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Carey's Battle To Save Lincoln's Economic Revolution

**LaRouche Tells Italy: Act on
Economic Crisis, War Danger**



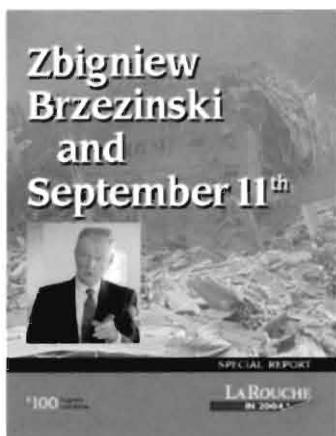
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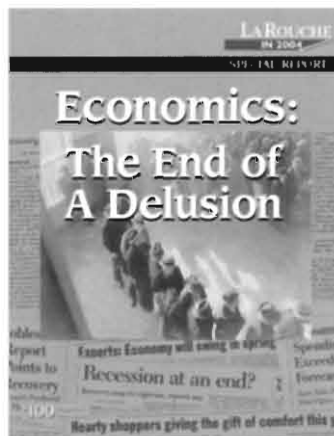
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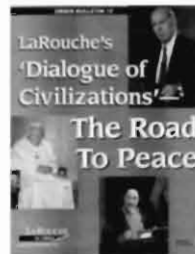
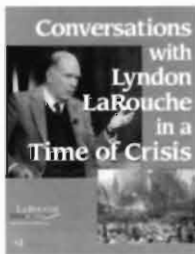
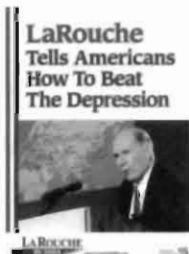
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From the Associate Editor

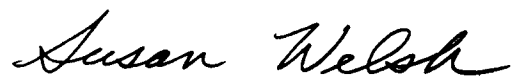
During his visit to Italy which we feature in this issue, Lyndon LaRouche emphasized the vital importance of the institution of the U.S. Presidency, and how he personally intervened in that institution, to “jam up” the drive for war against Iraq, by the Cheney-Wolfowitz-Rumsfeld “utopian” faction. With the war drive now stalled, at least temporarily, LaRouche is launching new initiatives to win the most crucial fight: that for a new global financial-monetary system, and a change in economic “axioms” away from the bankrupt policies of the U.S. Federal Reserve and the International Monetary Fund. Unless that economic policy battle is won, the war danger will resurface in the new year.

In this issue, see our coverage of breaking world situations that underline the necessity for such a revolutionary economic change: the Brazilian debt crisis; the U.S. Federal deficit explosion; the Japanese crash in bank stocks; and the political, industrial, and constitutional devolution in Britain.

In “A Presidential Thanksgiving Message” (see *National*), LaRouche points the way out, with an emphasis on his personal, unique role.

As we go to press, LaRouche’s Presidential campaign committee has issued an urgent statement demanding immediate U.S.-led famine relief for North Korea. LaRouche is calling on President Bush and other world leaders “to conduct an immediate food relief effort into North Korea, with absolutely no political strings attached. The food aid is urgent to avoid a devastating famine, and, in LaRouche’s plan, would serve as a prelude to discussions between the United States, North Korea, and other interested parties, concerning all of the unresolved bilateral and multilateral issues currently on the diplomatic table.

“LaRouche declared that the food assistance program should constitute a pre-emptive action, to avert an otherwise severe famine, and that it must be clear that this is an unconditional humanitarian intervention. Nevertheless, LaRouche emphasized that such an action, on the part of the Bush Administration and others, would serve as a useful foundation for opening productive discussions on other issues.”



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("European
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Lyndon LaRouche addresses a West Coast youth cadre school on Nov. 16.

The IMF's Coming Brazilian Waterloo

by Dennis Small

What will the government of Luiz Inácio “Lula” da Silva do, when he assumes the Presidency of Brazil on Jan. 1, 2003? That is one of the hottest questions among international financial circles, given the fact that Brazil has the largest foreign debt—more than \$500 billion—of any nation in the world, and that it has been teetering at the cliff-edge of default for months. Brazil is also the preponderant nation, economically and politically, in the highly volatile region of Ibero-America: Where it goes, the entire continent will soon follow. And the fate of the International Monetary Fund also hangs in the balance. A Brazilian default could bring down the entire U.S. banking system, and the IMF with it.

Much nonsense has been pronounced on the subject of the incoming Lula Presidency. For example, there are those who assert that Lula is pretty much the Devil himself. That is the line of people like Constantine Menges, the Hudson Institute windbag who shares the pro-war policies—and the ties to the pornographic Moon sect—of the Utopian faction in the Bush government. Menges insists that Lula is going to develop nuclear weapons and the missiles to deliver them; that he will establish a terrorist “axis of evil” on the continent with Cuba’s Fidel Castro, Venezuela’s Hugo Chávez, and the Colombian FARC (Revolutionary Armed Forces of Colombia); and that he intends to bring down the entire “free market capitalist system.”

On the other hand, there are those who argue that Lula is in Wall Street’s hip pocket, and that he will do exactly as the International Monetary Fund (IMF) tells him. The Brazilian debt is *not* out of control, they insist, and the country will *not* default on its obligations. That is the line being peddled by the influential New York Council on Foreign Relations (CFR), through its British Brazilianist Kenneth Maxwell.

Neither of these two views is correct.

In a Nov. 19 interview with the Mexican daily *Excelsior*, U.S. Presidential pre-candidate Lyndon LaRouche explained the actual situation facing Lula and Brazil:

“If Brazil is forced to submit to currently proposed types of conditions, the resulting collapse of Brazil will set off an immediate chain-reaction, blowing out not only the U.S. banking system, but also the IMF system. If Brazil is permitted conditions under which it could survive, that would also blow out the U.S. banking system and, therefore, the IMF, too. The only solution, therefore, is a general reform in bankruptcy-reorganization of the U.S. Federal Reserve System, and a reorganization-in-bankruptcy of the IMF by concerted emergency action of the most relevant sovereign nation-states whose property the IMF is.

“This puts Lula in an interesting situation, whether he wished it, or not.”

Lula has not defined which way he will go, as the financial house of cards comes tumbling down. In fact, he probably doesn’t know himself what he is going to do. For the time being, Lula and his top advisers have issued repeated reassurances to the international financial community that Brazil will continue to honor all its debt obligations (which is a physical impossibility), while at the same time reaffirming their intention to improve the Brazilian population’s lot, reduce hunger, lower interest rates, and so on.

Thus, Lula has been referred to, by some, as the “Sandwich President”—caught between massive pressure from the international financial community, and the overwhelming rejection of just such IMF policies by the Brazilian population.

The October elections in Brazil were a reflection of that popular dislike for globalization and the IMF. Lula’s victory

was one expression of that phenomenon; another was the unprecedented vote totals received by Dr. Enéas Carneiro in the federal congressional race. But what has really unleashed panic in the international financial oligarchy, is the direct involvement of Lyndon LaRouche and his economic proposals in both of these processes. This factor was visibly expressed in the U.S. Presidential pre-candidate's high-profile visit to Brazil in June of this year. It is this LaRouche factor, in the view of international oligarchy, which can be the straw which breaks the camel's back.

Thus, the grave death threats issued against Dr. Enéas and his colleagues in the PRONA party (see *EIR*, Nov. 29). And thus the pathetic attempts by the CFR's Kenneth Maxwell, and others, to try to discredit LaRouche in Brazilian eyes by lyingly linking him to Menges' Moonatic outbursts.

Wall Street's Charm Offensive

Maxwell's argumentation is most revealing. In an article in the Dec. 5 issue of the *New York Review of Books*, Maxwell, who heads up the Council of Foreign Relations' Latin American Program, fervently insists that the United States can, and must work with Lula, because he can be roped into staying with the system. Those who argue that the "red tide" swept Brazil in this election are wrong—just as it is, also, "an exaggeration to call this vote a rejection of the Washington Consensus and neo-liberalism," Maxwell asserts wishfully. Maxwell goes so far in his promotion of Lula, that he compares him to "another ex-union man" of simple tastes with popular ties, elected with a huge number of votes: Ronald Reagan!

Maxwell explicitly savages the idiotic line coming from the Moonie nut, Constantine Menges, that Lula's election as President brings to power the São Paulo Forum and sets up a new "axis of evil" in the hemisphere among Fidel Castro, Hugo Chávez, and Lula.

At this point, Maxwell attempts to drag Lyndon LaRouche into Menges' Moonatic campaign. No one in Brazil even knew of what the São Paulo Forum was, Maxwell claims, but when he went to track back "the origins of this anti-Lula campaign, I find it begins with no less an 'authority' than Lyndon LaRouche, whose webpage asserts: 'The São Paulo Forum has very high-level sponsors inside the financial and political establishment of the Americas, in the form of a Washington-based think-tank founded in 1982 by David Rockefeller, McGeorge Bundy, and others, known as the Inter-American Dialogue.'"



Whatever policy Brazilian President-elect Luiz Inácio "Lula" da Silva adopts with respect to the physically unpayable \$500 billion foreign debt, the International Monetary Fund system is finished.

The Maxwell/CFR article was, de facto, a major policy statement coming from the very heart of the Anglo-American Establishment. Its nervous point can be roughly paraphrased as follows:

Things are *not* in control in Brazil. This is no time to push Lula up against the wall, as the Menges Moonatics propose, because that might well backfire and drive the country into the LaRouche policy approach. We have to make nice to Brazil for the moment, as we deploy to get things back under political control. Don't call in the debt, for now; keep throwing money at the problem—just as U.S. Federal Reserve Chairman Alan Greenspan and others have argued must be done globally.

Just as Maxwell recommended, Wall Street is on a charm offensive. On Nov. 19, the IMF team down in Brazil for its quarterly review, came out of its meeting with Lula's representatives, telling the press, "We are very happy." From Washington, IMF spokesman Francisco Baker told reporters on Nov. 22 that the IMF's "impression is the program is excellent," and the new government is planning measures which are "prudent and appropriate." The disbursement of the next \$3 billion loan installment of the \$30 billion package is considered a given now. The IMF accepted the request from Lula's team that discussion of any increase in the primary budget surplus the Brazilian government must generate be put off until the next scheduled review, in February. Likewise, the IMF team had tried to find out how the incoming government would pay for its planned increases in expenditures on social spending, and was not satisfied with the answers it got, but decided that could wait until February, too.

Similarly, during a Nov. 19 panel at a summit sponsored by the World Economic Forum (Davos Forum) in Rio de Janeiro, top honchos from a half-dozen New York investment houses and banks spoke of the great prospects for Brazil under the incoming Lula government. “Lula will surprise the market when it adopts more austere economic measures, favorable to the market,” said Gray Newman, Morgan Stanley’s chief economist for Latin America. ABN Amro’s Arturo Porzecanski stated uncharacteristically: “I also think that Brazil will surprise all of us with reasonable political actions on the part of the new government.” And Geoffrey Dennis, chief stock market strategist for Latin America of Salomon Smith Barney, went so far as to pronounce: “We now recommend Brazil in a fairly aggressive way to our investors.”

These are the very banking houses and individuals who, a few short months back, were screaming that the election of Lula would be the end of the world, that a Brazilian debt default was virtually inevitable, and that they were therefore refusing to roll over maturing Brazilian government bonds at interest rates lower than 50%.

Not to be outdone, the Bush Administration had at least three top officials down in Brazil in mid-November to woo the new government. Assistant Secretary of State Otto Reich, a Lula-basher only weeks before, announced that “we will do everything within our reach to help Brazil. The struggle against hunger is an essential element for development. . . . Lula is a man who believes in democracy.” Deputy Trade Representative Peter Allgeier also pronounced his favorable evaluation. And Deputy U.S. Treasury Secretary Kenneth Dam gilded the lily on Nov. 22, after meeting with Senator-elect Aloizio Mercadante, a top Lula adviser: “I don’t think there is anything that’s happening now in Brazil that’s cause for concern. We’re quite pleased with the statements and signals that have been sent by the incoming administration.”

All of this led one Brazilian diplomat to pointedly comment to the *Financial Times* of London: “We haven’t seen this kind of attention in a while.”

Default Looms

Brazil is no less insolvent today than it was before the Maxwell signal piece was written. The public debt now stands at about \$300 billion, and rising. About 45% of this total is held in dollar-denominated bonds, which means that every devaluation of the Brazilian currency, the real, *vis-à-vis* the dollar automatically raises the debt owed. The real continues to float at less than 3.5 reals to the dollar, and a renewed speculative assault on the currency looms at any moment.

Another 43%, minimum, of the government bonds is indexed to floating market interest rates, which similarly causes the debt to grow “spontaneously” with every jump in interest rates. On Nov. 20, the Brazilian Central Bank raised the benchmark interest rate from 21% to 22%, and further rises are only a blink away.

As recently as September, Wall Street analysts had can-

didly calculated that the Brazilian public debt bubble could not be kept afloat unless interest rates dropped to under 10%, and the value of the real rose to 2.5 to the dollar. Since neither of these conditions is remotely possible in the real world, they confessed, Wall Street should brace itself for an unavoidable Brazilian blowout.

If anything, the numbers today are worse than they were in September.

As noted, neither President-elect Lula nor his team has actually announced any substantive policy yet. The Cabinet has not been named, as Wall Street demanded. The only concrete step taken on this front, in fact, is, that Lula has reiterated that he will *not* keep Arminio Fraga on as Central Bank president for the transition, as Wall Street desires.

One interesting policy option was floated by Senator Mercadante, who told reporters in Brasilia on Nov. 20 that Lula will visit Argentina on Dec. 2, and will propose that Argentina and Brazil create a common currency for trade. Mercadante stressed that “Argentina is really a strategic partner,” and that the new government proposes that the two partners increase their trade and cheapen the cost of food in both countries, by establishing a “green currency.” The idea, Mercadante elaborated, would be to use the common currency as a unit of accounting, with any trade imbalances between the two nations settled periodically by the central banks, in dollars.

Why call it the “green” currency? “We call it ‘green’ because at the beginning it would be used exclusively for agricultural trade,” Mercadante explained, but it could become the embryo of a future common currency, generally. “The idea is that trade be carried out without necessity of using foreign currencies. Put another way, a single market would be formed between Brazil and Argentina where the producers of each country would operate as locals. The Argentine producer receives pesos, in their ‘green money’ equivalent, for their sales in Brazil. In the same way, the Brazilian receives reals for his sales in Argentina. Under this plan, who pays the exporters are the central banks of each country, and in local currency.”

Both countries face financing problems for anything in dollars, because of the cut-backs in their credit lines, but this way agricultural trade would be carried out without the necessity of using any foreign exchange. This could not only increase trade, but cheapen the cost of food, while increasing its supply, he argued.

Although the critical issue of how to set a *fixed* exchange rate between the real and the peso, on the one hand, and the new green currency, on the other, is not addressed—along with the related issue of making the new currency *inconvertible with the dollar speculative bubble*—the proposal otherwise has many intriguing elements in common with LaRouche’s policy calling for nations and regional blocs to engage in “trade without currency,” as a stepping stone toward a fully elaborated New Bretton Woods system.

Guadalajara Forum Gains Force in Brazil Crisis

by Our Special Correspondent

A crucial meeting on Nov. 7 in São Paulo, bringing the “Guadalajara Forum” launched in Mexico in September, to Brazil, showed the potential of a new political alliance: among the forces around new Congressman-elect Dr. Enéas Carneiro; nationalist Brazilian civilian-military circles; and the ideas and political movement of U.S. Presidential pre-candidate Lyndon LaRouche. The Guadalajara Forum specifically organizes the forces in Ibero-America who are ready to fight for LaRouche’s New Bretton Woods monetary system, to stop their continent’s economies from falling to pieces like that of Argentina under the International Monetary Fund.

The 150 active leaders who gathered in São Paulo, and heard presentations by Dr. Enéas and LaRouche representative Lorenzo Carrasco, among others, represent a new and potent political factor in Brazilian national life. The country is at the verge of an “Argentine” economic catastrophe, and must change policy. That the IMF fears these forces’ impact on the new Brazilian Presidency of Luiz Inácio “Lula” da Silva, is clear from the high-profile slanders and threats directed against both Dr. Enéas and LaRouche, since the former’s election.

The event in the auditorium of the Superior War College Alumni Association (ADESCG), was a continuation of the process begun last August in the city of Guadalajara, Mexico, and continued in October in Paraná, Argentina. The Forum joins together patriots from across the continent around the idea of building a new world economic order, based on rejection of colonial globalization and defense of the sovereign nation-state.

The São Paulo meeting also served as a victory celebration, because Dr. Enéas, who campaigns for the New Bretton Woods reorganization, was recently elected Federal congressman with the highest vote count in the history of Brazil.

Joining Dr. Enéas on the podium were Vice Adm. Sérgio Tasso Vásquez de Aquino (ret.), former Deputy Chief of Staff of the Brazilian Armed Forces; Dr. Havanir Nimtz, representative of Enéas’s PRONA party, who was elected to São Paulo state’s legislature, also with the highest vote in its history; Prof. Bautista Vidal, former energy secretary from the Ernesto Geisel government of the 1970s; Aduino Rochetto, ADESG representative in São Paulo who moderated the event; and Carrasco, leader of LaRouche’s Ibero-American Solidarity Movement (MSIA).

Enéas: No Commitments But to the Truth

The invited audience at the Nov. 7 event included representatives of the Armed Forces, businessmen, professionals, and students, all of whom engaged in a long discussion of the new situation in Brazil defined by approach of default and currency devaluation, the election of Luiz Inácio “Lula” da Silva to the Presidency of the largest nation in the hemisphere, and the mobilization of the Guadalajara Forum.

Dr. Enéas began his presentation by proudly displaying the *EIR* on whose cover he appears alongside Lyndon and Helga LaRouche on the occasion that São Paulo’s City Council awarded LaRouche honorary citizenship. “Here we have Lyndon LaRouche, who you all know very well because he was here in this very auditorium,” Dr. Enéas said.

“I am not speaking here to the people; I am speaking to men of schooling, to men of thought. Today we are facing a situation both in Brazil and in the world—a situation very well described by Mr. Carrasco and the colleagues on the podium—we are in a situation in which the war-making power of the United States is threatening the planet. . . . What is the reason to invade Iraq? None. But there is always a reason disseminated by the corrupt press. I am telling the whole country, the press is venal, a slave to the powers that be. . . . It is time for national forces to come forth, for each one of us to be alert. The alert I represent today is the million and a half votes with which I was accredited. I have no commitments to anyone, except to the truth. I said in my statement that the truth is like spring water—clear, crystalline; the truth is like an axiom in mathematics. It needs no proof. Truth imposes itself, it is sovereign. I came in first, without commitments to anyone, except the truth. If any positions that I hold are proven to be wrong, I will instantly step back from them.

Enéas referred to some of the first press attacks on him, after his and his party’s surprise victory, claiming that “my election was a protest vote, or a joke vote. . . . Were a million people clowning around, or do they have a right to choose someone they believe in? The question is this: Who is given the right to say, ‘I represent the longings of a suffering people, a people who won’t tolerate being plundered any more, who won’t tolerate being fooled any longer? . . .’ Independently of whoever the President-elect is, he is our President. . . . We will be fighting to make sure the expectations of this suffering population are not turned into a house of cards. We will be ready to say, ‘Yes’ to everything that favors the nation, and to say ‘No,’ an absolute no, to anyone who wants to turn us into slaves—to eliminate our capacity to think, to express ourselves, and to build a better future for all of us, a future of which we can feel proud.”

Individual Personalities Change History

Carrasco succinctly described the history of the process that created a Forum in defense of the sovereign nation-state. “It is clear, as this meeting demonstrates, that we are living in revolutionary times. Average individuals, such as those

gathered here tonight, with patriotic convictions, can change the path of history. That is why the presence of Dr. Enéas at this podium is even more significant, because he is proof of what the average person, albeit an eminent physician, can accomplish, once the decision is made to take responsibility for one's country, and to change the axioms behind traditional politics."

Carrasco described the terminal crisis of the world financial system, and the danger of a clash of civilizations provoked by those determined to hold onto the reins of world power, through erecting a structure of imperial world government. The Guadalajara Forum, he emphasized, organizes a "dialogue of civilizations, and this is one of the tasks in which Ibero-America could effectively contribute to and participate in universal history."

Following Carrasco, Councilwoman Dr. Havanir, who was responsible for the award to LaRouche of honorary São Paulo citizenship in June, committed herself to defending, from the Legislative Assembly of which she is the most popular member, Brazil's national sovereignty.

Integration: Argentina and Brazil

In his address, Brazilian Vice Adm. Sérgio Tasso detailed the process of national destruction over the past 12 years, especially during the last eight years under President Fernando Henrique Cardoso, whose regime and economic model were the real losers in the recent Presidential election. He analyzed the widespread optimism that surfaced with Lula's victory at the polls.

Admiral Tasso went on to emphasize the importance of the Guadalajara Forum: "Argentina and Brazil are two great nations, which for long periods of time quarreled with one another. And Argentine nationalist currents—those patriots who love the Argentine nation as we Brazilian patriots love Brazil—had an especially atavistic mistrust of Brazil. Yet only by being there could I understand why. Argentina has always had great mistrust of the British Empire, from when British and French troops disembarked in Buenos Aires. . . . José Manuel de Rosas also faced British threats, due to problems around the Malvinas. . . . In the Argentine nationalist mind, they believed the image that the Brazilian Empire was an instrument of British imperialism in Latin America. This was the cause of that great distrust they have always had with regard to us. Well, today those barriers have been destroyed.

"I went to visit Col. [Mohamed Alí] Seineldín, who is the head of the most important Argentine nationalist faction, at the Campo de Mayo prison. I had the unique opportunity as admiral of the Brazilian Navy, to speak at the Argentine Naval Club with officers from throughout the active and reserve armed forces. I found an environment of confidence and a nearly spontaneous and unanimous request that Brazil assume the leadership appropriate to it, due to its intrinsic greatness, for the liberation of Latin America.

"But it is necessary to integrate all of Latin America," the

Admiral insisted, "because this is the continent of hope, and from the Río Bravo to the south of Patagonia, we have all the wealth, all the resources necessary to make our people happy, rich, and content. And through our common religious legacy. . . . That is why we must cement our union, because if separately, each one of us is incapable of changing the unjust situation in the world, together we have an extraordinary strength. To begin with one of our apparent weaknesses: our debt. Brazil owes more than \$400 billion; each one of us Brazilians owes 11,000 reals [Brazilian currency]. And this was exponentially multiplied by the viceroy Fernando Henrique Cardoso. Argentina owes more than \$200 billion and Mexico another such. We could negotiate the terms of this debt, to get more favorable conditions for the development of our nations.

"It is absurd," he concluded, "that Brazil only has 8 billion reals to invest in everything, to pay for all its works, and at the same time spends more than 125 billion to pay interest on an unpayable debt. So, the hope, the expectation, is that the peoples and governments of Latin America will join and tell the world of the injustice of this situation, while building in unity but with absolute and total respect for each and every sovereign national state. . . . So in Guadalajara [in Mexico], we find the third important vertex. Latin America has three very important countries because of their specific weight: Brazil, Mexico, and Argentina."

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U.S. Budget Deficits Headed Toward Unprecedented Heights

by Richard Freeman

Unless America's policymaking is radically and quickly changed, it is likely that the United States will register, perhaps starting this fiscal year 2003, Federal general revenue budget deficits of \$400-500 billion per annum, the largest in U.S. history. Deficits of such size cannot be sustained, and indicate that the U.S. government is headed toward bankruptcy.

Examination of the FY 2002 and 2003 budgets, show unmistakably the trend of budgets that are out of control. According to the U.S. Treasury Department, the FY 2002 budget recorded an official "unified budget" deficit of \$157.7 billion. However, *EIR* will show that the official budget is a sham; the real budget, which the Treasury calls the general revenue budget, recorded a \$317.3 billion deficit in FY 2002, more than twice the official deficit. In any case, each of the budget deficits is very large. At the core, the budget deficit has not been caused by rising expenditures as such, but rather by the other side of the ledger: the plummeting revenues, which, in turn, has been caused by the collapse of the U.S. real physical economy, as well as the bubble economy, particularly the stock market. This is dramatically exemplified by, and is the driving force behind the FY 2002 budget deficit: Compared to the previous year, in FY 2002, U.S. individual income taxes paid fell by a stunning \$138 billion, the largest absolute fall in history. The percent of fall was 13.7%, which is the greatest since 1946! Thus, the income taxes are in a free fall, and they are the largest item of taxes paid in the budget. They have sharply pulled down overall receipts.

The FY 2003 budget has accelerated this trend. The U.S. fiscal year runs from Oct. 1 to Sept. 30, and is dated the year it closes: Thus, October 2002 is the first month of the FY 2003 budget. During this October, the U.S. budget recorded a \$53.99 billion deficit on the "unified" basis, and a \$57.7 billion deficit on the general revenue basis. Were this trajectory to continue, the FY 2003 general revenue budget would record an unprecedented deficit of \$400-500 billion.

The mounting deficits generate several dangers. They must be financed through the issuance of tremendous volumes of new U.S. debt, which already (including marketable and non-marketable debt) totals more than \$6.3 trillion. Any significant risk to this debt could threaten the U.S. financial system.

Second, this creates the environment for Wall Street to

unleash its shock troops, the Conservative Revolutionaries, led by Rep. Tom DeLay (R-Tex.), who will be the House Majority Leader in the new Congress. They are pushing for fierce forms of austerity, in order to "balance the budget." In one exemplary case, at the end of November, the Conservative Revolution-controlled House of Representatives delivered a "Go to Hell" Christmas message to 830,000 unemployed workers: It refused to approve a bill that would have re-extended the unemployment benefits of these workers who have already exhausted their state unemployment benefits. The workers will be cut off from Federal funds, and left penniless until Congress reconvenes in mid-January, and maybe beyond that. Further, starting Dec. 28, during each successive week, another 95,000 unemployed workers will have their benefits cut off. This is but one in a list of myriad draconian cuts of infrastructure, essential social programs, education, etc., that the Conservative Revolutionaries are considering.

Their gouging of the real physical economy, will intensify the economic downturn, which will further reduce tax revenues, and widen the deficit.

The real solution to the skyrocketing budget deficits, lies not in attempts to slash the budget, or in raising or lowering taxes, as such. What is required is to reverse the fatally flawed policy axiomatics of the "post-industrial society," and restore the economy to health. As Lyndon LaRouche has said, the bankrupt financial system must be put through a Chapter 11 bankruptcy reorganization, and replaced by a New Bretton Woods monetary system, which provides low-interest credit for the construction of development corridors of a Eurasian Land-Bridge. Within that geometry, there must be launched an interconnected package of great U.S. infrastructure projects, starting with rail programs, also involving the issuance of low-interest credit. LaRouche has called this concept a Super-TVA, based on the precedent of Franklin D. Roosevelt's Tennessee Valley Authority. (As a feature of such a thrust, a tax policy geared toward fostering production can be introduced.) As the fundamental reforms of the Super-TVA start to work, the tax revenue base will be greatly expanded, restoring budgetary health on a Federal, state, and local level.

Ironically, but two years ago, Wall Street had announced that the United States would run a Golden Age of ten years of Federal budget surpluses, totalling \$5.4 trillion, which

would extend from fiscal years 2001 through 2010. In only two years, that is shown to be an exploded pipe-dream; let us see why.

Origins of the Deficit

The enormous, debilitating budget deficits stem from the City of London-Wall Street imposition of a post-industrial society policy upon the United States in the mid-1960s. This policy collapsed production in manufacturing, agriculture, and infrastructure, and fostered speculation, which built up a gigantic speculative bubble, which sucked the physical economy dry, contracting it and real living standards, by 1-2% per annum.

Three nodal policy changes of the post-industrial society policy are noteworthy.

First, President Richard Nixon severed the dollar from the gold-reserve standard on Aug. 15, 1971, which severed financial flows from physical goods flows.

Second, Federal Reserve Board Chairman Paul Volcker moved in October 1979 to apply the New York Council on Foreign Relations' explicit policy of "controlled disintegration" of the economy. Volcker sent interest rates into the stratosphere, so that the prime lending rate charged by commercial banks reached 21.5% by December 1980, which razed basic manufacturing and agriculture to the ground.

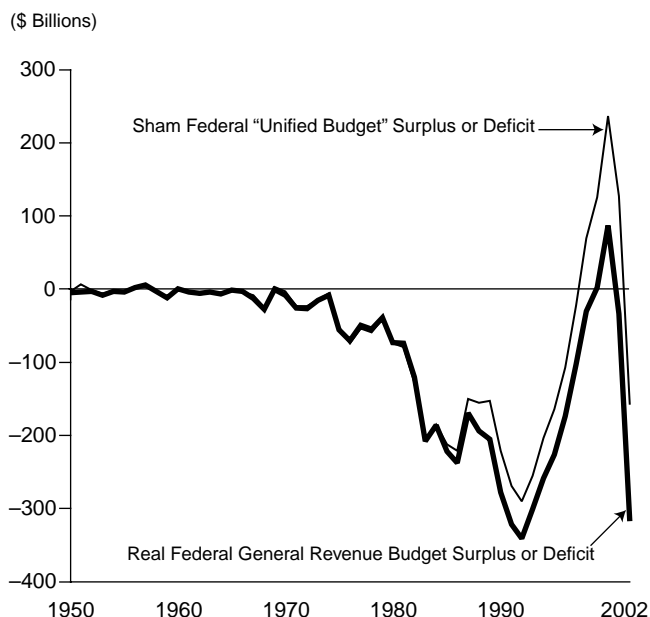
Third, Congress passed, and President Ronald Reagan signed into law two acts: in 1981, the Kemp-Roth Tax Act, which reduced the top tax rate on capital gains from 28% to 20%, to build the stock market, and created a bonanza for "investment partnerships," primarily in real estate; and in 1982, the Garn-St Germain Act, which destructively deregulated the entire banking system.

The more than three decades of post-industrial take-down reduced the rate of growth by which the productive side of the economy should have contributed to tax revenues, and it has now addicted the budget process to dependency on capital gains taxes, especially from the stock market and real estate.

Figure 1 documents how the cumulative deleterious effects of the post-industrial society sent the U.S. budget deficit shooting skyward, especially during the 1980s. To understand what happened, the reader must comprehend the distinction between the U.S. general revenue budget, and the sham U.S. unified budget.

Since 1789, the United States has used the Federal general revenue budget as the budget of the United States. This includes the traditional sources of income to the budget—individual income taxes, corporate taxes, excise taxes, estate taxes, and customs duties; and also the traditional expenditures made by the U.S. budget—infrastructure, such as building dams and waterways; agriculture, such as agricultural extension services; education; defense; etc. The general revenue budget is the standard measure of a budget, and is often called the "on-budget" budget. Figure 1 shows that under the impress of post-industrial society policies, the general

FIGURE 1
Real U.S. General Revenue Deficit Has Swelled



Sources: U.S. Office of Management and Budget; U.S. Treasury Department.

revenue budget ran deficits during the second half of the 1970s, and then exploded from \$74 billion in FY 1981, to \$238 billion in FY 1987, more than tripling.

The reason for the hoax called the "unified budget," is that Ronald Reagan won the 1980 U.S. Presidency, promising that he would balance the U.S. budget within four years of taking office in 1981. Figure 1 shows that he failed horribly. The question that the Reagan Administration economic "brain trust" considered, was, could a source of funds be tapped to cover some or all of the gaping general revenue budget deficit, and at the same time, present a smaller apparent deficit to the public. The brain trust hit on the idea of attaching the Social Security Trust Fund (officially the Old Age Survivors and Disability Insurance fund), which as a result of Social Security reform laws, must run a surplus that gets bigger every year. Thus was born the "unified budget," which the Reagan Administration created by mixing together the on-budget general revenue budget, with the off-budget items, the most important of which was the "golden egg": the Social Security Trust Fund.

But this was strictly illegal! The Social Security Trust Fund was created in 1935 specifically outside the general revenue budget. It has a dedicated income stream, the Social Security tax. Its funds cannot be siphoned off and used to balance the general revenue budget, because they must be there to be used in the future to pay the elderly who qualify

for Social Security. Though the “unified budget” does not immediately take the funds from the Social Security Trust Fund, ultimately, it does the same thing by the way that the budget process works.

The unified budget is a sham.

The gap between the general revenue budget and the unified budget is the amount that is illicitly diverted principally from the Social Security Trust Fund. Figure 1 shows that the gap progressively widens throughout the 1980s, the 1990s, and the first two years of the 2000s.

Three points in Figure 1 are important for further discussion. First, during the FY 1992 budget, the last prepared by President George H.W. Bush, the general revenue budget leapt to \$340.5 billion in deficit, the highest in history.

Second, when the Clinton Administration claimed that it had achieved a “budget surplus” in fiscal years 1998 and 1999, that did not occur: According to the real standard of the general revenue, it had achieved no significant surplus at all. Immediately below is a discussion of the risky and volatile measures by which the Clinton Administration achieved an apparent and fleeting budget surplus of FY 2000.

Third, in fiscal years 2001 and 2002, when the risky measures used by the Clinton Administration vaporized, the budget plunged into deficit. The FY 2002 general revenue budget deficit swelled to \$317.3 billion, the second highest in history. The FY 2003 budget is poised to exceed that.

Dependency on Speculative Capital Gains

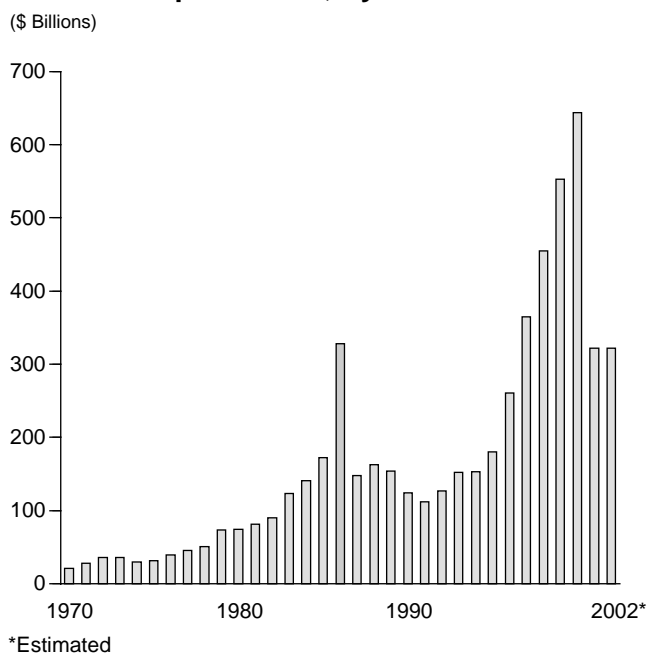
The 1990s was the decade of the gigantic run-up in the speculative value of the stock market and the home real estate market. This is especially true in the second half of the 1990s. The U.S. government collected an increasing level of taxes from the capital gains realized in the stock and home real estate markets. In turn, taxes on capital gains provided an increasing portion of the revenue of the U.S. budget. The U.S. government became quite dependent on taxes from capital gains, which was a highly risky strategy.

Between 1990 and the start of 2000, the market capitalization of all stocks in the United States, driven by the New Economy bubble, quintupled, to nearly \$19 trillion. In the same period, in many parts of the country, home values more than doubled. A capital gain is realized when one buys an asset at one price and, after holding it a while, sells it at a higher price. For example, if one buys a stock at \$70 per share, and two years later sells it for \$170 per share, then one has made a realized capital gain of \$100. Likewise, buying a house for \$150,000, and selling it for \$300,000, yields a realized capital gain of \$150,000.

Figure 2 depicts that realized capital gains rose from \$124 billion in 1990, to \$180 billion by 1995, a significant, but not spectacular level; but reflecting the overheated stock and home markets, which leapt up to \$664 billion in 2000, more than triple their 1995 level.

Taxes paid on realized capital gains would parallel, but

FIGURE 2
Realized Capital Gains, By Year



Source: EIRNS.

not strictly duplicate, the trajectory of the volume of realized capital gains. **Figure 3** depicts that the taxes paid on realized capital gains rose from \$32 billion in 1990, to \$40 billion in 1995, and then exploded to \$121 billion in 2000. Two points on this are crucial. In 1990, capital gains taxes constituted 7% of individual income taxes paid; by 2000, capital gains taxes constituted a stunning 12% of individual income taxes paid. As individual income taxes are the largest element of total receipts of the U.S. government general revenue receipts—more than 60%—this constituted an important U.S. government dependency on capital gains. Second, if one compares the level of capital gains taxes in 1995 and 2000, there was an increase of \$81 billion in capital gains taxes in 2000. This comprised a significant amount of what we described above as the “apparent and fleeting” general revenue budget surplus that President Clinton achieved in the FY 2000 budget. Remove the increment of capital gains tax receipts, and a few other speculative items, and there would have been no surplus at all, but a significant deficit.

Relying upon capital gains tax revenues was a very dicey proposition. Should the capital gains bubble pop, there was only one direction that the U.S. budget could go: down.

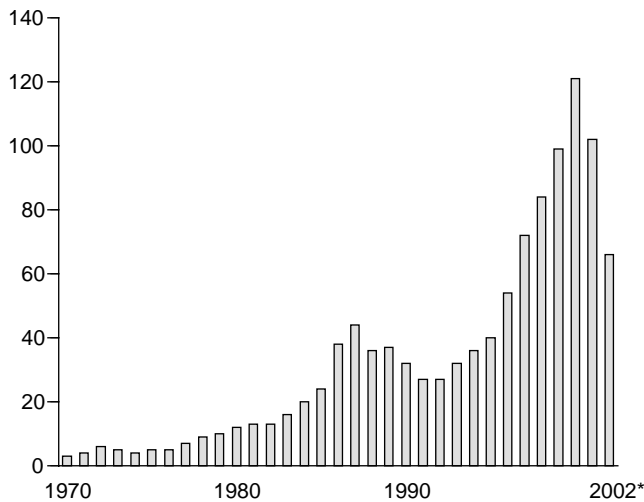
Individual Income Taxes Plunge

To understand the debacle of the U.S. budget of the last two years, one has to understand what has happened to indi-

FIGURE 3

Capital Gains Taxes Paid to Federal Government

(\$ Billions)



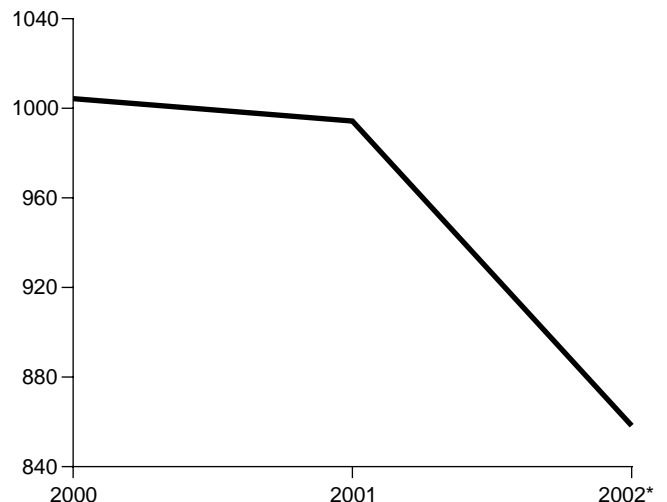
*Estimated

Source: EIRNS.

FIGURE 4

Federal Government's Individual Income Tax Revenues, Fiscal Years 2000-02

(\$ Billions)



*Estimated

Sources: U.S. Office of Management and Budget; U.S. Treasury Department.

vidual income, and the taxes that are collected from that individual income. During the past two years, the taxes from individual income have plunged, and that has sealed the fate of the U.S. budget.

There are two broad parts to individual income: a speculative part, and a part based on non-speculative wages and salaries. We have discussed above one element of the speculative part of individual income: capital gains. There are other elements, such as stock options (which are categorized not as part of capital gains, but as part of wage compensation, albeit speculative wage compensation). What happened to the capital gains bubble was inevitable: It popped! No data officially exists on the reported level of realized capital gains for FY 2001, but several knowledgeable sources in government have told *EIR*, that realized capital gains fell in half between fiscal years 2000 and 2001, and that in FY 2002, they are no higher than FY 2001. This is represented in Figure 2. Based on the formula on which years realized capital gains taxes are paid, it is estimated that capital gains taxes were \$102 billion in FY 2001, and \$66 billion in FY 2002 (see Figure 3). That is, they fell \$46 billion in FY 2002 relative to FY 2001.

Let us now look at what happened to that part of individual income that is non-speculative wages and salaries. According to the U.S. Department of Labor's Bureau of Labor Statistics (BLS), during the past two years, more than 1.5 million jobs have been lost. In actuality, the job loss has been much higher. Laid-off workers pay little or no individual income tax. Plus, in industries such as airlines, and many high-tech sectors,

there has been extensive wage-cutting, which reduces taxes paid on these wages. It is estimated that the fall in taxes on non-speculative wages and salaries may total several tens of billions of dollars.

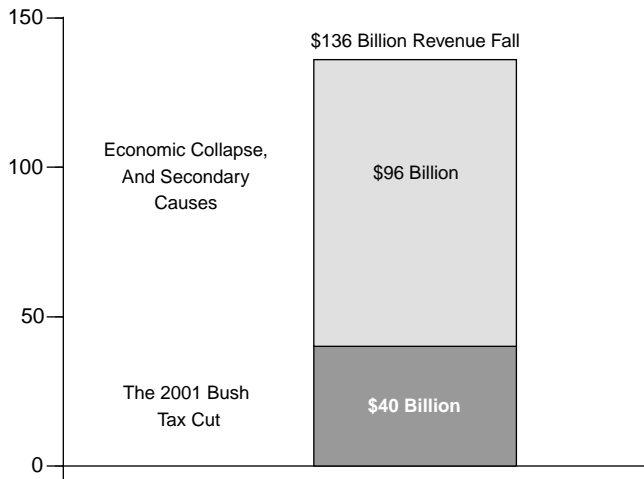
Thus, as the deepening worldwide financial-economic disintegration popped the speculative U.S. stock market and severely damaged the U.S. economy, the volume of taxes on individual income plunged. **Figure 4** documents the catastrophe that unfolded. In FY 2000, individual income taxes totalled \$1.005 trillion. They fell to \$994 billion in FY 2001, a fall of 1.1%. But then the bottom fell out: In FY 2002, individual income taxes totalled \$858 billion, which is a fall, relative to FY 2001, of \$136 billion, or 13.9%. This is the largest absolute amount fall in U.S. history, and one of the largest percent falls ever (*EIR* is checking the records of the 19th Century). The only comparable percentage fall in modern times, was the fall in FY 1946, and that was as a result of the demobilization from World War II.

The Bush Tax-Cut

The collapse in individual income taxes is so great, that both major political parties want to ignore it. The Republican Party is pretending that it didn't happen. The Democratic Party is repeating, mantra-like, that whatever has happened, is a result of the Bush tax-cut, meaning the Economic Growth and Tax Relief Reconciliation Act of 2001. The Bush tax-cut does have some real problems: To a large extent, it benefits the wealthy, and did cause some revenue loss. According to

FIGURE 5

Economic Collapse Is Principal Cause of Fall in Individual Income Taxes in FY 2002



Sources: U.S. Treasury Department; Congressional Budget Office; EIR.

the Congressional Budget Office, the Bush tax-cut reduced individual income taxes by \$40 billion in FY 2002. This represented 29% of the total \$138 billion fall in individual income taxes in FY 2002, as shown in **Figure 5**. But, that means that the remaining 71% of the fall in individual income taxes is attributable principally to economic collapse. This is the percent that neither Democrats nor Republicans want to talk about.

This is, however, exactly what Lyndon LaRouche has talked about: It is the economic breakdown that is driving everything, including the U.S. budget.

The collapse of individual income taxes in FY 2002 sent the U.S. general revenue budget to a deficit of \$317.3 billion, the second highest in history. Then, on Nov. 21, the U.S. Treasury Department reported that in October 2002, the first month of the FY 2003 budget, the U.S. registered a \$57.7 billion general revenue budget deficit. This is an incredibly large single month budget deficit. Based on the accelerated collapse of the U.S. economy, it is possible that the entire FY 2003 general revenue budget deficit will be between \$400 and \$500 billion.

The Conservative Revolutionaries in the Congress, as evidenced by their refusal to extend basic unemployment benefits, are on a slash-and-burn budget-cutting warpath. But such cuts reduce economic activity, which reduces tax revenues, the very problem gripping the budget.

What is needed is to break the vicious cycle of mounting budget deficits and deeper cuts, by rebuilding the economy in a fundamental way, and thus restoring revenues. Uniquely, Lyndon LaRouche is the one talking about that.

Bank of Japan Warns Of ‘Unprecedented’ Bank Stock Crash

by Kathy Wolfe

Bank of Japan Governor Masaru Hayami said on Nov. 21 that an “unprecedented” plunge in bank shares has the BOJ on an alert to provide cash to the banks. “Stock prices, especially those of banks, have fallen in an unprecedented manner,” he told the press. “The fall in bank shares is extremely troubling. I think it’s the first time in the post-war period that we’ve seen such a situation. I don’t recall any such rapid falls in bank share prices since I entered the BOJ in 1947—that’s been 55 years.” The BOJ tweaked monetary policy on Nov. 19, announcing that it would raise system funds to the top of its \$122-163 billion range.

Shares of the \$700 billion UFJ Bank have fallen 52% in November alone, and 72% since Sept. 30, amid a barrage of media reports that it will be nationalized soon; they plunged 10% the last week in November. Moody’s warned that it may soon downgrade UFJ stock to “Ba1”—junk—from “Baa2.” Shares of the world’s largest bank, the \$1.3 trillion Mizuho Holdings, have fallen 46% in November, and 51% since Sept. 30. Since Heizo Takenaka became Japan’s top financial regulator, shares of Mizuho Bank alone have lost \$12 billion in equity. The \$700 billion Sumitomo Mitsui Bank has lost 34% in November, and 51% since September; the \$900 billion Mitsubishi Tokyo Bank has dived 19% and 28% in those time frames. The Tokyo Stock Exchange’s banking index has fallen 18.7% in November.

With UFJ’s total capitalization now shrunk to \$4 billion, and Mizuho’s to \$8 billion, these banks “are now buyout targets for cash-rich financial institutions in Europe and the U.S.,” Nikkei news agency reported Nov. 19. There are no Japanese buyers.

Japanese industrial companies, which, under the traditional “cross-share” system, still hold a lot of stock in their main lender-bank partners, are desperate now to unload bank stocks before they have to declare major losses. According to an estimate from Daiwa Institute of Research, non-financial companies had unrealized portfolio losses of some \$17 billion in bank stock holdings over the last six months.

Market Forces Not Working

Japan must “take seriously” the Nov. 21 decision by London Fitch IBCA to downgrade the nation’s debt rating, as

Japan's fiscal situation is under close global scrutiny, Finance Minister Masajuro Shiokawa said on Nov. 22. Fitch downgraded Japan's long-term, yen debt to AA- from AA, due to deterioration in government finances.

In fact, if Japan permits continued rule by strict "market forces," the country's finances could be destroyed. Simple nationalization of the banks raises the threat that the government would have to print massive amounts of Treasury debt—downgrading, under "market theory," the value of the debt. In a 110% "free market," there is no way out for Japan.

Despite the BOJ's massive money printing, interbank interest rates are rising sharply for the first time in years, due entirely to the rush amongst the banks themselves to hoard cash reserves, including borrowing from the Bank of Japan in an unprecedented manner. On Nov. 21-22, rates bid by banks for BOJ cash were up by 10% from the week before. The reason for the action is that "financial institutions are rushing to secure funds because we cannot shake off our broad concerns of how depositors may respond to a year-end financial crisis," an official at a major bank told Nikkei. Anything from "accelerated bad-loan cleanups, to bank stock slumps, could prompt depositors to withdraw their money from banks," he said.

In fact, without using the full range of measures proposed by Lyndon LaRouche, on the model of what Franklin D. Roosevelt did in the 1930s, starting with a "bank holiday," there is little Japan can do to stop the "market value" of these banks from falling to zero. The "market" has gone insane. The more fear of nationalization spreads, the more bank stockholders are going to dump the shares at any price they can get, as in most nationalizations, shareholders get nothing.

FDR-Style Bank Holiday

A bank holiday is the reasoned alternative to flat nationalization, and need not mean nationalization. FDR applied fair "Chapter 11" bankruptcy reorganization laws to the banks. Chapter 11 is a "standstill," which protects individuals from predatory creditors, the famous American alternative to the old European "debtors prison." But the person given Chapter 11 protection must also get his own affairs in order, and cannot continue any unsound activities. For banks, what FDR did was to freeze all activities, both irrational selling by creditors, and unsound activities by the banks, so a competent group of managers (public and private) could investigate. On average, banks were only closed 5-10 days.

With the "general welfare" of the population and physical economy first in mind, a bank holiday protects the population's savings and the operating cash of basic industry, infrastructure, and services. The freeze is then used to sort out productive assets which can be saved, from speculative and non-productive assets, and to reorganize banks accordingly. The majority of banks can be re-opened without nationalization.

The real problem has been the "Wall Street Business Model," which dictates that "no one may judge" what is a

productive loan, versus a non-productive loan! Under the "Enron Model," anything that made quick profits was king, and no businessman or government official dared call it "un-productive." That is the axiom which has to die. Both government and bank officials can and should make judgments based on sound industrial banking. All the shouting in Japan that "bank managers' heads must roll" is mis-directed. It's the "Enron Model" that has to go, and any manager who agrees honestly to keep the rules of sound industrial banking in future, can stay.

'Fiddling While Japan Sinks'

The Bank of Japan announced on Nov. 18 that it will start its highly publicized program of buying shares from commercial banks on Nov. 29. But the problem now is, that with stock prices at a 19-year low, the banks may be reluctant to sell stocks and take such gigantic losses, making the whole exercise futile.

"Fiddling While Japan Sinks" was the apt title of the *Yomiuri News* editorial on Nov. 11, a tone of outrage which is becoming widespread in Japan. "Domestic commodity prices have fallen for 54 consecutive months, while stock prices have dropped to an all-time low since the collapse of the bubble economy. How long will the government and the ruling parties continue to sit by and do little to fight the nation's worst deflationary crisis? The administration of Prime Minister Junichiro Koizumi must be sternly criticized" for focusing narrowly on the budget deficit.

"The current deflationary economy is dealing a severe blow to the financial health of the state. A decline in corporate sector's performance is seriously reducing corporate tax revenues. Gains from income tax are also shrinking, due to wage cuts at many corporations. Meanwhile, revenues from the consumption tax have fallen below an earlier estimate largely because of falling domestic prices. The government is expected to face \$20-30 billion in tax revenue shortfalls during the current fiscal year alone. . . .

"Koizumi's adherence to his 30 trillion yen limit on government bond issuance is aggravating deflation in what could amount to a crushing blow to the government's finances. All this has obviously arisen from Koizumi's misguided economic management."

In "Deepening Autumn Gives Way To Winter In Japan," Nikkei News on Nov. 21 editorialized similarly. In a trip outside of Tokyo, the editor wrote, "I encountered Fall in its splendor, but what was particularly intense was the pathos of the people, suffering under Japan's deflationary spiral. Countless people echoed the sentiments of one person who told me, 'You probably can't understand this in Tokyo, with its construction boom and all, but outside the capital, we hardly have any more tears left to cry. Almost no one walks through the shopping district anymore.'

"I wonder whether our society has been on the right track over the past year, during which all our energies have been focused on 'reform,' " he concluded.

Firefighters' Strike in Britain Threatens Government's Survival

by Alan Clayton

Britain is once again facing the combination of political, economic, industrial, and constitutional crises that brought down the Labour government of James Callaghan in March 1979 and swept the Conservative Party's Margaret Thatcher into power. At that time, the Labour government had lost control of major industrial unrest throughout the country. Industrial and domestic waste had piled up everywhere; there had been a huge strike of firefighters the year previously; and what was perceived as the worst of all, a grave-diggers strike had resulted in thousands of dead bodies piling up in morgues, and the government had to consider national emergency, making arrangements for mass cremation.

A highly divisive referendum on constitutional change in Scotland resulted in a vote of no-confidence in the government in the House of Commons, in which the Scottish National Party (SNP) voted with the Tories. The vote succeeded by a very narrow majority, forcing Callaghan to "go to the Palace" with his resignation, and the subsequent general election brought Margaret Thatcher into office with a huge majority.

The difference between then and now, of course, is that then the Tories had a credible leader in Margaret Thatcher, while that is manifestly not the case today with Ian Duncan Smith. In addition to that, and even more important, is that New Labour now occupies the privatizing, anti-trades-union political ground of Margaret Thatcher, and the Tories simply have nowhere to go. Their economic and foreign policy ground has been captured, and they are homeless. As the prominent political commentator Andrew Marr said, "Margaret Thatcher now wears trousers."

There is no gainsaying the fact that Prime Minister Tony Blair is struggling for survival; a damning poll showed 77% were dissatisfied with the government's handling of the labor dispute with the Fire Brigades Union (FBU). The poll came on the day that Blair and Chancellor of the Exchequer Gordon Brown both delivered defiant messages to the unions that they would never sanction a pay deal which put the economy at risk. The Chancellor, speaking to the Confederation of British Industry, said there would be no return to the "bad old inflationary days of the mid-1970s and late-1980s," when "inflationary and unaffordable" pay settlements undermined economic stability. This hardening of the government's position

provoked a furious reaction from the FBU, and washed away any lingering hopes the dispute could be resolved before Christmas. Blair's statement was greeted with derision by firefighters across Britain.

However, the tensions within New Labour itself are now approaching breaking point, as Blair is being accused of a complete lack of judgment in putting the Deputy Prime Minister John Prescott in charge of the firefighters dispute. Three times during his press conference of Nov. 25, Blair was invited to defend the record of his deputy, and three times he conveniently ducked mentioning his colleague's name. Charlie Whelan, a former senior adviser to Gordon Brown, issued a press statement, saying that "John Prescott is a complete buffoon, and it beggars belief that he is in charge of one of the most serious industrial disputes for years."

Whelan was referring to an article in the *News of the World*, which quoted Prescott suggesting a 16% pay raise was "worth talking about," when everyone else in the government, especially the Chancellor, was saying the complete opposite. Downing Street (the Prime Minister's office) has tried to present the difference as a Prescott-Brown good cop-bad cop routine.

Political observers of the Brown-Blair marriage, will also have noticed that the Prime Minister was more than happy to praise his Chancellor's contribution to the ongoing fire dispute. Yet again we are being reminded that when they work together, the two giants of New Labour are as lethal as any of Mario Puzo's Mafiosi. Blair is, however, breathing a sigh of relief that the Labour majority in the Scottish Parliament is so far holding to his line and resisting demands for a separate settlement with the firefighters union in Scotland, as there has recently been with the teachers union. But, with elections to the Scottish Parliament due in May, a weather eye is being kept on events "north of the border," as Labour losses in Scotland could open the way for an SNP administration there, and create further strains on the fragile unity of the United Kingdom.

More Shoals Ahead

Equally dangerous waters are being entered in the area of foreign policy and the absolute priority of maintaining the "special relationship" with the United States, a relation-

ship on which Britain's role as a "world power" increasingly depends. Chief of Defense Staff Adm. Sir Michael Boyce, a former Cold War-era submariner who never fired a torpedo in anger, released a salvo apparently calculated to explode in the government's face. Boyce's timing and aim were faultless. The occasion was a press briefing on the NATO summit, where he appeared with Defense Secretary Geoff Hoon. Hoon's face took on the crumpled look of his suit, as Boyce, all smart braid and buttons, revealed his exasperation with the handling of the firefighters' dispute. He complained that military morale had plummeted and training had been disrupted by having troops replace the firefighters, with their own obsolete fire trucks known as Green Goddesses. "Clearly, we don't have a box of 19,000 people standing by to be called upon to do firefighting duties," he said. As Hoon slumped in despair, the former First Sea Lord continued, "They must be drawn from operational units . . . and they have been standing by since September when they started training for their duties."

Boyce moved in for the killer blow: "Our troops are ill-equipped for another Gulf conflict; there has been no home leave for troops returning from Bosnia and Afghanistan and our ships, air stations, and battalions are vastly under strength."

The admiral's strike landed in the next day's headlines. "It is as close to a mutiny as you will get in the British military establishment," wrote one defense correspondent. A common view was that the government's no-nonsense adviser had punctured its rhetoric, and let the public know that the armed forces were fed up with the extra burdens being laid upon them.

Regarding Iraq, Boyce (who retires in April) told one group of defense journalists that the conflict might last as long as four years, while the broader war against terrorism might endure for as long as 50. On another occasion, he wondered aloud, whether Britain should follow America so unconditionally. Downing Street was not best pleased. Boyce's latest candid outburst caused anger in government circles, not least because it knocked the NATO summit—and Blair's grandstanding—off the front pages. It also gave the impression that the firefighters' strike has left the armed forces unable to prosecute war in Iraq.

Just as serious for Blair is that Boyce has won the backing of Adm. "Sandy" Woodward, the task force commander during the Malvinas/Falklands campaign in 1982, and former Deputy Chief of the Defense Staff. "He told it exactly the way it was, and people should bloody know," he said. There can be no doubt whatsoever that there are profound differences within the British establishment. This is most marked over what some regard as the "vulgar imperialism" now emerging in the United States, a country which the "old school tie" networks of Britain view as culturally far too inadequate for such a role, and most certainly cannot be trusted to fulfill it, without Great British guidance and paternal control.

More Industrial Unrest

Still, the situation on the industrial front continues to escalate to 1979 levels. A wave of strikes across the public sector in sympathy with the firefighters is looming, as trade union leaders threaten widespread disruption. Strike action or walk-outs are set to spread to major airports, nuclear power stations, chemical plants and the London Underground as militancy intensifies throughout the union movement.

Ministers, who are being blamed for sinking a pay deal which could have ended the fire strike, are now facing action that could bring parts of the country to a virtual standstill in the run-up to Christmas, and some are already wondering aloud whether a suitable "apology for absence" is now being prepared for the Americans, for British non-arrival in Iraq. Members of the GMB general union working in nuclear power stations and in chemical plants, are expected to walk out on safety grounds, because of the lack of fire cover.

A spokesman for the giant GMB union stated, "The problem is that Downing Street is professionally incapable of dealing with the unions. The government has moved this from a dispute between the FBU and the government, to one between the government and the union movement as a whole." Airport security and fire staff could walk out the last week of November, if talks over pay and conditions with the British Airport Authority, which runs Heathrow and Gatwick, are not resolved. The unions representing those airport workers, the Transport and General Workers' Union (TGWU) and Amicus, are holding out for an extra 0.5%. The Airport Authority offered security staff and firemen 1.7% this year and 3.5% next year. Both unions rejected this, and negotiators have been trying to get BAA to offer 4% in the second year.

The Rail, Maritime, and Transport Workers (RMT) union is balloting members on London Underground for strike action, in support of employees who refuse to work for safety reasons during the fire strike and are being sent home without pay. The result is expected on Dec. 19, with strike action to follow shortly after. The union has also warned other train companies, that any disciplinary action against workers who decline to work for safety reasons, will be considered grounds for a strike.

Whether we are talking about the fuel crisis, the foot-and-mouth disease disaster, or the fire brigades strike, Tony Blair has sought the same panacea: He takes personal charge of the situation. During the war of the petrol pumps, the Prime Minister was able to restrain the crisis within four days. This time it is not so evident that his intervention will have the same ameliorative effect. The situation in Britain, as 2002 moves into its final weeks, is one of chaos and confusion. If Tony Blair takes the country into war with Iraq, the betting that he will fall from office with the same cataclysmic speed as James Callaghan did almost a quarter of a century ago, must indeed be a banker.

TVA, Mekong, and China's 'Heroic Civil Engineering'

Prof. Lance Endersbee was instrumental in the engineering of the celebrated Snowy Mountain Scheme for hydroelectric power and irrigation, launched in 1949, Australia's largest and most successful infrastructure work since World War II. In 1964, he worked on water-management engineering on the great Mekong River system in Indochina; and has recently visited China. He was interviewed on Nov. 19 by Gail and Michael Billington, who reported in EIR for Nov. 15, the important infrastructure summit of the states of the Greater Mekong Subregion (GMS), during the Nov. 3-5 ASEAN summit; and interviewed the Asian Development Bank's GMS coordinator in EIR for Nov. 29.

EIR: The first-ever summit of the six member states of the GMS and the ASEAN summit meeting in Phnom Penh, Nov. 3-5, offered an opportunity to review the implications of the Mekong development plan for these countries.

Endersbee: About 30-odd years ago, in 1964, I spent one year in Southeast Asia working on the Mekong projects and other projects. I was with the United Nations Technical Assistance Board (UNTAB). I was stationed in Bangkok, and I was working with the national energy authority of Thailand (EGAT), and I was looking at the potential for hydropower development, not only on the Mekong, but in the tributary projects. I did a survey of the markets, and I demonstrated that there were a number of economic hydroelectric projects that could proceed.

It was decided at the time—and the World Bank and others were behind this—that there was no way they were going to touch the main stream, but they were happy for these projects to proceed on tributaries. At the end of my tour, I gave a presentation to the Mekong Committee at a meeting in Saigon, and they were all saying that they couldn't proceed with some of these tributary projects. Then, the following morning, after it had all broken up in despair, overnight a few people had been in touch—I think it was all stage-managed—the Israelis stood up and said that they would fund an irrigation study, based on a particular dam in Laos. The Japanese stood up and said that they would be prepared to design the dam and the power plant, and the Iranians stood up and said that they would supply all of the cement for the project, free of charge.

The project went ahead. This hydroelectric and irrigation project in Laos was constructed right through the middle of the war in Vietnam, while all the shooting was going on, that project went ahead, and I thought it was absolutely wonderful.

EIR: Is that the same place where they just built the dams recently?

Endersbee: Yes, indeed. I think there is fantastic potential there, but it really needs a major look. I think now the Chinese are going to take a major interest in this.

EIR: Yes, they are, they are very active working on two or three dams now on the upper stretches of the Mekong.

Endersbee: Well, I've just had a week in China, and I have never seen more heroic civil engineering in all my life. One of the incredible things there is, because they have no private ownership of land, if they decide they are going to build a 1,000-kilometer freeway, they just start building it. Most impressive; and magnificent bridges. I thought the Chinese engineers were fantastic.

EIR: The Chinese are building dams on the Mekong, in the Chinese section of the Mekong, and they are also working hard to clear out the Mekong by blasting out navigable channels. They are coming under a lot of criticism from the environmentalists, who insist this is disturbing the water flow in the lower Mekong, and that blasting out the channel may affect the fishing communities, where 60% or more of the protein in the diet in these areas is from fish.

Endersbee: That will recover in all sorts of other ways. I think that it is terribly important that they recognize the reality in that area, and they just have to plan and build for their future. Some of the environmentalists rather scare me. We've got them in Australia. They're saying, well, let's protect the environment, and let's protect us in Australia, but let the rest of the buggers die off.

You know, we have to have a fairly humanitarian approach to this.

EIR: One generation has already been decimated by the Indochina wars.

Do you have a sense of the overlapping rivalries among



Prof. Lance Endersbee of Australia, with a map of the famous “Snowy Mountains Scheme” for water and hydropower, on which he worked as a leading engineer from the late 1940s.

the several organizations that have “Mekong” as part of their name?

Endersbee: It’s a feeding frenzy of consultants. People are coming in from all over the world, the carpetbaggers, and they’re trying to get a slice of the action. I feel that the tragedy is that it is a true international project. It requires true international planning and strategic direction, and this is where we are falling down.

I think in this particular case, the UN, I think, has far more responsibility than groups like the World Bank and the Asian Development Bank. I get fed up with bankers, who try to manipulate these things so that they are in charge of the flow of billions of dollars, and I find the whole perspective rather warped. I think the United Nations has a very clear responsibility to get on top of the whole issue, and to indicate that if we go about this properly, there is enough for everybody and everybody is going to do well indeed, and they have to sell that idea to the individual countries.

At the moment, outfits like the World Bank, and others—by dealing with individual countries and trying to manipulate their currencies—I think they are undermining the whole stra-

tegic planning of the region.

I think the Chinese are alert to this, and I think they are saying to themselves that if the United Nations is not going to have the gumption or the ability to do it, well, perhaps their big brother in Beijing may do it.

EIR: They certainly are the only ones who are moving ahead with determination on it at this point. The other countries, for the most part, don’t really have the means to do it, although it is a beautiful opportunity for doing crash education, civil engineering for a population that has not had access to that.

Endersbee: You see, any project that involves the integration of disciplines and the management of people toward a common purpose, has the impact of lifting the entire community, because they start to work together for purposes that are greater than individual interests. Throughout all of that area of Southeast Asia, the sort of things that have happened over millennia, really, has been basically every man for himself. They have the greatest difficulty in working together for any common purpose because they don’t trust the other chap.

This is where the Chinese can be enormously powerful and can dominate that area very quickly because they all come in with a unified purpose. . . .

EIR: The argument of the current ADB and others is that we can only do that for which we have the money, therefore, until such resources become available, we are going to have to stick to some of the road projects and things that are very useful, but are lower cost.

Endersbee: I don’t believe that business about the money.

EIR: Partially, it’s because they are fixated on the idea that private industry has to do it, and they are not willing to go with the kind of credit policies that LaRouche argues for, or that Roosevelt used.

Endersbee: It is also related to the enormous problems in the U.S.A. at the moment, and [Federal Reserve Chairman Alan] Greenspan and his 1.25% money. All of the projects that we are talking about in the Mekong valley would go up with 1.50% [bond] money. It’s crazy to be holier than thou and say there is no money available. The money depends on the rate of interest, and it has been my impression in Australia, where we have had a lot of this privatization of government utilities. For a hundred years or so, all of our infrastructure was built by government, and largely built on the basis of money from superannuation [pension] funds, and from people who are only too happy to invest in government-guaranteed bonds on 5% interest.

And superannuation funds, in particular, were delighted with this, because they had the responsibility to preserve their members’ funds, and they were building the nation, and they had money available for projects of 5% interest, which was security for their members.

Now, we’ve lost all of that in Australia, and I am finding

FIGURE 1
The Mekong River Basin



Endersbee's knowledge of the Mekong River water management projects goes back to his work there in the early 1960s. Mekong development discussions are now crucial to the Eurasian Land-Bridge policy emerging among Asian nations. Endersbee counsels it must be a single, unified "Great Project" idea of development, and proposes the Tennessee Valley Authority model.

that the superannuation funds are coming back to me and saying, look, we've got billions of dollars, and there is no way we want to trust the members' money on the stock market. The same would apply in America or Europe. There are billions of dollars out there in things like superannuation funds and trusts that want a safe, government-guaranteed, long-term investment.

Now I think the United Nations could easily do something about that. It is the sort of thing that the World Bank would not like, because they are also just taken over with this idea of free trade and other things, and if you start talking about superannuation funds and investing in major projects, that is not free trade; but as far as I am concerned, people have a right to invest their own money in their own projects.

EIR: Well, of course, it's going the other direction now, trying to privatize things like Social Security; pension funds have already been stolen off into the markets. Billions have been lost that could have been put into these projects.

Endersbee: Absolutely, but you see, these sorts of projects provide a long-term framework for secure private investment; and this is something else that these private banks don't comprehend. This is what I am trying to talk about in Australia. If we can announce 10-, 15-, and 20-year projects, where we have a clear plan of action, the private sector will invest with confidence. I think if the UN takes a strong interest in this, they can integrate it into the economic plans of each of the individual countries, and they have can have plans for development. . . .

Another thing about this long-term planning is that China itself is doing this long-term planning on a grand scale. We drove out west of Shanghai for about 100 kilometers or so on a freeway, three lanes wide in each direction, roses planted down the median strip, three-four rows deep, all the way down the median, industrial estates on either side as we got near Suzhou, and when we got into Samchao, the local taxi driver told us that 70 of the top 500 manufacturing firms in the world had manufacturing plants in Suzhou.

We drove by these huge factories like Nike and Jujitsu, all the big names, beavering away; and, interestingly, many of them had dormitory buildings alongside, where the workers live. They worked, admittedly, fairly long hours, but, gee whiz, you get into these factories and they are as modern as can be. The latest available machinery and, in some of the factories, virtually all of the manufacturing machinery was made in China. It was all most impressive. But it was being explained to us that because they have this long-term plan of growth, there is a rush among individual investors in China to provide the money for these industrial developments. And the incredible thing is, that they virtually re-invest all of their profits, just continual re-investment all the way.

That could easily be done right through the Mekong valley.

EIR: One of the things that is brought up as an objection to some of the dams and so forth, is that you have this extraordinary water phenomenon in Cambodia with the Tonle Sap River, where, in the rainy season, it backs up from the Mekong to nearly five times its normal size and the water flow reverses direction. Are these serious problems? Have they been solved already?

Endersbee: The whole thing has to be treated as an integrated system. You cannot go in and build Tonle Sap as one item. It has to be part of an integrated development of the entire Mekong Valley together with the tributaries, and also, if you like, navigation, flood control, and the rest of it. If they do that, they are in a position to look at these individual problems and work out solutions.

This is the sort of thing that was done very effectively in



The new Nanpu Bridge in the Pudong section of Shanghai, typifies the “magnificent bridges” being built in China’s national infrastructure construction drive, which Endersbee calls, as a whole, “heroic civil engineering.”

the Tennessee Valley Authority (TVA), and the Tennessee Valley scheme worked because it is a totally integrated operation.

What has happened is that the world has gone into an “un-learning” exercise. The present generation, and this is even some of the senior people, have grown up with very little background of actual achievement. For the last 20 or 30 years, the whole business of public infrastructure around the world has moved toward privatization and corporatization. In effect, it has been an attempt by governments to extract money out of the investments of generations past.

In other words, all of the things that were built, all of the experience that was built up—that had a momentum of its own; and in order to privatize and corporatize, they had to destroy the engineering organizations, and they had to destroy the morale of those government organizations and, effectively, all the people involved in them. They had to destroy that in order to convert it into the “market force” view. We have had a situation—and this has happened in America, just as in Australia and elsewhere—a whole generation of people have been trained to look in the other direction. They have all been trained to believe that governments are no good, governments are incompetent, and the only way ahead is the private sector.

As far as I am concerned, the private sector has zero hope of even contemplating any little bit of the Mekong project, and the Mekong project is an obvious example of the need for international and government actions and long-term planning.

Now, as you try to start that up, you are going to find that you have to recruit new teams, young people, and take them all through a learning exercise. I find all of that rather scary, but you see all of this has to be confronted, and the incredible thing is that the politicians themselves are intimidated by this. When you talk about the bankers, the World Bank and the

others, I find that these people—these bankers—are incredibly good at intimidating governments, and the last thing the bankers want to talk about is any long-term infrastructure. I’d try to keep the banks away from it.

EIR: This is the emperor with no clothes. The IMF’s power of intimidation is their power over the bankruptcy of these countries, but what is now being borne out by Argentina and others is that it is the IMF, which is bankrupt. The more rapidly countries recognize that they are no longer beholden to somebody who has been hiding their own bankruptcy all along, the more chance there is that you can have the concert of nations that LaRouche has argued for to put together the monetary policy for these kinds of great projects.

Endersbee: Even within the UN at the moment, I am sure most of the people involved would be horrified at the thought of the UN trying to take any kind of leadership role in this.

EIR: But is this the kind of thing that UNTAB did in the past?

Endersbee: Yes, I was encouraged, and one of the important things that was said to me at the time, was that it was my task to train a whole group of young Thai engineers that I was working with; and I was also told very firmly, by the United Nations, not to learn the Thai language. They said we want you to be a detached consultant. We want them to come to you with their problems, but we don’t want you to get in and manage the operation for them.

I found that was actually good advice. At the same time, I used to know exactly what was going on because all of the technical terms were in English, and I could put together the rest of it, but the important thing was that it was my task to encourage them to take these various responsibilities. . . . I found that was excellent, and I could see them chatting away to the senior politicians and others, and I knew that they had got the message and were feeling confident because I had

helped them gain that confidence.

Now, the system works in exactly the opposite way these days. You have to make sure that they haven't got any confidence so that you can tell them something. The entire free market system is directly undermining the confidence of these people so that they are dependent on you, and this is where, once again, the UN has to take charge of this, and say, we are going to encourage these people to develop their own capability.

We're going to plan and build for the future. This is going to be a long-term thing. We'll train teams of engineers, and teams of other people, and we'll just make sure we can get on with the job and do it in-house. Now, that is what you have to do, and it won't succeed otherwise.

That is exactly what happened with the TVA, and the Bureau of Reclamation, and the others. They developed their own momentum, and got on with it. . . .

One of the problems at the moment, I've been looking at the Mekong on the Internet, is that there is right now no coherent plan of strategic development of the entire river system. When I was there in 1964 with the Economic Commission for Asia in the Far East and the Mekong Committee, they had coordinated plans. The Japanese had done some interesting work, and the United States Bureau of Reclamation was doing some good work, but it was all fitting into an overall strategy. That overall strategy was thrown away in the height of the Vietnam War. It was just not possible to continue, and, in fact, one of the reasons why I came home was that there was a parachute drop on one of the dam sites I was working on, so I decided it was no place for a man like me with a wife and four small children.

EIR: You are right, that is a very good point. At that point, the possibility of such a great project was wiped out by the war.

Endersbee: Yes, indeed, and there is nothing now available to capture the imagination of people, on the entire potential. When I came back in 1964, I was pointing out the potential for food, irrigation, electric power. There could be greatly improved prosperity. My experience with the Thai engineers was that the best ones are absolutely brilliant, but the trouble is they get back into the system—the World Bank and such—and everything falls apart. But these are the ones [who] would be galvanized if you provided the overall leadership.

It requires politicians with a level of courage. If you are interested in looking at the Mekong, you should also look at what is happening with worldwide groundwater. A very large amount of the world's irrigation is still dependent on groundwater, rather than surface waters. In India, for example, groundwater supplies over 60% of irrigation water, and all of the wells, worldwide, are drying up. One of the reasons for that is that they all have foolish idea that this groundwater is rechargeable from surface rainfall, and it is not. And what is happening is that the entire world groundwater hydrology profession, and all the people who are using groundwater, are



Prof. Endersbee in California's San Joaquin Valley, next to a pole recording the approximate level of the farmland at three times in the 20th Century; the land had subsided about 30 feet, due to the groundwater underneath it being exhausted and not replenished.

in diabolic strife because groundwater tables are falling worldwide.

In China, there are going to be at least 100 million people affected by the shortfall of water in the north China plain. The same thing in India, Yemen, Iran, you name it. I've got onto this because of some work on the Great Artesian Basin in Australia, which is the largest Artesian basin in the world. And I have to point out that all of the assumptions that groundwater is rechargeable from surface rainfall are spurious. This water is just not sustainable at present flow rates. The same applies in China, India, and elsewhere.

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THE ‘SPECIE RESUMPTION’ FIGHT

Henry Carey’s Battle to Save Lincoln’s Economic Revolution

by Robert Ingraham

“The ‘greenback’ has fallen on the country as the dew falls, bringing with it good to all and doing injury to none.”
—Henry Carey, in *“How To Outdo England Without Fighting Her”* (1865)

During the discussion following his speech to a Rome economic conference on July 2, 2002,¹ EIR Founding Editor Lyndon LaRouche was asked by a leader of an Italian consumer organization to comment on the current nature of private central banks, such as the U.S. Federal Reserve. LaRouche replied that today’s private central banks are a legacy of a prior aristocratic power, one which dominated Europe in earlier centuries, but which survived the birth of modern constitutional states. He referenced, in opposition, the issuance of “greenbacks” under President Abraham Lincoln as an example of the sovereign creation of money, coherent with the proper role of government in promoting infrastructure, industry, and the common good of its citizens.

LaRouche is the author of the New Bretton Woods proposal for bankruptcy reorganization of the world financial system, a proposal growing in influence all over the world. From Europe, where nations are suffering under the loss of sovereignty imposed by the Maastricht Treaty; to South America, where Brazil and Argentina are battered by the policies of the International Monetary Fund; and in the United States itself, where 20 years of free market economics and deregulation have brought the nation to financial ruin, the

issue of the day is the reassertion of the principle of national economic sovereignty.

During the last century, the two most successful examples of “national economics” were the use of the Reconstruction Finance Corporation under President Franklin Roosevelt, and the establishment of the Kreditanstalt für Wiederaufbau in post-World War II Germany. In both cases, these institutions were used as the instruments of government to finance large-scale economic recovery programs.

In Rome, LaRouche stressed that, under a New Bretton Woods system, we will have state money creation, in the form of credit issued through the private banking sector, and directed into the infrastructure and productive projects decided by the individual governments.

In American history, such an approach is known as the “American System” of economics, and it derives from a tradition stretching back to Benjamin Franklin and Alexander Hamilton. The axiomatic principle of the American System is the supremacy of the sovereign nation-state over private capital, and the use of the government’s sovereign powers to promote policies of economic development, by means of protective tariffs, internal improvements, and national banking.

The importance of Lincoln’s greenback policy is that it represents—to this day—the most successful implementation of this policy of “national economics.” Its more profound importance lies in its philosophical underpinnings. The greenback policy was not simply an economic reform or a financial mechanism. It flowed from the notion that the proper outlook of government must be based on the Platonic notion of *agapē*, or as that is defined Constitutionally, an unshakable commit-

1. LaRouche in 2004 Press Release: “LaRouche discusses monetary and financial reform with political leaders in Rome,” July 2, 2002. LaRouche items available at www.larouchein2004.com.



Abraham Lincoln's Presidency represented the most advanced achievement of a nation-state governed by the American System of political-economy. After his assassination in 1865, an onslaught was organized from London to dismantle his policies. It was Henry C. Carey, Lincoln's chief economic adviser, who organized the resistance to that British assault.

ment to the General Welfare or “Common Good” of the nation’s population. Such an approach subsumes policies such as large-scale infrastructure development, public education, scientific research, and health care, which will transform the potentials of the nation’s posterity.

The Presidency of Abraham Lincoln represented the most advanced point—up until now—of a nation-state governed by such philosophical principles. Following Lincoln’s assassination, in the years from 1865 to 1879, an onslaught was organized from London to dismantle his policies and to eradicate the moral intent associated with them. A successful resistance, and counterattack, to that onslaught was led by Lincoln’s chief economic adviser, Henry C. Carey. This article is the story of that battle.

The British Plot to Bankrupt America

In 1861, the British Empire provoked the Southern secession in order to destroy the United States.² Their plan was to break up the country, and then economically to subjugate what was left of both halves. The British financed and politically backed the Southern slave-holders, and built the rebel warships. At the same time, through a network of Boston-based aristocrats, they ran the radical abolitionist movement. This was a gang/countergang operation. In addition, through their agents on Wall Street, they attempted to bankrupt the U.S. government, to ensure that the Union would not have the economic or budgetary means to oppose Southern secession.

With the outbreak of the Civil War, the British organized

an international credit boycott, cutting off all funding sources to the U.S. government. The Lincoln Administration turned to the New York Associated Banks, and arranged a loan of \$150 million in gold. But on Dec. 28, 1861, Associated Banks head James Gallatin suspended gold (specie) payment to the Federal government, unleashing a chain-reaction payments crisis, which culminated with the U.S. Treasury suspending gold payment on all government obligations—domestically and internationally—effectively taking the United States off the international gold standard. The U.S. government was bankrupt.

The New York bankers—working with their counterparts in London—moved quickly to try to force Lincoln into a total surrender of national economic sovereignty. In January 1862, Gallatin presented the bankers’ ultimatum to the Treasury: 1) pay for the war effort through a massive increase of direct taxation of the population; 2) deposit all U.S. government gold in the private New York banks and make those banks the sole (monopoly) agent for the marketing of U.S. government debt (primarily bonds to be sold in London); 3) suspend the “sub-treasury laws” (government regulation of banks); and 4) withdraw all government-issued paper currency, so that only gold and private bank notes would circulate as currency. If Lincoln refused, the bankers would plunge the nation into chaos, and the war would be lost.

If these measures remind you of the IMF today, you are not wrong.

President Lincoln rejected the bankers’ demands. Instead, he proposed a series of revolutionary economic measures. He would use the sovereign power of the United States to issue more than \$400 million in paper currency (legal tender “greenbacks”); and through his agent Jay Cooke, the U.S. Treasury sold \$1.3 billion of so-called 5:20 government bonds

2. Anton Chaitkin, *Treason in America* (Washington, D.C.: Executive Intelligence Review, 1998).

Allen Salisbury, Reviver Of the American System

No presentation of the history of the fight for the American System of political-economy in the 19th Century, would be complete without acknowledging the role of Allen Salisbury, a now-deceased leader of Lyndon LaRouche's political-philosophical association, the International Caucus of Labor Committees. It was Allen who rediscovered, and brought alive for millions of Americans, the real political battle over free trade which lay behind the Civil War, and resurrected for them great thinkers such as Henry C. Carey.



The tangible fruit of this work was his book, *The Civil War and the American System, America's Battle with Brit-*

ain, 1860-1876, which today is still an indispensable source for the writings of Carey and his fellow combatants from that period.

Allen's work, as all valuable historical research, can only be appreciated if it is understood as coming from his *passion* for both the truth, and the welfare of mankind. Allen was first inspired on this topic, in reaction to the mid-1970s cinematic fraud called *Roots*, which he understood to be a deadly assault on African-Americans', as well as others' knowledge of the history of the United States. He polemicized wittily, and effectively, against those whom he considered the new slave-masters; but he didn't stop there. Rather, he chose to present the *real* history of the fight against free trade, which he knew to be the only true and principled fight against slavery.

As one of his collaborators in this work, I have often thought of how invaluable Allen would have been today, against the scurrilous vilifiers of Abraham Lincoln and others of his tradition—had Allen not suffered an untimely death at the age of 43 in 1992. Lacking him, we rely on creating new young historians, to wage the battle for truth.

—Nancy Spannaus

(redeemable in 5 years, reaching maturity in 20 years)—not to foreign bankers, but directly to the American public.

The Legal Tender Act

At Lincoln's urging, in 1862 Congress passed the Legal Tender Act, authorizing the U.S. Treasury to issue \$150 million in paper currency (later expanded to \$450 million). This currency would circulate as "legal tender in the payment of all debts, public and private, within the United States," and would be "receivable in payment of taxes, internal duties, excises, debts, and demand of every kind." These notes became known as greenbacks.

Congressman Thaddeus Stevens, a Pennsylvania ally of Carey's, and the prime sponsor of the Act, said on its passage by the House, "The full Legal Tender Act has been hailed with delight throughout the whole length and breadth of the Union by every class of people." In the Senate, however, the Act was amended to say that the greenbacks would have only a limited status as legal tender, and that they could not be used to pay "interest on bonds and notes which shall be paid in coin."

This amendment was attacked vehemently by Stevens. Commenting on the Senate action, he said, "They fell upon the bill in hot haste, and so disfigured and deformed it, that its very father would not know it. Instead of being a beneficent and invigorating measure it is now positively mischievous. It has all the bad qualities which its enemies charged on the original bill, and none of its benefits. It now creates money—one for the banks and brokers and another for the people. It

discriminates between the rights of different classes of creditors, allowing the rich capitalists to demand gold, and compelling the ordinary lender of money on individual security to receive notes which the government had purposely discredited."

As a result of the amendments, greenbacks could not be used to pay interest on the \$1.3 billion in 5:20 war bonds, even if the bonds had been originally purchased with greenbacks! This inconvertibility of the greenbacks into gold became a major issue in the fight over what later became known as "specie resumption."

Nevertheless, greenbacks circulated as what Henry Carey called "the people's money," used in local communities, to finance farms, businesses, and manufacturing concerns. Their use, combined with the other credit-generating policies of Lincoln's government, unleashed the greatest industrial expansion in human history. This was a "nation-building," or more aptly, a "republic-building" policy.

The full story of the "Lincoln Revolution" can be found elsewhere,³ but a partial list of the measures adopted under his leadership from 1861 to 1865 includes: protective tariffs for American industry; the issuance of legal tender (greenback) currency; a National Banking System; the founding of a National Academy of Sciences; the creation of the Depart-

3. Anton Chaitkin, "The Lincoln Revolution," *Fidelio* magazine, Vol. VII, No. 1, Spring, 1998; and Rochelle Ascher, "The Lessons of Abraham Lincoln," *New Federalist*, "The American Almanac," available at: http://members.tripod.com/american_almanac/.

ment of Agriculture and passage of the Homestead Act; the creation of Free State Land Grant Colleges; and the construction of the Transcontinental Railroad. This scientific and industrial revolution continued after Lincoln's death. From 1865 to 1890, railroad mileage went from 45,000 miles to 157,000, more than in all of Europe. Thousands of miles of telegraph wires were built. Revolutionary industrial processes were brought on line, such as the Bessemer steel process. Industrial expansion, led by the iron industry, occurred at a staggering pace.

In the years after the Civil War, the impact of the Lincoln economic revolution spread all over the world,⁴ and set into motion a new political directionality, which threatened to eliminate the power of the British Empire and achieve global hegemony for the ideas of the American Revolution.

Henry Carey, American System Economist

The intellectual author of Lincoln's economic program was Henry C. Carey⁵ of Philadelphia. Carey was the pre-eminent American economist of his day; and for more than 20 years, from the 1850s until his death in 1879, he was the leader of the "American System" faction in American politics. His father, Mathew Carey, had been a protégé of Benjamin Franklin, and the Carey family, through its publishing house in Philadelphia, were at the center of the continuing pro-republican leadership in America.

After Lincoln's death, it was Henry Carey who, almost singlehandedly, led the battle for 14 years to prevent the destruction of Lincoln's policies. Today, the descendants of Carey's enemies have written him out of the history books, but in 1870, the mere utterance of the name, "Henry Carey," was enough to send a meeting of British Lords into paroxysms. He was hated and feared by the British aristocracy, whose free trade colonial policies he fought to destroy.

Carey's—and Lincoln's—American enemies were based in the oligarchical families and financial institutions of Boston and New York. These included Wall Street bankers, cotton brokers, and New England "merchants" who operated as the junior partners of the British East India Company in the China opium trade.⁶ The Lincoln Revolution—particularly the high protective tariffs and the issuance of greenback notes—had been accomplished over the fierce opposition of this Boston and New York financial oligarchy. As early as the 1860 Republican Party convention, these forces had tried to stop the adoption of the economic planks authored by Henry Carey.⁷

The two primary political organizations of the Boston-

based Tories were the American Social Science Association, and the American branch of the British Cobden Clubs (a.k.a., the Free Trade League). The Cobden Clubs had been founded in London in 1866, under the direction of John Stuart Mill. They functioned as world-wide propagandists for the free trade policies of the British Empire. The American Social Science Association was founded in Boston in 1865, as an offshoot of the British Association for the Promotion of Social Science. These two organizations functioned as the command centers in the war to destroy the Lincoln Revolution.

The membership of these groups represented the elite of the British-allied Tory faction in America. Key leaders included Henry and Charles Francis Adams, Jr. (both grandsons of John Quincy Adams); powerful merchants (drug traffickers) such as Abiel A. Low, John Murray Forbes, and the Lawrence family; the top leadership of the abolitionist movement, including Franklin Sanborn (the founder of the Social Science Association), A.A. Lawrence, Henry Ward Beecher, and Charles Sumner; cotton merchants such as Edward Atkinson; publishers and editors such as William Cullen Bryant and Charles Francis Curtis; and many others.

The most influential publication associated with these networks was the Boston-based *North American Review*⁸ magazine. Beginning in 1842, the *Review* was run by a series of Boston Brahmins, including Francis Bowen, Andrew Preston Peabody, James Russell Lowell, Charles Elliot Norton, Henry Adams, and Henry Cabot Lodge. On a political level, its editors polemicized fiercely against Lincoln's and Carey's economic policies, and after 1865 the *Review* was the most prestigious establishment voice demanding "specie resumption," and withdrawal of the greenbacks. Epistemologically, the *Review* was the main American outlet for the ideas of John Stuart Mill, Thomas Malthus, Charles Darwin, and Herbert Spencer ("Social Darwinism"). The former "radical abolitionists" running the *Review*, also promoted the new and upcoming ideas of race hygiene, and the "music" of Richard Wagner. (Note that the Boston-based former abolitionists now blatantly opposed civil rights for freed slaves.) Originating in London, this conspiracy aimed at eradicating every trace of the agapic ideas of the American Revolution, to be replaced by the oligarchy's bestial view of mankind.

Carey directly countered these British agents on the philosophical, as well as the economic level, asserting that man's wealth grows, through his exercising his God-like power over nature, and exerting his "capacity for progress." The American System of Economics, Carey argued, was based on this idea of labor, as opposed to the British Malthusian view, which utilized free trade and other kinds of looting to degrade mankind into bestiality.

4. Anton Chaitkin, "The 'Land-Bridge': Henry Carey's Global Development Program," *Executive Intelligence Review*, Vol. 24, No. 19, May 2, 1997.

5. Allen Salisbury, *The Civil War and the American System* (New York: Campaigner Publications, 1978; reissued by EIR, Inc. in 1992).

6. For more on the Boston drug runners, see Chaitkin, *Treason in America*, op. cit., Chapter 9.

7. Letters from Henry Carey to William Cullen Bryant, *New Federalist*, April 8, 2002.

8. Archives of the *North American Review*. Available at: <http://cdl.library.cornell.edu/moa/browse/journals/nora.html>.

Onslaught on Lincoln's Policies

No sooner had Abraham Lincoln been murdered on April 14, 1865, than Boston Social Science Association leader Simon Newcomb published an article, "Examination of Our Financial Policy," in the April issue of the *North American Review*. Newcomb demanded—with the war coming to an end—that the nation return to "sound financial principles." He called for drastic "contraction of the currency," an immediate return to gold convertibility (specie payments), and an end to all protective tariffs. In other words, the total abandonment of the Lincoln Economic Revolution, and the subjugation of the United States to the British Gold Standard!

A few days later, Treasury Secretary Hugh McCulloch, also an Association member, authored a brutal personal attack on Henry Carey that appeared in the *Chicago Tribune*. McCulloch echoed every one of Newcomb's policy demands. The top priority of these traitors was to destroy America's productive economy. Between 1861 and 1865, the Civil War monetary growth had financed the most aggressive scientific, technological, and industrial expansion in human history.

The first act of political war was to force through a policy of drastic "currency contraction," i.e., the forced withdrawal of currency from circulation, in order to bring the U.S. economy to a crashing halt.

It is impossible to overstate the national leadership taken by Henry Carey in the fight to defeat this attack. Between January 1866 and the March 1869 inauguration of President Ulysses Grant, Carey issued a torrent of writings, totaling over 1,000 pages. These were released as open letters, newspaper articles, columns, and longer theoretical works. They were reprinted in millions of copies, in newspapers, pamphlets, and leaflets all over the United States. They had the effect of creating and educating a nationwide resistance to the treasonous plot, and their influence reverberated throughout the country, across party lines, and into every political institution and social layer.

In December 1865, Treasury Secretary McCulloch released his First Annual Report, demanding blanket authority to begin the immediate withdrawal of all legal tender greenbacks from circulation. On Dec. 18, the House of Representatives voted 144-6 to cooperate with the Treasury, "in a contraction of the currency with a view to as early a resumption of specie payments as the business interests of the country will permit."

Carey's Open Letters

Faced with this Congressional collapse, in January and February 1866, Henry Carey released a series of Open Letters to Treasury Secretary McCulloch. Under the title of "Contraction or Expansion?—Repudiation or Resumption?"⁹ these Letters appeared in more than 60% of the nation's newspapers, and were read by millions of Americans. The Letters

9. All quotes from Henry Carey can be found in *Henry C. Carey, Miscellaneous Works* (New York: Burt Franklin; originally published in 1883).

ignited an "anti-contraction" fight virtually overnight, serving as a clarion call to the American people to defend Lincoln's revolution.

In the fourth of these Letters, Carey went to the core of the contraction issue, exposing it as a brutal betrayal of the General Welfare, the issue which stood at the very heart of the Lincoln Presidency: "A war upon what is called 'paper money' is therefore a war upon the poor in favor of the rich; and that the war being made upon it has precisely that effect is proved by the fact, that the western farmer is now being impoverished by reason of such a reduction in the price of corn and oats, that the former is being used as fuel while the latter is being sold at 8 cents per bushel; houses and lots in the neighborhood of Wall Street commanding at this moment prices such as had never before been heard of. That such a war can have no end other than that of political revolution the most complete, is so absolutely certain that, regarding as I do the future of the country and that of the administration as being inseparably linked together, I feel it a matter of positive duty most respectfully to ask that you should once again examine this question."

In the Seventh Letter to McCulloch, Carey defines the real strategic issue at stake: "The question, my dear sir, now before you for determination is, in my belief, the most momentous one ever yet submitted to the decision of a single individual. We have just now closed a little internal difficulty [the Civil War—ed.]; leaving yet for settlement the one great question as to whether the world is, in all the future, to be subjected to that British and anti-national system which has for its especial object that of enabling bankers and brokers to enslave the farmers and laborers, of the outside world. . . . Contraction, by means of which the price of money is being so rapidly carried up, looks in the first of these directions and must result in giving the victory to England."

As a result of Carey's intervention, in April of 1866, Congress passed the compromise Loan Act (a.k.a., the Contraction Act), which authorized the Treasury to begin withdrawing greenbacks from circulation, but limited the withdrawals to a maximum of \$10 million in the first six months, and \$4 million per month afterwards, far below what McCulloch had demanded. Nevertheless, this legislation signalled a fundamental shift in direction for the nation.

Additionally, the withdrawal of greenbacks was only one part of the "contraction" policy. In October 1866 Secretary McCulloch authorized the issuance of \$890 million in interest-bearing government notes, of which \$290 million were converted into long-term bonds. The purpose (and effect) of this was to soak up available investment capital, effecting a drastic shrinkage of circulating currency. During the next two years, several more of these re-financing schemes were implemented, resulting in hundreds of millions of dollars being removed from circulation.

Overall, between 1865 and 1877, the amount of money in circulation in the United States (including banknotes, legal tender notes, other interest-bearing circulating instruments,

and specie), went from \$2.1 billion to \$606 million, or from \$58 to \$14.60 per capita. The dollar rose dramatically in value (along with the value of the national debt), while commodity prices plummeted. Measured in commodity values (i.e., real physical-economic terms), the debt of the country doubled during this period.

In August of 1867, Henry Carey exposed the traitors behind this plot in another series of Open Letters, titled “Reconstruction: Industrial, Financial, and Political.” These were addressed to Sen. Henry Wilson, a Massachusetts Republican and former radical abolitionist. Again, these letters were reprinted and circulated throughout the country.

In the First Letter, Carey identifies the conspirators: “Sad experience is now teaching the farming and mining States that for them the only ‘result’ thus far recently achieved has been that of a change of masters, Massachusetts having, so far as regards material interests generally, taken the place of South Carolina, and New England at large, in reference to some of high importance, that of the States so recently in rebellion. Power has gone from the extreme South to the extreme North, and the sectionalism of to-day is likely, as I think, to prove quite as injurious as has already proved that of the past. . . . [T]he Union is to-day, in my belief, more endangered than it had been in the years by which the war had been immediately preceded.”

In the Twelfth and Thirteenth Letters of this second series, Carey states the crucial nature of the fight within the Republican Party: “The Fort Wayne (contraction) decree of Secretary McCulloch, likely to prove of far more enduring importance than the Berlin and Milan decrees of the Emperor Napoleon, is now nearly two years old. As it stands it constitutes the great financial blunder of the age, having already, by the paralysis of which it has been the cause, cost the country more than the whole amount of the national debt. Let its policy be persevered in and it will constitute the greatest in history, for it will have cost the Union its existence. . . .

“With each successive day there has been seen an increased desire to centralize in the trading cities the disposable capital of the country—hoarding with banks and bankers, trust and deposit companies. . . . From that hour money tended to accumulate in all those cities, and to become more and more inaccessible to men by which it could be made to create demand for human service. From that hour the poor tended to become poorer and the rich to become richer. . . .

“The next [Republican] convention, like that of 1860, will find itself compelled either to endorse or repudiate the monopolies of which I have spoken; to be for or against the doctrine of equal rights; to be for or against the doctrine of equal rights; to be American or English; to be for or against that industrial independence without which any attempt at financial or political reconstruction is a useless waste of time and words.”

The Fight for the Grant Administration

One of the major inflection points in the battle came with the next Presidential election.



Henry Carey led the unsuccessful fight to prevent President U.S. Grant from endorsing the specie resumption policy. In an open letter to the new President, titled “Shall We Have Peace?” Carey argued that the only way to overcome the political and economic crises facing the nation, was to carry out the rapid industrial development of the South, combined with a continuation of the nationwide economic development policies of the Lincoln years.

At the 1868 Republican National Convention, Carey’s allies were in the minority. The Republican platform endorsed McCulloch’s contraction and resumption policies. The platform’s economic plank was written by Rowland G. Hazard, a Rhode Island former abolitionist and wool manufacturer. Hazard, a member of the Boston Social Science Association and sponsor of the Boston Brahmins’ “Concord School of Philosophy,”¹⁰ was also a collaborator of Herbert Spencer, and one of John Stuart Mill’s closest friends in America.

The battle for control of the incoming Grant Administration pitted Carey and his allies against the entire New York-Boston Tory apparatus. The most urgent issue before the nation was that of Southern reconstruction. Carey had already defined the only viable approach to reconstruction in his 1867 Letters to Henry Wilson, where he said, “Industrial and financial reconstruction must precede the political one to have any, even the slightest chance, of permanence.”

Two days after the Nov. 3 election, Carey released a series

10. The Concord School of Philosophy was part of the Transcendental project of the Boston drug runners.

of Open Letters to President-Elect Grant, which were circulated under the title “Shall We Have Peace?” Carey proposed to the incoming President, that the only way to overcome the political and economic crises facing the nation, was to carry out the rapid industrial development of the South, combined with a continuation of the nationwide economic development policies of the Lincoln years.

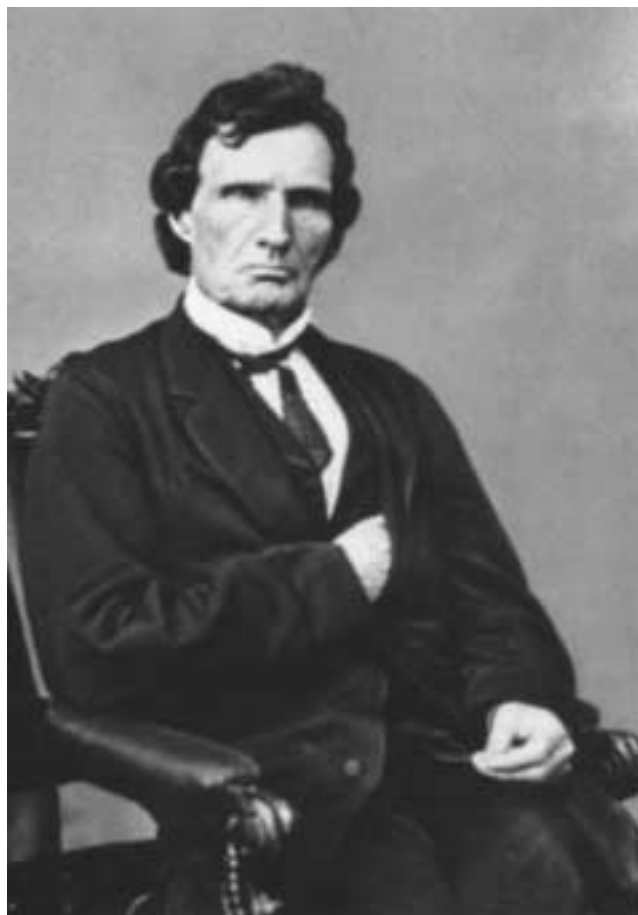
He stressed the crucial importance of the economic independence of the nation: “In all time past, the price of money having been wholly dependent on the price in England, the most important intelligence from beyond the Atlantic was that which was to be found in the price of British securities on the Exchange of London. With each arrival, therefore, our railroad shares went up or down because the Bank of England had seen fit to purchase a few Exchequer bills, or had found in necessary to part with some of those it previously had. . . .

“Throughout the war the government allied itself with the great body of the people, those who had money to borrow, interest to pay, labor and labor’s products to sell, comprising nineteen-twentieths of our total population; and hence it was that the war resulted in success so complete. Since then there has been a constant effort at separating the government from that great class, and bringing it into close alliance with that very trivial one, so far as numbers go, which profits by high rates of interest and low prices of labor; and hence it is, there has recently been so much danger of seeing control of the country pass into the hands of those who, North and South, had participated in the rebellion. To that end the greenback, everywhere claimed as the people’s money, has by those in high places been denounced, small as is the quantity, when compared for the real need for it.”

One month after the publication of Carey’s Open Letters to Grant, David Wells, the Special Commissioner on Internal Revenue, released his long-expected report on the nation’s finances. Wells, a leader of the Boston Social Science Association, had been appointed by the government to conduct a study of the nation’s financial health. The report which Wells issued, presented a catastrophic picture of the government’s budget and finances, blamed the crisis on high tariffs and paper currency, and called for measures even more extreme than those advocated by McCulloch, including immediate specie resumption and cremation (burning) of the greenbacks. In effect, Wells was advocating more of the poison that had already put the U.S. on the downslide.

Upon reading the report, Congressman William Kelly of Pennsylvania, Carey’s closest ally in the Congress, sent a letter to Carey, which read: “I regard his [Wells] report, supplemented by [Amasa] Walker’s letters, as the most insidious Free Trade document that has ever been published in this country.”

Between January 1869 and the Grant inauguration in March, thousands of copies of Wells’ report were distributed, or printed in newspapers throughout the country. Soon after the publication of the report, Wells was elected the president of the Cobden Clubs in the United States. Carey responded



Rep. Thaddeus Stevens (R), a Pennsylvania ally of Carey’s, sponsored the 1862 Legal Tender Act, authorizing the U.S. Treasury to issue the famous “greenbacks,” to finance the war effort. Then in 1869, he led the fight in Congress to repeal Treasury Secretary Hugh McCulloch’s “Contraction Act,” withdrawing the greenbacks from circulation.

with his “Review of the Wells Report,” which was circulated as a series of Open Letters under the title “Protection and Revenue, Public and Private.”

In February of 1869, one month before Grant’s inauguration, Congress repealed McCulloch’s Contraction Act. The repeal fight was led in Congress by Carey allies William Kelly and Thaddeus Stevens. The victory, however, was short-lived. Shortly after his inauguration, President Grant called for the retirement of the greenbacks, and a return to specie payments. In March 1869, at the request of the new President, Congress passed the Public Credit Act of 1869, which committed the United States to the (eventual) return to specie payment for all debt, i.e., a return to the British Gold Standard. The original Act said: “The faith of the United States is solemnly pledged to the payment in coin or its equivalent of all Federal obligations, except those where specifically exempt,” and it was amended to include, “and to make provisions at the earliest practical period for a return to specie.”

On July 14, 1870, Congress passed another “Refunding

Act,” later modified by an act of Jan. 20, 1871. This authorized the issuance of \$1.8 billion in 10-, 15-, and 30-year bonds, payable in specie. This not only resulted in further currency contraction, but also began a massive shift in the holdings of U.S. government debt to a syndicate of London banks which purchased almost the entirety of the bonds. By December 1871, gold was being drained to London at the rate of \$66 million per year.

Carey Rings the Alarm

In May of 1869, Carey published a work called “Our Future.” His language and message are blunt: Break with the treasonous policies of London and Boston *now*, or everything accomplished under Lincoln will be lost:

The most powerful, most dangerous, and most unpopular of free-traders [David Wells] had the offer of the Treasury. Most narrowly, as we are assured, did the nation escape the injury that must have resulted from being represented at Vienna by the President of the British Free-Trade League. Almost without exception our chief representatives in Europe are free-traders. Our consuls and consuls general belong mainly, as I believe, to that school which teaches that ‘the smuggler is the great reformer of the age.’ The last of all qualities now demanded in men who are to represent the country abroad is that of being in policy truly and distinctively American disciples in that school in which Hamilton and Clay were teachers. . . .

For half a century the South governed us, and the end of that government was found in a rebellion. Avoiding Scylla we have fallen on Charybdis, the money monopoly of the extreme North working almost as much mischief as before had done the slavery of the South.

Let the Treasury now terminate its alliance with the money-lending aristocracy; let it look a little kindly on the money-borrowing democracy; let it seek to unite itself with the real Congress, and it can then have any intelligent legislation for which it may see fit to ask. Let it fail to do these things, and the downfall of the party will come as certainly as darkness follows the setting of the sun. It came into power as advocate of the rights of the laboring many, black and white, northern and southern. It loses power as it becomes more and more the ally of the few by whom the many are governed, these latter feeling that the whip of the money lender and the lash of the slave-driver are close kindred with each other.

Britain makes answer by buying up our journals, and by scattering well paid lecturers throughout the country, many of them professing to be Republicans, but all mainly engaged in making free-trade votes. British gold is thus undermining an Administration whose members wait, as it seems to me, with folded arms,

the arrival of the time when they shall find themselves compelled to cry—“Too late! Too late!”

Moving in one direction we shall dictate law, thus securing to ourselves a permanent place as *the Great Power of the Earth*. Traveling in the other we shall find ourselves compelled to accept as law the decision of Britain, and shall forfeit the place we now seem to have secured.

The President might, if he would, prevent all this. He might, if he would, have the whole nation at his back. To that end, however, it would be required to know if his Administration meant to look for support to its working men; or, on the other hand, to the bankers of Wall and State Streets, the capitalists of Boston and Lowell, Liverpool and Manchester, all of whom are now so well represented by Messrs. Wells & Atkinson, the Springfield Walker, and other members of a League that derives its chief support from contributions of British and other foreign gold. . . .

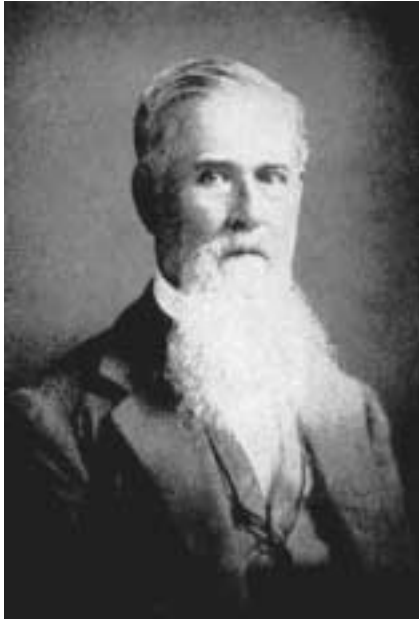
War now exists between British capitalists and American workingmen, farmers, miners, and mechanics. It is a war that can have no end other than that of final and utter ruin to the one or the other. On which side does the Administration propose to fight? For one, I do not pretend even to guess at the answer that may here be given, nor do I know of any one who does. Every hour that such answer is delayed gives strength to that democratic British free-trade party [i.e., the racist U.S. Democratic Party of 1869—ed.] whose advent to power seems now so near at hand.

“Cut boldly!” said the sibyl to the hesitating Roman king. Let the Administration now take the same advice—let it “cut boldly,” and on the American side, and all may yet be saved. Will this be done? I fear not!

The Lawful Collapse

In capitulating to the assault against the greenback, the Grant Administration was abandoning the power and right of the government to issue Legal Tender notes, which was, as Carey accurately put it, “the plain and enlightened exercise of a high sovereign prerogative, never to be doubted.” It had capitulated to the private banking system, centered in London.

Within four years, the catastrophic results of this action, coming on top of the treachery under the Johnson Administration, began to hit. On Sept. 18, 1873, the financial house of Jay Cooke and Company declared bankruptcy. Cooke, a Lincoln ally, was destroyed when London and Wall Street bankers slandered him as a credit risk and British banks called in his loans, on funds he had committed to the construction of the Northern Pacific Railroad. The Cooke bankruptcy unleashed financial chaos, and the worst economic depression in the history of the country. The New York stock markets shut down for the first time in their history. Within 24 hours of the Cooke bankruptcy, 37 banks and brokerage firms collapsed. By the end of 1873, more than 5,000 commercial



The bankruptcy of Lincoln ally Jay Cooke in 1873, engineered by London and Wall Street bankers, unleashed the worst economic depression in U.S. history up to that time.

enterprises had folded. It was a long, deep economic depression.

The business failures were accompanied by an unprecedented depression in prices (deflation), which lasted into the 1890s, and even worsened after 1884.

In a period predating unemployment benefits and a social safety net, the human suffering was beyond belief. In 1874 there were 93,000 unemployed in New York City, 25% of the workforce. In Chicago, 20,000 destitute men besieged the City Council.

1875 witnessed more business failures than in 1873 and 1874 combined. Hardest hit by the industrial collapse were Ohio and Pennsylvania. Wage cuts and lock-outs produced strikes in the iron and coal industries.

Earlier, in 1871, the National Labor Union (NLU), an organization led by William Sylvis, a key labor ally of Abraham Lincoln, issued a manifesto calling for repayment of all government bonds in greenbacks. In 1872 the NLU created the National Labor Reform Party, which fielded electoral slates in many parts of the country. After Sylvis' death, the NLU was replaced by the National Industrial Congress, founded under the leadership of German-American Robert Schilling. An ally of New York Iron manufacturer Peter Cooper, Schilling also became a key collaborator of Ohio Democrat Thomas Ewing, Jr.

In April of 1874, with the country suffering a horrible economic depression, William Kelly and other Carey allies succeeded in getting both Houses of Congress to adopt what became known as the amended "Inflation of Currency Bill." The bill authorized an increase in greenback circulation to \$400 million, and an increase in bank-note circulation by \$46 million. The bill passed the Senate 29 to 24, and the House 140 to 102, with strong bipartisan support.

Within days, a massive campaign was organized out of Boston and New York, to pressure President Grant into vetoing the bill. The *Financial Review*, a publication owned by Social Science Association leader Francis Sanborn, polemicized fiercely against the legislation. Mass rallies were organized in both New York and Boston by the Tory "Reform Leagues" of those cities. The 3,000-person Boston rally featured Edward Atkinson, John Murray Forbes, and John Quincy Adams II. In New York City, the rally included August Belmont, A.A. Low, Cyrus Field, Francis Walker, and Charles Francis Adams. The "reformers" swamped the White House with petitions demanding a veto of the bill. In April, the Boston and New York Reform Leagues sent a delegation to meet with Grant. Days later, on April 22, Grant vetoed the bill.

The effect of the veto on the Republican Party was devastating. In July, Grant followed up the veto with a message to Congress, demanding repeal of the Legal Tender Act, and full specie resumption. The demoralized Republican Party was in complete disarray. The November elections produced a Democratic Party landslide, with the Democrats taking control of the House of Representatives for the first time since 1854.

Specie Resumption: London Takes Control

The word "specie," as it was used in the 19th Century, simply refers to gold (bullion), or gold coins, which were misdefined as the only legitimate form of wealth. During certain periods, silver was also minted, creating a limited bi-metallic system, in which case both gold and silver were considered legal specie. In 1821, the British government established the international gold standard, with the (gold-backed) British pound as the world's reserve currency. In 1844, Britain enacted the Parliamentary Bank Act (a.k.a., the "Peel Act"), which among other things, fixed the international price of gold at 3 pounds, 17 shillings, 9 pence, per ounce. Under the international British Gold Standard, all public and private debts—and all financial obligations, including paper currency—were redeemable in specie, upon demand. Throughout the 19th Century, the City of London, through its Gold Standard, controlled world monetary affairs. It also directly dominated the world supply of gold. In 1873, London banks held 120 million pounds of gold, while New York had but 40 million, and French and German banks a mere 13 million and 8 million, respectively.

During the 1840s and '50s, the major London banks functioned as the "lenders of last resort" to major businesses and governments. A large portion of foreign governments' debts were held in London. Through its control of this debt, added to its dominance in the gold markets, London was able to wage economic and financial war against its enemies, including, most definitely, the United States. This is precisely what the British-allied New York Associated Banks attempted in 1861, when they suspended specie payment, and tried to bludgeon the Lincoln Administration into surrendering the eco-

conomic sovereignty of the United States.

The wartime issuance of greenbacks, and the break with the British Gold Standard, created the basis for true economic independence. Lincoln himself acted to defend the national currency in 1864, when he ordered the closing of the New York Gold Room, the center of “free-market” speculative activity aimed at destroying the greenbacks. These actions and ideas represented—and still represent—a mortal threat to the private oligarchical central banking system.

Thus when Ohio Republican Sen. John Sherman introduced the Specie Resumption Act on Dec. 21, 1874, he was acting to re-establish British control over the American financial system.

The lame duck Republicans fell in line behind it. The bill passed the Senate, 32 (all Republicans) to 14 (12 Democrats and 2 Republicans). On Jan. 7, 1875, it passed the House, 125 (all Republicans) to 106 (86 Democrats and 20 Republicans). William Kelly led the Republican fight against it. On Jan. 14, 1875, Grant signed the Specie Resumption Act.

Its full implementation was delayed, however, until Jan. 1, 1879, at which time the United States was required to return to complete specie convertibility. That gave the Carey-led nationalists time to mobilize.

Ohio’s ‘Rag-Baby’ Election

Nine months after the passage of the Specie Resumption Act, the first all-out battle to force its repeal came with the Oct. 12, 1875 Ohio gubernatorial contest—the famous “Rag Baby” election. The economic depression was now two years old. More than half of the Ohio iron furnaces had closed. Top wages in the iron industry were cut from \$3.00 to \$1.50 per day, and wages of coal miners were down 33%. Because of the scarcity of circulating money, many industries began using the “truck system” of paying their workers in goods or store orders. Frequently the pay was in the form of scrip, certificates to purchase goods at company stores. This scrip became the circulating medium for whole towns.

At the 1875 Ohio Democratic convention, Thomas Ewing, Jr.¹¹ and his allies seized control of the state party. Ewing had proposed a platform plank calling for repeal of Specie Resumption. It was blocked in committee by the Copperhead¹² party bosses, so Ewing introduced it on the floor of the convention, where it passed 386-266. Following this victory, two additional planks were adopted, one condemning the policy of currency contraction, and the second calling for the replacement of national bank notes with legal tender greenbacks. The convention then renominated Governor William Allen and chose as his running mate Ewing ally Samuel Carey. The Allen/Carey ticket campaigned on only one issue,

11. Information on the Ewing family can be found at the Archives of Ohio History, *Journal of the Ohio Historical Society*, at <http://publications.ohiohistory.org/ohstemplate.cfm?action=intro>.

12. “Copperhead” was the popular term to describe pro-Confederacy and/or “anti-war” Northerners, particularly Democrats.



Cartoonist Thomas Nast invented the figure of “Rag-Baby,” purporting to depict the worthlessness of paper currency, in a campaign to defeat William Allen in the Ohio gubernatorial race of 1875. Allen campaigned on the issue of immediate repeal of the Specie Resumption Act.

the immediate repeal of the Specie Resumption Act.

The Boston/New York Tory apparatus was terrified of the possibility of an Allen victory. The Allen campaign was vilified in Cobden Club-controlled newspapers throughout the nation. In *Harper’s Weekly*, cartoonist Thomas Nast invented the figure of the “Rag-baby” to depict worthless paper currency, and ran numerous cartoons using the caricature, many of which were reprinted all over the country. One of the most famous depicted William Allen holding a rag-baby in one hand, and brandishing a bullionist heart impaled on a spear in the other hand. Around Allen’s head was a banner, reading, “Vive la Guillotine,” “Tremble tyrants, the Sans Culottes are coming,” and “more greenbacks or death.”

The national Democratic Party leadership openly opposed Allen, and New York Governor Samuel Tilden, a protégé of August Belmont, arranged a \$100,000 contribution to Rutherford B. Hayes, Allen’s nondescript Republican opponent. The New York City Democratic press was full of anti-Allen articles, many of which were reprinted in Ohio Republican newspapers. Inside Ohio, Democratic Senator Allen Thurman, a “hard money” ally of Belmont and foe of Ewing, repeatedly spoke out, attacking the Allen/Carey anti-resumption platform.

On Oct. 12, Hayes defeated Allen by 5,000 votes, out of

600,000 votes cast. The day after the election, the *Cincinnati Enquirer* editorialized, “The state election yesterday was marked by events of the most extraordinary character. The Democratic ticket was assailed, and the platform upon which it was nominated bitterly opposed by the organs of the so-called Democrats of New York. They urgently called upon the people to elect our Republican opponents. . . . The wealthy Democrats of New York contributed large sums in behalf of Hayes. . . . That this had some influence upon the result is beyond question.”

The political fallout of the pro-resumption Hayes victory was immediate. In November, the Pennsylvania Industrial League (led by Henry Carey allies Joseph Wharton and Henry Lea), broke with Carey and Kelly, and endorsed specie resumption. *Iron Age*, the publication which had printed dozens of Carey’s articles, also abandoned the fight. In its November 1875 issue, *Iron Age* editor John Williams printed a signed editorial endorsing resumption. Most Pennsylvania Republican Congressmen also went over to resumption.

Splits and fissures were occurring in political parties and institutions all over the nation. In June, the New York Chamber of Commerce had split, with a dissident faction led by Peter Cooper and former New York Mayor George Opdyke, forming a new organization called the New York Board of Trade. The first act of this group was to send a memorial to Congress attacking the Specie Resumption Act as “a standing menace against all business enterprises.”

The Battle Resumes in Congress

The Congress re-convened in December, amidst a furious national battle over the issue of resumption. The first showdown came in the House, where Democrat Michael Kerr, a “hard-money” stooge of August Belmont, was chosen Speaker over Ewing ally Samuel Randall. Bills to repeal the Specie Resumption Act were immediately introduced in both Houses of Congress, but they were killed in committee. Repeated attempts to introduce repeal legislation from the floor were ruled out of order. On Feb. 1, 1876, Speaker Kerr refused to recognize Rep. John Atkins of Tennessee when he rose to introduce repeal legislation. Later in the month, Rep. William Holman of Indiana suffered identical treatment.

In January 1876, Henry Carey Baird (Henry C. Carey’s nephew) issued a call for the withdrawal of all national bank notes and their replacement by greenbacks.

On March 20, a bill to repeal specie resumption passed the House 110-109 (with 74 abstentions), but was killed in the Senate. On Aug. 5, a second repeal bill passed the House 106 to 86 (with 101 abstentions). This too was killed by the Senate’s Republican leadership.

Hopes for shifting the policy through the 1876 Presidential elections were also dashed, by the actions of the New York bankers, and their controlled politicians, in preventing platforms in opposition to Specie Resumption. August Belmont squashed a revolt in the Democratic Party, and in the

Republican Party, the “Mugwump” Tory faction successfully mobilized to defeat the changes of James Blaine, who, although he had voted for Specie Resumption, was close to Carey, and a strong advocate of the protective tariff.

At the Republican convention, Rutherford B. Hayes was nominated on the seventh ballot. After his nomination, the alliance of the Mugwumps and New York Republican boss Roscoe Conkling voted up a platform, which read in part: “In the first act of Congress, signed by President Grant, the national government assumed to remove any doubt of its purpose to discharge all just obligations to the public creditors, and solemnly pledged its faith ‘to make provision at the earliest practicable period for the redemption of the United States notes in coin.’ Commercial prosperity, public morals, and the national credit demand that this promise be fulfilled by a continuous and steady progress to specie payment.”

The Boston Tories ran both campaigns. Tilden’s campaign manager was Carey-hater David Wells, while anti-nationalist strategist Carl Schurz advised Hayes on economic policy, and wrote the economic section of his March 1877 inaugural address, which read in part, “The feeling of uncertainty inseparable from an irredeemable paper currency is one of the greatest obstacles to a return to prosperous times.”

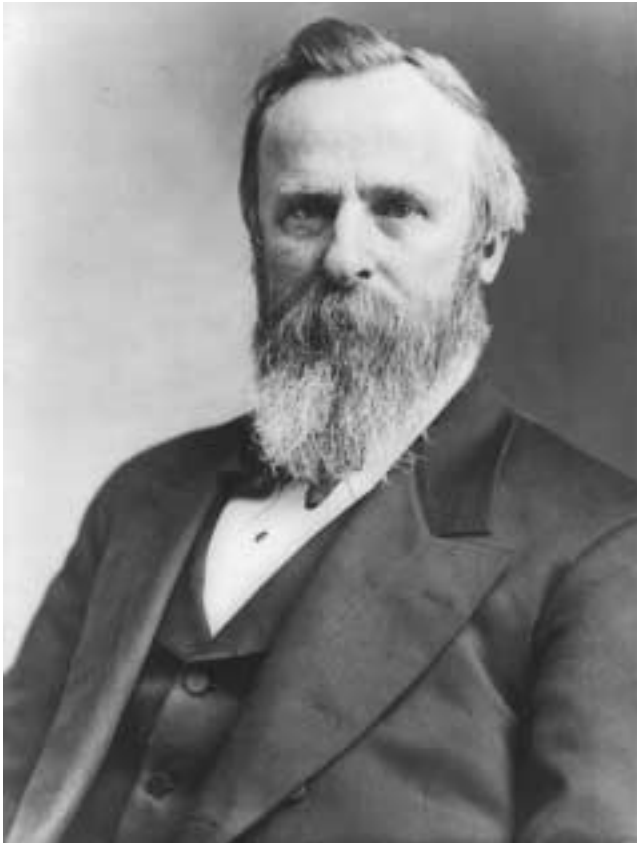
The only force which campaigned against Specie Resumption was the Greenback Party, founded in March of 1875 in Cincinnati. The party nominated New York iron manufacturer Peter Cooper for President. In the November election, Cooper received only 80,000 votes. A combination of sectarianism and disorganization doomed the campaign from the start. In addition, the campaign was sabotaged by anti-Lincoln and anti-Carey agents.¹³

The Depression Spreads

By 1877, the country was in the fourth year of economic depression. Railroad construction was at a standstill. Newspapers reported cases of starvation and suicide among the unemployed. The word “tramps” came into use, to describe the new phenomenon of homeless workers. Labor strikes began to hit the country. The first signs were in 1875 in the textile and coal industries. These included the Fall River textile strike of ’75, and the “Long Strike” of anthracite coal workers in Pennsylvania.

In the year Rutherford Hayes was inaugurated President, the nation experienced a labor revolt, beyond anything in the previous history of the country—the Great Strike of 1877. This began when workers in Baltimore struck the Baltimore & Ohio Railroad over new wage cuts, on top of previous cuts

13. Typical was the role of the Chicago-based Marcus Pomeroy, the war-time editor of the Copperhead *LaCrosse Democrat*. Pomeroy despised Abraham Lincoln. During the 1876 campaign, he issued broadsides under the names of Hot Drops, and Meat for Men, which threatened violence, bayonet-armed greenback militia, revolution, and western/southern secession. As a provocateur, Pomeroy was the perfect foil for the Boston Brahmin apparatus.



President Rutherford B. Hayes, a staunch proponent of specie resumption, presided in 1877 over the biggest labor revolt in the history of the country, and deployed Federal troops against strikers.

in both '75 and '76. The workers took over the railroad yards and blocked the trains. At the peak of the strike, 15,000 joined, and the strikers took control of most of the city.

The strike spread rapidly throughout the Midwest. In most locations, coal miners joined the actions. In Martinsburg, West Virginia, the National Guard fought a gun battle with the strikers. On July 18, President Hayes ordered in Federal troops. On July 20, Maryland Governor Carroll called out the National Guard, and nine strikers were killed as the Sixth Maryland Regiment fought block to block to retake the city.

In Pittsburgh, 16 were killed in open war with Federal troops. In St. Louis, the strikers took over the entire city. On July 24, riots broke out at the railroad yards in Chicago, and the Mayor mobilized 5,000 vigilantes, in addition to calling in both the National Guard and Federal troops. Actions spread to other cities, including Buffalo, McKeesport, and Erie. By July 25, all railroad traffic from Canada to the Gulf of Mexico and from the Hudson River to the Mississippi River was halted.

The series of strikes, riots and battles lasted three weeks. In the end, the labor actions were crushed everywhere.

The Great Strike of '77 was, in some ways, the moral

punctum saliens for the Republican Party. James B. Weaver, a Union Civil War hero, and the Republican candidate for Governor of Iowa in 1875, walked out of the Republican Party on the day he learned of Hayes' order to use Federal troops against the strikers. (Weaver would be the 1880 Greenback Presidential candidate.) The moral divide for the Republican Party was the issue of the General Welfare, and whether or not they would continue the outlook, which Abraham Lincoln so clearly expressed in his first annual message to Congress in 1861: "There is one point to which I ask a brief attention. It is the effort to place capital on an equal footing with, if not above labor, in the structure of government. . . . Labor is prior to and independent of capital. Capital is only the fruit of labor, and could never have existed if labor had not existed first. Labor is superior to capital and deserves much higher consideration. Let the worthy men who toil up from poverty beware of surrendering a political power they already possess, and which if surrendered will surely be used to close the door of advancement against such as them, and to fix new disabilities upon them till all of liberty shall be lost."

Henry Carey knew that if the Republicans abandoned this outlook, the Lincoln Revolution would be destroyed. In his 1866 reply to the Wells report, Carey had said: "Throughout the war the government has been in alliance with the landowner, the trader, the manufacturer, the laborer, and the borrower of money, against the lender of money, and to that alliance has the country been indebted for all its recent success."

In the years preceding his death, Carey warned again and again, that the financial demands of specie resumption, would lead to an unprecedented impoverishment of the producing classes, and that this represented an unforgivable political betrayal of the Lincoln legacy.

Renewed Fight Against Specie Resumption

In 1878 a renewed effort was made to pull together a nation-wide coalition, with the aim of sweeping the November Congressional elections, and creating a national mandate for the repeal of specie resumption. This time, the leading role was taken by the Knights of Labor, the dominant labor force in the country. Their leader, Terence Powderly, was at the center of the Henry Carey-run (anti-British) Irish political circles in Philadelphia.

Powderly and his allies made the decision to move beyond the Greenback Party apparatus and to organize an entirely new party. The sectarian policy of 1876 was abandoned, and a drive launched to rally all the elements of the anti-resumption fight. In Detroit, Moses Field, the Greenback Party leader and former Republican Congressman, organized a meeting of manufacturers and industrialists, an element that had been largely missing in the 1876 Greenback campaign. William Kelly attended and spoke at the meeting, and Henry Carey sent a letter of support.

In February 1878, a national convention was held in To-



Knights of Labor leader Terrence Powderly was at the center of the Henry Carey-run Irish political circles in Philadelphia. In 1878, he and his allies organized a new party, which became known as the Greenback-Labor Party, and fielded candidates in thousands of congressional and other election races.

ledo, Ohio. Dominated by the Knights of Labor and other Carey allies, the convention abolished the original party structures and created a new political party, which they named The National Party. Robert Schilling, the Ohio labor ally of Thomas Ewing, wrote the new party's constitution. The first plank of the party's platform called for "a purely national circulating medium, based on the faith and resources of the nation and issued directly to the people, without the intervention of any system of banking corporations, which money shall be legal tender in payment of all debts, public or private."

The key issue was the strategy for the November elections. The convention endorsed a Powderly proposal for "fusion" tickets; i.e., a strategy to capture the House of Representatives with a cross-party majority. To that end, the Party would run its own candidates in districts where both the Republican and Democratic candidates were "hard money," and form fusion tickets in districts where a Carey Republican or Ewing Democrat was running. The campaign strategy was focussed heavily into labor districts.

Quickly dubbed the "Greenback-Labor Party," the party fielded candidates in thousands of races. In October the party won two of the five Congressional seats in elections in Maine. In Massachusetts, the party ran almost exclusively fusion tick-

ets, challenging the Brahmin political machine on its home ground. Former Republican Congressman Benjamin Butler ran for Massachusetts Governor, on a joint Democratic-Greenback Labor ticket. William Kelly, himself, ran for reelection in Pennsylvania on a Republican-Greenback Labor fusion ticket. Terence Powderly was elected the Mayor of Scranton, Pennsylvania on a straight Greenback-Labor ticket.

The opposition was massive. Newspaper editorials warned of an impending French Terror. Thomas Nast's "rag-baby" cartoons were revived and printed everywhere. Groups like the Honest Money League of the Northwest, under Lyman Gage's leadership, were deployed to stop the threat. Anti-Greenback broadsides and pamphlets were distributed by the millions.

In the November elections, the Party won more than 1 million votes outright, and elected 14 Greenback-Labor Congressmen, with an additional 7 to 10 elected on fusion tickets. Additionally, many anti-resumption Democrats and Republicans were elected on their own, giving the House an absolute majority favoring repeal of resumption.

In the South, the Nationals supplanted the Republicans as the second largest party. In Texas, the party won 12 state legislative seats and elected one Congressman. The party won 61,000 votes in Missouri, 10% in Tennessee and 22% in Mississippi; and it elected 18 state legislators in West Virginia, 14 in Arkansas, and 2 in Georgia. Strong votes also occurred in Alabama and Arkansas. The party was racially integrated, and the majority of Greenback-Labor votes in the South came from black voters.

The British Gold Standard Reigns

In the month of December 1878, fourteen separate bills were introduced into the Congress, in a last ditch attempt to repeal the Specie Resumption Act. All failed. On Jan. 1, 1879 the Act took effect. The United States was officially back on the British Gold Standard. All U.S. government debt and all foreign bond obligations were now payable in gold. All U.S. circulating currency—of whatever kind—was convertible into gold upon demand, and the amount of greenbacks in circulation was cut to \$300 million, with a plan for their eventual retirement.

Legislation was passed requiring the Treasury to maintain a gold reserve of \$100 million, in order to meet any demand for redemption. Obtaining foreign gold became a priority, and this hinged on keeping U.S. exports cheap, and the price of wages, farm produce, and raw materials low. Prosperity was now defined by the status of the balance of gold payments, not by the yardstick of either the physical economy or the state of the general welfare of the population.

Beginning with the Hayes Administration, the major preoccupation of the Treasury was in building up and maintaining the U.S. gold reserve. John Sherman's first act in office, as Hayes' Secretary of the Treasury, was to negotiate a gold loan from London. This was followed two months later by

negotiating a second gold loan from the sale of 4% bonds. In April of 1878 Sherman arranged—through the Houses of Morgan and Rothschild—a huge \$50 million gold loan from London. This became known as “Sherman’s Coup,” and was said to “have secured resumption.” These foreign bond sales continued through the ’80s and ’90s.

A syndicate of U.S. banks, working as partners with their friends in London, completely controlled the refinancing of U.S. government debt. These swindlers included Morton Bliss and Company, August Belmont (for the Rothschilds), the Seligman Brothers, and Drexel-Morgan.

The period from 1870 to 1895 saw a total collapse of wholesale prices. Wheat went from \$1.06 to 50¢ per bushel; cotton from 15¢ to 4¢ per pound; corn from 53¢ to 25¢. Wheat and cotton were the two chief U.S. exports, and a major source of foreign gold. The deflation caused an increased looting of the country’s physical economy; e.g., the cotton harvest of 1895 was 2.5 times that of 1870, yet brought the farmers less money. The collapse in farm income led to massive foreclosures. By 1893, loan companies owned 90% of the land in western Kansas. Overall, wholesale prices fell 50% from 1870 to 1896. Farm prices even more.

Part of the swindle, was the use of the national debt to loot the U.S. economy and workforce. In 1866, U.S. government debt was \$2.8 billion. Over the next 20 years, \$2 billion in principal (and \$1.2 billion in interest) was extracted out of the U.S. economy to pay the debt down to \$800 million. This, however, was completely illusory. In real physical-economic terms, things actually got worse. In other words, during this period, the United States made \$3.2 billion in debt payments; but by 1885, measured in commodities, the government’s debt was actually 50% to 200% higher in physical economic terms!

In 1894, the dollar value of U.S. commodity exports was \$1,020,000,000, of which more than \$800,000,000 (or 80%) was from the export of agricultural products. The sale of these farm exports represented the largest single source of gold coming into the United States. By depressing the price of farm goods, while simultaneously demanding specie payments on U.S. foreign debt, British policy both drained gold out of the American economy, and increased the need to further expand American exports in order to obtain more gold. Throughout the ’80s and ’90s, the United States ran large trade surpluses in order to obtain gold. The British intent was to turn the United States into a supplier of cheap farm goods and raw materials. If not for the high protective tariffs, erected to defend U.S. manufacturing, this plot might well have succeeded.

The Devastating Results

Specie resumption put the U.S. financial and economic system in a straitjacket. Domestically, the Federal government was prevented from funding the productive economy, while the bulk of private capital flowed into Wall Street-dominated speculative activities. From London, British control

over both gold and the market in foreign debt, gave them the ability to manipulate U.S. financial markets at will.

Between 1880 and the first World War, the United States was battered by a continuous series of financial crises, including the major Panics of 1884, 1893, and 1907.

A demand by the New York banks for gold redemption of government bonds brought on the 1884 Panic. By the end of the year, 10,968 business had failed, with liabilities of \$226 million. The economic impact hit the West and South particularly hard. Between 1885 and 1888, there were an additional 51,748 business failures, with liabilities of \$757 million.

The Panic of 1893 resulted from a policy of severe credit contraction imposed by the Bank of England from 1890 to 1893. New capital issues by the Bank went from £142.6 million in 1890 to 104.6 million in 1891, 81.1 million in 1892, and 49.1 million in 1893. At that time, British new capital issues accounted for 75% of all foreign investment in United States. Between 1890 and ’93, huge quantities of British assets in the United States were sold off. In the last three months of 1890 alone, gold raids from Europe took \$40 million in specie out of the country.

On Feb. 20, 1893, the Philadelphia & Reading Railroad, with a debt of \$18.5 million and only \$100,000 cash on hand, declared bankruptcy. On April 21, the Treasury’s statutory gold limit was breached, and Pennsylvania Steel announced bankruptcy. On May 3, a massive sell-off took place on Wall Street, and on May 4, National Cordage, the most widely held security in the country, collapsed, its share price having gone from \$140 to \$20 in less than 48 hours.

In June, 128 banks failed across the United States. In July, the Erie Railroad filed for bankruptcy. In August, the Northern Pacific followed suit. In October, the Union Pacific Railroad went bankrupt, followed by the Atchison, Topeka & Santa Fe in December. For the 12 months of 1893, 15,000 companies failed; 500 banks went into receivership; 30% of country’s rail system became insolvent. The suddenness and intensity of the economic shutdown was worse even than the Cooke collapse of 1873.

Unemployment rates rose to double digits and remained there for six years, hitting a peak of 18.4% in 1894. Industrial unemployment rates were 50% to 100% higher. Hardest hit of all were the South and the West.

The 1907 Panic began when another London-imposed policy of contraction and interest-rate hikes drained specie out of American markets. In October, a series of runs hit New York banks. On Oct. 21, the National Bank of Commerce announced that it would stop clearing the checks of the Knickerbocker Trust Company. On Oct. 22, Knickerbocker Trust suspended payment. Between Oct. 24-25, the stock market suffered a near meltdown.

These financial panics and economic depressions were accompanied by brutal austerity against the American people. Desperation strikes and labor actions swept the country,

driven by a fight just to survive. In 1886-87 alone there were 3,000 strikes in the United States.

The year 1888 witnessed the “Great Railroad Strike,” with tens of thousands of workers striking in Chicago, Milwaukee, St. Paul, and throughout the West.

In 1892, Carnegie Steel, led by London/Wall Street stooge Henry Clay Frick, attempted to impose an 18% wage cut at its Homestead Plant. When the union resisted, Carnegie fired all the workers, and hired 300 Pinkerton guards to protect the scabs. In the ensuing Battle of Homestead, 9 workers were killed and 40 wounded, while 7 Pinkerton guards were killed and another 200 shot. Eight thousand Federal troops were brought in, and over the next four months the strike was savagely crushed. Fourteen more strikers were killed and 163 seriously wounded.

In 1894, the Pullman Company in Chicago laid off one-third of its workforce and cut wages for the rest by 40%. The workers struck, and the company responded by firing all the strikers. Within days, almost all the railroad workers west of Chicago went on strike. President Grover Cleveland ordered in Federal troops. The strike was crushed and one-half of the workers were laid off.

Other major strikes included the Lehigh Valley Strike, the Chicago Union Stock Yard Strike, the 1895 Brooklyn Street-Car Strike, the 1900 first Anthracite Coal Strike, and the Great Anthracite Coal Strike of 1902, where the entire Pennsylvania militia was mobilized, and 8,500 militiamen served in coal fields.

Almost all of these strikes failed, and the unions were broken. Most of the industries would remain non-union until the 1930s or '40s.

Carey's Battle Comes to an End

Henry Carey died within months after the implementation of specie resumption in 1879. With him died the leadership of the American Intellectual Tradition, in its philosophical, as well as economic, depth.

Carey knew well that the policies of specie resumption were not simply economic. They were part of a broad assault on the concept of the General Welfare, and the introduction of the anti-human ideas of Malthus, Darwin, and Spencer, and they relentlessly propagandized for these theories until they became dominant in American academia. Thus, while Carey's name has been virtually extinguished from the history books, the advocates of Social Darwinism, imperialism, and free trade took over the literary and intellectual culture of the nation.

Some of the key traitors were Francis Bowen (1811-90), a leading Professor of Moral Philosophy at Harvard, who fostered pragmatist William James and a phoney school of “American Political Economy,” where he originated the idea of burning all the greenbacks (cremation); Charles F. Conant and his son, respectively agents of the U.S. Treasury, and of the pro-imperial banking establishment; William Graham Sumner, the leading American Social Darwinist of the 19th

Century; Simon Newcomb, today famous for developing the “Quantity Theory of Money,” and other menaces.

Henry Carey knew that it was this oligarchical view of humanity which was the real black heart behind London's economic policies. He polemicized fiercely against Malthus, Social Darwinism, and other bestial ideas. Throughout the post-Lincoln period, Carey wrote continuously defending the nobility of man made in the image of God.

Here is one example: “That we may understand the direction in which [nations] are moving, whether toward civilization, wealth, and power, or toward barbarism, poverty, and weakness, it is needed that we compare their present with their past and satisfy ourselves as to whether their policy has tended in the direction of developing those qualities which constitute the real *man*, the being made in the image of his Creator, fitted for becoming master of nature and an example worthy to be followed by those around him, or those alone which he holds in common with the beasts of the field, and which fit him for taking place among men whose rule of conduct exhibits itself in the robber chieftain's motto, ‘that those may take who have the power, and they may keep who can.’ ”

Erosion of the Carey Forces

After Carey's death, there was no successor. By 1880, the forces around William Kelley were reduced to a small minority in Republican ranks; the Democratic Party was firmly in the hands of the Wall Street/Confederate faction; and the Greenback-Labor Party had already begun to collapse. The Greenback-Labor Party never survived the loss of Carey's strategic guidance. It ran presidential candidates in 1880 and 1884, but sectarian and fringe elements, which had always existed in the movement, increasingly came to the fore, until its disappearance.

Thomas Ewing's efforts to overthrow the Wall Street/Confederate grip on the national Democratic Party failed. The emergence of the “Solid South” electoral bloc relegated the Democratic Party to the role of a regional vehicle dominated by the pre-war slave states.

The British unleashed a rage-filled “populist” crusade to take over the remnants of the greenback movement. This culminated in the 1896 “Cross of Gold” campaign of Ku Klux Klan supporter William Jennings Bryan.¹⁴ Virulently pro-free trade, and absent of any commitment to a scientific or industrial development policy, the Bryan Democracy was nothing but a return to rabid ante-Bellum agrarianism. Based almost entirely on the southern and western Farm Associations, which by the 1880s had replaced the Grange movement as the dominant rural political force, the populists recruited some disoriented western greenback leaders, including James Weaver of Iowa and Ignatius Donnelly of Wisconsin, but never attracted any of the industrial or labor greenbackers,

14. At the 1924 Democratic National Convention, Bryan personally intervened to block a resolution condemning the Ku Klux Klan, that had been introduced by supporters of New York Governor Al Smith.

such as the Knights of Labor.

When the Democrats and Populists both nominated Bryan in 1896 on a “free-silver”¹⁵ platform, the Boston Brahmins organized a split in Democratic ranks and formed the pro-gold standard National Democratic Party (NDP). Founders of the NDP included Social Science Association members Edward Atkinson, Charles Francis Adams, Jr., Horace White, and E.L. Godkin.¹⁶ This was essentially the same Mugwump crowd that had sabotaged James Blaine’s Presidential campaigns in 1876, 1880, and 1884. The Gold Democrats received a dismal 1% of the vote, and the party soon went out of existence; but it had fulfilled its purpose, which was to pressure the Republicans into remaining solidly in the pro-gold camp.

The best of the Republican Party leaders—such as James Blaine and William McKinley—continued the fight for industrial and scientific progress. The key battle which they fought—and won—was in maintaining Henry Carey’s policy of high protective tariffs.

Blaine came within a hair’s-breadth of the Presidency, losing the 1884 presidential election to Grover Cleveland by only 24,000 votes, out of 10 million cast. An unprecedented campaign of smears and slanders was conducted against him in the Mugwump press, led by *Harper’s Weekly*.

In 1890, William McKinley authored the McKinley Tariff which reestablished the high tariff rates of the Civil War, and as President, in 1897, McKinley signed into law the Dingley Tariff, the highest protective tariff in the nation’s history.

All of these accomplishments, however, occurred within a U.S. political environment characterized by the continuing erosion of the Carey forces, and the increasing Anglophile takeover at the top of both political parties. In 1900, for example, McKinley’s Treasury Secretary Lyman Gage—the same Lyman Gage who fought Ewing in Ohio in 1875, battled the Greenback-Labor Party in 1878, and endorsed the Gold Democrats in 1896—convinced McKinley to sign the Gold Standard Act, which officially and legally subordinated the United States to the British Gold Standard. Gage bragged to newspapers that the United States was now “bound by law to maintain a parity of value between all forms of money issued or coined by the United States and the Gold Dollar.” The act also mandated the total withdrawal from circulation, of all

15. After 1874, a number of attempts were made to remonetize silver, including the Bland-Allison Act of 1877 and the Sherman Silver Purchase Act of 1890. Motives varied. Henry Carey endorsed Bland-Allison as way of countering the economic impact of McCulloch’s contraction policies. Blaine backed silver re-monetization for similar reasons. Conversely, many supporters of Specie Resumption, notably John Sherman, backed silver remonetization simply because the U.S. government lacked the gold reserves needed for full convertibility. If some quantity of silver could be minted, then foreign specie obligations could be met more easily. Bryan’s 1896 silver crusade was something else entirely. Absent of any strategic orientation, this was simply single-issue populism run amok, a true Hobbesian worldview.

16. Other activists in the 1896 NDP campaign included Woodrow Wilson and Louis Brandeis.

remaining greenbacks.

Carey’s closest ally in Congress, William Kelly, died in 1890. James Blaine died in 1893. McKinley was assassinated in 1901. From that point on, the Lincoln/Carey policy would have no national voice. This situation would not change until the 1932 cross-party campaign of Franklin Delano Roosevelt, when he reassembled a national political majority, against the “economic royalists” of Wall Street, and in defense of the “forgotten man.”

Restoring Sovereignty

Abraham Lincoln had said, in a speech shortly before his 1861 inauguration, that the American Declaration of Independence “gave liberty not alone to the people of this country, but hope to all the world, for all future time.” The Union victory in the Civil War, combined with the influence of Henry Carey’s ideas,¹⁷ not only preserved that historic mission of the United States, but spread “American System” economics all over the world.

The tragedy is in what might have been. As a result of the defeat on specie resumption, the global power of the British Empire—and its financial hegemony—remained intact. Resumption resulted in the total monetary and financial subjugation of the United States. The Panics of 1873, 1884, 1893, and 1907 were all artificial; i.e., the effects were real, but they didn’t occur due to any internal weaknesses of the American economy. The panics—and depressions—all originated from decisions made in London, which were imposed from the outside on the productive U.S. economy. British oligarchs had a sly phrase to describe this: “When London sneezes, New York catches pneumonia.”

If the policies and outlook of the Lincoln Revolution had continued after the Civil War, the productive economic capabilities of the United States would, in short order, have so far outstripped those of the European colonial powers, that those powers, including Britain, would have continued to operate only as an increasingly marginalized force, within an entirely new global geometry. They would have been forced to adapt to the reality of that new geometry, precisely as Carey had laid out in his 1865 Letters to Schuyler Colfax, “How To Outdo England Without Fighting Her.”

Think for a moment about what transpired in the 50 years following Carey’s death, from 1879 to 1929: European imperialism, World War I, the spread of romanticism and existentialism, the cultural degeneration of the 1920s, the unleashing of the great 1929 depression, and the rise of fascism. Had Carey’s entire economic strategy been implemented, what would the 20th Century have been then?

Now think about the situation we are facing today. Think about the potential for humanity’s development under LaRouche’s New Bretton Woods system, and consider the alternative, if we fail to win our political fight.

17. See footnote 6.

LaRouche in Italy: Keep Up Pressure To Stop Iraq War

by Claudio Celani

In his most recent visit to Italy, Nov. 21-25, American Presidential pre-candidate Lyndon H. LaRouche, Jr. addressed a conference on security in Europe and a press conference organized for him by the Association of Catholic Press; gave television and newspaper interviews; and extended the impact of his already profound influence in Italy. His New Bretton Woods approach to remaking the world financial system was the subject of a resolution voted up by the Italian Chamber of Deputies in September. LaRouche was invited to Italy by the Lombardy Regional Council, and met a Council delegation on Nov. 21.

The candidate spoke to a press conference organized by the Association of Catholic Press, in the Caritas office in Milan, on Nov. 22. The next day, he addressed about 200 people at a conference on “The Demand for Security in Europe,” organized by the Casa d’Europa (European House), a national organization of entrepreneurs, professionals, and politicians, which deals with issues concerning Italy and the European Union. LaRouche was one of three guests of honor invited to speak, with European Commission President Romano Prodi and well-known sociologist Giorgio Galli. Prodi, unable to attend, sent a telegram. Galli opened the morning panel, at which LaRouche spoke.

On Nov. 24, LaRouche visited the Republic of San Marino at the invitation of the government of that small enclave; he met the Captains Regents, as well as officials from the government, the central bank, and some private banks, and spoke to the congress of the Democratic Party of San Marino.

Danger of War Has Not Passed

In each of these interventions, LaRouche explored the relationship between the danger of war and the acute world monetary/financial crisis. He explained that his movement and other opponents of a war on Iraq have succeeded, for now, in stopping the drive for war, but warned that the danger has not passed; the pro-war “Chicken-hawk” faction in the United States is still determined to have its war. Much hilarity met LaRouche’s description of a circumstance in which the anti-war forces include the military, while the pro-war faction is composed of draft-dodgers



Lyndon H. LaRouche, Jr. addresses the congress of the Democratic Party of San Marino on Nov. 24. Many Europeans thought war against Iraq was inevitable, but they were wrong. Enough people in key institutions in the United States accepted LaRouche's argument, that the Utopian faction driving for war was at least stalled. Now, it must be stopped altogether.

such as Vice President Dick Cheney. And these utopian Chicken-hawks are determined to put war back on the agenda, he warned.

LaRouche insisted that Europeans not repeat the mistake of thinking war is inevitable, but instead increase the anti-war pressure.

LaRouche explained to his Italian audiences how the American Presidency works, and said that his special role has been, among other things, to represent Europe's views against war to U.S. institutions, including that of the Presidency. In that context, he argued, keep up the pressure; if we can prevent war through February, it may be that war will not take place.

The Financial System Is Doomed

Turning to the financial crisis, LaRouche demonstrated that the world economy is bankrupt: U.S. banks, the Japanese banking system, major European banks—all are bankrupt. The ratio of short-term financial obligations, especially derivatives, to total world production, makes the debt unpayable. For example: If Brazil accepts International Monetary Fund conditions, both Brazil and the IMF are doomed. If Brazil does *not*, the IMF and major U.S. banks (such as JP Morgan Chase and Citigroup) are doomed. That eventuality would unleash a chain reaction of bankruptcies in the financial system, which could hit as soon as Christmas.

So, a new world monetary and financial system is urgently necessary; among other things, to allow for expanded trade between Europe and Asia, on the basis of 25-year treaties, which must enjoy government backing. The Italian Parliament has taken leadership in the movement toward a New

Bretton Woods, as exemplified by the Sept. 25 resolution from the Chamber of Deputies. For this role, LaRouche noted, Italy has come under destabilizing attack; for example, in the use of U.S. Justice Department-controlled witnesses against Sen. Giulio Andreotti, long a towering figure of Italian politics, now victim of a political frame-up. This destabilization must not stop Italy from pursuing an approach by which she can play a political role worthy of her great traditions.

LaRouche, whose analyses and “strong ideas” are much appreciated in Italy, was extremely well received. In Milan, he was interviewed by the national newspaper *Milano Finanza* and the local TV station Telenova. In San Marino, he was interviewed by the national TV network, and the Captains Regents there welcomed LaRouche as “representing one of the most prominent schools of thought in the economic field, who demonstrated on several occasions, such qualities of interpretation and insight on economic questions, that he is considered an unavoidable point of reference in the international debate.”

The Anti-Defamation League (ADL) and co-thinkers from the Radical Party (who elected the prostitute Cicciolina to Italy's Parliament in the 1980s) tried to sabotage the meeting set for Nov. 22 between Milan's Regional Council and LaRouche, but with signal lack of success (see box, below).

At a dinner with the Regional Council, LaRouche explained that the ADL mobilization had to be seen as part of the effort to destabilize internal Italian politics, and understood in terms of the importance of the Italian Parliament's initiative on the New Bretton Woods, and in the context of the attack against Senator Andreotti.

Lyndon H. LaRouche, Jr.

Solving the Dangers of Economic Crisis and War

American Presidential pre-candidate LaRouche was introduced by Catholic Press Association head Alberto Comuzzi to a Nov. 22 press conference in Milan, organized by the Association. Here are LaRouche's opening remarks to the journalists and others present. Subheads have been added.

First, one should not try to understand the United States, by reading the leading U.S. press. The press represents—or, may reflect—reality, but it never speaks *for* reality. The press in the United States—the major press, including the television and so forth—is controlled by the same financier interests, which represent my opponents. And they represent a very specific financier interest, which is now going bankrupt. For example, all of the major banks of the United States are bankrupt. That can also be said, generally, of the banks of Europe. If you want fiscal responsibility, you have to go to China, or probably Malaysia; otherwise, the world's financial system is collapsing.

The problem is partly a moral problem, in which most of

the population has submitted to an immoral policy, an immoral change, which was put into effect in Europe and the Americas during the middle of the 1960s. By immoral, I would also say, “inhuman.” And the point is, that man is not an animal, and the difference between man and the beasts, is the *essence* of morality. If man were an ape, the potential population of mankind on this planet, would never have exceeded several million miserable individuals. We presently have an estimated 6.2 billion people. The problem is, there's much poverty and injustice around the world; nonetheless, we could support, with what we know today as technology, 25 billion people, in security.

The chief achievement of European civilization came in the Renaissance. For the first time, as a result of the Renaissance, which was centered here in Italy, we created the idea, not of empire, not of ultramontane systems, but rather, [of] individual nation-states, which were sovereign, and in which the sovereign was accountable for the general welfare of *all* of the people—both the presently living and their posterity. This is the principle of the General Welfare, or the Common Good: Which means that the responsibility of government is to understand the nature of the human individual, and to understand the needs of the individual, *because* of that nature. And not merely to take care of the presently living.

Greatest Economic Crisis in Modern History

The majority of current opinion, is not necessarily moral. And majority opinion is not necessarily legitimate. The present opinion must be judged by its effects on two to three

Halloween Comes To Milan

The U.S.-based Anti-Defamation League of B'nai B'rith (ADL) decided to import Halloween to Milan this year. However, instead of Oct. 31, they chose Nov. 21, excited by the opportunity to pull their preferred show: “beware the anti-Semitic LaRouche.” They picked up three young members of the Italian Radical Party—known for its fights in defense of fundamental freedoms like smoking marijuana, firing workers, and inventing new kinds of sex—and gave them instructions: The three youngsters, Alessandro Litta Modignani, Yosha Reibman, and Giorgio Myallonnier, should call on the Lombardy Regional Council (where Milan is situated) to withdraw its official invitation to Lyndon LaRouche.

To achieve that aim, they were instructed to accuse LaRouche of a long list of monstrosities and threaten terri-

ble consequences for those who would not accept their advice. The three Radicals followed instructions. They wrote a release and announced a press conference to demand that LaRouche be “disinvited” because of his “anti-Semitism.” The release supported this allegation with a series of incredible slanders downloaded from the ADL website—including that LaRouche supposedly questioned the authenticity of Anne Frank's *Diary*; it issued a sort of ultimatum to Lombardy Region President Roberto Formigoni and EU Commission President Romano Prodi (a former Prime Minister), not to be involved with LaRouche.

However, at the press conference only two journalists, both from *EIR*, showed up. Later, a third journalist arrived and watched how the *EIR* representatives confronted a demoralized Modignani with the real facts about LaRouche. Needless to say, the media ignored the event, and the Lombardy Regional Council, of course, did not cancel the invitation to LaRouche.

The ADL should learn the lesson: Italians invented Carnival, and do not like to celebrate it out of season.

generations to come.

All right, then, look back at the history of the past 60-70 years: The world came out of a Great Depression, to enjoy the pleasures of war. In the post-war period, Europe and the United States, and much of the Americas as well, concentrated on developing a productive society, rebuilding civilization as a productive form of society; to increase the productive powers of labor; to raise the standard of living; to increase the span of education for the population; and that each succeeding generation should be better than the preceding one. It wasn't so bad. It wasn't good, but it wasn't so bad.

Then, about the time of the beginning of the U.S. war in Indochina, there was a fundamental change in policy and morality. It reminds us of what happened in Rome, during the period of the close and the centuries following the Second Punic War. We, in the past 35 and more years, have done the same thing that led to the doom of Rome. We went from a producer society to a consumer society, *living on the poor of the world*. And we are now being destroyed by our own policy. The idea of "post-industrial society"—a form of mass-suicide; the idea of globalization—the destruction of the nation-state on which civilization depends; the idea of government, accountable to the nation. Strange international agencies are now more powerful than governments. Strange ideas, which were inhuman, predominate.

And now, we're being suitably punished. Over the past 35 years, the degeneration of Europe and the Americas, in particular, has led us into the greatest financial-monetary and economic crisis in modern history. We are now in the end-phase of a terminal crisis, which means the collapse of the present financial-monetary system, within the short term ahead. The financial system is hopelessly bankrupt. The present Anglo-Dutch model of liberalism and free trade *is finished*.

So, we have the cries, again, for fascism, as in the 1930s. We see this in the United States, in the people who are calling for the Iraq war and a general war against Islam. This group is, officially, what's called "international fascists." A form of fascism, in imitation of the Roman Empire. That's what this recent Iraq war question is.

We Can Change the Monetary System

Now, it's not all that bad: We could get rid of the financial system. There are many useful political forces in Italy, which are committed to a reform of the monetary system. In other countries, there's also a commitment in that direction.



At his press conference in Milan, Lyndon LaRouche (center) was introduced by Alberto Comuzzi (right), the Chairman of the Association of Catholic Press of Lombardy, the northern region of Italy.

In the United States, however, there was an impulse for war, which many in Europe foolishly believed was inevitable. And I told them, they were wrong: that the war against Iraq was not inevitable. But, many in Europe, who did not understand the United States' system, didn't think we could stop it. Over the Summer and Autumn of this past year, I had the privilege of being in a key position in trying to organize a stopping of this war. Neither of the major parties were worth anything on this issue. You couldn't tell which was the more rotten, the Republicans or the Democrats. There were a few good ones, here or there, but there was no courage.

But, remember, the United States is not a monarchy; it does not have a parliamentary system; we have a Presidential system.

Under a Presidential system, such as ours, we can have a good Presidential system with an idiot as President. And we, in the United States, have previously done that: We've had, many times, an idiot as President; but the United States survived nonetheless. Because the Executive branch—under our Constitution—the Executive branch is constituted as the *institutions of the Presidency*. These are made up of professionals, inside and outside the institutions of government, including many people in government or who have retired from government service. We refer to these, in the United States, as "the institutions." When the President of the United States wishes to do something, he relies on the institutions, to be capable of doing them.

As you may have noticed, in the case of the Iraq war, the institution which led the opposition, was the U.S. military. The flag-officers whose specialty was ground forces, were in the overwhelming majority against this war, as a piece of stupidity. The loudest voices were many people who had been

retired from military services. But they spoke for people *in* military service. This includes many people, including people in the Congress, in the regular Congressional committees—that is, the permanent staff.

So, what happened is, the people in the institutions accepted my argument. My argument became the following three points. We can stop the war that no one in Europe or the United States wants, if we do three things. We must first put the issue into the United Nations, because we have to have the world have a voice in this. Secondly, we must get Saddam Hussein to accept that agreement. Then, we must get the President of the United States to accept the United Nations' acceptance of Saddam Hussein's acceptance.

The agreement that this be done, was made, before the Nov. 5 U.S. elections, but it was not brought out into the open, until *after* the elections. But, the decision had already been made. So, we temporarily have stopped the war. The fascist element that wanted the war, is trying to do everything *inside* and outside the United States, to make the war happen.

The Treaty of Westphalia Principle

The final point to be made, is how this relates to the economic question. We can not simply count on not having an Iraq war, and assume it won't happen. You do not get peace through war: You neutralize war through war, if it's justified. But, peace must be created in a different way.

The example, in European history, is the work of a fellow who was once called Giulio Mazarini—who became known as Cardinal Mazarin in France—who was committed to a strategic peace in Europe, and used his great influence on French diplomacy, to intervene in the Thirty Years' War, to bring it to an end. And, if you read the first articles of the Treaty of Westphalia, you see a great principle involved there: The first principle of the peace, is, the peoples who were at war must now learn to care for and love one another. And, what is left of European civilization, depends upon that agreement.

Now, today, we have, in Russia, China, India, Southeast Asia, Korea, elsewhere, a great effort to unify this part of the world, for peace, security, and prosperity. A recent conference held in Phnom Penh exemplifies that. I think a recently deceased Cardinal, [Francis Xavier Nguyen] Van Thuan, who was head of *Justitia et Pax*, would have been very happy, to have the news of that meeting in Phnom Penh.

Europe is bankrupt. Europe is not now employing and producing enough people to sustain its own existence materially. The financial system is collapsing. The economic system is being crushed by the collapse of the financial system. Europe's only chance is to open up large markets for exports into places like Asia. You see this in this part of Italy: The export activity of private and small industries from here, is key to Italy's income abroad. The only important increase of Germany's exports, is China.

So, like the Treaty of Westphalia, Europe and Asia must reach an agreement on the *mutual need for cooperation and development of Eurasia, as a whole*. The United States must accept that, and cooperate with it. The nations of Central and South America must be freed from the destruction, which the United States is imposing upon them. And together, we must stop the genocide, and reverse the genocide, in Sub-Saharan Africa—which is primarily Anglo-American intentional genocide against the population of Sub-Saharan Africa.

The solution, therefore, to the economic and to the war dangers, like the Treaty of Westphalia, requires, in a sense, that the nations of the world come to love one another, to find this love expressed in programs of mutual benefit. This is actually not exceptional for the United States. The Founders of the United States, around Benjamin Franklin, had this intention. This is embedded in our Constitution. The greatest leaders of the United States, such as John Quincy Adams, Abraham Lincoln, Franklin Roosevelt, have shared this. So we have to, in a sense, affirm—from the United States—affirm our true Constitutional intention, which is fully consistent with the accomplishment of Cardinal Mazarin in France. And, which, perhaps, would make happy the spirit of our recently departed friend, the Cardinal Van Thuan.

That, in essence, is my message.

Catholic Journalists' Questions to LaRouche

Q: Concerning your presentation: You referred to the worldwide financial speculative bubble. Resolution 40030 of Sept. 25, "New International Financial Architecture"; it carried as first signature, that of the Honorable Giovanni Bianchi. [This is] a motion that has been approved by the Italian Parliament, in which it is said: "The entire worldwide financial bubble has reached the level of \$400,000 billion, of which \$140,000 only in the United States, in relation to a worldwide Gross Domestic Product of about \$40,000 billion."

If I understand correctly, this means that the Gross Domestic Product, i.e., the wealth produced by the entire planet, is a tenth of the total financial aggregation. I would like you to comment on this point.

LaRouche: One of the problems is, the problem of the concept of money, in an economy. There is a natural-law conception of economics, as opposed to a Venetian-style, oligarchical, financier conception. And, this model: When Venice began to lose its state power at the end of the 17th Century, we got two new Venices in northern Europe: The first emerged in the Netherlands, especially around William of Orange; and the second was imported to England by Wil-



In the Republic of San Marino, LaRouche was met by the Captains Regent—the two officers of the Republic’s government—and the Foreign Minister (with arms folded). During a tour of the government buildings, the candidate paused (right) under a bust of Abraham Lincoln, with the letter inscribed which Lincoln sent to San Marino, during the Civil War.



liam of Orange; which took over the entire northern part of the old Hansa area of Europe, as well: Sweden, Denmark, and so forth.

So, from the beginning of the 18th Century, Europe was dominated by a conflict between the Hapsburg interests on one side, with certain ultramontane pretensions—that the Hapsburgs considered themselves Pontifex Maximus. On the other side, you had this Anglo-Dutch liberalism, which is based on privately controlled central banking.

So, with some variations, the history of Europe has been the domination of government by central banks, which are largely independent of governments. This corruption spread into the United States repeatedly, but especially with Woodrow Wilson. The Federal Reserve System of the United States is an unconstitutional approximation of the central banking system, which was put through by force, not by law.

So therefore, the world is dominated by a specific financier-oligarchical control over *money*. The governments of Europe are subject to a concert of financier interests, through the so-called independent central banking systems, which is the old Venetian system looting, of imperial-financier maritime power. And today, that is not merely sea power; that is also air power. Therefore, the controlling interests of the planet over the past period of 35 years, have been *financier-monetary* interests. And the practice of accounting and of finance has been based on *monetarism*.

Now, the most evil expression of this, is by a British-

Dutch philosopher, John Locke. John Locke had the concept of “property,” which is called in the United States, today, “shareholder value.” The assumption is, that the person who has title to ownership of money, must have the right to a certain rate of return on that money, no matter what else happens to them. In other words, a law of *pure usury*. Now therefore, the value of stocks is no longer the value of physical production; the value of stocks is based on a multiple of a yield which is taken out of them. So, as a result of that, we’ve had a vast inflation of financial claims.

Economic Cannibalism Must Cease

Whereas, for example, in the United States, you take 1977 to the present: If you look at *physical* consumption, by households; take the lower 80% of income brackets of U.S. households: The content of consumption has collapsed. Look at the industries. The industries of the United States have collapsed. Similarly, the industries and infrastructure of Italy, of all Europe, have collapsed. The looting of Eastern Europe and the former Soviet Union, is another big collapse of world wealth. Most of the collapse has been caused by usury. Industries are shut down and looted to provide profits for monetary-financial interests.

So what you have in finance: You have, therefore, a pure John Law Bubble in finance. The conflict, therefore, becomes, do we, as nations, impose—as His Holiness has emphasized recently, repeatedly—the Common Good, and insist that the

governments use their sovereign power to *enforce the obligation to the Common Good*? That when there's a conflict between financier interests and the Common Good, the Common Good must prevail. Which means you have to invoke what is called "natural law." Not empiricist natural law, but natural law based on the conception of the special nature of man. And on that basis, then, we have a great discrepancy, but the discrepancy is a moral discrepancy.

The cannibals are eating the people. And the people must defend the people, and cannibalism must cease.

This is the problem. The problem is, where do we find enough leaders?—who agree with this, but who will not say it! And you see the case of Signor Bianchi typifies those in the Italian Parliament, who still believe in natural law. They're not all Catholics. Some of them are secularists, who believe in natural law! So, my job is to—at my age, since I have nothing to lose—is to defend the natural law.

Is It War Over Oil?

Q: Beyond the considerations that inspire Bush against Saddam Hussein, demonizing him as once [Nasser] was demonized—he also was considered and called "Hitler"—I believe that the key issue is the issue of the control of the energy sources, oil. Now you have travelled around the world and know the Third World countries very well. What do you think about this sudden decision by the United States to unleash a war? Do you really think that Saddam Hussein is this devil that they are painting for us?.

Q: [another journalist] Do you believe that the decision-making power in the United States is in the hands of the the Council on Foreign Relations and of the Trilateral Commission? Second question: What do you think of the decision taken yesterday by the leadership of NATO, with respect to a statement that appeared today in *Corriere della Sera*, of the Ministers, that NATO will substitute in the future for the United Nations? Following the [NATO] decision that has created a military force able to intervene all over the world, it is clear at this point that the decision will be taken by America; Europe will follow it. And so we have de facto the center of world power in America, supported by hundreds of military bases in the world.

LaRouche: Well, on the first one, oil is not the primary factor in this. It may be for some interests in the United States, to try to steal control of the oil.

But this also goes over the same area as the second question. The source of evil here, goes back to the middle of the last century—of the 19th Century, I mean (these centuries keep passing me by!).

After the U.S. victory over the British puppet, the Confederacy, and President's Lincoln's kicking the French out of Mexico and leaving Maximilian to swing by his Austrian heels, the United States emerged as the greatest single economic power on this planet. And, coinciding with the 1876 Centennial celebration in the United States, in the aftermath

of the overthrow of Napoleon III in France, there were moves, around the world, to imitate the American model. For example, the national unity of Italy, was a product of this circumstance. In 1877, Bismarck adopted the American model, as the law of industrial development for Germany. In the same period, Alexander II, the Tsar of Russia, adopted the proposal of Mendeleev, the scientist, for railroad and industrial development in Russia. The Meiji Restoration forces in Japan asked Henry C. Carey, who was then the world's leading economist, to assist them in becoming an industrial economy. At a later point, as part of the same policy, Sun Yat-sen was backed by the United States, for the creation of what became modern China.

Therefore, across the continent of Eurasia, there was a great movement in Europe and Asia, for the emergence of a system of cooperative nation-states, based on the success of the American model of agro-industrial development. You see this around Cavour, in Italy; you see this around Betti, and his circle of scientists in northern Italy.

So, the British said, "We're threatened." The British responded with the friends of Thomas Huxley, who was actually a candidate for the position of Satan. And a movement was launched, which was called "geopolitics," under which it was argued that the world *maritime* powers must ally to prevent the continental, Eurasian powers from coming together in a cooperative bloc. As a result of the successful assassination of a U.S. President, McKinley, in favor of Teddy Roosevelt, the United States was switched, from being an ally of the interests of continental Eurasia, to becoming the ally of Britain. And Woodrow Wilson was even worse. And Coolidge was *evil*.

So, Franklin Roosevelt made the turn back to the American Constitutional policy. And, if he had not died in '45, Roosevelt, at the end of the war, would have carried out his intention to destroy the British Empire forever.

The American Tories

To understand the answers to the questions posed, you must take this into account. We've had, in the United States, a treasonous element, which has sometimes been very powerful. This first emerged as a distinct political-social formation, in North America, in 1763. These were known as the "American Tory Party," as opposed to the patriots. They were very close to London; very close to the British East India Company; and to the British Foreign Office. These were the Americans, who were allied with Jeremy Bentham, who ran the secret committee of the British Foreign Office, and whose famous successor was Lord Palmerston. And, there are a lot of people in between that were no good. So, the Spanish monarchy, after Napoleon, had a franchise on the African slave trade, for the British monarchy. This kind of problem.

So, Lincoln, essentially, saved the United States, saved its Constitution. Franklin Roosevelt, again, saved our Constitution. Now, when Roosevelt was dying—and he was already

dying when he went to the Democratic nominating convention, in the Summer of 1944—the American Tory faction moved to force a Vice President on the Democrats, who would be their puppet, when Roosevelt died. That puppet was Harry Truman.

So, this is where the problem starts: The concern of this faction, inside the United States, and Britain—though there are some divisions between them, on the question of who's on top—has been to destroy the character of the United States, which you see, for example, with the cultural paradigm-shift, which was induced from 1964 on: the so-called “rock-drug-sex counterculture.” The Indochina War, which was aimed, largely, to destroy the United States. It's moral destruction; moral destruction of people. Then, you had the Nixon Administration, or better called the “Kissinger Administration,” because Kissinger actually ran it—not for himself, but for the American Tory faction, the Harvard-based American Tory faction. Then you had Brzezinski, who's clinically insane. He's worse than Kissinger. More of a killer. Kissinger likes to watch people die; Brzezinski likes to kill them!

What these people's purpose has been—and they were motivated by H.G. Wells and Bertrand Russell, who's the center of this international faction. And this group was centered internationally, around an organization which still exists, called the Unification of the Sciences Project, launched inside the United States in 1936, by Wells and Russell. Their purpose is to set up a world empire. It's sort of an Anglo-Dutch-Venetian version of a Roman Empire, to destroy all nation-states. Like the ancient Roman Empire, which they copy, they developed what's called a *limes* [“wall”] policy; and their idea was a strategic policy of taking the Islamic population of the world, especially in Eurasia: Make the Islamic population the *limes* target, for permanent warfare.

This is the same group that's running the genocide against Sub-Saharan Africa—and it is deliberately intended genocide. It's not an accident: It's mass murder, by intention. The object is, that if you put, from the area from Chechnya down through South Asia and Southeast Asia, the Middle East, and North Africa, as a target of a perpetual war against Islam, you can thereby prevent the possibility of civilization in Eurasia.

NATO: Dead Man Marching to Prague

The significance of Middle East oil comes in as a part of that, not as a starting point; but it is a reflection of that. For the next 80 years, the cheapest source, and most abundant source, of petroleum for world *will be* the Middle East, especially the Gulf. No part of the world, as a petroleum producer, can significantly rival the Gulf. And the estimates now, are 80 years' supply, at the lowest cost in the world. If you destroy this area, what is the price of oil, as against the need for petrochemical resources worldwide? Imagine the cost of 200 euros, 250 euros per barrel of oil, in Europe: What happens to civilization? With the opposition to nuclear energy, which is the only real alternative?

But, I would say, finally, the optimistic side: NATO got together recently, to conduct its own funeral. NATO will not rule the world; NATO is dead. It was a dead man marching to Prague. Because Europe doesn't want any part of it. But Europe says, “We don't want to fight the United States. We hope the United States will die.” They say, “We won't fight the United States, if we don't have to. We sit, and wait for the funeral.” That's the attitude I get, throughout Europe.

The problem is not the threat of NATO. The problem is the lack of leadership, to address the kinds of things, and say the kinds of things I say. If the world would discuss the truth, especially the truth about the recent centuries of history, or modern European history since the Renaissance, for example, then these things would not be possible! The people would rise. The problem: We have either leaders who are not competent, or who are intellectually competent, but are too frightened to speak. And, as long as you have [that], the majority of people wish to be “little people,” like sheep: They can not defend themselves, except by leaders, who would bring forth in them the capacity to unite for their own interests.

Until we get to the point, where we have men who are truly immortal—in the spiritual sense, the good “little people” wish to be immortal, but that's only a wish. They're not willing to make that come true. They say, “my community, my family, my immediate interests.” The people do not yet see mortality as a *talent*: They're too small. And we require, still, leaders who do have a sense of what immortality is, who will take any necessary personal risk, in order to fulfill their responsibility to humanity. For me, the problem is not the enemy. I know the enemy. For me, the problem is the lack of courageous leaders.

(Oh, I love this Pope!)

Leadership in a Crisis

Q: Concerning a statement of principles on how to act, for a normal citizen. I find myself, when agencies speak. . . . Greenspan: “Rigidity in Japan stops the recovery. The structural rigidity in Europe and Japan,” Alan Greenspan said at the end of a meeting at the Council on Foreign Relations in Washington. Greenspan called for deregulation of the economies. He said one cannot overcome the difficulties, above all in the short term, with the present monetary policies. The only thing to do is to follow the example of the U.S.A. Now I ask myself, as a normal citizen, not as an expert: How do I orient myself, when the international institutions are controlled by the forces I mentioned? I believe survival is a basic natural instinct of the individual.

LaRouche: Well, Greenspan was recently knighted by Queen Elizabeth II, who, herself, is reported to be in trouble: There's a recent British scandal, which reports that a heterosexual was found in Buckingham Palace. But Greenspan would be better off to have received the title of Marie Antoinette. Perhaps he can think on that, when he's sitting in his bathtub, for every two hours a day, or so, as it's reported.

The thing to say: He's like the Fascist regime at the end of its term: He's nasty, but he's insane, but he's also helplessly incompetent. Ask yourself: What happens if you have a 1% U.S. interest rate; or a Japan-style virtually zero-percent overnight borrowing rate? Under conditions, that, already the world system is involved in a Weimar 1923-style hyperinflationary spiral? Let us call up the ghost of the deceased Rudolf Hilferding, the German minister, and ask him how well these kinds of policies worked, in 1923.

The problem is, here's a man who—he and Volcker have spent their life, since 1979, in running the Federal Reserve System, as the worst kind of European central banking system. Or, compare, for a milder example, the history of Italy, since 1976, since the IMF conditionalities were imposed upon Italy. In Italy, you have today, evidence of the systemic destruction of what was the Italian economy of 1975, by the effects of the IMF conditionalities imposed in 1976. You've got, in Milan—which used to be an industrial center—you can drive along the streets in from the airport, and you will find the industries are dying on each side of the highway! And Milan depends largely on a fashion industry, which depends upon increasing the price by diminishing the amount of cloth worn! Which is called "artistic."

We're at a point, where the ruling circles of finance are clinically insane, and in which the so-called experts, are the worst sources of advice. One must get the picture, that we are not in a long-term process, where we can debate these things

over the coming many months. No intelligent person would guarantee to you, that this economy would still be standing by Christmas. We have bubbles like the British housing-mortgage bubble; the rate of bankruptcies and unemployment in the United States, increasing at accelerating rates; you have a spiral of collapse in the German economy.

You have a fellow, Arnulf Baring, who was educated at Harvard under Kissinger, who proposed in Germany, in the *Frankfurter Allgemeine Zeitung*, recently, that Germany must immediately adopt the *Notverordnung* law, under which Hitler was brought to power in Germany, before the current period, and the current crisis! Remember, what the Nazis did: When Hitler was appointed, the Nazis, within a month, burned down the Reichstag, which was done by Göring! They used that for a so-called *Notverordnung* decree, to start the process of the concentration camps, to start the dictatorship. As a result of that, Europe went to war. It was an almost unstoppable process, from the Reichstag fire to the end of the war.

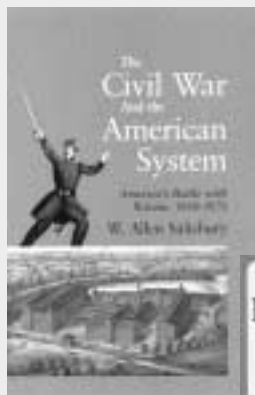
Which comes back to the same thing I said before. The answer is the same. These things are not debatable, except for pedagogical purposes. The point is: What's the alternative? What's the alternative to the insanity, which this man merely typifies? Where's the leadership, as was shown implicitly, by the Italian Chamber of Deputies, on the question of general financial reform? The greatest danger is the lack of leadership, lack of *effective* leadership. And leadership is not the fist: Leadership is the mind, and the courage to tell the truth.

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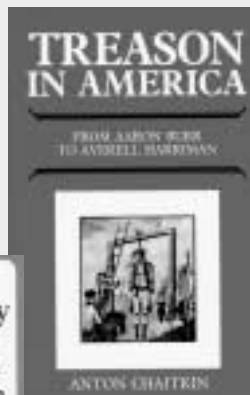
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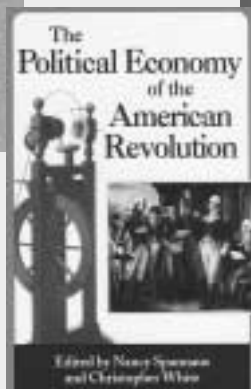
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Italy: Two Provocations With Global Impact

by Claudio Celani

In less than three days, from the evening of Nov. 14 to that of Nov. 17, two provocations attempted to sabotage Italy's leading role in the international fight for a new monetary and financial order, called for in the resolution voted up by the Italian Chamber of Deputies on Sept. 25. The two operations aimed at triggering a left-right political fight in Italy, a conflict among Italian institutions, and a comeback of terrorist violence among so-called "anti-globalist" radical groupings.

On the night of Nov. 14, twenty members of the "Rete Meridionale per il Sud Ribelle," a radical "no-global" (or "new global") organization, were arrested by a prosecutor in Cosenza, on charges of having incited riots at the Naples Global Forum meeting in March 2001, and at the Genoa Group of Eight summit in July of that year. Among those arrested is Francesco Caruso, head of the group. Then on the night of Nov. 17, an appeals court in Perugia handed down a sentence of 24 years' imprisonment for Sen. Giulio Andreotti, several times prime minister and currently editor of the Catholic magazine *30 Days*. The court reversed a previous acquittal of Andreotti for the 1979 murder of journalist Mino Pecorelli.

The two developments seem unconnected, but in reality, are part of a destabilization Italy's role in organizing a New Bretton Woods.

From Florence to Rome

In the aftermath of the nearly unanimous vote of Italy's Deputies for "a new world financial architecture which punishes financial speculation and promotes the real economy," two important institutions, the Catholic Church and the trade unions, moved in October to "kidnap" the Social Forum "anti-globalization" movement from the control of its billionaire moneybags Teddy Goldsmith, terrorist ideologue Toni Negri, and their ilk. It was decided that the European Social Forum rally, scheduled in Florence for the weekend of Nov. 9, should be streamlined to the purpose of prompting a follow-up discussion in the national Parliament on the new financial and monetary reform. In order to do so, it was necessary to prevent the terrorist "Black Bloc" squads from repeating their devastation of Genoa last Summer. This was accomplished at the Nov. 9 demonstration, by a combination of a robust self-defense organization provided by 3,500 trade unionists, and persuading former sympathizers of the Black Bloc to distance themselves from the radical fringes of the movement, and thereby isolating the latter.

Thus, an impressive demonstration against the war in Iraq,

with between a half-million and 1 million people, marched peacefully through the streets of Florence, with no incidents whatsoever. Supporters of that war such as Anglo-American intelligence provocateur, journalist Oriana Fallaci, author of a pamphlet promoting the Clash of Civilizations, were bitterly disappointed; Fallaci lashed out at former trade union leader Sergio Cofferati, who spearheaded the demonstration, comparing him to a modern Napoleon Bonaparte in taking over the "no global" movement.

As a consequence of the Florence demonstration, Parliamentary leaders announced that they would schedule a debate on the issues raised by the event in the near future. Of course, such a debate would be a follow-up and new opening for the New Bretton Woods resolution. This received an exceptional boost on Nov. 14, when Pope John Paul II visited the Italian Parliament, gathered in a joint session of the Senate and Chamber of Deputies. The Pope had previously visited only one national Parliament, in his native Poland. The speech marked the anniversary of the reconciliation process between the Vatican state and the Italian nation, after the achievement of Italy's national unity in 1860.

Pope: Ask 'What More Italy Can Do'

For the first time, a Pope walked as a guest through those very rooms which, a century and a half ago, were the seat of the Church government institutions. In a speech interrupted by applause 22 times and greeted with standing ovations, the Pope called on Italy to project the "universal values" of its Christian humanist heritage to the world, especially as concerns questions of peace and development. Referring to the "splendid traces which the Christian religion has impressed on the customs and culture of the Italian people," the Pope told Italians to ask "what more Italy can do for the progress of civilization."

First, he said, "in order for its characteristic qualities to be more clearly expressed," the nation "needs to increase its solidarity and internal cohesion." This means a "supportive and generous cooperation in building up the common good of the nation. Such cooperation, however, cannot proceed from reference to the fundamental ethical values inscribed in the very nature of the human person. In this regard, in my Encyclical Letter *Veritatis Splendor*, I warned of the 'risk of an alliance between democracy and ethical relativism.' " In fact, he explained, "If there exists no ultimate truth to guide and direct political life . . . democracy without values easily turns into open or thinly disguised totalitarianism." The first task of solidarity, the Pope said, is to solve the "continuing grave crisis of unemployment," which must "be able to count, above all, on constant and close attention on the part of public institutions."

"Tragically our hopes for peace are brutally contradicted by the flaring up of chronic conflicts, beginning with the one which has caused so much bloodshed in the Holy Land," the Pope warned, and then, in a clear reference to the drive toward an Iraq war and general Clash of Civilizations, added that

“Italy and the other nations historically rooted in the Christian faith are, in a sense, inherently prepared to open up for humanity new pathways of peace, not by ignoring the danger of present threats, yet not allowing themselves to be imprisoned by a ‘logic’ of conflict incapable of offering real solutions.”

The impact of the Pope’s speech was so great that Senate chairman Marcello Pera, a follower of “ethical relativist” Karl Popper, felt himself prompted to warn against the dangers of cultural relativism, and to emphasize the correspondence between the concept of Reason and Faith. “Mankind is the image of God and has a value in itself, whatever its condition is,” Pera said. The values deriving from this image, “are based by believers upon Revelation, and by non-believers, justified by Reason or Culture. . . . Such rights are established by our fundamental charters.” Western civilization, Pera reminded the Senate, “is born out of Greco-Roman . . . and Judeo-Christian culture. . . . How else to explain modern democracy without the Greek concept of *boulē* [judgment]? How else to explain our free society of solidarist men, without the concept of *agapē*?”

Pera said the Parliament must adopt laws which are measured with “the standard of the ‘common good.’ ”

The Provocations

The echo of such words had just faded, when the Cosenza operation was pulled, followed by the Andreotti sentence in less than 72 hours. In both cases, evidence points to an outside intervention on the relevant judicial bodies. In the Andreotti case, the Anglo-American connection is evident, and the news of the sentence was greeted with shock and rejection across the Italian political spectrum.

In the Cosenza case, the issue was not whether the people arrested were guilty of specific crimes during last year’s Naples and Genoa riots. The timing of the arrests is relevant: just after the Nov. 9 Florence demonstration, in which the radical group led by the arrested Caruso had participated, and “converted” to non-violence. Furthermore, in order to make the provocation more effective, Cosenza’s prosecutors added a conspiracy charge to, among other things, “overthrow the established economic order,” an old criminal law introduced under the Fascist regime of Mussolini. Clearly, the aim of the operation was to split the left, provoking a violent reaction and turning the clock back to the pre-Florence situation.

In the case of the Andreotti sentence, the blow was aimed at the Catholic political world, of which Andreotti is both a symbol and the most prestigious leader. Although 84 years old, Andreotti still plays a role, behind the scenes, especially as concerns Italy’s foreign policy. His connections to the Vatican are well known, as recently confirmed by the warm greetings expressed by the Pope to the Senator during the former’s visit to the Parliament.

Most importantly, Andreotti had been the first signer of the original motion for a New Bretton Woods, presented in the Italian Senate by Sen. Oskar Peterlini.

Sentencing Andreotti for a crime which involves complicity



The outrageous prison sentence handed down to the distinguished Senator and former Prime Minister Giulio Andreotti is part of an effort to destabilize Italy’s role in organizing a New Bretton Woods financial-monetary system.

ity with the Mafia, amounts to criminalizing 50 years of post-war political history in Italy, during which Andreotti’s Christian Democratic Party (DC) ruled the country through coalition governments. Many former Christian Democrats are today present in government parties, but also in the opposition: These factions feel the attack was ordered by left-controlled factions in the judiciary, the same ones which led the 1992 “Clean Hands” investigation that led to the destruction of the DC and its coalition partners.

However, in the attack against Andreotti, the Anglo-American hand is visible.

Cosa Nostra and ‘Cosa Loro’—Their Thing

The entire allegation against Andreotti is based on statements by Mafia boss Tommaso Buscetta, now deceased, when under the Federal Witness Protection Program of the U.S. Justice Department. According to Buscetta, Andreotti is supposed to have commissioned the murder of journalist Mino Pecorelli in 1979 (when Andreotti was prime minister) because Pecorelli allegedly threatened to publish pages out of DC leader Aldo Moro’s prison diaries, during his Red Brigades captivity (before they killed him), which would be compromising for Andreotti. Buscetta issued such allegations in April 1993, adding that he was told so by another Mafia boss, Gaetano Badalamenti, an alleged accomplice of Andreotti.

Later, other organized-crime figures from Rome (belonging to the “Magliana gang”), repeated the same allegations and implicated two gangsters as the killers, and Andreotti’s friend Vitalone, a former judge, as middleman. In a second statement, however, delivered in June 1993, Buscetta said that he was “not aware of a request by Andreotti to kill Pecorelli.”

On the basis of such statements, Perugia prosecutors indicted Andreotti and a trial took place. No other evidence was produced. Buscetta’s contradictory statements, as well as the lack of objective evidence, led to the acquittal of all defendants. Furthermore, strange aspects of the case came to light:

First, Buscetta, who had been in “collaboration” with Prosecutor Giovanni Falcone, had never said anything about Andreotti to Falcone. Only in 1993, after Falcone was killed, did Buscetta come out with the Andreotti story. The reason is that Falcone would have never fallen into the trap. In fact, in another case, Falcone had prosecuted for slander, another “pentito” (Mafioso turned witness) named Pellegriti, who had “revealed” that Andreotti’s political ally in Sicily, Deputy Salvatore Lima—killed in 1992—was a Mafioso. While rejecting Pellegriti’s allegations, Falcone had hinted at possible “prompters” behind Pellegriti.

Secondly, witness Badalamenti (both Buscetta’s alleged source and Andreotti’s alleged accomplice, and currently in a New Jersey prison) was not produced. The popular jury in the first Perugia trial acquitted Andreotti, Badalamenti, Vitalone, and the two alleged murderers.

The prosecution’s appeal was conducted according to a different procedure: A popular jury was called, but, again, witnesses were not summoned; rather, the evidence “on the record” was reviewed. In such a procedure, if the sitting judge does not properly instruct the jury, it is more difficult to get the full picture. Nevertheless, as Andreotti has reported, the appeal appeared to smoothly follow the path of the first trial—until something happened. On Nov. 15, cancelling the three remaining planned sessions, the judges decided to close the trial and go to sentencing. Though Andreotti did not say so, this looked like outside interference.

Were the judges ordered, or blackmailed, to do so? This could explain why such a stunning sentence was handed down, in which: 1) Reversing the first trial, the appeal court decided to believe only Buscetta, but only Buscetta’s first statements of ten years ago. 2) By sentencing only Andreotti and Badalamenti, and acquitting Vitalone plus the two alleged killers, the court decided not to apply to the latter ones the evidence they applied to Andreotti and Badalamenti. As Andreotti noted the irony, “They sentenced me for a strange murder, for whose execution nobody can be found any more.”

The Perugia appeals court sentence will now be appealed to the Corte di Cassazione, the Supreme Court. It is expected that the appeals court’s “Motivations” will supply a broad base for a successful appeal by Andreotti.

National Denunciations, and Dangers

As expected, the sentence unleashed a wave of reactions. Andreotti received public messages of support from Prime Minister Silvio Berlusconi; from the heads of the Chamber of Deputies and Senate, Casini and Pera; from the head of the Bishops Conference, Cardinal Ruini; and—extraordinarily— from Italy’s President, Carlo Azeglio Ciampi. The main opposition party, the former Italian communist party (DS), which in the past supported the campaign against Andreotti, split into two factions. Its chairman Piero Fassino called for a review of judicial laws concerning the use of Mafia witnesses; but his colleague Luciano Violante, a former prosecutor and head of the DS parliamentary faction, wrote that Andreotti

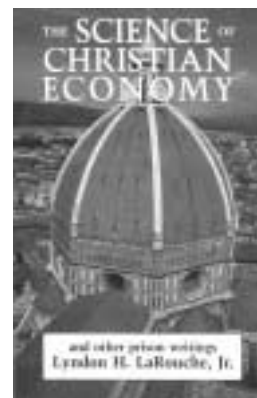
carries “historical responsibilities” for connections between the Mafia and politics in Sicily. Violante has often been indicated as the string-puller of the “prosecutors’ party” in Italy. The Lega Nord (Northern League), through its leader Umberto Bossi, issued statements indicating satisfaction with the Perugia sentence.

Of course, now the danger is that the judicial “false step” against Andreotti may be used by the government in a partisan way, in what many see as Berlusconi’s own private plan for justice reforms aimed at protecting himself from ongoing investigations. Pointing to this very danger, Andreotti repeated that, despite what happened, he is still confident in the justice system and looks forward to the final judgment in the Supreme Court.

In this hot situation, a powerful element of leadership was given by Amelia Boynton Robinson, the 91-year-old heroine of the American civil rights movement, who joined a Nov. 19 press conference in Rome, called by the “anti-globalization” representatives to protest the Cosenza arrests. In front of national press and television reporters, she told the “no global” leaders to abandon any form of violent protest. The newspapers *Corriere della Sera* and *Liberazione* published prominent articles about her intervention, which surely has had a stabilizing impact. For the longer term, if Italian leaders do not fall into such provocations, they can go ahead with the process, just started, for organizing a new international monetary and financial order.

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Italy's Classical Heritage, and Its Role In Solving Today's Systemic Crisis

Lyndon LaRouche spoke to the Casa d'Europa in Milan, a national Italian business, professional, and political organization concerned with issues of economic integration in Europe, on Nov. 23. He opened the morning panel of its conference. Subheads have been added.

Thank you, ladies and gentlemen.

What I should say on the topic which is before you today, pertains to the fact that the world faces, immediately, certain thorough, extensive changes in institutional relations, among regions of the world, and among nations. I shall sketch the points in several successive points; at the conclusion, you will see what my argument is.

To begin with, I want you to look at the situation—between the economic crisis, which is now descending upon the world, and the recent escape we had, from what was thought to be the certainty of an involvement with a general war in the Middle East.

Stopping War Against Iraq

I know that many people in Europe, who do not really understand the institutions of the United States, were persuaded that the United States was absolutely going to a war against Iraq. Now, the war was never inevitable, although it is still possible. Admittedly, the Democratic and Republican Party leaderships both failed to do anything significant to prevent the war. But you have to know that our Constitution of the United States is unique among the constitutions of nations. It is understandable to you, because it's based on principles which were developed in Europe. Our system is a Presidential system, in which the legislature has no significant executive powers; which means, that around the President of the United States, there are permanent institutions, both officially formal and also unofficially formal.

So when I had the problem of trying to persuade my countrymen not to go to a war against Iraq, I concentrated on those institutions, and did not waste my time on the leadership of the political parties. Most visible to you in Europe was the role of the U.S. military. The U.S. military, being a very intelligent body of people, wanted no U.S. war in Iraq. And in our institutions, the retired military play an active function, as well as the serving military.

It is usually the case that the serving military shuts its mouth up publicly, and lets the retired military do the talking. And you probably are acquainted with the role of General

Brent Scowcroft, in opposing this war, and also that of General Zinni, the Marine Corps general.

Military opposition was crucial, but it was only typical. Large sections of the intelligence community, large sections of other parts of the institutions of governments, all agreed. So those of us who were involved in this, agreed on three points. And my function was to articulate some of these conceptions, which they adopted.

First, we must take the question of war out of the hands of the U.S. government, and put it in the United Nations Security Council.

Secondly, we must induce Saddam Hussein to accept that idea.

Thirdly, we must get the United States to accept a favorable decision on the part of the United Nations.

We couldn't do much about it before the election, on Nov. 5. But through negotiations, behind channels, with France and other governments, Russia and so forth, the pre-arrangements were made. And, as you observed, as soon as the Nov. 5 mid-term election was concluded, the pre-arrangements went into effect.

'Ladies and Gentlemen, We Are Bankrupt'

But, that only illustrates a point. We are now, the world is now in the worst systemic crisis in centuries. This is a general breakdown crisis, not a conjunctural crisis. This represents, therefore, a failure of existing institutions, not a normal conjunctural problem within them. This crisis is hitting such that we can expect a collapse of banking systems of entire nations, to occur in the immediate weeks or months ahead. The principal leading banks of the United States are—I can tell you—all *presently bankrupt*. The leading banking institutions of Europe are bankrupt. The Japan banking system is bankrupt.

This is a process of bankruptcy that has been building up over a period of time, since about 1964, but especially, 1971. About 1964, after the assassination of Kennedy, certain changes occurred in Britain and the United States, and spilled over to the rest of Europe, and the rest of the world. As most of you recall, during the postwar period, after 1945, that Europe and other parts of the world underwent a great reconstruction, and recovery, which went from the beginning of the postwar period, to the middle of the 1960s. And beginning with the first Harold Wilson government in Britain, and with the United States entry into the war in Indochina, and the



LaRouche speaking to the Casa d'Europa ("European House") organization Nov. 23, on what Europe must do to escape the economic collapse, and Italy's leading role. The presentation was in the beautiful Large Fresco Room of the Humanitaria Society in Milan.

introduction in the United States and elsewhere of a so-called drugs-rock-sex youth counterculture, that the United States underwent a cultural change; Britain underwent a cultural change, and Europe was compelled to follow.

As a result of that, especially the 1971 decision, the Ram-bouillet decisions of 1975, and especially the post-1982 pe-riod, the world underwent one of the worst periods of degener-ation, and decadence, that we've experienced in modern European civilization.

The world prior to 1964-71, believed in reconstruction, economic reconstruction. The developing countries desired the right, not only for political freedom, but also for construc-tion, agro-industrial development, like that of Europe and the Americas. About the middle of the 1960s, we made a shift, like the shift in Italy which occurred following the Second Punic War. Before then, we believed in production. We went to what was called a consumer society. And like ancient Rome, over the period following the Second Punic War, the United States and Europe became increasingly a consumer society, rather than a producer society—especially after the decision of 1971, the floating-exchange-rate system. Global-ization, and so forth, was nothing but a new form of imperial-ism, in which we looted the poorest part of the world, and their cheap labor and raw materials, so we at home, in Europe and America, could live as consumers, on credit-card debt.

This is a great destruction of wealth, and of the ability to produce wealth, which has afflicted the world as a whole since that time. We have destroyed basic economic infrastructure, railway systems, systems of power generation and distribu-tion. We've destroyed agriculture. We have destroyed our

principal industrial productive capacities. But we have greatly multiplied the amount of financial obligations outstanding, while we have been shrinking our actual physical productive capacities. We have now reached the point that the outstand-ing, short-term debt of the world, is about 10 times the amount of the total GDP of all nations combined.

Ladies and gentlemen, we are bankrupt. The nations are bankrupt. The banking systems are bankrupt. And we are bankrupt because of our own policies. Most bankruptcies oc-cur because the management is incompetent. Or the govern-ment is incompetent. Or the central banking system is incom-petent.

Reorganize Europe's Debt, and Export!

So, therefore, this is what I mean by systemic crisis. We have a cultural crisis. We have destroyed the culture upon which the successful development of European civilization depended. We've engaged in a vast destruction of essential capital, of infrastructure, industry, and agriculture, upon which our prosperity had depended. Therefore, we have to change the system.

This compels us to make, very soon, thoroughgoing changes among institutions. But, using the best lessons of experience in the past.

For example, Europe is, under present circumstances, hopelessly bankrupt. For example: You have in northern Italy, an entrepreneurship, among private entrepreneurs, small ones. Many of these, especially from this northern region, are very aggressive in their export activities. Their performance is excellent. They have very little capital, as you know; it's

self-controlled. They're innovative, adaptive. They're liked in [other] countries, because they go in as partners, not just as salesmen.

Germany has an export potential. Germany has a very large export, to India, and its greatest growth in export is to China.

Now, we could reorganize Europe's finances, even if we had to do it in bankruptcy. Very effective long-term opportunities exist in the world. For Europe, especially in East, Southeast, and South Asia. We could actually organize, with Russia, a reorganization of Russia's debt, to make it a mediating relationship, to the East, South, and Southeast Asia. This means a reorganization of the international monetary system.

But this also means that Europe must develop, organize itself, to become a great exporting giant, for the needs of the markets in East, Southeast, and South Asia. Which means that certain institutional changes within Europe, as existing in an expanded common market, must occur.

For example, long-term export requires 1% to 2% percent long-term credit, 25 years. It requires a fixed-exchange-rate system. It requires a protectionist system. You cannot make a 25- or 15-year long-term investment in Asia, unless you have protection for the area for which you're extending the credit.

So, these things are possible. We have, if we create new institutions, or reformed institutions, we can solve each and

Amelia Robinson Returns to Italy

From Nov. 12-20, Amelia Boynton Robinson, vice-chairwoman of the Schiller Institute and one-time collaborator of Martin Luther King, was again in Italy for a series of public events and official receptions in Rome, Lari (Pisa), Ravenna, and the Republic of San Marino.

Mrs. Robinson spoke on Nov. 12, at a conference organized by the Methodist Church in Rome, and chaired by Paolo Naso, director of the magazine *Confronti*, which will run an interview with her in December, on the role churches should play to stop the war on Iraq and the policy of Clash of Civilizations. Asked repeatedly about the Nov. 5 elections and the role of the Democratic Party in the United States, she spoke at length about LaRouche's role in reviving the party with the tradition of Franklin Delano Roosevelt, in opposition to the national leadership of the party, which considers itself a "private party," free to "nullify the Voting Rights Act of 1965." Robinson was interviewed also by Italian national television Rai Due, in its transmission "Protestantism," which will be aired on the birthday of Martin Luther King.

The second channel of national TV, Rai Due "Educational," also interviewed Robinson on Nov. 13. She spent two lively hours with 80 students of Languages and Literature at the State University "La Sapienza" in Rome, whose teacher had interviewed her in September for the Italian daily *Il Manifesto*; later in her visit, she addressed the Faculty of Political Sciences at the university.

The next day Mrs. Robinson was received officially at the International Fund for Agricultural Development, a UN-connected organization representing 80 nations, with



Amelia Boynton Robinson receiving an award from Lombardy Governor Roberto Formigoni.

an official lunch with its leadership and a public meeting with its 80-person staff. They welcomed her strong call against the war and for economic cooperation, with a standing ovation. In the afternoon she was expected at the Casa delle Donne (House of Women), which hosts 12 women's organizations, and was introduced there by Marguerite Lottin, herself from Cameroon, and representing the Intercultural Center Griot in Rome.

'Month for Peace'

On Nov. 15, Mrs. Robinson was officially received by the Mayor of Lari (Pisa) and two other mayors of the Tuscany Region, for their "month for peace." She spoke at Lari schools, and at a meeting of 200 citizens of Tuscan cities, organized by the Lari Buddhist Center. The center was celebrating "three men of peace": Mahatma Gandhi, Martin Luther King, and the Buddhist leader Ikeda. There, the regional radio interviewed Robinson, Marguerite Lottin, and Bruno Raimondi, president of LaRouche's Civil Rights Movement Solidarity in Italy.

all of the problems of the planet and the regions of the planet. This would mean putting all existing central banking systems into bankruptcy reorganization.

The Utopian Draft-Dodgers Want a War

Now let me conclude, and make one very relevant point, which pertains to the example of the recent danger of the war with Iraq.

What was the cause of the war? Who wished the war? If you look at the group of people behind the war, during the period of the Vietnam War in the United States, they were all draft-dodgers. The people who *oppose* the war were generally flag-officers, or retired flag-officers, who, as lieutenants, cap-

On Nov. 17, Mrs. Robinson moved on to the nearby Republic of San Marino, an ancient independent republic which is still governed by two “Capitani Reggenti,” Regents representing two opposing political factions, governing together, according to an ancient Renaissance tradition, in order to avoid a dictatorship. They received her with all honors in the ancient government palace, thanking her for her campaign for peace and for LaRouche’s program to rebuild the world economy. San Marino’s Minister for Culture displayed the most important paintings and statues of the government palace, including a statue of Abraham Lincoln, who wrote a letter to the San Marino Republic during the Civil War. San Marino’s government television ran a report about Robinson’s visit in its prime time news, under the headline “Angel of Rights.”

In Rome on Nov. 18-19, Mrs. Robinson held a joint press conference with the “Civil Disobedients,” an organization which fights globalization and the Iraq war, which asked her advice. She told them about Dr. King’s fight for non-violence, and his efforts to identify and expel from the movement infiltrators and provocateurs, who had been planted by the FBI in order to provoke clashes with the state troopers of Governor Wallace. The Italian daily *Liberaazione* ran an article about her advice of non-violence the next day.

Just before the press conference, she addressed a packed meeting of students at the most famous secondary school of Rome, the Liceo Giulio Cesare, with 80 enthusiastic youth 16-18 years of age, who listened to her story with tears in their eyes. When one angry young man expressed doubts about the efficiency of non-violence, and Robinson answered his question telling how hate destroys the hater rather than the hated, and dialogue is the only way to solve problems in the family as in politics, all the students stood up with a standing ovation.

Before leaving Italy, Amelia Robinson was interviewed by Vatican Radio for its English program.

tains, and majors, had served in the Vietnam War. So the soldiers were the peacemakers, and the draft-dodgers were the war-makers!

Vice-President Cheney of the United States, for example. The President of United States—the present President—who served in a national guard unit, and avoided service overseas. The hard core of the advisers of the President, *for* war, were Trotskyists beforehand.

What does this mean? You find the same thing is true in Europe. The traditional people do not want this war! They want no utopian schemes. They want practical institutional solutions, to practical problems.

The problem we have in the United States: My enemies in the United States—and I’m proud to have them—are the followers of Bertrand Russell and Herbert George Wells, who invented the idea of a utopia, a world utopia: world government, through a combination of peace movements, and nuclear terror. Many shallow-minded people were taken in by Bertrand Russell and his followers. They tried to piece together utopian schemes, based on, “I like this; I like this; I like this. We’ll put this together and we’ll have a perfect society.”

So, these people with wild-eyed schemes, wanted to make a one-world utopia. So did the Roman Empire. The difference between these people and the Roman legionnaires: The Roman legionnaires established an empire, when they were at the height of their power. These fools want to establish an empire at the lowest level of their economic and mental powers.

Italy’s Role in Development

So, the kinds of things that you’ve been discussing in these institutions are relevant. I think we have to give a global context to them, put them in terms of the total world situation we face now; and base ourselves on durable, proven principles of law, such as natural law, which Italy has a very strong dose of, as a heritage, especially since the 15th-Century Renaissance.

One of the first nation-states, modern nation-states, was created in France, under Louis XI, and in England, under Henry VII. The rebirth of European civilization, after the Dark Age of the 14th Century, occurred in the shadow of the cupola on the Cathedral of Florence—the cupola which had been constructed by Brunelleschi. The reason that the parliamentary system of Italy has taken the leadership in moving toward the reform of the international monetary institutions [see *EIR*, Oct. 4] is, in my opinion—from my contact, and my discussion with these people—because of the heritage of natural law, which is a heritage of Classical Greece, a heritage of the Apostles John and Paul; but also, a heritage of the rebirth of Classicism in Italy in the 15th-Century Renaissance.

And, actually, Italy might just have national enjoyment over the fact that it has that role to play again.

I thank you very much. [applause]

Potential for ‘Strategic Triangle’ Cooperation Grows

by Mary Burdman

During November the three great Eurasian nations—Russia, China, and India—have launched new bilateral and trilateral diplomacy, featuring the unprecedented “triangular” visit by Russian President Vladimir Putin to China and India from Dec. 1-5. Putin’s trip to Beijing and New Delhi will bring together the three members of the Eurasian “strategic triangle”—first officially proposed by then-Russian Prime Minister Yevgeny Primakov in New Delhi in December 1998.

A “community of principle” among the three Eurasian giants is a goal to which Lyndon LaRouche has given great importance, and contributed policy leadership, since well before Primakov’s 1998 statement. China and India, the world’s two most populous nations, each has a continuous cultural history stretching back many millennia; Russia has a scientific tradition and capability, vital for developing the huge Eurasian landmass.

All three nations face great economic and security challenges, which they must cooperate to solve. These problems are being exacerbated by the war drive by the military “Utopians” in Washington, who are already basing a “permanent” war in Afghanistan and demanding more wars in Eurasia. Both Russia and India have been hit with brutal terrorist attacks, including the hostage-taking in Moscow on Oct. 23 and the bloody assaults in India’s Jammu and Kashmir state beginning Nov. 23-24.

Finally there was the Nov. 21-22 “NATO expansion summit” in Prague. While Putin was at it, the Kremlin confirmed his exceptional travel plans. According to high-level Russian and Indian sources, this announcement was a very forceful reaction to the Prague events by Russia, turning to its Eurasian neighbors.

The strategic triangle nations, if they reach a common

perspective for Eurasian development, could now play an irreplaceable role in shifting the dangerous course of history.

Smooth and Measured Transition in China

Putin arrives in China Dec. 1 for a three-day visit, invited by President Jiang Zemin; he will also meet, for the first time, the new Secretary General of the Chinese Communist Party, Hu Jintao, who took office Nov. 15, after the conclusion of the CPC’s 16th Party Congress in Beijing Nov. 11-14. Putin’s long-planned summit with Prime Minister Atal Behari Vajpayee will follow on Dec. 4. He will make an important policy speech to the Indian Council of World Affairs, and on Dec. 5, will meet with leaders of Indian industry, before returning to Moscow.

Plans for this potential breakthrough were made already on June 3-4, when 16 Eurasian nations held the first summit of the Conference on Interaction and Confidence Building Measures in Asia (CICA) in Almaty, Kazakstan. Putin’s planned trip was first publicly noted Sept. 14, when Foreign Ministers Igor Ivanov of Russia, Tang Jiaxuan of China, and Yashwant Sinha of India held their first-ever high-level “triangular” meeting on the sidelines of the 57th UN General Assembly in New York. On Nov. 6, senior policymakers held the second meeting of the Russia-India-China “Trilateral Dialogue” in Beijing. The Dialogue, of leading academicians and institutes, first met in Moscow in 2001, and will meet next in New Delhi, to discuss joint relations and the situation in South and Central Asia.

Without question, an essential element in this diplomacy was the leadership transition which took place in China. As mandated, Party Secretary-General Jiang Zemin—who remains national President until his term expires in March—and

other senior leaders retired, bringing forward the new “fourth generation.” At the same time, there was also frank discussion of the enormous challenges China’s 1.3 billion people face. Observers in Beijing emphasized Secretary Jiang’s sober and truthful report to the Congress. Three issues were emphasized: how to create a “*xiaokang shehui*,” or “well-off society,” for China’s people in the coming decades; the solid results of the five-year campaign to “Develop the West,” generated by enormous investment in building infrastructure; and important political developments.

These last included the enhanced role of China’s democratic parties, which date back to the 1920s and 1930s, in the political process, and the introduction of the concept of the “Three Represents” as an amendment to the Chinese Constitution. The “Three Represents,” first proposed by Jiang Zemin in July 2001, calls on the Party to “always represent the development trend of China’s advanced productive forces, the orientation of China’s advanced culture, and the fundamental interests of the overwhelming majority of the people in China.”

Those who proclaimed this a “capitalist turn,” would do well to read Prime Minister Zhou Enlai’s June 1952 speech on the “Chinese National Bourgeoisie.” Zhou Enlai stated then, that it was “essential” for China, with its huge population and backward economy, to use the “initiative” of its entrepreneurs, most of whom had remained in China after the Revolution.

‘A Passage of Civilizations’

Within the triangle, the steady growth of China-India relations is going in a direction not seen since the 1950s. Most remarkable: The commander-in-chief of the Central Command of India, Lt. Gen. Dinash Singh Chauhan, was the first military official to meet the new chief of staff of the Chinese People’s Liberation Army, Gen. Liang Guanglie, in Beijing on Nov. 25. General Liang is also a member of the Central Military Commission of the CPC. He emphasized that India and China do not regard each other as a “threat;” both generals stated the importance of inter-military ties, and the current negotiations between India and China on border issues. The meeting took place at the time of the 40th anniversary of the short but sharp 1962 border conflict between India and China; some 4,000 kilometers of joint border is undemarcated.

Joint trade, which was a focus of the visit of Chinese Prime



Vladimir Putin and Indian Prime Minister Atal Bihari Vajpayee meet in New Delhi. Putin will meet Vajpayee and Jiang Zemin in early December. The “Strategic Triangle” makes possible, and depends on, realizing the potential of Eurasia-wide “New Silk Road” development.

Minister Zhu Rongji to India in January, is rising towards an all-time high of over \$4 billion for 2002, and grew especially in the third quarter. Chinese exports to India are up 34.4% over 2001, and Indian exports to China, up 22.7%. Trade grew by almost 25% in 2001. Zhu Rongji has called for expanding bilateral trade to \$10 billion in the next two to three years.

On Nov. 21, Chinese Vice Foreign Minister Wang Yi was in New Delhi for the 14th meeting of the Joint Working Group (JWG) on the India-China boundary. The two sides did not exchange maps on the contentious “western sector” of the border—which involves Kashmir, and therefore, Pakistan—but the meeting was, according to Indian Foreign Secretary Kanwal Sibal, “held in a positive and forward-looking manner.”

More important strategic issues are coming to the fore, which should, as the Calcutta *Telegraph* wrote Nov. 13, put “irritants,” such as China’s close ties to Pakistan, “to the background.” Prime Minister Vajpayee was invited by Zhu Rongji to visit China, and the date—put back by the two-month delay of the Beijing Party Congress—is under discussion. Vajpayee’s visit will be the first by an Indian Prime Minister to China since that of P.V. Narasimha Rao in September 1993; before that, there was the groundbreaking visit of Rajiv Gandhi in December 1988.

Vajpayee would also officially meet Hu Jintao, who favors improving Sino-Indian bilateral relations “from the historical perspective and a long-term viewpoint.”

Beyond that, relations depend on a full dialogue of these two great civilizations, which have had many exchanges



New Chinese party chairman Hu Jintao will meet Russian President Vladimir Putin during the latter's extraordinary triangular diplomatic tour of both Beijing and New Delhi, from Dec. 1-5.

over thousands of years. As C. Raja Mohan, editor of the Indian daily *The Hindu*, wrote Nov. 21, “the time is now” for India and China, to “declare their national commitment to transform the Himalayas from the political barrier they are today, into a passage between the two great civilisations.” Vajpayee’s visit to China requires “one big idea,” Mahon wrote, and this should be it. The perspective should include “reopening of the historic silk road that runs between Sikkim and Tibet.”

Indian press report that India asked President Putin to extend his visit to New Delhi, but he thought this not urgent, since their bilateral ties are already “cloudless.” Gen. Andrei Nikolayev, chairman of the Russian State Duma’s standing committee on Defense, stated on Nov. 26, as he left for a seminar on the Russian-Indian strategic partnership, “India is the only country with which we share all the cutting-edge military technology available to us, because it is a long-term investment in Russia’s national interests and strategic security. Our alliance will not be against anyone, but for molding a new security calculus to face the new challenges.”

At another such seminar in New Delhi Nov. 22, the spokesman for the Russian Ambassador expressed Russia’s wish, that India would join the Shanghai Cooperation Organization (SCO), the leading Eurasian security cooperation organization, which was founded by China, Russia, Kazakstan, Kyrgyzstan, and Tajikistan. Uzbekistan joined in 2001.

There is one real problem in Russian-Indian ties, which is that trade and economic links have stagnated, and are in no way commensurate with their level of political relations.

India’s Junior Minister for External Affairs Digvijay Singh told the Nov. 22 seminar that the two sides will expand cooperation in science and technology, where they have a “natural synergy.” Singh said that Indian trade with Russia was only worth \$1.4 billion. Large defense deals will be finalized during Putin’s visit.

‘Bridges Between East and West’

Chinese Foreign Minister Tang Jiaxuan was in Moscow Nov. 23, to participate in the Foreign Ministers’ meeting of the SCO, and to meet Putin and Russian Foreign Minister Ivanov. Putin told Tang that he hoped his China visit “would succeed in reaching new boundaries in cooperation.” Economic relations are crucial; Chinese-Russian trade rose to more than \$10 billion in 2001. “Without China, a lot of Russia’s heavy industry would collapse,” journalist Fred Weir quoted Sergei Kazyonov, an expert with the Institute of National Security in Moscow. China is “practically the world’s only willing customer” for Russian nuclear technology, hydro equipment, civilian airliners, and other heavy-engineering goods.

On Nov. 26, Vsevolod Ovchinnikov, a “grand old man” of Russian-Chinese relations in the last century, wrote in the official Russian government newspaper *Rossiyskaya Gazeta*, that the Russian-Chinese “strategic partnership for the 21st Century,” already established by 1998 and confirmed by the treaty signed by Putin and Jiang Zemin in 2001, has brought relations to “a qualitatively higher level” than ever before. Unlike the Stalin-Mao Zedong 1950 agreement to a military-strategic alliance against the United States, the current strategic partnership, not aimed against any third party, has “the goal of building a new world political and economic order.” While trade has been growing “at the unprecedented rate of 33% per year,” Ovchinnikov wrote that Putin has been calling for even greater economic cooperation: “energy bridges” from Russia to East Asia, including the gas and oil pipelines from Russia to China.

“Given their geographic positions in Eurasia, Russia and China are uniquely situated to function as bridges between the East and West, forming the equivalent of the ancient Silk Road,” Ovchinnikov wrote. He stressed not only “the modernization of the Trans-Siberian railroad” and its connection to the Trans-Korean railroad, but—unlike some less-developed circles in Russia—gave equal weight to China’s “Second Eurasian Continental Bridge” from Lianyungang to Rotterdam.”

Ovchinnikov noted that the SCO ministers, at their Moscow meeting, had emphasized growing relations with the Association of Southeast Asian Nations (ASEAN). There is real progress in developing the ASEAN+3 (China, Japan, South Korea): “It would be most beneficial,” he concluded, “to include in this the representation of Russia,” creating a “consultative mechanism according to the formula ‘ASEAN plus Four.’ ”

Will Glazyev Lead Russia Out of Crisis?

by Jonathan Tennenbaum

As the parliamentary elections, due to be held at the end of 2003, loom larger on the horizon, to be followed by Presidential elections in 2004, the political scene in Russia has become more and more lively. Attention is focussed especially on the future of the “opposition forces” centered on the Communist Party of the Russian Federation (CPRF), which is still by far the largest single political organization in the country.

In the recent period, attempts have been made to build a much broader political movement, integrating not only the “left” forces of the CPRF, the Agrarian Party, etc.; but also increasingly politically active sections of the Russian Orthodox Church, scientists and intellectuals, major sections of the military and security forces, industrialists, and regional leaders, who regard themselves simply as patriots and defenders of Russia as a nation, but who do not necessarily share the Marxist or other traditional left “ideology.” In the effort to organize these latter forces, the Popular Patriotic Union of Russia—(Narodno-Patriotichesky Soyuz Rossii, NPSR), formed in 1996 and currently allied with the CPRF—is destined to take on a reinvigorated and expanded role. Given the mood in the Russian population, an alliance around the CPRF-NPSR could potentially win an overwhelming victory in the parliamentary elections, transforming the political geometry.

Rising more and more to a position of national leadership, in this context, is Sergei Glazyev. The brilliant 41-year-old economist and Duma Deputy once served as Minister of Foreign Economic Relations (1992-1993) under Boris Yeltsin; later as a key adviser to the late Gen. Alexander Lebed at the Russian National Security Council (1996); and until last Spring as Chairman of the Duma Commission for Economic and Business Policy. Glazyev, who is not a member of the Communist Party but was elected as part of the CPRF slate, is the best known and most outspoken critic of the neo-liberal “reform” policies of Gaidar, Chubais, and the present Kasyanov government. His book on the destruction of Russia’s economy under these policies, *Genocide: Russia and the New World Order*, was published in 1998 and brought out in English by *EIR* the following year.

Leader Emerged From Apparent Defeat

While favoring the development of private enterprise in Russia, Glazyev insists on the urgent need for large-scale state-directed investments into the productive base of the

economy. He emphasizes infrastructure and the so-called “science-intensive” areas of industry, reorganization of the banking and credit system, protectionist and related measures to defend and mobilize the national economy. In June 2000, Glazyev, who has studied and discussed the work of Lyndon LaRouche and his collaborators for many years, invited LaRouche to Moscow to address a special Duma hearing on the crisis of the global financial system.

Over the last half year, Glazyev’s prominence on the Russian political scene has grown dramatically. From merely a well-known economist and outspoken parliamentary voice, Glazyev has come to be regarded as an emerging national leader, with the potential to become Prime Minister or even President of the country.

This process began, ironically, with an apparent defeat, when Glazyev was removed from his post as Chairman of the Duma Economics Committee in May, as part of an overall “coup” against opponents of the government’s “free trade” economic policy in the Duma committees. This followed President Vladimir Putin’s annual address to the nation, which was extremely weak on economics and widely read as a signal that Putin would do nothing to change the basic direction of economic policy.

The speech was a stunning disappointment to those who had earlier seen signs that the President was seriously considering a shift in policy, along the lines proposed by Glazyev. Indeed, Putin had, not long before that, met with Glazyev and his mentor, Academician Dmitri Lvov. Putin had commissioned, via his newly founded State Council, the drafting of an alternative economic program, the Ishayev Report, of which Glazyev was one of the principal authors (see *EIR*, March 2, 2001).

Following the May “coup” against him in the Duma, Glazyev issued a programmatic political statement, published in the Russian military-connected intelligence weekly *Zavtra*, declaring that “nothing positive can be expected from the President,” given his current policy orientation and weakness in the face of the so-called oligarchs.

Glazyev proposed launching an all-out mobilization of “patriotic forces” in Russia to build up an independent political force in the country, able to force a change in policy. He emphasized the necessity, given the totally deadlocked situation in Moscow, of shifting the emphasis of political organizing “into the regions” of Russia. In June, he personally spearheaded that mobilization, by declaring his candidacy for



Sergei Glazyev

governor of the Krasnoyarsk region, after the sudden death of its governor, Glazyev's former chief at the National Security Council, General Lebed. Arriving as a complete outsider, and faced with the region's highly corrupt local political machines backing his opponents, Glazyev understood that he had no real chance of winning the election.

That, however, was not the real purpose of his intervention. He used the race to develop a new electoral strategy for the CPRF-NPSR, centered on presenting to the population a clearly articulated, concrete program for the economic reconstruction of the region, backed up by "binding agreements" by candidates and officials, to carry out the program. Based on this tactic, and a very active election campaign, Glazyev gained third place in the first round on Sept. 8, with a stunning 22% vote, ahead of several well-known and popular local figures, and not far behind the two leading candidates.

Russian Campaigner for Individual Creativity

This unexpected result set off a political earthquake in Moscow, with even liberal newspapers such as *Nezavisimaya Gazeta* and *Izvestia* declaring Glazyev a new leader of the national opposition. Now, little more than two months later, a new phase has evidently begun, with an intensive series of media appearances and declarations by Glazyev and other figures close to the CPRF-NPSR—and an obvious escalation of counter-operations against them. On Nov. 21, Glazyev issued a long, programmatic policy declaration for the CPRF-NPSR, entitled "No Room to Retreat!", which is being serialized in the newspaper *Pravda*. Beginning with an analysis of the situation in the country, Glazyev declares that the 2003 parliamentary elections present the "last chance" to save the nation from total economic and social disaster, resulting from the irreversible loss of scientific-technological and industrial potentials.

"The future of the nation lies in our hands," he writes, denouncing attempts to weaken and split the CPRF-NPSR, and calling for more forces to coalesce around a program to rebuild the country. In a remarkable analysis of the mood in the Russian population, Glazyev emphasizes that the overwhelming majority would support the kind of program he proposes, but that the mass media and other forces have created an array of myths and appearances—a "virtual reality"—which confuses and disorients a large part of that potential base. That includes, for example, what Glazyev calls "the myth of division of politics into "left" and "right." To win, "we must tell the truth," he insists, polemically attacking the rigidity and dogmatism of the Communist Party, and telling it to put away impotent clichés about "class struggle" and take real responsibility for the country as a whole.

Victory, he says, requires uniting the population around the ideas of social justice, economic development, and scientific-technological progress, "which is impossible without the free exercise of individual creativity and the creation of the conditions for realizing the creative potential of each person."

A Strong Military Voice

A few days before the appearance of Glazyev's declaration, one of the most respected figures in the Russian military, Gen. Leonid Ivashov, published a devastating attack on the present government and its policies, in the newspaper *Sovetskaya Rossiya*. "The state is presently not able to solve even a single problem concerning the national security of Russia," Ivashov declared. Nothing effective had been done, he charged, to counter the Bush Administration's new doctrine of "pre-emptive war," nor to rein in Israel, nor to stop the spread of the U.S. military presence into Central Asia.

Echoing Glazyev earlier, Ivashov said no positive initiatives could be expected now from the Kasyanov government, nor even from Putin himself, whom Ivashov charged with trying to divert attention from the real problems facing Russia's national security. Ivashov reminded his readers that, according to the Russian Constitution, power resides with the people, implicitly demanding a political mobilization of patriotic opposition forces in the country.

In the middle of this heated-up situation, the notorious "oligarch" Boris Berezovsky, living "in exile" in London, has launched an obvious attempt to coopt and split the CPRF-NPSR, and to counter the programmatic strategy of Glazyev. In an article in *Nezavisimaya Gazeta*, entitled "An Alliance of the Communists and Liberals," Berezovsky—who has been on a public rampage against Putin—proposed a "dirty deal" between the two sides to win the parliamentary elections, hinting unmistakably that he would finance it! At the same time, he demanded the CPRF reject an alliance with "certain circles in the NPSR which are well known to be working as a Trojan Horse for the Kremlin." This may well refer to Glazyev himself. He is extremely outspoken in his criticism of present policies, but has refrained from personal attacks against Putin, insisting on a "positive opposition" that places the well-being of the nation first, and defending the state against destabilization.

The day after Berezovsky made his shameless "offer," *Nezavisimaya Gazeta* published a stinging rejection of it by the Chairman of the Communist Party, Gennadi Zyuganov, who said, "Yes, we are ready for alliances, but not with the people who are destroying our country." On the other hand, two weeks earlier, the chief editor of the nationalist *Zavtra*, Alexander Prokhanov, strangely decided to fly to London to conduct a sensational interview with Berezovsky. Later, apparently, at least two CPRF deputies also went to meet Berezovsky, suggesting that Byzantine maneuvering and dirty deals are being attempted.

Glazyev has remained aloof from all of this, noting that some deliberately circulated discrediting rumors—to the effect that he had received money from Berezovsky—are nothing but an obvious attempt to undermine his growing authority and support in the country. The coming months promise to be very interesting, indeed.

Fascist Laws Back on Agenda

The government is whipping up hysteria over terrorism, in order to give itself police-state powers.

The government put Australia on an unprecedented “medium security alert” on Nov. 19, based upon “credible information” provided by the United States and Britain, that terrorist attacks on Australia were very likely within the next two months. The alert followed by six weeks the bombing of the Sari Club in Bali, Indonesia, in which 87 Australians were killed; and by several days the alleged latest statement by Osama bin Laden to Al-Jazeera TV, calling Australia a terror target due to its wholesale support for the United States policies on Iraq and the “war on terror.”

Such is the background, in which the Liberal/National Party government of Prime Minister John Howard is attempting, once again, to ram through draconian police-state legislation, which would turn the domestic intelligence agency, the Australian Security Intelligence Organization (ASIO), into a Gestapo with the ability to pick up and “disappear” people at will. The government-drafted bill, the ASIO Legislation Amendment (Terrorism) Bill 2002, would allow ASIO to pick up anyone they claim might have information about terrorism (including lawyers, journalists, or anybody else), and hold them for seven days without charges. Those detained, including children as young as 14, would be held incommunicado for the first 48 hours; only after that, would they have access to a lawyer; and then, only a government-approved lawyer. Anyone deemed not fully cooperative could be sentenced to five years in prison.

The bill originally provided for indefinite detention incommunicado, in-

cluding for children as young as ten. Popular outrage, unleashed to a large degree by a mobilization of Lyndon LaRouche’s associates in the Citizens Electoral Council, led to some changes in the law, and to its finally being consigned to a Senate committee in late August, where it was expected to languish indefinitely.

But Australia’s second major party, the Australian Labor Party (ALP), has reversed its earlier, CEC-instigated opposition to the bill, in favor of a deal with the government, which could see the legislation pass Parliament as early as December.

Even without the bill, ASIO is already acting like a Gestapo. Beginning Oct. 27, under pretext of investigations tied to the Bali bombings, ASIO launched a terror campaign against Muslims in Australia, with balaclava-clad agents wielding automatic weapons, smashing down doors in the early morning, and holding all residents, including children, at gunpoint (see “Australian Raids and American Assassinations,” *EIR*, Nov. 22, 2002). ASIO’s charter only allows it to analyze and collect intelligence. But Australian Federal Police Association president Jon Hunt-Sharman told a Senate committee on Nov. 18 that the raids were organized by ASIO, which also did the interrogations, with police on hand only to “deal with the rough stuff.”

Under criticism for the raids and for his support for the police-state bill, ASIO Director General Dennis Richardson defensively told the Senate committee the same day that, “I have my views and they don’t come from a mad, driven perspective of wanting to

break laws and infringe on people’s rights.”

The federal police-state legislation is flanked by similar bills in several states, particularly in New South Wales and Victoria. N.S.W. Premier Bob Carr has introduced legislation giving the police extraordinary powers to conduct searches without warrants for a seven-day period. Carr has additionally said that anyone who lives a “suspicious lifestyle” could expect to be investigated under the new laws. In Victoria, Premier Steve Bracks announced on Nov. 22 that if his ALP government is returned as expected in the state election of Nov. 30, he will introduce legislation allowing police to secretly break into homes or vehicles in search of “evidence of terrorism.”

While many groups have protested the government’s drive for a police state, only the CEC have blown the whistle on the cynical fraud of “fighting terrorism.” In Nov. 7 testimony to the Senate Legal and Constitutional Committee, the CEC cited LaRouche’s remarks on the Oct. 19 Internet radio broadcast, “The LaRouche Show”: “There are no independent powers of terrorism—it’s like some crazy James Bond thing, some secret power, supranational power, outside government, the big enemy you have to defeat. There is no such international terrorism. Terrorism is an operation, which, to the extent that it’s strategically significant, is run by governments.”

The CEC also submitted three *EIR* reports on international terrorism, which documented LaRouche’s charge, including how the United States, the British, and the Israelis founded all modern “Islamic” terrorism, through their creation of the Mujahideen resistance to the Soviets in Afghanistan in the 1980s.

With 'Nobody Home' in D.C., LaRouche Steps In To Lead

by Michele Steinberg

"I am the only visible person actually qualified to become the next President of the U.S.A.," said Lyndon LaRouche, in an interview published in a leading Mexico City daily, *Excelsior*, on Nov. 19, shortly after LaRouche, a Democratic Presidential pre-candidate for 2004, had visited Mexico. "Presently, I am functioning as an 'FDR Democrat' and also a future such 'President in the wings,' providing the policy-guidance which a President of the United States should be providing now, trying to make the incumbent President, in effect, a real President, despite the fact he was never, in fact, pre-qualified to become one." To fully appreciate LaRouche's point, one need only look at Washington, and the spineless behavior of the U.S. Congress, especially the Democrats, after the Nov. 5 elections.

On Nov. 22, with the country in the ravages of an economic depression, with tens of thousands more layoffs being announced for the coming months, and 46 out of 50 states reporting that they are in severe budget crisis, the Congress recessed and fled Washington. Congress left behind a "Go to Hell" message to more than a million Americans who will be cut off from unemployment benefits on Dec. 28, because the Bush White House, and both parties in the House and Senate, *refused* to reach an agreement on extending the desperately needed unemployment benefits.

Among the other things Congress ignored in the session was disaster relief for a collapsing agriculture sector. Over 78% of all 3,019 U.S. counties have been designated disaster areas this year by the Secretary of Agriculture, mostly because of severe drought; 40% of U.S. counties were declared disasters in both 2001 and 2002. A proposal for \$6 billion in aid for farmers and ranchers (livestock feed, crop loss aid, etc.) was before the Senate on Nov. 19, with Sen. Max Baucus (D-Mont.) and others backing it, but was dead when Sen. Trent Lott (R-Miss.) said it must wait until the new Congress con-

venes in January. No overriding votes could be mustered in the outgoing, Democratic-led chamber. Of this failure, National Farmers Union President Dave Frederickson said, "Congress has essentially asked many farmers and ranchers to head into the holidays with increased debt and the threat of liquidation or bankruptcy."

It is in this context—of widespread flight from reality on the part of many elected officials—that LaRouche has developed the policy of a "Super-Tennessee Valley Authority," and is leading the fight to save the United States from this combined disaster of depression and the global war pushed by the neo-conservative faction in the Bush Administration.

LaRouche Moves Into the Void

In an interview on the weekly Internet radio program, "The LaRouche Show," on Saturday, Nov. 23, Dr. Debra Freeman, LaRouche campaign national spokeswoman, spoke bluntly about the failures of the Democratic Party, and also about Rev. Sun Myung Moon's sex-cult corrupting of Congress. Freeman said that in losing the Senate to the Republicans, the Democratic leadership of Sen. Joseph Lieberman (D-Conn.) and the organized crime-linked Democratic Leadership Council (DLC) had accomplished what had been virtually unheard of in recent American elections: allowing a sitting President to *gain* seats in a mid-term election. The "secret:" There was no opposition. Lieberman not only represented the legacy of Al Gore's defeat, but went full-tilt into turning the Democrats into "a second Republican Party." Democratic voters simply refused to support any candidate associated with Lieberman's war and austerity policies.

Under these conditions, "Mr. LaRouche stepped into the void and put the solution on the table," said Freeman, referring to LaRouche's idea of a "Super-TVA," to dispense long-term, low-interest Federal government-backed credits to kick-start

a massive infrastructure program, and put millions of Americans back to work. But, warned Freeman, “although it has precedent in U.S. history, in some of the policies of FDR, in order for us to enact Mr. LaRouche’s proposal, we are going to have to reverse deregulation, the crazy budget caps, and the entire balanced budget mentality. It requires . . . the most dramatic shift that we have seen, perhaps, since the American Revolution. This shift is 30 years overdue.”

The Moonie-Utopian Corruption

“Prior to the Nov. 5 election,” Freeman said, LaRouche “had very clearly targetted Joe Lieberman, and actually his alliance with Sen. John McCain [R-Ariz.], as something pernicious in U.S. politics that had to be wiped out.” Through his international efforts to expose the dirty, organized-crime networks behind war-mongers McCain and Lieberman, LaRouche had jammed up the drive for war against Iraq, at least for the time being.

Freeman vividly described the corruption inside the Democratic Party, around Lieberman, Gore, the entire DLC, and its “go-fers” such as former Gore campaign manager Donna Brazile, who was praising George W. Bush’s campaign guru, Karl Rove, as a “genius,” who should be copied by the Democrats. Brazile, working for Washington, D.C.’s Congressional Delegate Eleanor Holmes Norton, “is best known for single-handedly sabotaging our efforts [in 2001] to prevent the closing of D.C. General Hospital,” Freeman said. Brazile “operated literally as a lobbyist for genocide” (see *EIR*, Nov. 29, 2002).

This DLC crowd is an “enemy operation” inside the Democratic Party, not just because they are in league with the Republicans, said Freeman, but because they are, in the tradition of British Empire utopians H.G. Wells and Lord Bertrand Russell, enemies of the very idea of the nation-state and the American Founding Fathers’ concept of the General Welfare. And beneath the DLC’s corruption of the party, “We didn’t have to look too closely,” she said, to find the involvement of “the Unification Church . . . the ‘Moonies,’” which LaRouche has identified as “the biggest single source of corruption and perversion in the United States.” Using “dirty money, combined with sexual favors,” said Freeman, the Moon operation is “eating away at the very backbone of the institutions people have to depend on for survival,” even targeting clergymen across America, including African-Americans. There can be no solution to the crisis, “as long as you have a cancer like this operating in the United States.”

As a commitment to cleaning up this poison, the LaRouche in 2004 campaign has produced a million copies of a leaflet called “Is Your Clergyman or Congressman a Moonie Sex-Cultist?” Topping the list of those who have gotten Moon’s dirty money, are the Iraq war-mongers, Lieberman and McCain.

No wonder that Lieberman was the sponsor of key elements of a police state: the Department of Homeland Security,

and the creation of an “independent commission”—brain-child of him and McCain—supposed to investigate the “intelligence failures” of Sept. 11, 2001. Boasting that Homeland Security was really his idea, Lieberman directed Democrats to drop their opposition to the bill, ramming it through in the lame-duck session. And as for the “independent” commission—whose chairman was announced on Nov. 27 as Sir Henry A. Kissinger, self-professed agent of the new British Empire—that is nothing but a 9/11 equivalent of the Warren Commission, which covered up the assassination of President John F. Kennedy. The 9/11 commission will sanctify the phony story of Osama bin Laden’s authorship, leaving U.S. domestic operatives off the hook.

Youth Movement Ready To Take Over

These dirty operations are being challenged by the most effective political force in the United States—LaRouche’s campaign. Freeman revealed that *because* of the depth of the crisis, “just below the level of Congress, we are seeing among state legislators and other elected officials, who have to answer to the population, a renewed sense of seriousness and openness.” Freeman said she expects that before the 108th Congress is sworn in, there will be emergency fiscal-crisis hearings in about 25 states. Even more crucial is LaRouche’s growing National Youth Movement. This is “an army of American youth who will fight for their future,” Freeman said, “because they know that without the Classical culture and the richness of ideas offered to them by LaRouche, the rest of society, especially their parents, the Baby Boomers, “are handing them a garbage heap.”

These youth “want a future, not only for themselves, but for everybody on this planet. . . . This represents the optimism” needed to conquer the panic that the American people are facing in this deepening depression. “They are a mobile strike force,” Freeman promised.

Crisis Spreads From Health Looter’s Blowout

by Edward Spannaus

As the FBI, Securities and Exchange Commission, and other agencies step up their investigation of the fraudulent operations of National Century Financial Enterprises (NCFE), the number of bankruptcies growing out of its collapse is rising, imperiling a significant section of the U.S. health-care sector. The insane HMO system, and the increasing privatization of health-care, created the circumstances under which NCFE and its cronies could loot the health-care system nigh unto death.

NCFE operated as a front for some of America's, and the world's, largest financial institutions—including J.P. Morgan Chase, Bank One, Crédit Suisse First Boston, and European giants Allianz AG and ING (see *EIR*, Nov. 29). NCFE bought up the accounts receivable of hospitals and other institutions, “bundled,” them into what are called “asset-backed securities” and sold them on the bond market. Now, the bondholders, the banks, and National Century's partners and clients are all at each other's throats, claiming fraud and scrambling for what's left of the assets. Known bankruptcy cases filed so far include:

- NCFE and 13 related entities and bond funds;
- Doctors Community Healthcare Corporation (DCHC) and five hospitals: Greater Southeast and Hadley in Washington, D.C.; Michael Reese in Chicago; and Pine Grove and Pacifica of the Valley in California.
- Med Diversified, a provider of home health-care services and medical equipment, and at least six of its subsidiaries, including Tender Loving Care Health Care Services and Chartwell Diversified Services.
- Life Care Solutions, a home health-care company operating in California and other Western states.
- PhyAmerica Physicians Group, which provides 2,200 doctors to emergency rooms in 30 states, who care for over 3 million patients a year; plus affiliated firms.

Fighting Over the Spoils

While hospitals and other health-care providers are going under, the big push in the investigations and bankruptcy proceedings around National Century is to try to protect the bondholders and investors. Various reports indicate that the FBI investigation was opened at the behest of bondholders, and that the FBI is investigating whether former NCFE head Lance Poulsen, his wife, and two other founders of the company, funnelled money to health-care companies they own, as part of a scheme to defraud investors. Attorneys for bondholders are searching for hundreds of millions unaccounted for, and it is reported by the *Wall Street Journal* that a committee of bondholders, including Allianz AG's Pimco, has retained the Wall Street law firm Milbank Tweed Hadley & McCloy. In court papers, Bank One is accusing NCFE of engaging in “systematic financial trickery” and “manipulation of books and records,” including financing “future receivables,” for services not yet rendered.

In the DCHC bankruptcy proceedings in Washington, attorneys for that hospital are arguing that they need whatever money is coming in from insurance payments to keep their hospitals open, but NCFE says the money is pledged to them. “It's not theirs,” an NCFE lawyer said on a teleconference with the Washington courtroom on Nov. 21. “Just because it's a hospital doesn't give them a right to come in and steal our money.”

However, in a second hearing on Nov. 26, a Federal bankruptcy judge allowed the five hospitals run by DCHC to use

their incoming accounts receivable, to keep their hospital doors open, at least through the first two weeks of December. The judge did not rule on the actual ownership of the receivables, and NCFE did not press the matter, apparently fearing they might lose.

According to a source familiar with the thinking of the NCFE attorneys, their attitude is that they are under “new management,” (presumably the J.P. Morgan-led board of directors), and that the “old management,” i.e., Poulsen and company, is now a matter for the FBI to deal with.

Crédit Suisse First Boston, which underwrote most of the NCFE bonds, announced that it was taking a \$214 million write-down on NCFE bonds it holds, stating the losses are the result of “what appears to be a massive fraud at NCFE,” and adding: “It is increasingly apparent that NCFE and its officers deliberately misled CSFB and other investors.” However, the *Wall Street Journal* reports that the financial problems at NCFE began to surface internally as long as three years ago, and that this “could raise uncomfortable questions for Crédit Suisse First Boston, which pitched the bond offering to investors without any mention of National Century's existing financial trouble.” And Med Diversified filed a civil suit on Nov. 15 against NCFE, bond fund trustees J.P. Morgan Chase and Bank One, and Hal Pote, a J.P. Morgan executive who is also a director of NCFE, charging *them* with fraud. The trustees will likely also be targeted by bondholders.

D.C. Crisis Getting Worse

It is in Washington, where the impact of the NCFE/DCHC bankruptcies is being most sharply felt. Last year, there was opposition from the District Council, and a pattern of fraud and racketeering by National Century and its partner DCHC, was documented by *EIR* and the LaRouche movement-led Coalition to Save D.C. General Hospital. but the Mayor and the Financial Control Board shut down the only full-service public hospital in the city, and turned the District's public health-care system to a private consortium called the D.C. Healthcare Alliance, led by DCHC.

Even before the DCHC bankruptcy, other hospitals in the city were being overwhelmed by the rising workload as a result of the D.C. General shutdown. Now, with DCHC's Greater Southeast Hospital cutting back services, the situation is truly disastrous. Not only are the other hospitals treating more patients, but they are rarely reimbursed by the Alliance for their services. Washington Hospital Center is dropping out of the Alliance, saying it is owed \$9.5 million. “This was an ill-conceived plan that has been mismanaged throughout the process,” says an official of George Washington University Hospital's parent corporation. “The burden on us has become overwhelming and we can't continue to play this game. The whole thing is a tragedy.”

“We have been hugely impacted by the closure of D.C. General and the slowdown at Greater Southeast,” Sister Carol Keehan, CEO of Providence Hospital, told the *Washington*

Times. “It is very difficult to deliver the level of care we want, when the ambulances are coming in so hot and heavy.”

Meanwhile, the D.C. General outpatient clinics, which provide such services as ambulatory surgery and cancer treatments, are overwhelmed, waiting times have doubled and tripled, supplies are short, and the pharmacy is outdated. And at Greater Southeast, machines are often broken, because maintenance contract or repair bills haven’t been paid. “We are operating in a 1970s mode,” a doctor says. “People aren’t dying yet, but they will.”

In the face of this, there is increased discussion in the D.C. Council of the need for a new public hospital. And Council member David Catania has revived his proposal for an Urban Health Care Campus, including a new public hospital, in partnership with the National Institutes of Health, to be built on the D.C. General site. Catania says this “would marshal the resources of the Federal government and allow for cutting-edge treatment of our most pressing health-care needs.”

Catania’s proposal is clearly a step in the right direction, and would properly—although he doesn’t say it explicitly—put the onus on Congress to provide for the health and welfare of the nation’s capital. It is consistent with, but more limited than, Lyndon LaRouche’s proposal, issued in May, for restoring D.C. General as the centerpiece of a national health-care security program, under the supervision of the U.S. Surgeon General.

A Presidential Thanksgiving Message

by Lyndon H. LaRouche, Jr.

Nov. 28, 2002

Look ahead two years, to a better day, Nov. 25, 2004, when, if you are truly fortunate, I shall have been elected the next President of the U.S.A., and will be sending a Thanksgiving message to the outgoing President, George W. Bush, Jr. The only presently debatable feature of that outcome is, which political party had lived long enough to have nominated me?

There is not a single, presently existing major political party of any nation of the Americas (excepting, possibly, Mexico’s PRI) which is presently likely to remain in existence as still a major political party two years from now. Two facts about the U.S. situation are clear. First, I would be elected as an echo of President Franklin Roosevelt’s Democratic Party mission, and also the Abraham Lincoln tradition. Second, no existing U.S. party, major or minor, presently qualifies for that mission and tradition. A similar, paradoxical situation prevails in the currently principal parliamentary parties of the

Americas and in Europe. In fact, unless the Democratic Party soon abandons its current “middle way,” it were likely to disintegrate over the coming year.

As Senator Ted Kennedy made the point some years back, “This country does not need two Republican parties,” a fact which his niece, then running for Maryland’s Governor, seems to have overlooked recently.

It is a paradox which we, including the world’s leading political cartoonists, must receive in good humor. Great calamities such as most of the world has brought upon itself today, must always be approached so, letting appropriate moments of laughter lighten and dispel the moments of darkness. That said, around Europe and the Americas today, there is hardly a single major political party which is currently worth shucks when it comes to the actually crucial issues of each passing moment.

A decades-long moral and intellectual degeneration of the political parties of the U.S.A. and western Europe underlies the the shameful degree of general failure of those nations’ established parties to deal effectively with the two deadliest issues of the past two years. The first of these is that U.S.-led drive toward a global and virtually perpetual state of religious warfare pushed by such voices as the combined Clash of Civilizations dogma of Bernard Lewis, Zbigniew Brzezinski, and Samuel P. Huntington. The second is the currently spiralling economic collapse of the utterly rotten present world monetary-financial system. There have been spotty exceptions to this pattern, as late as during the recent election-campaign of Germany’s Chancellor Schroeder, and from Italy’s Parliament’s support for a new Bretton Woods monetary agreement; but even these have been spotty exceptions, and no more.

You should all have foreseen this coming. I explain.

‘Like a Bowl of Pottage’

The present virtual bankruptcy of leading party systems, is not an episodic coincidence; it is the reflection of a systemic form of moral and intellectual rottenness which has been the dominant trend in the politics of the U.S.A., Europe, and Japan, among other locations, since the combined effects of the assassination of U.S. President John F. Kennedy and the official launching of the 1964-72 U.S. war in Indo-China. The characteristic feature of this moral degeneracy, which also spread, after relevant 1971-1982 developments, throughout the Americas, has been a shift of the English-speaking powers’ influence; a shift away from their earlier cultural commitment to the domestic characteristics of a producer society, to a morally degenerated form of imperialistic “post-industrial” “consumer society.” The leading political parties of the nations assumed the internalized characteristics of that downshift in morality.

This fungus of “post-industrial” moral and economic decadence spread its spores into the collective mind of popular culture and political opinion. So, the political parties spread

their corruption into popular opinion; so, corrupted popular opinion impelled the leading parties into new depths of moral and intellectual decadence.

Now, the long-wave of decadence, launched from within the U.S.A. and Harold Wilson's Britain during the middle 1960s, has run out its skein. The economic decline has been but the most obvious of the markers of a culture, like the Biblical Belshazzar, now celebrating its imminent doom. A monetarist policy, reigning over a "post-industrial," "consumerist" practice, has used the lunacy of price-earnings-ratio capitalization to drive nominal financial assets beyond the limits of the real universe, while real physical values have been in an accelerating collapse, as measurable per capita and per square kilometer.

The system is doomed, but the political parties' view of popular opinion works to defend that monetary system, by methods of so-called "fiscal austerity" which accelerate the rate of destruction of the physical basis for human existence. The parties sold their souls as if for "a mess of pottage." Therefore, as long as they cling to their present values, they have become worse than useless for dealing with the crises of our time.

The Iraq Issue

It would be a foolish exaggeration to suppose that the possibility of an Iraq war has been put behind us. The madmen associated with the United States' Cheney, Rumsfeld, Wolfowitz, and Perle, have been blocked for the moment, but, those "foxes," so to speak, "are still running loose in and out of the hen-house." On that account, work remains to be done.

Nonetheless, the danger of a lunatic war was deflected. On this account, the political parties, especially the U.S. parties, were each more miserable moral failures than the others. The tilt toward sanity from within the U.S.A. came chiefly through the institutions associated, explicitly, or implicitly, with the U.S. Presidency.

This war-danger is inextricably mixed up with the global economic and monetary-financial crisis. If a general Middle East War is forestalled past February 2003, a failure to launch a counter-austerity, FDR-style recovery program, means that the issue of general warfare will be back on the table in late 2003.

We are in a period of world affairs comparable to 1929-33, but much more dangerous. If so-called democratic institutions remain as degenerated as the U.S. parties, for example, showed themselves over the recent two years, especially the past year, then the likely course of world events is generalized economic disintegration and a kind of warfare reminiscent of either the 1511-1648 interval in European history; or, worse, the Fourteenth-Century "New Dark Age." The history of Weimar Germany from the fall of the Müller government to the Jan. 30, 1933 appointment of Adolf Hitler as Chancellor is worth revisiting for sources of insight into the present situ-

ation.

The failure of Germany's political parties, led to appointment of ministerial governments. When the German generals, a ministerial factor, also failed, by failing to prevent Hitler's appointment, in the events of Feb. 28-30, 1933, the horrors of Hitler and World War II became inevitable.

Today, we in the U.S.A. should be grateful for that recent intervention of the institutions, on which I placed my confidence in recent matters. However, no possible escape from a world depression is possible except through enactment of laws which nullify all of the 1971-2002 anti-FDR reforms in economic, monetary, and financial practices. This requires laws enacted in the Congress and the Federal states, as applicable. The enactment of such laws by means consistent with our Constitution, requires political parties. We must create that political combination by a mission-oriented regroupment of the viable elements salvaged from the presently failed political-party system.

What that needed regroupment must be is not yet to be seen. The starting-point should be an energetic effort to assemble some bi-partisan rallying behind certain specific missions. I have led in defining what is sometimes labelled a "Super TVA" of infrastructure-building to restart our collapsing national economy. However, that program requires a prerequisite, a clearing the terrain by a single, simply stated piece of general legislation, which a) states that we are presently gripped by a deadly emergency, a national systemic physical-economic collapse for which "fiscal austerity" is inherently counterproductive; and b) stipulates that laws on the books, which would prevent recovery programs such as those of the 1933-1964 interval, must be suspended for the duration of the present national economic emergency.

My personal role in this undertaking is unique, and at least virtually indispensable. Political parties which are viable, must emerge from a process of reconstruction. For this my candidacy is presently indispensable.

Whatever comes of that initiative, will determine the future politics, and party structures of the nation.

As Mathew Carey saw, long ago, the rot in our political-party system, is not a matter of a few bad apples in the barrel. The rot is in the barrel.

So, have a happy Thanksgiving, and let us hope that Christmas actually comes.

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Chicken-Hawks Rev Up Anti-Saudi Campaign

by Arthur Ticknor and Jeffrey Steinberg

Although President Bush hosted a White House celebration honoring the Islamic holy month of Ramadan, and issued a statement rejecting Christian Zionists Jerry Falwell and Pat Robertson's latest blasphemous rantings against Islam, there are other ominous signs that the campaign by Vice President Dick Cheney and his Chicken-hawk faction, to destroy the 60-year Saudi-American partnership, is escalating once again. The Chicken-hawks—the Utopian faction predominantly composed of individuals who have never served in the military, and who are committed to a “Clash of Civilizations” against Islam—are furious that they did not get their pre-election Iraq war; that plan was jammed up by an intervention into the institution of the Presidency, where the indispensable factor was the leadership and movement of Lyndon LaRouche, the only qualified 2004 U.S. Presidential candidate.

Five recent developments, in particular, suggest that some heavy political firepower is being brought into the renewed drive to demonize the House of Saud and create a rupture in relations between Washington and Riyadh.

Over the Nov. 23-24 weekend, the Chicken-hawks' Saudi-bashing campaign got deeply personal, with allegations that Princess Haifa al-Faisal, the wife of Saudi Ambassador to Washington Prince Bandar bin Sultan, had written checks that wound up financing two of the accused 9/11 hijackers, when they first rented an apartment in San Diego. Both *Newsweek* and *Time* ran lengthy stories in the editions that hit the newsstands on Nov. 25, with *Newsweek* taking the accusatory tone, that the Saudi Embassy was funneling money to al-Qaeda terrorists, either out of naiveté, carelessness, or, intentionally. At the center of the allegations are two Saudi citizens who lived in the United States for a number of years: Omar al-Bayoumi and Osama Basnan. The Saudi Embassy confirmed on Nov. 25 that Princess Haifa had written checks, drawn on Riggs Bank accounts to Basnan's wife, to help her pay medical bills. Some were counter-signed over to al-Bayoumi's wife; it is alleged is that several thousand dollars went to help two hijackers, Nawaf Alhamzi and Khalid Almidhar, rent their San Diego apartment in January 2000.

A spokesman for the Saudi government, Adel al-Jubeir, appeared on television talk shows on Nov. 23-24, to denounce the allegations that the Ambassador's wife had willfully financed the hijackers. “To think that Princess Haifa, whose father [King Faisal] was murdered by a terrorist in 1975,



Saudi Ambassador Prince Bandar bin Sultan is investigating the charges against his Embassy, made in the U.S. media, for supporting terrorism: The charges, even as reported in the press, make circumstantial evidence look solid by comparison.

who's a mother, who's a grandmother, would write checks to people who give it to terrorists is crazy,” he told the ABC News “This Week” program on Nov. 24.

U.S. officials confirmed that the whole al-Bayoumi/Basnan affair was thoroughly investigated seven months ago, and both men were cleared of suspicion of terrorist ties and allowed to leave the country. *EIR* sources indicate that the entire affair was recently hoked up by the neo-conservative faction, including some people within the Congressional Research Service, to blow up the U.S.-Saudi relationship.

Senators Join the Fray

On Nov. 24, on cue, Sens. Joe Lieberman (D-Conn.), John McCain (R-Ariz.), and Richard Shelby (R-Ala.) appeared on the Sunday talking-heads shows, to rant against the Saudis and demand a probe of the royal family's possible connections to the 9/11 attack.

“The Saudis have been engaged in a Faustian bargain with the radical Islamic fundamentalists for many, many years,” spewed McCain on ABC's “This Week” show. “In order to stay on the throne . . . huge amounts of money have gone to these organizations.”

Moonie-owned Lieberman, bashing the White House for not being as aggressive as it should be about the Saudis, warned that the Washington-Riyadh relationship could be broken. “The FBI and maybe other parts of our government have seemed to want to almost defend the Saudis, or not be as aggressive as they should be about the Saudis,” he said on CBS's “Face the Nation.” “The President ought to be demanding a full public accounting from the FBI and the CIA about what they knew about Saudi involvement. Either [the Saudis] have to change, or the relationship we have with Saudi Arabia is going to change dramatically.”

“We should follow the money trail wherever it leads,”



Sen. Richard Shelby (R-Ala.) led the anti-Saudi attack on the Sunday talk shows on Nov. 24. "The royal family continue to support the terrorists," Shelby charged.



Sen. Joseph Lieberman (D-Conn.) accused the FBI of protecting Saudi figures from investigation.

said Shelby on ABC's "Good Morning America" on Nov. 25, and "if it leads to the higher echelons of the royal family, so be it. . . . The Saudi princess, a lot of the hierarchy of the royal family continue, I believe, to support the terrorists through various organizations."

CFR Spearheads the Attack

The media assault on the Saudi royal family is part of a larger attack, which began with the release of a Council on Foreign Relations (CFR) study on "Terrorist Financing." The task force that prepared the study was chaired by Maurice Greenberg, the chairman of the giant insurance company, American International Group (AIG). Greenberg is not only an establishment fixture, having served as chairman of the New York Federal Reserve Board, and as a member of the "Pioneers," the group of George W. Bush financial backers who contributed and raised more than \$100,000 for Bush's 2000 electoral campaign. He also is a leading figure in the American Zionist community, having established the Maurice Greenberg Center for Judaic Studies at the University of Hartford in Connecticut.

Greenberg has been a leading behind-the-scenes figure in the United States intelligence community, who, at one point, was being mooted to be the Director of Central Intelligence. In 1986 Greenberg parlayed his close friendship with CIA Director William J. Casey, to get the Reagan Administration to carry out a coup d'état that removed Philippines President Ferdinand Marcos from power in 1985. The fact that a figure like Maurice Greenberg is now setting his sights against the House of Saud, is not to be taken lightly.

The CFR report contained a particularly venomous attack on the Saudis for failing to control the flow of charitable funds into terrorist groups. "For years, individuals and charities based in Saudi Arabia have been the most important source of funds for al-Qaeda," it stated. "And for years, Saudi offi-

cial have turned a blind eye to this problem." The report totally ignored the underground illegal weapons and drug flows, which provide a far larger source of cash to the mujahideen terrorist apparatus. Needless to say, there was no mention of the fact, emphasized recently by Lyndon LaRouche, that Osama bin Laden began his career on the U.S. payroll, and that nobody has ever discovered the termination of that status.

Recommendations included blocking the U.S. assets of Saudi citizens, businesses, and financial institutions, by designating them as associated with terrorist organizations, under the International Emergency Economic Powers Act.

A National Security Council task force, according to the Nov. 26 *Washington Post*, is going to make a recommendation to President Bush that he give the Saudis a deadline to close in on terrorist financing operations, or face undefined penalties from the United States.

The Foundation for The Defense of Democracies

Another element was the emergence of a neo-con "Chicken-hawk" front group, which is playing a key role in the Saudi-bashing campaign. The Foundation for the Defense of Democracies was created in the immediate aftermath of Sept. 11, 2001, and its stated mission is "to conduct research and education on international terrorism." Most recently, the FDD has been running a joint project with a Northern Virginia-based one-man operation, called the Saudi Institute, of Ali al-Ahmed, to vilify Saudi Arabia in the U.S. media. The head of the FDD is Clifford May, who is currently the vice chairman of the Republican Jewish Coalition. The vice president of FDD is Nim Bombs, former Officer of Public and Academic Affairs at the Israeli Embassy in Washington. The FDD's advisory board is co-chaired by former CIA Director James Woolsey and former Speaker of the House Newt Gingrich (R-Ga.). The Board of Advisers includes: Richard Perle,



Hearings called by Sen. Arlen Specter (R-Pa.) on Nov. 20, featured decades-long Israeli Likud Party agents as "expert witnesses" on Saudi activities.

the head of the Defense Policy Board, which hosted the July 10, 2002 Pentagon conference in which speakers called for the U.S. military occupation of the Saudi oil fields; William Kristol, editor of the rabidly anti-Saudi and pro-Ariel Sharon *Weekly Standard* magazine; Frank Gaffney of the pro-Sharon Center for Security Policy; Gary Bauer, the Christian Zionist; and Donna Brazile, the former manager of Al Gore's Presidential campaign.

The alliance between FDD and the one-man Saudi Institute has been promoted by Fox News and Daniel Pipes. Pipes appeared on an Aug. 27, 2002 Fox TV interview along with al-Ahmed, to denounce President Bush for failing to publicly raise the issue of human rights in Saudi Arabia, when he met earlier that day with Saudi Ambassador Prince Bandar. Another senior adviser to the FDD, Stephen Schwartz, recently authored *The Two Faces of Islam: The House of Saud, From Tradition to Terror*, a book-length rant against the Saudi royal family. He represented the FDD at the June 2002 Capitol Hill forum, co-sponsored by the Hudson Institute and the Aspen Berlin Institute, where speakers called for the American military to take over the Saudi oil fields and overthrow the House of Saud.

Congressional Hearings

The U.S. Congress has also jumped into the Saudi-bashing act, holding several high-profile hearings on terrorist financing, which have also featured some of the most notoriously biased witnesses, making the most slanderous allegations against Saudi Arabia. On Nov. 20, Sen. Arlen Specter (R-Pa.) chaired hearings of the Senate Judiciary Committee on funding of international terrorism, with witnesses Nathan Lewin and Alan Gerson. Lewin has been one of the most important protectors of the Israeli espionage operations against the United States for decades. In 1978, he intervened to cover up the anti-Saudi espionage activities of Stephen Bryen, who was caught by eyewitnesses, passing classified

Pentagon documents to officials of the Israeli Defense Ministry at the Madison Hotel in Washington. Bryen went on to be a top official, under Richard Perle, in the Reagan-Bush Defense Department.

More recently, Lewin penned an article in *Sh'ma*, calling on Israel to assassinate the family members of suicide bombers, arguing that such action is justified under Jewish Talmudic law. "The nation whose civilians are killed or maimed should, by 'targetted assassinations' or other means," he wrote, "be free promptly to execute the immediate relatives of the suicide bombers." Such measures are justified, he argued, because the Torah commanded the "total eradication" of nations posing a threat to the survival of Israel.

In his Senate testimony, Lewin demanded that Federal prosecutors share their investigative files with private attorneys who are waging civil lawsuits against purported financiers of terrorism. Lewin is now in Federal court in Chicago, suing to seize all of the assets of the Holy Land Foundation for Relief and Development. "The law should authorize," he said, "the distribution and the availability of information that Federal prosecutors gain in their investigations, to the private attorneys general. . . . Grand jury and other investigative materials should be disclosed to private attorneys for their actions, under court order."

The co-panelist with Lewin at the Specter hearings was Alan Gerson, who is a lead attorney in a \$1 trillion lawsuit against the Saudi government and many prominent Saudi bankers and business leaders, accusing them of having been responsible for the Sept. 11 attacks. While the basis of the lawsuit is a tissue of lies, the intent of the attorneys and sponsors of the action is to drive an even deeper wedge between Saudi Arabia and the United States, by forcing Saudi investors to pull their funds out of America, for fear of having them frozen and outright seized in the bogus legal action.

Gerson maintained that the lawsuit is not "unwarranted interference in America's foreign policy," calling on Specter to defeat the "pernicious maneuverings" to stop the lawsuit. "We are intent," he said, on going after "Saudi interests," which total about \$860 billion in the United States.

Rep. Dan Burton (R-Ind.) delivered subpoenas to the Saudi Embassy the week of Nov. 18, demanding all of their financial records. While the records are protected by diplomatic immunity and treaties, the grandstanding by Burton was intended to cast the shadow of coverup on the Embassy.

There are clearly sane figures inside the Bush Administration, who are dead-set against any revival of vicious Saudi-bashing efforts. But the continuing presence of Paul Wolfowitz, Richard Perle, Douglas Feith, Lewis Libby, and scores of lesser Sharon-backers inside the Bush national security team is a matter of ongoing concern. It is well known that if you repeat a lie often enough, people begin to believe that it has a kernel of truth. The architects of the "Get Saudi" drive are obviously banking on such logic.

Today's Generation of Youth Has a Unique Opportunity

With this Nov. 16 opening session of a "West Coast cadre school," some 250 young leaders and organizers of Lyndon LaRouche's National Youth Movement had attended three weekend such gatherings in North America within 10 days time, on both coasts and in northern Mexico. This is LaRouche's opening presentation to about 90 youths meeting in the Los Angeles area; it was followed by hours of discussion with the Presidential candidate.

This is a touchy subject. It's touchy for the population in general. But I think that you have now matured sufficiently, to be able to digest, and accept, what I have to say; at least respond to it, in a constructive, rather than, shall we say, "freaked-out" manner.

The question is, the subject of history, and looking at the present moment, inside the U.S. and the world at large, as really *history*, not current events. By history, we mean that certain principles of behavior, which are embedded as fixed or changeable values, like axioms of a geometry, embedded in the institutions of the people, their government, and so forth, and among governments, around the world, determine a long wave of history, which runs from one, two, or more generations. As opposed to current events, which is sort of "connect the dots" of who hit whom recently, or is about to hit someone tomorrow.

So, as opposed to that connect-the-dots current events view of history—which is not history, at all—we have to look at history as the unfolding effects of certain axiomatic features of existing institutions and culture. For example, take the case of your situation: You are now the victim of three successive generations of people who are more or less alive. People of my generation, who are, shall we say, the "grandfatherly generation"; we're a little bit nicer than your parents—the so-called "Baby Boomer" generation. And, you are the victims of rearing in a society, which is dominated currently, in most positions of government, and similar institutions—universities—by the Baby Boomer generation. And therefore, those changes which have occurred in U.S. and world culture over this period, which have molded the circumstances in which you live, and have molded, also, the set of rules, either stated or implicit, which control the circumstances to which people respond today.

So, that is really history—a process of unfolding determi-

nation, of human voluntary changes, in the axiomatic assumptions and conditions under which they live. And these changes are looked at, not in terms of the short term, not immediate reactions, not as current events, but changes in the course of the unfolding of the development of society: where society goes, toward Hell, or upward. Those are the kinds of things, which are most important. So, when we study history, we should be looking at that.

Popular Opinion, and Tragedy

Now, my particular "shtick," as some people would say, is the way this works, from the standpoint of my function as the world's, now currently, most successful (that is, on performance) physical economist; the most successful forecaster known on this planet, today, over the past 35 years or so, that I've been on record as making written forecasts of the way things are going, and I've never been wrong. The reason I've never been wrong, is because I understand this principle of history: how events unfold; how, over successive generations, societies change.

Now, what I concentrate on, which is my *forte*, is not only that it is the so-called "Platonic principle" of discovery of universal physical principles, which enables us to cut through the veil, to cut through the curtain: the curtain of sense-perception, into the world of physical reality beyond what we sense. That is, what we sense is experience, but that is not the reality, which causes that experience. We have to look for the *principles*: the principle of universal gravitation, for example; or the principle of least action; or the principle of quickest action, which determine the way the universe actually works. Principles which can not be seen, can not be touched, can not be smelled, can not be felt. But we know them, and we are able to use these principles to change the way we behave, so that we gain increasing control of the human species, over the world around us, and the universe around us.

So, that's what we're concerned with. So, the question is, whether the principles, which people are using, enable them to control history, and to the benefit of mankind; or whether people, on the contrary, are influenced, in some significant degree, by false assumptions, which they treat as principles, which lead societies, repeatedly, to doom.

In European history, the most common cause of the great catastrophes of civilization, have been *popular opinion*. That



One of the sessions of the West Coast weekend of classes and dialogues with LaRouche Youth Movement leaders, at which the Presidential candidate spoke. Spokesman Harley Schlanger is at the podium.

is, the embedding of certain beliefs, in popular opinion, like the *vox populi* of the ancient Romans. Rome was not destroyed by its Emperors. It was destroyed by its popular opinion. And the Emperors were a reflection of the sickness embedded in that popular opinion. In the case of *Hamlet*, Shakespeare's *Hamlet*, contrary to what is taught in incompetent courses in schools, *Hamlet* is not a tragic failure, because he misled his population, because he caused the catastrophe. He was a tragic figure, because he *failed to resist and counter popular opinion*, the popular culture of his time, in Denmark. It was *Denmark, that was the tragedy*. The *people* of Denmark were the tragedy, and *Hamlet* typifies the leading figure in Denmark, who went along with the people. And thus, contributed to the tragedy, *by bending to popular opinion*.

This is the case of tragedy, in all cases, that you have two situations: You have either a people dooms itself, by the evolution of its popular opinion. And it comes into a time, where popular opinion has created a threat of doom for that society, either total doom, or a considerable amount of doom: If the people do not change their ways of thinking, they will, like the mythical lemmings, will go over the cliff, into the tragedy.

The question is, will a leader appear, who induces the people to give up *bad popular opinion*, and to choose a different course. In Classical tragedy, the epitome of that, is the case of Jeanne d'Arc. France was doomed, by a continuation of the Plantagenet/Anjou/Norman tradition. It was not a nation. It was subjected to feudal wars, internal feudal wars, pure fratricide among themselves. Jeanne d'Arc went to the King, and said, "Stupid King, God tells me, he wants you to become a real King, and to unite France." Well, this is actual history. This is not just a play, this is the actual history. As a result of her courage, and unflinching adherence to that, despite her betrayal by her own King—betrayal to this crazy Inquisition, this Gnostic Inquisition—that her

courage resulted in the creation of the first modern nation-state: the France of Louis XI. And played a key part in inspiring the Catholic Church to make the great reform, which is known as the 15th-Century Golden Renaissance, the reform centered on the great Council of Florence, in the middle of that century.

So, she, by changing, going "against the pricks," going against the culture, with a very straightforward, elementary idea—an axiomatic principle: France must be a nation; it must be made for the general welfare; God wants you to serve the general welfare by being an actual King, and creating an actual national monarchy to do this. Sticking to that very simple message, which she may have also developed, because of her religious education, from where she lived, in the area she lived in: *That saved Europe*.

The Sublime: Proving Life's Principle

This is true in all the great heroism of history. An example of a great scientific discovery, like that work of Pasteur. Pasteur did not actually claim to have proven the principle of life, but he demonstrated it, and showed the direction in which his successors, such as Curie and Vernadsky, could prove, that life is a principle, intrinsically anti-entropic, which is not produced by the so-called "abiotic universe." So, his contribution, was this contribution of an idea, which he did not perfect, as Jeanne d'Arc did not perfect the conception of the modern nation-state. But Pasteur's work made possible, this conception.

The same thing is true of Kepler. Kepler made possible a transformation of humanity. Kepler was the founder of a coherent, comprehensive form of mathematical physics, which did not exist prior to him. And everything from Europe that was good in science, followed from that work of his, therefore made successes.

The same thing is true in art. Bach was the great discoverer. He had precedents, precedents such as Orlando Lasso, and Orlando Lasso's interchange from the Flemish school, with the *bel canto* repertoire of mid-15th-Century Florence. Leonardo da Vinci wrote a book, *De Musica*, most of which was subsequently lost, but some fragments still exist. His concept of music, which harks back to the Pythagorean-Plato conception of music, became the basis, expressed by Bach, in the discovery of the well-tempered system. Which is not an equal-tempered system. The well-tempered system is based on the vocal polyphony—*bel canto* voice-training, vocal polyphony. Not on instruments. Even Pythagoras compared a monochord, by tuning the monochord with the human singing voice, and noted on the monochord, the difference between the human singing voice—singing through ostensibly the same notes, up and down, and in different modalities. And this demonstrated the existence of a phenomenon, determined by the *bel canto* human singing voice, actually, which was called "the comma." This is not a mathematical concept: It is a *physical concept*, which has some

mathematical expression. But it is not a mathematical number. It is a *physical concept*, on the *physical difference*, between the *human singing voice*, and a monochord, which gives various tones by touching. So, the source of the comma is not a mathematical theory. The source of the comma, is the difference between a *human singing voice*, and an inanimate object: a monochord.

So, this is the nature of discovery. This is the nature of what we call “the Sublime,” which Schiller calls *Erhabene*—the principle of the Sublime: That those who make discoveries, discoveries of principle, which lead mankind to overturn faulty systems, and to venture into new areas of mastering the universe—these are the Sublime.

The Crisis of a Credit-Card Society

When you come to a crisis, such as the present crisis of the world, and the United States in particular, it’s obvious that a fundamental, sweeping change, must be made in the ruling assumptions, under which the United States and other nations have been governed over the past 35 years, in particular. The change is specifically from a *producer society*, which the United States was, in its tradition and practice, up until 1964, and what it became *since* 1964, with the launching of the Indochina War: It became transformed into a parasitical, consumer society, or a credit-card-debt society, where you don’t have any income, you just have a credit-card debt, and a carrying capacity to carry that debt, on a monthly basis (or not carry it, as the case may be).

So, this society is doomed. It’s doomed by certain assumptions, which have been adopted, which are characteristic of the so-called “post-industrial” or “consumer” society, or “New Economy” society, over the past 35 years, approximately. We’ve come to the point, that this world system is finished. The financial system is finished. The present economic system, as defined by current habits, is finished. Much of the law, which has been enacted by the Congress, over the past period, the past 35 years, has to be scrapped. On that basis, we can survive, because the ability of humanity to survive is there. The mind of man is capable of solving all problems—that is, all problems within man’s reach. If we know the answer, if we know the changes of principle to be made, the solution lies at hand. That solution is the Sublime.

Tragedy is in the people. It’s not in the people, as such: It’s in their popular opinion. The habituation to those assumptions, which have led the society, step by step, over nearly two generations, into the present doom.

So, you have a generation, the Baby Boomer generation, entered adolescence in a period of transformation, such that, they never, as adults, experienced a producer society, as a generation. They never were producers. Because, when they came to adulthood, they were parasites. They had joined a post-industrial, rock-drug-sex-counterculture, consumer society, whose dream was, that computers, or robots, made like

computers, would do all the work. Where we would have a New Economy, in which nobody had to work. Everybody could be a white-collar slob; or a “dingy jeans” slob, as you might choose. We didn’t have to work, we didn’t have to produce.

That society has now come to its end. It’s over. Therefore, the question is: leadership. Leadership, as the leadership in science: the discovery and implementation of a fundamental physical principle. Or a political principle, which has the characteristics of a fundamental physical principle.

So, my particular role, has been to stick to my guns, over these decades: that this system is an inherently doomed system, which will go through a series of crises, which I have described—each major change in the system, I’ve forecast, over this past 35 years, and the forecasts were published. So, I’ve never been wrong, because I understood this process: a lawful unfolding of a system that was doomed *from the beginning*. And therefore, to understand the system, you had to simply follow the evolution or devolution of the system, in a lawful way, consistent with the discrepancy between reality, and these assumptions which were governing us.

So therefore, now, the survival of society, the survival of the United States, especially, because we are still a key power, with all our tattered weaknesses, in the world at large: If we don’t behave, the world’s chances of survival are poorer. We have to, ourselves, make the change in ourselves, which enables the rest of the world, in cooperation with us, to solve our common problem.

That solution exists. Objectively, it exists. I know all of the essential ingredients—not the details—but the essential agreements that have to be reached among nations, to get this planet safely through the next quarter- and half-century. That’s clear, right now.

Will we make the change? My function, is to provide *that solution*. That has been my function, all along. I was the only person ever qualified to become President of the United States, among all Presidential candidates presented, from 1976 to the present. No other person, who ran for President, was qualified for that position. Because no other candidate, was either capable, or willing, to adopt those changes in policy, which would have led the United States to avoid the catastrophe which is now descending upon us.

Therefore my role, is the role of the Sublime. To be the person who introduces into the situation, a concept, a personalized concept, which is capable of leading this nation, and the world, out of the present mess. *Failures will all try to go to popular opinion*: “But, can’t you be more reasonable?” “You know, you want your ideas all time. Why can’t you learn to compromise with other people?”

I say, “Well, you’re already too compromised. That’s your problem! You’ve got to stop being compromised! More compromises will kill you! You’ve got to *un*-compromise yourself.

“You’ve got to, at this point, be willing to change what

you believe. And to get others to change what they believe. Because, if you don't, you—and they—are doomed.”

And that's the proposition that faces us.

Your Generation in History Today

Now, for you, who are younger, this choice is somewhat easier. You come from an age group, which, as I've said in other locations, you've come past the point of lawful insanity, which is called “adolescence.” People who are adolescent are lawfully insane, by any adult standard. An insane person is anyone, who reaches the age of 25 to 30, and acts like an adolescent; that's a lunatic. But, a person who is under 18 or under 17, who acts like a lunatic, may be just an adolescent. And, you go along with that; you deal with that; you try to keep them from hurting themselves, or committing suicide, or something—because they are very prone to suicide. This existential crisis of passage from childhood to puberty, and so forth, does produce great emotional stresses, identity stresses; and it does lead to all kinds of disturbances, such as suicide, or propensity to suicide.

So, you're past that—I should hope. And, you entered a period, which we think of, or associate today with a modern university, taking the range of the so-called undergraduate through graduate program, through the doctoral program. You're on a track, which normally, if you've been around a university, or were led into it, you would normally follow the track of a healthy society, up through the level of becoming a professional, of some kind, on the level of what we would call a “doctoral” level. You would go into society as a professional; you would help to change the society; you would be one of the leaders of society, in economy and other respects. And you would be the leading edge of progress for the society as a whole. And our goal would be to have the entire adolescent population, continue into that same kind of program, to the same level of development over the coming period; to establish a kind of true parity within the society, a truly healthy society, which can think together.

We're not there yet. But that's the direction we have to move in.

So therefore, you are capable of more readily assimilating ideas, such as what I've indicated to be the significance of Gauss's 1799 attack on d'Alembert, Euler, and Lagrange, on the issue of the fundamental theorem of algebra. This I've explained in other writings; I won't go through that here. That doesn't mean that all of you will instantly grab the solution. It means that some among you, as in any good university, will struggle through the process, and will actually begin to *see* the solution, to the paradoxes which I posed, and others posed. Then, you, in your discussions with others, say, “Now look, I don't understand it. Explain it.” So therefore, you have a collegial process, among people in the movement, where some people grasp the idea more quickly than others, and by this kind of social process, the conception, the world outlook, is developed among you all. You share a common world out-

look. You're able to work together.

You are, therefore, able to turn around, even as younger adults, to turn around to the previous generation, and to begin to educate them. And, that's how we're going to save society. It won't be done in any other way—but, it has to be done fast. And, we're doing it.

Now, you also have, as I've indicated in another location, where we're discussing this: You've got to realize, in the great sweep of history, what the great historical opportunity is before your generation: a greater opportunity than before any generation before you. You may feel like you're the “lost generation”; the “hopeless generation”; thrown in the mud, especially when you find yourself in a university classroom—you say, “This is really a mud-hole, isn't it?” an intellectual mud-hole.

But, you are actually in a unique position, as a generation: Because we have, presently, with our knowledge—in parts of Europe, the United States, and so forth, especially—we have the ability, to produce from your generation, the beginnings of a new kind of mankind: a mankind, which really understands the implications of what is typified, by the issues posed by Gauss in that 1799 paper, which is why I emphasized it. Once you understand what an idea is, which *very few* university graduates in science, or professors in physical science, understand to the present day—all of you are potentially capable of understanding that, and similar ideas. That change, from ideology—which is what present science, today—what is taught as science is largely ideology. There are some truthful elements and very useful elements, in it. But it's all corrupted by this thick layer of ideology, coming directly out of things, of such as the influence of Lagrange and his successors. It's corrupted. You are capable of approaching this question, of how mankind thinks, how mankind is capable of organizing, in a way, which *no generation before you has ever succeeded in doing*. Yes, exceptional individuals, in previous generations, have done that. But, no leading layer of an entire generation, has ever succeeded in understanding this principle, upon which all true science is based: a principle on which an understanding, of the dynamic of history in general, is premised.

So, you have a unique opportunity.

My objective, as an old geezer, is to lead this nation safely out of the mess it has made for itself, and, to, in the process, mobilize people like you, to prepare to take over the society, to prepare to qualify yourself to play that unique role—in this case, as Americans—that unique role, which will lead man out of the dustbin of the past, into what is truly a true republic, or a republican form of government. And, a certain kind of humanity, among the sovereign nations of the world in general. *You* are capable of playing that role. *My* job, is to spark a process, which gets us out of this mess, and inspire *you*, or people like you, to undertake that great opportunity, that life-challenge, which lies before you.

Okay, that's what I have to say, so far.

Ariel Sharon's Hamas

In his 1957 book *Battle for the Mind—A Physiology of Conversion and Brain-Washing*, London Tavistock Institute's Wellsian social engineer, Dr. William Sargant, wrote that "various types of belief can be implanted in many people, after brain functioning has been sufficiently disturbed by accidentally or deliberately induced fear, anger or excitement. Of the results caused by such disturbances, the most common one is temporarily impaired judgment and heightened suggestibility. Its various group manifestations are sometimes classed under the heading of 'herd instincts,' and appear most spectacularly in wartime, during severe epidemics, and in all similar periods of common danger, which increase anxiety and so individual and mass suggestibility."

Dr. Sargant's maxim about the use of mass shock trauma to induce degenerative paradigm-shifts in thinking in whole societies, has been a cornerstone of the Anglo-American oligarchy's doctrine of irregular warfare, since the publication of *Battle for the Mind*.

Today, one of the most graphic instances of irregular warfare-induced shock trauma driving a population to the brink of madness, is playing out in Israel. A decade ago, it would have been unthinkable, for the overwhelming majority of Israelis, to choose Ariel Sharon, the notorious "butcher of Sabra and Shatila," as their prime minister. Now, with Sharon's Nov. 28 victory in the Likud Party primary election over his rival, the equally vile war criminal Benjamin Netanyahu, there is a possibility of Sharon being re-elected.

Between January and August of this year, more than 1 million Israeli Jews have fled the country, taking up permanent residence abroad. These mainly European-educated middle-class and upper-class citizens are fleeing the madness. They see, in Sharon's brutal colonial policies in the West Bank and Gaza, the seeds of Israel's self-destruction. Sharon's political "success" is based on the shock-trauma factor: Israelis are desperate for "security," and every time a Hamas suicide bomber kills more Israelis, they are driven, traumatized, into the arms of the Jabotinskyite fascists of the Likud and radical right.

But a far nastier reality underlies the crisis the Israeli voters are facing. The very Hamas organization that is

at the heart of the terror was created by Ariel Sharon, back when he was Minister of Defense in the Menachem Begin government. As part of his portfolio, Sharon was responsible for administering the occupied territories. He, and his Ministry and Israeli Defense Forces underlings, issued as many as 900 permits allowing the individuals who would, in 1988, formally found Hamas, to set up schools, clinics, food kitchens, etc. Sharon's attitude was: "Anything but Arafat and the Fatah."

So, a parallel-governmental infrastructure was created in the West Bank and Gaza—under Sharon's approving eye. Sheikh Yassin, Hamas' spiritual leader, was invited regularly to appear on Israeli television during the 1980s, as long as he attacked Arafat and the PLO as "non-believers."

To this day, Sharon is the "Godfather of Hamas." This is privately acknowledged by many American, European, and Russian intelligence professionals. Haven't you marveled that, every time American pressure has come down on Sharon, to end the colonial occupation, Hamas bombers have bailed out the Israeli Prime Minister with an act of horrific terrorism? This is not to say that every member of Hamas is an Israeli spy, although U.S. intelligence has ample evidence that some of Hamas' commanders are witting of their collaboration with Sharon. Rather, the cumulative effect of irregular warfare shock trauma becomes a self-feeding phenomenon, in which a handful of witting players can keep the population trapped.

To defeat this hideous game, the truth must be told. Will Israeli voters continue to turn to Sharon to defend them against Hamas suicide bombers, if they realize that Sharon is the "Godfather of Hamas?"

We do not think so. *EIR* will publish all of the available documentation on the Sharon-Hamas marriage. By busting up that marriage, we believe that the Israeli electorate can overcome the shock trauma of the past years, and recall the other tradition, of peacemaker Yitzhak Rabin, a tradition that has been revived with the Labor Party's nomination of Gen. Amram Mitzna as their candidate to replace Sharon on Jan. 28. Shock trauma is a real, but curable condition, and the best medicine is truth.

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Adelphia Ch. 53
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- STA. CLAR VLY.
T/W & AT&T Ch. 20
Fridays—1:30 pm
- SANTA MONICA
Adelphia Ch. 77
Thursdays—4:30 pm
- TJJUNGA—Ch. 19
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- VENICE—Ch. 43
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- VENTURA—Ch. 6
Adelphia/Avenue
Mon & Fri—10 am
- WALNUT CREEK
AT&T Ch. 6
2nd Fridays—9 pm
- W. HOLLYWOOD
Adelphia Ch. 3
Thursdays—4:30 pm
- W. SAN FDO. VLY.
Time Warner Ch. 34
Wed.—5:30 pm

COLORADO

- COLORADO SPGS.
Adelphia Ch. 4
Tuesdays—8 pm
Thursdays—11 am
- DENVER—Ch. 57
Saturdays—1 pm
- CONNECTICUT
• GROTON—Ch. 12
Mondays—10 pm
- MANCHESTER Ch. 15
Mondays—10 pm
- MIDDLETOWN—Ch. 3
Thursdays—5 pm
- NEW HAVEN—Ch. 29
Sundays—5 pm
Wednesdays—7 pm
- NEWTOWN/NEW MIL.
Cablevision Ch. 21
Mondays—9:30 pm
Thursdays—11:30 am

DIST. OF COLUMBIA

- WASHINGTON
Comcast Ch. 5
Starpower Ch. 10
Alt. Sundays—6 pm
12/15, 12/29, 1/12
1/26, 2/9, 2/23

FLORIDA

- ESCAMBA COUNTY
Cox Ch. 4
2nd Tue, 6:30 pm
- IDAHO
• MOSCOW—Ch. 11
Mondays—7 pm
- ILLINOIS
• CHICAGO*
AT&T/RCN/WOW Ch. 21
- QUAD CITIES
Mediacom Ch. 19
Thursdays—11 pm
- PEORIA COUNTY
Insight Ch. 22
Sundays—7:30 pm

All programs are *The LaRouche Connection* unless otherwise noted. (*) Call station for times.

- SPRINGFIELD Ch. 4
Mon-Fri: 5-9 pm
Sat-Sun: 1-5 pm

INDIANA

- BLOOMINGTON
Insight Ch. 3
Tuesdays—8 pm
- DELAWARE COUNTY
Comcast Ch. 42
Mondays—11 pm
- GARY
AT&T Ch. 21
Monday - Thursday
8 am - 12 Noon

IOWA

- QUAD CITIES
Mediacom Ch. 19
Thursdays—11 pm
- KENTUCKY
• BOONE/KENTON
Insight Ch. 21
Mon: 4 pm; Sat: 5 pm
• JEFFERSON Ch. 98
Fridays—2 pm

LOUISIANA

- ORLEANS PARISH
Cox Ch. 78
Tuesdays & Saturdays
4 am & 4 pm
- MARYLAND
• ANNE ARUNDEL
Annapolis Ch. 20
Milleneum Ch. 99
Sat & Sun: 12:30 am
- MONTGOMERY Ch. 19
Fridays—7 pm
- P.G. COUNTY Ch. 76
Mondays—10:30 pm

MASSACHUSETTS

- CAMBRIDGE
MediaOne Ch. 10
Mondays—4 pm
- WORCESTER—Ch. 13
Tue.—8:30 pm

MICHIGAN

- CALHOON
ATT Ch. 11
Mondays—4 pm
- CANTON TWP.
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm
- DEARBORN
Comcast Ch. 16
Zajak Presents
Mondays: 6-8 pm
- DEARBORN HTS.
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm
- KALAMAZOO
Thu-11 pm (Ch. 20)
Sat-10 pm (Ch. 22)
- KENT COUNTY
AT&T Ch. 25
Fridays—1:30 pm
- LAKE ORION
Comcast Ch. 65
Mondays & Tuesdays
2 pm & 9 pm
- LIVONIA
T/W Ch. 12
Thursdays—5 pm
(Occ. 4:30 pm)
- MT. PLEASANT
Charter Ch. 3
Tuesdays—5:30 pm
Wednesdays—7 am
- PLYMOUTH
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm

- WYOMING
AT&T Ch. 25
Wednesdays—10 am

MINNESOTA

- ANOKA
AT&T Ch. 15
Mon.—4 pm & 11 pm
- BURNSVILLE/EGAN
ATT Ch. 14, 57, 96
Tuesdays—5:30 pm
Saturdays—9 pm
Sundays—10 pm
- CAMBRIDGE
U.S. Cable Ch. 10
Wednesdays—2 pm
- COLD SPRING
U.S. Cable Ch. 10
Wednesdays—5 pm
- COLUMBIA HTS.
MediaOne Ch. 15
Wednesdays—8 pm
- DULUTH
Charter Ch. 20
Mondays—9 pm
Wednesdays—12 pm
Fridays 1 pm
- FRIDLEY
Time Warner Ch. 5
Thursdays—5:30 pm
Saturdays—8:30 pm

MARYLAND

- MINNEAPOLIS
PARAGON Ch. 67
Saturdays—7 pm
- NEW ULM—Ch. 14
Fridays—5 pm
- PROCTOR/
HERMANTOWN—Ch. 12
Tue. btw. 5 pm-1 am
- ST. CLOUD AREA
Charter Ch. 10
Astound Ch. 12
Thursdays—8 pm
- ST. CROIX VLY.
Valley Access Ch. 14
Thursdays—4 & 10 pm
Fridays—8 am
- ST. LOUIS PARK
Paragon Ch. 15
Wed., Thu., Fri.
12 am, 8 am, 4 pm
- ST. PAUL (city)
SPNN Ch. 15
Saturdays—10 pm
- ST. PAUL (N Burbs)
AT&T Ch. 14
Thu—6 pm & Midnite
Fri—6 am & Noon
- ST. PAUL (NE burbs)*
Suburban Ch. 15
- ST. PAUL (S&W burbs)
AT&T-Comcast Ch. 15
Tue & Fri—8 pm
Wednesdays—10:30 pm
- SOUTH WASHINGTON
ATT Ch. 14—1:30 pm
Mon, Tue, Wed, Thu

MISSISSIPPI

- MARSHALL COUNTY
Galaxy Ch. 2
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- MISSOURI
• ST. LOUIS
AT&T Ch. 22
Wednesdays—5 pm
Thursdays—12 Noon

NEBRASKA

- LINCOLN
T/W Ch. 80
Citizen Watchdog
Tuesdays—7 pm
Wednesdays—10 pm

NEVADA

- CARSON—Ch. 10
Wednesdays—7 pm
Saturdays—3 pm
- RENO/SPARKS
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Fridays—9 pm
- NEW JERSEY
• HADDON TWP.
Comcast Ch. 19
Sundays 11 am
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Comcast*
- TRENTON Ch. 81
WINDSOR S Ch. 27
- MONTVALE/MAHWAH
Time Warner Ch. 27
Wednesdays—4 pm
- NORTHERN NJ
Comcast Ch. 57*
- PISCATAWAY
Cablevision Ch. 71
Wed—11:30 pm
- PLAINSBORO
Comcast Ch. 3*

NEW MEXICO

- ALBUQUERQUE
Comcast Ch. 27
Mondays—3 pm
- ANTHONY/SUNLAND
T/W Ch. 15
Wednesdays 5:05 pm
- GRANT COUNTY
Comcast Ch. 17
Fri. & Sat.
7 pm or 8 pm
- LOS ALAMOS
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- SANTA FE
Comcast—Ch. 6
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- TAOS—Ch. 2
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Mondays—10 pm
- ROCKLAND—Ch. 71
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- TOMPKINS COUNTY
Time Warner
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Thu.—5 pm (Ch. 13)
Sat.—9 pm (Ch. 78)
- TRI-LAKES
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Sun: 7 am, 1 pm, 8 pm
- WEBSTER—Ch. 12
Wednesdays—9 pm

NORTH CAROLINA

- HICKORY—Ch. 3
Tuesdays—10 pm
- OHIO
• CUYAHOGA COUNTY
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Ch. 21: Sun.—6 pm
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Daily: 10 am; or
12 Noon; or 2 pm;
or 12 Midnight
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R.I. Interconnect*
Cox Ch. 13
Full Ch. 49

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Thursdays—11 am
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- Saturdays—9 am
- Mon, 12/9: 8 pm
- Wed, 12/18: 5:30 pm
- RICHARDSON
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UTAH

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Precis Cable Ch. 10
Aurora
Centerfield
Gunnison
Redmond
Richfield
Salina
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6 pm & 10 pm

VERMONT

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VIRGINIA

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WASHINGTON

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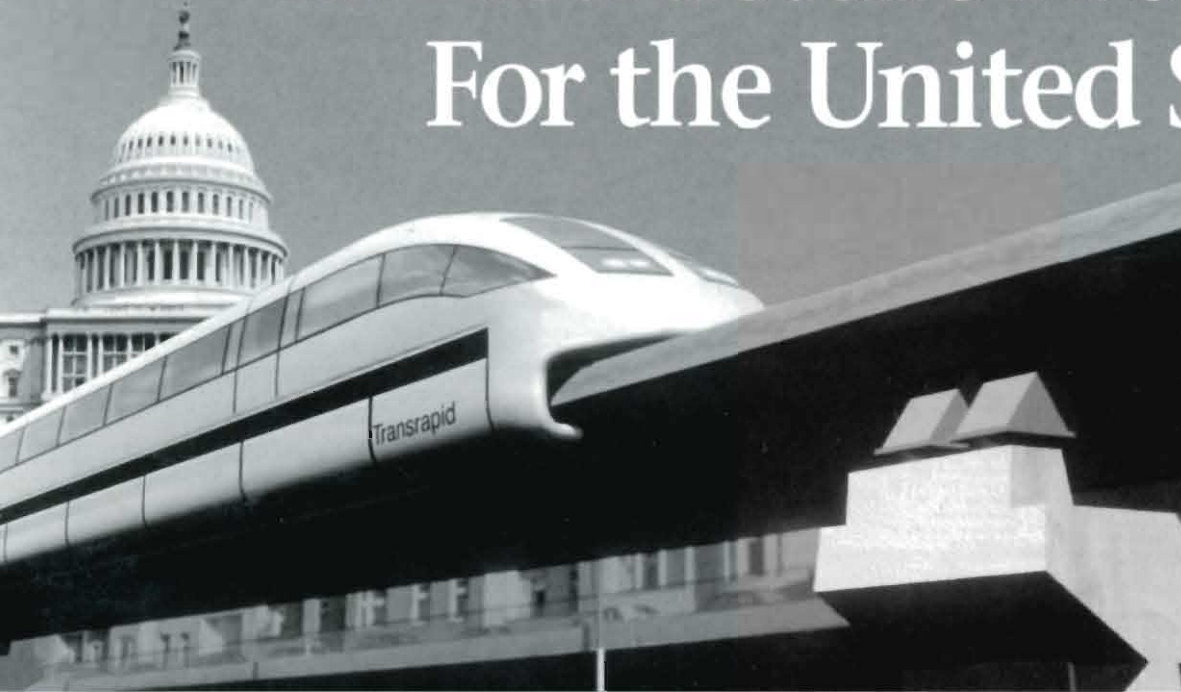
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