence, and the right to the American (Hamilton, Carey, Clay, John Quincy Adams, and Lincoln), “protectionist” model of use of scientific and technological progress to foster the increase of the productive powers of labor. This is a fair description of that mood, and outlook which became known, under FDR, as “The American Century” doctrine for the post-war, last half of the Twentieth Century.

Unfortunately, under a misguided President Harry Truman, the crucial features of Roosevelt’s policies were quickly overturned. The deceased Roosevelt’s then-leading political adversary, Britain’s Prime Minister Winston Churchill, and his accomplices assembled around the Harriman-Stimson Wall Street cabal,⁵ used this opportunity to eradicate most

4. This is illustrated, most luridly, by the case of the proposed conditionalities imposed upon looted Indonesia. The effort, by the British and some Australians, to split off a former Portuguese colony from Indonesia (allegedly in the name of “human rights”) illustrates the damnable hypocrisy of contemporary liberalism in general.

5. Henry A. Kissinger, “Reflections on a Partnership: British and American Attitudes to Postwar Foreign Policy, Address in Commemoration of the Bicentenary of the Office of Foreign Secretary,” May 10, 1982, Royal Institute of International Affairs (Chatham House), London. Excerpts are published in *EIR*, Sept. 22, 1995, p. 33. See also, H.A. Kissinger, *A World Restored: Metternich, Castlereagh and the Problems of Peace 1812-1822*

of those features of Roosevelt's post-war policy which the Churchill gang was committed to destroy. But for one outstanding exception, the Kennedy policies of 1961-1963, the entire span, since Roosevelt's death, to the present date, has been dominated by a succession of radical shifts in U.S. economic and foreign policy, most of these changes in policy compounding the ruinous economic effects of each and all of the predecessor periods.

The present world-wide financial and monetary collapse of 1998 should be recognized, as shaped by a succession of eight distinct changes in U.S. economic, social, and foreign policy during the 1945-1998 post-Roosevelt years. This process of ongoing, post-war destruction of the economic and foreign policy of the U.S.A., should be assorted as follows.

1. 1945-1952: The Truman Years. First, there was Truman's adoption of the world-government perspective of Bertrand Russell and Winston Churchill, a policy launched by the unnecessary nuclear bombing of Hiroshima and Nagasaki.⁶ This was the same policy which underlay the Harriman-led war-time and post-war vilification and hatred of General Douglas MacAr-

thur, a MacArthur whose ouster by Harriman's Truman contributed a crucial part to ending the U.S.A.'s commitment to its traditional principles of strategic self-interest. Second, immediately following the end of the war with Japan, there was the Truman administration's adoption of an anti-Roosevelt, pro-Churchill, pro-monetarist, imperialist policy, backing the restoration of the British, Dutch, French, and Portuguese traditions of looting of the former colonies of those powers.⁷ Third, there was the Truman administration's and Federal Reserve System's affirmation of an anti-Roosevelt, monetarist orientation, as established by the deep, unnecessary economic recession of 1946-1948. These three elements, complementing the lunatic "McCarthyism" of the Truman (1946-1952) phase of the U.S.-Soviet nuclear conflict, are the landmarks of the Truman period.

2. 1953-1960: The Eisenhower-Khrushchev Years. Fortunately, Eisenhower's election ended the most rabid expressions of "McCarthyism,"⁸ but was otherwise, less fortunately, dominated by a shift toward a semblance of early 1920s "normalcy" in U.S. economic and domestic social policies. The 1953-1962 interval, between the death of Stalin and the "Cuba Missile Crisis," was a transitional phase in our national policy. This irony was underlain by the paradox of a commitment toward limited rebuilding of the anti-Soviet, economic strategic potential of western Europe and other parts of the world, while also introducing "détente."⁹ In eco-

(Boston: Houghton-Mifflin, 1957). The career of Kissinger, a protégé of both British agent (and, Nashville Tennessee "Fugitive") William Yandell Elliott, and Henry Stimson's McGeorge Bundy, typifies the implicitly treasonous current in U.S. policy-shaping during the recent fifty years. President Teddy Roosevelt brought Morgan-Harriman lawyer Stimson into government as U.S. Attorney for New York, to tie prosecutorial power to the London-New York axis. Morgan was the official British Crown financial agent; the Harrimans' railroad empire was British Crown-financed. Stimson led the Yale secret society, Skull and Bones—a typical sponsoring center for the British-U.S. "special relationship" and the Harriman, Bundy, and Bush families. Stimson protégé McGeorge Bundy emerged from the Stimson-Harriman power clique, which reoriented U.S. military strategy and structure along British lines after FDR's death. See Webster Tarpley and Anton Chaitkin, *George Bush: The Unauthorized Biography* (Washington, D.C.: Executive Intelligence Review, 1992), Chapters 4 and 7.

6. The nuclear bombing of Hiroshima and Nagasaki, was the outgrowth of a British nuclear-weapons policy dating from the period of World War I. In both fictional and other propaganda, beginning that period, Fabian leader H.G. Wells proposed the use of nuclear weapons as a weapon so terrible that nations would be terrified into giving up national sovereignty and submitting to world government (i.e., London-run global empire). This policy was continued by the Fabians Wells and Bertrand Russell during the 1920s and through World War II. Russell, who played a pivotal role in launching the U.S. atom-bomb project, was the principal architect of what was imposed as U.S. and British nuclear-weapons policy with the nuclear attacks on Hiroshima and Nagasaki. See, Bertrand Russell, in *The Bulletin of the Atomic Scientists*, Sept. 1, 1946. There was no military reason for that bombing. The forces under General Douglas MacArthur's U.S.-Australia alliance, aided by massive U.S. naval blockade of the islands of Japan, ensured the collapse of Japan's continued resistance, with no need for an actual invasion of the islands. Furthermore, the Emperor of Japan, through Vatican channels, had already accepted the terms of surrender to the U.S. et al., prior to President Roosevelt's untimely death. Indeed, the case could be made that Truman et al. were effectively qualified to be tried for "crimes against humanity" under the Nuremberg Code. The present drive toward world government, dates from agreements reached, beginning 1955, between Bertrand Russell and representatives of Soviet General Secretary N.S. Khrushchev.

7. Japan forces in Indochina were ordered, by the Anglo-Americans, to resume occupation of the former French Indochina colony, pending the arrival of French imperial military forces. This overturned the pre-Truman policy of the U.S., under which Roosevelt's administration had deployed OSS forces to work with U.S. friend Ho Chi Minh, to set up an independent republic of Indochina based upon the model of the U.S. Declaration of Independence. See, Archimedes L.A. Patti, *Why Vietnam? Prelude to America's Albatross* (Berkeley: University of California, 1980), pp. 53, 223.

During 1977-1983, *EIR* editors, including LaRouche, had the opportunity to speak with a number of veterans of the Office of Strategic Services, who served in the Pacific Theater during World War II. Several of these individuals were directly involved in the mission to arm Ho Chi Minh at the close of the war. Although Ho was associated with communist movements, he expressed his admiration for the Declaration of Independence and the U.S. Constitution, and vowed that he would base an independent Indochina, free from the yoke of both Asian and European imperial designs, on the American republic.

During the war, OSS "Unit 202" provided weapons and support to Ho against the Japanese. The unit was headed by Paul Heliwell, with Willis Bird as his deputy. Bird proposed that the Vietnamese Constitution's preamble be some form of the U.S. Declaration of Independence.

8. e.g., the U.S. Senate's Army-McCarthy hearings.

9. The pivotal issue for the Churchills and their Wall Street "cousins," was to destroy the Yalta agreements which FDR had imposed, temporarily, upon Churchill's Britain. To bring this off, the Truman administration unleashed what later came to be known as "McCarthyism," better named "Trumanism." The strategic doctrine informing that witch-hunt atmosphere of the 1946-1952 interval, was Bertrand Russell's outlined intent to bring about world government through heating up the imminent threat of a general nuclear war

conomic policy, Arthur Burns' role as a key Eisenhower advisor, typifies the degenerative trend within the policies of the U.S.A. and its anti-Communist allies, during nearly a decade. The deep U.S. "recession" of 1957-1960 reflected the inevitable impact of the Eisenhower years' economic policy.¹⁰

3. 1961-1963: The brief exception, was the brief period of the convergence among President John F. Kennedy, President Charles de Gaulle, and Chancellor Konrad Adenauer. From the standpoint of economic history taken in the large, this is to be judged as, chiefly, an effort to move U.S. policy back in the direction of President Franklin Roosevelt's paradigm.

4. 1964-1976: The Triumph of the Baby Boomers: the post-Kennedy wrecking of the world economic order, a turn pioneered by such notables as Britain's Harold Wilson, Stimson's McGeorge Bundy, and Henry Kissinger's Richard Nixon. This was the turn to a radical, "post-industrial cultural-paradigm shift" which has been, to the present day, the principal continuing cause for the onrushing collapse of the world's present financial and monetary order.

5. 1977-1980: The Carter Years, the Wrecking of the Essential Institutions of U.S. National Sovereignty. Deregulation, and the wrecking of the U.S. financial and monetary system, are the leading characteristics of the 1977-1982 interval of the Carter administration and its immediate aftermath.¹¹

6. 1981-1992: The Bush League Moved In. Increas-

ingly, during the Reagan years, and under Bush himself, Paul Volcker-like policies were introduced—such as Garn-St Germain, Kemp-Roth, etc., which looted savings and loan, and other banks, unleashed the lunacy of Junk Bonds, and introduced the post-1987 reign of the financial "Bubbleheads."

7. 1989-1992: Brought the Thatcher-Mitterrand Gang, the Rule of the New Vandals, including the genocidal looting of what had been the pre-1989 Warsaw Pact, and accelerated genocide of a similar form against what used to be referred to as "the developing sector" generally. Reacting to pressure from the government of the United Kingdom's Margaret Thatcher and the infinitely corrupt French President François Mitterrand, U.S. President Bush forced the Anglo-French cabal to accept the reunification of Germany, but, then joined with Thatcher and Mitterrand to impose conditions upon Germany, and also the former Comecon states, which ensured the systematic wrecking of the economy of Germany.¹² These trends relegated the former Warsaw Pact economies to the presently ongoing "sudden death," represented by the genocidal reforms which are still being continued under the direction of the IMF et al. to the present date.¹³

8. 1993-1998: Now, a cabal of President Bill Clinton's enemies, a cabal mustered and directed by, chiefly, the London and other monetarist madmen, continues to push the already ruined world economy of 1992-1993 over the edge.¹⁴ From 1992 to the present,

between the Anglo-Americans and Soviet powers. As Russell had prophesied in 1946, the death of Stalin brought to power in Moscow a stratum, typified by Khrushchev, which was prepared to negotiate acceptance of Russell's proposed path to world government. As soon as Stalin was dead, therefore, the role of Eisenhower's intervention into the Korea conflict became crucial. Only a figure of such relatively unblemished military and Anglophile credentials as Eisenhower, could have pulled off that process of beginning the U.S.-Soviet détente process, and, also, bringing to an end the chaos which the continuation of an out-of-control "McCarthyism" portended for the U.S.A. itself. To this effect, three events of 1952-1959 are outstanding: General Eisenhower's gambit for armistice in Korea; the temporary shut-down of the U.S.A.'s Huntsville rocket-program; and, the abortive, but exemplary "Spirit of Camp David" posturing. Thus, during the mid-1950s, some wags spoke occasionally of an "Eisenhower" administration: not too much of this, or too much of that.

10. The author's first long-range economic forecast, was anticipated in his projecting, at the close of 1956, a deep, somewhat prolonged, 1957-1958, economic recession in the U.S.A. This 1957-1958 forecast was premised upon a study of the characteristic features of the consumer-credit-driven expansion of the mid-1950s, a credit expansion rooted largely in the thinking of key Eisenhower advisors such as Arthur Burns. The actual long-range, global forecast, projected, during 1959-1961, for the second half of the 1960s, was based upon the success of the author's earlier forecast of the 1957-1958 recession.

11. The ruinous combination of Garn-St Germain and Kemp-Roth, although nominally offshoots of the Reagan-Bush period, are actually offshoots of the Carter administration's ruinous deregulation and monetary-financial policies.

12. An *EIR* documentary Special Feature will be issued shortly on this matter, titled "The Thatcher-Mitterrand Plot to Destroy Post-1989 Continental Europe" (also to be published, simultaneously, in German, as a Special Report of Executive Intelligence Review Nachrichtenagentur GmbH). Briefly, during the last quarter of 1989, Britain's Thatcher regime reacted with mouth-foaming frenzy against what it denounced as the imminent threat of a "Fourth Reich," a reunified Germany assuming a powerful economic position as partner for the reconstruction of the shaky economies of eastern and south-eastern Europe. The initial impulse of both Britain and Mitterrand's France, was to prevent the reunification of Germany at virtually all costs. The Bush administration policy, typified by the advice of Brent Scowcroft, was to reject the radical German-hating rantings of Thatcher and Mitterrand; a compromise was reached, under which Germany would be reunified, but the economies of the former Warsaw Pact nations virtually destroyed through a combination of measures including radical monetarist "reforms," coupled with the elimination of any future independence for Germany's economy, under the so-called "Maastricht" treaty. The Kohl government is now releasing important chunks of the heretofore secret diplomacy deployed to force Germany to submit to such conditions.

13. Russian economist Sergei Glazyev's characterization of the reforms imposed upon Russia as "genocide" is a fair assessment of both the effects and the intent of those "liberal reforms." His latest book, *Genocide*, is discussed by Rachel Douglas in "The Financial Crisis in Russia," *EIR*, July 3, 1998; see also Sergei Glazyev, "Key Measures for a Transition to Economic Growth in Russia," *EIR*, March 27, 1998.

14. See reports of *EIR* on the combination of London-directed forces, and right-wing Zionist (i.e., fascist) forces, behind all of the attacks upon President Bill Clinton.

the entire planet has been plunging into the worst financial and monetary collapse in history, threatening to dump the world as a whole planet into a “new dark age.”

There is a crucial paradox in the unfolding of these eight, successive periods. The two elements of this paradox may be summed up as follows.

1. Each of these eight periods is dominated by its own, distinctive policy-matrix. The outstanding inconsistencies among the overall policies of any of these periods, when each were compared with any other period, work to such effect that the economic and strategic policy-matrix of each of these periods is crucially distinct from that of all the others. Although many elements of the policy-matrix of each new period shared some features in common with the predecessor, in overall effect, each of the eight such new policy-matrices was, taken as a whole, inconsistent with the predecessor. Said otherwise: The “rules of the game” were different in each period than in any among the others.

2. Yet, with the exception of the brief, Kennedy period, the remaining seven periods form a well-defined series, a step by step descent, away from the patriotic American tradition, a steady, willful march, toward radically monetarist financial, monetary, and economic policies, and the accompanying, rapid elimination, world-wide, of the institutions of the modern nation-state. Bertrand Russell’s radioactive (“Pugwash”) dream, of use of world government (“globalization”) as a means for eliminating the continued existence of nation-state economy, has become, apparently, hegemonic.

The problem of analysis posed by this paradox, is of a well-defined type, a type which should be familiar to students of the present writer’s work. The idea that there might exist some strict *consistency*, or *non-consistency*, among the terms of any of these eight policy-matrices, is an idea which may be conveniently borrowed from the classroom of Euclidean geometry. That is, any such set of policy-assumptions can be compared to the multiply-connected interaction among the elements of a total set of definitions, axioms, and postulates underlying a Euclidean geometry. Such a set of definitions, axioms, and postulates, is termed an *hypothesis*. Any alteration of such an hypothesis, produces a new “geometry,” such that no theorem in the first “geometry” is fully consistent in its implications with the theorems of the changed “geometry.”

Excepting the Kennedy period, in each among the seven other cases identified, we are presented with a distinct hypothesis, which, as a “mental map,” does not coincide either with any other of that series, or with the real-world economy. Those who believe in any one such policy-matrix, believe, implicitly, or otherwise, that that matrix is a model, of a type analogous to a “mathematical model.”

The prevailing tendency in today’s law-making and related policy-shaping practice, is to treat such current matrices as actual models of the real world. In fact, no such correlation with the actual world exists. Each deviates from the real world

in a significant, self-destructive degree. The most recent ten years of this degeneration, 1988-1998,¹⁵ has presented the worst of the policy-thinking of the entire 1945-1998 periods; however, in all cases, excepting the brief, 1961-1963 brush with economic sanity, under President Kennedy, in all of these periods, there is a fatal discrepancy between those effects which the “true believer” insists the policy-matrix will yield, and the actual consequences.

Take as an example of the axiomatic fallacies permeating the relevant seven of the eight periods, one of the pervasive delusions of post-1945 policy-shaping. Consider today’s most popular delusion of classroom and layman alike, the widespread, deluded belief in the “free trade” dogma of Adam Smith et al.

Smith’s idea of “The Invisible Hand,” is borrowed from the literally pro-satanic models previously developed by Thomas Hobbes, John Locke, Bernard Mandeville, and François Quesnay.¹⁶ Smith stresses the special requirement, that,

15. e.g., since the 1987 stock-market “crash.” It is the interval from that “crash,” through the introduction of the anti-Germany “Fourth Reich” doctrine of Prime Minister Margaret Thatcher and President François Mitterrand, which marks the onset of the most precipitous phase of collapse of the world economy, with the physical economy of the U.S. no exception to this trend.

16. The most blatantly pro-satanist among these prophets of “liberal economics,” is Bernard Mandeville (*The Fable of the Bees, or Private Vices, Public*

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in the final analysis, the best price is the lowest price, the policy under which imperial Britain and its Dutch, French, and Portuguese oligarchical partners, looted the colonial world of the Eighteenth and Nineteenth Centuries.¹⁷ In no case in history, did such a dogma of “free trade” work as Smith or the Mont Pelerin Society ideologues argue; directly the contrary is true in every case. Smith’s system looted most of the world, caused one “World War,” and laid the preconditions for a second.¹⁸ All of this was to the purpose and effect

Benefits [London: 1934, reprint of 1714 edition]). Mandeville is the model upheld by the late Friedrich von Hayek, the leading spirit of the Mont Pelerin Society. The Heritage Foundation and American Enterprise Institute are prominent among those cults purveying this satanic doctrine of Mandeville, von Hayek, et al. Otherwise, all those mentioned, together with Jeremy Bentham, John Stuart Mill, et al., represent the same algebraic doctrine of economics practice. Notable are Hobbes and slavery-apologist John Locke. The root of “liberal economics” is the teaching and influence of two Venetian figures, Paolo Sarpi (1552-1623), the father of modern empiricism, whose influence dominated the reign of England’s King James I, and Leibniz’s principal adversary, Abbot Antonio Conti (1677-1749). Sarpi’s empiricism is derived by him from the teachings of the medieval William of Ockham. It was consistent with Sarpi that such of his followers as Thomas Hobbes should attempt to derive a social theory from a kinematic model of percussive interactions, in which the principal motives of the members of society are presumed to be “The Seven Deadly Sins.” Conti, himself, the mentor of Voltaire and pro-feudalist François Quesnay, typifies the period of Mandeville, is the architect of the Eighteenth Century’s English and French Enlightenment, and, is, thus, the spiritual father of that imbecilic, Phrygian rabble which ruined France under the leadership of Robespierre, Barras, Napoleon Bonaparte, and the pestilence of French positivism.

17. The inevitably ruinous effects of Adam Smith’s low-wages policy are well documented in the relevant sources. As documented by the leading U.S. economists, Mathew Carey and his son Henry C. Carey, the resort to slavery, the lowering of wages, reduction of infrastructure development, and emphasis upon cheap, unskilled labor, have the effect of looting the preconditions of continued production at existing per-capita levels. The widely used term to describe this method of cheapening wages and lowering prices of imported goods, is *primitive accumulation*. As U.S. Treasury Secretary Alexander Hamilton pointed out, so prophetically, in his December 1791 Report to the U.S. Congress, *On The Subject of Manufactures*: The highest rates of per-capita capital formation are achieved through intensive development of basic economic infrastructure combined with capital-intensive, energy-intensive modes of fostering increase of the productive powers of labor. Increasing the length of the working-day, decreasing investment in basic economic infrastructure, and other such apparently “cost reduction” measures, impoverish not only the victims of such a cheap-labor policy, but ruin the economy of the nation foolish enough to tolerate such practices.

18. Contrary to the widely accepted truism, Britain and Britain alone was the chief culprit in the war-guilt for World War I. The issue was the influence of the 1861-1876 Abraham Lincoln scientific and technological boom, which caused directly the industrial development programs of Japan, Germany, Alexander II’s Russia, and Sun Yat-sen’s movement for the rebuilding of China. What offended Edward VII’s Britain most highly, was the adoption of a trans-Asiatic railway corridor, from Germany, through Russia, to Japan, etc. It was Britain’s effort to defeat this trans-Asiatic development which inspired Britain to organize 1) The revanchist Anglo-French “Entente Cordiale,” 2) The Pan-Slavist operations in the Balkans, 3) The Russia Pan-Slavists’ suicidal folly of allying with Britain and France for aggressive, two-front warfare against Germany. Britain’s success in this venture was largely provided by two treasonous U.S. Presidents, Teddy Roosevelt and Woodrow Wilson. In the case of World War II, it was chiefly British intervention,

of enriching the financial interests of a collection of British and kindred parasites, all this done to the purpose of stopping the spread of modern economy throughout Eurasia, and for strengthening the grip of the Anglo-Dutch rentier-financier class over the U.S. economy itself. The result was seldom to the benefit of the British people, but the result was always to the ruin of most of the rest of the world, especially continental Europe and what we refer to broadly as “the developing sector.”

Below, we shall examine the reasons why this is necessarily the case. For the moment, this illustrates the frequent cases, in which the policy-matrices corresponding to generally accepted belief (“hypotheses”) are essentially bad fairy-tales, producing what are ultimately more or less terrible consequences for the duped “true believer.”

However, before focussing upon the direct comparison of the eight indicated periods, several background considerations must be put into focus for the purposes of making the comparison. For regular readers of *EIR*, some of these considerations should be familiar ground. All are brought into common focus for the purpose of showing the results and implications of the indicated comparison.

The marginal failure of post-war conversion

To situate the comparison of the eight periods, begin by identifying the most crucial blunder in the Truman administration’s policy. The tragedy of the Truman administration’s economic policy, is centered in its failure to implement a sufficiently rational post-war industrial-reconstruction policy.¹⁹ Taking the 1945-1952 economic policy of the Truman administration only in the narrowest sense, as an economic policy designed to meet the domestic economy’s own, most superficially defined income-requirements, at home and in foreign trade and financial dealings, it might be argued that Truman’s errors were only marginal; nonetheless, they proved ultimately crucial. Granted, there were precedents in the nearly fatal errors of the Jefferson and Madison administrations, and also the treasonous blunders of Jackson, Polk, Pierce, Buchanan, Andrew Johnson, Cleveland, Teddy Roosevelt, Woodrow Wilson, and Coolidge; Truman set his foot down a bad road, leading in the same direction as the com-

including actions by the British royal family itself, which brought Hitler to power in Germany, thus setting up the conditions for World War II.

19. One of the most notable parallels to the post-1865 rise of Albert Pike’s Ku Klux Klan, and FBI Chief J. Edgar Hoover’s, racist Kappa Alpha Society, was the later emergence of a slyly pro-Confederacy, militantly decadent ideology, centered upon Nashville, Tennessee, and grouped around writers and politicians such as Robert Penn Warren, John Crowe Ransom, and (Henry Kissinger’s Harvard University mentor) William Yandell Elliott. The latter group, sometimes identified as the “Fugitives,” are otherwise named the “Agrarians.” This sort of anti-industrial (“agrarian”) sentiment, was a significant political factor among some U.S. Southern Democrats and others, a factor found among those Democrats who have turned Gingrich-like Republicans during the recent elections. This tendency played a significant political part in inhibiting rates of post-1945 U.S. economic development.

bined national and global catastrophe which immediately threatens the continued existence of our republic, today.

During the period of the two World Wars, 1914-1918 and 1939-1945, the U.S.A. had provided, overwhelmingly, the decisive margin for the combined military victory of the U.S.A., the U.K., France, and their allies,²⁰ through a U.S. agro-industrial mobilization modelled on the 1861-1876 success of the program launched under President Abraham Lincoln.²¹ As we have already stated, this, Henry C. Carey's 1861-1876 American model, was adopted, with great success, by Bismarck's Germany (from 1877 onward), by Meiji Restoration Japan of the 1870s, and by the Russia of Alexander II, D.I. Mendeleyev, and Count Sergei Witte, and was the basis for the agro-industrial development program designed by China's Sun Yat-sen.

Had the same war-time, Roosevelt program of 1939-1945, been adapted to the rapid, post-war, agro-industrial development of new nations freshly freed from the debilitating hand of British, French, etc. imperialism, the U.S. and its partners would have enjoyed a continuing, post-war economic growth. The policy-shaping institutions established under the first two decades of such a post-war conversion program, would have virtually ensured further, planetary growth and stability throughout the 1945-1998 interval.

As we have stressed repeatedly, in earlier reports on this matter, the most crucial, "post-Hamilton" feature of Lincoln's "American System," and its revivals during two World Wars of this century, lies in the development of the principle of machine-tool design, originally by France's Lazare Carnot, and the continued implementation of this, during 1794-1814, by Carnot collaborator Gaspard Monge's *Ecole Polytechnique*. This work of Carnot and the *Ecole* was, like the economics of Benjamin Franklin and Alexander Hamilton, directly a continuation of the development of the principles of physical economy, and physics in general, by Gottfried Leibniz. The link to Lincoln's industrial revolution, was provided by the influence of the *Ecole Polytechnique* in the 1814-1815 transmission of these principles of machine-tool-driven technological progress to the United States Military Academy under Commandant Sylvanus Thayer. It was the scientific and engineering tradition of Thayer's West Point, as exemplified by the international role of Benjamin Franklin's great-grandson, Alexander Dallas Bache, which exemplifies the way in which the U.S. Army and Navy developed the foundations of the great U.S. economic triumph of 1861-1876. It was this model to which the military planners of Woodrow Wilson's and Franklin Roosevelt's incumbency turned, to provide the sinews of victory for two World Wars.

20. Without this role of the U.S.A., Britain and France would have been defeated in 1917, and Hitler would have triumphed in 1945.

21. On the Lincoln-Carey program of 1861-1876, see Anton Chaitkin, "The 'Land-Bridge': Henry Carey's Global Development Program," *EIR*, May 2, 1997, p. 32,

Look at the immediate prospect for post-1945 development of the economies of the former British, Dutch, Portuguese, and French colonies from this vantage-point.

As stressed by U.S. Treasury Secretary Alexander Hamilton,²² there are two keys to the development of a poorly developed land-area into a prosperous economy. On the one side, there is basic economic infrastructure: public transportation, water management (both latter substantially public works), and energy supplies. The other side, is what Hamilton identified as "artificial labor:" the increase of the productive powers of labor (per capita, and per square kilometer) through investment in scientific and technological progress. Obviously, capital expenditures for these two categories of items increase the total cost, measured in physical units of production, per capita and per square kilometer; but, this is more than offset by gains in net productive powers of labor.

In the eyes of the competent historian of economy, Hamilton covers this adequately,²³ but the ignorance among today's policy-shapers, especially among followers of the Mont Pelerin Society and U.S. House Speaker "Newt" Gingrich, shows the need to emphasize a few crucial points. Begin with transportation.

The typical function of public works in transportation, is to decrease significantly the cost and delay of moving goods (and people) from one specific location on the map, to another. Savings in time of transport, the vastly greater economies of rail over highway transport for long distances, reduction in spoilage, and so on, are savings to the economy (per capita and per unit of total land-area) which more than offset the capital investment required to create, develop, and maintain efficient public transport. For example, the ability to get cheap, reliable transport to and from East Oshkosh, may determine whether East Oshkosh, and the people within it, are able to function with reasonable competitiveness. In other words, rearranging the landscape to facilitate productive and related human activity.²⁴

22. op. cit., note 17.

23. *ibid.*

24. No "privatized" arrangement could meet this requirement. The responsibility for development of all of the land-area, and all of the population, of a nation, or region of the world, which must include benefits shared with both the best and worst investment-opportunities, is a responsibility of government. The presumption that "private entrepreneurship could do the job better," is a delusion of people who do not think clearly. Often, privately owned public utilities and contractors make excellent contributions, but this in the form of contractors operating within regulated standards of performance. The benefit of "farming out" public utilities to private management, lies in freeing the capital which the state invests in initiating such projects, to be recycled in new state ventures. The use of governmental regulation, to ensure that the required performance of the utility is achieved, and a fair price paid to investors in public utilities, is the essential feature of the state-utility partnership. The essence of this division of labor, is that the government has a unique responsibility for developing and maintaining all of the area, and all of the population, in such a manner as to enhance the performance of all of the society, all its economy; whereas, the private utility, like other private

Similarly, water, in short, is life. The history of our national economy, over two hundred years to date, is that our agriculture, our forests, our climate, require constant increase of the intensity of both fresh-water management, and of water purification and desalination. The quality and quantity of managed water-supplies, directly supplied to agriculture and other human consumption, have the most direct bearing upon the fostering of life. Otherwise, public waterways are, by far, the cheapest form of mass transport, per ton, per unit price, of bulk freight. Only when slower delivery would increase substantially the inventory-cost of supplying high-priced goods to the economy, do rail, truck, and air transport represent required options.

That economic history also shows, that, chemically, and otherwise, the level of technology which can be achieved, is delimited by both the quantities of energy supplies, and also the energy-flux-density of the energy-supplies applied to productive and other processes. All other things considered, the quantity and energy-flux-density of energy-supplies determines the level of technology which can be realized, and, thus, has a direct effect upon the possibility for increasing the productive powers of labor. This reshaping of the energy-profile is, like the development of public transportation, a shaping of the physical-economic landscape in a mode which enhances man's per-capita and per-square-kilometer power over nature as a whole.

The role of Hamilton's "artificial labor," is expressed, in effect, in terms of required increases in the capital-intensity of production. The reader must note, that capital-intensity is not to be measured in financial-accounting terms, but in physical-economic terms. The following rule of thumb applies.

Reconsider here, the leading points stressed in the present author's introductory textbook in physical economy²⁵ [Figure 1]. Take the total per-capita output of productive labor (labor directly employed in agricultural and industrial products, or, in engineering and related services essential to the physical maintenance of productive capacity and product quality): "T" = "Total." Compare the percentile of this total labor-output with the corrected ration of physical goods and related essential services required to maintain the labor-force at the existing level of skill and productivity (the British "classical" economists' and Marx's "Variable Capital," or "V"). In a similar way, compare, as capital costs, the ration of total output required for basic economic infrastructure, plus the ration

required as production and closely related capital (similarly, "C" = "Constant Capital"). The latter includes the required flow of goods in intermediate stages, as required to maintain current output.

Now, still referencing the present author's textbook presentations, make the following rough calculation. Include "d," as the general overhead expense of society, apart from V and C. Then, subtract $d+V+C$ from $T = P'$ (margin of physical-economic profit). Then, it is required: $P'/(C+V)$ increases as the ratio C/V increases, and the physical-economic content of V, per capita, also increases. In part, the margin of gain of $P'/(C+V)$ is the result of development of basic economic infrastructure; in the final analysis, all gain, including that from development of infrastructure, depends upon the impact of investment in scientific and technological progress. Thus, $P'/(C+V)$ increases as a function of per-capita C, which increases as a function of C/V . In short, a true "anti-entropic" function, rooted in those uniquely human (cognitive = creative)²⁶ processes of validated discovery of scientific and cultural principles by means of which scientific and technological progress are generated.

We must stress here, once again: The key to the large-scale, sustained successes of modern society in this venture, since the 1792-1794, revolutionary reforms of Lazare Carnot, lies within what is best fairly described as "the machine-tool design" sector. By "machine tool," we signify the notion of a machine-tool principle as developed by Lazare Carnot. However, our emphasis is upon the fact that any perfected design of a proof-of-physical-principle experiment, is also a model for a machine-tool principle, a *technology*. It is through such machine-tool designs, that scientific discoveries are transmitted efficiently into production. It is that transmission which is the chief source of the high rates of physical-economic gain seen in the 1861-1876 U.S. industrial boom, in the copying of that American model so successfully by post-1876 Germany, the war-time mobilizations of 1914-1918 and 1939-1945, and in the U.S. space program. Such a combination of high rates of forced-draft scientific and technological progress, mediated through the channels of an expanding machine-tool-design sector, is the key to the possibility of a general, sustained rate of physical-economic growth, per capita, in South, East, and Southeast Asia today (for example).

In other words, had the Truman administration not swung over to Winston Churchill's anti-American policies, the

operators, assumes only the responsibility for the operations and areas associated with its undertaking. Notably, the Carter administration's elimination of effective public regulation of freight-rates and time-tables in railway, trucking, and air transport, wiped out economies of entire regions of the U.S.A., as if at a single blow.

25. Lyndon H. LaRouche, Jr., *So, You Wish to Learn All About Economics?* 2nd ed. (Washington, D.C.: Executive Intelligence Review, 1996).

26. The reader is reminded, that the cornerstone of the philosophies of Immanuel Kant, the empiricists, and positivists, is that actual creative mental action (i.e., actual cognition) does not exist. In other words, they deny that a knowable method exists, by use of which a mind might generate a new principle of nature, the latter which presents a validatable solution to an otherwise insoluble paradox. See Lyndon H. LaRouche, Jr., "The Substance of Morality," *EIR*, June 26, 1998.

FIGURE 1
Total economy

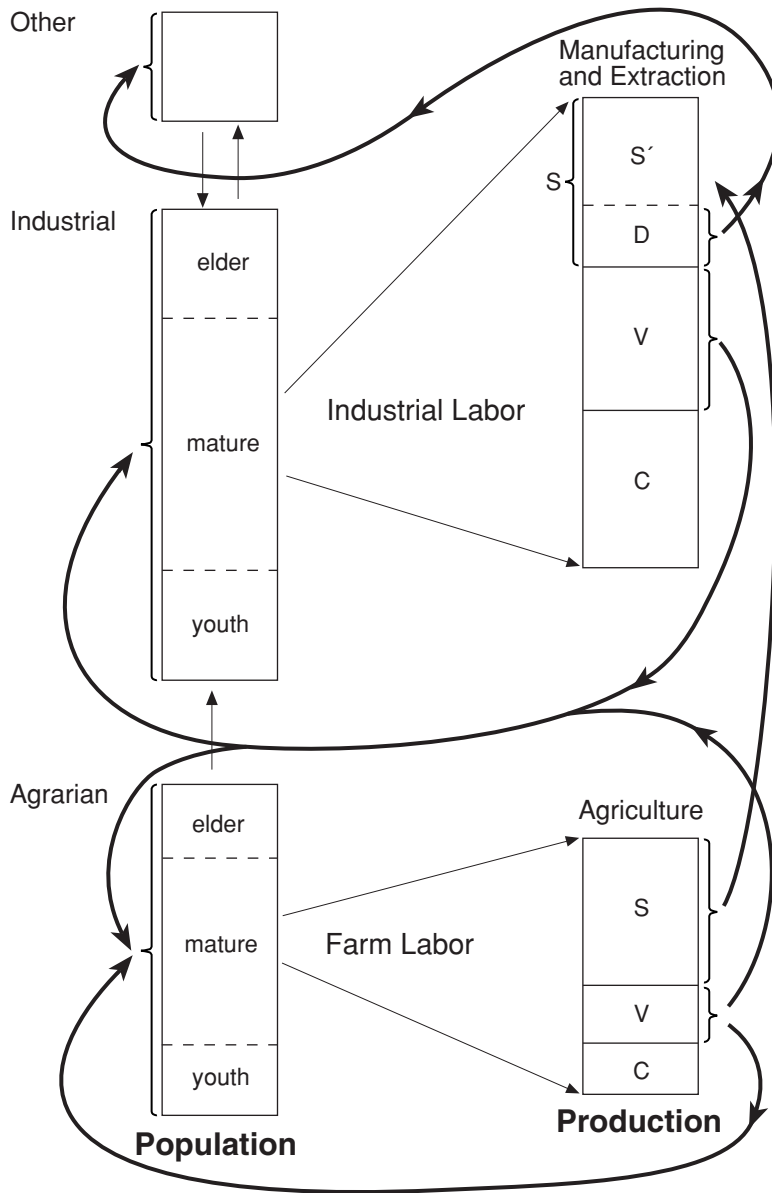


Diagram from the author's introductory textbook in physical economy, *So, You Wish to Learn All About Economics? The current text adds some refinements, with the concepts of T (total per-capita output of productive labor) and P' (margin of physical-economic profit).*

proper course of action for the post-World War II U.S.A., would have been to mobilize and expand the U.S. machine-tool-design sector as a whole, to supply the nations of Asia, Africa, and the Americas the high rates of development of infrastructure and technology needed to fulfill Roosevelt's

vision of a post-war "American Century." Instead, we substantially collapsed the levels of production, rather than capitalizing the accumulated investment in war-production capacity as an active new industry for development of the world as a whole. Under circumstances proposed here, the U.S. war-debt would have been rolled over, and ultimately liquidated, thus, by using it as a source of credit for large-scale, global ventures.

Although today's conditions are far from those of 1945-1963, some of the most relevant features of a global development approach remain either the same, or are similar. Still today, the admittedly withering machine-tool-design sector of the world economy is limited to a few nations. Most notably, these are a few industrialized nations led by the U.S.A., Germany, and Japan. The largest potential for expansion of this supply lies in the military-scientific complex of the former Soviet Union, if those resources could be harnessed for this purpose, especially supplementary contributions to the machine-tool requirements of China, India, and relevant other nations.

The lessons for today, may be summarized as follows. The functions which must be performed have three aspects:

1. In developing nations such as China and India, to supply these nations with sufficient machine-tool-design inputs to enable those nations to effect high rates of increase of productive powers of labor. Without that, adequate rates of capital formation (in social terms) could not be sustained.

2. As an included part of this requirement, to assist such nations in establishing adequate local machine-tool and machine-tool-design capabilities. These must be adequate to provide machine-tool and related services (locally) within the economy.

Within the leading machine-tool-design export nations, the division of labor allotted to machine-tool-design and related capabilities must be increased to levels corresponding to relevant obligations

on accounts 1 and 2.

3. Not only must the quantity and ration of the machine-tool-design sectors be increased accordingly. The rate of scientific and technological progress within the combined economies must be accelerated, by task-

oriented, “science-driver” methods, to provide the required degree of second-order increase of productive powers of labor.

On these accounts, the task-orientation which should have been adopted for the 1945-1956 interval, parallels the admittedly different specific set of requirements for today.

Not everything we did during the late 1940s and 1950s was wrong on these accounts; the limited successes, such as those of the space programs of the 1950s and 1960s, were precious demonstrations of what could have been accomplished, had these virtuous undertakings, and their specific passions, been carried to broader and further accomplishments. There was simply not enough of the good, or even merely passable efforts which were mobilized; the good done did not rise to the threshold of overcoming the increasing rates of attrition which the U.S. and other economies suffered from the middle to late 1960s, onward, especially after 1971.

On the subjects of basic economic infrastructure, required rates of capital-intensive investment in the entire economy, and so on: There is a widespread error of presumption respecting the causal interrelations between so-called “micro-economic” and “macro-economic” scales of economic activity.²⁷ The worst of these presumptions, is the popular delusion of those “social Darwinists” who assume, that by eliminating “inefficient” firms, for example, the remaining firms will represent a prosperous economy. Such fellows overlook the fact, that the performance of a (world, or national) economy is its performance as a whole: this, in terms of nothing less than its entire population, its entire land-area, and so on. It is the relationship of the total population to the totality of (ultimately) the universe, and, more immediately, the land-area occupied by that population, which defines the success or failure of economies. The totality of the social-economic process represents an interdependent system.

To prepare the reader for the promised, explicit comparison of the eight periods, the following, several additional points of review must be provided, on background.

Economy is uniquely human

Above, we have stated, once again, the central principle upon which any competent study of economics depends absolutely. Recently, we had stated this afresh in our *EIR* report, “The Substance of Morality.” We have identified this as the principle of *anti-entropy* repeatedly, in the author’s introductory textbook, and numerous other published locations. Economy requires a persisting rate of growth in what some might regard it as convenient to label “the per-capita rate of profit,” a rate of physical-economic growth, per capita, which depends

27. The very terms, “macro-economic” and “micro-economic,” are faddish follies born of the illiteracy of most of the present generations of professional economists.

upon increasing both the relative physical-economic expenditures for members of households, and increased per-capita rates of expenditure for basic economic infrastructure and productive-capital investments: e.g., $[P/(C+V)]_1 < [P/(C+V)]_2$; $(C/V)_1 < (C/V)_2$; $|V|_1 > |V|_2$.²⁸

The origin of such increases in the productive powers of labor, is society’s realization of validated discoveries of principle. As set forth in “The Substance of Morality,”²⁹ these discoveries, both cultural and physical-scientific, are each typified by validated discoveries of physical principle. As stated in earlier locations,³⁰ such validated discoveries of physical principle form a Riemannian series, $n \rightarrow n+1$, in which the expansion of the series corresponds to the ordering of the increase of mankind’s power over nature, both per capita and per square kilometer of the Earth’s surface-area.³¹ The characteristic of man’s action upon nature, per capita, is enhanced in degree by each transition from n to $n+1$.

The indicated Riemannian series suggests a crucial point respecting sustainable preconditions for global economic development. View the economic implications of education and longevity, for all members of households, from the standpoint of this series.³²

The development of the realizable cognitive potential at level n , is in correspondence with the individual’s accumulation of the experience of the mental act of replication of each among the relevant historical series of acts of discovery. The economic function of the nurture of each young individual, within the family household and education otherwise, must be situated in terms of that Riemannian function. The same applies to the series $m \rightarrow m+1$ of multiply-connected principles of a Classical-humanistic artistic nature, as compared with physical-scientific aggregation $n \rightarrow n+1$. The quality of social and material circumstances in the family household

28. Values of household income per capita of labor-force, are measured in terms of types and quantities of comparative qualities of entries in bills of consumption of both physical products and functionally required services. Two successive arrays of the bills of consumption (per capita of labor-force) are then compared again, this time in terms of the percentile of the output of the labor-force required to replenish the indicated consumption. The desired case is one in which the superior household income (measured in both quantities and qualities) is cheaper, as a percentile of national per-capita output. In the latter case, the national-income content of superior unit of consumption, $|V|_2$, should be less, as a percentile of national income, than inferior quality-quantity of consumption $|V|_1$. In the history of the improvement of the standard of living of the middle- to lower-range family households of agricultural and industrial operatives in the U.S.A., this pattern of correlation between technological progress and income-rises is modal.

29. op. cit., note 26.

30. See, for example, Lyndon H. LaRouche, Jr., “Leibniz from Riemann’s Standpoint,” *Fidelio*, Fall 1996; LaRouche, “Riemann Refutes Euler,” *EIR*, Nov. 3, 1995; LaRouche, “Truthful, or Merely ‘Factual’?” *EIR*, Jan. 9, 1998.

31. As man explores space, the ratio of human action in space to the Earth’s surface-area remains a good yardstick for measuring the performance of the population of “earthlings.”

32. Lyndon H. LaRouche, Jr., “The Substance of Morality,” op. cit., note 26.

and community, the quality and duration of education and related cultural activities, and the corresponding vitality of adult life, are prerequisites of the level of productive and related powers to be considered.

Thus, to develop and maintain a certain per-capita potential productivity within the labor-force, the total, per-capita household standard of living, must be maintained (and improved), as Leibniz already warned in his 1671 *Society & Economy*.³³ This means, that to maintain a potential productivity of one employed member of the household, the average living standard of the entire household must represent that standard of living. This does not signify a fixed productivity. It requires a rising productivity, and, therefore, a standard of living reflecting increased constructive leisure and education, together with rising (physical) energy-density³⁴ and (physical) capital-intensity, for virtually all members of the household.

It does not mean education tailored to fixed individual skills,³⁵ but, rather, a life-long process of continuing upgrading of knowledge and technological capabilities, for all of the population, during each span of more than three successive generations. Just as a successful form of modern agro-industrial society requires an increasingly high composition of science and machine-tool-design related employed, so the cultural characteristics of the entire population's education and daily life, must reflect this technological-cultural composition of the total division of labor of the population.

The conditions of household life, and education, of the entire population, required for a growing productive power of labor of a population functioning on the basis of technologies equal to a 1963 standard for the entire U.S. labor-force (for example), are a convenient, rule-of-thumb basis for defining the real content of a household minimum wage for an average household of that period. Implicitly, the standard for educa-

tion and cultural life should be the Humboldt standard, as otherwise represented by the early U.S.A.'s best New England schools and Alexander Dallas Bache's model for Philadelphia Central High School.³⁶ This also assumes, at a minimum, the standard for maintenance and improvement of public works implicit in the conscience of the war-time Franklin Roosevelt administration.

Take, as an example, the increasing poverty of average quality of university education, first under Truman, later under Eisenhower, and, later, under Johnson and Henry Kissinger's Nixon.

One of the leading positive features of the post-1945 periods, 1945-1964, was typified by the combination of such war-time programs as ASTP and of the post-war education portion of the "GI Bill of Rights," to expand the standard of public education. Generally, veterans studying under the provisions of the "GI Bill," were emotionally and intellectually more mature, and better performers than the comparable pre-war campus populations had been. There were, unfortunately, three "down sides" to this change in standards for education: 1) the tendency for intellectual mediocrity among aging veterans rushing to get on with building a career to support the family life-style they were fixed on establishing — what Schiller derided as the education of the "*Brotgelehrten*;" 2) a generalized moral-intellectual sterility, fostered by the combined impact of Truman-era "McCarthyism" and so-called "security" conditions attached to higher-paying careers — it was better for your standing with the Federal Bureau of Investigation, not to offend the FBI by exhibiting a tendency to be an independent and original thinker; 3) the cluttering of education with a proliferation of "garbage courses," the latter predominantly by-products of increasingly faddish influences of junk literature and "culture appreciation" courses, complementing the usually dubious influence of psychoanalysis and radical-positivist currents.

For the convenience of today's reader, the degenerating trends in popular entertainments and typical conversational patterns observed from the Teddy Roosevelt, Woodrow Wilson, and Calvin Coolidge periods of U.S. moral decay, cast important light on the immediate experience (from the north-eastern and midwestern regions of the U.S.A.) of a child and adolescent from the U.S. 1920s and 1930s.³⁷ From 1929, until Pearl Harbor 1941, the special effect contributed by the experience of the 1930s "Great Depression," was the sense of most families that they were *déclassé*, their nostalgic attitudes colored by a blend of fact and fantasy about their social status in the "better times" before the "Big Crash." There was a lot of Arthur Miller's Willy Lohman,³⁸ and, perhaps, also more

33. Gottfried Leibniz, *Society & Economy*, John Chambless, trans., *Fidelio*, Fall 1992.

34. In all cases, increase of "energy density" tends to include increase of joules per capita, and always includes (secularly) increase of the cross-sectional joules per square centimeter cross-section of throughput ("energy-flux" density). See, the Fusion Energy Foundation's table of typical "energy flux-densities" of energy-sources, by type. Thus, as fission energy is orders of magnitude cheaper than thermal sources, so fusion energy will be orders of magnitude cheaper than fission, whereas "matter/anti-matter" reactions, when developed, perhaps during the latter half of the Twenty-First Century, will be, perhaps, three orders of magnitude more effective than fusion.

35. e.g., Friedrich Schiller's denunciation of educational programs designed for production of *Brotgelehrten*. Such degenerate practices in the name of education, are typified by the attempt to impose a "trade-school" curriculum, which limits education of students to the requirements of the plough to which they are to be harnessed for obedience. The same ruinous practice is typified by the self-brainwashed secondary or university student, who wishes to be burdened with no "information" which is not scheduled to "come up as my examination-question." In generation, the dim-wits are those happy to enjoy an education based upon "information," as opposed to a Classical-humanist form of education, which latter is indispensable for transmitting knowledge.

36. Anton Chaitkin, "Humboldt in America," *EIR*, June 26, 1998, p. 25.

37. The writer's youthful experiences, until 1940, were principally in his native New Hampshire, and the greater Boston, Massachusetts area.

38. Arthur Miller, *The Death of a Salesman* (New York: Viking Press, 1949).

than a bit of Japan's Prime Minister Hashimoto, in most of the population from those 1930s. A vivid recollection from what we then still considered "the shoe city" of the manufacturing world, Lynn, Massachusetts of the late 1930s, is relevant.

Still, in mid-1930s Lynn, Massachusetts, the main street-railway lines and Boston and Maine Railway passenger terminal, with its urine-reeking waiting-room area, intersected at Central Square. The overhead railroad bridge was the short base of the triangular shaped square. Along one of the two longer adjacent sides of that triangle, lay the principal cafeteria, Hunt's Restaurant. The cafeteria's touch of modernity was a black glass facing. Against the glass, downcast men leaned quietly, but ostentatiously, methodically applying toothpicks to their mouths, suggesting the meal which most of those leaners had been unable to afford, that day, from the cafeteria within. For those men, it was a convenient place to lurk, in hope of "a hustle."

Among most of the families whose children and adolescent offspring were maturing in the "Great Depression" years, the ugliest word in that period's Nazi-like, *Gleichschaltung* dogma,³⁹ was "be practical." "Popular" served generally as a substitute for truthfulness. "Be practical," signified doing nothing to suggest that one was an independent thinker in any serious sense of the term.

That was the bad side of the post-war 1940s and 1950s. Not all capitulated entirely to the corruption of "being popular" and "being practical."

Take two cases from the popular ideology of the science classroom, the myth of Isaac Newton and the related dogma of Euler, Lagrange, Laplace, Cauchy, et al., that the interval of action is linear in the infinitesimally small. The proof against these popular classroom dogmas is elementary, but, nonetheless, all but a handful refuse to risk their popularity among fellow-professionals, or others, by showing that elementary proof. Yet, within those limits, most of the serious scientists and engineers from the 1940-1972 interval, did *some* serious cognitive thinking on the subject of particular physical principles, or related matters. Most of those, however, avoided challenging the most fearsome of the popularized myths: the Isaac Newton myth, for example.

Take the case of Classical musical education and practice. Consider a few exemplary points. Begin with tuning.

An approximation of Classical musical tuning, centered upon C=256 and a scale otherwise nearly well-tempered, has been found in bells from ancient China, and was established in

39. Under the influence of Nazi Propaganda Minister Josef Goebbels' reign of terror, *Gleichschaltung* was the preferred term to identify the blindly ritual conformity of the German who wished to "stay out of trouble." The widespread use of the interdependent injunctions "be popular" and "be practical," or their successors under "McCarthyism" later, had approximately the same significance as Nazi *Gleichschaltung*, or, for that matter, George Orwell's fictional worlds of *Animal Farm* and *1984*.

Classical Greece. In modern times, the influence of Florentine *bel canto* voice-training, combined with the functionally related development of polyphony by J.S. Bach, established the modern Classical tuning, at C=256, and A= (approximately) 430-432. It is known, that singing in voice-training modes other than Florentine *bel canto*, does not permit the best result. It is also known, especially among Classical singing artists, that an "elevated pitch," of A=440 or higher, leads to an "early death" of the professional singing voice.

Yet, on the combined authorities of the Russian bandmasters participating in Clement Prince Metternich's 1814 Congress of Vienna, and the later authority of Nazi Propaganda Minister Josef Goebbels, the official "concert pitch" was set, by the English-speaking world, at A=440, or higher.

The principles of Classical polyphonic composition, from J.S. Bach through Johannes Brahms, are strictly defined, both by the relevant compositions themselves, and the best performances.⁴⁰ Departure from Classical, to Romantic or "free-wheeling" readings of the score, produces a mish-mash of sensual effects, which, like Liszt's notorious effort at use of Mozart's K. 475 principle, falls apart in the performance.

As the career opportunities of the Classical professional musicians became scarcer, the urgency of propitiating the commercial side of the concert and recording industries, grew, and the critical sensibilities of leading and other musical performers grew more and more opportunistic. The result should call the reader's attention to the discussion of justice, in Book II of Plato's *Republic*.⁴¹ In proportion to the degree, these students and scientific or artistic professionals were serious thinkers, a relatively greater, if only partial emphasis was placed upon reenacting original discoveries of physical (or, artistic) principle, from case to case. However, with very rare exceptions, no efficient standard of truthfulness existed for the populations of the post-1945 period. Their ability to think cognitively, was shrunk, until, recently, among the strata born after 1939-1943, it virtually no longer exists.

Thus, from the mid-1960s onward, a standard of truthfulness virtually did not exist for the "Sixty-Eighters" and "Generation Xers."

This trend has meant, that those cognitive qualities which set the human individual apart from the beasts, have virtually vanished from the active life of the population generally, and, thus, from the economic process. Public and university education has become, today, a ruse by means of which learning

40. The pinnacle of polyphonic composition is, without doubt, the Fourth (E-minor) Symphony of Johannes Brahms. The root is chiefly Beethoven, including the crucial quotation from the *Adagio Sostenuto* of Beethoven's Opus 106, and, deeply, Bach. In this, Brahms goes beyond Beethoven in counterpoint, but never departs from the relevant challenge presented by Beethoven.

41. *Plato: The Republic*, Loeb Classical Library (Cambridge, Mass.: Harvard University Press, 1963). The Loeb Classical Library translations include the Greek text on the facing page.

much “information,” is deployed successfully, to free the students from the act of actually knowing.

In a related matter, bearing upon education and cultural development of family households.

To understand how the Truman-Eisenhower periods’ monetarist financier interests looted the post-war U.S. population of its unpaid labor, take the case of what happened to a post-war innovation known as the National Defense Highway System.

From the late 1940s, onward, especially beginning the Eisenhower years, the pre-existing major urban centers of the U.S. were encouraged to become the prey of parasitical real-estate and related financial speculators. Thus, beginning with Long Island’s Levittown experiment, the ordinary wage-earner was obliged to lose an increasing percentile of the hours of the living day in commuting. The heyday of this trend began when the National Defense Highway System was energetically “privatized.” Shopping centers dominating adjoining tracts of suburban residential development, increased the number of hours of the day consumed by commuting, while the traditional income-streams into the former industrial-residential cities dwindled. For this increased tax on his and her life, the victim of commuting received no compensating income.

How many hours are spent in commuting, from work to home, these days?

Add to this, the increase in the number of incomes a household requires today, not to reach the levels of real income of a comparable household from the late 1960s. Adding the commuting factors caused by a cancer of real-estate speculation, to the increased number of jobs required per household, we have the resulting destruction of the emotional and intellectual life of most of the children and adolescents of the household, all situated within a rising burden of commuting-related unpaid labor, relative to the pre-1945 period. The result of these combined factors, is a savage “dumbing down” of virtually all strata of the U.S. population.

Truman versus MacArthur

Go back to the U.S. military training camps of 1940-1945. The first assembly of each crop of recruits on the Basic Training Center’s company street, brought together young men (chiefly) from virtually every niche of city and countryside throughout the nation. The challenge of the training and related programs, was to bring most of the new recruits up to no less than a common standard of literacy and relevant other skills. The common interest, and the general welfare, of the nation and its citizens, was the dominant trend in thought. For the greater part, this effort succeeded fairly well.

This leads us, more immediately and narrowly, to an interesting contrast in morale, between the veteran being discharged from service, at the close of the war, and what that retired veteran became, a few months later. Examining the same matter more deeply, we are led to the deepest issues of

the Roosevelt versus Truman conflict: in other words, that Truman-MacArthur conflict which directly misshaped virtually all U.S. strategic thinking since 1951.

Throughout the span from “Boot Camp” to discharge from military service, the general tendency among the soldiers and sailors, was a tendency for an increase of personal and mutual self-confidence. With the reign of the Congress during President Truman’s first term, that personal and mutual self-confidence dwindled significantly. If only in approximation, a useful comparison can be made to German veterans returned to civilian life after the close of World War I, notably those “rootless ones” who were drawn, in large numbers, toward the Nazi Party, during the course of the 1920s. For most U.S. veterans of World War II, the mounting fear of return to the 1930s Great Depression, overlapping the rise of political witch-hunts, became, quickly, a tendency to withdraw from morality, into an attitude of “every man for himself.” Under Truman, the veteran sensed that there was no longer any clearly visible, common moral authority which could reliably compel even government itself to provide justice to the victimized individual. Thus, “Trumanism” revealed itself as “McCarthyism.” By 1948, Orwell’s *1984* was no longer prophetic: until the Army-McCarthy hearings, the hateful faces of “Animal Farm” specimens such as Roy M. Cohn and Senator Joseph “Tail Gunner Joe” McCarthy (“some pigs are more equal than others”) filled in for “Big Brother.”

The question which the war had posed, once again, to the citizen-soldier, was: “Are there values so urgent, that one must prefer to die, rather than allow those values to be betrayed?” “For what are you willing to die, if necessary?” “Are you willing to sacrifice your life for others in a just cause? Where is the breaking-point, at which you, unlike U.S. Attorney General Janet Reno, will refuse to be a depraved accomplice, a refusal you make simply because you know you are morally obliged to stand up for truth and justice?” In today’s philosophy and social-studies classroom, where the common existentialist traditions of Nietzsche, the Nazi Heidegger, and Jean-Paul Sartre prevail, such moral values of the now long past, war-time period, seem very strange to most. Today, one might kill or die, to express one’s existentialist self, rather than for a higher social purpose. In this transformation which has developed during 1945-1998, we witness the state of a contemporary culture, which, like the Biblical Belshazzar, has lost the moral fitness to survive.

Give this relative moral decadence of the post-MacArthur period a name; call it “the Adam Smith factor.” In place of the joy of participating in a common higher purpose, the all-too-typical representative of the Truman period accepted one’s self-degradation into becoming, at least relatively speaking, an utterly selfish opportunist, in that world of percussive interaction outlined by such Mephistophelean moralists as Thomas Hobbes, John Locke, Friedrich von Hayek’s Bernard Mandeville, Adam Smith, and Jeremy Bentham. Ad-



A victory celebration in Norfolk, Virginia, at the close of World War II. With the shift into the Truman era, the personal self-confidence and moral caliber of the returning American veterans shrank significantly. The mounting fear of return to the 1930s Great Depression, overlapping the rise of political witch-hunts, became, quickly, a tendency to withdraw from morality, into an attitude of "every man for himself."

mittedly, some people were still willing to risk death, and make other sacrifices, for a common purpose; however, this was rarely done out of a moral commitment, but out of a kind of conformism which should have reminded us of Propaganda Minister Josef Goebbels. To this day, most of the population of the U.S.A. has never fully recovered from the radiated impact of "Trumanism:" "keeping out of trouble with the authorities" usually outweighs any regard for truth and justice. "Let any ox be gored, as long as it is not my own."

President Truman's baiting and firing of General Douglas MacArthur cohered, in character and effects, with the broader spectrum of changes which the Truman administration imposed upon the returning World War II veteran. This is not a remote connection; *the entirety of U.S. strategic, and domestic economic policy-shaping, since 1950-1951, has been cursed heavily with the implications of Truman's folly in the MacArthur affair.*

During World War II, and in his conduct of the early months of the war in Korea, General MacArthur's performance ranks with that of the greatest commanders in all ancient through modern history: with Alexander at Arbela, Hannibal at Cannae, Frederick the Great at Leuthen, Lazare "Author of Victory" Carnot of 1792-1794, our William Tecumseh Sherman, Germany's old Moltke in France, and Alfred Graf von Schlieffen. Despite his critics from within the U.S. news media, and also an Anglophile faction of the Navy

Department, MacArthur, in World War II, won more war, over a greater area, more quickly, with relatively far fewer combat losses to both sides, than any military force engaged in Classical warfare, during modern history.⁴² The Inchon flanking operation was of the same caliber. Furthermore, nothing in military science justified Truman's position, whereas every evidence demanded of reasonable professionals that MacArthur's policy be followed. The subsequent 1960s war in Indo-China proved the case against Truman in full.

In its most immediate effects, Truman's policy in sacking MacArthur, introduced the endless Korean War, not resolved to the present day, now nearly a half-century later. The result there has been a parody of Bolshevik military commissar Leon Trotsky's untenable dealings with the German military, near the close of World War I: Trotsky's vanity-stricken posturing, "neither peace nor war." Truman's Korea war continues to the present day, as an armistice which is not peace, and, yet, not exactly war. In the longer haul, in the present Japan crisis, the unresolved issue of reunification of Korea, has be-

42. The bombing of Hiroshima and Nagasaki were not events of World War II, and should not be counted in keeping score on the actual Pacific war. MacArthur et al. had already won the war before those nuclear bombings occurred. These were, from a classical military standpoint, post-war attacks upon an already defeated nation and its people.

come a reawakened, deadly factor of potential strategic instability in the Asia situation as a whole.

In short, Truman's antic firing of MacArthur unleashed a neo-feudalist revival of Eighteenth-Century "cabinet warfare," as a new, determining factor in the conduct of U.S. strategic policy as a whole, world-wide. Truman shifted the U.S. military tradition, away from that of Lincoln, Grant, and Sherman, to the neo-feudalist, "cabinet warfare" heritage of the dubious McClellan and the Confederate commanders directing the treasonous slaveholders' insurrection. After MacArthur's firing, the U.S. officer corps was in the process of being degraded into the assigned role of "assistant cookie-pushers" for a Kissinger-like Department of State. The sheer awfulness of that "cabinet-warfare" folly came to roost in the 1964-1975 U.S. War in Vietnam.

Consider the deeper, axiomatic implications of that change.

The U.S. military policy which developed under leaders such as John Quincy Adams and Sylvanus Thayer,⁴³ had a deep root in Christian doctrine, specifically St. Augustine's warnings on the issues of *justified warfare*.⁴⁴ The particular significance of the corresponding U.S. doctrine, is located in the *historically exceptional* quality of the American Revolution and its Federal Constitution, an historical specificity which, still today, is unique in all of human history to date. It is from this standpoint, that President Truman's terrible folly and ignorance of elementary principles of statecraft, in the MacArthur affair, shines forth in its relevant implications for all of U.S., and world history since.

As I have elaborated the case in earlier locations, the modern nation-state republic came into existence as a product of western Christianity's doctrine respecting the nature of man. Christian principle required that all forms of oligarchism, including the one-worldist and other feudal institutions of western Europe, be uprooted and eradicated, in order to establish a form of perfectly sovereign republic governed by the principle that all men and women are made equally in the image of the Creator, and that the state has no legitimate function but to enhance the conditions and world-historical mission of individual life, accordingly. The state must never become, in

43. Reference is made to Adams' policy-shaping as President Monroe's Secretary of State, as in the instance of the 1823 Monroe Doctrine, and to the developments associated with Commandant Thayer's West Point Military Academy.

44. The "just war" doctrine of St. Augustine of Hippo (354-430) is developed in his reply to Faustus the Manichaeon, his letter to Pope Boniface, his *Commentary on the Sermon on the Mount*, his book *On the Lord's Words*, and his book *Eighty-Three Different Questions*. St. Augustine's concept of just war can be summarized as follows: 1) war should be conducted only as a last resort, since it were better to stay war with a word and to procure peace by peace than to slay men with the sword and to achieve peace by war; 2) however, the legitimate sovereign of a state has a natural right to conduct war to defend the common weal; 3) such a war requires a just cause in the form of some injury inflicted and the failure to make amends; and 4) in the event of a just cause, war to remain just must have a right intention and be waged mercifully, in the spirit of a peacemaker.

any way, the property of a governing class of oligarchs, but a state whose will must be subordinated to the world-historical national interest of all members of the nation, and also humanity as a whole, as reason defines that interest.

Unfortunately, the victory of Venice in the war of the League of Cambrai, prevented true nation-states from existing in Europe, except in the degree that Europe was later influenced by reforms inspired by the establishment and development of the U.S. Federal republic.⁴⁵

This imposed a peculiar, historically specific, strategic mission upon our U.S.A. We must not make war for the purpose of imposing our system upon other nations, but we must never betray the principle represented by our Declaration of Independence, 1787-1789 Federal Union, and the great reforms instituted under the leadership of President Abraham Lincoln. We must never act to support, or condone the forceful imposition, upon the people of any other part of the world, of a political order contrary to the principles upon which our own Federal Union was established and defended by President Abraham Lincoln.

Otherwise, our military policy is essentially an Augustinian one. In brief, our strategy must be, to defend ourselves, while fostering a circumstance in which other nations should prefer to emulate our best example. In war, our strategy for peace, is the Christian principle of atonement.

The resulting policy is, that if we are faced with fighting a war we can not otherwise avoid, we must prepare to win that war, or to avoid a futile battle, if by retreat.⁴⁶ We must use our capacity for military victory, when we have gained it, to induce adversaries to accept reasonable alternatives. We must never tolerate a degradation of our military forces into that semblance of feudal mercenarism associated with the British and other conduct of Eighteenth-Century "cabinet

45. Exemplary of the error of those who might wish to quarrel with this account, witness the fact, that virtually every government in western Europe is of a parliamentary form derived from feudalism! Under those arrangements, there is a state, ostensibly represented by a permanent, unelected bureaucracy, and a so-called "government," which can be overturned almost at whim, on the point of a parliamentary vote of confidence. What credulous observers mistake for "democracy," is a long history of increase of the role of consent of an inferior agency, parliament, to exert influence over the sensibilities of a state which remains, more or less, beyond the effective control of elected government. The U.S. Federal Union, is the constitutional standard against which the distinction between dubious "parliamentary democracy" and true representative government must be measured.

46. For example, it was Secretary of State John Quincy Adams' doctrine, on the occasion of formulating the 1823 Monroe Doctrine, that since the U.S.A. lacked the power to defeat Britain militarily in South and Central America, we reserve our policy until such time as we had the power to expel the British (as well as the Holy Alliance powers) from the Hemisphere. The turning-point in that direction came under President Lincoln, who ordered the British-French-Spanish puppet-emperor, Maximilian Habsburg, expelled from Mexico. The treaties which President Ronald Reagan violated and betrayed, in condoning Defense Secretary Caspar Weinberger's corrupt assistance to the British in the case of the Malvinas War, were the reaffirmations of the Monroe Doctrine reaffirmed by President Franklin Roosevelt's U.S.A. in the case of several solemn treaties, including the Treaty of Rio de Janeiro.

warfare.” Ours is not a doctrine which seeks war, but rather one which prefers always to create the preconditions under which it were unlikely we were obliged to fight war. In his time, against an errant President Truman, General MacArthur was a bearer of that tradition.

In most U.S. and NATO quarters, as in the corrupt agreements tolerated in the recent Balkan wars, instead of that noble tradition which General MacArthur bore, strategic thinking has been degraded into a blending of immoral forms of diplomacy with a variety of British blood-sports. Send the football fans, as hooligans, to fight and kill, letting survivors live to kill another day; between matches, let the diplomats keep score. A time in which a Henry Kissinger, or an empty-headed babbler such as Samuel P. Huntington, is cited as a “strategic thinker,” is a time in which civilization as a whole has already gone to Hell.

The heritage of General MacArthur’s ouster became the legacy of President Dwight Eisenhower, the legacy of *détente*. Look at this outcome, which Eisenhower inherited from the Truman period, from the vantage-point of what had been intended as Franklin Roosevelt’s “American Century.”

Roosevelt was aiming for total strategic victory. His mission was to use the circumstances of the war and its ending, together with the U.S.’s relation to a post-war Soviet Union and China, to mold a world-order which would be both durable and in keeping with the global interests of the U.S.A. By using U.S. world-hegemony in machine-tool-design capability, to provide the U.S.S.R., China, and other states, a truly just world economic order, the economic principle of the American System would define the world-order within which all nations operated, and would define the global relations among those states in a new way.

There was nothing “leftist” or otherwise naive in Franklin Roosevelt’s design for dealing with a post-war Josef Stalin. Step back for a moment, and consider the relevant, deeper strategic lessons of all of the past thousand years or so of modern European history.

The emergence of a post-feudal form of perfectly sovereign nation-state, had been defined by Cardinal Nicolaus of Cusa’s *Concordancia Catholica* (1431), a work which was itself an echo of the same principled theme underlying all of the leading writings of Dante Alighieri, with notable emphasis upon the latter’s *De monarchia* (c. 1312). It was Cusa’s work which had led him to lead a break within the Conciliar movement, toward reestablishing the previously disorganized Papacy. These were the same considerations which had led Cusa, the founder of modern experimental physical science, to contribute a leading role in organizing what became the A.D. 1439-1440 sessions of the great ecumenical Council at Florence, the Council which is the watershed for both modern European civilization in general, and the historically exceptional mission inhering in the founding of the U.S. Federal Union in particular.

A crucial problem intervened. The ruling oligarchy of

Europe saw the emergence of a modern form of sovereign nation-state as a mortal threat to the continuation of the power of the ruling combination of landed aristocracy and financier oligarchy. The sly tactic of inducing the Vatican to corrupt itself in the false cause of maintaining a system of Papal states within Italy, in opposition to the unification of Italy as a sovereign nation-state, became—*until the Twentieth Century!*—a crucial flank in the efforts of the landed aristocracy to prevent the establishment of truly sovereign nation-states in Europe.⁴⁷

The immediate, post-Council of Florence provocation for this pro-feudalist obstructionism, had been the formation of the world’s first modern nation-state, by France under King Louis XI, a role which Louis had acquired, as Dauphin, with notable encouragement and assistance from the Fifteenth-Century Renaissance patriots of Italy. The defeat of France and the League of Cambrai, through the treachery of Pope Julius II and the King of Spain, did not succeed in destroying Louis XI’s France, but the defeat of Cambrai shelved the establishment of any truly modern form of nation-state in Europe, until the Nineteenth-Century approximations appeared, the latter based, chiefly, upon the world-wide impact of President Abraham Lincoln’s victories over the British Empire’s relevant, neo-feudalist puppet-states of that period, the Confederate States of America and Maximilian’s Nazi-like occupation and looting of Mexico.⁴⁸

From the end of the League of Cambrai, until the end of World War II, the dominant force within European civilization as a whole, was either Venice’s financier-oligarchy, or Venice-like financier oligarchies, such as those of the Netherlands and London, which had been built up as clones of Venice. With aid of its incitement of Catholic versus Protestant butchery, Venice set every state of Europe against one another, while otherwise setting Europe bloodily against itself in Spain’s wars against the Netherlands, and, subsequently, the notorious Thirty Years’ War of 1618-1648. In this fashion, world power, and world trade, were under the domination of Venetian-style financier oligarchies, from the defeat of the

47. Until the first decade of the Twentieth Century, the Habsburg Emperor retained veto-power over the nomination of any Pope! This despite Pope Leo XIII! Under Habsburg oligarchical influences, the Catholics of Italy were prevented from assuming their natural leading role in the political life of Italy. It was this which provided Palmerston’s Mazzini the opportunity to make the anti-Christian, freemasonic party, the largest force for the unification of Italy. Hence, in contrast, the importance of the post-World War II Christian-Democracy of Italy.

48. The qualified exceptions to this were the efforts of France’s King Henry IV, and of Cardinal Mazarin and Jean-Baptiste Colbert. France, as the leading nation-state and economy in Europe, until 1789, was the principal target of its oligarchical enemies throughout the Sixteenth through Eighteenth Centuries. Through wars orchestrated by Venice’s financier-oligarchy, France was undermined and debilitated under a foolish Louis XIV, a subversion and waste which culminated in the successive nightmares of the Jacobin Terror and the Corsican bandit-king, Napoleon Bonaparte. After Napoleon, the glory of France departed, to the nadir reached during the post-Mitterrand period.

League of Cambrai, until the developments of World War II. For a clearer view, summarize the world strategic situation over the period from the Napoleonic wars through silly Woodrow Wilson's Versailles.

From 1789 onward, the common objectives of Britain and the Holy Roman Empire's *Fürstentum*,⁴⁹ were the destruction of both the United States of America and the influence of the United States' Federal Union as a model, which both Britain and the continental landed aristocracy were desperate to ensure must not exist in any part of this planet: the personal and official policy of the British monarchy's ultrareactionary Prince Philip, to the present day.

The Castlereagh-Metternich cabal's policy was a virulently anti-American view which is shared, with shameless openness, to the present day, by a confessed agent of British influence—a virtual, British, enemy spy, and all-around scalawag, Henry A. Kissinger.⁵⁰ Thus, from Pitt and Bentham through Palmerston, British Foreign Ministers and Prime Ministers, joined with the continental party of Habsburg chancellors von Kaunitz and Metternich, against the dreaded American influence. After Castlereagh, under Canning and Palmerston, Britain's apparent affections for its Holy Alliance partners waned, becoming Palmerston's and Giuseppe Mazzini's outright hostility to Metternich. Let President Clinton be warned by the fall of Metternich, as Palmerston himself put the point famously before the British Parliament: Britain has no permanent allies, but only permanent interests.

Nonetheless, the anomalies of 1848-1849 taken into account, until World War II, the world was dominated by a combination of chiefly imperialist, continental European forces, forces whose actual power has come to be centered, increasingly, in the financier-oligarchies of Prince Philip's Britain and the Nazi-SS veteran Prince Bernhard's Netherlands.

This was already the circumstance faced by U.S. President George Washington's administrations, the reality which prompted the President to warn the U.S.A. against any "entangling alliances" with European powers. Although the U.S.A. did develop Nineteenth-Century friends in Europe, such as the circles of Lafayette and Carnot in France, the followers of Friedrich Schiller among the Prussian reformers in Germany, and the Russia of Czar Alexander II and Count Sergei Witte,

49. In the aftermath of the (1618-1648) Thirty Years' War, the council of princes of the Holy Roman Empire was reduced to a rump composed of a nominal Catholic Party from Italy, south Germany, and Austro-Hungary. As the assassination of many of the protégés of the Habsburg Emperor Joseph II, including Wolfgang Mozart and his friends, attests, the real power behind the Habsburg throne was usually the Chancellor (*Kanzler*), who was the controller of the secret police (*Geheimpolizei*), and, sometimes, also, like Metternich, chief pimp of the realm. Thus, Wolfgang Mozart, like Ludwig van Beethoven, was personally close to the nominally reigning Habsburg family, whereas the office of the Chancellor was the enemy of both.

50. See, Henry A. Kissinger's address to London's Chatham House, May 10, 1982, op. cit., note 5. See also, Kissinger's *A World Restored*, op. cit., note 5.

the hegemonic combination of ruling forces in Europe was implicitly those enemies of the United States who had inherited the foul victory from the defeat of the League of Cambrai.

This is the key to understanding the role of Franklin Roosevelt at Yalta. This is key to understanding the implications of Truman's strategic folly.

By Spring 1945, the opportunity to exert a new world power, superseding entirely the kind of financier-oligarchical world-power hitherto exerted by Britain et al., lay within the reach of the U.S. President. Under Roosevelt's post-war policy, the U.S.A. would be no empire; nonetheless, we were in a position to determine the shared, characteristic features of the global financial, monetary, and economic relations among sovereign nation-states. Under those historically specific circumstances, we in the U.S. had nothing to fear from the power of a Soviet Union or China, nor need we desire to establish imperial authority over their internal affairs. It was we, the U.S.A., who were now in a position to determine the global set of financial, monetary, and economic rules of the game, rules which would affect the relations among all states of this planet.

If only we had seized that wonderful opportunity.

From the founding of our sovereign republic, until World War II, world power had been divided between the minority force represented by the U.S. and its immediate, anti-British friends, on the one side, and a thicket of world-dominating financial-oligarchical powers and outrightly feudalistic relics, on the opposing side. In that specific sense, world power, especially power over the world's financial and monetary affairs, lay in the hands of imperial, rentier-financier forces which were the enemies of our republican constitutional principle. As Secretary of State John Quincy Adams said of our enemy, Canning's Britain, there existed no community of principle between the U.S.A. and those forces which dominated the world from Europe.

Under those circumstances, the principles of practice governing well-informed U.S. strategy were necessarily, actively adversarial; we shared no community of principle with the leading concert of the world's powers. However, as Adams emphasized this future prospect for the Americas, when the time came, when we had the power to change this fundamentally, to establish an hegemonic ordering of international financial, monetary, and economic power, our strategic doctrine must change to conform to this changed order within world affairs.

At the close of the war, we held global financial, monetary, and economic hegemony. What we required of the world, was a rallying of states which would join with us to oppose the relics of British, Netherlands, French, and Portuguese imperialism, to provide to those liberated regions of the world the immediate advantages of a fair and just world economic order. Our duty, our self-interest, was to inaugurate that new, just world economic order, and to assume a leading role in defending that order as the common interest of a group of nations

representing the vital interest of the overwhelming majority of the human race.

What had we to fear from anyone, then, or today, as long as we proceeded on that basis? This is what Truman, and other small-minded Hobbesians either never understood, or chose not to understand.

The SDI example

In this light, consider as a most appropriate, exemplary case, my original design of what President Ronald Reagan named a "Strategic Defense Initiative (SDI)."

The crucial feature of the President's March 23, 1983 offer to the Soviet government, marks the SDI, publicly, to this day, as a product of my work, work focussed upon a private, exploratory back-channel discussion which I conducted, in U.S. interest, with Moscow's representative, during the interval February 1982-February 1983. It was an exploratory effort, a further step in promoting a program which I had launched, in August 1979, as a feature of my 1980 campaign for the Democratic Party's Presidential nomination. It was a campaign which I conducted publicly, from mid-February 1982 on, in the U.S.A., with high-ranking flag officers and other leading strategic circles in the U.S.A., France, Italy, Germany, and elsewhere, past the close of 1985. Admittedly, there are state secrets involved, which I have not told,⁵¹ but, otherwise, all the essential features of my role in authorship of that SDI proposal were open, and openly acknowledged by some relevant agencies of the U.S. government, beyond the end of March 1983.

From the point of my first barely significant intervention into world affairs, beginning the mid-1960s, I adhered always to the attempt to revive the kind of U.S. relationship to the world at large which I had envisaged, while still serving in the China-Burma-India Theater, at the close of World War II. As early as the first months of 1947, for example, my zeal was focussed upon the importance of U.S. fostering of the development of nuclear-fission energy-sources as the obvious, best, and perhaps only key to the general improvement of the conditions of life of the *entire* population of India. From the mid-1960s onward, the same view was expressed as the proposal, that joint commitment, by the U.S.A. and Soviet Union, to rapid development of the technology of the developing sector, was the "way out" of the continuing strategic dilemma of that time.

During the second half of the 1970s, I was in a great deal of official and covertly deployed troubles, which I suffered at the hands of such circles as those of Secretary of State Henry A. Kissinger and National Security Advisors Brent Scow-

51. In respect to the back-channel itself, I was operating under national-security rules. Thus, those secret aspects of the back-channel discussion which were under national-security have never been revealed to unauthorized persons, by me, to the present date. Nor was there ever a good reason to do so; all the essential facts of the history of SDI were always fully visible in the public domain.

croft, Zbigniew Brzezinski, and, of course, the same FBI which, according to its own official documents, worked with the leadership of the Communist Party U.S.A., to promote my "elimination," as early as 1973. This occurred partly as a result of the role of my associates and me, in exposure of certain interesting background facts concerning developments of the late 1960s and early 1970s; initially, it occurred chiefly as a result of my too nearly successful 1974-1977 interventions on behalf of a "just new world economic order," interventions in which I found myself intellectually allied, openly, with some governments of the Non-Aligned Nations group. It was my 1982-1985 role on behalf of what became known as the SDI, which persuaded certain international forces to conduct their 1982-1989 effort to have me eliminated finally and permanently from any further influence upon U.S. and world policies.

During this 1977-1982 period, I came to emphasize the significance of dual-use development of strategic ballistic missile defense based upon *new physical principles* (such as beam weapons), as the available strategic alternative. My point, from the second half of the 1970s onward, was, that on condition that both superpowers sought a common interest of our planet in the equitable development of all of the peoples and nations of the planet, that common interest could lead the world back to the kind of American Century goals which one should associate with the work of Franklin Roosevelt.

The key, was always to shift the frontier of economic technology forward, to what was, at each moment, the most advanced among the existing levels of machine-tool-design potentialities. Large-scale infrastructure programs, combined with the most advanced "science driver" programs of economic development, were the key. Those were my policies during the late 1960s, the middle 1970s, in my authorship of what became known as "SDI," and in my proposals, beginning October 1988, for a post-Communist reconstruction. Those are my policies still today.

Consider the case of the public attacks upon me, and also Dr. Edward Teller, on the issues of "SDI," by the subsequently deceased Lt.-Gen. (ret.) Daniel P. Graham, during the period from Summer 1982 until March 23, 1983. This involved an issue which Graham had earlier raised, while still head of the Defense Intelligence Agency (DIA), during the administration of President Gerald Ford. Graham was fanatically opposed to the role of science in defense systems; he insisted, that "off the shelf" technologies, presently reposing in the inventories of defense contractors, ought to be used, instead, even if that meant relying upon systems, typified by Graham's "High Frontier" recipe, which had become hopelessly obsolete more than a decade earlier! The connection of Graham's views to his association with that Mont Pelerin Society subsidiary known as the London-directed Heritage Foundation, was no coincidence. The Heritage Foundation dim-wits proceeded from their induced, crude, Anglophiliac ideology, to argue against government-funded science-driver programs.

This was reflected in their gobbledygook propaganda arguing the allegedly principled distinctions between “fundamental” and “applied” research.

Soon after President Reagan had announced the “SDI,” Heritage Foundation ideologue Graham turned about, to profess himself a born-again advocate of the very strategic ballistic missile defense system for which he had attacked me and Dr. Teller so violently during the Summer and Autumn of 1982. During the Summer of 1983, an uneasy compromise was struck between the respective representatives of Graham and Teller; Graham prevailed with his emphasis upon obsolete conceptions of “kinetic weapons” technology. Consoling bits of money were passed around to Teller’s backers, to keep the troops quiet; I was pushed out of the way; and, despite President Reagan’s clear voice at Reykjavik, “SDI” was soon virtually dead as an ongoing strategic conception.

The crucial point to be stressed here, is the following.

Start with what has been my repeatedly stated principle: the power of mankind over nature, per capita and per square kilometer of the planet’s surface, is located entirely in the realization of scientific and technological progress as an effective increase of the productive powers of labor. In that sense, and in that degree, the origin of essential strategic power is precisely that. This is expressed either as the realization of such modes of increase of the productive powers of labor, or, from the Mont Pelerin Society and other opponents of progress, the suppression of such development.

We witness this principle at work in the rapid rise of the per-capita income and power of the France reconstituted by King Louis XI. We witness this in the impact of scientific and technological progress in Europe since Brunelleschi’s early Fifteenth Century. We witness this in the role of France’s Jean-Baptiste Colbert. The strategic principle of the science-driver effect, is shown, in the most brilliant fashion, under the leadership of Lazare Carnot, during 1792-1794. This is shown, again in the most brilliant fashion, in the explosive upsurge of the U.S. economy in its generalized machine-tool revolution, during 1861-1876.

Compare this with a relevant, telling observation made by a friend.⁵²

As the family of Empress Maria Theresa might agree, Prussia’s Frederick the Great was not a nice person; but he was, political follies such as Voltaire aside, a military genius. Alfred Graf von Schlieffen’s account of Frederick’s brilliant, double-flanking victory over the Austrians, at the Battle of Leuthen, illustrates the same military-strategic principle otherwise demonstrated by science-driver cases.

In brief, the principle of the flank, as documented by von Schlieffen’s *Cannae*,⁵³ is not a principle of the sand-

box as such; it is a principle of the mind. For example, if my enemy is operating on the basis of Riemannian set n , then I must outflank him by operating on the basis of Riemannian set $n+1$. Hannibal’s counteroffensive, from a seemingly hopeless, back-to-the-wall situation, to effect defeat of the relatively much superior Roman forces at Cannae, was not a matter of sand-box principles; Hannibal’s *mind* was superior to that of the self-misguided Roman commanders. Frederick was vastly outgunned at Leuthen, and confronted by what might pass for a perfect, Cannae-modelled flanking assault; but, the combined discipline of Frederick’s vastly outnumbered troops and the thick-headed formalism of the Austrian commander, enabled the mind of Frederick to outflank, and rout a vastly superior Austrian force, not once, but twice on the same day.

If one can confront a prospective adversary with the fact of the economic impact of realized scientific superiority, then, that adversary must either adapt to that principle, or accept defeat. There is a military parallel for this in General William Tecumseh Sherman’s continual hammering of his flanking operations all the way to and through Atlanta. It was, above all, the superiority of Sherman’s mind to that of the Confederate commanders, which is the crucial fact of that situation. The most relevant fact was the moral and scientific superiority of the Union forces over the pack of neo-feudalist degenerates dominating the Confederate command. Once Lincoln was able, after Gettysburg, to purge not only the dubious McClellan, but other liabilities, from the U.S. military command, the preparation for the delayed Union victory took shape. The Confederacy was not a “lost cause;” it was the cause of a pseudo-nation which, from its inception, had lacked the moral fitness to survive.

If one is in a position to assume the high ground, both culturally and technologically, and also globally, one will thus shape the direction of changes in political-economic practice among the nations so affected. It is not necessary, nor desirable, to attempt to dictate the internal affairs of individual nations; rather, let each nation shape its own internal development, through the natural process of its attempts to adapt successfully to the global environment within which it is located. Concentrate, therefore, on shaping that global environment.

In 1945, the difference was, that, prior to the close of World War I, the financier-oligarchical forces centered around Britain and the Netherlands controlled “the world market,” a position which the British had regained from the U.S.A., between 1873 and 1879, through the establishment of the British gold standard and the accompanying adoption of the treasonous U.S. Specie Resumption Act, that by a corrupted U.S. Congress. We see today, how the bandits running international financial and monetary institutions, such as the International Monetary Fund, are able to effect the piratical looting of entire groups of nations, seemingly without any available recourse by the victimized nations themselves.

52. Andreas Ranke, “Schlieffen, Carnot, and the Theory of the Flank,” *EIR*, Feb. 6, 1998.

53. Gen. Fieldmarshal Count Alfred von Schlieffen, *Cannae* (Ft. Leavenworth, Kansas: The Command and General Staff Schoolpress, 1931).

Conversely, we should be able to recognize, that without a new global financial and monetary system, modelled upon the pre-1959 Bretton Woods system, no recovery from the presently ongoing, global, financial, monetary, and economic collapse could be expected at any time during the decades immediately ahead: without that change, and very soon, the United States, and virtually every other nation of this planet, is hopelessly doomed to a decades-long passage through the virtual Hell of a prolonged “new dark age.” Control the rules of the international financial and monetary system, and subject that system to domination by the exigencies of realized scientific and technological progress, and the objectives of Franklin Roosevelt’s “American Century” image could be realized, even beginning today.

So, situate the Truman-MacArthur controversy with respect to the original, March 23, 1983 proffer of SDI.

From this latter vantage-point, the principal problems of 1949-1951 were, that the U.S.A., in its foolish excess of power-sharing with the British and other dubious allies, had surrendered the sovereignty of the U.S.A. to an increasing degree of meddling by supranational authority. Thus, the same U.S.A. which had assumed principal responsibility for the state of the world, had surrendered its ability to meet that responsibility, by denying itself access to means which might not be pleasing to the Bertrand Russell and Winston Churchill devotees of a nuclear march toward world government. The farce of making the war in Korea a “United Nations war,” was the root of the problem.

Had MacArthur been allowed to pursue a sovereign U.S. solution to the challenge, there would have been no war with China; it was the weakness of the U.S., as demanded by the British-dominated UNO, and self-imposed by Truman, which lured, and virtually provoked China into the war. China did not cause the expansion of the war; it was the disgusting weakness displayed by Truman and the UNO command, which incited the attack from China. Had MacArthur been allowed to assert his clearly enunciated, and militarily obligatory set of rules of engagement at Korea’s northern border, there would have been no further war, and the world would have become, rapidly, a far better place than it has been since 1950, to the present date.

In matters bearing upon strategy, and vital national interest, globalization and national sovereignty are mutually exclusive notions. Without honoring in full a clear community of principle respecting the economically “protectionist” form of *perfectly sovereign* nation-state established under the U.S. Federal Constitution of 1787-1789, there exists no tolerable, durable basis for supranational condominiums. We should never have tolerated, for a single day, the agreements of that sort which have become increasingly popular since the establishment of that lunatic “floating exchange-rate monetary system” which has proven itself the present undoing of the world economy as a whole.

A tour through mediocrity

There were many good ideas in circulation among Republicans, and others, during the Eisenhower administration. Veterans of that administration’s time, whom I came to know either as friends or friendly acquaintances during later years, were unquestionably moral, professionally capable, and valuable persons with whom to exchange ideas. Eisenhower’s “Atoms for Peace,” was among the good things set into motion during that period. It was a far more comfortable period in which to live and work, than during the nightmare of the Truman years; but, nothing seemed to be able to break through that confining envelope of mediocrity which controlled the administration from its inception.

On this account, that administration’s economic policy was its worst side; the case of the temporary abortion of the Huntsville rocket program, typifies the way in which the administration’s mediocrity in economic matters spilled over into its strategic practice generally.

The fairest summation of the Eisenhower administration’s performance, overall, is that it was a post-MacArthur administration. There was no compelling commitment to anything reflecting the kind of “American Century” outlook of the early 1940s. There was no impulse to drive scientific and technological progress beyond immediately visible boundaries, no commitment to accelerate the ratio of the machine-tool-design element within the composition of U.S. employment and output. No Everests to climb, no frontiers to breach. There was nothing inspiring. Even the Eisenhower administration’s reluctant revival of the moribund U.S. rocket and space program, occurred only as a result of prodding by the insistent beeps of the Soviet *Sputnik*. The ill-fated Eisenhower consumer-credit expansion of the middle 1950s, brings the generalized, characteristic mediocrity of the period’s policy-making into the clearest focus.

The retail passenger-vehicle sales expansion, typified the folly of Eisenhower economics. The use of increasingly loose consumer credit to sustain an expansion of new car sales, involved sundry, high-binding and kindred accounting and marketing tricks. In summary, by late 1956, the unpaid balance on a predominantly mature thirty-six-month automobile loan, was in the vicinity of the point that the replacement of that same make and model, on a used-car lot, was less than the balance due on the original new-car loan. During the same period, the trend toward “value engineering” approaches to product cost-control, which were employed at the manufacturing end, assured that the useful life of the vehicle was probably less than the life-span suggested by the terms of the thirty-six-month new-car loan. A similar pattern pervaded the area of large-ticket home appliances, and so on.

The result of this combined folly of the administration and the automobile manufacturers, was the 1957-1958 recession, which broke out in February 1957. Although the rate of recession slowed in mid-1958, there was no genuine economic

recovery until a candidate doomed by the price of the Eisenhower administration's economic mediocrity, Richard M. Nixon, was pushed aside for the inauguration of President John Kennedy.

The strategic implications of the Eisenhower policy of economic mediocrity, are most usefully stated in terms comparable to those we have employed in discussing the Truman-MacArthur controversy.

Define the term "military technological attrition," as signifying the combination of technological superiority of weapons and related systems with increased productive powers of labor in producing functionally equivalent, or superior systems. It is on precisely this point, that the Eisenhower administration fell down on its economic-strategic responsibilities. A peaceful world order, under established adversarial conditions, depended upon *a margin of growing absolute superiority of the U.S.A. in terms of rates of technological attrition*. The tempering of U.S. strategic growth, which was prompted by a combination of pro-monetarist economics mediocrity and quiet probing of Khrushchev's willingness to accept Russell's design for détente, should be viewed in this light.

Consider the Teller-Oppenheimer "thermonuclear bomb" controversy as casting some light on this matter. It is not necessary to go into great detail on that matter here. Two points are sufficient. On Oppenheimer's side, he was tuned to the more radical version of Bertrand Russell's tactics on the issues of nuclear-weapons policy; his leading points of difference with Teller, over H-bomb development, are located adequately in precisely that point. Teller, on the other hand, was correct in principle, in the degree that, respecting scientific and technological progress, one must always crash the strategic frontiers, whatever one's strategic guesstimates might be otherwise. The specific kind of bitterness injected into the dispute at that time, was unnecessary; perhaps Dr. Teller should have been less reluctant to reference the sometimes complicated connections among himself, Eugene Wigner, and Bertrand Russell, and thus provide more clarity and less mud to the controversy of that time. It was on this same point, that the mid-1950s semi-mothballing of Huntsville's rocket program, was typical of the military strategic side of the Eisenhower administration's leaning toward strategic mediocrity.

Kennedy: a few golden years

"New Frontier" was an apt choice of term.

President John Kennedy represented my own generation from World War II; he was slightly older than I, but not that much. After living through the bad Truman years, and the mediocrity of the Eisenhower years, my generation was entering the leading executive positions in government, professional, and corporate life. The change showed in the growing support for the Civil Rights movement. The change showed also, in the explosion of a pent-up passion for break-

ing out of mediocrity, for pioneering into new frontiers. For my generation, the memories of FDR were strong, still fresh and vigorous. That made the difference in the 1960 election-campaign, and during the President's performance as an incumbent.

The special historic significance of the Kennedy period is most clearly shown in the coincidence of the strategic interventions among Kennedy, France's Fifth Republic President Charles de Gaulle, and Germany's Konrad Adenauer. These implications lingered, with a crucial, if somewhat attenuated impact, even after the death of Kennedy and ouster of Adenauer. Three of de Gaulle's most crucial actions are to be emphasized: 1) de Gaulle's push for a "Europe from the Atlantic to the Urals," de Gaulle's own efforts to pick up on Franklin Roosevelt's approach to projected post-war dealings with Stalin's Soviet Union; 2) de Gaulle's open and sudden break with NATO, largely in response to a London-dominated NATO's persisting efforts to conduct a *coup d'état* against the French state; and, 3) the *Force de Frappe*, de Gaulle's response to the lunacy of the post-MacArthur legacy of strategic follies.

Overall, the sum and substance of the Kennedy period, is the slogan "New Frontier." The thrust of the Kennedy Presidency, and the joint impact of Kennedy, de Gaulle, and Adenauer, was to break free of the sodden nightmares left over from the Truman and Eisenhower periods, to break out, to dare the limits, and reach beyond. This was a moment of anti-entropy, a short-lived interruption of that reign of entropy which has otherwise ruled the post-Franklin Roosevelt world until the present day.

Despite the 1962 Missile Crisis, the initiatives associated with Kennedy, de Gaulle, and Adenauer, during, and immediately following the Kennedy period, remain today a point of reference for relaunching the essential features of that brief, happier period of recent history.

The good times did not last for long, even if one included the 1964-1969 phase of the space program. While President Kennedy lived, pleasant, nostalgic echoes of the FDR years encouraged followers to follow; but, in the wake of the President's assassination and the Warren Commission caper, few among those disposed to follow still possessed the passion to lead. The shock of the 1962 "Cuba Missiles Crisis," followed, by the November 1963 assassination of the President, left mostly emotional rubble in the aftermath.

After the horrors of 1962-1963, a deep cultural pessimism gripped the youth entering university during the 1960s. President Johnson's capitulation to McGeorge Bundy's insistence on the war in Vietnam, put the political detonator on the explosive social charge. The notorious "cultural-paradigm shift," the shift to the "rock-drug-sex counterculture" and to "post-industrial" utopianism, emerged as relatively hegemonic campus and post-campus phenomena of the 1964-1972 interval.

British proconsul Kissinger

For what happened after the assassination of President Kennedy, two historic reference-points are perhaps the most appropriate. The first is the case of the ancient, Phrygian cult of Dionysus, the terrorist cult otherwise associated with the satanic worship of Gaea-Python and the Roman cult of Bacchus. The second, the post-World War I spread of a theosophical, existentialist youth-counterculture throughout Europe, as typified by the rise of Nazism, the influence of Georg Lukacs, and the rise of the satanic cult otherwise commonly referenced as the “Frankfurt School” of Theodor Adorno, Hannah Arendt, et al.⁵⁴

The key to the rise of this counterculture, is twofold.

The modern roots of the rock-drug-sex and post-industrial countercultures, are traceable to two key events of post-Napoleonic Europe: the Congress of Vienna itself, and the fascistic Carlsbad decrees of 1819.⁵⁵ The virtual banning of the influence of that Friedrich Schiller who had been the chief intellectual author of the reforms underlying Germany’s 1813-1814 Liberation Wars,⁵⁶ defines the spirit of hatred erupting during

54. In treating the terrorist-linked and related radicals of the post-1963 “rock-drug-sex counterculture,” the Maxim Gorki paradigm must be referenced. Gorki, who used the satanic center of Alex Muenthe et al., at the Isle of Capri, for his training sessions, was the “mother” of the training of the hard-core agents of Feliks Dzhzhzhinsky’s Cheka (predecessor of the KGB). Hate-filled, homeless youth were developed as a hard core of agents, of exceptional ruthlessness and lack of human sensibilities. Like Georg Lukacs, or such of the latter’s “Frankfurt School” followers as Theodor Adorno and Hannah Arendt, the essence of the psychological conditioning of the Gorki, Lukacs types of leftist agent-types, was blind, irrational hatred of the “existing culture,” the “existing society.” The worst G.D.R. “Stasi” types, for example, fit into this profile, as do those hard-core eco-terrorists, of “criminal energy,” at the center of the murderous, large-scale guerrilla-warfare mayhem in 1970s and 1980s France and Germany. There is no essential difference between leftists of Bertolt Brecht’s “Jenny” type, and professed Nazis such as Adolf Hitler, Josef Goebbels, and Martin Heidegger. These types are essentially neither “left” nor “right,” but only and always satanic in the specific sense of the Phrygian cult of Dionysos, or the ancient Gaea-Python cult.

55. The murder of the popular writer Kotzebue by the radicalized student George Sand was used by Prince Metternich as a convenient pretext to clamp down on the political ferment in Germany, for German reunification under a constitutional government. In 1819, Austria got the Deutscher Bund, the alliance of a whole array of feudal German mini-states, to adopt the Carlsbad decrees. These meant severe restrictions of the freedom of press, speech, association, etc., under the cover of “pursuing the demagogues” (*Demagogenverfolgung*). As this was a joint decision by the feudal princes, the victims could no longer escape prison or other punishment by fleeing across the border of their respective mini-state. Hundreds of courageous political leaders went to prison during those years, for nothing more than expressing their anti-feudal political convictions. Many escaped imprisonment by fleeing to Switzerland, France, and, notably, the United States.

56. Under the regime of the Carlsbad decrees, it became highly risky for journalists to quote certain works by Schiller or for theatrical directors to perform Schiller’s plays in an uncensored version. This concerned, especially, his drama *Wilhelm Tell*, but also *Don Carlos* and *Kabale and Liebe*, in which Schiller both attacked and ridiculed life and politics at the corrupt feudal courts. Interestingly, the same aspects of Schiller’s works, later fell victim to Goebbels’ censorship during the Nazi regime.

the period in which a gifted Trier Johann Hugo Wyttenbach student, Karl Marx, born in 1818, was later recruited into virtually satanic cults, first at the University of Bonn, and, later, under the influence of the circles of the fascistic G.W.F. Hegel and Karl F. Savigny, at Berlin. The case of Arthur Schopenhauer, one of the key forerunners of Friedrich Nietzsche and Adolf Hitler’s Nazis, is another relevant case. Related is the case of the two Mazzini followers, Wagner and Bakunin, who came to play leading roles in establishing the cornerstones of both modern European satanism and Nazism within Machian late-Nineteenth-Century Vienna, Budapest, and the Bayreuth of Houston Stewart Chamberlain and Richard “Parsifal” Wagner.

As we have already pointed to this, the right-left commonalities of these satanic cults are aptly represented by the perverse union between Hannah Arendt and Nazi existentialist Martin Heidegger, both in common with the satanic figures of Theodor Adorno and the de facto den mother of the “Frankfurt School,” Georg Lukacs.

The currents of Romanticism, Modernism, and post-Modernism spawned out of the post-Vienna-Congress, post-Carlsbad-decree cultural pessimism of the middle Nineteenth Century, gained an increasing influence in the organized intellectual life of European civilization on both sides of the Atlantic, including the Massachusetts and South Carolina branches of Palmerston protégé Giuseppe Mazzini’s “Young America” organization.⁵⁷ The influence of Bertrand Russell, is a key element in the corruption of intellectual youth, such as Norbert Wiener and John von Neumann, on both sides of the Atlantic. Under the conditions of the Truman and Eisenhower periods, these spores of existentialist pessimism found the culture-medium for which they might have been intended.

The qualified amorality which overtook the majority of U.S. citizens, for example, during the Truman and Eisenhower years, exploded into such forms as the rapid spread of the “rock-drug-sex counter-culture,” from 1964 through 1972. The continuation of the war in Indo-China was among the crucial factors in bringing about the emerging hegemony of an anti-science movement, “post-industrial” utopianism.

The fact that emergence of an organized youth-counterculture around “post-industrial” utopianism reflected the emergence of the forementioned types of psycho-social conditioning, should not be read as evidence that the emergence of the movement itself was in any sense “spontaneous,” or “natural.” Very little in modern history has been less natural, indeed more unnatural, than the self-styled nature cult which has grown up, “on behalf of the environment,” around the 1961 initiatives of Prince Philip’s and Prince Bernhard’s reactionary World Wildlife Fund. The members of the new youth-counterculture were virtually campus-laboratory guinea-

57. The New England “Transcendentalists” and the Charleston, South Carolina racists were both representatives of Mazzini’s “Young America” agents of Lord Palmerston.

pigs, whose behavior was induced and directed, from the top-down, from the outset. The environment preparing this operation was established as early as the 1920s, under British Brigadier Dr. John Rawlings Rees of the London Tavistock Clinic. The entire operation was dominated by relatively highly refined methods of mass-brainwashing, assisted by such networks as the Lewin centers at the Massachusetts Institute of Technology and Ann Arbor, Michigan, and the network of Freudian and kindred brainwashing networks, such as "MK-Ultra," spun out from under the direction of Julian Huxley at the UNO and the London Tavistock Clinic.

During the most relevant years, during 1964-1972, I was directly involved in exposing and opposing this "brainwashing," on the scene, with first hand, and often detailed knowledge of the agencies, including Kissinger sponsor McGeorge Bundy's Ford Foundation, and many of the key personalities, such as Herbert Marcuse, playing the key day-to-day roles of Mephistopheles in corrupting their pathetic "Fausts" of the 1967-1969 Columbia University and other campus scenes. The Foundations and funding of the process leading from McGeorge Bundy's and Herbert Marcuse's interventions into the Columbia University situation, into the 1969 emergence of the offshoot known as the "Weathermen" terrorists, or the related case of the Jonathan Jackson Brigade, are exemplary. To this day, a check of Foundation grants and related connections is often still key to tracking the actual pedigrees and motives of most of the still operating, exotically "radical" operations built up with aid of coordinated mass-media puffery.

This youth-counterculture development of 1964-1972 did not occur in a political-economic vacuum. It overlapped two leading economic policy-developments of the same period: the 1966-1967 take-down of large parts of the forward, cutting edge of the U.S. space program, and the process leading into the August 1971 sinking of the U.S. dollar. It also overlapped, in a most significant degree, the rise of the Queen's own Henry A. Kissinger to the position of virtually acting President of the United States.

The changes experienced during this 1964-1972/1976 interval, intersect the fact, that, excepting a few brief, extraordinary developments during the first Reagan administration, since the murder of President Kennedy, no President of the U.S.A., to the present date, has actually provided that quality of Presidential leadership for the United States we associate with even a Truman, an Eisenhower, or a Kennedy. Carter, Reagan, Bush, and Clinton, have been, usually, like the virtually anonymous Presidents we tend to view as the janitorial agency which locks up after the parliamentary government has gone home for the weekend; moreover, none of them seemed able to do anything to change this. As in Clinton's case, even if he wished to act as a real President, a cabal of combined mass news media, right-wing Congressional "Robespierres," and permanent governmental bureaucracy, has not allowed him to so do. There is no mere coincidence

in this; the underlying reasons for the post-"Watergate" shift, from a Presidential to a Europe style of parliamentary government, are elementary, and historic.

Most citizens, and members of both judiciary and Congress, appear to have forgotten the time, before "Watergate," when we ran our government differently. This is among the policy-matrix changes which has occurred since 1964-1976.

The emergence of "post-industrial" utopianism, as the hegemonic trend in policy-shaping, on all fronts, is the characteristic, dominant, if not exclusive, policy-shaping factor in the administrations of Presidents Carter, Reagan, Bush, and Clinton-Gore. Blindly plummeting entropy is the dominant mood of politics in these times; the 1964-1972 interval, from the assassination of President Kennedy, until the establishment of the post-Bretton Woods "floating exchange-rate system," marks the transition, away from all semblance of earlier patriotic standards of U.S. economic policy-shaping, into the lunacy of the junk-bond and derivatives age. With the inauguration of President Jimmy Carter, the U.S. Presidency degenerated rapidly, seemingly irreversibly. The continuing cause for this process of degeneration was the increasing hegemony of the cult of "post-industrial" utopianism. The sap was out of the tree, and the branches were dying.

Consider the political and economic revolution of 1964-1976 in light of its correlation with the "post-industrial utopian" form of cultural-paradigm shift.

When the U.S. economy stopped growing

The assassination of President Kennedy marks the point of departure, from the time our nation was still committed to economic progress, until it began to move radically in a downward direction: changes in U.S. economic-policy began which were more damaging than even the worst of what had occurred under Truman and Eisenhower.

The first round of such radical shifts, downward, in U.S. economic thinking, came in two developments of the 1966-1967 interval: the State Department's initial adoption of population-control policies directed against other nations, and the drastic, if partial shut-down of the space-program during those fiscal years. The "Great Society" hoax was a complement to this process of beginning to destroy the U.S. economy.

The second round of measures leading into the wrecking of the U.S. and world economy was developed during the interval 1967-1972, beginning with British Prime Minister Harold Wilson's 1967 sinking of the British pound sterling, and concluding with the developments of 1971-1972, nullifying the Bretton Woods agreements, and launching that "floating-exchange-rate monetary system" which has led the U.S. and world economy, step by step, to the present global catastrophe.

Later, during the 1970s, it was argued, that for every penny spent on the space program, more than fifteen cents had been returned to the U.S. economy. The latter benefit occurred as a fruit of the spill-over, into the economy as a

whole, of the scientific and technological progress radiating from the space program.⁵⁸ This benefit was precisely what the Johnson administration cut out of the space program and closely related things during 1966-1967. Thousands of the best-qualified scientists and technicians were dumped from the payrolls, creating effects such as a virtual economic depression around Greater Boston's Route 128 aerospace and related premises. It was said, in 1968-1969, that such throat-cutting acts of national economic suicide would benefit the economy by "bringing the space dollar back down to Earth" in such forms as the (predictable disappointment known as the) "Great Society" program. With only marginal exceptions thereafter, the economic-suicidal pattern of such cuts in high-tech research and development, not only persisted, but was generally accelerated, from 1966 onward to the present day.

As a result, the net physical output of the U.S. economy per capita, has shrunk consistently, and disastrously, from the close of the 1966-1972 interval, to the present day. In fact, there has been no net physical-economic growth in the U.S. economy from that time, to the present day. "More jobs," yes: but less net physical-economic income per household than when the average number of jobs per-capita of labor-force was fewer.⁵⁹

The tail-end of net U.S.A. post-war economic growth was reached about 1971-1972. What had kept some growth in place during the 1966-1972 interval, was largely to the credit of large-scale infrastructure-building programs set into place by (chiefly) the Eisenhower and Kennedy administrations, and kept moving somewhat under Johnson. After 1971-1972, the amount spent on combined expansion, improvement, and maintenance of basic economic infrastructure, was spectacularly less, in effect, than the wear, tear, and depletion of preexisting programs. The 1975 "Big Mac" collapse of infrastructure in New York City, is only an apt illustration of the general pattern during and since the 1970s.

Typical of the drastic changes in economic philosophy effected under President Richard Nixon, were the imposition of savage wage-cuts imposed, under the rubrics of "Phase I" and "Phase II," following the President's decision to sink the U.S. dollar, on August 15-16, 1971. The philosophy, if one may call it that, behind Nixon's politically fatal follies in economic and monetary policy, is typified by the introduction of foolish Mont Pelerin Society fanatic Milton Friedman as cottage philosopher of the Nixon White House. There had

58. In April 1976, Chase Econometrics released a study estimating that for every \$1 spent in the U.S. space program, \$14 was returned to the economy in new jobs, new factories, and increased productivity from new technologies. See Marsha Freeman, "Space Program Spending Paid for Itself Many Times Over," *EIR*, Feb. 23, 1996.

59. The shrinking birth-rate among middle-income ranges of the U.S. population, is merely typical of the drastic cuts from the per-household standard of living since the middle 1960s. The explosion of irrational violence and loss of cognitive potentials among adolescent youth, victims of the collapse of the household standard of living, is also a reflection.

been forewarnings of this under Truman, and in the influence of Arthur Burns over the Eisenhower administration, but Nixon had gone over the wall. The U.S. no longer had an economic policy consistent with our constitutional tradition; the effort to purge FDR's memory from national economic and social policy was rampant. The arrival of a new editorial figure, Robert Bartley, on the pages of the *Wall Street Journal*, typified a new crew in charge of the thinking of the nation's financial centers, a Wall Street gone utterly mad.

Here lies the key to the political and moral decay of the U.S. Presidency during the past thirty years.

The exceptional character of the U.S. Federal republic, its historic specificity, centers around the differences in economic and closely related philosophy, which we have already referenced, between the U.S. and an oligarchy-dominated old Europe. The fact that we, in opposition to the evil doctrine of Adam Smith, were the only nation-state committed to such economic principles, required a national defense policy attuned to the continuing global implications of such conflicts in economic and related philosophy. The fact, that our economic system functions successfully only as a "dirigist" system, in which the state plays a specific, if limited, leading role in the national economy, requires qualities of our national executive which were neither desired nor tolerated among the oligarchy-dominated states of old Europe.

The sensible strata of U.S. citizens have always had what might appear to be an instinctive appreciation of these implications of our national historical specificity. All except such pathetic creatures as the "Nashville Agrarians," recognized the importance of industrial development and matching progress in development of national and regional economic infrastructure. The sensible strata regarded such an orientation, together with national defense, as a crucial part of the job implicitly assigned to our Federal and other levels of government. "More and better" were integral standards of performance demanded of the performance of government, especially the Federal government and its Executive Branch.

The radical changes in economic policy which began during 1966-1968, and accelerated during the Kissinger era, 1970-1976, were an overturning of that traditional commitment to performance around which the role of our Federal government had been defined under all patriotic leaders of our nation since 1776-1789. By nullifying that commitment, the Federal government itself joined in destroying that foundation upon which our Executive Branch's implicit authority to rule had depended up to that time. Like the Biblical Belshazzar, we had "lost the mandate of Heaven." We shall not be able to restore the institution of the President until that error is corrected.

Secretary of State Henry A. Kissinger's role in setting up the oil-price hoax of the mid-1970s, his role in the lunatic Rambouillet monetary summit of 1975, and Kissinger's emergency flight to Paris, shortly after Rambouillet, in the efforts to head off my influence among Arab and other states,



Wall Street puppet President Jimmy Carter, with entourage of Trilateral Commissioners including Cyrus Vance (to Carter's right) and Zbigniew Brzezinski (behind Carter's left shoulder). On the far left is Britain's David Owen.

were rumbles of what was to become the economically catastrophic Carter Period.

Carter as a Wall Street puppet

On paper, the Carter administration was a hand-picked creation of David Rockefeller and Rockefeller's Trilateral Commission. The content of that administration was supplied by a group, headed by future Carter Secretary of State Cyrus Vance, future Carter National Security Advisor Zbigniew Brzezinski, and Miriam Camps. The details were worked out by the New York Council on Foreign Relations (CFR), under the rubric of "Project for the 1980s." There was nothing introduced under President Carter, or the early days of Vice-President (and Trilateral Commission veteran) George Bush, which was not spelled out in the 34 volumes of that report.

Not too much blame should be placed upon Carter himself. Prior to his election, apart from his sometime association with the U.S. Navy's nuclear-submarine-development program, he had acquired none of even the rudimentary qualifications of a serious candidate for the President. No evidence shows that he ever actually understood the practical implications of the critical policies of his administration, even those which he appeared to advocate with some degree of personal passion attached. On balance, it would be fair to say that he was used by his handlers.

The one political quality which does stand out as Carter's own inclination, is his leaning toward the prejudices of the Nashville Agrarians. The autobiographical piece published

on behalf of his first campaign for the Presidency⁶⁰ strongly suggests this variety of "country boy" leaning, as do many of his public utterances during the 1976-1980 interval of his original Presidential campaign and incumbency. That public relations caper, of searching for Carter's ancestral home in England, was a cynical, raw, and obvious stunt by his handlers. Contrast Jimmy Carter with Huey Long's actual economic recovery programs for Louisiana, and the differences are very clearly defined. Otherwise, be fair: do not search for the blame for the important developments under the Carter administration within Carter himself. The New York boys picked him and used him, and, when the time came, discreetly discarded him as another man who had been "used up."

The Trilateral Commission under Vance, Brzezinski, et al., had one principal mission, under both Carter and Vice-President George Bush: destroy both the U.S. economy and our national sovereignty. They did both rather well.

1. The leading expression of the Carter administration's persisting efforts to destroy the sovereignty of the U.S.A., is typified by the repeated babbling of Secretary G. William Miller, proposing to bring the U.S. Treasury and Dollar under the supranational authority of the International Monetary Fund (IMF).⁶¹

60. Jimmy Carter, *Why Not the Best?* (Nashville: Broadman Press, 1975).

61. G. William Miller occupied the two top national financial policy positions during the Carter administration. On Dec. 28, 1977, President Carter ap-

2. The leading expression of the Carter administration's attempts to destroy the U.S. Constitution and economy, was the package of drastic "deregulation" measures introduced to the area of transportation and other matters.⁶²

3. Carter's actual destruction of the U.S. economy was launched in October 1979, with newly appointed Federal Reserve Chairman Paul A. Volcker's program of "controlled disintegration of the economy."⁶³

These rabidly destructive changes were carried forward in the following administration, led by Vice-President Bush's connections to the Garn-St Germain, and related "junk bond" looting of the nation's savings and loan institutions, and a bonanza to Wall Street parasites known as the "Kemp-Roth" bill. This combination of measures, introduced during the 1977-1982 interval, is what wrecked the U.S. economy internally. It was the addition of an added quality of changes in international financial and monetary, and "free trade" measures, introduced with the backing of a consortium led by Britain's Margaret Thatcher, France's "Francisque" Mitterrand, and President George Bush, which, unless suddenly and dramatically reversed, dooms the world economy as a whole.

Unless those measures, and the earlier establishment of a "floating-exchange-rate monetary system" are reversed, there is virtually no chance that the U.S. as we know it today, will live out the close of the century.

pointed Miller chairman of the Federal Reserve Board; on July 19, 1979, Carter appointed him as Secretary of the Treasury, replacing W. Michael Blumenthal, and bringing in Paul Volcker as FRB head. During these years, the policy was to make the U.S. dollar, and economy, subservient to the IMF, by initiating domestic IMF "surveillance," the use of Special Drawing Rights (SDRs), and related means. In Spring 1979, while Miller was still Fed chairman, a secret memorandum on U.S. financial compliance with the IMF, was prepared for Treasury and State Department officials (see "U.S. Sets Policy for Tokyo Summit: Treasury, State Propose IMF Surveillance Over U.S. Economy," *EIR*, May 28-June 4, 1979).

62. President Jimmy Carter deregulated and helped ruin America's once very efficient transportation grid. On Oct. 24, 1978, July 1, 1980, and Oct. 14, 1980, Carter signed the laws that deregulated the airline, trucking, and railroad industries, respectively. The initiative for these laws came from within the Carter administration and from the Heritage Foundation-wing of the Republican Party. In the case of airlines, direct flights and, in some cases, any flights at all, were eliminated from several American cities; while many industrial sites were eliminated from America's rail freight grid. Both railroads and airlines became the plaything of leveraged buy-out speculators. See, for example, "Deregulation: The Road to Transport Chaos," *EIR*, June 26-1979; and Richard Freeman, "A History of the Push for Deregulation," *EIR*, March 29, 1996.

63. See Jonathan Tennenbaum's two-part study, "Financial Crisis: The End-Phase of a 30-Year Disease," *EIR*, May 22, 1998, and "The Global Financial Crisis Unfolds, 1944-98," *EIR*, May 29, 1998. Volcker told a Leeds, U.K. audience in November 1978: "Controlled disintegration is a legitimate objective for the 1980s."

A decade of Bush-league strategy

Beginning 1986—perhaps 1985—President Ronald Reagan was becoming increasingly a figurehead within his own Presidency; from the last weeks of 1983 onward, the Reagan team was being systematically ousted from power; a cabal fairly described as "the Bush League," including the ultra-ambitious James Baker III, was taking over. The last illness and death of Vice-President George Bush's deadly rival, Director of Central Intelligence William Casey, virtually eliminated any checks upon the rampages of a gang nominally headed by the de facto head of the U.S. secret-intelligence community, Bush.

Bush's most important base of operational power, was within the military side of the secret-intelligence community, typified by a vast army of mixed military and private elements, centered around a section of the military Joint Chiefs of Staff known, since Allen Dulles' days, as "the focal point."⁶⁴ During the Reagan Presidency, Bush's base was located under special secret authorities attached to a December 1981 facility, known as Executive Order 12333. Bush, in addition to being Vice-President, was operating out of his own corner in the National Security Council, as the head of the dirtiest operations run underneath the cover of 12333. "Iran-Contra," including its extensive drug-running operations, including "crack," into the U.S.A., was not run by the CIA; it was run by Vice-President George Bush.⁶⁵

It is not being implied that Bush is an evil genius. His biography presents us with the image of an indelibly mediocre mind, a personality whose position and influence is derived from his father's and uncle's power and influence, both key figures within the extended Averell Harriman clan.⁶⁶ Mediocrities assigned to positions of power, are, like oversized schoolyard bullies, often the worst tyrants. Bush's significance is to be located in his position as a part of the hard-core Anglo-American, Anglophiliac gang, the source of his affinities to Britain's Prime Minister Margaret Thatcher, and, by derivation, to that scurrilous parody of Lord Palmerston's Napoleon III, President François Mitterrand. It is President Bush's dealings with, chiefly, Thatcher, Mitterrand, and Gorbachev, during the crucial period of 1989-1992, which laid the basis for the present, final stage of degeneration of the world economy.⁶⁷

My own role in the events of 1988-1990 is crucial.

During my February 1983 meeting with the relevant Soviet representative, I made the same point otherwise presented

64. Edward Spannaus, "The Focal Point System for Covert Action," *EIR*, Dec. 15, 1995.

65. "Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?" *EIR Special Report*, September 1996.

66. Tarpley and Chaitkin, op. cit., note 5.

67. op. cit., note 12. See also, Elisabeth Hellenbroich, "Exposed! The Anti-German Plot behind the Euro," *EIR*, May 8, 1998; and *Der Spiegel*, April 27, 1998.

to other circles, in other locations. My argument was: *If President Reagan offers your government the package we have been discussing, and if your government then insists on rejecting that offer, the Soviet economic system will disintegrate in about five years.* The point was, that if the U.S.A. and Soviet governments, among others, were to cooperate in a crash program to develop ballistic missile defense based “on new physical principles,” and if those technologies were spun off into the Soviet and Third World economies, the resulting technology boom in the U.S.S.R. and related states, would save the world from collapsing into a general economic breakdown crisis. If the Soviets refused such an offer, the Soviet system was doomed to collapse before the so-called Western economies, in approximately five years.

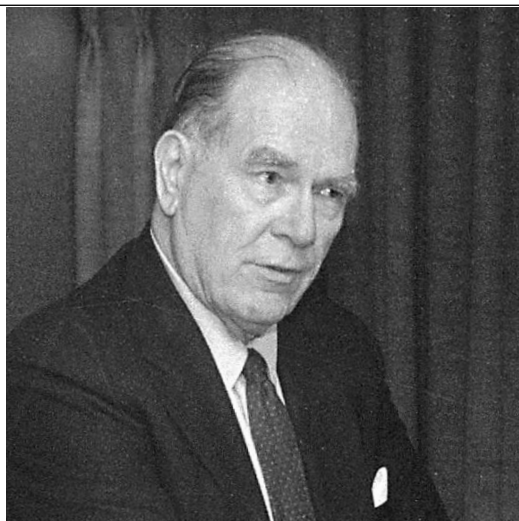
On October 12, 1988, I delivered an address to a press conference in Berlin, in which I announced the impending collapse of the Comecon system, a process which would probably erupt first in Poland during 1989, and would probably lead to the reunification of Germany with Berlin as the designated future capital. A televised copy of this Berlin address was broadcast to a nationwide U.S. audience that same month. During November and December 1989, I worked with my wife and others, to elaborate a proposed program based upon my Berlin 1988 address, a proposal which coincided in crucial features with a speech prepared for November 1989 delivered by Deutsche Bank chief Alfred Herrhausen — an address

never delivered, because Herrhausen was assassinated before it could be delivered.

The clearly feasible alternatives proposed by various circles, including my immediate collaborators, Herrhausen, and others, were never implemented. A cabal of madmen, led by Thatcher and Mitterrand, blocked such moves. Bush reached a compromise with Thatcher and Mitterrand, a compromise which led inevitably to the presently ongoing disintegration of what remains of the economy of Russia. It was this compromise which doomed the world economy to enter the present crisis.

Notably, the proposals of my immediate collaborators, first for a Europe-wide “Productive Triangle,” and then, beginning 1992, for a Eurasian “silk road” development based upon the same principles as the “Productive Triangle,” are an echo of the same “American Century” perspective which would have been carried into effect more than fifty years ago, but for the untimely death of President Franklin Roosevelt.

Relative to the life-spans of individuals, history unfolds over generations. It is world-historical personalities, who think and act on such long-term commitments to principle, who, alone, shape history’s outcome for the better. This is the lesson which the United States government will now learn very quickly, or one can pass off any U.S. election-campaign for the year 2000 as a sick joke.



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How the government and Army built America's railroads

by Anton Chaitkin

The lightning is his slave; . . .
The tempest is his steed, he strides the air
—Percy Shelley, *Prometheus Unbound*, 1819

The Lord of the universe . . . said unto them, be fruitful,
and multiply, and replenish the earth, and subdue it. . . .
[We] perform His will in the subjugation of the earth
for the improvement of the condition of man.
—U.S. President John Quincy Adams, 1828

Should nations promote productive industry through government subsidy or other encouragement? Or, should financiers and their spokesmen be listened to, respectfully, when they denounce such efforts as “corruption” and “government interference”?

Poor countries are threatened with terrorism and disunion. But they are warned, in the name of human rights, not to allow their armed forces to be nation-builders. Is such advice wisdom, or hypocrisy?

Public officials are everywhere confronted with infrastructure breakdown, transport crises, and traffic gridlock. Must their impotent lament, that no resources are available to solve these problems, be the final word?

The proud record of America's own creation of railroads is a useful guide for national strategists everywhere in answering these questions. This record demonstrates the power of the *American System of political economy*, as against the British “free-trade” system of colonialism and looting.

In the United States, the railroads were planned by the Army, and financed by government, as projects vital for national defense and economic development. Then, Americans went abroad to build railroads, to secure other nations as America's allies against British Empire geopolitics.

These assertions of ours fly in the face of enormous public

prejudice, resulting from indoctrination by British “free-trade” propagandists. History texts agitate against the railroad as a locus of corruption and an instrument for the oppression of the masses.

Leftist writers feature such “robber barons” as Cornelius Vanderbilt, who bought up railroad lines after they had been built, “watered” the stock, and stole vast sums of money. The socialist writer Gustavus Myers¹ passes over the whole story of how the transport network was created, suggesting only that the public was tricked into paying for building the rail lines and the canals.

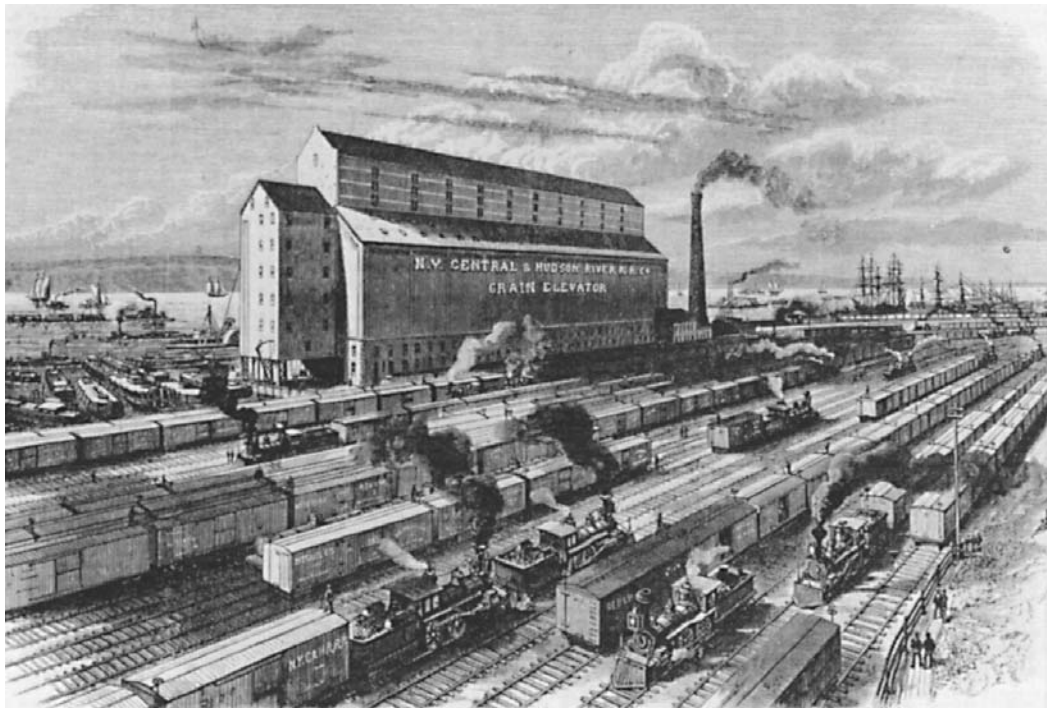
Writers favoring “free trade” expound against the legislatures and such statesmen as Abraham Lincoln for the supposed folly of committing public money and credit to public works. In recent years, the post-industrial speculators' frenzy has gone so far that their theoreticians have denounced America's 19th-century railroad building altogether; University of Chicago economist Robert W. Fogel won the 1993 Nobel Prize for his claims that slavery was productive and efficient, while railroads were unnecessary.

But, the purpose and the republican mentality of the railroads' strategists, and the political and financial means by which the lines were built, are simply absent from the general historical literature; the reigning orthodoxy thus avoids a nasty embarrassment.

During 1997, a work was made available in print which will aid in overcoming this deficiency: Stanford University published the first English translation of Franz Anton von Gerstner's 1840 report on the early American railroads.²

1. Gustavus Myers, *History of the Great American Fortunes* (New York: Random House, 1937).

2. Franz Anton Ritter von Gerstner, *Die innern Communicationen der Vereinigten Staaten von Nordamerika*, originally published 1842-43, English



Shipments from the Midwest arrive by rail at the grain elevator on 61st Street on the East River in New York City. America's great railroads were state-financed and Army-engineered. From Frank Leslie's Illustrated Newspaper, Nov. 10, 1877.

Gerstner's detailed evaluation of U.S. rail lines and canals, written to instruct the Russian government on America's progress, has the great value that it is not censored or filtered through later anti-industrial or anti-American ideology. Rather, the author was himself a civil engineer and railroad builder who admired the U.S.A., and knew and shared the enthusiastic outlook of those who actually built America's rail lines.

We have worked through Gerstner's engineering history of every single U.S. railroad that had been, or was then being built, in conjunction with other sources which present the same topic from the standpoint of the Federal government and engineers, and from the state government political level.³ We have thus gained access to a story which is shockingly different from the line of the International Monetary Fund, refuting the lie that national progress somehow arises from submission to speculators' demands for unrestrained looting. As we shall see, America did it another way.

Defending the Union: the General Survey Act

John Quincy Adams, President from 1825 to 1829, began ordering U.S. Army engineers to design the country's first

translation from the German, edited by Frederick C. Gamst, published as *Early American Railroads* (Palo Alto: Stanford University Press, 1997). Gerstner was a German-speaking Czech subject of the Austro-Hungarian Empire, who allied himself with the Philadelphia-based U.S. nationalists to such an extent, that he named his U.S.-born daughter, "Philadelphia."

3. Alan Levinson's research has been of great help in the present work. See Levinson, "America's Railroads: Success Story for Dirigist Nation-Building," *The New Federalist*, Jan. 27, 1992.

railroads. Adams made the assignments under the General Survey Act of 1824. During the previous administration of James Monroe, that bill had been pushed through Congress by the two leaders of the nationalist faction, House Speaker Henry Clay, and Adams himself, who was then Secretary of State. The act authorized the "President of the United States . . . to cause the necessary surveys, plans, and estimates, to be made of such Roads and Canals as he may deem of national importance, in a commercial or military point of view."⁴

The 1824 Survey Act was a political companion to the nationalists' protective tariff legislation. In the following year, Adams was elected President and he appointed Clay Secretary of State.

The original rail project carried out under the Survey Act, and America's first commercial railroad, was the Baltimore & Ohio, chartered in 1827. President Adams ordered a dozen or more Army engineers to plan and supervise the B&O's construction, to link the Atlantic port of Baltimore with the Ohio and Mississippi rivers. Adams also deployed Army personnel to start up railroad projects in New York, Alabama, Georgia, and South Carolina, until the end of his Presidency in 1829.

Adams's Secretary of War, James Barbour, explained the administration's thinking on these assignments: "The successful introduction of Rail-Roads, into this country, is viewed by the Department as of great national importance, and especially any practicable mode of connecting the Atlan-

4. Forest G. Hill, *Roads, Rails & Waterways: The Army Engineers and Early Transportation* (Westport, Connecticut: Greenwood Press, 1977), p. 47.

tic States with the Western; . . . so that the commodities to be found in either can be conveniently and cheaply conveyed to the other, across the barriers which divide them, and which . . . offer the most sure and economical means to the Government to convey, to the different parts of the Union, the means of defence, in the transportation of men and munitions to the seat of war, wherever it shall exist.”⁵

Under the General Survey Act, the technologies of steam power and metal rails were implemented by Army design, officially, on at least 60 railroads. Army men also worked on other new lines during personal furloughs, or “in their spare time,” with official sanction.

President Andrew Jackson, John Q. Adams’s successor, gradually emerged as an enemy of government economic activities. But in his first term, President Jackson continued Adams’s initiative of assigning Army engineers to plan railroads. As a senator back in 1824, Jackson himself had voted for the General Survey Act, and the program was widely popular. Its high point was reached in 1835, when some 20 U.S. railroads were using active-duty Army personnel in their construction and management.

The General Survey Act was repealed in 1838, under the administration of Martin Van Buren. This attack on American economic development followed on the heels of the destruction of the nationalist-run Bank of the United States, a course of action promoted by Van Buren and his faction aligned with the British and Wall Street bankers. Army officers were ordered to cease aiding railroad construction; active-duty personnel did not resume this role until the 1850s, in the preliminary surveying for the transcontinental railroad.

The government initiative under the General Survey Act had been indispensable to the development of the railroads. The U.S. Military Academy at West Point was America’s only engineering school when railroads began, and the only significant such school until the Civil War era. West Point’s officer-graduates made up almost all of the civil engineers available to plan the lines, and Army regulations were implemented to discipline and organize the new railroad companies.⁶

Although these companies were mostly private enterprises, state and local governments, and later the Federal government, subsidized all the significant rail lines with public money and credit, using loans, grants, stock purchases, and

5. *Ibid.*, p. 102.

6. The Corps of Engineers, created in 1802, was directed to locate at West Point and there to constitute a military academy. From then until the Civil War, the Academy was controlled by the Army’s Engineer Department and was operated as the national school of engineering. Most cadets actually resigned from the Army within a few years after graduating, with the blessing of the government, so as to supply their vital government-furnished training to the nation’s enterprises, private and public. Thus, beyond those active duty officers directly assigned to railroad planning and construction, many more engineers with Army backgrounds made careers managing the growing U.S. railway network.

other means. As with the Army engineering, this public funding was absolutely essential. The biggest private financiers would not invest in constructing such enterprises, and the smaller investors could not sustain projects of such scope and duration without public money and guarantees.

The results of this national commitment were spectacular. By 1840, after a decade of construction, the United States had about 3,000 miles of railways in operation, as compared to 1,800 miles in all of Europe, including Britain.

The main issue for President Adams and his nationalist factional allies, military and civilian, was the strength and survival of the American Union. The British Empire and its political friends were still trying to bar America’s westward expansion (by instigating Indian wars and slaveowners’ land-grabs), a British policy which had been a major cause of the American Revolution. Canals and railroads would open up the West, and would strongly link western settlers to the older northern states. Southern plantation slavery, politically manipulable against the Union, would be potentially overpowered; and westerners would not have to depend on the Mississippi River, flowing through the South, for their market connections.

John Quincy Adams: ‘Liberty is power’

In his first Annual Message to Congress, President John Quincy Adams spoke of the government’s powers and duties to foster progress:

“The great object of the institution of civil government is the improvement of the condition of those who are parties to the social compact, and no government . . . can accomplish the lawful ends of its institution but in proportion as it improves the conditions of those over whom it is established. Roads and canals, by multiplying and facilitating the communications and intercourse between distant regions and multitudes of men, are among the most important means of improvement. . . .

“For the fulfillment of those duties governments are invested with power, and . . . [for] the progressive improvement of the condition of the governed . . . the exercise of delegated powers is a duty as sacred and indispensable as the usurpation of powers not granted is criminal and odious. . . .

“The spirit of improvement is abroad upon the earth. It stimulates the hearts and sharpens the faculties not of our fellow-citizens alone, but of the nations of Europe and

West Point and France's Ecole Polytechnique

The small U.S. Army was prepared for its railroad work by the extraordinary transformation which had just taken place in the Academy at West Point. Gen. Winfield Scott and Maj. Sylvanus Thayer had spent many months in France after the fall of Napoleon, immersing themselves in the methodology of the Ecole Polytechnique, where Gaspard Monge, Lazare Carnot, and others had educated a new generation of French leaders in science and military strategy.

In these pages, one year ago, Pierre Beaudry described the Ecole's unique educational methodology as "based on universal principles which subsumed and linked together methods applicable to both Arts and Sciences. . . . Its principal mission was to give the new Republic . . . scientists and engineers to serve in public works as well as the military. Also were required, numerous architects, manufacturers, artists, physicists, chemists, etc.; and the polytechnique method of descriptive geometry instituted by Monge served as the theoretical and practical epistemological basis for that purpose."⁷

7. "The Bourbon Conspiracy that Wrecked France's Ecole Polytechnique," *EIR*, June 20, 1997.

An example of the Ecole's republican approach can be seen in Carnot's discussion of the importance of perspective drawing, in classes for beginners: "Linear perspective . . . is calculated mathematically [but] aerial perspective . . . can only be grasped by the sentiment. By comparing these two sciences, where one is sensual, the other ideal, the methodical course of one will help penetrate the mysteries of the other. . . . [Aerial perspective in painting is] the art of generating ideas by means of the senses, of acting on the soul by the organ of vision. It is in this way that it acquires its importance, that it competes with poetry; that it can, like poetry, enlighten the mind, warm the heart, excite and nourish higher emotions. We shall emphasize the contributions that it can bring to morality and to government; and how, in the hands of the skillful legislator, it will be a powerful means of instilling horror of slavery, and love of the fatherland, and will lead man to virtue."

The American officers returned from Paris with a thousand-volume library on military art, engineering, and mathematics, a collection of maps, and French experts in descriptive geometry who would now train Americans. Thayer implemented the Ecole regime as West Point Superintendent, while

of their rulers. . . . [L]et us not be unmindful that liberty is power; that the nation blessed with the largest portion of liberty must in proportion to its numbers be the most powerful nation upon earth, and that the tenure of power by man is, in the moral purposes of his Creator, upon condition it shall be exercised to ends of beneficence, to improve the condition of himself and his fellow-men. While foreign nations less blessed with that freedom which is power than ourselves are advancing with gigantic strides in the career of public improvement, were we to slumber in indolence or fold up our arms and proclaim to the world that we are palsied by the will of our constituents, would it not be to cast away the bounties of Providence and doom ourselves to perpetual inferiority?"¹

On July 4, 1828, President Adams presided over groundbreaking in Washington for the Chesapeake and Ohio Canal. A Federal and multi-state joint enterprise, the canal was to run parallel to the Baltimore & Ohio Railroad, Adams's other great project, for which ground was also being broken the very same day in Baltimore. President Adams told the assembled cabinet officers and foreign ambassadors:

"We are informed by the holy oracles of truth, that, at the creation of man, male and female, the Lord of the universe, their Maker, blessed them, and said unto them,

1. Dec. 6, 1825, in *Messages and Papers of the Presidents*, Vol. II (New York: Bureau of National Literature, 1897), pp. 877, 882.

be fruitful, and multiply, and replenish the earth, and subdue it. To subdue the earth was, therefore, one of the first duties assigned to man at his creation; and now, in his fallen condition, it remains among the most excellent of his occupations. To subdue the earth is pre-eminently the purpose of this undertaking. . . . I call upon you to join me in fervent supplication to Him from Whom this primitive injunction came, that He would follow with His blessing, this joint effort of our great community, to perform His will in the subjugation of the earth for the improvement of the condition of man—that He would make it one of His chosen instruments for the preservation, prosperity, and perpetuity of our Union. . . .

"In praying for the blessing of heaven upon our task, we ask it with equal zeal and sincerity upon every similar work in this confederacy; and particularly upon that which, on this same day, and perhaps at this very hour, is commencing from a neighboring city. It is one of the happiest characteristics in the principle of internal improvement, that the success of one great enterprise, instead of counteracting, gives assistance to the execution of another. May they increase and multiply, till, in the sublime language of inspiration, every valley shall be exalted and every mountain and hill shall be made low; the crooked straight, the rough places plain."²

2. William H. Seward, *Life and Public Services of John Quincy Adams* (Auburn, N.Y.: Derby, Miller and Company, 1849), pp. 221-223.

EISENBAHNEN IN ILLINOIS

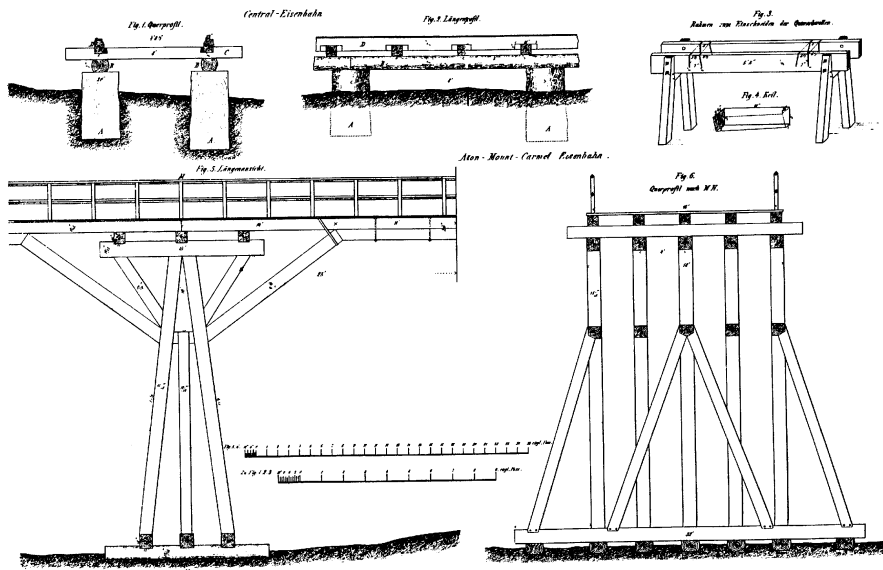


PLATE 19

Franz von Gerstner's rendering of track and bridge construction for the Illinois Central Railroad. Abraham Lincoln led the state government to create the railroad, and later worked for its completion with Federal land grants.

General Scott reorganized the U.S. Army to ensure professional rigor and accountability.

President Monroe created a Board of Engineers for Internal Improvements, and appointed Gen. Simon Bernard its leading member. Educated at the Ecole Polytechnique, Bernard had been in command of France's army engineers in the 1790s, had designed U.S. East Coast forts, and led the Board of Engineers when President Adams began assigning Army personnel to plan U.S. railroads. Bernard later returned to France and was Minister of War (1836-39).

The team that built the B&O railroad

The War Department sent engineers to begin surveying for the Baltimore & Ohio Railroad in 1827. During the first two years, three survey brigades were headed by Col. Stephen H. Long, Dr. William Howard, and Maj. William Gibbs McNeill. As the surveying progressed, the B&O company and the Adams administration decided to send Major McNeill, Lt. George Washington Whistler, and another engineer to England to gather intelligence on railroad construction.

While Colonel Long, Major McNeill, and Lieutenant Whistler managed B&O engineering activities in 1829-30, Whistler superintended the first track-laying. Ten to twelve Army engineers were in the company's service at any one time.

McNeill and Whistler would go on from the pioneering B&O project, to work together in engineering the majority of America's new railroads. In 1831, Whistler married McNeill's sister Anna; their son, artist James Abbot McNeill

Whistler, would paint Anna's portrait, the famous "Whistler's Mother."

George Washington Whistler became the most celebrated civil engineer of his day. He had graduated from West Point in 1819, a master of the projective geometry taught in the new Thayer-reorganized curriculum. A serious musician, he was nicknamed "Pipes," because of his facility with the flute.

Beginning with their first report to the B&O Board of Directors on April 5, 1828, the builders used Army Engineer Department accounting and reporting procedures, and adhered to Army technical and administrative standards as developed by General Scott.

Company president Philip E. Thomas asked McNeill for a set of written regulations for the railroad. The result was "similar to those which govern generally in the U.S.

Engineer Department," wrote McNeill, and "when I thought applicable, I have transcribed literally from the printed regulations of the U.S. Engineer Department."⁸

This detailed accountability and formal, Army-originated hierarchy, is reported to have been unique in the American business community. The B&O's activities were written up in railroad periodicals and were closely studied by other railroad managers. The Army reassigned its officers off the B&O in 1830, but the regulations adopted afterward were along the same lines as those instituted by the Army personnel.

In 1836, after many intervening projects, McNeill was assigned to the crucial Western Railroad of Massachusetts as consulting engineer, with Capt. William H. Swift as resident engineer. Whistler, who had since resigned from the Army, was also at the Western Railroad, and was to become its chief engineer. Boston to Albany through-service was inaugurated in December 1841. The Western Railroad adopted from the outset procedures like those used in the Army. Captain Swift had a free hand in establishing procedures for accounting and reporting, and created a "transportation department," similar to the staff, as distinguished from line officers, in the Army.

In response to a head-on train collision, Whistler was asked to set up tight regulations for all trains and all em-

8. Charles F. O'Connell, Jr., "The Corps of Engineers and the Rise of Modern Management, 1827-1856," in *Military Enterprise and Technological Change* (Cambridge, Massachusetts: The MIT Press, 1985), p. 99.

ployees. The Western Railroad's "Report on Avoiding Collisions and Governing the Employees" (Nov. 30, 1841), is seen as a milestone in U.S. railroad management practices.

There was an important military-civilian overlap on the Pennsylvania Railroad. Chief engineer J. Edgar Thomson hired West Point graduate Herman Haupt as his chief assistant in 1847. After studying the New England railroads, Haupt reorganized the Pennsylvania's management to be like the U.S. military. Line officers ran the day-to-day railroad operations; staff officers in a General Transportation Office concentrated on the company's broader strategic problems. With Thomson as president and Haupt as chief engineer, the Pennsylvania grew to be the country's largest railroad, and served as a tool of the nationalists and their military-scientific-industrial complex in Philadelphia. Haupt served as chief military engineer of Union forces during the Civil War; the Pennsylvania Railroad's vice president, Thomas A. Scott, was Assistant Secretary of War, and ran all government railroads and transportation lines.

The pattern of government-financed railroads

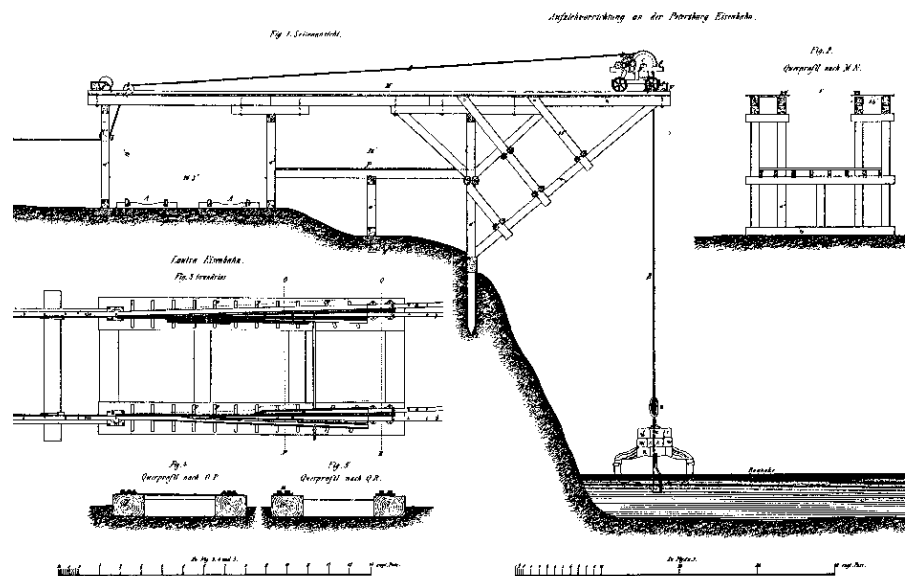
The Baltimore & Ohio, America's first great trunk line, was organized in 1827. To begin with, Baltimore community leaders sold \$1.5 million in B&O bonds to private investors, and the city of Baltimore bought \$500,000 worth of bonds. The city bought \$1 million more during 1828, while private investors subscribed to another \$1.5 million. In 1833, the state of Maryland granted the railroad company \$500,000. The company ran out of money in 1836, whereupon the state of Maryland and the city of Baltimore each bought \$3 million in B&O bonds. During the depression of 1837, Baltimore allowed the railroad to pay its debts with \$1.5 million in "railroad notes," in lieu of money. The 178 mile line to Cumberland, Maryland was completed in 1842; Wheeling (now West Virginia) was reached in 1853, thanks to a \$500,000 subscription from the city of Wheeling.

The state and local government financing given to the B&O was typical of American rail lines during their construction phase.

On local lines of minor importance, municipalities might provide the main, or the only government aid. In New York State, around 300 localities invested in railroads.

But, state governments led the way; up to 1861, they put in about \$300 million in cash and credit for transportation

EISENBAHNEN IN VIRGINIEN.



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Gerstner's drawing of tracks and machinery, Virginia, ca. 1840. State government and localities heavily subsidized all railroads in Virginia before the Civil War.

infrastructure, primarily railroads. Local and county governments contributed another \$125 million. Between 1861 and 1890, state and local aid to railroads amounted to around \$250 million.

Altogether, state and local governments provided more than half of the capital invested in early American railways. Not only that, but, quite often, private sources would make railroad construction loans only if the state government guaranteed repayment.

Most of the private capital came from small investors—merchants, local manufacturers, farmers, and tradesmen—on the route of a proposed railroad. There was virtually no eastern capital available for the construction of western railroads, and the easterners who invested in their section's railroads were those small investors who responded to civic leadership of the statesmen and promoters.

The Charleston and Hamburg was a Chamber of Commerce affair, backed by leading merchants. The Delaware, Lackawanna, and Western Railroad was backed by the Scranton family, to aid their iron operations. Small coal operators backed the coal-carrying railroads, whose construction was promoted by Nicholas Biddle, Mathew Carey, and other nationalists.

Neither the New York stock market, nor the wealthy Boston bankers played a significant role in the creation of the American railroad system. As historian George Taylor wrote, "The New York Stock Exchange does not appear to have played an important role in providing capital for early railroad construction. Only a small proportion of railroad stocks were

even listed before 1860, and among these, leading roads such as the Pennsylvania and the Baltimore & Ohio, do not appear.”⁹

Later, these big financiers bought up lines and began to treat them as speculative instruments, with very unwholesome results.

Pennsylvania built the state-owned Philadelphia & Columbia and some other lines, to connect with the thousands of miles of state canals. The gigantic Pennsylvania Railroad Co. was jointly owned by private investors and the city of Philadelphia. The state built the Main Line, then sold it after completion to the Pennsylvania Railroad Co. The Philadelphia & Reading (“Reading Railroad”) was about one-quarter owned by the Bank of the United States, whose president, Nicholas Biddle, was also the fiscal manager for the Reading.

9. George Rogers Taylor, *The Transportation Revolution, 1815-1860* (New York: Rinehart & Co. 1951), p. 100.

Biddle used every possible resource of the Bank of the United States to develop American railroads and canals. It is often said that “the British” or “the Rothschilds” built America’s railroads. This is simply untrue. The fact is that, by 1853, largely through the marketing of state bonds and other railroad securities by the Bank of the United States, 26% of American railroad bonds outstanding had come to be foreign-owned; railroad stocks, valued at nearly twice the figure for bonds, were only 3% foreign-owned. As time went on, however, the Morgans, Rothschilds, and other British Crown-linked financiers came to hold a dominant interest in American railroads. Ultimately, this financial power was used to loot the existing lines, rather than to develop them.

The state of Georgia built the Western and Atlantic Railroad, completed from Atlanta (the railroad terminus city, which was named for the railroad) to Chattanooga, Tennessee in 1851. Virtually no private capital was available, so the state owned and managed the line until the Civil War.

Army-engineered rail construction projects

The following were among the railroad projects carried out under the General Survey Act of 1824.

<i>Year begun</i>	<i>Route or company</i>
1827	Baltimore & Ohio (Baltimore to Wheeling, now W.V.)
1828	Hudson, New York, to Berkshire County, Mass. Ithaca to Owego, New York Ithaca to Catskill, New York Lake Cayuga in New York, to Susquehanna River Tennessee River to Savannah River, and Tennessee River to Altamaha River (to make choice between canal and railroad)
1829	Catskill to Canajoharie, New York Charleston and Hamburg (South Carolina) (In 1830 this railroad ran the first practical locomotive in the United States.)
1830	Baltimore and Susquehanna (Md. and Pa.) New Jersey Railroad Company
1831	Paterson and Hudson (N.J.) (The line’s first two locomotives were named <i>The McNeill</i> and <i>The Whistler</i> .) Winchester to Harpers Ferry, Va. Ohio Canal at Akron to the Hudson River at Jersey City

<i>Year begun</i>	<i>Route or company</i>
1832	Boston and Providence, (Mass. and R.I.) Providence and Stonington (R.I. and Conn.) New London, Conn. to Providence, R.I. New London, Conn. to Worcester, Mass. Potomac Creek to Fredericksburg, Va. New York, N.Y. to Lake Erie. St. Francisville, La. to Woodville, Miss. Williamsport, Pa. to Elmira, N.Y. Mad River to Lake Erie (Ohio) Ohio River to Lake Erie (Ohio)
1833	Across southern Vermont Pearl River to Yazoo River (Mississippi) (canal or railroad)
1834	Across the isthmus of Michigan Memphis, Tenn. to the Atlantic Ocean Fredericksburg, Va. to the Ohio River
1835	Taunton and New Bedford (Mass.) Long Island Railroad (New York) Portland, Maine to Quebec, Canada Boston, Mass. to Whitehall, N.Y. Detroit to Pontiac, Mich. Pensacola, Fla. to Columbus, Ga. Four surveys in Indiana One or two others in New England states
1836	Projects in Maine, Massachusetts, Rhode Island, Connecticut, New York, Maryland, North Carolina, and Missouri, and from Charleston, South Carolina, to Cincinnati, Ohio

Source: Forest G. Hill, *Roads, Rails & Waterways*

Virginia enacted a unique construction subsidy: The government would buy three-fifths of the stock shares of any railroad built in the state, thus guaranteeing the market for such stocks. Up to the Civil War, Virginia's state government provided more than \$21 million for railroad construction, with much more coming from localities. In the same period, North Carolina's state government went into debt for more than \$9 million to subsidize railroad development. In the Southern states before the Civil War, more than 55% of railroad capital was provided by states and local governments.

Private railroads failed in Michigan, so, in 1837, the state government, defying the great economic depression that followed the destruction of the Bank of the United States, began building an ambitious set of rail lines. By 1846, the Michigan Central and Michigan Southern were in operation. Under financial duress, the state was then forced by creditors to privatize the lines and specify in the state constitution that it would never build such lines again.

Indiana had spent more than \$1.6 million for a rail line from Madison to Lafayette when, in 1843, the state was forced to turn it over to the Madison and Indianapolis Railroad Co. The line was completed 1847, as the first railway in the state.

Up to 1857, Missouri authorized loans of almost \$25 million to seven railroad companies to build their lines.

In its first year of statehood, 1858, Minnesota amended its constitution so as to legally lend \$5 million to four railroads.

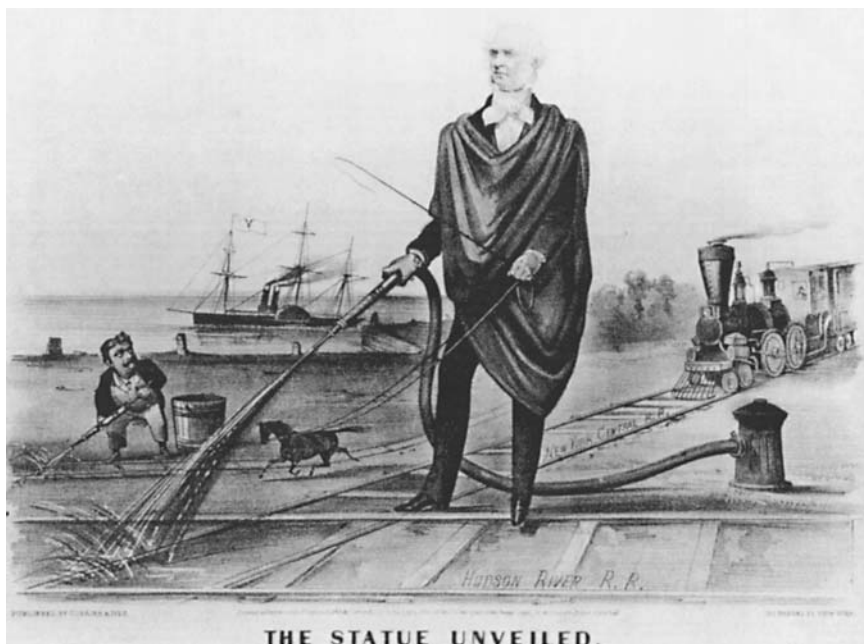
By 1860, Texas had given 5 million acres and lent about \$2 million for railroad construction.

By 1856, local governments in Iowa incurred debts of more than \$7 million for railroad construction.

The city of Milwaukee lent \$1.6 million to railroad companies in the late 1850s.

It is rather well known that Abraham Lincoln, as the Civil War President, commissioned the transcontinental rail lines. But before this, Lincoln also personally brought about the creation of Illinois' great railroads.

Lincoln first headed "The Long Nine" (all quite tall) group of Whig Party men in the state legislature, who pushed through expenditures for canals and railroads to crisscross the state. The Illinois Central Railroad portion of this comprehensive state program failed, despite state financing. Lincoln then served as attorney and lobbyist for the Illinois Central, working to complete the state's transportation network. A Federal



Currier & Ives cartoon mocks the statue (which today stands in front of New York's Grand Central Station) unveiled in 1869, honoring Cornelius Vanderbilt. He seized railroads built at state expense, then "watered" the stock—i.e., issued shares to himself, thus diluting the value of publicly held shares.

law enacted on Sept. 20, 1850, gave Federal lands as grants to Illinois, Mississippi, and Alabama to build railroads, amounting to a subsidy of 3.7 million acres.

The Illinois Central Railroad was finally completed, in 1856, as a direct result of the Federal subsidy. Its \$23 million cost came largely from mortgages on Federal lands donated to the company. Less than a sixth of the construction money was contributed by stockholders.

Federal land grants in the 1850s totalled 25,464,018 acres,¹⁰ going to Alabama, Arkansas, Florida, Illinois, Iowa, Louisiana, Michigan, Mississippi, Missouri, Wisconsin, the Minnesota Territory, and 45 railroads. The transcontinental railroad legislation, put through by President Lincoln in the 1860s, used similar grants, other Federal credits, and extensive Army involvement, uniting the Pacific coast with the eastern rail grid.

Rail projects of the Yankee statesmen

The image of the New York and Boston monopolists dominates the public view of the history of the railroads, eclipsing the outstanding leading role of patriotic political leaders in northeastern rail development.

The prevailing spirit of improvement was shown in the 1812 report of New York State Canal Commission (including New York City Mayor DeWitt Clinton and steamboat inven-

10. Thomas P. Kettell, railroads section of *80 Years' Progress of the United States* (Hartford, Connecticut: L. Stebbins, 1867).

tor Robert Fulton), on the results to be expected from building the Erie Canal:

“A man’s life is short; the time is not far off when those who make this report will have passed away. No time, however, is fixed for the existence of a *state*, and the highest desire of a patriot’s heart is that the state to which he belongs might be immortal. . . . And even when our constitution shall be

dissolved and our laws be lost in the current of that unending stream which destroys all human institutions, the offspring of our children’s children will nevertheless remain, these same hills will stand and these same streams flow. . . . [A]fter the lapse of two thousand years . . . when the records of history shall have been obliterated . . . this national work shall remain. It will bear witness to the genius, the learning, the industry, and the intelligence of the present age.”¹¹

A state enterprise, the Erie Canal was completed in 1825, connecting New York City and the Hudson River to Lake Erie and the Midwest. Political allies of President John Quincy Adams now pressed for the construction of a railway line to parallel the canal. Such a railroad would connect the Atlantic port of Boston, the interior of Massachusetts, the Hudson River, the large undeveloped western area of New York State, and the Great Lakes. Action on this project came in both New York and Massachusetts, led by the Adams forces.

The New York & Erie Railroad, incorporated in 1832, had its route surveyed under direction of the New York legislature in 1834. New York State in 1836 authorized a \$3 million loan for it. But the panic of 1837 had ruined the credit of investors, and the railroad had to stop construction. At a special convention on Oct. 17, 1837, William H. Seward, an aspiring politician and an avid follower of John Q. Adams (later, Adams’s biographer), wrote the address promoting the re-starting of the Erie railroad as a public project.

Seward wrote: “It is well to remember that the experience of human government affords not a single instance in which a state or nation became impoverished or subjected to an irredeemable debt by works of internal improvement. Ambition, revenge, and lust for extended territory, have been the only causes, and was almost the sole agent, in entailing those calamities upon nations. Palaces and pyramids, the luxurious dwellings of living tyrants, and the receptacles of their worthless ashes when dead, have in every country but our own cost more than all its canals and roads. . . . Egypt, Rome, Netherlands, England, and France, and even our own peace-loving country, have severally disbursed more in a single war than was required to complete a system of improvements sufficient to perfect their union, wealth, and power.”¹²

Seward’s political lieutenant, Samuel R. Ruggles, put forward as the principal promoter of the Erie rail line, was elected a few days later to the state legislature and became chairman of the ways and means committee. Seward was elected governor the following year, on a platform of building transportation infrastructure. In the legislature, Ruggles wrote the 1838 “Report upon Finances and Internal Improvements of the State of New York.”

The state paid for the revival of the Erie railroad, contrib-

Great rail projects raised living standards

The earliest U.S. railroads, government projects with private participation, as in the 1960s Apollo space program, immediately increased Americans’ standard of living. The expense and time involved in travel, and in shipping farm and factory goods, were dramatically minimized, increasing freedom, productivity, and overall profitability, while making everything more affordable.

These figures, suggesting the change, are taken from George Taylor’s *The Transportation Revolution*.

Freight rates per ton-mile

	1816	1853	1860
Turnpikes	\$30.00 and up	\$15.00	\$15.00
Mississippi-Ohio rivers			
downstream	1.30 (1815)		0.37
upstream	5.80 (1815)		0.37
Erie Canal		1.10	0.99
Chesapeake & Ohio Canal		0.25	0.25
New York Central Railroad		3.40	2.06
Erie Railroad		2.40	1.84
Pennsylvania Railroad		3.50	1.96

Time for freight shipment, Cincinnati to New York City

1817: Ohio River keelboat to Pittsburgh, wagon to Philadelphia, wagon or wagon and river to New York City: 52 days

1843-51: Ohio River steamboat to Pittsburgh, canal to Philadelphia, railroad to New York City: 18-20 days

1852: Canal across Ohio, through Lake Erie to Erie Canal and down Hudson River: 18 days

1850s: Steamboat to New Orleans, packet boat to New York City, 28 days

1852: All rail via Erie Railroad and connecting lines: 6-8 days

11. March 14, 1812, quoted in Gerstner, *op. cit.*, p. 48.

12. Frederick W. Seward and William H. Seward, *Autobiography of William Henry Seward, with a Memoir of His Life* (New York: D. Appleton & Co., 1877), pp. 342-343.

uting more than \$6 million, with localities donating still more. Virtually the entire construction of the line was at public expense. In return, the state was allowed to appoint several directors to the Erie's board. In his 1840 annual message to the legislature, Governor Seward recalled Gen. George Washington, in 1783 at the close of the Revolution, having foretold New York's future inland navigation to Lake Erie. He described the results of the great projects to open up the interior districts and cities of New York State, and allowing the distant city of Chicago to easily and cheaply exchange its products with those of New Yorkers.

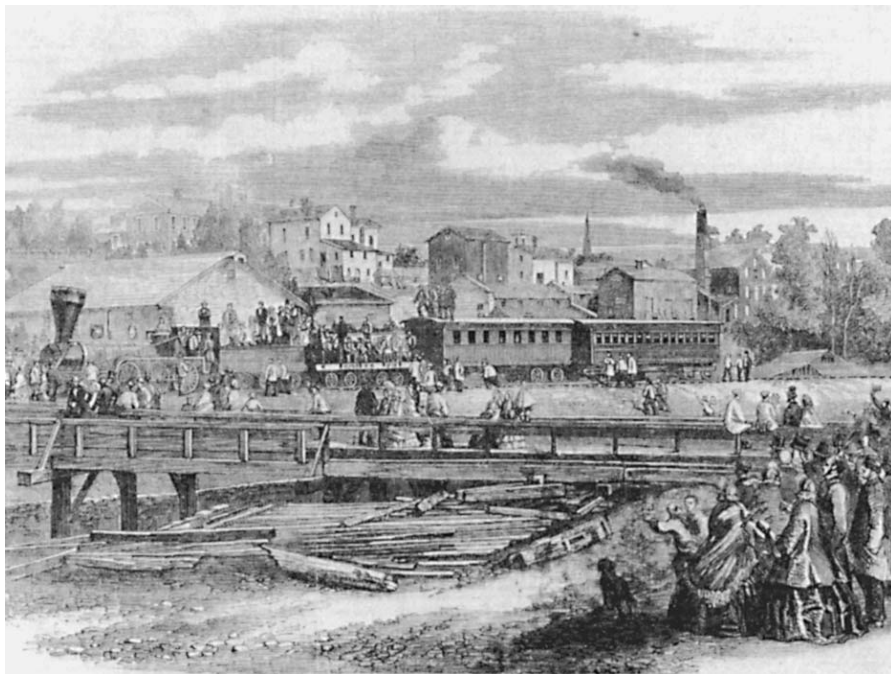
Meanwhile, Massachusetts proceeded with the line westward from Boston. The first leg, the Boston and Worcester railroad, was completed in 1835, despite opposition from powerful Tory interests. The key promoter of the whole project was Edward Everett, a teacher of Greek, proud of calling himself "the first American to receive a Ph.D. at Germany's Göttingen University," and a close supporter and relative by marriage of John Quincy Adams. His brother, Alexander Hill Everett, had been Adams's private secretary when Adams was U.S. ambassador to Russia (1809-11).

Edward Everett was elected Massachusetts governor on the platform of extending the rail line west into New York. Everett put through state government stock and bond purchases totalling \$3,700,000, to build the Western Railroad, as against the \$800,000 which came from private investors. The state got four out of nine directorships on the Western, to coordinate with George W. "Pipes" Whistler, the line's chief engineer. Governor Everett promoted a series of other railroad enterprises, all to converge on Boston.

New York Governor Seward is best known historically as the Secretary of State for President Lincoln during the Civil War. Massachusetts Governor Everett is remembered, if at all, for delivering the long oration at Gettysburg, overshadowed by Lincoln's Address.

Keeping in mind how globalist policymakers now denounce "state-subsidized projects" in would-be developing countries, see how Seward's son described the patriotic elation at the completion of the great multi-state rail line:

"The opening of the railway to Boston was considered as the beginning of a new era in commerce, and was greeted with appropriate demonstrations. On the 27th [of December, 1841,] the first through-train from Boston over the Berkshire Hills arrived at Greenbush [on the east bank of the Hudson]



Arrival of the first train from New York City through to Jamestown, in western New York. From Illustrated London News, Nov. 10, 1860.

in the evening, and was welcomed with rockets and cannon on both sides of the river.

"The Speaker of the Massachusetts House of Representatives, the Common Council of Boston . . . and the directors of the railroad, were on board; were received at the ferry by the Common Council of Albany, and escorted in triumph by military and fire companies, with torches and music, to Congress Hall."¹³

During the extensive celebrations, Governor Seward toasted, "The States of Massachusetts and New York: they have combined in the prosecution of the Western Railroad; may they become as united in maintaining the faith and the integrity of the Union!"¹⁴

Seward's son wrote that they celebrated their new power over nature, having effectively reordered the region's geography: "On the table was bread made of flour which was in the sheaf, brought in a barrel that was in the tree, at [far-distant] Canandaigua two days before. Sperm [whale oil] candles, made by Mr. Penniman at Albany in the morning, were burning in Faneuil Hall [in Boston] in the evening. Salt was on the table which thirty-six hours before was three hundred feet underground at Syracuse."¹⁵

These transport projects created cities such as Buffalo and Rochester from what had been wilderness, and made New

13. *Ibid.*, pp. 573-574.

14. *Ibid.*, p. 574.

15. *Ibid.*, p. 575.

York City into one of the world's leading metropolises. Huge areas were suddenly connected to markets for their farm, forest, and mineral goods, which now took on great economic value. The resulting increase in land prices represented real progress, not speculative hot air.

Americans build foreign railroads, Brits launch war

American nationalists employed the power and resources of government to develop the U.S. interior with an immense railroad grid; they built 121,000 miles in 55 years, from the Army engineers' 1828 startup of the Baltimore & Ohio, to the 1883 completion of the Lincoln-commissioned Northern Pacific out to Tacoma, Washington. This task was accomplished over the resistance of the British faction, the London-Boston-Wall Street axis, which sought to block the integration of the West into an American industrial republic.¹⁶

We may put this strategic contest between America and the British Empire into sharper relief by reviewing two cases of American railroad-building in foreign countries — Russia and Peru — and by observing Britain's bloody counteractions.

Russia

Franz Anton von Gerstner, whose 1840 report greatly aids any serious study of early U.S. railroads, himself built the very first railroad in Russia in 1837, just before he came to America. Gerstner's experimental line covered only a 17 mile stretch from the Tsar's palace to St. Petersburg.

Five years later, the Russians were ready for their first serious railway project. In 1842, Tsar Nicholas I hired "Pipes" Whistler to build a line from St. Petersburg to Moscow. Whistler had spent the previous several years working on the Great Western Railway (from Boston to the Erie Railroad). Whistler moved to Russia and planned and supervised construction of the 400 mile Russian railway. Philadelphia manufacturers provided locomotives. Whistler also built Russian rail factories, docks, bridges, and fortifications. At the same time, Russia adopted its first high-tariff system, emulating the Henry Clay-John Quincy Adams "American System" economic policy, thus protecting against British trade war and launching Russia's modern iron industry. Whistler died in Russia in 1848.

The British looked coldly upon this initiative, which threatened to "Americanize" Russia. Their attitude may be seen in a diatribe written in 1852 by a high-ranking British intelligence operative:

16. For the British-financier faction's 1870s attack on U.S. railroad building, see Anton Chaitkin, "London's Murder of McKinley Sets Up U.S.-U.K. Special Relationship, War," *EIR*, March 24, 1995.

"Russian railroads seem to be meant for Russian soldiers; and it is the facility thus afforded of moving large bodies of men that invests this mode of communications in Russia with an importance which does not attach to it in Great Britain, or perhaps any other country in Europe, to an equal extent. When St. Petersburg, Moscow, Odessa, and Warsaw become connected, Russia assumes an entirely new position with regard to the rest of Europe. A few days, instead of many months, will then suffice to concentrate the armies of the north and south upon the Austrian or Prussian frontiers. Through this same quarter of the world, many hundred years ago, poured those barbaric hordes which overran civilized Europe; it would, indeed, be a singular testimony to the spirit of the age, if the next invaders made their descent by means of railroads."¹⁷

This is the traditional British hate-propaganda which today uses the trick phrase, "dual-use technology." Of course the Russians could use railroads to move troops (though they built their lines with a different gauge from that of western Europe, to defend against invasion!). But the Americans acted to create an anti-imperial concert of modernized, sovereign nations.

Britain responded by launching the Crimean War against Russia. Alexander II, who became Tsar during that 1854-56 bloodbath, was so shocked at British superiority and Russian backwardness, that he moved his country rapidly into modern times, allying Russia with Abraham Lincoln and inviting in new American railway builders.

Peru

Our other foreign case study is of a project generally unknown in the United States, but famous to Peruvians: the railroads built in the 1870s across the Andes Mountains by an American, Henry Meiggs. This was the most ambitious railway program ever planned in South America. Meiggs is revered in Peru, and hated with a hot passion in London and in U.S. Anglophile circles. Meiggs and his Peruvian sponsors, including economist and statesman Manuel Pardo, proposed to cut rail lines from the Pacific coast across the Andes into the interior. Aiming to integrate the continent economically, they proposed to transform social relations and make the backward peasantry into modern citizens.

Henry Meiggs had a "spectacular" life, to go with the railroads he ultimately built.

He was born in 1807 in the town of Catskill, New York, on the Hudson River. As a young man, he ran a family lumber enterprise in Catskill, and in Boston. From 1828 into the 1830s, U.S. Army engineers surveyed and supervised construction on a rail route from Catskill northwestward. The line

17. Laurence Oliphant, *The Russian Shores of the Black Sea in the Autumn of 1852*, quoted in Albert Parry, *Whistler's Father* (Indianapolis: The Bobbs-Merrill Co., 1939), p. 1.



Left: El Infiernillo Bridge over the Rimac River, in the Andes Mountains, the Lima-Aroya branch of the Central Railway of Peru built by Henry Meiggs. Above: Medallion honoring railroad builder Henry Meiggs, issued Jan. 1, 1871 by Peru's Corps of Engineers.

through Catskill was to be one of two rail links from Boston to Lake Erie, designed to bring sudden prosperity to precisely Meiggs's kind of business. The Army officers, led in 1831 by William Gibbs McNeill, took the rail line across the Catskill Mountains to meet the Erie Canal, using many bridges and scaling sharp gradients. When the Van Buren depression of 1837 wrecked Meiggs's business, and stalled the railroad construction, New York restarted the Catskill and Canojoharie Railroad with a \$300,000 state loan.

With this historic, state-sponsored, mountain rail-building enterprise as his inspiration, Meiggs went into business in New York City, and then, during the California Gold Rush, moved out to San Francisco. Meiggs became a political leader in the patriotic pro-Union faction running the California Democratic Party. An alderman and entrepreneur, he built the North Beach district of San Francisco, founded the San Francisco Philharmonic Society, built the Music Hall, and sponsored the best Classical music talent. His faction, led by New York-bred political boss David Broderick, Gov. John Bigler, and banker (later general) William T. Sherman, came under

murderous attack by pro-secession/pro-slavery operatives, including the "vigilantes." Under terrible financial pressure, Meiggs fled with his family onto the high seas, pursued unsuccessfully by an armed mob of creditors against whom he had defaulted. He eventually made good on all his California debts.

Meiggs sailed to Chile. California Gov. John Bigler, the U.S. ambassador there, met Meiggs and recommended him highly to Chilean leaders. As Bigler's brother William had been governor of Pennsylvania and president of the Philadelphia & Erie Railroad Company, Meiggs was now evidently well enough connected to make an ambitious new start, late in life. He undertook to organize and manage difficult railroad constructions in Chile, whose success came to the attention of the nationalist faction in neighboring Peru.

During the American Civil War, Europeans took advantage of U.S. military preoccupations to try to restore imperial rule: Britain, France, and Spain invaded Mexico, and Spain invaded Peru. The American nationalists and military, as they became able to do so, sided with the Hispanic republics, and

the European armies withdrew. Under President José Balta (1868-72), Peru's government hired Meiggs to build an astonishing set of railroads into the Andes. The lines ran from the southern port of Mollendo to Arequipa, on to Puno and Juliaca en route to Cuzco; and from Callao next to Lima, up the Rimac Valley and on across the heights to Huancayo. Meiggs employed his laborers under uniquely humane conditions, and the results were considered a wonder of modern times, the most daring and ingenious mountain engineering known to the world.

On New Year's Day, 1870, Meiggs spoke at a celebration in Lima marking the opening of his second Peruvian project, the Central Trans-Andean Railway, known popularly as "the railway to the moon."

Meiggs told the proud civic gathering that the object was to "scale the summits of the Andes and to unite with bonds of iron the people of the Pacific and the Atlantic. . . . Its immense transcendancy will very shortly be felt in all spheres of human activity. This happy event proclaims in the future a great social revolution whose triumph and whose benefits are en-

LaRouche: Railroads and the Eurasian Land-Bridge

Interviewed June 19, 1996, on "EIR Talks," Lyndon LaRouche placed his "Eurasian Land-Bridge" proposal in the tradition of America's successful railroad development.

You have to take the railroad issue, and treat that not as a rail line, not as transportation that lies across the desert. . . . The way this has to be done: If people get some good maps which give some degree of the topography of the area, and population density, water, and things like that— Take the railroad maps together of China, and of Western Europe. Look at the inland waterways, the canals, and other transportation devices.

Now, looking across these vast reaches, going eastward from Berlin, which is the natural rail hub in Europe for going to China and India, and there, toward China, and you find you have vast expanses, which are virtually undeveloped, with low population densities, with a lot of natural resources, but very little development. And, you're going to run a rail line, say, from Berlin as a hub, also, to Brest, in France, and so forth; but, as a hub, out to places like Beijing, and across to the islands, and down into the main island of Japan, and down into India, and so forth.

And, you find that you're putting track (in this case, it might be magnetic levitation), across very vast expanses, with very little in between. Very few places from which to pick up freight or passengers, or dispatch them, at least, in large quantities. So, that gets pretty expensive, on the surface of it: to transport something thousands of miles, and that's what it amounts to, in some cases, across the Eurasia heartland, with nothing there; very few canals, very few—a limited number of roads, and so forth, into China, into the heavily populated part of China, or the heavily populated part of South Asia.

How do you pay for that? Well, we did that, in the United States, with our railroad development. As people may recall, in the middle of the last century, we used rail to create development corridors along the line of the rail route, and we populated the area with farms; we populated the area around the farms, with new urban communities, and, apart from the mess that was made of it during the course of this century, and under the Cleveland administration, and so forth, in the past century, it was very good. We showed the way of how to develop the country.

Now, therefore, when you build a railroad across Eurasia, you're not just going to build a rail track, or a magnetic levitation track. You're going to build a corridor, a development corridor. And, that development corridor will reach to approximately 50 kilometers on either side of the main trunk line, which may be defined by a canal, a canalway, or inland waterway, or by railroads, or so forth.

Now, when you do that, what you're going to do, is put along the same right of way as your railway track, you'll put things like fuel pipelines, freshwater pipelines, and other logistical devices. Your power grid will be oriented, in that region, to your main highway, your main artery of transportation; warehousing systems. You will then reach out, in natural centers, which are natural urban centers, and just plan them, as we did in the West; and, you will go out to 50 miles, or 30, 40 miles or so, on either side of your main trunk line. And, you'll develop farms, you'll develop industries. You'll move population, and so forth. In that way, every kilometer of track, in a sense, is paying for itself because of the economic development along the right of way.

Now, the Chinese have caught on to this; and, they've proposed that they're pushing for the rail line, to also develop other things, like pipelines and power lines, and so forth, to match this. It's very intelligent; and, the United States should say, "We want to get into this with both hands," and help them. Our helping them in this, would help revive some of our moribund industry, and get some jobs going in the United States. And, the Europeans should do the same thing. So, I'm very much for it.

trusted to the locomotive, that irrepressible battering ram of modern civilization. At its pressure will fall those granite masses which physical nature has until today opposed to the agricultural, industrial, and mercantile agrandizement of the Peruvian nation. Its whistle will awaken the native race from the lethargy in which its dominators, supported in abjection and isolation, have kept it for so many centuries under . . . error and ignorance. . . .

“Steam, which shortens time and cuts distances, is the most rapid and secure means of introducing life and material development to the backward Amazonian regions.”¹⁸

The Meiggs projects had long been envisioned and promoted by Peru’s nationalist economist Manuel Pardo. In an 1862 booklet calling for development of Andean railroads, Pardo wrote of the need for a true national revolution:

“If railways are called to exercise a redeeming mission in the wild deserts of America, no less are they to effect a moral and intellectual revolution in the backward and ignorant masses that form the bulk of our population. Means of communication will exercise their beneficent influence in two ways. In one way by giving mobility to men who today pass their life and die nailed like stones or plants where nature cast them down, for mobility for them is shortly material liberty. . . . Mobility also brings enlightenment; not, of course, the enlightenment of books and theories, but the practical science of life which frequent communication with men gives.”¹⁹

Pardo challenged the supposed inevitability of a backward state of the populace that allows oligarchs to rule by manipulating mobs or terrorists:

“Merely bettering their moral condition can give them those principles of personal dignity and independence without which they can never be anything but miserable helots, commoners attached to the soil and blind instruments of everyone who cuts a cudgel to order them about. By bettering the material condition of our people, we shall oppose the most effective barricade against the advances of tyranny . . . [and] against the forces of the anarchists. That is the second means whereby railways ought to exercise their moral influence upon populations.”²⁰

The British Empire mounted a political, diplomatic, financial, and ultimately military offensive to stop this menacing initiative. President Balta was murdered in 1872, and was succeeded as President by Manuel Pardo. Squeezed mercilessly by international finance, Meiggs and the Peruvians were unable to carry the project across the continent into Argentina or Brazil, thus preventing the uniting of the conti-

nent. Peru was bankrupted, and Meiggs died, impoverished, in 1876.

In 1879, the British ran a puppet Chilean Army and Navy attack against Peru, known as the War of the Pacific. The invasion aimed at destroying Peru as a nation, and smashing up the newly built railroads, which were the greatest in South America. U.S. President James Garfield, inaugurated in 1881, replied with U.S. overt and covert aid to Peru, at the same time cooperating with railway projects in Russia, and allowing Americans to sponsor the revolutionary underground against British rule in Ireland. President Garfield and Tsar Alexander II were both assassinated within the space of a few months in 1881.

Garfield’s Secretary of State, James Blaine, testified in Congress about what had happened in Peru: “The . . . English bondholders . . . put up the job of this war on Peru. . . . England sweeps it all in. . . . The iron-clads that destroyed the Peruvian Navy were furnished by England. . . . It is a perfect mistake to speak of this as a Chilean war on Peru. It is an English war on Peru, with Chile as the instrument. . . . Chile would never have gone into this war one inch but for her backing by English capital, and there was never anything played out so boldly in the world as when they came to divide the loot and the spoils.”²¹

Winning this war, the British financiers, led by a British immigrant to America, W.R. Grace, in their own name then foreclosed the entirety of Peru, putting the railroads and virtually all other enterprises into British ownership.

W.R. Grace, the founder of the imperial trading company that ran western South America for the British (and spun off Pan American Airways), rendered the financiers’ verdict on Henry Meiggs, as paraphrased in an American newspaper:

“New York, October 12 [1877]—W.R. Grace, head of the chief Peruvian firm in this city, speaking of the financial condition of the late Henry Meiggs at the time of his death, says he thinks that really nothing but a mass of worthless securities and contracts are left behind Meiggs. . . . Meiggs was a visionary man, who carried out vast schemes, but they were often things that a sound business man would consider worthless.”²²

In recent years, Peru’s Shining Path terrorists, whose terrorist operations receive backing from London, have sought to destroy Peru’s railroads, and all advanced civilization. Russia is collapsing under the misrule of plundering speculators, its infrastructure collapsing. In the United States, the rail system has ground to a halt, sucked dry by financial adventurers. The looters will not invest a penny in building up a rail line; but they are free with their warnings, that no nation must ever again dare to do so.

18. Watt Stewart, *Henry Meiggs, Yankee Pizarro* (Durham, North Carolina: Duke University Press, 1946), pp. 61-62. This biography, a raving hatchet job against Meiggs, is openly favorable to the British financiers who eventually swallowed up Peru.

19. Manuel Pardo, *Estudios sobre la Provincia de Jauja*, Lima, 1862, pp. 47-48, quoted in Stewart, *op. cit.*, p. 73.

20. *Ibid.*, quoted in Stewart, *op. cit.*, pp. 73-74.

21. Congressional Testimony, House Report, 47th Congress, 1st Session, No. 1790.

22. Stewart, *op. cit.*, p. 341.

Clinton's China trip: a triumph, with tragic flaws

by Jonathan Tennenbaum

Were the world not now teetering on the edge of an unprecedented financial and economic catastrophe, and were it not for the fact that U.S. President Clinton has so far failed to address that life-or-death crisis in a really serious way, we would be among the most enthusiastic in applauding Clinton's visit as an historical breakthrough and one of the most brilliant successes of Presidential diplomacy in recent memory. Despite an incredible intensity of attacks against him in the United States (attacks that put even the visit itself into question), Clinton has managed to neutralize much of the anti-China hysteria whipped up by the media and to achieve a very significant improvement in the entire climate of U.S.-China relations, which he correctly views as key to the future of the world in the 21st century. With his talented and statesman-like performance, Clinton towered over his opponents and critics in Washington, showing them to be intellectual midguts, whose hysterical anti-China posturing and vicious intrigues are directly contrary to the most vital interests of the United States.

Unfortunately, history will judge Clinton's China trip not only by his good intentions and the good things he did there, but also by the things he did *not* do, or did wrong, in his tragic adherence to a "globalist agenda" that has brought the world to the edge of Hell. Above all, Clinton missed the historic opportunity to engage China as a key ally of the United States in a "New Bretton Woods" policy to reorganize the bankrupt, collapsing international financial system. That unique opportunity had been amply set forth by Lyndon LaRouche, and built up through the intervention of LaRouche's associates, and of Helga Zepp-LaRouche personally, who had campaigned in China for U.S.-Chinese cooperation for a New Bretton Woods policy and warned the Chinese of the impending Asian financial crisis back in September last year. At the

same time, according to all available indications, Clinton did not take any significant initiative in the direction of the Eurasian Land-Bridge development program, which is absolutely indispensable to the future of the entire Asian region.

In a recent comment, Lyndon LaRouche summarized the problem as follows: "It is very clear that so far, Clinton is not willing to understand the nature of the global crisis, that he is not only not willing to take the risk of taking on the international monetarist gang, but that he refuses to recognize that some of the policies he is pushing, in the name of the strategic partnership with China, are exactly those policies which will lead to his own doom."

Positive elements

There is no doubt that Clinton's intervention has succeeded — at least for the time being — in positively transforming the entire climate surrounding U.S.-China relations, from the top elites down to the ordinary people of both countries.

On the Western side, the fact that the U.S. President could repeatedly appear live and uncensored on Chinese national television, speaking openly and sometimes undiplomatically about supposedly forbidden subjects such as human rights, Tibet, and so on, and even debating China's top leaders in front of their nation, has broken the lingering stereotype of China as a paranoid police state whose leaders cannot tolerate free discussion. More important still, Americans and others have been given a brief, but significant glimpse into the fundamental reality of today's China which the Western mass media had up to now largely concealed from them: a society undergoing rapid *change*, in which economic development has created real improvements in the lives of most people and a general climate of optimism of a sort not experienced in the West since the 1960s.



President Clinton greets villagers in Xiahe, China, on June 26.

However useful this little bit of “culture shock” afforded to U.S. television viewers and others by a glimpse of China’s gigantic nation-building effort might be, it is nothing compared to the impact of actually visiting the country. And, Clinton himself, who has clearly taken a personal interest in China and Chinese history and culture, and who had prepared himself well for the trip, was visibly impressed and probably also surprised by some of the things he saw and experienced.

Among other things, the President may have gained a valuable lesson in the importance of basic economic infrastructure. According to White House press statements, Chinese Premier Zhu Rongji briefed Clinton and Treasury Secretary Robert Rubin in detail about China’s policy of expanded investment into new railroads, roads, bridges, power plants, and other basic infrastructure to promote real economic growth—a policy sometimes referred to as the “Chinese New Deal.” Clinton and Rubin apparently responded positively, and it was decided that by next year, U.S. Commerce Secretary William Daley will bring a delegation of U.S. businessmen and representatives of Federal agencies to investigate perspectives for U.S. participation in China’s infrastructure development. Clinton himself, on a live radio talk-show in Shanghai (which he described as “one of the very most exciting places in the entire world”), called for China to “be much

more disciplined than we were, about making sure you have good, high-quality mass transit systems,” avoiding the decline of the cities and the wasteful overreliance on personal automobiles in the United States and other countries. (One might hope, that by the same token, Clinton will do more to support urgently needed infrastructure reconstruction in the United States itself!)

A positive signal, appreciated by the Chinese side, was Clinton’s unequivocal public affirmation of the One-China policy of the United States. Clinton stated clearly, that U.S. policy is for a peaceful reunification of Taiwan with the mainland, and that the U.S. recognizes the so-called “Three No’s”: no two Chinas, no support for Taiwan independence, and no support for Taiwan’s membership in international organizations involving statehood. Clinton correctly pointed out that these are not new policies, but represent the long-standing position of the United States. But, as one Chinese observer remarked, the U.S. administration had many times affirmed these same principles in high-level discussion, but they had never been stated so clearly in public, and certainly not for a nationwide audience in China itself.

The agreement by both sides, to suspend targetting of their nuclear missiles toward each other, while of minor military significance, is symbolic of a new relationship freed from the vestiges of Maoist fanaticism and the Cold War.



President Bill Clinton and President Jiang Zemin at the State Banquet in the Great Hall of the People in Beijing, on June 27.

Apart from such political elements, much has been made of the “human angle” of Clinton’s visit, for example, the extraordinarily friendly, open, and relaxed atmosphere of interaction between the young President and his wife, and all sorts of Chinese people. Chinese observers, though, emphasize Clinton’s televised appearance at the elite Beijing University (known in China as “Bei Da”) as a unique singularity in the trip, which has created a sensation in the country. On this occasion, Bei Da students threw some very sharp and critical questions at the U.S. President, showing to the world that the new generation of Chinese intellectuals are patriotic and independent-minded, and are not going to dance to anybody’s tune.

Exposing the hypocrisy of the ‘human rights campaign’

At various points during the trip, Clinton clearly broke the rules of Western media-enforced “political correctness,” to acknowledge some basic truths, often raised by people

in China, but which have been virtually ignored in the Western press.

Most important, Clinton repeatedly and publicly acknowledged the simple truth, that China’s successful economic development, which, as he said, “has lifted hundreds of millions from poverty,” has de facto greatly improved the human rights of the Chinese population.

In another significant break with anti-China hysteria, Clinton publicly voiced a high regard for the quality of China’s leadership, particularly Jiang Zemin and Zhu Rongji, and acknowledged the legitimacy of Chinese leaders’ concern that China’s development not be disrupted by political instability in the country. While strongly criticizing the Chinese government’s actions in Tiananmen in 1989, Clinton distanced himself clearly from those who only use the cry of “democracy and human rights” as a pretext to whip up anti-China sentiment, or worse, to try to destabilize China. Instead, he argued that future development of a healthy democratic-representative system should be a way to enhance, and not weaken, the stability and economic strength of China.

During his trip, Clinton spoke passionately of the virtues of democracy and the American Founding Fathers’ ideal of “life, liberty and the pursuit of happiness.” Making this a central

theme of his whole visit, was obviously not just a concession to the—admittedly massive—pressure from the neo-conservatives and media-orchestrated “public opinion” in the United States. It is clear that Clinton sincerely wants to be an historic instrument for bringing China and the United States closer together in a positive sense, and helping China to realize what he sees as the highest and most universal political ideals.

When asked by a reporter at the end of the trip, if he thought democracy would ever come to China, Clinton responded enthusiastically, “Oh yes!” and expressed his enthusiasm at the enormous strides made by China in that direction. Earlier, in his speech at Beijing University, Clinton had declared, “Over the past four days, I have seen freedom in many manifestations in China. . . . I have visited a village that chose its own leaders in free elections. . . . I’ve heard people speak their minds and I have joined people in prayer in the faith of my own choosing. In all these ways I felt a steady breeze of freedom.” At the same time, Clinton re-

flected the justifiable objections in China and elsewhere, against ultraliberal notions of “pure individual freedom” which destroy morality and run counter to the well-being of society as a whole.

In stressing these points, and responding with seriousness to the arguments of his Chinese interlocutors, Clinton has dispelled some of the ugly stench of British-style, neo-colonial hypocrisy which exudes from the press and political circles in U.S. and other Western countries on the topic of so-called “democracy and human rights” in developing countries. That attitude is deeply resented in China, not only by its leaders, but also by its young people and intellectuals—as Clinton experienced first-hand in his meeting at Beijing University and elsewhere.

At the same time, without wanting to cast doubts on Clinton’s good intentions, we must admit that his statements on some crucial points were not entirely truthful. While acknowledging that the Chinese government’s policy of sovereign national-economic development and reform has dramatically improved the real human rights of the Chinese population, Clinton failed to mention the other side of the coin: Namely, that the lives of hundreds of millions of people in Southeast Asia, Russia, and countless other nations, are right now being destroyed as a result of the very same policies of radical free trade and financial globalization, *which Clinton himself repeatedly endorsed* during his visit.

As a result, informed Chinese are asking, and justifiably so: If Clinton is really serious about working for the well-being of nations, then why doesn’t he do something about George Soros and other international speculative interests, who have played a key role in destabilizing the economies of entire nations and throwing them into poverty and social chaos? If Clinton wants to be trusted in his campaign for freedom and democracy, why doesn’t he do something about the dirty destabilization operations which the British and the George Bush-linked “Project Democracy” apparatus in the United States routinely run throughout the world under the cover of so-called “democracy”? Operations for which Soros is a major sponsor. These include long-standing British-intelligence networks around Tibet’s Dalai Lama, whom Clinton regrettably chose to promote during his trip to China.

Then there is the most sensitive, tell-tale issue of all: Why does the Clinton administration, while campaigning for freedom, democracy, and the rule of law around the world, do nothing to end the rampant police-state practices within the U.S. government’s own Department of Justice, including the blatantly political prosecution of Lyndon LaRouche and his collaborators, some of whom are still in prison today?

Building on quicksand: the globalist agenda

Unfortunately, the main *programmatic content* of what the Clinton administration proposes as a basis for a new strategic partnership with China, is flawed to the point of being

downright suicidal for both countries and for the world as a whole.

Instead of attacking the International Monetary Fund as a total failure and major cause of the world financial crisis, Clinton pledged that the United States and China would “work through the IMF” to solve the Asian financial crisis. Rather than denouncing “free trade” as a disaster, Clinton still called for China to accede to “strong conditions” for entry into the World Trade Organization, by radically opening up its markets. Fortunately, China has this time once again resisted ill-advised administration pressure for radical liberalization of its markets as a condition for WTO membership—a step which, if taken, would disastrously undermine the very economic and social stability of China, which U.S. long-term strategy now urgently depends on. While, Clinton finally acknowledged some of the reasons why Chinese leaders *must* resist “free trade,” his comments on the financial crisis otherwise revealed no serious understanding of the nature, causes, and deadly consequences of the threat it now poses to the entire world.

A second top agenda item pushed by the U.S. side was “environmental protection,” particularly control of carbon dioxide emissions, on the grounds of the completely unproven, pseudo-scientific theory of “global warming.” Unless accomplished through a massive expansion of nuclear energy—something which the Clinton administration has so far shown no serious signs of supporting—such a policy would impose ruinous costs on the Chinese and other developing economies. A third major agenda item from the American side was to integrate China fully into the so-called “global non-proliferation regime,” which effectively denies access by the majority of developing countries to advanced, so-called dual-use technologies, and imposes a discriminatory regime of “technological apartheid.” There was also an ill-advised attempt, under the guise of proposed cooperation to control the threat of a nuclear weapons race in South Asia, to draw China into a position which would immediately be seen in India as meddling in its vital affairs, and could needlessly aggravate the problems between Asia’s most populous nations.

I do not mean to blame Clinton personally for all the details of these ill-advised policies. We must admit the theoretical possibility, at least, that some confidential understandings were reached, for example, among Clinton, Rubin, and Zhu Rongji, which go in a more positive direction. But the drift of Clinton’s public positions, bespeaks a disastrous commitment to “crisis management” via supranational institutions; a policy which not only cannot possibly work, but also would mean the destruction of China and the United States as sovereign nations. Clinton evidently doesn’t realize, that he is thereby adopting the agenda of his own worst enemies, and that the destruction of the institution of the U.S. Presidency—which is the immediate goal of the campaign of scandals and legal attacks against Clinton in the United States—is ultimately an inseparable feature of the same globalist agenda

which Clinton himself has been promoting in China and elsewhere.

It is relevant to note, that in the weeks leading up to Clinton's trip, while "crazies" in the U.S. Congress and around independent counsel Kenneth Starr went wild in their attempt to sabotage the China visit, Clinton's more insidious enemies, like Sir Henry Kissinger, Alexander Haig, and Brent Scowcroft, as well as Zbigniew Brzezinski, came out strongly in favor of a new U.S. relationship with China as the absolute cornerstone of "globalist" geopolitical strategy. One might ask: Has the administration gone for a rotten compromise in the search for support of its China policy?

In the coming days and weeks, the reality of the global financial and strategic crisis will assert itself with relentless force. We would hope that Clinton and others will take Lyndon LaRouche's words to heart, and drop the rotten consensus policies which have so far prevented the administration from dealing effectively with the existential crisis facing the world. If so, the positive elements of what Clinton has accomplished in China can be mobilized in support of the most urgent task, to save the world economy by a New Bretton Woods agreement in the immediate period ahead.

Documentation

President Clinton's dialogue with China

Excerpts from the joint press conference of Presidents Bill Clinton and Jiang Zemin on June 27, in the Great Hall of the People in Beijing. The conference was televised live on Chinese national television:

President Jiang: Ladies and gentlemen, just now I've held official talks with President Clinton. The two sides have held an extensive and in-depth exchange of views on China-U.S. relations and the major international and regional issues. The talks were positive, constructive, and productive.

The successful exchange of visits between the two heads of state of China and the United States marks a new stage of growth for China-U.S. relations. This not only serves the common interests of China and the United States, but also will be of important significance to promoting peace, stability, and prosperity in the Asia Pacific and the world at large.

Peace and development are the main themes of contemporary times. In the new historical conditions, the common interests between China and the United States are increasing, not decreasing. The foundation for cooperation between the two countries is reinforcing, not weakening. . . .

President Clinton and I have decided that China and the United States will not target the strategic nuclear weapons under their respective control at each other. This demonstrates to the entire world that China and the United States are partners, not adversaries. . . .

President Clinton and I have reached a broad range of agreements and consensus on further increasing exchanges in cooperation between China and the United States in all areas in our bilateral relations. We have agreed to take positive steps to promote the growth of the mutually beneficial economic cooperation and trade between China and the United States, and to expand the exchanges and the cooperation between the two countries in the energy, environment, scientific, educational, cultural, health, legal, and the military fields; and also to enhance the people-to-people exchanges and friendship. . . .

As China and the United States have different social systems, ideologies, values, and culture traditions, we have some difference of views on certain issues. However, they should not become the obstacles in the way of the growth of China-U.S. relations. The world is a colorful one. The development paths of the countries in the world should be chosen by the people of the countries concerned. . . .

I believe that through the concerted efforts of both sides, we will make constant progress in the direction of building a constructive, strategic partnership between China and the United States oriented toward the 21st century.

President Clinton: . . . Over the past five years, President Jiang and I have met seven times. Mr. President, your leadership is helping us to transform our nations' relationship for the future. Clearly, a stable, open, prosperous China, shouldering its responsibilities for a safer world, is good for America. . . .

I reaffirmed our long-standing One-China policy to President Jiang and urged the pursuit of cross-strait discussions recently resumed as the best path to a peaceful resolution. In a similar vein, I urged President Jiang to assume a dialogue with the Dalai Lama in return for the recognition that Tibet is a part of China and in recognition of the unique cultural and religious heritage of that region. . . .

It is well known that the principal area of our difference in recent years has been over human rights questions. America recognizes and applauds China's economic and social transformation, which has expanded the rights of its citizens by lifting hundreds of millions from poverty, providing them greater access to information, giving them village elections, greater freedom to travel and to choose their own jobs, and better education for their children.

As I said again to President Jiang, we Americans also firmly believe that individual rights, including the freedom of speech, association, and religion are very important, not only to those who exercise them, but also to nations whose success in the 21st century depends upon widespread indi-

vidual knowledge, creativity, free exchange, and enterprise. . . .

Earlier this morning, during my official welcome, I could hear and see the many echoes of China's past and the call of its promising future, for Tiananmen Square is an historical place. There, 100 years ago, China's quest for constitutional government was born. There, in 1919, young people rallied against foreign occupation and launched a powerful movement for China's political and cultural renewal. There, in 1976, public mourning for Zhou Enlai led to the Cultural Revolution's end and the beginning of your remarkable transformation. And there, nine years ago, Chinese citizens of all ages raised their voices for democracy.

For all of our agreements, we still disagree about the meaning of what happened then. I believe, and the American people believe, that the use of force and the tragic loss of life was wrong. . . .

The question for us now is how shall we deal with such disagreements and still succeed in the important work of deepening our friendship and our sense of mutual respect.

First, we Americans must acknowledge the painful moments in our own history when fundamental human rights were denied. We must say that we know, still, we have to continue our work to advance the dignity and freedom and equality of our own people. And, second, we must understand and respect the enormous challenges China has faced in trying to move forward against great odds with a clear memory of the setbacks suffered in past periods of instability. . . .

Response to a questioner, asking about the Chinese position on human rights:

President Jiang: China and the United States have differences of views and also have common ground on the human rights issue. More than 2,000 years ago, a great thinker of China's Han Dynasty, Dong Zhongshu, once said, "Of all the living things nurtured between Heaven and the Earth, the most valuable is human beings." So the Chinese nation always respects and maintains the dignity and rights of the people. Today the Chinese government solemnly commits itself to the promotion and the protection of human rights and fundamental freedoms.

The United States is the most developed country in the world, with a per-capita GDP approaching \$30,000 U.S. dollars, while China is a developing country with a population of 1.2 billion, with a per-capita GDP of less than \$700 U.S. dollars. As the two countries differ in social system, ideology, historical tradition, and cultural background, the two countries have different means and ways in realizing human rights and fundamental freedoms. So it's nothing strange that we may have some difference of views over some issues.

China stresses that the top priority should be given to the right to subsistence and the right to development. Meanwhile, efforts should be made to strengthen democracy and the legal

system building, and to protect the economic, social, cultural, civil and the political rights of the people.

I listened very carefully to what President Clinton said just now, and I noticed that he made mention of the political disturbances that happened in Tiananmen in 1989, and he also told the history of Tiananmen and told of the things that happened in Tiananmen.

With regard to the political disturbances in 1989, the Chinese people have long drawn a historical conclusion. During my visit to the United States last year and also on many international occasions, I have stated our position that with regard to the political disturbances in 1989, had the Chinese government not taken the resolute measures, then we could not have enjoyed the stability that we are enjoying today. . . .

In the two decades since the reform and opening up program was started, the National People's Congress of China has adopted more than 320 laws and acts, thus, constantly strengthening the legal protection of the democracy, fundamental freedoms, and the various rights enjoyed by the Chinese people. Over the past two decades, another 200 million people in China were lifted out of poverty.

No country's human rights situation is perfect. Since the founding of new China, the fundamental changes and the tremendous achievements that have been achieved, that have been scored in the human rights conditions in China are for all to see. . . .

President Clinton: I would like to add a comment. First of all, I think this debate and discussion today has been a healthy thing and a good thing. Secondly, I think to understand the priority that each country attaches to its own interpretation of this issue of human rights, you have to understand something of our history. . . . So I am trying to have a dialogue here that will enable both of us to move forward so that the Chinese people will get the best possible result. . . .

Excerpts from a speech and questions and answers to students of Beijing University, June 29:

President Clinton: . . . As I'm sure all of you know, this campus was once home to Yenching University, which was founded by American missionaries. . . . We feel a special kinship with you. . . .

Over the last 100 years, this university has grown to more than 20,000 students. Your graduates are spread throughout China and around the world. You have built the largest university library in all of Asia. Last year, 20% of your graduates went abroad to study, including half of your math and science majors. At the dawn of a new century, this university is leading China into the future. . . .

Just three decades ago, China was virtually shut off from the world. Now, China is a member of more than 1,000 international organizations—enterprises that affect everything from air travel to agricultural development. You have opened your nation to trade and investment on a large scale. Today,

40,000 young Chinese study in the United States, with hundreds of thousands more learning in Asia, Africa, Europe, and Latin America.

Your social and economic transformation has been even more remarkable, moving from a closed command economic system to a driving, increasingly market-based and -driven economy, generating two decades of unprecedented growth, giving people greater freedom to travel within and outside China, to vote in village elections, to own a home, choose a job, attend a better school. As a result, you have lifted literally hundreds of millions of people from poverty. Per-capita income has more than doubled in the last decade. Most Chinese people are leading lives they could not have imagined just 20 years ago. . . .

As you build a new China, America wants to build a new relationship with you. We want China to be successful, secure, and open, working with us for a more peaceful and prosperous world. I know there are those in China and the United States who question whether closer relations between our countries is a good thing. But everything all of us know about the way the world is changing and the challenges your generation will face tells us that our two nations will be far better off working together than apart.

The late Deng Xiaoping counseled us to seek truth from facts. At the dawn of the new century, the facts are clear. The distance between our two nations, indeed, between any nations, is shrinking. Where once an American clipper ship took months to cross from China to the United States, today, technology has made us all virtual neighbors. . . .

From the windows of the White House, where I live in Washington, D.C., the monument to our first President, George Washington, dominates the skyline. It is a very tall obelisk. But very near this large monument there is a small stone which contains these words: "The United States neither established titles of nobility and royalty, nor created a hereditary system. . . ."

This created a new political situation, unprecedented from ancient times to the present. How wonderful it is. Those words were not written by an American; they were written by Xu Jiyu, Governor of Fujian Province, inscribed as a gift from the government of China to our nation in 1853.

I am very grateful for that gift from China. It goes to the heart of who we are as a people—the right to life, liberty, and the pursuit of happiness, the freedom to debate, to dissent, to associate, to worship without interference from the state. These are the ideals that were at the core of our founding over 220 years ago. These are the ideas that led us across our continent and onto the world stage. . . .

In China, you have made extraordinary strides in nurturing that liberty, and spreading freedom from want, to be a source of strength to your people. Incomes are up, poverty is down; people do have more choices of jobs, and the ability to travel—the ability to make a better life. . . .

The question is, where do we go from here? How do we

work together to be on the right side of history together? More than 50 years ago, Hu Shi, one of your great political thinkers and a teacher at this university, said these words: "Now some people say to me you must sacrifice your individual freedom so that the nation may be free. But I reply, the struggle for individual freedom is the struggle for the nation's freedom. The struggle for your own character is the struggle for the nation's character." We Americans believe Hu Shi was right. . . .

One of our founding fathers, Benjamin Franklin, once said, "Our critics are our friends, for they show us our faults." Now, if that is true, there are many days in the United States when the President has more friends than anyone else in America. [Laughter.] But it is so. . . .

The new century is upon us. All our sights are turned toward the future. Now your country has known more millennia than the United States has known centuries. Today, however, China is as young as any nation on Earth. This new century can be the dawn of a new China, proud of your ancient greatness, proud of what you are doing, prouder still of the tomorrows to come. It can be a time when the world again looks to China for the vigor of its culture, the freshness of its thinking, the elevation of human dignity that is apparent in its works. It can be a time when the oldest of nations helps to make a new world.

The United States wants to work with you to make that time a reality.

Q: Mr. President . . . in our view, since China is opening up in reform, we have had better understanding of the culture, history, and literature of America. . . . But it seems that the American people's understanding of the Chinese people is not as much as the other way around. . . . So my question is, as the first President of the United States visiting China in 10 years, what do you plan to do to enhance the real understanding and the respect between our two peoples?

President Clinton: First of all, I think that's a very good point. And one of the reasons that I came here was to try to—because, as you can see, a few people come with me from the news media—I hope that my trip would help to show a full and balanced picture of modern China to the United States, and that by coming here, it would encourage others to come here and others to participate in the life of China. . . .

I think there is no easy answer to your question. It's something we have to work at. We just need more people involved and more kinds of contacts. And I think the more we can do that, the better. . . .

Q: Mr. President, as a Chinese, I'm very interested in the reunification of my motherland. Since 1972, progress has been made on the question of Taiwan, but we have seen that the Americans repeatedly are selling advanced weapons to Taiwan. And to our great indignation, we have seen that the United States and Japan have renewed the U.S.-Japan security

treaty. And, according to some Japanese officials, this treaty even includes Taiwan Province of China. So I have to ask, if China were to send . . . missiles to Hawaii, and if China were to sign a security treaty with other countries against one part of the United States, will the United States agree to such an act; will the American people agree to such an act? [Applause.]

President Clinton: First of all, the United States policy is not an obstacle to the peaceful reunification of China and Taiwan. Our policy is embodied in the three communiqués and in the Taiwan Relations Act. Our country recognized China and embraced a One-China policy almost 20 years ago. And I reaffirmed our One-China policy to President Jiang in our meetings.

Now, when the United States and China reached agreement that we would have a One-China policy, we also reached agreement that the reunification would occur by peaceful means, and we have encouraged the cross-strait dialogue to achieve that. Our policy is that any weapon sales, therefore, to Taiwan, must be for defensive purposes only, and that the country must not believe—China must not believe—that we are in any way trying to undermine our own One-China policy. It is our policy. But we do believe it should occur—any reunification should occur peacefully.

Now, on Japan, if you read the security agreement we signed with Japan, I think it will be clear from its terms that the agreement is not directed against any country, but rather in support of stability in Asia. . . . I believe that it is not fair to say that either Japan or the United States has a security relationship that is designed to contain China. Indeed, what both countries want is a security partnership with China for the 21st century.

Q: Mr. President, with regard to the question of democracy, human rights, and freedom, actually this is an issue of great interest to both the Chinese and American peoples. But, to be honest, our two countries have some differences over these issues. In your address just now, you made a very proud review and retrospection of the history of the American democracy in human rights. And you have also made some suggestions for China. Of course, for the sincere suggestions, we welcome. But I think I recall one saying, that is we should have both criticism and self-criticism. So, now I'd like to ask you a question: Do you think that in the United States today, there are also some problems in the area of democracy, freedom, and human rights, and what your government has done in improving the situation? [Applause.]

President Clinton: I do, and, first of all, let me say, I never raise this question overseas in any country, not just China, without acknowledging first, that our country has had terrible problems in this area—keep in mind, slavery was legal in America for many years—and that we are still not perfect. I always say that, because I don't think it's right for any person to claim that he or she lives in a perfect country.

We're all struggling toward ideals to live a better life. So I agree with the general point you made. . . .

Q: Mr. President, . . . I don't think the individual freedom and the collective freedom will contradict each other. But in China the prosperous development of the nation is actually the free choice of our people, and it's also the result of their efforts. So I think that freedom, real freedom, should mean for the people to freely choose the way of life they like and also to develop. And I also think that only those who can really respect the freedom of others can really say that they understand what freedom means. [Applause.]

I don't know whether you agree with me or not.

President Clinton: First of all, if you believe in freedom, you have to respect the freedom of others to make another choice. And even societies that have rather radical views of individual freedom recognize limits on that freedom when it interferes with preserving other people's rights. . . . People have the freedom to choose and you have to respect other people's freedom and they have the right to make decisions that are different from yours. And there will never be a time when our systems and our cultures and our choices will be completely identical. That's one of the things that makes life interesting.

President Clinton on Shanghai Radio, June 30:

While in Shanghai, President Clinton and Mayor Xu of Shanghai were guests on a popular radio talk show. A very informal and lively discussion developed, with questions from callers. Here are Clinton's opening remarks and a few excerpts from the discussion:

President Clinton: First of all, I want to thank the Mayor for welcoming me to Shanghai, and say I very much enjoyed my first morning here. We did go to the library, my wife and I did, and we met with a number of citizens from in and around Shanghai who are involved in one way or another in China's remarkable transformation. And they helped us a lot to understand what is going on in China. I also want to say a word of appreciation to President Jiang for the very good meeting we had in Beijing and for making it possible for me to reach out to the people of China through televising our press conference together, and then, of course, I went to Beijing University yesterday, Bei Da, and spoke with the students there and answered questions. And that was also televised. And then to be here in Shanghai, one of the very most exciting places in the entire world, to have the chance to begin my visit here with this radio program is very exciting. So I don't want to take any more time. I just want to hear from the questioners and to have a conversation so that when it's over, perhaps, both the American people and the people of China will understand each other better.

Taking off from Clinton's visit to the Shanghai library, there was a lively back-and-forth between Clinton, Shang-

hai's Mayor Xu, and callers, on the importance of education and the possibilities of modern communications technology. Toward the end, the moderator remarked that many people are hesitant to invest in education, because it is a slow process, whereas business investments give quick profits.

President Clinton: Well, it is a long payback period, but it has the highest payback of any investment. If you invest in a child's education—maybe they're five years old when they start, and maybe they're in their early 20s when they get out of university—that's a long time. And you have to hire all these teachers along the way and pay for all the laboratory facilities and all that. But there's nothing more important. And then the young person gets out into world in which ideas create wealth and gives back to society many times over. So people shouldn't look at it just as one person investing in another; it ought to be China investing in its future, the United States investing in its future, together investing in a peaceful, stable, prosperous world. Education, ideas, information—they give us the capacity to lift people out of poverty and to lift people out of the ignorance that make them fight and kill each other. . . . Yes, it takes a long time to pay out in the life of one child. But the payouts for a country are almost immediate.

To a Chinese caller's question on the traffic and pollution problem caused by the increase in cars in Shanghai:

Shanghai Mayor Xu: . . . We are often debating this issue when we talk about traffic in the city, because there are 13 million people in the city of Shanghai and it is very, very densely populated. So our basic policy is to develop the public transportation system—that's our priority—like the subway system, buses, all these types of public transportation. . . . We didn't encourage people to buy, private citizens to buy cars. We just relaxed the regulations on and the restrictions on individuals buying cars. . . . As the Mayor, I'm also afraid of there being too many cars. . . .

President Clinton: . . . I once told President Jiang, I said, my biggest concern is that China will get rich in exactly the same way America got rich, but you have four times as many people, so no one will be able to breathe, because the air pollution will be bad. . . . I think, for one thing, you should be much more disciplined than we were about making sure you have good, high-quality mass transit, because in the cities where we have good mass transit, people use it. So, if you have good mass transit, then I think people should be free to have cars, and it's a nice thing to have, but they won't have to drive them so much and you won't have the pollution problems. . . .

Clinton on Jiang Zemin, from his press conference in Hong Kong, July 3:

President Clinton: I have a very high regard for his abilities. I remember not so many years ago, the conventional wisdom was that he might be a transitional figure. And after I met with him the first time I felt very strongly that his chances of becoming the leader of China for a sustained period were quite good, because he's a man of extraordinary intellect, very high energy, a lot of vigor for his age, or indeed for any age. And I think he has a quality that is profoundly important at this moment in our history, when there's so much change going on.

He has a good imagination. He has vision; he can visualize; he can imagine a future that is different from the present. And he has, I think, a very able partner in Premier Zhu Rongji, who has enormous technical competence and almost legendary distaste for stalling and bureaucracy and just staying in the same path—if it's not working. So, my view is that the potential we have for a strategic partnership is quite strong. . . .

So, I believe that there's a very good chance that China has the right leadership at the right time, and that they understand the daunting, massive nature of the challenges they face. They want us to understand that there is much more personal freedom now, in a practical sense, for most Chinese than there was when President Nixon came here over 10 years ago. But I think they understand that this is an unfolding process and they have to keep going.

. . . The Chinese leaders, I've always been impressed, have an enormous sense of history and they're always looking for parallels and for differences. It's a wise thing. Our people need to understand more of our own history. . . .

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Congressmen call for U.S. special peace envoy to end war in Sudan

by Linda de Hoyos

On Sept. 17, 1997, Roger Winter, executive director of the U.S. Committee on Refugees, and John Prendergast of the U.S. National Security Council, used a conference of the U.S. Institute for Peace as a forum to demand a policy by the U.S. government for a full-scale war against Sudan, "even though I know this will cause a humanitarian catastrophe." The war would not be waged by U.S. troops, according to the plan, but through U.S. aid to Sudan's neighbors—Uganda, Eritrea, and Ethiopia. Prendergast, a longtime ally of Winter, chortled that the "team" that would carry out this policy from the State Department—Assistant Secretary of State for African Affairs Susan Rice, David Dunn of the East Africa Affairs Department, along with Prendergast himself—was now in place. Winter promised Khartoum would "fall by December."

Ten months later, the government of Sudan is still strongly in power; the coalition of "allies" entrusted militarily with the mission to invade Sudan and seize Khartoum, has had a "falling out," with the outbreak in May of the Eritrea-Ethiopia war; and militarily in the south and to the east, there has been no real progress.

What *has* been accomplished, is the "humanitarian catastrophe." Throughout southwestern Sudan and in the east, a famine caused by drought and the war is threatening the lives of millions, and people, especially the young, are dying.

The disaster, combined with stagnation in the military theater, has prompted a new push for the United States to reverse course and discard the war policy of Winter, Rice, et al., and appoint a Presidential Special Envoy to pursue peace. On June 4, U.S. Reps. Tony Hall (D-Ohio) and Frank Wolf (R-Va.) wrote an open letter to President Clinton calling on him to appoint a special envoy to Sudan, "a high-level diplomat of stature and experience, such as Sam Nunn or James Baker III. . . . With your full support, backing, and authority, such an envoy would signal the seriousness about pressing for an end to the war. . . . Sen. George Mitchell and Richard Holbrooke have made a difference in Northern Ireland, Bosnia, and hopefully, in Cyprus. Why not in Sudan?"

Neither Hall nor Wolf are considered "friends of Sudan." Hall is a strong supporter of Ugandan President Yoweri Museveni, upon whom the United States has relied for prosecuting the war against Sudan in the south and aiding the Sudanese People's Liberation Army (SPLA) of the recalcitrant John Garang. Wolf has worked closely with Baroness Caroline

Cox, Deputy Speaker of the House of Lords and leader of Christian Solidarity International, loudest lobbyists for war against Sudan in Washington.

In their open letter to the President, Hall and Wolf note that the war in Sudan "goes on and on. . . . The current humanitarian crisis in southern Sudan is a wake-up call to the United States and to the international community that our business-as-usual approach is not working. . . . Sadly, as the war dragged on year after year, humanitarian efforts have not begun to be matched by the level of political resolve or diplomatic attention necessary to bring an end to the conflict. . . . The festering conflict in Sudan stands out as a glaring impediment to peace and stability throughout the region. The people of Sudan are hungry for an end to the war that is destroying a generation of youth. . . . An aggressive effort is needed to bring peace to Sudan. It is time that the United States and the international community began caring about Sudan the way we have about Bosnia and Ireland. Where the United States has stepped up to the plate and led in such efforts, results have been promising."

On June 15, Hall reiterated that the "United States needs to re-examine our policy toward Sudan—and place a higher priority on strengthening regional efforts to reach a negotiated settlement, including an immediate cease-fire." Hall said that given the Sudan government's willingness to negotiate, a "window of opportunity exists here to push for such a monitored cease-fire—but it will require the active interest of the United States, as well as Sudan's neighbors."

In negotiations in Nairobi in May under the auspices of the Inter-Governmental Authority for Development (IGAD, comprised of the Horn of Africa countries, Kenya, Sudan, and Uganda), the Sudan government had called for a cease-fire. But, this was rejected by Garang's SPLA, presumably with the encouragement of its backers.

Ending the silent war

The desire on the part of the southern Sudanese people to end the 15-year-long war in the region, is matched by the growing demand in Uganda to end the 12-year-long war in northern Uganda, which has mirrored the war in southern Sudan. The call for a U.S. Special Envoy to pursue a peace policy for southern Sudan was endorsed on July 6 by Bishop Benoni Ogwal-Abwang, the former Bishop for the northern

war districts of Gulu and Kitgum in northern Uganda and currently in exile in the United States. Speaking “on behalf of the Acholi community of northern Uganda and on behalf of its religious leaders, I strongly endorse the call by Rep. Tony Hall of June 15 calling upon the United States to ‘work harder for a resolution’ ” to the war in southern Sudan.

Whereas the plight of the southern Sudanese has received press attention in the West, the famine conditions in northern Uganda, caused by the war and drought, have gone unnoticed. As one aide worker said, “Museveni has not been forthcoming about the situation in northern Uganda.” The Bishop has called for an additional special envoy to be appointed to the situation in northern Uganda, charged with the mission of guaranteeing a framework for negotiations between the Ugandan government and the rebel Lord’s Resistance Army (LRA), which has preyed upon the people of northern Uganda with impunity from Museveni’s Ugandan Popular Defense Forces (UPDF).

The war in southern Sudan and the war in northern Uganda are intertwined. For 12 years, the Museveni government and the LRA have been locked in a no-win war similar to the non-ending war in southern Sudan. Whereas the LRA since 1994 has found safe haven in Sudan and some logistical support, the SPLA shares barracks in northern Uganda with Museveni’s UPDF. Whereas the southern Sudanese are afflicted with drought and famine caused by war, the northern Ugandans, many from the same ethnic communities as in southern Sudan, are also now facing starvation, with a half-million people herded into concentration camps—so-called protected villages—where they are slowly being starved to death.

In Uganda, the demand for peace is being “preached from the pulpits,” and is even coming from the military. According to the Kenya *East African*, the top military commander of the UPDF in northern Uganda, Brig. Katumba Wamala, demanded on June 9 that the government find cheaper ways than bloodshed to end the insurgency. “Is killing the solution? Can we reach out and talk to the rebels?” The Archbishop of the Church of Uganda, Rt. Rev. Livingston Mpalanyi Nkoyoyo, and the Catholic Emmanuel Cardinal Wamala, have also appealed to the government to negotiate with the LRA. The Ugandan Joint Christian Council proclaimed that “if the government doesn’t change its present military policy with regard to war-ridden areas where incidences of human torture, abductions, and loss of lives have become notoriously rampant, the long-suffering people in those areas may regard themselves as having been neglected or abandoned by government.”

At a three-day conference in the northern city of Gulu in June, religious and civic leaders demanded that Museveni “extend an olive branch” to the LRA. Church of Uganda Bishop Nelson Onono-Onweng of Gulu deplored the government’s “lack of will” to end the conflict and accused “foreign powers” of using Uganda as a base to fight Sudan, to the detriment of the northern Ugandan people. For the first time, the calls for peace were given international attention in the

press, other than *EIR*, being covered by Associated Press and Agence France Presse.

However, Museveni is deaf to such appeals. “There is no compromise with terrorists and criminals,” he said at the end of June. “Should terrorists kill people and not be arrested? You human rights groups should demand that these criminals be arrested.” Museveni continues to insist on a “military solution” to the insurgencies in the north, despite no sign of victory after 12 years. If anything, the LRA rebels operate with such impunity, extending their areas of operation even to the east into Soroti and beyond, that many in Uganda wonder whether the UPDF is deployed to defeat or support the LRA.

The war against Sudan continues

Museveni’s recalcitrance is backed by the Winter team in the U.S. State Department. According to Kimberly Miller, a Congressional staffer who accompanied Hall on a late-May trip to southern Sudan, Hall has begun discussions with the administration on his proposal for a peace envoy. The response has been the lame refusal that if the United States were to adopt a higher diplomatic profile in the region, it would embolden “Muslim extremists.” U.S. Committee on Refugees staffer Jeff Drumtra, recently returned from southern Sudan, on July 9 answered a question on why there is not a drive for peace, given the humanitarian disaster, by stating that “there are different ways to achieve peace—the carrot and the stick.” Despite its manifest failure, and despite the cost in civilian lives, the “stick” is the policy.

There are signs that escalation of war against Sudan remains not only a key motivation but an agenda item in efforts by Assistant Secretary of State Rice and others to mediate the conflict between two of their “new breed” of African leaders, Meles Zenawi of Ethiopia and Isaias Afwerki of Eritrea. On June 14, Yaman Gebre Meske, adviser to Afwerki, called for an international peacekeeping force to come into the territory under dispute. The plan, he said, has the backing of the United States, which would supply “logistical support.” The plan undoubtedly has the support of Rice, who has been shuttling between Addis Ababa and Asmara since the war broke out. Rice has been key in formulating the blueprint for the United States African Crisis Response Initiative, for the creation of regional African peacekeeping forces. In East Africa, this force is based in Uganda, where U.S. Special Forces have been sent to train the Ugandan military.

According to well-placed sources, such a peacekeeping force, to be composed of Ugandan forces, would be turned against Sudan, from the Eritrean front, which is believed to be a far more efficient route to bring down the government in Khartoum. Even with the war against Ethiopia, Eritrea has maintained military operations against Sudan. Eritrean forces were repulsed on June 18 after a heavy battle along seven positions on the Eritrean-Sudanese border, according to Sudan Radio. Sudan also has managed to regain control of the Adig port in eastern Sudan, from Eritrea.

Will Caldera impose a national emergency?

by David Ramonet

On June 30, Venezuelan President Rafael Caldera finally fired his monetarist Finance Minister, Freddy Rojas Parra, who had been threatening to resign for several months. The decision came after the Caldera cabinet had rejected Rojas's plan to further slash the budget and to introduce new tax hikes, for the purpose of dealing with the enormous budget deficit stemming from the collapse of the international price of oil.

This year's public budget had initially been calculated at 11.9 trillion bolivars, based on the assumption that the average price for Venezuelan oil would be \$15 per barrel. The average price in the first half of the year fell to \$12.50 a barrel, representing a \$7 billion drop in oil income expected for the year, of which some \$4 billion was anticipated as tax revenue. Starting in the first quarter, Rojas, together with Planning Minister Teodoro Petkoff, had succeeded in convincing the cabinet to cut the budget by some \$2 billion, premised on a new budget calculation which depended on an oil price of \$13.50 per barrel. Once again, these calculations went awry, but Rojas blindly stuck to his policy, and with the supposed intent of containing inflation and "restricting" money in circulation, he organized the Finance Ministry to suspend government debts to its vendors, delay budget allocations to the ministries, and ignore collective contracts with teachers, doctors, and the bureaucracy in general, to the point that strikes and work stoppages were triggered.

National strike a possibility

One week before Rojas's resignation, Federico Ramírez León, the president of the Venezuelan Labor Federation (CTV), warned in a radio program that "ongoing sector strikes could unleash a national strike, if the government doesn't meet its commitments to the workers. The Executive signed agreements and other commitments coming off the reform we made to the Labor Law. The ministers are the crazy ones. They are irresponsible."

For the past several months, teachers and doctors have been carrying out escalating strikes to force the government to comply with the agreements it had signed. Later, the trade union federations agreed to changes in the retirement benefits

program, in exchange for promised wage hikes that have yet to be delivered.

If the economic and financial crisis is of such a magnitude, stressed Ramírez, then "I call on President Caldera to assume his responsibility, to inform the country of the situation, and to propose solutions. . . . Let the government declare a national emergency."

Thus far, President Caldera has merely called on the population to bear with him, after admitting that he has not yet discovered any other solution to the crisis but budget cut-backs. He also announced that there would definitively be no wage increases this year.

But labor is not demanding new wage increases; rather, it is seeking compliance with agreements already reached through reform of the retirement program, entailing creation of "pension funds," based upon which wages would rise; these signed agreements have not been met, either because they were never budgeted, or because they had been eliminated from this year's budget.

Target: the foreign debt

The CTV is proposing that if allocations must be eliminated, this cannot be the decision of the economic cabinet alone, but must involve all those affected. In this sense, the CTV had earlier indicated that servicing the foreign debt is the most onerous burden the country currently bears, in every sense.

To the same effect, Congress president and Social Christian Sen. Pedro Pablo Aguilar called on the Executive to reach a "general agreement for confronting the emergency," among the Executive, the Congress, the regional governments, and the unions. "The worst thing that could happen is for panic to take over the country, because if we lose our calm, tragedy could overcome us," he warned.

Three months ago, after the state governors rejected a new budget increase, and proposed instead that the government consider the possibility of a temporary suspension of foreign debt payments, Senator Aguilar had backed that alternative, and had offered to President Caldera legislative support to adopt "whatever measure is necessary for the national interest."

It was on this occasion that Rojas had threatened to resign the first time, after then-Interior Minister José Guillermo Andueza had expressed his sympathies for the governors' proposal, and had announced that all options would be studied. Now, with Rojas's departure, it has also been announced that Andueza, Caldera's most trusted minister, would head the ministry of the Presidency, changing posts with the current head of that ministry, Asdrúbal Aguilar.

Rojas himself has been replaced by Dr. Maritza Izaguirre, an economist trained in the old school which defends the leading role of the state in the national economy, and who has until now represented Venezuela before the Inter-American Development Bank.

International Intelligence

Kofi Annan: Nigeria will free political prisoners

UN Secretary General Kofi Annan ended his visit to Nigeria on July 3, reporting that his discussions with the government of Gen. Abdusalam Abubakar had obtained a promise for the release of all political prisoners, including former Presidential candidate Mashood Abiola. Annan had met Abiola in prison earlier in the week, and Abiola evidently committed himself to relinquishing his claim to victory in the 1993 elections, and promised to cooperate with the military government. The opposition National Democratic Coalition, tied to Britain's former colonial minister Baroness Lynda Chalker, denounced Annan and Abiola.

However, on July 7, Abiola died of a sudden heart attack, while meeting with a U.S. delegation headed by Thomas Pickering. The death shocked the country, in the wake of the June 8 death of its President, Sani Abacha, also of a sudden heart attack. In order to avert speculation that Abiola might have been murdered, Pickering gave a live phone interview to National Public Radio in the United States, detailing the circumstances of Abiola's death, and praising President Abubakar for immediately authorizing Abiola's private doctor to participate in the autopsy.

Guinea-Bissau is latest victim of regional wars

The conflict in the West African country of Guinea-Bissau continued unabated as of mid-June, when the second projected round of talks between the government of President Nino Vieira and insurgent forces broke down. The fighting is between, on the one side, the government forces, backed by forces from Senegal, Guinea-Conakry, and reportedly some French forces; and on the other, the forces of Gen. Ansumane Manu of Guinea-Bissau, backed by the Senegalese separatist Movement of Casamance Democratic Forces of Senegal, and also reportedly rebels from Gambia around Koukoue Sama Sanga.

This cauldron marks yet another theater of regional warfare in Africa, alongside Angola, the Great Lakes, the Horn of Africa and Sudan, and Liberia-Sierra Leone. All of the wars in these countries involve multiple relations with opposition groups and governments in neighboring countries. The wars are a marker for the disintegration of the African countries, in the face of the International Monetary Fund austerity imposed since the early 1980s, the plummeting terms of trade, and relentless pressures from the "donor countries" for yet more austerity and privatization.

In Guinea-Bissau, the insurrection was sparked on June 7, when General Manes was accused of funneling arms to the Casamance Senegalese separatists. The Senegal government sent troops into Guinea-Bissau in order to close off a safe haven from there for the Casamance operation.

As of latest reports, the rebels had surrounded the capital, Bissau, but were, themselves, also surrounded. Inside Bissau, according to a Catholic agency based in the Vatican, the only people left are children, the elderly, and the sick, all of whom are dying of hunger. Food supply has become a huge problem in the capital, which more than 200,000 people have fled.

Book exposes 'Clean Hands' dirty tricks vs. Italy

A new book in Italy documenting that the "Clean Hands" anti-corruption inquisition was intended as an assault against the state, has sparked a parliamentary investigation. The book, *The Italian Guillotine: Operation Clean Hands and the Overthrow of Italy's First Republic*, is by Luca Mantovani, a spokesman for the Forza Italia party, and Stanton H. Burnett, a former U.S. diplomat with long experience in Italy, and a senior adviser to the Center for Strategic and International Studies in Washington. (*EIR* has demonstrated that the "Clean Hands" operation was run by Transparency International, a project of Britain's Prince Philip. TI launches witch-hunts against sovereign governments under cover of "anti-corruption" campaigns.)

Over 100 parliamentarians have presented a parliamentary interrogation, in which they protest against the "systematic intimidation" by the Clean Hands team of anybody "who dares to voice opinions or give interviews that are unwelcome" to some of the investigating magistrates.

The book's authors, especially Burnett, are repeatedly being asked by media whether there is a comparison between the Clean Hands witch-hunt, and American special prosecutor Kenneth Starr. Burnett told Rome's *Il Messaggero* that judicial arrogance in Italy has even fewer limitations than in the United States, but agreed that the comparison is apt. Meanwhile, *EIR* has learned that Transparency International's "Source Book"—the organization's epistemological bible—devotes particular attention to the usefulness of the U.S. Office of the Independent Counsel, as a legal mechanism for destabilization.

UN reports on crimes vs. humanity in Zaire-Congo

In a June 30 cover letter, transmitting the report of the aborted UN investigation into massacres during the Zaire war, UN Secretary General Kofi Annan highlights the investigators' conclusion that the killings by Laurent Kabila's Alliance of Democratic Forces for the Liberation of the Congo (AFDL) constituted crimes against humanity.

The investigative team members believe that some of the killings may constitute genocide, and they call for further investigation. "Hundreds of unarmed persons were captured and executed as a result of the attack on Mungunga camp in November 1996, and many unarmed civilians were hunted down and executed after fleeing from the attacks on this and other camps," the report states. In May 1997, hundreds of unarmed Rwandan Hutus were massacred in Mbandaka and the neighboring village of Wendji by AFDL troops, apparently under effective Rwandan Patriotic Army command.

In a related development, the Organization of African Unity has established a panel to investigate the causes of the 1994 geno-

PHILIPPINES President Joseph “Erap” Estrada was sworn in on June 30, in a ceremony that played heavily on the June 12, 1998 centenary of first President Emilio Aguinaldo’s declaration of independence from Spain. Estrada used the same Bible and pen as Aguinaldo had in 1898. No foreign VIP guests were invited, and Estrada was the first Filipino President to deliver his inaugural address in the national language, Tagalog.

CAMBODIA’S ELECTION campaign for the July 26 general election began on June 25, with an estimated 97% of voters registered, and 39 newly registered political parties. The three leading parties, co-Premier Hun Sen’s Cambodian People’s Party (CPP), Prince Ranariddh’s Funcinpec, and the Sam Rainsy Party, all held rallies in or near the capital of Phnom Penh on the first day.

ALGERIA will allow the UN to sponsor a mission to investigate the mass killings that have plagued the country since 1992. The mission will be led by Mario Soares, former Prime Minister of Portugal, and includes Donald Henry, former U.S. ambassador to the UN, I.K. Gujral, former Prime Minister of India, and Abdel Karim Kabariti, former Prime Minister of Jordan.

NEW ZEALAND’S cannabis “industry” in the economically depressed north is rivalling the area’s dairy industry, according to a report, “Cannabis Highs and Lows—Sustaining and Dislocating Rural Communities in Northland.” Not only are both Maori and European New Zealanders being forced into the “business,” but addiction to the drug is growing, especially among children.

EDUARD SHEVARDNADZE, Georgia’s President, told the July 6 issue of *Corriere della Sera* that he may be targeted a third time for assassination. He said that the first two attempts were steered by “outside forces,” who controlled the Georgian assailants, now under detention.

cide in Rwanda. The OAU’s action comes just as the organization’s heads of state were receiving a letter from the Rally for the Return of Democracy in Rwanda (RDR), calling for a thorough investigation, and detailing the political issues behind the “ethnic” cover in the conflict (see *EIR*, July 3).

Coming weeks crucial for Indonesian peace hopes

A German economist, who is close to circles around Indonesian President B.J. Habibie, outlined three delicate areas that the country must deal with over the coming weeks, in discussions with *EIR*. They include the status of East Timor; the need to repatriate ethnic Chinese businessmen, who had fled during the rioting, and comprise a crucial part of Indonesia’s economy; and, the urgent need to import rice, which is both scarce on the world market, and for which only the International Monetary Fund is offering money, with the usual cruel conditions attached.

Underscoring the economist’s concern, is the fact that a five-page UN document outlining a proposed special status for East Timor has been leaked, while the UN is sponsoring discussions between Indonesia and Portugal, East Timor’s former colonial power. The leaking of the document was loudly denounced on July 3 by Timorese Bishop Carlos Ximenes Belo, 1996 Nobel Peace Prize laureate, who warned that the leak could lead the UN to withdraw the proposal. Bishop Belo favors the plan, which he has discussed with President Habibie.

Did P-2’s Licio Gelli flee to Montenegro?

Italian media have discovered that Licio Gelli, the chief of the Propaganda-2 freemasonic lodge, is hiding out in either Belgrade or Montenegro. Gelli fled Italy in early June, after he was sentenced to prison in connection with the bankruptcy of the Banco Ambrosiano.

On June 26, an Italian TV reporter broadcast a photograph of Gelli in Belgrade, while the June 27 issue of *Il Sole 24 Ore* reported that its “well-informed Montenegrin sources,” said that he was actually on his way to Montenegro, where Gelli has business interests around the Montex bank. According to the business daily, Gelli started a project in 1996 to turn Montenegro into an “Adriatic Montecarlo” casino haven. Western intelligence agencies became alarmed at the prospect of “the creation of a giant center for dirty-money laundering in the heart of the Adriatic Sea.”

Gelli’s connections in Montenegro go back to 1942, when he served there as both an army officer and a Fascist Party leader.

IMF price hikes spark tribal war in Yemen

Fighting between major Yemeni tribes and the army broke out at the end of June, following riots triggered when prices for fuel and other essentials were raised in accordance with an International Monetary Fund/World Bank package. The recently appointed Prime Minister, Abdel-Karim Al-Iryani, described them as “not merely spontaneous, but planned riots aiming at threatening the stability and security of the country.”

The dominant Yemeni tribes have affiliations that encompass support from the Saudi kingdom (which has had a major role in the destabilization of Yemen, especially since the civil war in 1994), to backing from the Saudi terrorist financier Osama bin Laden.

These developments are taking place at the same time as the outbreak of fighting between Eritrea and Ethiopia, and will limit Yemen’s strategic influence in the south of the Red Sea. In 1996, the Eritrean Navy occupied two major Yemeni islands, reportedly with Israeli help, and is believed to have established intelligence bases on them.

Moreover, the not-so-spontaneous eruption in Yemen comes at the same time that Egypt and Sudan are opening up collaboration, and attempting to bring in Ethiopia, in order to undercut the regional warfare devastating Africa.

Starr shreds Constitution in 'Get Clinton' crusade

by Edward Spannaus

When a Federal judge dismissed Kenneth Starr's second indictment of former Clinton administration official Webster Hubbell on July 1, the judge cited two separate constitutional grounds for the dismissal. These were that Starr had exceeded his jurisdiction, in a manner that made the operation of the independent counsel statute unconstitutional, and that he had violated Hubbell's Fifth Amendment rights by forcing Hubbell to produce financial records, and then using those records to prosecute Hubbell on a tax case, thus making Hubbell "the primary informant against himself."

This and other recent events involving Starr serve to highlight something which most commentators have ignored: that Starr is riding roughshod over the Constitution with his inquisitorial assault on the President and the Presidency. Starr's vindictive crusade against the President and his associates is unconstitutional in numerous respects: both by the very nature of Starr's operation, and also with respect to the unlawful and improper tactics used by Starr and his deputies.

As we will see, Starr's use of the independent counsel statute itself is unconstitutional, and beyond that, Starr has specifically violated the First, Fourth, Fifth, Sixth, and Eighth Amendments to the United States Constitution.

Separation of powers

Starr's use of the independent counsel law is a violation of the Constitution. In 1988, in the case *Morrison v. Olson*, the U.S. Supreme Court upheld the constitutionality of the independent counsel provisions of the Ethics in Government Act, on the grounds that the independent counsel must operate as part of the Executive branch, under the supervision of the Attorney General. Otherwise, the operation of the law is in violation of the Constitution, which gives to the Executive alone the power and responsibility for law en-

forcement (i.e., "he shall take Care that the Laws be faithfully executed").

This has a number of implications for the manner in which Starr has operated. First, under the statute, he is supposed to follow the guidelines and practices of the Justice Department. Although—admittedly—that gives him a lot of leeway, Starr has managed to even go beyond the Justice Department's bounds. He did so, for example, in the tax-conspiracy indictment of Webster Hubbell, which a number of experts said would not have been approved if Starr had gone through normal Justice Department approval procedures.

Sen. Carl Levin (D-Mich.) has pointed out repeatedly that the requirement that the independent counsel follow department policies and guidelines was held by the Supreme Court to be key to the law's constitutionality; yet, as Levin argues, Starr's efforts to obtain confidential notes from an attorney for the late Vincent Foster violated Justice Department policy—and itself would be sufficient grounds for the Attorney General to dismiss Starr.

In dismissing the Hubbell indictment, U.S. District Judge James Robertson said that Starr had unconstitutionally expanded his jurisdiction so that he could prosecute Hubbell on tax charges unrelated to the original grant of jurisdiction. On Jan. 6, Starr had gone to the special three-judge panel which appoints independent counsels, and had asked for an expansion of his mandate so he could investigate and prosecute Hubbell on tax-evasion and tax-conspiracy charges. Starr had *not* first gone to the Attorney General to seek to expand his jurisdiction, but had gone directly to the special court—which he can only do if the new matter is "demonstrably related" to the original mandate.

When Hubbell challenged the expansion which led to his new indictment, Starr argued that the court trying Hubbell

had no power to review the three-judge panel's action. Judge Robertson said that if this were true, the procedure would unconstitutionally violate the separation of powers (i.e., allowing a court to usurp Executive powers), and he ruled that he did have the power to review the special court's expansion of Starr's jurisdiction. Robertson then ruled that, in fact, there was no connection between the two investigations. He said that the original subject matter of Starr's investigation (Whitewater-Madison), and the tax matters involving Hubbell, "have nothing in common . . . except Webster Hubbell." Starr has not shown that there are any common witnesses, similar patterns of conduct, or similar applicable law, the judge noted.

"The independent counsel's explanation of how this indictment is 'connected with' the original grant was a relationship spanning six degrees of relationship," Robertson wrote. "I find the asserted connection too attenuated and conclude that neither the tax referral order nor the indictment is 'connected with' or 'demonstrably related to' the original grant."

The Bill of Rights

Now, let's look at other areas in which Starr has violated the rights and protections guaranteed by the Constitution's Bill of Rights:

First Amendment: Starr has subpoenaed news organizations seeking information about their contacts with the White House; he subpoenaed bookstores for information about books purchased by Monica Lewinsky, he interrogated former reporter and White House adviser Sidney Blumenthal about what people in the White House were saying about Starr's office.

And, in a clear violation of the First Amendment's protection of speech and of the right to petition the government, Starr subpoenaed Bob Weiner, an employee of the White House's drug policy office, after Weiner had made telephone calls from his home to fellow Democrats in Maryland urging that the local prosecutor should investigate Linda Tripp for illegally taping telephone conversations.

Fourth Amendment: Starr accepted and has used the tapes of telephone conversations made by Linda Tripp in violation of Maryland's wiretap statute. Illegal wiretapping and electronic surveillance are violations of the Fourth Amendment's protection against unreasonable searches and seizures, and, under Maryland law, it is not only illegal to tape telephone calls without the other party's consent, but it is also unlawful to *disclose* or to *use* the contents of any illegal taping.

Fifth Amendment: The Fifth Amendment is the cornerstone of criminal justice, and Starr has violated at least three of its provisions:

1. Grand jury abuse: Starr has used his grand juries to browbeat and intimidate witnesses in an effort to force them to "cooperate," and he has leaked secret information from grand juries to create an aura of guilt around his targets.

2. Due process of law: One could write a book on this alone, as regards Starr's operation. Some of the most egregious violations of due process are selective prosecutions (targeting people solely because of their association with President or Mrs. Clinton), and vindictive prosecutions—such as the second indictments against Susan McDougal and against Webster Hubbell in retaliation for their refusal to cooperate by giving false testimony against the President.

3. Self-incrimination: Starr was slapped particularly hard by Judge Robertson for attempting to force Hubbell to be a witness against himself in violation of the Fifth Amendment's prohibition against compelled self-incrimination. While Hubbell was in prison for the first indictment (involving overbilling of his law firm's clients), Starr had subpoenaed all of Hubbell's business and tax records. Hubbell refused to comply, invoking his Fifth Amendment privilege against self-incrimination. Starr obtained a court order forcing Hubbell to produce the records under a grant of immunity from prosecution, and then used the records to build an entirely new case against Hubbell et al.

In his July 1 ruling, Judge Robertson said that Starr's subpoena of Hubbell's tax records was "the quintessential fishing expedition." He said that the documents were subpoenaed for one case (an investigation of obstruction of justice) and were used to build an entirely different case (the tax case). "Mr. Hubbell was thereby turned into the primary informant against himself," the judge declared.

Sixth Amendment: The failure to disclose exculpatory evidence concerning witnesses implicates both the Fifth Amendment (due process) and the Sixth Amendment (the right to call and confront witnesses). Starr's office was aware of frequent contacts between his key witness, David Hale, and paid agents of the *American Spectator* magazine and Richard Mellon Scaife, and Starr has acknowledged that these contacts were "FBI supervised."

The Sixth Amendment also guarantees the right to "assistance of Counsel" in one's defense. This is the constitutional grounding for the attorney-client privilege, which Starr has invaded many times. Most egregious were his efforts to obtain the confidential attorney notes regarding Vincent Foster. Starr also violated the Sixth Amendment by having his agents approach and interrogate Monica Lewinsky outside the presence of her lawyer, when they knew she was represented by counsel, and then later by issuing a subpoena to Lewinsky's first lawyer, as well as to the President's lawyers.

Eighth Amendment: The Eighth Amendment prohibits "cruel and unusual punishments." In an effort to force Whitewater defendant Susan McDougal to cooperate and give false testimony, Starr's office caused McDougal to be incarcerated for contempt of court under barbaric conditions, which her lawyer described as "torture." On June 25, a Federal judge in Little Rock, Arkansas granted her early release for medical reasons—belatedly righting a gross injustice perpetrated by Starr.

New 'Pentagon papers' show Linda Tripp was a high-level mole

by Anton Chaitkin

Just before Linda Tripp testified before Kenneth Starr's grand jury on her secret work in the Monica Lewinsky sex scandal, *EIR* acquired papers from Tripp's military personnel file, which shed new light on her actions as a spy against the Clinton administration. The papers, released to this reporter on June 26, due to a Freedom of Information lawsuit, trace Tripp's career in ultra-sensitive posts in the military intelligence and special operations community; as a political operative in the Bush administration; and, after the bitter 1992 election defeat of her patrons, her work inside the Clinton White House as a secret antagonist and disloyal "mole."

Most of the records released by the Pentagon are Tripp's own accounts of her assignments, from the 1970s up through 1994, when she was transferred back to the Pentagon, after the death of White House aide Vincent Foster.

The picture emerging from Tripp's professional intelligence and political record clashes sharply with the "soccer mom" image cultivated by news media for independent counsel Kenneth Starr. Indeed, when *EIR* first applied for release of information, the Department of Defense said that Starr's office had placed a subpoena over Tripp's entire file, thus blocking public disclosure of any kind. But *EIR*'s lawsuit led the DOD and Starr's office to agree on a partial disclosure; legal action is in process to compel further releases.

'A Courier . . . Top Secret . . . Delta Force'

Linda Tripp began her U.S. military employment in the late 1970s, as the civilian wife of Bruce M. Tripp, a career Army officer who is now retired, and from whom she is now divorced. On her way up the secret services ladder, she served for more than two years as personal assistant to a major general in the Headquarters of Allied Forces for Central Europe (AFCENT).

Tripp entered the INSCOM Operations Group of the U.S. Army Intelligence Command in January 1988. She states in a Pentagon document that she "prepared and maintained intelligence case dossiers. Conducted liaison with other Federal agencies such as FBI, State, INS [Immigration,] and attended source [information collection] meetings at these agencies on behalf of the supervisor. Served as POC [Point of Contact] in data exchanges with other agencies, including subordinate field offices throughout the United States."

In September 1988, three months after her husband took command of the Signal Corps Battalion at Fort Bragg, North Carolina, she became secretary to the Deputy Chief of Staff for Personnel of the Special Operations unit at Fort Bragg—the Green Beret headquarters. A year later she became personal assistant to the Chief of the Security Operations Training Facility at Fort Bragg.

Tripp describes herself as "hand-picked to fill a position with Delta Force," referring to the ultra-secret British- and Israeli-modelled counterterrorism unit, based at Fort Bragg, which draws on Green Beret personnel. She states for her Pentagon résumé that "in my position at AFCENT, and in positions held since, I have held a TOP SECRET security clearance due to the preponderance of highly classified and sensitive material involved. . . . In my present position, a classified assignment at Fort Bragg, literally 99% of all generated work is classified at least at the SECRET level, with much of

"Long before Paula Jones, long before Monica Lewinsky, there was a conscious decision, made in London, that there would be a full-scale campaign to destroy Bill Clinton, and to destroy, once and for all, the credibility of the office of the Presidency of the United States."

—Lyndon H. LaRouche, Jr.



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it at the TOP SECRET and above level. . . . I have served as a courier while at INSCOM, transporting highly classified material from one CONUS [continental U.S.] location to another.”

Assignment: Washington at war

Tripp and her husband split up in August 1990, as both were beginning new jobs at the Pentagon. Tripp’s assignment—office manager for the Deputy Undersecretary of the Army for Operations Research—began a few days after Iraq’s troop movement into Kuwait. In April 1991, Tripp received a post in the White House—the heady center of action for George Bush’s “New World Order.”

During Tripp’s two years on the Bush staff, she helped manage White House publicity in tandem with speechwriter and media handler Tony Snow. Tripp became Special Assistant to the Assistant to the President for Media Affairs, while Snow—who had been directly connected to the Moonies’ covert support apparatus for the Contras—was Deputy Assistant to the President for Media Affairs. Tripp writes, “During an intensive Presidential campaign . . . I was responsible for comprehensive staff coordination, disseminating information . . . to the members of the President’s senior staff who were not members of the ‘Core Group’ . . . running the reelection effort in coordination with Bush/Quayle ’92. . . .”

The Bush team suffered a bitter blow a few days before the election. In an Iran-Contra indictment, Independent Counsel Lawrence Walsh mentioned the role that Bush had played in the affair, when he was Vice President. Bush was not indicted, but the entire covert action apparatus that he headed, including Ollie North’s cocaine- and gun-running under the cover of “counterterrorism,” might now be blown open. Clinton won the election, and the enraged Bush pardoned five Iran-Contra defendants, to stifle the potential exposure.

Tripp was among the Bush staff members who quietly continued their Executive branch employment under the new administration. She first worked as an assistant to Clinton aide Bruce Lindsey, and was then transferred into the office of the White House legal counsel. By January 1994, Tripp was Executive Assistant to the Counsel to the President.

Bush-Moon operative Tony Snow later explained the methodology she brought to her work from the intelligence world. As the Moonies’ own *Insight* magazine put it, in their Feb. 23, 1998 issue: She “knew who worked for whom; parsed the complex relationships between senior officials. . . . She drew in her mind a detailed road map of the institution, always making adjustments based on the changing geography of the place.” FBI rogue agent Gary Aldrich was quoted in the Jan. 25, 1998 *Washington Post*, saying that Tripp, his partner in the inside job against Clinton, “took great care to conceal her attitude”; that she “kept working and kept quiet,” despite her hostility to the President.

In the Pentagon documents released to *EIR*, Tripp describes her function as staff manager in the very heart of the White House legal office, and “as the Counsel to the Presi-

dent’s principal contact with the news media.” As a trusted figure in the inner circle, she was even assigned to photocopy all of the Clintons’ tax records.

Tripp was reportedly the last person to see Deputy White House Counsel Vincent Foster alive before his apparent suicide. Late in 1993, Tony Snow reportedly gave Tripp’s name to Lucianne Goldberg, a publicist who had been a paid spy for Nixon’s 1972 CREEP reelection apparatus, which achieved infamy in the Watergate affair. Snow suggested that Tripp could write a book on Foster.

The Clinton administration finally reassigned Tripp to the Pentagon in August 1994. There, Tripp befriended former White House intern Monica Lewinsky, and secretly tape-recorded 20 hours of conversations with her, which gave White-water prosecutor Starr the pretext to open his sex-and-perjury probe of Lewinsky and the President.

Throughout the long media frenzy over the Linda Tripp/Monica Lewinsky matter, Tripp’s career has been absurdly excluded from the discussion of her purpose and her credibility. The material now coming into the public domain raises questions which cannot be evaded.

Documentation

From the horse’s mouth

The following are further excerpts from Tripp’s statements about her on her work in Army intelligence and related positions, and penetration into sensitive posts in the Clinton White House.

- [Date unknown] SECURITY OPERATIONS TRAINING FACILITY (SOTF-1), FORT BRAGG, NORTH CAROLINA . . . Secretary and personal assistant to Division Chief. Provided clerical support and administrative/secretarial support to Intelligence, Logistics and Comptroller. . . . Responsible for quality control of all outgoing traffic . . . controlled extremely sensitive classified documents up to TOP SECRET in the command. . . .

- [June 10, 1994] EXECUTIVE ASSISTANT TO THE COUNSEL TO THE PRESIDENT, APR. 93 to PRESENT. . . . Due to my extensive background serving on the immediate staff of the President [Bush], I had a broad mastery of the . . . practices of [the] White House . . . which enabled me to function as the authority on myriad methods of communication. . . . Managed the West Wing’s Counsel’s office. . . . I was also responsible for ensuring quality control of all the work generated by the directorate for the signature of the Counsel to the President . . . handled liaison on behalf of the Counsel to the President with Capitol Hill, Cabinet agencies and the public. . . .

Prison industry proposals get hearing

On June 25, the House Crime Subcommittee, chaired by Bill McCollum (R-Fla.), held a hearing on competing Federal prison industry restructuring proposals, including H.R. 4100, introduced by McCollum the previous week.

McCollum's bill would restructure Federal Prison Industries, by opening FPI's factories to privatization and allowing them to sell their products in the private sector markets. A competing bill, H.R. 2758, introduced by Pete Hoekstra (R-Mich.) and Barney Frank (D-Mass.), with 62 cosponsors, is more narrowly focussed on forcing FPI to compete with the private sector for government contracts that it now gets exclusively, except in cases where the Attorney General determines that non-competitive contracts are required to maintain order within prisons.

In his opening remarks, McCollum extolled the virtues of prison industries in rehabilitation, and for reducing recidivism rates. These benefits "should be provided to the greatest number of prisoners," he said. He complained that the Hoekstra-Frank bill will reduce the amount of work in FPI and maintain the status quo at the state level.

Frank, on the other hand, pointed out the contradiction inherent in the expansion of prison industries in the United States, including the fact that American law forbids the importation of goods produced in countries using prison labor. "I do not understand why goods made with prison labor in foreign countries that are excludable because they are unfair competition and inappropriate become a very good thing here in America."

Steve Chabot (R-Ohio), who assumed that Frank was referring to China, replied, "We don't have politi-

cal prisoners in the U.S.," and, anyway, "many of the participants in these programs want to be there."

Democrats also focussed on the economic impact of rapidly expanding prison labor. Frank declared that it is industries in decline that are feeling threatened by prison industries. McCollum's bill, he said, represents "great expansion of prison labor at the expense of the private sector." Frank was joined by Marty Meehan (D-Mass.), who highlighted the plight of the furniture and textile industries, during questioning of Bureau of Prisons Director Kathleen Hawk Sawyer. FPI produces furniture and uniforms, among other things, for the Federal government. Sawyer endorsed McCollum's bill, and argued that expanding prison labor would have a beneficial effect on the economy.

Conference committee agrees on IRS reform

A conference committee concluded its work on the IRS reform bill on June 24. Senate Finance Committee Chairman William V. Roth (R-Del.) told reporters that the bill is built on three principles: "One, establishing independent oversight of the agency to prevent abuse; two, holding IRS employees accountable for their actions"; and "three, ensuring that taxpayers are treated with fairness, with civility, by creating a whole new arsenal of taxpayer protection." The agreement, he said, "will open the door to real restructuring, it will reform the agency that for too long has been allowed to operate in the darkness."

However, the GOP could not resist taking advantage of the broad bipartisan support that the bill enjoys to attach a reduction in the capital gains tax, one of their favorite hobby horses,

to it. It would reduce the time an asset must be held (from 18 months, to 12 months), to take advantage of lower rates already in effect.

House Democrats attacked this provision during debate on June 25. Minority Leader Richard Gephardt (D-Mo.) excoriated the GOP for "tucking in provisions that help the wealthiest of the wealthy" while cutting back programs that assist the poor, such as low-income energy assistance, summer job training, and reading and math programs for disadvantaged children. "We are right back to where we started three years ago," he said. "Tax cuts for the wealthy, paid for by cuts on the poor and middle class. That is the program of the Republican Party."

Democrats failed to strip out the capital gains tax cut, and the bill passed by a vote of 402-8. The Senate is expected to pass the bill after the July 4 recess, and the White House has indicated that President Clinton will sign it.

Appropriations process moves ahead slowly

The House continued work on the 13 appropriations bills that will fund the government in fiscal year 1999. During the week before the July 4 recess, the House passed five bills: Agriculture; Energy and Water Development; Legislative branch; Military Construction; and Defense. Three more bills were passed by the Appropriations Committee: Interior; Treasury and Postal Service; and Veterans Affairs, Housing and Urban Development, and Independent Agencies. However, the Treasury Postal Service bill failed a procedural vote on the House floor on June 25, over a disagreement about the amounts of money allocated for government agen-

cies to deal with the year 2000 computer problem.

Progress in the Senate has been much slower. Only two bills (Energy and Water Development and Military Construction) have been passed. Seven more have been finished by the Appropriations Committee and are awaiting floor action. Work on these began on July 6, when the Senate returned from the July 4 recess. (The House returned on July 13.)

One of the many issues that could slow the process is funding for the International Monetary Fund, covered by the Foreign Operations appropriations bill. House Speaker Newt Gingrich (R-Ga.) said on June 25 that he would support "some funds" for the IMF, although Majority Leader Dick Armey (R-Tex.) and Majority Whip Tom DeLay (R-Tex.) both remain opposed to any additional funding without "strict reforms" of the IMF.

GOP releases health care reform plan

On June 24, after four months of work, a House Republican task force chaired by Dennis Hastert (R-Ill.) released its proposals for health insurance reform. "We increase accessibility to insurance so millions more Americans can receive high-quality health care coverage. We increase affordability of insurance so people can actually purchase the health care that best fits their personal and family needs. And we increase accountability so patients have confidence they will receive the quality care they were promised," Hastert said.

The accessibility initiatives allow more direct access for patients to their providers. The plan offers "affordability" with a "market-oriented approach," medical savings accounts, and reforms of medical malpractice to

reduce the number of lawsuits. The "accountability" provisions focus on making information about decisions and health plans readily available to patients, and providing a process for appealing insurance company denials of requested services. The GOP plan is expected to appear in legislative form in late July.

Hastert appealed for bipartisan support for the plan, but Minority Leader Richard Gephardt (D-Mo.) responded angrily to the GOP proposal. In a June 25 press conference, he called it a "fig-leaf Patient Bill of Rights." He said, the GOP plan "does not do any of the things that you need to do—requiring specialists, real arbitration of patients' interest, and the most important of all, having real legal liability on HMOs and insurance companies, totally absent from their bill." He added that the bill was probably written by insurance companies and special interests.

In the Senate, Minority Leader Tom Daschle (D-S.D.) declared July "HMO month," and called on Republicans to "answer what it is they don't like about the Democratic bill." The most important feature of the Democratic approach is the ability to sue HMOs and insurance companies, which is missing from the GOP proposal, he said.

Daschle maneuvers kill anti-China amendments

Senate Minority Leader Tom Daschle (D-S.D.) saved President Clinton from potential embarrassment on the eve of his departure for China, with some deft parliamentary maneuvering that prevented the Senate from voting on a number of anti-China amendments to the Defense Authorization bill. The amendments, sponsored by Tim

Hutchinson (R-Ark.), would have denied U.S. visas to Chinese officials allegedly involved in religious persecution, forced abortions, and other human rights violations.

Daschle organized the Democratic caucus to vote against John Warner's (R-Va.) motion to table the amendments (which only gained 14 votes) to ensure that a cloture vote would be required to cut off debate. A cloture vote requires 60 votes, and Daschle promised that all 45 Democrats would vote against cloture. The amendments were subsequently pulled from the floor.

Daschle complained that the timing of the amendments showed that they were "designed to embarrass the President of the United States on the eve of his trip." After describing past examples where the Senate refrained from controversial votes on the eve of a significant Presidential trip overseas, he said, "There are some in this chamber who have come to the conclusion that that is no longer the way we do business here." Daschle declared that he would not allow any votes of substance on China, and threatened to hold up the underlying bill, much to the chagrin of Warner, who was concerned to move the Defense bill forward.

One response to this partisan wrangling has been the formation of a bipartisan group of about 20 senators, led by Joseph Biden (D-Del.) and Chuck Hagel (R-Neb.), who are dissatisfied with the conduct of foreign policy debates in the Senate. *Roll Call* reported on July 2 that one of the outcomes of the meetings of this group has been the formation of a bipartisan task force, chaired by Biden and Mitch McConnell (R-Ky.), to study the use of economic sanctions by the United States. It will make recommendations by July 15 regarding the sanctions against India and Pakistan.

National News

Mayors call for Africa to get debt relief

The 1,000 members of U.S. Conference of Mayors, at its 66th annual meeting in Reno, Nevada, last month, adopted a resolution calling on the President and Congress to provide leadership in working toward significant debt reduction and cancellation of debt owed by the poorest African countries. The resolution stressed that Africa's "crushing debt burden inhibits trade and is crippling the lives of Africa's people."

The motivation points out: "Many African countries spend more on debt repayment to bilateral government creditors, multilateral agencies like the International Monetary Fund and others than they do on education and health care, spending more than one-quarter of their total export earnings on debt servicing." It said that while "the highly indebted poor countries (HIPC) debt relief initiative sponsored by the World Bank and the International Monetary Fund provides recognition of the debt crisis, it is not a comprehensive strategy to deal with this burden, has so far only benefitted a handful of African countries and does not provide for definitive debt cancellation, which is necessary if Africa's cities are to achieve economic growth and engage in mutually beneficial trade that can create jobs in the U.S. and Africa."

Hispanic LULAC confab hears Texas Gov. Bush

Texas Gov. George W. Bush and House Speaker Newt Gingrich (R-Ga.) addressed the national convention of the League of United Latin American Citizens on July 1. LULAC is the largest political grouping of Hispanic-Americans in the nation. Bush, who has his eye on the Presidency, peppered his contentless speech with Spanish in order to draw applause, and endorsed bilingual education and a friendlier Mexico policy. House Democratic Minority Leader Richard Gephardt (D-Mo.) spoke the following day, and attacked the Republicans as "the most

anti-immigrant, the most anti-Hispanic party in the history of this country."

In 45 U.S. Congressional Districts, Hispanics represent 20% of the voting-age population. The Democratic Party has targeted 15 of those House seats currently held by Republicans. According to Rep. Martin Frost (R-Tex.), chairman of the GOP House campaign committee, the Hispanic vote could either keep the Republicans in control of the House or swing power to the Democrats. With such GOP proposals as those in the bellwether state of California, which deny welfare to immigrants, end bilingual education and affirmative action, and declare English the nation's official language, Hispanic voters have cooled to GOP candidates. Many eligible Hispanics are registering to vote, which usually indicates a Democratic swing.

Denver court ruling hits prosecutor deals

Citing the law which prohibits anyone from giving or offering anything of value in exchange for testimony, the 10th Circuit U.S. Court of Appeals in Denver ruled in early July, that it is illegal for Federal prosecutors to offer leniency to a witness in exchange for testimony. The court said that this amounts to buying testimony.

"This is a bombshell," a Denver defense attorney was quoted by the press. "This hits the government right where they live. This is how the government is operating, and we have said for 40 years, if you say to someone in criminal trouble, 'I'll give you a free pass, or I'll let you go if you tell me the story I want to hear,' they'll tell you whatever they need to say to get out of trouble." A former U.S. Attorney in Denver, Mike Norton, said that if this decision stands, it will have "a tremendously negative impact on the ability of the government to prosecute crimes by groups," since prosecutors normally work their way up the chain of command in an organization, offering immunity or plea-bargains to lower-level participants in exchange for testimony against their superiors.

"Somewhere tonight there is indigestion in the Department of Justice," said Stephen Jones, who was the attorney for Michael Mc-

Veigh, Timothy McVeigh's brother, who was convicted in the Oklahoma City bombing case. His conviction is likely to be affected by the ruling.

Pat Robertson endorses 'friendship with China'

Televangelist Pat Robertson endorsed U.S. engagement with China, in a commentary for the *Wall Street Journal* on June 30, under the headline, "Friendship with China Is a Moral Imperative." He called the "self-righteous" China-bashing by Gary Bauer and Ralph Nader "morally irresponsible" and "politically ignorant." "The China-bashers prosper in direct mail and media campaigns, but they do not have the weight of righteousness on their side."

Robertson reported that he had found many changes in China since 1979. He said, "It is equally clear that in China, few, if any, really believe in the outmoded communist nonsense espoused by Marx and Lenin. Obviously the Chinese leadership perceives the former Soviet Union's transition to freedom as ill-conceived and chaotic. They want something more gradual." China, he added, "is a superpower and can either be made our friend or confronted as an enemy. The choice is ours."

Robertson's polemic is in line with the remarks of former President George Bush on May 28, that it would be a "big mistake" for President Clinton to cancel his scheduled trip to China. Bush and Robertson are interested in private-sector business deals with Beijing, but not state-to-state cooperation for great projects.

Gilmore 'up to his eyes' in prison labor scandal

The *Virginian-Pilot* has become the first Virginia daily to detail the illegal labor and selling practices of the Virginia Correctional Enterprises, in a June 28 story, including the involvement of Gov. Jim Gilmore (R), during his tenure as Attorney General under Gov. George Allen (R). Nationally, EIRNS broke the scandal last fall.

A GENERAL STRIKE has swept Puerto Rico, with a half-million workers protesting the government's planned sale of the telephone company to GTE and the local Banco Popular. The privatization move threatens 6,400 unionized telephone workers, who have been on strike since June 18. The general strike, the first in the U.S. commonwealth since 1934, has the support of AFL-CIO President John Sweeney.

NEW YORK construction workers marched 30,000 strong in midtown Manhattan on June 30, to protest a decision by the city to award a \$33 million transit contract to a non-union company. The protest, expected to bring out only 10,000, demanded the ouster of Mayor Rudolph Giuliani (R), who is seeking to privatize many city services, and shop out others to workfare recipients at below union wages.

LAROCHE DEMOCRAT Ron Wieczorek, fresh from his bid for Congress, where he won 23% of the Democratic primary vote, is planning to run for governor of South Dakota as an independent. His running mate will be Jeanne Hanson.

CORETTA SCOTT KING held a second meeting with President Clinton to further press for the investigation into the murder of her husband, Martin Luther King. In their first meeting, the President urged Mrs. King to present her case to Attorney General Janet Reno. Reno is dragging her feet; she remarked late last month, that she doesn't want to "jump to conclusions" about the murder.

JUSTICE DEPT. RACISM was the subject of a complaint to Attorney General Janet Reno and Deputy AG Eric Holder last month, charging that minority attorneys in the Criminal Division and Office of International Affairs are routinely discriminated against. The memo states that the Criminal Division does not provide equal access to African-American attorneys in important case assignments, or in granting overseas details.

The *Pilot's* front page displays the VCE's glossy brochure for slave labor, which boasts, "Virginia Prisons. They Are Wide Open to Business." Author Laura LaFay reviews how VCE made illegal deals to produce clothing for private contractors, by violating the law that allows products of prison labor to be sold only overseas, and mandates that prisoners should be paid the minimum wage; and second, by scandalous underpricing. There are also allegations of kickbacks.

"In 1994, as U.S. diplomats talked about ending trade with China in protest of China's use of prison labor," LaFay notes, "Allen was advocating the use of prisoners here to compete."

She reveals that investigations of VCE's deal with Massachusetts businessman Edward Dovner, who had a contract to buy VCE's clothing, are under way by the state auditor, the Virginia State Police, the FBI, and now by a Federal grand jury in Richmond. Sources involved in preparation of the *Pilot* story indicated to *EIR* that there is far more to come out about the Virginia prison industry/kickback scandal. One source said that Governor Gilmore is "up to his eyeballs" in it.

Documents show ADL courted FBI chief Freeh

Documents newly obtained under the Freedom of Information Act show that the Anti-Defamation League of B'nai B'rith (ADL) was attempting to curry favor with Louis Freeh, who had just been appointed FBI director in 1993. At the time, the ADL was under investigation in San Francisco for having illegally obtained FBI files, which it used to spy on some 10,000 Americans. In addition, the 1993 Sixth U.S. Circuit Court of Appeals decision reversing the deportation order of John Demjanjuk blasted the ADL's self-interested effort to help the Justice Department "Nazi-hunters" frame Demjanjuk up.

The documents detail the ADL's all-out effort to court Freeh, including visits and an exchange of letters between Freeh and ADL director Abe Foxman in September 1993. During that time, Foxman wrote to Freeh, offering an honorarium to travel to Los

Angeles to keynote the ADL's biggest annual fundraising event on Nov. 8. Freeh responded that he would be unable to attend. On April 21, 1994, the ADL's Washington lobbyist Jess Hordes invited Freeh to attend an awards dinner in New York City on June 8, where Freeh was to receive the Klinghoffer award on behalf of the FBI's Joint Task Force on Terrorism. Again, Freeh claimed schedule conflict, but sent a representative.

In 1994, the FBI formally closed its investigation of the ADL spying, which had included passing on classified Bureau documents to foreign governments. Six months earlier the ADL succeeded in striking a plea with the San Francisco District Attorney's office, to avert criminal prosecution.

Newt backs IMF funding, infuriates GOP chiefs

House Speaker Newt Gingrich (R-Ga.) came out backing some funding for the International Monetary Fund, during a press conference on June 25. According to the Capitol Hill newspaper *Roll Call*, Gingrich was urged to hold the press conference by House Agriculture Chairman Bob Smith (R-Ore.), who "lobbied leadership to fund the IMF or risk a devastating political fallout this November."

Newt's remark on the IMF has other Republican leaders steamed, especially Majority Leader Dick Armey (R-Tex.) and Majority Whip Tom DeLay (R-Tex.). *Roll Call* wrote: "Gingrich's IMF plan is part of his broader effort to placate disgruntled business and agricultural leaders with a passel of free-trade initiatives and a capital gains tax cut." The IMF spending is expected to be debated in late July.

Gingrich called his press conference to propitiate angry farmers, who have been devastated by the GOP's monetarism and are now being driven out of business by the GOP's new farm bill, which ends price supports. Newt spun out a laundry list of measures ostensibly to help farm exports, including: support for Most Favored Nation status for China, a renewed fight for "fast track" negotiating authority for free-trade agreements, some funds for the IMF, and an exemption from sanctions for farm exports to India and Pakistan.

Take off the gloves for McDade-Murtha

As the 105th Congress enters its final phase, there is no issue on the agenda of the House of Representatives of greater importance than H.R. 3396, "The Citizens Protection Act of 1998." Yet, despite the fact that this bill, with close to 200 co-sponsors, enjoys broad bipartisan support, and, despite the fact that the legislative clock is ticking away, House Judiciary Chairman Henry Hyde (R-Ill.) has yet to schedule a hearing for this crucial piece of legislation.

H.R. 3396, popularly known as the McDade-Murtha bill, seeks to ensure that the rules of ethics and standards of conduct applied to all other attorneys, also be applied to Department of Justice attorneys. It not only establishes standards of conduct for the DOJ; it defines punishable conduct and penalties, and creates an independent review board to monitor compliance with the standards. The meetings of the board are to be conducted in public.

The Attorney General still has the first right to conduct investigations of allegations of DOJ misconduct. But, for the first time, a citizen will have the right to seek an independent review, a review conducted by a board outside the jurisdiction of the Department of Justice itself.

Why shouldn't the DOJ be forced to play by the same rules as other attorneys? And, certainly, it isn't unreasonable to suggest that the DOJ may not be entirely impartial when it is asked to investigate itself! An uninformed observer might wonder how anyone could reasonably oppose H.R. 3396. An innocent observer might not understand why the DOJ permanent bureaucracy, unquestionably one of the most powerful institutions inside the Federal government, is fighting against this bill as if its very survival were at stake. But, an innocent observer might not be familiar with the fact that the permanent prosecutorial bureaucracy inside the DOJ, has, for years, operated with impunity, without penalty and without oversight, using the full weight and power of the U.S. government, as an out-of-control "political hit squad" against elected officials, civil rights leaders, and political activists.

And, even though the McDade-Murtha bill represents Congress's most direct assault on DOJ tyranny in its entire history, without sufficiently broad in-depth hearings, the bill, even if passed, would be largely ineffective.

The bill's author, Joe McDade (R-Pa.), is determined to see to it that comprehensive hearings occur. If the bill reaches 218 co-sponsors, a simple majority of the House, he has the power to personally determine the bill's fate.

Over the last month, the LaRouche movement has led a broad and powerful coalition of forces that has steamrolled its way through the Congress. Its message has been clear: "Co-sponsor this bill, and work to ensure that hearings on this bill feature the most dramatic cases of Federal prosecutorial abuse, including the decades-long targetting of black and Hispanic elected and public officials under the FBI's notorious 'Operation Fruehmenschen'; the Office of Special Investigations cases, such as that of John Demjanjuk; and, the politically motivated frame-up of Lyndon LaRouche and his political associates." Nothing less is sufficient if we are to get to the heart of DOJ corruption.

There is no question but that, as we close in on 218 co-sponsors, we have hit a new phase in this fight. It is time to take the gloves off. Any member of Congress caught opposing the McDade-Murtha bill, is guilty of condoning human rights violations, right here in the United States. They should be treated accordingly.

It is not only the legislative clock that is ticking. The global financial system is also careening toward uncontrolled disintegration with increasing speed. This world desperately needs Lyndon LaRouche's New Bretton Woods proposal, and one of the primary blocks to its realization is the power of the DOJ bureaucracy, that has acted to pick off all those whom the financial oligarchy deems dangerous to its plans. Defeating the DOJ thugs, and winning the fight for a new, more just financial system, are part of the same fight. And, July is the month for a major breakthrough.

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How Gauss Determined The Orbit of Ceres

by Jonathan Tennenbaum and Bruce Director

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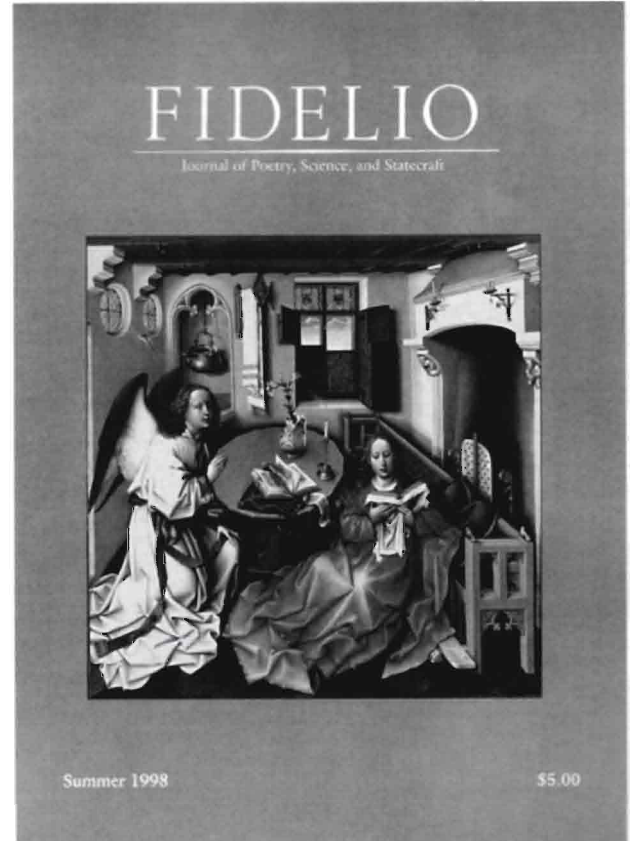
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