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The secret of Jiang Zemin's land-bridge diplomacy  
Tables are turning on 'Get Clinton' fanatics  
Mexicans demand Classical music for all children

**Zepp-LaRouche explodes global  
land-bridge battle in Mexico**



*The issue of individual human freedom, is not the issue of "democracy."  
The essence of freedom, is the right to define oneself as a world-historical  
individual—to be a resident of the simultaneity of eternity—rather than  
some self-debased libertarian fool.*

—LYNDON H. LAROCHE, JR.  
May 28, 1998

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## From the Associate Editor

We are printing an overrun of this issue, and we urge subscribers to buy and circulate multiple copies, to break the press blackout of the extraordinary developments in Asia: There, China, Russia, Japan, and other nations are moving to revive science and cooperate in building the Eurasian Land-Bridge (see *Economics*).

These are Lyndon LaRouche's policies, and they are crucial components of a New Bretton Woods system, which is needed to save civilization. If we are to get President Clinton to act, and to bring the United States to join in these initiatives and put a new global financial architecture into place (see the *Editorial*), that blackout must be broken. London, and those committed to preserving the doomed International Monetary Fund system, know precisely the danger that these developments pose to their oligarchical interests, and are desperately threatening these nations, and trying to prevent this news from getting out.

Helga Zepp-LaRouche delivered a devastating blow to the blackout during a visit to Mexico, the subject of this week's cover story (see *International*). There, she was joined at one public forum by the former President of Mexico, José López Portillo, who told his audience, "It is now necessary for the world to listen to the wise words of Lyndon LaRouche."

López Portillo knows of what he speaks. In 1982, he was prepared to act on LaRouche's "Operation Juárez" proposal to resolve the debt crisis. But other nations failed to back him up, and the world has paid a high price because of that road not taken.

LaRouche's Food for Peace and other proposals in the late 1980s and early 1990s to rebuild Eurasia in the wake of the collapse of the Soviet Union were not adopted then, but Russia and many other nations are listening to LaRouche today. Whether Clinton and the United States will listen, will depend on what you do. Keep in mind, as LaRouche warned in "Is Western Europe Doomed" (*EIR*, Nov. 27), the United States, Canada, Australia, New Zealand, and western Europe are the most vulnerable to the coming financial shocks.



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## The secret of Jiang Zemin's land-bridge diplomacy

by Jonathan Tennenbaum

No later than the conclusion of Chinese President Jiang Zemin's historic six-day state visit to Japan, the first tremors of a political earthquake have begun to spread around the world—an earthquake leading international media are trying to pretend, doesn't exist. Yet, hardly anything is more indicative of the profound significance of Jiang Zemin's interventions in Russia and Japan than the blatant, nearly complete *blackout* by the international press and electronic media, concerning the two *most important and most newsworthy features* of those developments:

First, as reported in last week's *EIR*: In an extraordinary speech on Nov. 24 to Russian scientists at the "Science City" in Novosibirsk, just before leaving for Japan, Jiang Zemin called for a "new technological revolution," and defined a policy of cooperation to harness Russia's enormous scientific-technological potential—a potential concentrated especially in the "closed cities" of the military-scientific-industrial complex—for the economic development of China, the Asian nations, and the world as a whole.

Second: The *Eurasian Land-Bridge* policy for large-scale development of Eurasia's infrastructure corridors, was an explicit, key topic of discussions and negotiations during Jiang's visit to Japan, which began on Nov. 25. Chinese-Japanese discussions dealt not only with the perspectives of rail, road, energy-generation, pipeline, and communications projects per se, but also with the implications of Eurasian Land-Bridge development for the peace and stability of Asia. The Eurasian Land-Bridge was listed in a joint Chinese-Japanese government press statement as one of the main areas for "cooperation in the international domain."

Why do the international press and electronic media refuse to report these crucial facts? What are they afraid of? To shed some light on this question, it will be useful to mention

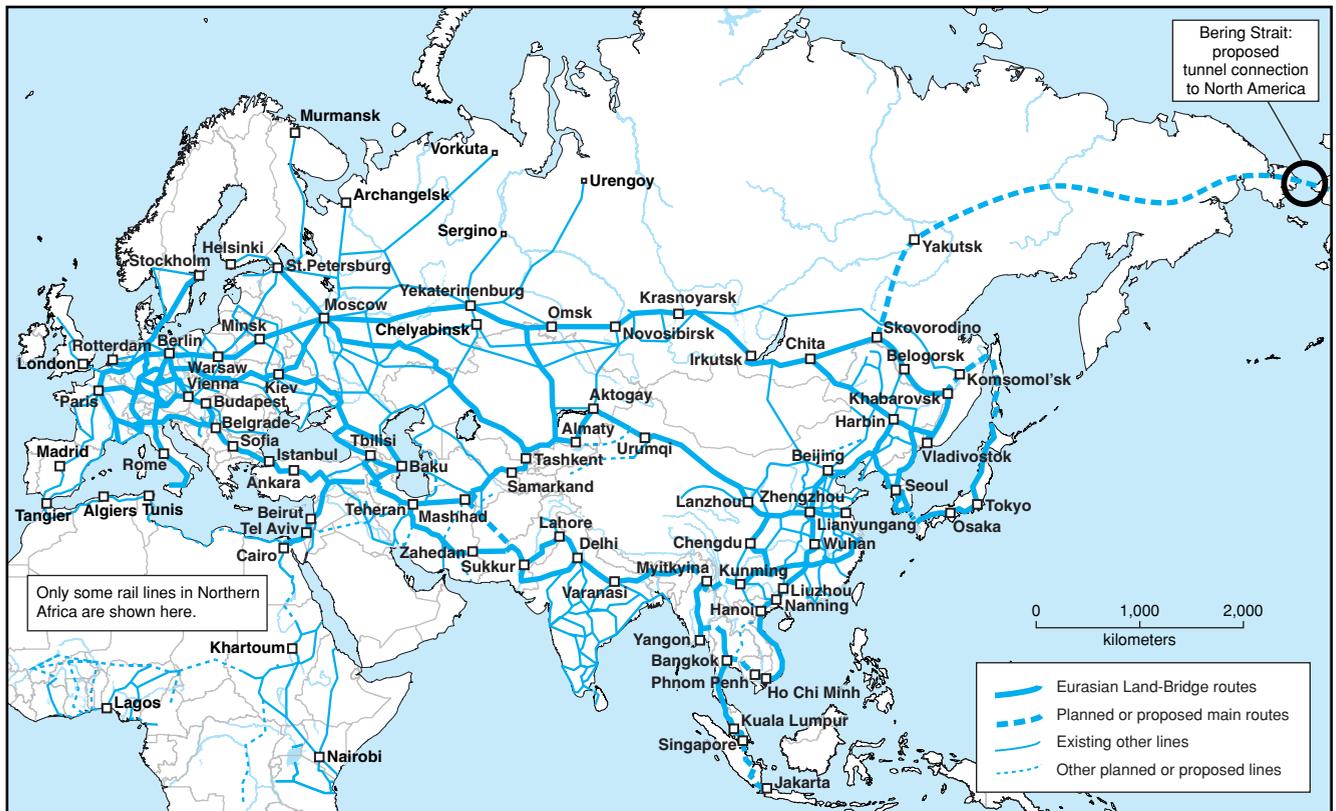
a few highlights of Jiang Zemin's Japan trip, and contrast them to the enraged reaction in the London *Financial Times*.

First of all, Jiang's visit to Japan was emphatically not a "failure," as leading international media have attempted to portray it. The role of the Eurasian Land-Bridge in the Japanese-Chinese talks, is proof enough of that. Moreover, the first official visit of a Chinese head of state to Japan, was a unique historic event in its own right, and a strategic intervention whose difficulties had been largely prediscouted by the Chinese side. The packed six-day schedule included an audience with the Japanese Emperor, summit meetings with the Prime Minister, numerous discussions with leading representatives of Japanese industry, politics, culture, and science, and tours of educational and research facilities and high-technology projects in several locations. It also included a notable speech to students at Wasedo University, one of Japan's most famous centers of higher learning.

In that speech—whose content was also blacked-out by the international media, while a minor disruption by a "democracy supporter" was played up—Jiang recounted highlights of the 2,000-year history of intimate cultural ties between Japan and China. He recounted how, since ancient times, the best elements of Chinese culture had been carried to Japan by countless students and scholars; and how, in the more recent period, Japan had been an important center for Chinese intellectuals and leaders of China's revolutionary movement, including Sun Zhong Shan (Sun Yat-sen), Lu Xun, Zhou Enlai, and many others, who had lived and studied there. Jiang Zemin contrasted the millennia of close, fruitful friendship between the two countries, to the relatively brief, but "terrible" period of Japanese occupation of large parts of China in the first half of this century; a process that culminated in the Resistance War during which 30 million Chinese were

FIGURE 1

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



killed. Jiang called for Asia, as a “cradle of human civilization,” to finally fully overcome the heritage of colonialism, imperialism, and cultural backwardness, which had led to such disasters in the past. He denounced the failure to carry out a “fundamental change” in the “unjust and irrational world economic order” that has brought disaster to Asian and other developing countries. He finally called on the students to take responsibility for the world and to “create a bright future . . . of happiness for the human race.”

**London’s angry response**

Whoever wants to find out who is behind the media black-out of Jiang Zemin’s remarkable diplomacy, will find a most revealing piece of evidence in the Dec. 1 edition of London City’s own “house organ,” the *Financial Times*. Just days after Jiang Zemin returned home from Japan, the *Financial Times* published a long opinion editorial by its correspondent James Kyngé, with the ominous title “China Stirs,” and an accompanying cartoon of a huge panda stretching out over the map of Asia. Evidently, the Chinese panda is now to replace the worn-out Russian bear of the Cold War years!

Kyngé begins: “The activism that China has brought to its foreign policy this year has eclipsed everything seen since

the Communists came to power in 1949.” Nearly all that follows concerning China’s recent diplomatic strategy and goals, beginning with the alleged “failure” of Jiang Zemin’s Japan visit, is useless garbage, served up to prove that China has become too strong, and represents a growing geopolitical “threat.” But the function of the article is not to provide a serious analysis; rather, Kyngé is registering London’s furious anger at the implications of China’s recent initiatives, and signalling the launching of various British intelligence operations.

Thus, for example, Kyngé quotes the “China expert” Gerald Segal, who offers various arguments to the effect that “the core Chinese interest is to reduce, contain and dilute U.S. influence.” The value of the arguments, from Kyngé’s British intelligence standpoint, is not that they are *true*, but that they will be useful in stirring up the “dumb Americans” into new conflicts with China. Indeed, as if by signal, New York’s *Wall Street Journal* obediently published, on the same day as the *Financial Times*, an even more stupid and confused piece with the same general theme.

But the British policy of playing all against all naturally does not stop there. Thus, when Kyngé writes, “Japan and Taiwan show that China’s rise to greater influence in Asia is

never going to go unchallenged,” he has in mind the long-standing British intelligence capability for manipulating Japan. Similarly, Kyngge’s formulation at the end of the article, “China’s rise seems inevitable unless the country dissolves into internal strife,” signifies that covert operations and economic warfare will be stepped up against China itself, to destabilize the country with the help of “human rights” campaigns, “environmentalism,” a manipulated “democracy

movement,” the unemployment problem, and other means.

Kyngge becomes relatively truthful only in one brief section of the article, which gives away a central reason for the City of London’s rage and apprehension:

“China’s profile [in the world] has been raised by its response to Asia’s economic crisis. Sheltered from speculative attacks by the limited convertibility of its currency, China has been able to launch initiatives — such as a significant stimulus

## The frontier science of Akademgorodok

“The difficulties now encountered by the Russian scientific and technological community are temporary ones, which could very well be overcome by the Russian people with endeavor,” said the President of China in his landmark speech of Nov. 24, which *EIR* carried last week (Dec. 4, 1998, p. 55). There could not have been a better venue for Jiang Zemin’s presentation than Akademgorodok, the “science town” within the city of Novosibirsk.

There were other science cities, developed during the Soviet period. Arzamas-16 (Sarov) and Chelyabinsk-70 (Snezhinsk) were the most famous of the closed laboratory-cities, where scientists engaged in nuclear weapons research for the military industry. All of them suffered the privations of the post-Soviet takedown of industry in Russia. “How do we live here? What’s going on with science? . . . We are digging graves,” an Arzamas-16 scientist said in Stanislav Govorukhin’s 1994 film, “The Great Criminal Revolution.” On Oct. 30, 1996, Academician Vladimir Nechay, director of the Chelyabinsk facility, went to his grave, a suicide after not having the funding to pay wages to the scientists of the Federal Nuclear Center for five months, and having received an order to cut the staff by one-half. “We can’t live like this any longer,” wrote Nechay in the note he left.

The surviving Russian scientific capabilities are an asset, not only for Russia, but for Eurasia and for mankind, as Lyndon LaRouche has insisted in a series of articles throughout the 1990s. In “Russia’s Science: A Strategic Assessment” (*EIR*, Aug. 8, 1997), LaRouche wrote, “Consider the potentials for an economic renaissance of Russia. Consider the strategic importance of such a renaissance in Russia for the development of Eurasia and of contiguous regions of the planet.

“From this vantage-point, the world’s economy has three interests at stake in the prospect for reactivating the scientific potentials which Russia (like Ukraine) has inher-

ited from the Soviet Union: 1) One of the largest, and best developed scientific cadres of the planet; 2) The specific orientation of that cadre to the frontiers of experimental science in general, as the Soviet space program typifies this frontier capability; 3) The grievous shortage, globally, of that quality of science cadres associated with the former Soviet Union, as this acute shortage should be measured, per-capita of labor-force, throughout most of the world, notably Eurasia and Africa. In summary, without a virtually full-scale reactivation of the scientific cadre associated with Russia, the world at large lacks the quantity and quality of total scientific cadre-force required to reverse the recent thirty years’ contraction of means to satisfy the urgent requirements of mankind as a whole.”

In “Science vs. Ideology,” in the Aug. 21, 1998 *EIR*, LaRouche updated the case: “The only possibility for the economic revival of Russia lies in the role to be played by the most advanced ration of Russia’s combined present and former labor-force, notably the scientific-military-industrial complex developed within the former Soviet Union. For Russia’s economy itself, the problem is, that without reactivating that complex as the basis for an export-oriented, vast machine-tool-design complex, there is no possibility of halting the presently accelerating plunge of Russia and adjoining former members of the Soviet Union into a strategically world-perilous form of disintegration. The potential markets represented by the indicated prospects for economic reconstruction of Asia represent the margin of opportunity without which Russia could not be brought to economic and financial stability.”

The interface of advanced science with economic development frontiers was most developed at Akademgorodok.

### ‘New Siberia’

The city of Novosibirsk was a child of the first Eurasian Land-Bridge, the Trans-Siberian Railroad. It was built beginning in 1893 at the site where the TSR would bridge the Ob, the westernmost of Siberia’s three great river systems. Incorporated as the town of Novonikolayevsk in 1903, it was renamed “Novosibirsk” in 1926, eight years after the execution of Tsar Nicholas. Today, it is a city of more than one and a half million people.

package [the reference is to Prime Minister Zhu Rongji's infrastructure investment program]—that, *in more open economies would probably have been thwarted by the turmoil in financial markets*. Its decision not to devalue the renminbi [China's currency] . . . drew much appreciation, not least from Robert Rubin, the U.S. Treasury Secretary, who called China an 'island of stability' ” (emphasis added).

Thus the *Financial Times* admits openly, in effect, what

London's International Monetary Fund (IMF) puppets are not permitted to say: Namely, that the liberalization and globalization policies of the IMF and World Bank, etc., were *never intended* to be successful economic policies, but only instruments for weakening and destroying nations! China is strong, and therefore a “threat,” because it pursues a dirigistic policy for development of the national economy—a policy increasingly oriented toward what Friedrich List called the “Ameri-

In the mid-1950s, a group of scientists led by Academician Mikhail Lavrentyev (1900-80) drafted a proposal for the establishment of a branch of the Academy of Sciences at Novosibirsk. The resolution, passed by the government in May, and adopted by the Presidium of the Soviet Academy of Sciences on June 7, 1957, emphasized the importance of scientific research for the economic development of Siberia and the Far East. In addition to the existing Institutes of Chemicals and Metallurgy, Transport and Power, and subdivisions of the Academy in East Siberia, Yakutsk, and the Far East, the new proposal established Institutes of Mathematics, Mechanics, Physics, Hydrodynamics, Automation, Geology, Genetics, Economics and Statistics, and a computer center.

Lavrentyev, the founder, first settler, and permanent president of the Siberian Branch of the Academy of Sciences, headed the Institute of Hydrodynamics. He had worked on the theory and practice of directed explosions since the 1940s, contributing to Soviet weapons development during World War II. At Novosibirsk, where he moved as a pioneer to establish the new center, people called him “*ded*,” or “grandfather.” In 1982, the main street in Akademgorodok, *Prospekt Nauki* (Science Avenue), was renamed in his honor, *Prospekt Lavrentyeva*.

Lavrentyev, who argued that “modern science cannot develop without a large industrial base,” drew up a program of experimental pilot plants to test the latest technologies, and industrial research centers to design and produce them. Basic research, according to the initial design of the Novosibirsk science center, was to be the foundation for the region's economic development.

Within two decades of the founding of Akademgorodok, Novosibirsk had 550 libraries, four museums, an opera house, a concert hall, a university, and several technical high schools. Within the Siberian Branch of the Academy of Sciences were 18 institutes, employing 50,000 people in 1977. Every third person in Novosibirsk was a student, as the community became a national science training center.

Many scientific fields were pursued at Akademgorodok, including in the advanced areas of particle physics, radiation, plasma physics, and controlled thermonuclear fusion. Among its specialized tasks, the Siberian Branch

had programs to conceptualize economic development of the Siberian frontier. Temperatures in Siberia can range from 80°F in the summer, to -60°F in the winter. Under such conditions, conventional construction materials, exploration instruments, and transportation equipment were useless. Railroads experienced signal failures, while track reinforcements were insufficiently durable. From the work of Lavrentyev and others at the Institute of Hydrodynamics, came a process of explosion welding, which produces metal joints that can withstand extreme temperatures and greater weights than conventional welds. The explosive welding technique was then used to weld sheets and huge structures with complicated configurations, coat equipment with anti-corrosive agents, connect the poles of high-voltage electric transmission lines, weld pipes of different diameters, compress powdered metals, and obtain multi-layered combinations of different metals.

The Russian scientists at Akademgorodok set out to work for breakthroughs, in the setting of what LaRouche recently called, once again, one of Earth's last frontiers. In “Food, Not Money, Is the Crisis” (*EIR*, Nov 13, 1998), he writes about “a revolutionary added option”: “What appears to be the least habitable, very large region of Russia's territory, the frozen north, is one of the most important markets in the world. With vast natural resources, which could not be tapped efficiently without systematic and extensive development, it represents the natural economic frontier of Russia's future, and, by its impact, one of the greatest boons to all of Asia. This area's development, together with the prospective future development of the Sahara, the Gobi Desert, and so on, must be conceived as the other side of the space-program. Like the space-program, the benefits of such an Arctic development effort, will contribute far more to the world's economies in the increase of the productive powers of labor through science and technology, than in the immediate effects of the development itself. This project, combined with the space-program, should be viewed as opening the windows to a revolutionary way of thinking, and acting, about the entirety of the Solar System in which we live.”

—Rachel Douglas and Marsha Freeman

*Portions of this article first appeared in New Solidarity, Feb. 1, 1977.*

can System.” (How dangerous, if Rubin would come to admire in China the success of the same “American” principles which the United States has itself abandoned, from the mid-1960s on, in favor of the “post-industrial” gambling casino!)

For this reason, China’s policy is bringing it into ever-sharper, ever-more-open conflict, even outright war with the London-centered world financial oligarchy. Exemplary are China’s support for Malaysia and Malaysian Prime Minister Mahathir bin Mohamad’s capital controls; its decision to crush speculators through massive government intervention in the famous “Battle of Hong Kong”; Jiang Zemin’s increasingly sharp attacks on the “unjust and irrational world economic order” and the destructive effects of financial globalization; his demands for a “fundamental change” and the creation of a “new international financial order” at the recent APEC meeting and other international forums; and China’s strong support for the Primakov government of Russia, against IMF policy.

### **The deeper issue: saving civilization**

What is the background of the extraordinary interventions by Jiang Zemin in Russia and Japan, and the manifest convergence of certain key China policies—as far as they go—with essential features of the policies long advocated by Lyndon LaRouche? Jiang’s repeated emphasis on the idea of *human civilization*, the notion of the common good, and the future of mankind, are indicative.

The Chinese leadership has carefully studied the evolution of the global financial crisis, and the reactions of leading Western governments and institutions to it. Many, at least, of China’s strategic thinkers have become convinced of the essential correctness of Lyndon LaRouche’s analysis, that the world financial system in its present form is doomed and cannot be saved. They have also concluded—to quote a polite formulation given to this author—that the quality of thinking in the U.S. and Western European governments is at best “superficial,” and that those governments are not *presently* prepared to undertake any serious steps, of the sort LaRouche has identified, to put the world financial system into bankruptcy reorganization. Jiang Zemin reflected this in his speech to the Japanese students, denouncing the failure to carry out “a fundamental change in the present unjust, irrational international economic order” which has brought disaster to the Asian and other developing countries of the world.

On the other hand, China realizes that it can neither survive long in isolation, nor is it in a position to carry out the kind of international economic and financial reforms that are necessary, even on a regional basis, without allies. China’s ally of choice, contrary to the nonsense of Segal and Kyngé, would be the United States. But this vastly preferable option, is closed so long as the U.S. President continues to support the insane policies of “globalization,” the “free market,” and “post-industrial society” which have been the cause of the global collapse in the first place.

What is the available alternative? It is essentially what China is attempting to do now: To assemble a strategic combination which might permit an Asian-centered group of nations to *survive* under conditions of an impending, total collapse of the world financial system.

LaRouche put the issue most forcefully in a Nov. 21 keynote speech, given in Germany just before Jiang Zemin’s departure for the first leg of his Russia-Japan trip. LaRouche said: “What we will face in the coming weeks, is a new phase of the collapse of the world financial system. This collapse that is about to occur, has no precedent in any part of known history. There is no depression, no financial collapse in known history which has any comparison to the present collapse which is now about to hit. The crisis . . . will probably have the worst impact, not in Asia, not in South America, but in *western Europe*. . . . Also likely to go into the pit, are the United States, Australia, New Zealand, and Canada. The only part of the world which is likely *at all* to survive the chaos produced by this crisis, would be a group of nations centered around China, including other countries of Asia, and probably also Russia, if the Primakov reforms, now in progress, proceed successfully, and if the meeting between the President of China, Jiang Zemin, and the representatives of the Primakov government . . . if this collaboration is established.”

Indeed, at the present juncture, the world has very few options left, very few pathways or “orbits” available, through which civilization might survive.

Look back, from this standpoint, at the two crucial points from Jiang Zemin’s intervention in Russia and Japan—the points blacked out by the international media. Taken together, they constitute the “hard core” of the only available economic policy, which could provide for the survival of a group of Asian and other nations, in partnership with China, under conditions of a general collapse of the present world financial and economic system. It is a policy that LaRouche has put on the table repeatedly. In order to achieve the necessary rates of social capital-formation, needed to maintain real growth of the huge nations of China and India in particular, there must be a combination of large-scale infrastructure-corridor development, together with an explosion of scientific and technological progress, as could only be unleashed through the kinds of potentials represented by Russia’s military-scientific complex. Naturally, to the extent that Japan, the United States, Germany, and other industrialized countries would abandon their present, insane policies and join in this policy, its success would be all the more assured.

### **The India-China-Russia triangle**

LaRouche identifies the three-way partnership between *Russia, India, and China* as the present pivot-point of Asia’s future. China and India together constitute the largest concentration of population in the world. Their development urgently depends on advanced scientific and technological capabilities which do not exist, to an extent sufficient, in those



*An official of the Lianyungang city government points out the route of the Eurasian Land-Bridge, at a conference in Lianyungang at the end of October. The land-bridge policy for large-scale development of Eurasia's infrastructure corridors, was a key topic of discussion during President Jiang Zemin's visits to Japan and Russia, yet the news on these exciting developments has been blacked out of most of the international media.*

countries themselves; but which do exist in Russia. Conversely, for Russia to survive as an industrial nation, and obtain the export income it urgently requires, Russia needs stable, large trading partners that can usefully absorb the kinds of technological and industrial outputs that Russia can generate. The economies of Russia on the one hand, and China and India on the other, possess a high degree of complementarity.

There is also a complementarity in economic-geographic terms, exemplified by the potential for mutually beneficial water transfer projects and other large-scale infrastructure projects which would also involve Central Asia. This would include reviving the project, already planned in detail in the 1980s, to build a 2,544 kilometer-long navigable canal to bring water from the Irtysh-Ob rivers of Siberia, southward to the vicinity of the Aral Sea. It might also include mutually beneficial water projects in Tibet, such as transferring excess water from some of the source areas of the Ganges-Brahmaputra into the Yellow River source area. Plus, countless irrigation and flood control projects. In short, the creation of a comprehensive water-management and canal system for the whole region from China to Iran-Iraq and from South Asia to northern Siberia.

Finally, the indicated kind of Russia-China-India relationship has a significant precedent in the 1950s period, when large inputs of industrial equipment, technology, and know-how from the Soviet Union supported the post-war industrial development of both India and China. Today, Russia's nuclear power projects in India and China, as well as Iran, represent the bare beginnings of what could become much broader cooperation, and which should emphasize development of revolutionary *new* technologies.

Over recent weeks, some substantial steps toward reviv-

ing the Russia-India-China "triangle" have been made. Russian Prime Minister Yevgeni Primakov is now scheduled to visit India on Dec. 21-22. Some important agreements are to be signed, including one which would provide a mechanism to rapidly increase trade between the two countries. To this end, India is to increase the rate of its debt repayments to Russia (debts mainly going back to the Soviet period) by the equivalent of some \$1 billion per year, under the condition that these funds will be "recycled" for Russian purchases of Indian products. The new mechanisms, which could conceivably be greatly expanded in the future, are also expected to accelerate the Russia-India cooperation on nuclear power, especially the construction of a 2000 MW(e) plant at Kundankulam, currently under way. Finally, India has taken a major initiative toward reviving cooperation on oil and gas development, which was a very significant area of cooperation during the Soviet period.

There has also been a clear improvement in the weaker link of the Russia-India-China triangle, namely, Chinese-Indian relations, which were set back by the politically orchestrated crisis around India's nuclear tests. The Joint Working Group for high-level China-India talks is likely to meet again before the end of the year, and a number of proposals for confidence-building measures and some possible projects have been put forward. At the same time, the Indian government itself, has begun to take the cue from China's successful policies of infrastructure investment.

The sometimes humorous dynamics of the India-Russia-China "triangle" came to the fore recently at a conference in New Delhi on Nov. 27-29. A debate broke out about the alleged Chinese threat to India, the alleged Indian threat to China after its nuclear tests, China's alleged support for Paki-

stan's missile programs, and so on. A Russian representative stepped into the discussion, pointing out, that the most difficult problem facing Asia is the failure to overcome the effect of colonization, and the tendency for Asians to identify themselves according to the divisions created by the earlier colonial masters. So, although China and India never fought against each other for 2,000 years, they suddenly became bitter enemies in the 1960s. Russia would like to see India and China become close friends again. Later, another Russian representative added the point, that the international financial crisis is threatening not only Russia, but the entire world. When he proceeded to explain his point using a "triple curve," an Indian professor intervened: "You didn't mention where you learned all this. You are talking about the famous work of Mr. LaRouche!"

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## Documentation

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# Economic cooperation and the Eurasian Land-Bridge

*Here are excerpts from the "Joint Press Announcement on Strengthening Cooperation between Japan and China toward the Twenty-First Century" (provisional translation), issued Nov. 26, 1998.*

During the official visit to Japan by President Jiang Zemin of the People's Republic of China, Japan and China reached a common view on their strengthening cooperation toward the twenty-first century and actively developing their partnership of friendship and cooperation for peace and development, and issued the following press announcement.

### **I. Cooperation in bilateral relations**

Both sides, in order to strengthen high-level dialogue between the two countries, confirmed that every year a leader of each country will alternately visit the other country, and that a hot line will be established between the two Governments.

Both sides, noting that the bilateral economic relationship has greatly developed based on the principles of mutual complementarity and of equality and mutual benefit, shared the view that the cooperative bilateral relationship should continue to expand in such economic areas as trade and investment.

The Chinese side, noting the positive role played in China's economic development by Japanese corporations investing in China, expressed its intention to make efforts to promote further investments in China by Japanese corpora-

tions. . . . The Japanese side decided to provide yen loans of up to 390 billion yen for 28 projects as the "latter two-year" portion of the Fourth Batch of Yen Loans toward China. . . .

Both sides, recognizing that expanding cooperation and exchanges toward the twenty-first century in the areas of scientific and industrial technology is beneficial, shared the view that cooperation should be strengthened through both governmental and private channels in these areas. . . .

Both sides confirmed that they will actively promote cooperation for economic development in the inland regions of China by the industrial sectors of both countries through joint efforts by the government and the private sector. . . . The Chinese side expressed its intention to make active efforts in such areas as infrastructure development and improvements in the investment environment. . . .

The Japanese side stated that it is prepared to cooperate for human resource development in such areas as the reform of state enterprises, the encouragement of small and medium enterprises and the rationalization of the distribution system in China. . . .

The Japanese side restated its intention to actively cooperate in the technical, operational and financial aspects related to the Beijing-Shanghai High-Speed Railway. The Chinese side welcomed Japan's participation in this competition. . . .

Both sides . . . shared the view that they will further promote cooperation in such areas as the promotion of energy-related infrastructure development including power plants, the energy conservation policy and measures, and the development and use of clean energy. . . .

Both sides . . . shared the view that they will further promote cooperation in such areas as the promotion of energy-related infrastructure development; . . . the agricultural sector; . . . flood [prevention]; . . . afforestation and forest conservation.

The Japanese side restated its intention that, in accordance with the Chemical Weapons Convention, it will sincerely deal with the issue of Japan's abandoned chemical weapons in China and destroy such abandoned chemical weapons by taking practical measures in a responsible manner at the earliest possible date. . . .

Both sides shared the view that preservation of the Silk Road cultural heritages on the Eurasian continent is important as part of the protection of the common heritage of mankind. . . .

### **II. Cooperation in international areas**

Both sides shared the view that they will strengthen coordination and cooperation on regional issues and play an active role for regional peace and stability, [including] on the Korean Peninsula.

Both sides confirmed the universality of human rights and shared the view that each country should enhance common understanding and reduce differences through mutual exchanges. . . .

Both sides confirmed that the high-level consultations on East Asian economic issues held in September 1998 were beneficial, and shared the view that similar consultations will be carried out as the necessity arises.

Both sides believe that the Eurasian Land-Bridge Project, which spans from East Asia across Central Asia to Europe, has a positive significance for the peace and stability of the entire Eurasian continent. Both sides, with the recognition of the importance of enhancing the transportation and distribution infrastructure from East Asia to Central Asia, confirmed that they will promote cooperation in this area.

## A political partnership

*Following are excerpts from the "Japan-China Joint Declaration, on Building a Partnership of Friendship and Cooperation for Peace and Development," which was issued Nov. 26, 1998, "on the occasion of the historically significant first visit to Japan by a President of the People's Republic of China."*

Both sides shared the view that as the world in the post-Cold War era continues to undergo great changes toward the creation of a new international order, further economic globalization is deepening interdependence and security dialogue and cooperation are making constant progress. Peace and development remain major issues facing the human society. It is therefore the common wish of the international community to build a new international political and economic order which is fair and rational, and to strive for a peaceful international environment in the twenty-first century that is even more firmly rooted.

Both sides reaffirmed that the principles of mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit and peaceful co-existence, as well as the principles of the Charter of the United Nations, are the basic norms for relations between states. . . .

Both sides believe that both Japan and China, as nations influential in the Asian region and the world, bear an important responsibility for preserving peace and promoting development. Both sides will strengthen coordination and cooperation in the areas such as international politics, international economy, and global issues, thus positively contributing to the endeavor for the peace and development of the world aimed at the progress of humanity.

Both sides believe that, after the Cold War, the Asian region has continued to move toward stability and the regional cooperation has deepened further. . . .

Both sides expressed their great interest in the current financial crisis in East Asia and the ensuing difficulties for the Asian economy. At the same time, both sides recognize

that the economic foundation of this region is sound, and firmly believe that by advancing rational adjustment and reform based on experiences, as well as by enhancing regional and international coordination and cooperation, the economy of Asia will definitely overcome its difficulties and continue to develop. . . .

Both sides reviewed the bilateral relationship since the normalization of relations between Japan and China, and expressed satisfaction with the remarkable development in all areas. . . . Both sides . . . expressed their resolve to establish a partnership of friendship and cooperation for peace and development toward the twenty-first century. . . .

Both sides are of the view that Japan and China share a history of friendly exchanges spanning more than 2,000 years, as well as a common cultural background, and that it is the common desire of the peoples of the two countries to continue this tradition of friendship and to further develop mutually beneficial cooperation.

Both sides believe that squarely facing the past and correctly understanding history are the important foundation for further developing relations between Japan and China. The Japanese side observes the 1972 Joint Communiqué of the Government of Japan and the Government of the People's Republic of China and the 15 August 1995 Statement by former Prime Minister Tomiichi Murayama. The Japanese side is keenly conscious of the responsibility for the serious distress and damage that Japan caused to the Chinese people through its aggression against China during a certain period in the past and expressed deep remorse for this. The Chinese side hopes that the Japanese side will learn lessons from the history and adhere to the path of peace and development. Based on this, both sides will develop long-standing relations of friendship. . . .

Both sides shared the view that, based on the principles of equality and mutual benefit, they will formulate long-term, stable, cooperative economic and trade relations, and will further expand cooperation in such areas as high technology, information, environmental protection, agriculture and infrastructure. . . .

The Japanese side continues to maintain its stand on the Taiwan issue which was set forth in the Joint Communiqué . . . and reiterates its understanding that there is one China. . . .

Both sides believe that through establishment of a partnership of friendship and cooperation for peace and development, the bilateral relations will enter a new level of development. To this end, a wide range of participation and sustained effort not only of both Governments, but also of the peoples of both countries, is essential. Both sides firmly believe that, if the peoples of both countries, hand-in-hand, thoroughly demonstrate the spirit shown in this Declaration, it will not only contribute to the friendship of the peoples of both countries for generations to come, but also make an important contribution to the peace and development of the Asia-Pacific region and of the world.

# A project-oriented approach to international economic relations

by Jonathan Tennenbaum

*Dr. Tennenbaum is a scientific adviser to the Schiller Institute and EIR. He gave this speech in Beijing, to a conference on "Asia-Europe Economic and Trade Relations in the 21st Century and the Second Eurasian Bridge," held in four Chinese cities from Oct. 27 to Nov. 1. Several other speeches from the conference were published in last week's issue.*

## Introduction

The explosion of global economic and financial crises over the last 12 months, demonstrates the need for a new approach to international economic relations. This terrible crisis was not caused by accidental events, but reveals *fundamental errors* in the economic and financial policies of leading governments and financial institutions. Actually, the present crisis is the end-phase of a long-term disease of the Western financial and economic system, which began approximately 30 years ago. At that time, the United States and other industrial nations began to move away from the previously established tradition of highly regulated, industrial-oriented national economies—a system which depended on large-scale state investments into infrastructure, science, and education. Instead, there was a revival of the ideology of the British "free trade" system of Adam Smith, which was promoted by Friedrich von Hayek, the "Chicago School" of Milton Friedman, so-called Thatcherism, and the neo-conservative movement in the United States.

This change in Western policy led to a radical deregulation of the financial system, elimination of protectionist measures, radical privatization, reduction of state investment into basic infrastructure, and a policy of "globalization" of the financial markets. Investment flows shifted away from the real, productive sector, more and more toward purely artificial, speculative profits in real estate, stock markets, futures markets, and an exaggerated growth of service employment. As a result, the biggest financial bubble in world history was created—the bubble which is now collapsing.

I think future generations will look at the last two decades of the 20th century as the period of collapse of two systems. First we had the collapse of the Soviet Union and the system of "command economy." Then, less than ten years later, we

witness the collapse of the pure free market economy or "British free trade system," which is happening right now.

Given that the command economy and the free trade system have collapsed, what is the new system which can provide the basis for real growth and development of the world's nations in the 21st century? The proposal I want to present is not entirely new, but I want to give it a new name: "Project Economy." Essentially, "Project Economy" means the same thing as Lyndon LaRouche's more scientific term, "physical economy." However, the idea of a "Project Economy" may be helpful when we think about the significance of the Euro-Asia Land-Bridge and other great projects, which will have to play a leading role in the world economy in the coming 25 years.

Project Economy means to use large-scale, government-sponsored projects in the areas of infrastructure, advanced technology, education, and scientific research, as the main instrument to promote the growth and development both of the national economy, and of international trade and economic cooperation. Project Economy is fundamentally different from both the command economy and the pure free market economy. In fact, the most successful periods of development of the United States, Germany, France, Japan, and other industrial economies, were always based on the essential principles of Project Economy. Project Economy was actually known in the 19th century as the "American System."

Today, Project Economy offers the only effective means to prevent a new, worldwide Great Depression. This is the reason why people in many countries, including Russia and China as well as in the West, have been studying the policies which U.S. President Franklin Roosevelt used to end the Great Depression of the 1930s. At that time, the United States used large-scale state investments into infrastructure, agriculture, and industry to boost employment and revive the productive sector of the economy. Another example is the successful reconstruction and development of Western Europe in the period 1946-58. Apart from such examples, I want to emphasize the following general points:

1. Although Project Economy strongly emphasizes the development of private enterprises and healthy markets for



*Jonathan Tennenbaum addresses a conference on the Land-Bridge in Beijing, at the end of October. He elaborated a concept of "Project Economy," in opposition to British free trade.*

goods and services, it also demands a high degree of regulation and protectionism—particularly in the areas of agriculture, infrastructure, and basic industrial goods, and above all in the domain of investment and capital flows.

2. The state has the primary responsibility for (a) basic physical infrastructure (transport, energy, water, essential communications, etc.) and education, health, and scientific research; (b) regulating the markets and financial system and to generate credit for the expansion of the productive base of the economy, through the use of a national bank system; (c) determining the overall direction of economic development, especially by means of large-scale state investments into infrastructure projects and advanced science and technology.

3. The state must actively encourage the development of small and medium-sized private enterprises operating at a high level of science and technology. In practice, large-scale state investment into infrastructure and advanced technology projects provides the most powerful method to promote such private enterprises, through contracts and concessions to private companies for construction, supply of equipment, and operation of projects.

4. National economic sovereignty and national economic security have the highest priority in the context of worldwide revival. The trend toward radical "globalization" and the dangerous erosion of the power of governments to control their own domestic economies, must be ended. Supranational institutions such as the International Monetary Fund cannot take the place of sovereign governments, and have no right to dictate economic and financial policy. Instead, emphasis must be placed on bilateral and multilateral agreements among sov-

ereign nations for cooperation on great infrastructure projects, science and technology, trade, and other areas.

### **Infrastructure Development Corridors**

The main challenge in the development of the Eurasian land mass is how to develop the huge interior regions, the hinterlands. These areas typically lack the basic infrastructure necessary to support economically viable investments into modern production and employment. The long transport distances, lack of easy access to resources, markets, and services, low density of population, and other factors combine to reinforce the tendency toward permanent backwardness and underdevelopment.

Generally speaking, the most powerful approach to solving this problem, is by building up a network of Infrastructure Development Corridors (IDCs). This means 1) creating a basic network of high-efficiency transport lines reaching into the hinterland—above all rail lines, navigable rivers and waterways, and, at the same time, 2) concentrating investment into creating a dense network of secondary transport, energy, water, communications, and other basic infrastructure within the band-like regions located along the main transport lines. These infrastructure corridors, typically extending 50 kilometers on both sides of the main transport lines, provide ideal conditions for rapid development of intensive agriculture and modern, high-technology industry, and for urbanization.

The Eurasian Land-Bridge is the biggest and most important project of this type in the world. Actually, developing the IDCs along the land-bridge means thousands of projects, which should be realized in a coordinated manner. My insti-

tute has published a book-length study on this subject. We emphasize that the Eurasian Land-Bridge should be understood to mean a whole future network of long-distance rail lines linking the main regions of Europe and Asia. This network will include: 1) the northern route via the Trans-Siberian Railroad; 2) the middle route which runs from Lianyungang via Xi'An, Lanzhou, and Urumqi to the border with Kazakhstan, and running from there to Europe either northward via Russia, or southward via Tashkent, Mashhad, Tehran, and Istanbul; the southern route which runs from Southeast Asia via Myanmar into the Indian subcontinent, and via Pakistan, Iran, and Turkey into southern Europe. In addition, there are several alternative routes, especially through Southeast Asia, Central Asia, and the Caucasus.

At the present time, concrete progress to develop the Eurasian Land-Bridge and its corridors is far too slow. Fundamentally, this lack of development is connected with the same reasons as the global financial crisis — the lack of correct economic and financial policies in most countries, as well as on the international level. Largely as a result of these incorrect policies, in the 1990s we have witnessed the economic collapse of Russia and other parts of the former Soviet Union, the Asian financial crisis, the mass unemployment throughout western Europe, and a dangerous accumulation of conflicts and “hot spots” in the Near East, in the Caucasus, in Central Asia and Afghanistan, and in other areas — conflicts which are fueled by the effects of economic stagnation and collapse.

The Schiller Institute is demanding that all governments in Europe and Asia should give highest strategic priority to cooperative development of the land-bridge infrastructure corridors, as the centerpiece of a worldwide implementation of “Project Economy.” Besides Europe-Asia cooperation, the Schiller Institute also emphasizes the importance of developing a closer triangular relationship among Russia, China, and India, which would mobilize Russia's advanced scientific and technological capabilities as a key input to development of the regions along the Eurasian Land-Bridge.

Let me now turn to some specific areas for international cooperation.

## 1. Nuclear energy

Adequate quantity and quality of power supplies is a crucial precondition for economic development. Since most of the so-called developing countries and regions lack adequate energy supplies, large-scale projects in energy technology must play a central role in the coming period.

At present, the most advanced technology for large-scale power supply is nuclear power. The decisive advantages of nuclear power include: 1) Highly concentrated fuel — one kilogram of low-enriched uranium produces an equivalent amount of energy, of more than 50,000 kilograms of coal or oil. The fuel cost is only a small part of the new energy cost. 2) Nuclear reactors have the highest power density of all sources of energy, and are the most efficient in terms of use

of land and materials. 3) Nuclear power production does not depend on weather and climate conditions, and a nuclear reactor can run for many months or even years, without requiring constant shipments of fuel from the outside.

Unfortunately, up to now the large-scale use of nuclear power has been restricted nearly entirely to advanced industrial countries. France, for example, produces more than 80% of its electricity in nuclear reactors; Belgium, 60%; Hungary, Sweden, South Korea, 40%; Switzerland, Bulgaria, Spain, Taiwan Province, Finland, Japan, Germany, more than 30%; U.S.A. and Great Britain, more than 20%. Developing countries come at the bottom of the list, with at most a couple of percent. The unequal distribution is largely the result of the unjust international economic order and a deliberate policy of “technological apartheid,” preventing developing countries from obtaining access to advanced technology.

In the recent period, a new type of nuclear reactor has been developed, which is ideally suited for use within Infrastructure Development Corridors throughout the world. This technology is the modular high-temperature reactor (MHTR). Prototype MHTRs are under construction in China and Japan, and South Africa is planning a major MHTR construction program. MHTRs are simpler to build and operate, more robust, and much safer than present light-water reactors. As modules of 50-200 MW thermal power, they can be mass-produced at low cost and their components easily transported by rail for rapid assembly to sites located along the transport corridors. As the demand for energy grows, additional MHTR modules can be added at any site.

Besides high-efficiency electricity generation, MHTRs can produce high-temperature (900-1,000°C) process-heat for industrial use in refineries, and chemical and metallurgical industries, as well as low-temperature heat for heating of buildings and desalination of sea water. Probably the most important use of process heat from MHTRs will be for the production of methanol and other synthetic fuels using coal, gas, or oil as a raw material. Recent breakthroughs in the technology of fuel cells make it likely, that in the future methanol will become a key fuel to power fuel cells for automobiles and decentralized generators of electricity.

It is often claimed that nuclear power is “too expensive” to be used in developing countries. Such statements are based on wrong economic assumptions concerning the calculation of cost. For developing countries such as China, one must take into account the positive economic effects on the entire economy, as a result of technology transfer, increase in level of education and training, and development of the high-technology industrial base connected with producing, operating, and servicing nuclear reactors. To obtain these benefits, of course, it is important to develop the domestic base of nuclear technology as part of the nuclear energy program. This is an ideal area for Euro-Asian cooperation. I would like to point to the example of the original Germany-Brazil nuclear agreement and some other North-South nuclear-technology-trans-

fer agreements of the 1970s as good examples—although their full realization was unfortunately prevented by the Third World debt crisis.

I therefore wish to suggest, that bilateral and multilateral cooperation should be launched to develop the MHTR and related technologies for use in the Eurasian Land-Bridge Development Corridors. This should include establishing a production facility for these reactors in China, as well as joint research and development efforts in the domain of MHTR applications (desalination, methanol production, etc.).

## 2. City-building and urban transport

Over the coming 20 years, the demographic structure of the developing countries will be transformed by a rapid urbanization process. Indeed, this change is fully in progress in China. The shift of billions of people from rural to urban areas means that the next 25 years must be a period of city-building and urban construction on a scale which has never occurred before in human history. This urbanization process requires careful long-term planning and investment; it cannot be left to the so-called market mechanisms. The negative effects of lack of adequate long-term planning and long-term investment can easily be seen in most large cities in the developing countries. One has only to experience the traffic situation in Cairo, Mexico City, Calcutta, or many parts of Shanghai and other Chinese cities.

The science of physical economy teaches us that it costs much less in real economic terms, to build *new* towns and cities, than to modernize old ones. A city is essentially the most dense form of infrastructure. Ideally, new urban centers should be planned, using the most modern technologies available and taking into account the city's probable development over a 50-year period. Ideally, the underground foundation of the city must be constructed first, including several underground levels for subway and other public transit systems, power, water, communications, sewage and waste systems, and underground highway and parking facilities for convenient access by car—providing also space for future extensions and improvements. After constructing the underground foundation, the above-ground part of the city, with all its buildings, is built on top. In this way, the city has a fully developed mass transport system from the very beginning.

I want to emphasize again: The argument that the construction of new cities is “too expensive,” is absolutely wrong and disproved by physical economy. The real cost to an economy, of *not* building new cities, caused by the inefficient, wasteful expansion of existing cities and related reasons, is larger than the cost of building new, efficient cities. A well-designed modern city, in particular, can have a much higher population density than present cities, thereby economizing on land, which is an important consideration in China. Actually, construction of a well-functioning city is the source of an enormous net gain to the economy as a whole.

City-building should become a central area of economic

cooperation and technology transfer between Europe and Asia. Germany and other countries possess a base of advanced technologies for city-building and urban mass transit, including magnetic levitation technology, which will play a big role in the future. I would like to suggest that European and Asian countries cooperate in a joint project for the construction of several new, *model cities* at key locations along the Eurasian Land-Bridge.

## 3. Water

Large-scale projects for water management—including flood control, water storage, irrigation, water treatment, and water supplies—will play a key role in the “Project Economy” of the coming 25 years. This includes international projects, such as the Mekong River basin development, the Ganges-Brahmaputra project, and possible projects to transport water from Siberia into Central Asia. The recent flood disasters in China and Bangladesh, particularly, underline the urgency of flood-control projects. However, insufficient supply of clean water for agricultural, industrial, and human consumption is an increasingly critical problem worldwide, and especially in northern China and many other areas of Eurasia.

Advanced technologies will be key to solving these problems. Time does not permit me to go into detail, but I would like to emphasize the future use of nuclear energy for large-scale desalination, and the pumping of water over large heights and long distances. If these and other modern technologies are fully utilized, lack of water will not be a barrier to economic development in the coming century. Here, again, is a key area for international cooperation.

## 4. The Machine-Tool-Design Principle

In his work on physical economy, Lyndon LaRouche has demonstrated that the ultimate source of real economic growth, which means the increase in the per-capita productive powers of labor, is the creative powers of the human mind. Real physical economic growth is caused by discoveries of *new physical principles* and the transformation of those discoveries into *new families of technologies*, which gradually transform the productive base of the economy. Since the new families of technologies generally spread into industry through the design of new types of machine tools and related production machines, LaRouche has called this the “Machine-Tool Principle.” Of course LaRouche's principle is consistent with what Deng Xiaoping meant, when he said, “Science and technology is the number one productive force.” However, the realization of very rapid scientific and technological progress in Western countries depends on a special kind of cultural development going back to the European Renaissance, and in particular on the special class of scientists, engineers, and industrial entrepreneurs who are able to transform new scientific discoveries into new technologies. This special capability is especially concentrated in the sector known in Germany as the *Mittelstand*—which means small

and medium-sized enterprises operating in the domain of new technologies. The Machine-Tool-Design Principle requires a special kind of education and a close, harmonic cooperation among scientific research and development, small and medium-sized companies, and large companies.

A key economic problem of developing countries, including China and India as the largest and most important ones, is a relative lack of development of advanced machine-tool-design capability. The problem cannot be solved just by investment only; it is necessary to cultivate a special kind of cadre who are scientists and engineers as well as entrepreneurs. The deliberate creation of a cadre-force of scientific entrepreneurs through special educational institutions and other policies, was crucial to the industrial development of Germany, France, the United States, and other Western countries, as well as the former Soviet Union in a somewhat different way. This process takes time, because the special culture and experience required for the Machine-Tool Principle is developed and transmitted from generation to generation.

In view of this, I would like to propose that cooperation should be launched between European countries, Russia, China, India, and other Asian countries, with the specific purpose of building up the machine-tool-design capability (in LaRouche's sense) in China, India, and other developing countries. Although joint ventures can be useful in this context, I think up to now there has been too much emphasis on getting foreign investment, and too little emphasis on how to create a cadre of scientific entrepreneurs in China and other developing countries, which can compare in quality with the best of the German *Mittelstand*. For this purpose, we would propose an intensive exchange program, in which European *Mittelstand* leaders could be brought in as advisers (and not only as investors) to help in setting up new industries and training entrepreneurs.

### **A closing comment, on the problem of financing**

Often when we talk about the Eurasian Land-Bridge and Project Economy, people voice the objection, "Your idea is good, but I don't think there is enough money to finance it." This objection is actually based on some misunderstandings about economy.

On the level of national economy as a whole, lack of money is never a fundamental problem. A sovereign state has many ways to increase the effective supply of currency and credit in a selective way, for the purpose of stimulating production and productive investments. Lyndon LaRouche wrote several books and monographs about this, including one entitled, "How Credit Can Be Greatly Expanded Without Creating Inflation." The fundamental problem is not the supply of money—a government can print as much money as it wants to. The problem is, how to correlate the expansion of money and credit with the expansion of real production and

the increase of productivity in such a way, that the purchasing power of money increases, rather than decreases. In other words, how to expand the money and credit supply without causing inflation. This problem was first solved in practice by Alexander Hamilton, the founder of the First National Bank of the United States. LaRouche has developed this practical method further, and provided the most advanced theoretical analysis of the problem. I do not have time to develop further details here but let me just mention two essential points:

1. In order to be successful, productive credit expansion must be carried out in a highly controlled and disciplined manner. Although the participation of private banks is desirable, the introduction of new currency in the form of additional credit must always be supervised and strictly controlled by the national bank.

2. The additional currency issue must be loaned at low interest rates, exclusively for investments into productive activities of agriculture, industry, and infrastructure, and related activities, with emphasis on increasing the level of technology. Use of such new credit for purely financial operations, such as stock market, real estate, and other nonproductive uses, must be strictly prohibited.

3. Credit expansion should especially be targetted at mobilizing existing, but unused or poorly exploited resources, in the form of idle manpower, idle production capacities, and available technologies, in order to boost the real physical productivity of the economy as a whole. At present, enormous growth resources exist in nearly every economy in the world, and are waiting to be mobilized by the proper policy. The recent infrastructure investment policy of Premier Zhu Rongji, which we think is a very excellent policy, takes advantage of exactly this point in the case of China.

Very often people wrongly use the term "Keynesianism" to describe the credit-expansion policy described above. Actually, as I already mentioned, this method was not invented by Keynes at all, but by Alexander Hamilton, about 150 years earlier. Secondly, Keynes's theories and policies are completely opposed to those of Hamilton and LaRouche. Keynes was purely monetary-oriented, and paid no attention to the real production of wealth in an economy, which is based on science and technology.

Hamiltonian credit-generation, both on the national level and on the level of low-interest loans for technology transfer between nations, is key to the successful launching of a worldwide Project Economy in the period immediately ahead. Conversely, this method requires identifying projects which can absorb large investments, while at the same time having a positive impact on the overall productivity of the economy, much larger than the expenditure. The Eurasian Land-Bridge infrastructure corridors and corresponding projects in Africa and North and South America fulfill these requirements in an ideal way. Therefore, the land-bridge projects will be the central focus of worldwide economic policy in the coming 20 years.

# Japan's debt time bomb could detonate the global collapse

by William Engdahl

Late in November, Moody's Investors Service announced that it had downgraded the credit standing of the world's second-largest industrial nation, Japan. The decision by Moody's is highly unusual for a major Group of Seven industrial country, let alone one which is the world's largest net creditor and which holds the world's largest foreign currency reserves, some \$205 billion. Justifying its decision, the rating agency said that it acted "because of the uncertainties and heightened risks over the long term arising from economic and policy weaknesses that have led to significant deterioration in the Japanese government's fiscal position and in the financial system." If anything, Moody's understated the case.

More alarming, Moody's took account of recent major legislative action in Japan, including passage of a 60 trillion yen (\$500 billion) bank restructuring law and the largest economic stimulus package in Japanese history, in deciding, nonetheless, to downgrade the sovereign debt of Japan from Aaa, the highest possible, to the lower AA1 level.

Moody's action, which has been severely criticized in Japanese media as being unwarranted, amounts to a global warning bell for what could well be the next financial system crisis: a collapse of the Japanese bond market.

## Opening the money spigot

The real reason for Moody's downgrade of Japan was not the situation at present, bad though it is. Rather, it reflects the explosion of further government debt obligations already in the pipeline. In recent weeks, the Obuchi government has passed a \$500 billion bill which allows the government to nationalize bankrupt or insolvent banks and reorganize them. In addition, the Diet (Parliament) passed a \$200 billion fiscal stimulus bill in November in a desperate effort to jump-start the Japanese economy, now in its worst depression since the late 1920s.

According to a study by Nomura Securities, since the collapse of Japan's asset bubble in stocks and real estate in 1991, the Japanese government has already spent \$714 billion on economic stimulus programs. The results to date, according to Moody's, have been that "fiscal stimulus has only worked for a very short period of time. What did they end up

with after five years? No growth and a huge increase in debt." Today, including certain huge unfunded state pension and other public liabilities, Japan's public debt level is at 111% of Gross Domestic Product, far more than \$3 trillion, for a country of 120 million people. The U.S. public debt totals just more than \$5.5 trillion for a nation of some 245 million, making Japan more heavily indebted, in per-capita terms, even than the United States.

Defenders of the Japanese government policy like to point to the fact that the Japanese bond market has been extremely strong, with the state able to sell its debt despite the meager 0.86% return it offers on 10-year Japanese Government Bonds (JGBs). By contrast, comparable U.S. Treasury debt offers an investor 5.5%. However, the apparent stability of Japan's bond markets gives no grounds for complacency.

According to informed Japanese estimates, more than 60% of Japan's government bonds issued are being bought by the government itself! The government is taking in its own wash. The Ministry of Finance Trust Fund Bureau, as well as the government's Postal Savings Bank, or KAMPO, have taken the lion's share of new government bonds. But that source of bailout for the government may be reaching its limits.

The Postal Savings Bank is the world's largest bank, with more than \$2 trillion in deposits. Because it is a government bank, many Japanese have put their savings there, for fear that the private banks could go under. The government in turn has, until now, been able to use its deposits to fund its own soaring debt. The problem is that KAMPO estimates that it will lose up to 45% of its \$2 trillion in deposits in the coming 12-24 months, when special 10-year high-interest deposit accounts, by law, are due to expire.

Because of this growing inability of KAMPO and the Finance Ministry to continue buying JGB debt, the ministry just announced that it will raise the monthly amount of bonds it sells to private investors from the current 1,400 billion yen, to 2,000 billion (\$16.6 billion) beginning in January. The news triggered near-panic in bond markets as fears grew that there would not be enough buyers for such a huge flood of new bonds, leading to sharp falls in JGB bond prices in the last two weeks of November.

But this is likely only the start of problems in the bond market of Japan. As well, Japanese insurance companies, a traditional buyer of JGB bonds, will be less able to buy the low-yield JGBs. They must desperately search for cash to meet policy obligations as Japan's economy weakens dramatically. Most Japanese life insurers have sold insurance policies or life annuities which guarantee policyholders returns of 4%. But, with the depressed stock market and the extremely low interest rates paid to hold government bonds, the insurers are able to earn only 2% on their investment. As well, Japanese are unwilling to buy life insurance in the depression, leading to a 4% fall in total insurance policies and revenue for the fiscal year ended Sept. 30. Some informed Japanese observers believe that the solvency crisis in Japan's \$10 trillion life insurance sector is the next financial bomb to explode, barring dramatic improvement in the economic situation. So far, no one in the government dares talk about what the cost of a public bailout of Japan's weak insurance sector could mean to bondholders.

Making matters worse, Japan is about to be hit with a demographic explosion of retirees at a time when the economy is in depression and the birth rate is among the lowest of the major Organization for Economic Cooperation and Development countries. Simply put, the state is legally obligated to pay unprecedented levels of public pensions at just the time, about 2002-2003, that its spending to try to reverse the economic and banking debacle will also demand the highest outlay from the government.

### **Worse than Brazil?**

On Nov. 25, the Japanese government announced that because of the sharp decline in corporate tax revenues, Japan would face an estimated \$83 billion tax revenue shortfall in the budget for the fiscal year ending March 31, the lowest revenue level since 1987. This will create a national budget deficit which will hit 9.8% of Japanese GDP, significantly larger even than that of the troubled Brazilian economy.

But the sad state of national government finances only tells part of the story: Japanese municipal governments are on the verge of bankruptcy. Tax revenue shortfalls for Japanese municipalities this fiscal year are estimated to be at least 3 trillion yen (\$24.5 billion), more than double the worst year on record. By law, Japanese cities are prevented from paying out annually more than 20% of their budget in debt service costs. Some 31 prefectures have hit the "warning" level of 15%, and six are already at the 20% limit.

In addition, local governments floated tens of billions in municipal bonds after the collapse of the bubble economy in 1991. By next March 31, the total of municipal debt outstanding in the form of municipal bonds will hit 160 trillion yen (\$1.3 trillion), an increase of 130% since 1991. As much as 50% of national government public works programs calculate an equal share in local government spending. With cities on the edge of bankruptcy, clearly the optimistic projections of

the Obuchi government for its stimulus are in grave doubt. Instead of helping stimulate their local economies, Japanese local governments are being forced to impose harsh new austerity. Some cities have begun to levy special fees or taxes for parents of children in high school, over and above normal local taxes, to raise funds. The effect is worsening depression of the overall Japanese economy. Japan is in a vicious, self-feeding deflationary spiral at this point.

Nomura Securities estimates that for the present fiscal year and the next, the central government will have to raise 52 trillion yen (\$436 billion) by issuing new bonds. With its own government agencies unable to continue the present buying levels of some 60% of new bonds, and private banks and insurance companies beginning to worry about a fall in bond prices, the fear is that it would take little added pressure to trigger a panic sell-off by bondholders.

Were the Japanese bond market to crash in coming months under these combined stresses, the shock would devastate the fragile global financial architecture. Soaring interest rates in Japan would cripple any possibility of economic recovery at its most delicate phase. As well, under Japan's new financial "Big Bang" deregulation rules, Japanese private investors can now easily take their savings and invest them outside Japan. Were capital flight to snowball under conditions of worsening Japanese bond and stock markets, it could mean a renewed collapse of the yen, and could put enormous pressure on Japan's huge holdings of U.S. Treasury bonds and bills.

Japan's troubled banks at this point would be one of the worst hit in any collapse in the Japan bond market. According to a recent study by Goldman Sachs, almost 30% of the total assets of Japanese banks today are held in the form of Japanese Government Bonds. With the value of their permanent stock holdings vanishing to negative worth with the Nikkei at 14,000, were their huge bond holdings to collapse further in price, a chain-reaction of Japan bank insolvencies could rapidly overshadow the present problems of Japanese banks.

Informed private estimates by McKinsey-Japan, a consulting firm, place the total bad loans held by Japanese banks at some \$2 trillion, well above the official figure of \$660 billion. This includes significant bad loans on the books of KAMPO and other government banks. At least \$1.2 trillion of that total is reportedly held by the private banks, the result of eight years of inability to forge the far-reaching internal consensus needed to radically reorganize the entire structure of Japan, Inc. Had the government stepped in in 1991 and closed bankrupt banks, wiping the slate clean, and recapitalized healthy banks to lend to the real economy, Japan today would likely be the engine of a global industrial boom, rather than the albatross around the global neck. The coming few months will pose the most awesome challenge to date for the embattled Japanese political system. A New Bretton Woods system is very much still on the agenda.

# Asia tells Washington: No more Gore!

by Gail G. Billington

In spite of himself, U.S. Vice President Al Gore's reprise of the "ugly American" at the Asia Pacific Economic Cooperation forum in Kuala Lumpur, Malaysia on Nov. 17, served a useful purpose. His invocation of the "magic of the marketplace," in a part of the world where eight of the leading regional economies are officially in recession, coupled with paying homage to the "reformasi" movement of ousted Malaysian Deputy Prime Minister Anwar Ibrahim, send the clearest possible message that "business as usual" in the conduct of relations among nations is over.

More important, Gore's colossal gaffe demonstrates why there is a growing drumbeat in the United States and around the world to bring *EIR* Founder Lyndon LaRouche into the White House as Clinton's economic adviser, with the immediate task of collaboration among key nations, all members of the Group of 22, in drawing up the blueprints for a new global financial architecture committed to nation-building, through great projects such as the Eurasian Land-Bridge. Gore personifies the institutional political baggage in the United States that President Clinton must dump if his episodic impulse to emulate President Franklin Roosevelt's commitment to a just economic order is to amount to anything. Unbeknownst to him, Gore has given Asia a golden opportunity to address this crucial issue of leadership for the United States and the world.

## Save the nations

Unfortunately, U.S. Ambassador John Malott compounded the damage done by Gore, in an interview with *The Star* on Nov. 20, defending Gore's rant about "democracy," arguing that "democracy is not simply having elections. Stalin held elections. Even Hitler had elections." The Malaysian Foreign Ministry summoned Malott, and delivered the message that Gore's statement is viewed as "incitement to lawlessness" and the introduction of the "law of the jungle" in relations among nations.

In Malaysia itself, Gore's gross interference in sovereign affairs of state has done more to rally national support for Prime Minister Mahathir bin Mohamad and the emergency economic measures, including capital controls, adopted on Sept. 1, than all of the devastating losses of the past year's financial collapse. And Gore's embrace may prove to be the kiss of death to what has been a foreign media-hyped, and wildly opportunistic, "reform" movement.

In Asia generally, Gore's APEC performance prompted

uncommonly blunt statements from government officials, prominent citizens, and leading newspapers. Exemplary is a report carried in Singapore's leading daily, *The Straits Times*, reporting on a signed commentary in the Nov. 21 official *China Daily*. The commentary noted that, given the economic recession in Asia, it is urgent for APEC to work out an effective economic recovery plan; thus, "it is untimely and repulsive for the United States to mix politics with economics on such an occasion."

There are some indications that President Clinton regrets that he opted out of attending the APEC summit in order to deal with the British-instigated crisis over Iraq, even though White House spokesman Joe Lockhart quoted the President as saying that Gore had done an "excellent job." Journalist Gerald Baker, who traveled to South Korea and Japan with President Clinton, reported in the Nov. 24 London *Financial Times* that Clinton's thinking on the need for global monetary reform "may be more radical than that prevailing in the U.S. Treasury, the International Monetary Fund, and the U.S. Federal Reserve." In Korea, Clinton sympathized with a group of community leaders, saying, "Don't be fooled. When \$1.5 trillion is moving around the world every day, the possibility for instability is great. You should not blame yourself. The situation is worse than it would have been because of the volatility and size of the financial crisis."

Putting an end to such financial anarchy was precisely the theme of the keynote address given by Mahathir at the Nov. 15 opening of the APEC Business Advisory Council (see *Documentation*), and the major speech delivered by China's President Jiang Zemin to APEC's 21 heads of state on Nov. 18 (see *EIR*, Nov. 27, 1998).

## The 'Support Malaysia' campaign

Less than 24 hours after Gore gave his Nov. 17 speech, the youth movement of the ruling Barisan Nasional coalition in Malaysia launched a "Support Malaysia" petition drive, intent on gathering 1 million signatures, or 1 in 20 Malaysians, protesting Gore's remarks. This effort comes on top of an earlier petition campaign launched by the Rural Development Ministry in late 1997 to educate the rural sector on the nature of the economic crisis, which campaign is closing in on 2 million signatures by Dec. 19, when a rally of 5,000 rural community representatives will meet in Kuala Lumpur. Hotlines have been set up for Malaysians to voice their protests. Posters are going up in public plazas around the country for people to express their views. And the country's intelligentsia has taken to the pages of the national press in an unprecedented way to express their love for their country. The leadership of the Malay, Indian, and Chinese communities, the senior ministers of state governments, and even the leadership of the two principal opposition parties, the Parti Islam Malaysia (PAS) and the Democratic Action Party (DAP), which have exploited the ruckus created by the "reformasi" movement, have closed ranks in defense of Malaysia's sovereignty.

Gore's performance earned him the near-universal opprobrium of the APEC heads of state. Chinese Foreign Minister Tang Jiaxuan remarked, "The Chinese government and the Chinese people will never, ever, make irresponsible comments on the internal affairs of other countries." Singapore Prime Minister Goh Chok Tong was quoted in Denmark's *Jyllandsposten* saying that the "charisma level" at APEC dropped considerably with Gore's arrival. New Zealand Prime Minister Jenny Shipley rejected "megaphone democracy." And Australia's Deputy Prime Minister Tim Fischer said bluntly, "Al Gore was playing to the cameras first, and second pushing perhaps the content of his remarks."

### Door left open

On Nov. 29, two of Malaysia's leading dailies, the *New Straits Times* and *The Star*, signalled that, despite Gore's actions, the damage can be repaired. Both newspapers carried a release from the state wire service Bernama, which quoted Lyndon LaRouche's comment on the Gore speech that "Gore put his foot in his mouth" (see *EIR*, Nov. 27). The release credits *EIR* with the report that the speech delivered by Gore was written by the National Security Council, but never reviewed by the President and was edited by Gore and/or his staff.

"It is therefore highly unlikely that President Clinton would himself have included this assault, but it is unfortunate that he feels compelled to back up Gore, whose speech was correctly described by the Minister of International Trade and Industry Datuk Seri Rafidah Aziz as 'the most disgusting I have ever heard,' said *EIR*."

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## Documentation

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### Mahathir: 'We will keep our financial controls'

*The following speech, "Restoring Confidence, Regenerating Growth: Managing Globalization Better," was delivered by the Prime Minister of Malaysia, Dato Seri Dr. Mahathir bin Mohamad, to the Asia Pacific Economic Cooperation (APEC) Business Summit, in Kuala Lumpur on Nov. 15, 1998.*

It heartens me to see so many of APEC businessmen present here today. Going by the press coverage leading up to this summit on whether anyone was coming to the Kuala Lumpur APEC Economic Leaders Meeting, I was initially concerned as to whether we had ordered too much food. . . .

2. As host to APEC this year, Malaysia feels a strong sense of responsibility that the meeting should help tackle the current economic problems. As we approach a new millennium, it is imperative that we devise and put in place a better

economic and financial regime, now referred to as architecture, for the world. Some of these will be the result of technological progress, but others will reflect the emergence of new commercial and sociological ideas and values. With your indulgence, I would like to take this opportunity to discuss the present architecture, or lack of it, as manifested by the anarchical and unregulated capital flows in the international monetary system. In doing so we must not be tied down by fanatical beliefs which act as mental blocks to our recognition of the facts involved. . . .

*[Mahathir then described the devastation to the economies brought on by the speculative collapse of the currencies and stock markets.]*

9. It is accepted that ever since the Bretton Woods fixed-exchange-rate regime was abandoned, the exchange rates of currencies had never been stable. Businessmen had to hedge against exchange-rate changes, and business went on without too much difficulty. But when the exchange rate changes became violent, rapid, and unpredictable, business must be affected. In one case the fall in the value of the currency was 600%, i.e., you require six times the amount of local currency in order to pay for whatever it is you want to import. . . .

12. The net effect is to impoverish the country and the people.

13. It is suggested that the economy would recover if financial reforms are carried out, if governments are less corrupt, etc. But those countries which tried to conform have found that reforms have not made things any better. In fact, the economic turmoil worsened despite the reforms and the loans from the IMF [International Monetary Fund]. There are attempts to paint a happy picture of economies under the IMF recovering. But the facts belie this. The people in these countries are still suffering unemployment and shortages of food and other goods. None of the currencies of these countries have regained their previous strength.

14. In any case, if they recover there is no guarantee they will not be attacked again by the currency traders and the share-market raiders. Several Latin American countries have been attacked repeatedly, with grievous results, despite their reforms. The fact is that currency traders attack, not because the governments or the systems are bad, but because they see opportunities for making money for themselves. . . .

15. Allegations about bad governments, etc. are just excuses. . . . We need not leave it to the currency traders to determine the rate. Various indices can be used, and governments can agree to a reasonable exchange rate. It may be difficult, but it is not impossible.

20. There are many mechanisms for determining the exchange rates which can be devised by the fertile minds of economists and financiers. Governments of powerful countries just cannot abdicate their roles in determining the exchange-rate mechanism. They owe it to their peoples and their countries to accept the responsibility for determining the exchange rate.

21. The excuse they give, that currency trading cannot be

made transparent, is ridiculous. On the one hand the currency traders condemned governments for their lack of transparency, on the other hand these self-appointed discipliners of governments are themselves not transparent. Despite dealing in billions and trillions of dollars, we do not know who they are, how they trade, where they trade, and who invests with them. It is only when they fail, as the Long-Term Capital Management Fund failed, that we learn about them and their massive trading.

22. It is shocking to learn that with a capital of \$4 billion the Fund could borrow up to \$1 trillion, 250 times more. Banks are supposed to exercise prudence. Is this what is meant by banking prudence? Aren't the governments supposed to supervise banks, or have they abdicated this role also?

23. While nothing was done to stop such banking imprudence, rich governments were quick to act to bail out the hedge funds, using money deposited in the banks by ordinary people. The rich investors in the hedge funds are being bailed out with money belonging to poor people. Yet the same governments condemn any bailout of corporations belonging to the public using public funds. The inconsistency and double-standards are glaring. . . .

31. The reason for Malaysia removing the ringgit [its currency] out of the reach of the currency traders is because we still believe that currency traders are too powerful and completely irresponsible. They don't mind bankrupting countries and regions, impoverishing millions of workers, and destroying whole economies in their quest for profits. We had asked the world to regulate the currency traders, but we were laughed at for not understanding the world's financial system, for being in denial, for profligate ways, for building the world's highest building, etc.

32. Now the world is beginning to realize that the activities of the currency traders can adversely affect them also. . . . But we are of the view that there is still anarchy in the international financial market. If we go back, there is no guarantee that we would not be attacked again. . . .

36. Our currency control will remain in place for as long as the world refuses to bring order to the financial market. . . .

37. In currency trading, the hedge funds are the Bill Gates of the international financial market. They compete against puny central banks of developing countries. The central banks have no chance at all, especially against the combined financial strength of all the funds and the banks which lend them money. . . . All the great religions of the world are good, but their adherents fight and kill each other despite being urged to be brothers. Globalization, too, is good, but it can be abused, abused in such a way that instead of worldwide prosperity, there will be worldwide poverty or extreme disparities between rich and poor, international and civil disorders, revolts, rebellion, and all kinds of crisis. . . .

50. Creative destruction is not the way. We can build on what we have instead of destroying and expecting the phoenix to rise from the ashes. It may not rise at all, or it may take too long a time. . . .

## New Delhi government opens up insurance

by Ramtanu Maitra and Susan B. Maitra

Turning its policy on foreign participation in the insurance sector upside down, the Vajpayee government announced on Nov. 23 that it would allow 26% foreign equity in the insurance sector, and an additional 14% for investments by non-resident Indians, foreign institutional investors, and overseas corporate bodies. In August 1997, when the United Front coalition government had tried to introduce similar legislation, the Bharatiya Janata Party (BJP), then the leading opposition party and now leader of the ruling 16-party coalition, had overturned the effort, calling it a "sell-out to foreign imperialism."

India's insurance sector was nationalized in 1971 by Prime Minister Indira Gandhi. The objective was to garner public money for development. This objective was met partially over the years, but of late, following the decision to liberalize the economy, domestic and foreign pressure has mounted to open up the insurance sector for private participation. On the domestic front, the Confederation of Indian Industry led the charge, while such powerful insurance groups as American International Group (AIG), Chubb Group of the United States, and Eagle Star of the U.K., among others, were also involved.

It is expected that the proposed bill will be placed in the six-week winter session of Parliament, which began on Nov. 30. A fight broke out within the cabinet on the issue, with some demanding that the bill be shelved. But the Prime Minister and Finance Minister's intervention ensured that the bill will be up for discussion. If it goes through, licenses will be issued by June 1999, and Indians will be able to buy policies from private firms by the end of next year.

The sudden change in BJP policy has caught the attention of many. According to a business daily, following the announcement of the opening up of the insurance sector to foreign companies, some BJP leaders claimed that the Vajpayee government had buckled under pressure from lobbies from the United States. As is widely known here, AIG CEO Frank Wisner, who was formerly U.S. Ambassador to India, is chummy with some of the BJP leaders at a very high level. Wisner has made no bones of his intent to see AIG, which has formed an alliance with the domestic Tata Group (a powerhouse by itself), become a major player on the Indian scene.

Also noteworthy is the allegation by one of the major

dailies that the insurance turnaround was engineered by the Prime Minister's Office (PMO). Although the PMO has not responded to this charge, it is becoming evident that former U.S. Secretary of State Sir Henry Kissinger, who was also on the international board of directors of AIG, has the ear of the PMO. As Prime Minister Atal Behari Vajpayee's breakfast meeting with Kissinger in New York last October shows, Kissinger's increasing interest in subcontinental affairs cannot but be noticed.

Kissinger supported India's test of nuclear devices last May, not because he believes that India needs nuclear weapons for its security, but because he would like to see India become a major adversary to China—a classic British balance-of-power game which obviously has a few takers in the Vajpayee administration. In addition, Kissinger's appeal to the Clinton administration for "progressive" lifting of nuclear-related sanctions has helped him to warm up some of the heavyweights in New Delhi.

### **Domestic political reactions**

It is evident that the BJP has been weakened politically because of its disastrous showings in three major recent State Assembly elections. Nonetheless, it is expected that the insurance bill will scrape through. The main reason is that the major opposition party, the Indian National Congress, which also supports the opening up of the insurance sector, may not find it convenient to oppose the bill. But loud opposition will come from the Left, a small group which has some 50 members in the 540-member Lok Sabha, the lower house of Parliament. The Left has declared its intention of opposing the bill and has charged the government with succumbing to pressure from international financial institutions and multinationals, which is paving the way for dismantling domestic insurance companies.

Perhaps more significant, the Vajpayee government should be more concerned about the opposition from one of its own front organizations, the Swadeshi Jagran Manch (SJM). The SJM is led by a senior leader of the Rashtriya Swayamsevak Sangha, an apolitical organization which acts as a braintrust for the BJP and various front organizations which work for the growth of the BJP. The SJM has announced its decision to launch a mass movement in the first week of January 1999, against the Vajpayee government's policies on the insurance sector and patent rights. Calling the action by the government a "breach of public trust," the SJM secretary said that there is no point in talking to the government.

### **Growing foreign interest**

For years India's insurance sector has drawn the attention of overseas companies. Those which argue for its privatization point out that the act will attract foreign direct investments that would help finance the building of India's depleted infrastructure. The Vajpayee government said almost the

same. While there is a general agreement among observers that some more foreign investment will now find its way into the Indian market, the All India Life Insurance Employees Association rejects the move categorically. "Money for infrastructure is a bogey," Association head S.N. Jaokar told a news weekly. "We are opposed to both the opening up of the sector and the entry of foreigners."

In India a large number of people believe that Jaokar may not be wholly wrong, and that the overseas companies are simply interested in the privatization of the insurance sector because that would provide them with an opportunity to make some fast money. They point out that it would deprive the government of captive development funds.

With the prospect of privatization, many foreign insurance companies have forged alliances with their Indian partners. These foreign companies, mostly British, include Rothschilds (U.K.), Royal & Sun Life (U.K.), Standard Life (U.K.), Prudential (U.K.), Commercial Union (U.K.), Liberty Mutual (U.K.), Guardian Royal Insurance (U.K.), Metlife (U.K.), General Accident (Scotland), Allianz Holding (Germany), Zurich Insurance (Switzerland), Winterthur Insurance (Switzerland), Canada Life Insurance (Canada), and Legal & General (Australia), in addition to the foreign companies mentioned earlier. ING Bank and Cigna have also set up joint ventures with Indian firms.

The keenness of foreign investors can be gauged somewhat by what the President of the Swiss Confederation, Flavio Cotti, had to say during his recent visit to Delhi. Cotti, the first Swiss Confederation President ever to visit India, told newsmen less than 24 hours before the Vajpayee government made the announcement, that the point of his visit was to stress greater openness of the Indian economy, including of the insurance sector.

One of the drawbacks of India's insurance sector all along has been its low productivity. Insurance premiums in India account for just 2% of the GDP, as compared to the world average of 7.8%. Insurance premiums as a percentage of savings, as one study shows, account for 5.95% in India, as compared to 52.5% in the United Kingdom.

In addition, India's policyholders, who number close to 80 million, cater only to life insurance. Health insurance is virtually nonexistent, and general insurance fares no better. For years, the absence of even minimal service has moved people away from saving through insurance.

However, better service and new instruments that the foreign companies would introduce may not be enough to remove fears that people have about foreign insurance companies and their "hidden agenda" to loot India to enrich themselves. Jagdish Shettigar, an economist with the ruling BJP, recently pointed out that the government should put in place all safeguards before opening the sector to foreign participation, and in particular should ensure that the foreign companies disburse the funds mobilized through a set procedure.

# Putting U.S. space policy back on track

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*What is needed is not more studies of what to do, but the political will to do what we already know has to be done. Marsha Freeman reports.*

The recent Space Shuttle mission, which included John Glenn as a crew member, generated tremendous excitement throughout the world, from children and students, to senior citizens. Even the U.S. media, many against their will, were drawn into the flurry of activity, and in a rare moment, made available to the public a look into the activities of the space program, and the experiments the Shuttle crew would be engaged in during their nine-day flight.

Due to the nature of Senator Glenn's participation—a return to space 36 years after proving that man could withstand the rigors of orbiting the Earth—much of the press coverage of the mission involved a nostalgic look back at what the space program has accomplished. Sorely missing was a vision of what mankind could and should be doing in space exploration in the future.

This omission is not due to a lack of ideas for what should come next. Contrary to a favorite criticism of the space agency that it “doesn't know what to do,” ever since the early days of the amateur experiments with rockets in the 1920s, there have been planners and visionaries who laid out the path to follow for the exploration of our Solar System. Since the Solar System is designed in a particular, lawful way, so space exploration would naturally progress from Earth orbit, to the Moon, to Mars, and beyond.

Nor is it the case that the American public has grown “bored” with the space program (to quote ousted House Speaker Newt Gingrich). More than 16,000 people crammed into the National Air and Space Museum in Washington to watch the Shuttle carrying Glenn lift off from the Earth. A quarter of a million came to Cape Canaveral to see that launch.

## **The necessity of space exploration**

The overriding problem in executing a long-range space exploration program has been the lack of understanding on the part of the nation's chief executives, of the fundamentals of economics. Space exploration is seen, generally, as a positive activity that will be funded when there is enough money in the budget to be able to do such “extra,” nice things.

But, as Lyndon LaRouche has pointed out numerous times, putting money into the space program *costs nothing*. It is not a line item in the Federal budget that should compete with other spending. Just the opposite. It is an investment, with a return to the future economy and to society. Spending

on space exploration has been estimated to return about 10 times the dollars invested in it to the economy. No other program yields such a rate of real economic return. But, the benefit to society, in new scientists and engineers, the boost in cultural optimism within the population, and a next generation determined to make a contribution to the overall good, lays the basis for even greater scientific and technological breakthroughs, and creates the possibility for far greater economic return in the future.

Money for space exploration is spent on advancing the state of man's knowledge of the universe, and developing the tools and technologies to allow him to do this. The requirements to perform even the seemingly simplest tasks in space, such as growing plants, confront scientists and engineers with problems they would otherwise not encounter. The solutions to those problems act as a “science-driver” for the economy as a whole, making available more advanced, efficient techniques for the most common tasks, while creating wholly new approaches to improving the Earth and mankind. Without such advances, in the long run, the economy is doomed.

In a *Feature* article entitled “Space: The Ultimate Money Frontier” (*EIR*, Feb. 23, 1996), LaRouche explains that it is the “Machine-Tool Principle,” of applying breakthroughs in science to the agricultural and industrial activity of mankind, that is the foundation of economic progress in any nation. In peacetime, the “crash program” of President John Kennedy's call to land a man on the Moon and return him safely to the Earth was the engine for whatever economic growth this nation has seen in the post-war period.

LaRouche states that the primary objective of his proposed Mars colonization program, which he developed during 1985-86, “was, and still is a broad-based family of fundamental and successive scientific breakthroughs which will revolutionize the practice of science and technology on Earth.” He concludes, “Man yearns upward, toward the exploration of space, for one overriding purpose: the fuller development of mankind on Earth.” He warns that space policy should not be made by “pragmatic politicians,” who see spending on exploration as an extravagant “cost” to the economy.

In this moment of great economic upheaval, we should learn the lesson from having abandoned the policies of the Kennedy era, of investing in our human and physical infrastructure so as to be able to reach for the stars. With funding



*During Space Shuttle mission STS-95 in October, Commander Curtis Brown (left), a second-generation astronaut, and Glenn, a first-generation astronaut, spoke to reporters, schoolchildren, and the President. (Insert) John Glenn's orbital mission in 1962 demonstrated that man could withstand the rigors of space flight. Here, Glenn is helped into his Mercury Friendship 7 spacecraft on Feb. 5, 1962, in a dry run, three weeks before the flight.*

for the space program diminishing since the mid-1960s, came the stagnation of the rate of introduction of new technology into the economy, and the rot of our cities and our basic industries. Failing to keep the nation, and particularly the youth, invigorated with a vision of the future, opened the door to the drugs, the counterculture, and the pessimism that have taken hold since that time.

Exciting space missions did not end with Glenn's Shuttle flight. On Nov. 20, the Russian Space Agency launched the first element of the International Space Station into Earth orbit. And scheduled for Dec. 3, the first American element will join it, and astronauts will perform a number of space walks to attach the first two pieces. For the next four years, nearly a score of nations will be engaged in assembling the largest and most complex international project in history. And, it will be in space.

If there is a return to policies that commit the nation to technological innovation and economic growth, the International Space Station can be the jumping-off point to farther destinations. One measure of whether the country, and the economy, are headed in the right direction, will be the priority given to science-driver projects, such as space exploration. This point is clear from the history of the last thirty years.

### **Why there was no sequel to Apollo**

When Neil Armstrong and Buzz Aldrin landed on the Moon on July 20, 1969, the American public assumed that

the exploration of space would continue indefinitely. In the months preceding the landing, President Richard Nixon assigned Vice President Spiro Agnew to lead a Space Task Group to develop space policy recommendations for the nation in the wake of the lunar landings.

But precious time had already been lost. The fate of the immediate post-Apollo follow-on to the lunar landings had been sealed, when President Lyndon Johnson deployed the first combat forces to Vietnam in March 1965. The accepted dictum that the budget had to be balanced meant that every penny spent on the war in Southeast Asia took funds from domestic programs, including the space program. Pressure was mounted not only to ditch the space program after Apollo, but to abandon the lunar landing altogether. Sen. Barry Goldwater (R-Ariz.) called the Apollo program "a terrible waste of money," during the 1964 Presidential election campaign. President Johnson knew that 70% of the American public supported landing men on the Moon, and he was determined to see that that goal was met, but he could not find the funds for the programs that would follow.

The peak funding year for the National Aeronautics and Space Administration was 1965. When NASA Administrator James Webb was told that year by President Johnson to postpone any post-Apollo plans, the new programs following the lunar landings, such as a space station, or steps toward a manned mission to Mars, lapsed.

But the great accomplishment of the lunar landing spurred

President Nixon to once again consider what should come next. In his presentation to Vice President Agnew's Space Task Group, space pioneer and NASA official Wernher von Braun proposed an integrated space program from 1970 to 1990 which would consist of space stations in Earth orbit, a reusable space shuttle to Earth orbit, a nuclear-propelled shuttle for longer excursions, lunar orbital stations and surface bases, a series of unmanned space missions to all of the planets, and, in 1981, the first manned landing on Mars.

Von Braun had begun his work on rockets in the 1920s, and in 1948 had written *The Mars Project*, outlining how a flotilla of ships could take men to Mars, similar to Columbus's opening up the Americas for exploration and settlement.

The program laid out by von Braun was endorsed by Vice President Agnew and NASA Administrator Tom Paine. But the international financial system was already in trouble. Following the decision in 1967 by the British to take the pound off sterling, it was only a matter of time before the financial crisis hit American shores. In January 1971, President Nixon announced that, because of limited funds, rather than the 20-year integrated space program von Braun had proposed, the United States would only commit itself to building a reusable space shuttle. The manned Mars program was dead.

Eight months later, the President took the dollar off the gold reserve standard, and wage and price controls were instituted to fight inflation. The postwar Bretton Woods system, which had allowed for the recovery of Europe and Japan after the war, economic expansion in the United States, and currency stability for all trading nations, was dismantled.

The hallmark of President Nixon's August 1971 policy was savage wage cuts and concomitant austerity measures which ended the large-scale infrastructure investment that had taken place in a limited fashion during the Eisenhower administration, and from the Kennedy period until that time. Federal and state budget crises led to the official bankruptcy of New York City in 1975, and the institutionalized rot of both the industrial Midwest and other large urban centers.

### **The Shuttle, leading to the space station**

Aside from the spectacular Viking landings on Mars, the mid-1970s to 1981 were years of waiting for new space accomplishments, before long-term space policy would again be considered. Under the Trilateral Commission's Jimmy Carter administration in 1977, it was made absolutely clear that no "large projects" would be started in space.

For the first time, the Carter administration brought the anti-science counterculture into the White House. The administration tried to muscle nations developing nuclear energy to stop their breeder reactor programs, under the guise of stopping nuclear proliferation, and instead attempted to coerce them into substituting energy "conservation" for high-technology R&D programs.

Carter Energy Secretary James Rodney Schlesinger told Japanese Prime Minister Takeo Fukuda that the United States

was not interested in a \$1 billion Japanese proposal to jointly develop fusion energy, while the State Department established a division for promoting "appropriate technology," such as solar energy. U.S. taxpayers' money was used to push developing nations back into the Stone Age.

When a major breakthrough in magnetic fusion energy research occurred at the Princeton Plasma Physics Laboratory in the summer of 1978 — an important step toward taming the energy of the stars that will provide virtually unlimited energy for Earth — Schlesinger's henchmen in the Department of Energy tried to cancel a press conference the scientists had scheduled, in an attempt to squelch their dramatic results. It was not a breakthrough, the DOE said, just "a significant result."

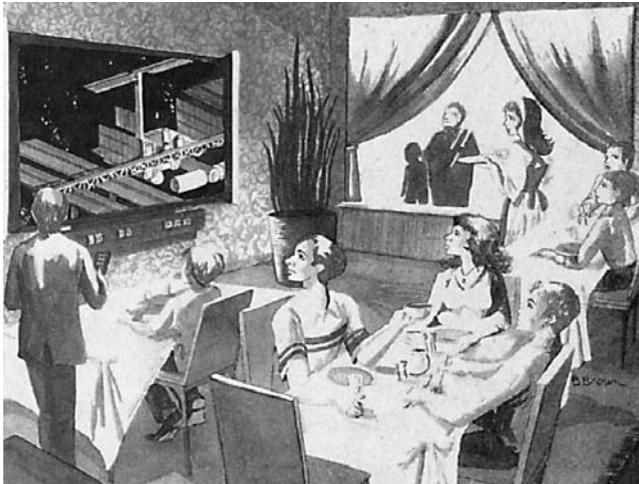
The year before, the Carter Department of Energy and the FBI had harassed prominent experts in nuclear and other advanced technologies who had been scheduled to speak at a conference in Pittsburgh sponsored by the Fusion Energy Foundation, on which Lyndon LaRouche was a member of the board of directors, because the conference was proposing that nuclear energy, fusion power, and plasma coal technologies could provide unlimited energy. The administration was instead promoting a plan to shut down energy-intensive industries in the industrial Midwest, and replace them with "appropriate technology."

During the Carter years, space visionaries knew that it would require a better time, one of optimism, in which to put forward new initiatives. That time came with the first flight of the Space Shuttle in April 1981. This magnificent new, reusable flying machine, which takes off like a rocket and flies back like an airplane, was finally in orbit, and once again, visionaries could look toward the next steps in space exploration.

In January 1984, after intense lobbying by NASA, President Ronald Reagan announced that he was asking NASA to construct a space station within a decade. Finally, the second step toward Mars envisioned in von Braun's program would be implemented. When the U.S. military opted out of participating in the program, the President decided it should be thrown open to participation from other nations.

The year before, President Reagan had adopted LaRouche's Strategic Defense Initiative program, which also promised an array of new technologies, similar in economic effect to the civilian space program. But both the SDI and the space station quickly ran smack up against the budget-balancing policies of Office of Management and Budget director Don Regan and the White House. These foolish policies, which included getting the government out of technology development, would also lose the United States its lead in nuclear power and other advanced energy technologies.

As the space station program was getting started, NASA, the space community, and some in Congress were anxious to begin planning for the steps to follow the Earth orbital station. The Congress asked President Reagan to form a National Commission on Space to make recommendations on long-



All of humanity should participate in the construction of the International Space Station, a stepping stone to the Solar System. Here, the ISS's assembly is depicted on the TV, as restaurant-goers focus their attention on what is taking place 200 miles above the Earth.

range programs, and former NASA Administrator Dr. Tom Paine was appointed chairman. It was clear that with Paine in charge, Mars would once again be on the agenda.

In December 1984, humanity lost one of the handful of visionaries of this century, Krafft Ehrlicke, who, like von Braun, had been planning missions to the Moon and Mars since his youth. At a memorial conference in his honor, sponsored by the Fusion Energy Foundation and the Schiller Institute in June 1985, LaRouche described the importance of "science-driver crash programs" to create the new technologies for accelerating productivity in the economy generally. These gains in productivity, LaRouche said, mean that "it would not cost the United States a single net penny to construct a colony on the Moon beginning some time during the next decade, nor to work toward building a colony on Mars by approximately thirty years ahead." LaRouche situated the long-lasting importance of President Reagan's SDI program, stating, "The proper mission orientation adopted as the mandate of the program should be the Moon-Mars colonization task."

In its November-December 1985 issue, the LaRouche-affiliated magazine *Fusion* printed a cover story by this author entitled "Bringing Civilization to Mars," which summarized the von Braun approach for a multi-decade science and technology program to colonize Mars, up-dating it with the work of space pioneer Ehrlicke, and others.

Six months later, in May 1986, the Paine Commission released its report, which restated the same approach, and counseled that the space goals for the 21st century should "lead to the exploration and development of the space frontier, advancing science, technology, enterprise, and building institutions and systems that make accessible vast new resources and support human settlements beyond Earth orbit, from the

highlands of the Moon to the plains of Mars."

Unfortunately, when the Paine Commission report was released, Congress and NASA were in the throes of investigating the Challenger Space Shuttle accident, which had occurred the previous January. The report was overshadowed by that set-back in space exploration.

### 'The Woman on Mars'

As the second Reagan administration became increasingly dominated by the Kissingerian wing of the Republican Party, and the deregulation, free market, budget-balancing ideologues gained an ever-tighter grip on the Presidency, LaRouche escalated his public challenge to the White House to commit the United States to establishing a permanent colony on Mars, within 40 years.

In the November-December 1986 issue of *Fusion*, LaRouche published his detailed 40-year plan, explaining the scientific and technological challenges of such an endeavor, and the necessity to undertake such a long-range program.

During his campaign for the Democratic Party's nomination in 1988, LaRouche became the first Presidential candidate in the nation's history to put forward a vision for space exploration as a central feature of his campaign program. On March 3, the campaign aired a 30-minute broadcast on national television entitled "The Woman on Mars." LaRouche proposed that by the year 2037, there be a permanent colony on Mars; the campaign ad outlined the steps, including the industrial development of the Moon, that would be required. From then on, virtually every newspaper article on LaRouche included in its litany of slanderous characterizations, supposed to be evidence that he had lost his marbles: "and he thinks we should send people to Mars."

By the following year, George Bush was President of the United States, with little prospect for a Kennedy-like commitment to space. So, it was to everyone's surprise that in July 1989, in celebration of the 20th anniversary of the first manned landing on the Moon, President Bush announced from the steps of the Air and Space Museum in Washington, flanked by the Apollo 11 astronauts, that the United States would go "back to the Moon, this time to stay," and then "on to Mars."

NASA was given 90 days to come up with a report on how this could be done, and what the necessary manpower, money, materials, and timetable would be. In November, NASA presented the administration with its study, comprised of a variety of possible strategies. The report stated that "regardless of the implementation approach selected," a variety of new launch and surface vehicles, habitats, and life-support systems will be required; that is, the basic infrastructure required to move space exploration forward.

Like all earlier long-range plans, the study included the construction of the space station, the technology and infrastructure needed to go beyond Earth orbit, the settlement on the Moon, and a base on Mars. It included robotic exploration

missions, new transportation systems, astronomical and other science facilities on the Moon, and then the Mars base. In other words, virtually everything that should be done in the manned space program for the next decades.

The response from the opposition was immediate. This will cost *\$400 billion*, was the hue and cry. It was rarely pointed out that it encompassed NASA's entire manned program over thirty years, and at \$13 billion per year, this was certainly a bargain, and comparable to what NASA's budget was already projected to be, with slight increases. The Bush administration waffled. Rather than fight for its implementation, it asked for another study, this one led by former Apollo astronaut Gen. Tom Stafford.

Stafford's Synthesis Group released its report, "America at the Threshold," in May 1991. As commentators, including this writer, stated at that time, there was nothing new in the report, simply one more restatement of the exploration plan

that has been on the table since the beginning of the space age.

But President Bush had no intention of fighting for the funds to take the first steps to go back to the Moon and on to Mars. NASA's budget continued to stagnate. And, under the Clinton administration, NASA's funding has been reduced steadily each year.

There is absolutely no need to produce any more studies. What to do next in space has been clear for decades. What is necessary is for the President to stand up in Congress, and before the American people, and explain that the key to reverse the quickening economic and moral collapse in the United States and around the world is a "science-driver" program which will direct investment into rebuilding physical infrastructure, present challenges that lead to the creation of entirely new industrial techniques and capabilities, inspire young people, and restore optimism.

When this is done, space policy will be back on track.

## A timeline of space policy decisions

**1958:** In response to the Soviet launch of Sputnik in 1957, President Eisenhower and Senate Majority Leader Lyndon Johnson organize the establishment of a civilian space agency, NASA.

**1961:** On May 25, President Kennedy presents to a joint session of Congress his challenge that, before the decade is out, the United States would "land a man on the Moon, and return him safely to the Earth."

**1965:** President Johnson refuses to capitulate to calls to abandon the lunar landing goal, but trades off the Apollo landing and the future of space exploration, with increased spending for the escalating war in Vietnam.

**1969:** The first lunar landing leads to an ambitious report of President Nixon's Space Task Group, which recommends construction of a space station, a reusable space shuttle, bases on the Moon, and that a Mars landing be carried out within 20 years, as proposed by Wernher von Braun.

**1971:** President Nixon announces that the 20-year lunar-Mars program has been reduced to only the construction of the Space Shuttle, due to a worsening international financial situation. On Aug. 15, Nixon abandons the Bretton Woods system, pulling the plug on the U.S. economy.

**1981:** The first successful flight of the Space Shuttle renews lobbying by the space community to move on to the next step in the colonization of space—an Earth-orbital space station.

**1984:** In his State of the Union address, President Reagan announces that NASA should build a space station within a decade. The year before, Reagan had initiated the Strategic Defense Initiative (SDI).

**1985:** Lyndon LaRouche, at the Krafft Ehrlicke Memorial Conference, proposes that a lunar base and Mars colony be the aim of space exploration. Both Reagan's SDI and space station initiatives are dissipated by the President's economic policies.

**1986:** The Paine Commission report is released, calling for a revival of the von Braun multi-decade lunar-Mars program, and incorporating technology proposals such as nuclear propulsion.

**1986:** LaRouche publishes his 40-year Mars colonization program in *Fusion* magazine.

**1988:** Presidential candidate LaRouche airs a 30-minute broadcast on national television entitled "The Woman on Mars," proposing the establishment of a permanent colony on the red planet by the year 2027.

**1989:** On the 20th anniversary of the first lunar landing, President George Bush states that the United States should "go back to the Moon, this time to stay," and then go on to Mars. NASA is given 90 days to come up with the particulars of such a program.

**1991:** The long-range program is killed by Congress and the administration, because of budget austerity policies.

**1998:** President Bill Clinton praises NASA, John Glenn, and the entire Space Shuttle crew at the start of their mission, and indicates his support to continue to assist the Russian space program in the International Space Station. He makes no commitment to the next steps to be undertaken in space exploration.

## Derivatives toll keeps rising

*The Bank for International Settlements says that the derivatives market is bigger than ever.*

**T**he world's major banks and securities firms held more than \$103.5 trillion in derivatives contracts at the end of 1997, a \$21 trillion (25%) increase over the \$82.6 trillion they held at the end of 1996, according to the annual derivatives survey released on Nov. 30 by the Bank for International Settlements (BIS). Since the end of 1994, the 78 banks and securities firms included in the survey have increased their derivatives holdings by \$40.9 trillion, or 65%.

The BIS survey, conducted jointly by the Basel Committee on Banking Supervision and the Technical Committee of the International Organization of Securities Commissions, limits itself to 67 banks and 11 securities firms headquartered in 11 nations (Belgium, Canada, England, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, and the United States). While it includes the bulk of the world's derivatives activity, it provides neither national nor world totals; how much is left out is unknown, but *EIR* estimates that the world derivatives total is in excess of \$140 trillion, perhaps by a significant amount.

The most comprehensive derivatives statistics these days, come from the U.S. commercial banks, thanks to the work of former House Banking Committee Chairman Henry B. Gonzalez (D-Tex.), whose hearings on derivatives in 1993 forced the Comptroller of the Currency and the Federal Deposit Insurance Corp. (FDIC) to begin reporting the banks' holdings. According to the FDIC, the "off-balance-sheet derivatives" holdings of U.S.

banks have risen from \$6.8 trillion as of March 31, 1990, to \$25.4 trillion at the end of 1997, and \$28.8 trillion as of June 30, 1998.

The BIS study reported that 10 U.S. commercial banks held \$23.9 trillion in derivatives at the end of 1997, with an additional \$13.2 trillion held by nine investment banks, for a total of \$37.1 trillion, a 34% increase over the \$27.7 trillion reported in 1996, and an 83% increase over the \$20.3 trillion reported in 1994.

In second place in this deadly derivatives sweepstakes was France, with \$13.9 trillion in derivatives in eight banks, a 32% increase over 1996. The French banks' holdings of derivatives had dropped 20% during 1995, due to the bankruptcy of *Crédit Lyonnais* and other widespread financial problems, but then rose 12% in 1996.

Japan was third, with \$12.9 trillion in derivatives, of which \$12.1 trillion came from seven commercial banks and \$860 billion came from two securities firms. Japan's derivatives holdings rose just 5% in 1996 and 7% in 1997.

While London is the center of the world derivatives trade, with many international banks basing their derivatives operations there, the eight English banks in the survey had just \$10.8 trillion in derivatives at the end of 1997, up 17% over 1996 and 62% over 1994.

The sharpest rise over the last four years, in terms of percentage, is in Germany, where seven banks had \$9.4 trillion in derivatives at the end of 1997, up 41% over 1996 and up 200% over 1994, as German banks increasingly

abandon their traditional role as handmaidens to industry, and convert themselves into parasites along the Anglo-Saxon speculative model.

The three Swiss banks on the list had \$8.8 trillion in derivatives, up 17% over 1996 and 65% over 1994. Not reflected in the study is the merger of Swiss Bank Corp. and Union Bank of Switzerland into UBS AG—largely because of derivatives losses—which further increases the concentration.

Bringing up the rear (a healthier place to be when it comes to derivatives) are Canada, with \$4.0 trillion; the Netherlands, with \$2.6 trillion; Sweden, with \$1.7 trillion; Belgium, with \$1.4 trillion, and Italy, with \$968 billion.

Among individual institutions, Chase Manhattan led the world, with \$7.7 trillion (and \$8.5 trillion as of June 30); followed by J.P. Morgan with \$6.1 trillion (\$7.5 trillion at June 30); Germany's *Deutsche Bank* with \$4.0 trillion; England's *NatWest Group* with \$3.6 trillion; Swiss Bank Corp. with \$3.3 trillion; *Travelers' Salomon Smith Barney* with \$3.3 trillion; France's *Société Générale* with \$3.2 trillion; *Crédit Suisse First Boston* with \$3.2 trillion; the Bank of Tokyo-Mitsubishi with \$3.0 trillion; and *Citicorp*, with \$3.0 trillion. Other institutions with exposures in the \$2-3 trillion range were, in descending order of exposure, *Barclays*, *Merrill Lynch*, *Fuji Bank*, *Morgan Stanley Dean Witter*, *Paribas*, *Banque Nationale de Paris*, *Union Bank of Switzerland*, *Goldman Sachs*, and *Bankers Trust*.

Counting the mergers announced or completed during 1998, the new Citigroup would have had \$6.2 trillion in combined derivatives at the end of 1997, while *Deutsche Bank* would have had \$6.1 trillion, UBS \$5.6 trillion, and the new *BankAmerica* \$3.3 trillion.

## Industrialists speak out

*The new German government's ecology tax plans have provoked public protests by the captains of industry.*

There is no precedent in the postwar history of Germany for the speed at which the new "Red-Green" government, which took office only six weeks ago, is creating enemies for itself among industrialists. The government's commitment to exit from nuclear technology, to introduce an ecology tax, and to cut tax rebates for companies, is provoking angry protests. An extra tax burden of 30 billion deutschemarks next year will discourage managers from investing, posing a threat to half a million jobs. The most productive sector of industry, the *Mittelstand* of small and medium-sized firms, which employ two-thirds of the national workforce and train 80% of apprentices, will be hit hardest by the new taxes.

These alarming facts being put on the table, and the pressure coming from all sectors of industry, have already caused internal party opposition to Social Democratic (SPD) Chancellor Gerhard Schröder (see last week's column). But now, industry itself is going public. A nationwide campaign of full-page newspaper ads has begun, initiated by 100 individual managers and leaders of 20 industrial and business associations, who signed an Open Letter to the Chancellor in the December issue of the business magazine *Impulse*. The signators represent corporations employing several million people. The initiative includes some big national associations: wholesale traders and exporters; construction firms; textile producers; department stores; furniture producers; and several organizations of the *Mittelstand* firms.

The association of the chemical industry, one of Germany's biggest, held

a press conference in Bonn on Nov. 30, voicing strong opposition to the government's tax plans.

This just shows what potential existed, in the late summer, for a vigorous election campaign on the part of the governing Christian Democrats (CDU) against the threat of a "Red-Green" coalition. But the CDU and its top candidate, then-Chancellor Helmut Kohl, were complacent, as were many of the industrial managers (at least, they took no public stand during the election campaign).

Like most voters, the managers thought a Grand Coalition of CDU and SPD would be the most likely result of the elections; the SPD had announced its commitment to govern with the Greens, but most voters did not take that seriously — until the "Red-Green" coalition took shape, a few days after Election Day on Sept. 27. The next delusion was that the Red-Green plans could be watered down, somehow. But the new government left no doubt that it wants to walk away from nuclear power and that it is committed to the ecology tax.

The new government has taken power, but the potential for a real change is still there. The question is, how to get this government out, as soon as possible. Allowing it to carry out its policy, would do irreparable damage to the industrial production capacities of Germany.

The signature-collecting campaign of the managers is useful, but limited, because it only addresses the tax issue. Important as the tax issue is, the vital issue that has to be addressed is the policy of the banks, the power position of which is being defended by

the Red-Greens on several fronts:

1. The new government is not making efforts to reduce the debt burden on its fiscal budget, by forcing the banks to either accept rescheduling, or face debt moratoria. Instead, the government has stated its commitment to pay the debt and balance the budget, by reducing state expenditures and reviewing some budget posts.

2. The new government is not planning to tax speculation, nor is it considering a two-tier credit policy, which would favor productive investments.

3. The new government is not trying to restore financial sovereignty by defending national priorities for investment, and budgeting policies over the supranational budgeting austerity guidelines of the European Commission and the European Monetary Union. Instead, the government has stated its firm commitment to strengthen the supranational institutions even more than former governments have done.

4. The new government does not want a New Bretton Woods system, but it has stated its commitment to grant the International Monetary Fund even more political power than it has now.

And because the new government is so monetarism-minded, the only way to get any revenues for the government to pay the debt, is to increase the consumer tax burden on the citizens — e.g., the ecology tax.

The industrial managers mobilizing against the government must also address that monetarism issue, to achieve a real and profound change of policy. Just replacing the Red-Green government by another one is not enough, because Germany also needs a new, anti-monetarist policy of the kind sketched above. This was in the interest of the nation before the elections, and it still is.

# Business Briefs

## Trade

### Australia makes push into Ibero-America

Australian Deputy Prime Minister and Trade Minister Tim Fischer (a devoted follower of the free-trade Mont Pelerin Society) is determined to increase Australia's exports to Argentina, Brazil, Chile, and Uruguay, in an attempt to compensate for the drop of exports to Asian economies, the *Age* reported on Nov. 23.

Although Australian investment in Ibero-America is \$5.9 billion, most of this is concentrated on resource stripping (e.g., BHP's Escondida mine in Chile, and MIM/North/Rio Tinto's Minera Alumbrera in Argentina). Other big Aussie companies involved include P&O Shipping (a British East India Company spin-off) and Village and Hoyts cinemas.

Fischer intends to double the trade and investment links, by spending \$9 million on expanding Austrade offices. He believes that there is scope for smaller businesses to follow the big companies, after the World Bank estimated that \$50 billion needs to be spent to overcome infrastructure deficits in Ibero-American countries.

## Eurasia

### Traffic accord will boost Silk Road

On Nov. 24, Pakistan, China, Kazakstan, and Kyrgyzstan signed an agreement on "traffic in transit," to promote trade relations on roads from Almaty to Karachi along the ancient "Silk route." It will take effect on May 1, 1999. Pakistani Secretary of Communications Dr. Mohammad Ahram Sheikh said that trade routes among four countries will be upgraded, and facilities such as gasoline stations and auto repair shops will be set up along the roadsides, the Pakistani daily the *Dawn* reported on Nov. 25.

Pakistani official Raja Nadir Pervaiz said, "This agreement will help the people of these four friendly countries in their eco-

nomie development, through transit trade facilities between them. . . . The agreement will not only help open trade relations to these four countries, but for the rest of the world." He added that this agreement for trade facilities via Khunjerab, Kashi, Bishkek, and Almaty, would be expanded to other members of the Commonwealth of Independent States. He said the agreement will bolster existing trade relations and bring the people of these countries closer to each other. "This is a first step for opening up other trade routes through Afghanistan and Kandhar," he said.

## Health

### PNG facing TB epidemic of 'African proportions'

Papua New Guinea is on the verge of an epidemic of the human immunodeficiency virus (HIV) and tuberculosis "of African proportions," according to Dr. Michael Levy, director of the Community Health and Anti-Tuberculosis Association based in Sydney, Australia. "PNG is facing a combined HIV-tuberculosis epidemic that I would estimate is of global proportions," Levy said. "That means it is at the level where population and economic estimates will have to be phased down in the medium to long term because of the impact of these diseases."

HIV incidence in PNG last year was two per 1,000 adults, and seven per 1,000 for TB, figures well below some of its Asian neighbors such as Cambodia. But Levy, who led a World Health Organization (WHO) TB study team to PNG in 1997 and has been involved in two other investigations, claims that PNG authorities had been the slowest and least effective in the region to deal with the epidemic nature of the TB spread. He said that available statistics are "so shaky they are almost not worth quoting. . . . But even so, they are already at the high end of the range for both diseases."

WHO reports that India, China, Bangladesh, Pakistan, Indonesia, and the Philippines account for 56% of the 8 million reported tuberculosis cases in the world, of whom 3 million are expected to die from the

disease. WHO Director General Gro Harlem Brundtland told a conference in Bangkok, "A disease that many of us believed would disappear in our lifetime is killing more people today than at any time in our history."

Poverty, leading to a depleted or dysfunctional immune system, and misuse or unavailability of anti-TB drugs contribute to the spread of the disease. "Our ability to control the spread of TB pivots on Asia. If we cannot control TB in Asia we will never stop TB globally," Brundtland said.

## Nuclear Energy

### LaRouche associate covered in Brazil

The latest issue of *Brasil Nuclear* reviews the contribution of women to research and discoveries in nuclear physics, keying off an article by Jonathan Tennenbaum, "European director of the Fusion Foundation," in *21st Century Science & Technology* magazine entitled "Atom Rose — Shocking: Unknown and Unpublished Contribution of 'Nuclear Women' to Science and Technology." *Brasil Nuclear's* editorial is headlined "The Woman's Place Is in the Laboratory."

The issue includes a review of Marie Curie's life, authored by nuclear engineer Alessandra Kepinski, who reports on Curie's discussions with Alvaro Alberto, one of the fathers of Brazil's nuclear energy program, during a visit to Rio de Janeiro in 1926. *Brasil Nuclear* reports that, compared to Japan, the United States, and Europe, Brazil has many more women working in various nuclear energy areas, and publishes interviews with a dozen of them.

In an interview with *Brasil Nuclear*, Dr. Rex Nazareth Alves, "the father of the Brazilian atomic bomb," said that former Brazilian President João Figueiredo promoted the development of a national nuclear program, because he believed that without it, Brazil could never be fully independent. Nazareth was named by Figueiredo to head Brazil's "Autonomous Program," which succeeded in its principal objective, that of achieving mastery of uranium enrichment technology.

"Figueiredo's position was that a coun-

**CHINESE** economist Zhou Wenming of the Ministry of Foreign Trade and Economic Cooperation warned that the euro single currency will “lead to a strengthening of regional protectionism” and damage Chinese exports, *China Daily* reported on Nov. 28. The EU “will adopt more protective measures and set barriers for Sino-European trade,” he said.

**14 ARGENTINE** Deputies introduced a bill on Nov. 18 that would prohibit the privatization of Banco de la Nación. The bill points out that the bank was created in 1891 to protect national agriculture and industry “from ‘free trade’ which kills nascent industry.” The LaRouche movement had helped force President Carlos Menem to halt the sale earlier this year.

**UKRAINE** announced on Nov. 24 that it will join the International Space Station program, and spend \$100-150 million to build one of the scientific laboratories that Russia has been unable to finance.

**ITALY’S** exports fell 0.9% and imports dropped 1.9% for the last month, but non-EU exports collapsed 13.9% and imports 8.4%. In announcing the figures, Foreign Trade Minister Piero Fassino said that “the European Union must launch policies in support of production, employment, and consumption.”

**SOUTH KOREA’S** economy collapsed at a 6.8% annual rate in the third quarter, the Bank of Korea reported. It is the worst economic report in 45 years: Private consumption has fallen 12%; unemployment is 7.3%, and there have been 21,000 business bankruptcies this year.

**RUSSIA’S** population has fallen by 900,000 in the past two years, down to 146.9 million, Deputy Economic Minister Andrei Sharonov told a conference of social welfare officials in Moscow on Nov. 25. The economic crisis and disastrous health care situation remain the major causes of the high death rates and low birth rates, officials said.

try which did not have the conditions to independently produce energy, with its own fuel and its own technology, to produce its own basic medicines, and the condition of food self-sufficiency, would never be able to bargain at the table of international negotiation,” Nazareth said. “For this reason, an autonomous program of national technology, with branches . . . covering the areas of medicine, informatics [computer technology], and energy,” was established, and it was decided that nuclear energy should be the most widely used fuel in the country.

## Education

### U.S. falling further behind Asia, Europe

On Nov. 23, the Organization for Economic Cooperation and Development released a study that reports that education levels in the United States are stagnating or worse compared to other countries. Forty years ago, 77% of Americans finished high school, the highest rate in the world. Today, only 72% finish, placing it 28th among the 29 OECD members, ahead only of Mexico. South Korea, Poland, and the Scandinavian nations all graduate more than 90% of youth. The United States has a high rate of college entrance, but a 37% drop-out rate, the world’s highest. The United States is close to the top of OECD countries in adult illiteracy.

Quality has also slipped. U.S. 12th graders had among the lowest scores in science and math, when tested a year ago. The lowest quarter of 8th graders in Japan and South Korea out-performed the average U.S. student.

The U.S. pays teachers less and works them harder. An experienced U.S. high school teacher earns 1.2 times the average per-capita Gross National Product. In Germany, Ireland, Switzerland, and South Korea, teachers earn at least double the average per-capita GNPs. Yet, an American middle school teacher puts in 964 hours per year in front of a class, more than almost all other countries.

The Nov. 24 *New York Times* tried to put a positive spin on the story, claiming that

“the changing picture is less a matter of American backsliding than of substantial recent progress by other nations.” Its evidence that U.S. education is improving is that, in 1996, an average five-year-old was projected to be fated to spend 16.8 years in classrooms, up from 16.3 years in 1990.

## Economic Policy

### LaRouche’s New Bretton Woods reported in Italy

*Area*, a nationally circulated magazine close to the conservative party Alleanza Nazionale, published an article entitled “The Chaos Risk of Global Markets,” which, after describing the out-of-control speculative bubble, reports about the “two interesting proposals” to prevent disaster: the Tobin Tax and Lyndon LaRouche’s proposal for a Bretton Woods II.

The latter “is an international summit, able to define economic-financial and historic-political-cultural parameters for a radical reorganization of world monetary and financial affairs. A sort of new architecture, whose necessity is realized by many economists, bankers, and politicians in the United States as well as in Europe and Asia. The idea was quietly launched more than a year ago by American economist Lyndon LaRouche. According to LaRouche, out of this New Bretton Woods (the first one reorganized the international monetary system, toward the end of World War II, establishing convertibility between gold and the dollar and eventually binding the creation of ‘greenbacks’), a system should be established that is based on these strong points: a) fixed exchange rates, periodically adjusted among the nations; b) limited convertibility, according to circumstances; c) control of exchanges and of capital transfer; d) facilitation of necessary protectionist measures in rules on tariffs and trade; and e) outlawing of markets dedicated to speculation against certain currencies. Utopian wishes? Maybe. But, also, a healthy basis for discussion.”

The article runs a picture of LaRouche on the right page, and one of central banker Antonio Fazio on the left.

## Zepp-LaRouche explodes global land-bridge battle in Mexico

by EIR Editors

The arrival in Mexico at the end of November of Helga Zepp-LaRouche, founder of the Schiller Institute, has set off a national storm of discussion and debate, over how Mexico can avoid national bankruptcy (once again) and the total breakdown of its physical economy which is now under way, under its current policies.

The most prominent of her public presentations in cities across Mexico, to which hundreds have turned out and which have received extensive coverage in the press, radio, and television media of Mexico, was a keynote address on Dec. 1 at the Mexican Society of Geography and Statistics, where she was joined by another speaker, the former President of Mexico, José López Portillo.

As she did in each of her presentations, Zepp-LaRouche told the more than 100 people gathered at the Mexican Society of Geography and Statistics that, in the coming weeks and months, we will see a new and more destructive phase of the disintegration of the international financial system. This crisis is without historical precedent; it will not be like that of the 1930s, but much worse, and it will destroy civilization, if the nations of the world are not prepared to immediately abandon the policies of globalization and free trade, she stressed. However, she added, there is hope for humanity in the new strategic alliance which Chinese President Jiang Zemin and Russian Prime Minister Yevgeni Primakov are forging, and which other nations are beginning to join, around the construction of the Eurasian Land-Bridge, also known as the New Silk Road.

Zepp-LaRouche was in China at the end of October, at the invitation of Beijing government, to participate in an international conference on the Eurasian Land-Bridge, a concept proposed by her husband, U.S. economist Lyndon LaRouche. Zepp-LaRouche explained that one of the primary goals of

her husband, is to convince President Bill Clinton that he has to join this new strategic combination.

### Time to listen to LaRouche

“It is now necessary for the world to listen to the wise words of Lyndon LaRouche,” López Portillo said. López Portillo, a member of the Society, was the guest of honor invited to comment on Zepp-LaRouche’s address. “How important, that they enlighten us as to what is happening in the world, as to what will happen, and as to what can be corrected. How important, that someone dedicates their time, their generosity, and their enthusiasm to this endeavor,” the former President emphasized.

López Portillo charged that during his government (1976-82), “all the prescriptions which the international bodies gave us, tended to depress demand—not to foster production, to depress demand: pay less to your workers, your peasants, sacrifice employment. When, in our country, to govern is to create jobs. When what was needed, for example, was to create regional justice, which is also a form of inequality in Mexico. The different regions that also need somehow to be developed, need, for example, subsidies, privileges, to be able to do so.” By refusing to let us do this, “the hard-headedness of the international bodies left us without any option, and as a consequence, we were trapped. We misbehaved with the international bodies, and we were punished. They accused us of being populists, etc. Other governments behaved themselves, and the result has been the same. This is what is dramatic: We push the rock to the top of the hill, and it falls on us, when we reach the top.”

The former President firmly defended Mexico’s protectionist tradition as the only way to achieve “social justice,”



*In the footsteps of Alexander von Humboldt (from left): former Mexican President José López Portillo, Schiller Institute founder Helga Zepp-LaRouche, and EIR Ibero-American Intelligence Director Dennis Small, at a meeting of the Mexican Society of Geography and Statistics in Mexico City on Dec. 1, 1998. Humboldt, the 19th-century German scientist, humanist, and world traveller, was a member of the society, and his statue stands at the entrance to the building. "I know that Humboldt would be very happy about the development occurring in the world today," Zepp-LaRouche declared.*

the central objective of the Mexican Revolution of 1910. He emphasized that this tradition, "under the force of its rejection by international bodies" like the IMF, the World Bank, and others, "has been weakened. Thus, the importance that someone in the world is thinking on behalf of everyone, and is opening doors. . . . Let us hope, Doña Helga, that your husband can influence the government of the United States, so that the proposals which you so brilliantly have laid out to us, can, in some way, be realized, and with them, that peoples can express their uniqueness in the cultural realm, and in every possible aspect."

### **A road toward a new Renaissance**

Zepp-LaRouche reviewed the Chinese diplomacy for the construction of the Eurasian Land-Bridge, with Russia, Japan, India, Malaysia, and other nations, and explained the dimensions of this project and its impact on world economic development, as the prototype of the accords for a New Bretton Woods to replace the IMF system. She reiterated that LaRouche's strategy is to fight to convince U.S. President Bill Clinton to mobilize with this block of nations, which will light the flame of optimism. She underlined that the world finds itself equally close to a New Dark Age—which will occur if the current policies of the IMF and the Group of Seven continue—as to a new Renaissance.

Zepp-LaRouche showed various maps of LaRouche's conception of the Eurasian Land-Bridge, including a map of South America depicting the proposed integration of the continent through infrastructure development. She also presented LaRouche's well-known "Triple Curve" of the financial collapse, showing how and why the international financial

system is disintegrating. She insisted that nations which do not adopt protectionist measures, such as exchange and capital controls, and the establishment of a national bank to promote development, will be destroyed by the global crisis.

Zepp-LaRouche began her speech by expressing her happiness that, at the entry to the Society's headquarters, located in the heart of the historic district of Mexico City, stands a bust of the 19th-century German genius Alexander von Humboldt, who was a member of the Society, which was founded in 1833.

"I am very happy to come to Mexico at this moment, and I was extremely happy to see Alexander von Humboldt's bust standing at the entrance of this house, because I know that he would be very happy about the development occurring in the world today. As you know, he was in contact with nearly all important humanist forces of his time, and the dramatic changes which are taking place today bring to memory this great man and his networks." In this sense, she commented, her visit to Mexico follows "in the footsteps of Humboldt."

Among the personalities who attended her presentation at the Mexican Society of Geography and Statistics, were Julio Zamora Batiz, president of the Society's Academy of Economics, and Guillermo Rosell de la Lama, president of the Society's Academy of Architecture and Regional Development, as well as four other presidents of the Society's 12 Academies.

In the speech we publish here, given the following night to some 250 people who came to hear her at a conference organized by LaRouche's associates in the Ibero-American Solidarity Movement in Mexico City, Zepp-LaRouche laid out the same panorama facing the world, to which former President López Portillo had responded.

# We have a golden opportunity to save civilization from a New Dark Age

*The following is Helga Zepp-LaRouche's Dec. 2 speech in Mexico, before a conference organized by the Ibero-American Solidarity Movement.*

An alternative is shaping up, such that, on the one side, there is a grave danger that civilization is plunging into a Dark Age, that if the policies of the international monetary institutions are continued, then many countries can suffer the fate of Honduras, Nicaragua, Indonesia, or most parts of Africa. So, while I'm absolutely clear on that danger, I also want to report to you that just in the last two weeks, something extraordinary has occurred: namely, that the countries of Eurasia are joining together in building the Eurasian Land-Bridge—the idea to integrate the Eurasian continent through infrastructure programs.

Now, when Jiang Zemin, the President of China, just went to Russia, he announced a new cooperation between China and Russia. The one speech I would like to bring to your attention is the one he gave in Novosibirsk, a famous science city of Russia in Siberia. This speech is one of the most outstanding speeches given by any statesman in the last years. It is a Class A speech, giving a vision for all of mankind for the next century, and this speech has been completely blacked out by all Western media. And I hope that there are some patriotic press in Mexico who will just reprint the entire speech. What Jiang Zemin says in that speech is that the scientists of Russia will cooperate with China to, once more, make science and technology the key driver of the world economy, and that China will look into the resources of its 5,000-year-old history to become the avant-garde in science and technology for the next century.

Now, what is the background of this extraordinary development? China, when it was able to break with the evil tradition of the Cultural Revolution and started the economic reforms of Deng Xiaoping about 20 years ago, could unleash—especially in the last 10 to 15 years—the most unprecedented economic transformation of any country in the world.

As a matter of fact, I was in China as a young journalist in 1971, at the height of the Cultural Revolution, and this was a country tormented by horrible ideas, by ideas of destruction, of negative ideas spread by the Gang of Four. When Deng Xiaoping replaced this period with his reforms, he started to put China back on the track of the old Confucian tradition,

and the country could maintain an annual growth rate of about 12% in the last years.

Now in 1992, China picked up on the proposal which originally was outlined by Lyndon LaRouche, which was the idea of taking the old Silk Road, which is the most southerly of the three lines . . . and the Trans-Siberian Railroad, which is the northern line, the so-called Route A, and to have these three lines connect the industrial centers of Europe with the population centers of Asia. In 1992, the line between the Port of Lianyungang and Rotterdam, which is an 11,000-kilometer-long rail line, was completed and opened for international train traffic for the first time. [See map on p. 5.]

In 1996, I was the invited speaker at a conference in which 36 countries participated in Beijing, in which the Chinese government announced that they would make the development of the Eurasian Land-Bridge the strategic goal for Chinese policy for the year 2010. I can only describe to you the tremendous optimism which was expressed by the Chinese government, by saying that the development of the Eurasian Land-Bridge would represent a new era for mankind; that no longer, would the geographical conditions of a country determine if it had economic advantages or not, but that through the idea of development corridors, one could bring economic development into the interior regions of the world.

The idea of development corridors is that you are not only building railways, highways, optical fiber cable communications lines, energy production and distribution, etc., in new arteries of infrastructure, but that you take such an artery and build, in about 100-kilometer widths, new development corridors, so that you are bringing science and technological development into the interior regions of the world.

The Chinese government stated that, since they expect that in the next 20 years, the Chinese population will grow by 200 million people, they will build 200 new cities of 1 million inhabitants each which will be built along these development corridors. This was an extremely courageous and optimistic perspective, and China indeed continued to build its part of this rail line.

## **China's response to the financial crisis**

Now, in September 1997, Mr. LaRouche had predicted that the global financial crisis would start in October '97. Again, I was in Beijing, and I presented to many of the eco-

conomic institutes and science academies this analysis of Mr. LaRouche, that the global financial system would come into its terminal meltdown phase. And I can assure you that many of the Chinese scientists and economists listened very attentively when I predicted this, and they said, “You are very courageous to put your reputation on the table in the way you are doing, but if your warnings are correct, you will have done a tremendous service to mankind by warning us.” Now, this is exactly what happened. Before Jiang Zemin visited the United States in October 1997, the big so-called Asia Crisis started to erupt, with a 10% Wall Street collapse, then the crisis unfolded through October, November, December, January.

Can you imagine? The Chinese government under these circumstances reacted completely differently than any other government in the world. Imagine that the Chinese leaders, the ministers, the Prime Minister, the President, were not too proud to use the weekend to take economic studies, to study more deeply the causes of this crisis. I do not know of any other government which would admit that they do not know enough about the economy and indeed study the reasons for the present crisis. Now, they took a whole bunch of measures to protect their population against the consequences of the fact that, because of the collapse of the Southeast Asian countries, they were losing tremendous export earnings from the collapse of the consumer exports to these countries. They started to redirect their investments into the inner regions of China, which, as you know, are much less developed than the coastal and the southern parts of China. But at the same time, they started to resist the pressures of the IMF, the WTO, and other supranational institutions, by refusing to devalue their currency, the renminbi. The Chinese government put more emphasis on national banking. They started to generate credit for productive investment for domestic purposes. Most recently, they have banned and outlawed all speculation, because Li Peng said that the Chinese economy is not suited for speculation. When one of the international investment houses, GITIC, went bankrupt, the Chinese government refused to bail it out.

In August, the Chinese government declared that from now on, they would regard matters of economics as national security matters, because the very existence and sovereignty of the country would be at stake.

### **The case of Russia**

And then, there was another extremely important feature in the way China is thinking about the world. They looked at the collapse of the Soviet Union, and then what happened to Russia in the period afterward, and they came to the conclusion that China will absolutely not allow what happened to the Soviets, and to Russia afterward. Because, after the Soviet Union collapsed in 1991, they followed the IMF reform package to the letter. And what was the result? Russia today has only 30% of the entire industrial potential it had when the

Soviet Union collapsed in 1991. The demographic curve of Russia is collapsing by 1 million people per year. Can you imagine that the Russian people are shrinking by 1 million because the death rate is going up and the birth rate is going down? This complete failure of the IMF policies became obvious on Aug. 17, when Prime Minister Kiriyenko announced the de facto state bankruptcy of Russia, by declaring a moratorium on the foreign debt of Russia, and the refusal of the government to continue to honor the so-called GKO's. And at that point it became apparent that about \$100-200 billion of the derivatives contracts the Russian banks were involved in with Western banks, were hanging in the air—and they're still hanging in the air.

Now, the newest report of the Bank of International Settlements—this is the Swiss-based central bank of central bankers—announced just in the recently published report that in August, because of the Russia bankruptcy, the international financial system was on the verge of a complete meltdown of the entire system. Under these extremely dramatic circumstances, the Primakov government came in in September, and what were they confronting? They were confronting an absolutely dramatic situation. Russia in the hands of the mafia, working together with the international speculators. The country in absolute poverty, faced with a starvation winter. People having no food, no heat—especially in the Far North, the Arctic part of the country, where people have neither food nor energy for the coming winter.

So, the Primakov government, which happens to have a whole number of people who respect the theories of Mr. LaRouche very deeply—. As a matter of fact, in 1994, the first trip after my husband came out of jail, after having been the political prisoner of the Bush administration, we went to Moscow and he represented to the Russians the need to have an alliance between China, Russia, and the United States, to reform the world economic system according to the tradition of Franklin D. Roosevelt. And many of the people who listened to Mr. LaRouche then, and participated in other such seminars in 1995, and in 1996, when Marivilia Carrasco [president of the Schiller Institute in Mexico] was an honored speaker at a seminar of some of the most important Russian economists, these people followed the writings of Mr. LaRouche in great detail. They are now undertaking a program of capital exchange controls, of trying to pay wages, because as a result of the collapse of the Russian economy, the few firms which still exist refuse to pay taxes, so the government has no more money. They could not pay wages to the Army, to the police—and when the government has no more money, it becomes irrelevant, and then you are faced with conditions of ungovernability.

So, the Primakov government was faced with an extremely difficult situation, but step-by-step they took firm measures, and started to rebuild the institutions. And they promised that there would be food and that wages would be paid.

Now, under these extremely dramatic conditions, I happened to be at another conference in China, discussing the need to extend the Eurasian Land-Bridge as a counteroffensive against the ongoing financial collapse. And this conference took place in four Chinese cities, and had a tremendous impact on discussions between the Chinese and Russian participants.

At the end of November, Jiang Zemin went to Moscow, and he agreed with Primakov that, from now on, China and Russia would enter a new strategic alliance, in which the focus would be, among other things, the Eurasian Land-Bridge, the collaboration in science and technology in agricultural development, and many other projects. They explicitly stated that this alliance is not directed against any other country. Then, Jiang Zemin went on to Japan, and in a very revolutionary first development, Japan agreed that they would participate in the 11,000-kilometer-long rail line from the Port of Lianyungang to Rotterdam, and also in the corridors linking the Eurasian continent.

In the meantime, there was a very important seminar between India and Russia, in New Delhi, at which the Russian speakers addressed the fact that for 2,000 years, there were no wars and no hostilities between Russia and India, and that only in the last 50 years, in the aftermath of the influence of colonialism, did it come to war between India and China. Primakov will go there this week, and include India in this new alliance. At the same time, the Central Asian republics got totally excited, and the new dynamic of the Eurasian Land-Bridge is inspiring them. There just took place a meeting of the CIS, which is the organization of states of the former Soviet Union, and they also agreed to much closer cooperation in this spirit.

Now, it is very interesting that the international media have not reported one word about all these historical developments, except that the *Financial Times*, the *Wall Street Journal*, and the *Washington Post*, in the past few days, had hysterical articles claiming that this new alliance would be directed against the United States, when the absolute opposite is true. China wants to have a strategic partnership with the United States, and President Clinton wants to have a good relationship with China, because he knows perfectly well that this will determine how the next century will look. But it is the old geopolitical freakout, realizing that parts of the world are not going to go along with their self-destruction. That there is a new powerful alliance of countries emerging, which represents the majority of the world, because between India, China, Russia, Southeast Asia, and Central Asia, you have easily 3 billion of the world population united.

### **The next phase of collapse**

Now, this is one dynamic, but in the coming weeks you will experience the next phase of the collapse of the world financial system. And as I said, this will be without precedent in any known part of history. If the present governments of

the G-7 and other governments continue with their present neo-liberal policy, this threatens to throw the world into a New Dark Age.

The most explosive situation in Asia is obviously Japan. Japan, which has not yet acknowledged the fact that it is sitting on \$2 trillion worth of bad debt, can do the most damage to the world financial system as a whole. Indonesia is already disintegrating as a result of the policies of the IMF. But the worst countries affected will be Western Europe, the United States, Australia, New Zealand, and Canada, and the only likely part of the world which right now has the chance to survive the coming storm, is China and the group of countries I just described to you. The reason for this is that only those governments which are willing to implement the kinds of protectionist measures like China and Russia and Malaysia have started, will have the chance to survive.

If you look at the situation in Western Europe at this point, unfortunately and despite the fact that I am a German patriot, I have to say that Western European countries have been unable to elect governments which are competent to deal with the economic crisis. The G-7 nations, and all their leading institutions, are unfortunately presently at their lowest intellectual level in history. They have never been on such an abysmal level in the entire history of their existence. The problem is that the governments of the West have gone clinically insane in the last 30 years, and they are keeping to the illusion that the financial system will go on forever.

Just on Nov. 9, the G-10 central bankers announced that the whole world crisis is over and that we will go back to normal conditions.

This wishful thinking is already out the window, as you saw by the stock market collapse at the beginning of this week. But we are not only looking at that, but also at the real depression starting to hit the so-called industrialized countries. The decline of U.S. exports is threatening a very deep recession in that country. We are looking at the complete failure of the IMF bailout remedies for Asia and for other so-called emerging markets. The \$42 billion Brazilian package which was implemented on the 13th of November, means that the largest economy of Latin America will go into a deep depression.

But if you look at the Japanese banking system, it is the Achilles' heel of the international financial system. Despite a \$500 billion rescue plan which was again announced on Nov. 16, only a few Japanese banks have drawn from this fund, for fear they will be branded insolvent. So, it's only a rescue on paper. The plan is highly inflationary and practically irrelevant. It sets against the scale of non-performing debt, which is four times as big—namely \$2 trillion. By March of next year, the Japanese government will implement capital adequacy rules, which means that most of their outstanding loans, totalling \$200 billion, will be called in, and this will lead to a huge credit contraction of the world's largest lender, Japan. This will mean another devastating new downward spiral of the Asian economies.

You have a global collapse in steel production, which is still one of the best indicators of the overall productivity of the world economy. You have a collapse of the oil price, which naturally hits your country in a devastating way, and you can forget about budgets if the oil price continues to collapse.

The most dangerous element, however, remains the huge derivatives bubble. Derivatives, which are nothing but huge side bets on contracts between parties and counterparties, are the hard core of the casino economy. This is the \$3 trillion of money which is floating around the world on a daily basis, without the control of any government or any central bank. There are about \$140-150 trillion in outstanding derivatives contracts existing today, which is several times the GDP of the entire world economy.

Now, what that means is that the world economy is thoroughly bankrupt. If you have a collapse of exports and imports of 20-30%, which we have right now, compared to last year, and a downturn in physical production worldwide, then you are entering a depression.

The G-7 plan, which contains no other remedy than to pump liquidity, will mean that, if they keep doing this, the world will very quickly see a Weimar-style inflation. And, you remember what happened in Germany in 1922-23. when the Reichsbank started to just print money to fulfill the Versailles dictate on the payment of debt. One pound of butter cost 5 marks one day, 100 marks the next day, a million marks a couple of months later. Finally, a billion. And in the end, people just wrote numbers on a white piece of paper, because money didn't mean anything anymore, and then the whole system came to a screeching halt.

Right now, there is hysteria among central bankers in Europe and the United States. The merger mania, the idea that you could somehow merge Deutsche Bank and Bankers Trust, Exxon and Mobil, etc., the truth behind that, is that Bankers Trust was completely bankrupt, and Deutsche Bank agreed to bail out the eighth-largest bank of the United States, because they feared that any large bankruptcy would lead to a chain-reaction collapse of the whole system.

Right now, they have an agreement between the Bundesbank and the Federal Reserve, to help each other. But it's like two stumbling giants leaning against each other, to prevent each other from falling down.

We are in an extremely hot situation, and the euro may explode before it even comes into being. Or, if it comes into being, one has to fear that the speculators, who know how weak the euro is, will launch a massive attack against the euro after the beginning of the year.

## The history of globalism

That is the situation. If we look at how the world came to this point of insanity; how was it possible that the world has reached this level of crisis? And I have to take you back a little bit into the history of globalism, of the attack against the

nation-state, of how it came to the kinds of neo-liberal reforms trying to impose a new dictatorship on the world, called "globalism," called free market economy.

We have to go back to the end of the Second World War, when a group of people around the evil Bertrand Russell in Great Britain, designed a nuclear weapons policy, with the aim described in the *Bulletin of the Atomic Scientists* in December of 1946, where Russell admitted that he was promoting the development and use of nuclear weapons, to develop a form of warfare which would be so horrible, that it would force governments and nations to give up the sovereignty of the nation-state, and to accept world government.

In 1946, Russell spoke in favor of a nuclear attack on the Soviet Union, to force them to accept world government. . . .

[There was no reason to drop the atomic bomb on Japan, which had already been] defeated. There was no reason to do this, because the Japanese Emperor had already agreed to negotiate the terms of surrender of Japan. But unfortunately, Franklin D. Roosevelt had died, and Churchill was able to get Truman to do exactly that. And if people want to have an international court, Truman retrospectively should be put in front of it, because these bombings were a crime against humanity.

The purpose was exactly what Russell had written in 1946: to use a terrible weapon, to then force the world into submission. In 1955, there was a conference in London of the World Parliamentarians for World Government, to which Khrushchov sent four representatives who spoke on his behalf, and who embraced the idea of world government.

In 1962, after the Cuban missile crisis, some of the evil forces in America, under the leadership of John J. McCloy, and on the Russian side Khrushchov, and Russell, orchestrated a new policy, which has dominated the world ever since. It was the idea of arms control, of crisis management, of world government through this process of disarmament.

Then, they decided to oust the national representatives of nation-states, like de Gaulle, Adenauer, Erhard. And then, when the Brandt government came in in Germany, they started to destroy Germany from within. There was a change worldwide, with the idea of using the idea of world government through nuclear terror, to force countries to give up science and technology, because the idea was that the great war would not be possible, because nuclear weapons would be so horrible that nobody would use them.

I only want to remind you, that in 1982, when Mr. LaRouche designed the policy of the Strategic Defense Initiative, which was implemented by President Reagan in March 1983, this was an effort to abandon the system in which nuclear weapons would be the ultimate terror in warfare, and to free the world from the grip of world government. And we nearly succeeded in doing that, because if the Soviet government had accepted this proposal, indeed, a new kind of world order could have been implemented.

Under this change in global policy, where globalism all

of a sudden was accepted, the international oligarchy decided to introduce a couple of paradigm changes which are responsible for the present crisis.

The most dangerous aspect was to undermine the educational system of the OECD countries, to eliminate Classical humanist education, and, as a consequence, the minds and morale of the people and pupils were destroyed.

Then came the Frankfurt School, the evil policies of Heidegger, Hannah Arendt, Theodor Adorno, Max Horkheimer. And they undermined the university faculties, by attacking reason, by saying that reason is fascism, that the idea that there is a knowable truth, represents authoritarianism.

Then they introduced the sex-drug-rock counterculture,

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*We have to finally do what is in the self-evident self-interest of the Ibero-American continent: to develop the kinds of economic infrastructure which would make it possible for Ibero-America to become a blooming continent in the next century.*

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with sexual perversions that have escalated ever since, and the drug culture, which has permeated throughout the world, and is destroying the minds of millions of especially young people.

This cultural change has destroyed countries from within. So, we are not only looking at an economic crisis today. What we are seeing on a world scale, is not just a repetition of the 1929-31 cyclical economic crisis. But we are looking at something much more fundamental.

We have the inability of the world today, to feed and clothe its own population. . . .

### **A 30-year decline**

[When Nixon took the dollar off the gold reserve standard on Aug. 15, 1971, the Bretton Woods monetary system of fixed exchange rates] was destroyed, and the floating exchange rate was introduced. This floating exchange rate not only created the Eurodollar bubble, the ability of private bankers to create money without the control of governments, in offshore banks in the Cayman Islands and similar places, but the floating exchange rate system, in which currency values fluctuate in the short term, also made long-term investment in production and trade impossible.

That was the beginning of the death of the so-called developing sector. They could no longer afford loans, because as the rate fluctuated, the country started to accumulate debt, not because they got a lot of money — for example, if you look at

the debt of Latin America, it has multiplied through these currency fluctuations and accumulated debt which has already been paid many, many times. Entire continents have been thrown into misery: for example, southern Africa. There was at the same time, a deemphasis on science and technology, and the previous science-driver role of the military was destroyed. There was less replacement of infrastructure, there was no repair of power systems; it was a form of primitive accumulation against the existing industrial potential.

In the United States, the number of jobs people had to have to maintain their own income became larger. People today have to have two to three jobs to have the income to live. They cut down health care. In the United States, the health management organizations (HMOs) are actually killing people. In Germany, the world-famous rehabilitation system — the best health care system in the world — is being destroyed right now. Physicians are being driven out of practice, and the result is genocide.

So, step-by-step, they made one wrong decision after the other. In 1974, they put the world through a contraction, through the oil price hoax. This was no oil crisis, it was a manipulation of the oil price, because there was plenty of oil sitting in tankers in Rotterdam and elsewhere. But this started to strangle the developing countries. In 1975, the IMF began to tighten its harsh conditionalities, by forcing Third World countries like Mexico and others to devalue their currency, so that they would have to export cheaply and import expensively. In 1976, the Council of Foreign Relations produced a number of books, on the theme of “the controlled disintegration of the world economy,” in which this new doctrine was spelled out: namely, that they would never allow another Japan in the Southern Hemisphere. They would never allow that so-called mercantilist policies of core industry, would emerge in the so-called Third World.

Then, in 1979, the next blow occurred through the high-interest-rate policies of Paul Volcker. The disintegration continued in 1982, when you’ll remember there was a gigantic capital flight out of Mexico, and it was the courageous López Portillo who tried to protect you against the international speculators, by implementing some of the ideas which Mr. LaRouche had suggested, in the form of the integration of the Latin American continent.

The 1980s went downhill. Reaganomics meant a further collapse of real production. Capitalism was combined with junk bonds and hostile takeovers of bankrupt firms. All of this was unloaded in the first crash of ’87. Then, in ’89, when there would have been the great chance to put the East-West relationship for the first time in this century on a new basis, and Mr. LaRouche proposed an early form of the Eurasian Land-Bridge called the Productive Triangle—a kind of a Marshall Plan for the development of Eastern Europe — Bush, Thatcher, and Mitterrand forced Germany to capitulate to their blackmail, by linking the unification of Germany to Germany giving up the strong D-mark and submitting itself to

the euro, to the Maastricht Treaty, and thereby capitulating to a world order which is directly responsible for the present world crisis.

In June of 1994, Mr. LaRouche put out his famous Ninth Forecast, in which he said that the bubble economy had reached a point where a collapse of the financial system was inevitable, and that it was just a question of time as to when there would be a negative chain-reaction collapse.

In 1994, when he went to Moscow, he presented this analysis, and by 1995, all the Western governments, the United States and even Chirac of France, knew that that was the condition of the world financial system, because even Chirac—who is not exactly a steady person in his views—talked about “financial AIDS,” meaning the speculative bubble of the world financial system.

President Clinton at that time wanted to reform the international monetary system, but especially Great Britain and Germany at that time completely opposed that idea. What the G-7 decided instead was to pump liquidity, to print money to try to keep saving the rotten banks.

Then, in February 1997, the international speculators who had gained and filled their pockets from the system, realized that this system was coming to an end, and they decided, like vultures eating corpses, to launch a speculative attack against the currencies and stock markets of Southeast Asia, which resulted in the collapse of the currencies of countries like Indonesia by 80% in half a year.

Now, do the industry, the agriculture, and the people of Indonesia, do they lose their value by 80% in half a year? Obviously not! But in this present system, this country is being destroyed just by a few criminals who are filling their pockets.

Then in the summer of 1997, Mr. LaRouche predicted that the final meltdown crisis would occur at the end of '97, and this is exactly what we are seeing right now unfolding.

## **The legacy of the nation-state**

What is the nature of the conflict, which is now coming to an historical decision? Up to the 15th century, all forms of government were based on imperial law, that government up to that point was just a clique of kings, of emperors, of princes, of dukes, who would impose imperial law. It was all in the form of empires: the Babylonian Empire, the Roman Empire, the Byzantine Empire—all these had a conception of law that the ruling oligarchy could impose their will over a people consciously kept backward, people who would be 95% illiterate, who would, over generations and generations, do the same thing. The children would do what the parents did, what the grandparents did; they would not participate in culture, they would not participate in the government.

So, Christianity had already established the idea that every man is in the image of God, and therefore has inalienable rights, but that idea was not politically realized. Only when the concept of the nation-state emerged in the 15th century,

through the combined development of the Council of Florence, which was the high point of the Golden Renaissance of Italy, and the coincidence of the first practical nation-state under Louis XI in France, under whose rule the living standard of the population doubled within 20 years, a new idea of the state emerged.

It was the idea that the nation-state, unlike the imperial oligarchical system, is responsible for the common good of the people, and that the state must sponsor universal education, because only if people are educated, only if their minds are developed, do they have a human, dignified life. It was the first time that the idea emerged that the government must foster science and technology, because science and technology are the preconditions for improving the living standard of the population, that the state must respond to the natural rights of the individual, and of all members of society and their posterity.

These ideas went through refinement. The first step was the Golden Renaissance. The next significant development was the ideas of Leibniz, when he attacked the evils of the British Enlightenment in the form of Locke, and the new idea which treated man as a property of the oligarchs, the British Enlightenment representing the worst form of liberalism.

Now, the Leibnizian conception of man, that man is capable of creative reason, that man is infinitely self-perfectible, found its first political realization, in the U.S. Declaration of Independence. The Preamble and the Declaration of Inalienable Rights, are the two documents which became the reference point for government under law and the idea of national economy ever since.

The idea of national economy, where the state defines the conditions, so that the well-being of the people is protected, the state, which must take the framework such as infrastructure, health, education, and other forms in the general interest, which will never be taken care of by the private entrepreneur.

These are the issues underscored today by the role of China, Russia, and the group of nations collaborating with them, in an effort to lift humanity out of its present misery. This is the same issue which was the struggle of Mexican patriots and patriots in Latin America in the last 200 years.

There is right now an attempt by the international oligarchy to destroy the nation-state for good. This is, among other things, reflected in the decision of the British House of Lords ruling to extradite Pinochet. I'm not defending Pinochet—and one should not forget that it was Henry Kissinger who helped to overthrow Allende and to put Pinochet into power—but what this decision of the House of Lords represents is that they want to break the law of sovereignty. Blair and, unfortunately, the German government are also involved in this right now.

## **Globalization is not invincible**

What we are seeing right now, and this is a life-and-death battle for the existence of mankind, is a fight between the

sovereign nation-state versus globalism in its new form. These globalists do not want anything different than to implement a neo-feudalist order in which the mass of the population would again be thrown back into the pit of poverty, ignorance, and misery.

Globalism, free-market economy, and privatization — the sacred cows of the financial oligarchy — are already becoming bad words in China and in Russia. If you were to go to Russia today and advocate a free-market economy and liberalism, you would have a good chance of being thrown into the street or hung from a tree, because people have had enough of this in the last eight years.

Fortunately, President Clinton is not unaware of these questions. Not only does he want a good relationship with China, but there is presently a review of Russia policy by the Clinton administration. And, very importantly, on Sept. 14, President Clinton made a very important speech before the Council of Foreign Relations; and, while that may not have been the best place to make that speech, given the fact that that represents the Anglophile bastion of the United States, he nevertheless said that a new financial system is necessary, as well as a new Bretton Woods replacing the old bankrupt system.

In the last two weeks, he has made many speeches in which he called for sweeping radical reform of the financial system. Now, this is why the Schiller Institute is engaged right now in an international campaign to demand that President Clinton make Mr. LaRouche his economic adviser. Only if this occurs in the short term, do I think that there is hope that the world can go through an orderly kind of reorganization, because what are the measures which need to be taken in the short term?

We want President Clinton to convene an emergency summit where he invites Jiang Zemin, Primakov, Prime Minister Vajpayee, President Zedillo, and many other leaders of the world, and declares that the old system is bankrupt, and declares a new system to come into being.

Remember, world monetary systems are not a God-given, eternal thing, but governments make them. Governments can change them. When you see that a system is not functioning, governments have the right and the duty to protect their people. They do not have the right and the duty to protect the banks!

So, what needs to be done is that \$150 trillion of the derivatives bubble just has to be written off. They have to be taken off the books, because if you keep pushing this casino economy on and on, the world economy will collapse and people will die and suffer.

We also need a debt moratorium on almost all categories of debt. No country in the world can presently pay its back debt. Germany cannot pay its debt. As a German citizen, I am paying every fourth tax mark not for debt, but for interest on that debt. The state on the national level, on the state level, on the communal level, they are bankrupt. They can no longer

do the things they have to do. The United States, the largest debtor in the world, cannot pay its debt, let alone the developing countries.

We need to do exactly what Pope John Paul II is demanding for the Jubilee for the Year 2000, that the debt of the world must be written off, because it is immoral. Most of these debts should not exist.

We need capital and exchange controls, because we must stop speculation. Speculation has no place in the world economy. We must have a fixed parity system, so that there is stability, so that long-term investment in infrastructure, in industry, in agriculture, is possible once again and so that we can do the kind of economic reconstruction which is necessary.

We need to have a system of national banks, where each country has the sovereign right to issue credits which are linked to direct projects of development, of infrastructure, of scientific and technological investments to increase the productivity of the labor force.

A country like Mexico, which has 50% unemployment, whose youth, under present conditions, have no hope, if you look at the so-called unofficial economy, it breaks my heart to see that young people who should have productive jobs, who should be engaged in studies, who should develop their minds, they're doing all kinds of ridiculous clowning on the street corner, cleaning the windows of the cars, just to get a few pesos. This must change, and we must have a program of investments so that we can reverse this.

The program of the Eurasian Land-Bridge is not only the idea of linking the Eurasian land mass, but it is the idea of expanding it to a global reconstruction program: Go through the Bering Straits to all of the Americas — Central America, South America. Colonialism left the Ibero-American continent with no infrastructure. If you are trying to travel from Peru to Brazil, you cannot use a railway, because it does not exist. If you are trying to travel from Venezuela to Chile, you cannot use a railway, because it does not exist.

We have to finally do what is in the self-evident self-interest of the Ibero-American continent: to develop the kinds of economic infrastructure which would make it possible for Ibero-America to become a blooming continent in the next century.

We must connect the same Eurasian Land-Bridge to Africa, because Africa right now — under conditions of the IMF, the World Bank, and the collapsing system — is a dying continent. There is no reason in the world why we cannot expand the Eurasian Land-Bridge through the Middle East and the Strait of Gibraltar to open up Africa, which has tremendous wealth. It could be a blooming continent. In one generation, Africa could become a modern continent.

We must connect this perspective of a global reconstruction with the idea of a cultural renaissance. That means that the paradigm shift of the past 30 years must go. Everything people now regard as sacred cows — globalization, free-mar-

ket economy, neoliberalism, post-industrial society, sex-rock-drug counterculture—must go out the window, and we must reestablish the idea that science and technology are positive, that we need them; that industry is positive, that we need it; that speculation is negative, that it should be banned and outlawed.

### Create a new renaissance

But, most importantly, we need to go to a Classical cultural renaissance, which means the kind of Classical culture which we so beautifully saw at the beginning of this event.

If you expose every child to the ability to learn *bel canto* singing, to learn polyphonic music, to learn an instrument, you have saved this child, because you have nourished his mind. Children who have this kind of education in music, but who are learning in the tradition of Wilhelm von Humboldt, the universal history of mankind, who, because they know what generations of people before them contributed to our present body of knowledge, these children would grow up into adults willing to take responsibility for future generations, because only then do they appreciate their role in universal history.

Only children who are steeped in the beauty of the Classical language of Spanish literature, or whatever literature of their nation-state, who know the poems, who know the great dramas, who know the great epics, can learn to think in metaphor. Their creative faculty [can be developed in this way]. . . .

And the idea that people accept oligarchism, will be regarded as a children's disease of mankind, which we will overcome once every child is educated. We will look back at oligarchism like measles, against which we have found a medicine, so that you will never have measles again.

That means that, as López Portillo yesterday said so beautifully, Mexico must go back to the values of the Mexican Revolution, because in each country, we must go back to the best traditions of our own culture.

We must go back, in Western Europe and in the Western Hemisphere, to the best traditions of Platonic Christianity, the image of man, that each human being is created in the image of God, and that it is that most noble ability of God the Creator which gives us the ability to have a creative mind, to again and again come up with creative hypotheses about the physical universe, and that something which we can think in the realm of ideas, in the spiritual realm, is then a scientific discovery which leads to technological progress, which then has an effect on the physical universe.

That idea itself is a beautiful thing, because it means that there is a lawfulness between the macrocosm, the physical universe, and the microcosm, the creative human mind, which means that the laws which govern the universe at large, the laws of physics, of natural science, are identical with the laws of creative mentation. And that is the reason why Leibniz was correct when he said that the world has been made as "the best of all possible worlds."

If you look at these ideas, which come out of Western Christianity, which represent the best of Western culture, you find exactly the same idea in the great Confucian tradition of China, in the tradition of neo-Confucianism, of Mencius, of Chu Hsi. Because Confucius, while he did not have a religious [system] as such, nevertheless did have the idea that there is natural law, that there is a law of the heavens, that governments must have the mandate of heaven in order to do the common good, that the individual is indefinitely capable of self-perfection, and that man has to develop his mind throughout his whole life, which Confucius called "the great learning."

We will only come out of this existential crisis of mankind, if we go back to the best traditions of all of universal history, and if we share that which is universal in each culture, and that we respect each other in this way. If we do this, I think we can overcome this present danger. I think that man has been created by God in such a way, that when he is confronted with an existential crisis, that some other quality is called forth in him, and that the good in man is greater than evil.

Therefore, I believe that if we fight, and if we put our efforts together across nations, and across borders, for this noble goal, that not only can we have a just new world economic order in the very near future, but also a new golden age of mankind in the next century.

Thank you.

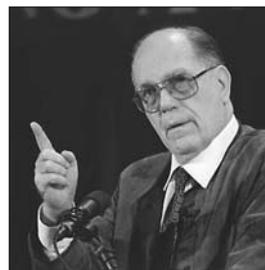
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# Time for ‘the world to listen to the wise words of Lyndon LaRouche’

*José López Portillo, President of Mexico from 1976-82, made the following remarks, after the keynote address given by Helga Zepp-LaRouche before the Mexican Society of Geography and Statistics, on Dec. 1. The speech has been translated by EIR, and subheads have been added.*

... I congratulate Doña Helga for these words, which impressed me, especially because first they trapped me in the Apocalypse, but then she showed me the staircase by which we can get to a promised land. Many thanks, Doña Helga.

Doña Helga—and here I wish to congratulate her husband, Lyndon LaRouche—is a kind of *Xihuacoatl*, of that economic thinker of modern days. *Xihuacoatl*, as you all know, was the female serpent who was a member of the Aztec government, which was based on duality, on *Omeyoca*, the second place. This is reflected in the government which had, also, as everyone knows, a *Tlatuani*, and parallel, a *Xihuacoatl*, who went out to fight when necessary, and it is now necessary for the world to listen to the wise words of Lyndon LaRouche. Now it is through the voice of his wife, that we have had the privilege of listening to him.

How important, that they enlighten us as to what is happening in the world, as to what will happen, and as to what can be corrected. How important, that someone dedicates their time, their generosity, and their enthusiasm to this endeavor.

## **The post-war economic system**

For my part, I had a period of responsibility, and I can tell you personally, in a somewhat dramatic way, of what happens to national economies in an international financial order such as that which has ordered our affairs since Bretton Woods. Bretton Woods, as we all know, was organized as a body of the victorious powers, all capitalist: the International Monetary Fund, the World Bank, and in some way, GATT [the General Agreement on Tariffs and Trade], to organize the world through control of currency, through financing of development and trade, through the force of the powerful, and in their image and likeness, which, of course, did not turn out to be ours. No one outside the powerful were taken into account. I can tell of what happened in my government, and perhaps it

is important that I repeat it here.

Mexico, with its Independence, wanted to organize itself as a modern nation-state, that state about which *La Señora* spoke, which in the 15th century, as Machiavelli realized, emerged then as a political novelty, together with the nationalities which emerged out of the Middle Ages. Mexico had a stormy existence, in trying to organize itself as a modern nation-state during the dark 19th century.

In this century, Mexico lived through a social revolution which gave it a number of national characteristics to define its destiny; this is the Revolution of 1910. It is the first social revolution of this century, not the last liberal revolution of the 19th century—the first social revolution. And according to its norms, the government which resulted from that revolution wanted to organize its economy around a value of harmony, not taken into account by the liberal world, by the world of free trade, by the world of competition. This value is called Social Justice, and carries within it a series of decisions which our governments, coming out of that revolution, tried to put into practice. But at the same time, for geopolitical reasons, we had to insert ourselves into the international world, into the situation which surrounded us, and enter, somehow, into the international bodies which ruled the world.

## **Where are the values of the Mexican Revolution?**

But, what happened when the Mexican Revolution clashed with those powerful bodies, expressions of powerful countries, which have no reason to take into account the revolution of a developing country, which had lived through such a turbulent 19th century and which has so many social conflicts? Because we should remember that Mexico is a country of profound inequalities, as Baron von Humboldt himself observed in the 18th century. This is a country of inequalities, and as such, could be left neither to free competition, nor free trade, nor the values of liberalism, today called neo-liberalism.

As a result, when we went to the international bodies, they disdainfully refused to consider either our political or our social problems, and when the values of our Revolution were constantly rejected, we became accustomed to disdain-

ing them and even to forget them.

I do not mean to say with this, that the international bodies are the ones who are responsible for the fact that our Revolution is forgotten. What I am saying is, that the clash, the disdain for revolutionary values, made us Mexicans forget those values, because we couldn't invoke them. It was pointless to take our political problems to international bodies: "It's your problem." Our social problems: "You take care of them." And this is Mexico's drama, its social problems and therefore its political problems. And, also, as a result, over time we began to forget the Mexican Revolution, and began introducing in Mexico, bit by bit—I mean, insidiously—alien values, which came to predominate through the law of the survival of the fittest, because of the conviction that it was futile to raise other banners. And thus Mexico has forgotten its Revolution, and as a result, the national economy which we had wanted somehow to create.

For this reason, I have listened with special interest, and even enthusiasm, that someone is already thinking about to do this in this world—to reform the Bretton Woods agreements, such that the world economy might function to resolve human problems, with humanism, and not for the benefit of capital, forgetting or sacrificing the importance of labor.

I remember that in the time of my responsibilities, all of the prescriptions which the international bodies gave us, tended to depress demand—not to foster production, to depress demand: Pay less to your workers, your peasants, sacrifice employment. When, in our country, to govern is to create jobs. When what was needed, for example, was to create regional justice, which is also a form of inequality in Mexico—the different regions also need somehow to be developed, but for this, they require, for example, subsidies, privileges, to be able to do so. And they threatened us, "Watch out! That's encouraging dumping," and we inhibited ourselves, and this is how, little by little, we lost the spirit of the Mexican Revolution.

These brief words are the experience of our national economy, and thus the importance that someone in the world is thinking on behalf of everyone, and is opening doors. Let us hope, Doña Helga, that your husband can influence the government of the United States, so that the proposals which you so brilliantly have laid out to us, can, in some way, be realized, and with them, that peoples can express their uniqueness in the cultural realm, and in every possible aspect. Thank you.

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## From the question period

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*Two questions to López Portillo followed. The first questioner asked the former President what happened after 1982, after he implemented LaRouche's proposed Operation Juárez.*

**López Portillo:** It was nothing specific, but simply circumstantial. The hard-headedness of the international bodies left us without any option, and as a consequence, we were trapped. We misbehaved with the international bodies, and we were punished. They accused us of being populists, etc. Other governments behaved themselves, and the result has been the same. This is what is dramatic: We push the rock to the top of the hill, and when we reach the top, it falls down on us. It is always the system, the environment which stubbornly refuses to understand revolutionary values, as I mentioned a moment ago. And perhaps the rejection has made us used to this, and we end up forgetting them; because we became used to this, to being disdained, to being put off, and we began to behave ourselves—and then "whammo," we get hit again. This is simply the result of the fact that the international system isn't set up for countries like ours. This is a concrete example of a specific national economy not fitting into that financial order, and hence the necessity for [that order] to be reformed. That is why I am so happy to hear that many people have begun to talk about reform, from which I was shut out. Thank you.

**Q:** You said that the values of the Revolution started to be relaxed at the same time that the international financial markets opened up, and our country's political needs were ignored. You even proclaimed yourself to be the last President of the Revolution, and [said] that the efforts of our revolutionary values were insufficient to break open the shell of the international agencies. . . .

What do you think, now that revolutionary values are really relaxed? . . . What future do you see for the country, now that "the values of the Revolution have been relaxed," now that there's no one who clamors for justice in our country? What future do you see for Mexico? Should we passively await the collapse, or take some action? I repeat this, knowing the difficulty of having a PRI government, but one whose revolutionary values are not so accentuated.

**López Portillo:** I think that dynamic countries like ours have new generations which naturally are willing to receive from history the change that will come. [Benito] Juárez said it: that the best prepared among us will assert those principles which somehow are still there. This is a matter of faith. I have faith that some Mexican, or some group of Mexicans, organized or not in a political party, but in any case organized, will assert those principles which I believe we have received from our Revolution. And this was a Revolution of which I said I was the last President, for one simple reason: because I continue to believe that statism and a mixed economy are necessary, and when one or another are pushed aside, then there the Revolution ends, because then there is no one left to assert those principles and values. I repeat, this is a matter of faith and, I can say, of hope, and I could even add, of charity, but that would be too theological. Thank you very much.

# Mexican press reports on Zepp-LaRouche's visit

*We publish below translations of the leading news coverage of Helga Zepp-LaRouche's visit in Mexico, including of her Nov. 30 press conference and her Dec. 1 presentation at the Mexican Society of Geography and Statistics, together with former President José López Portillo.*

### **Gabriela A. Frías, "Warn of Inertia in the Face of Collapse," *Reforma*, Dec. 1, 1998.**

The industrialized countries are rapidly entering into a period of economic depression, said Helga Zepp-LaRouche, international president of the Schiller Institute.

The collapse of the real economy, the trade deficit of the United States, and the drop in production from Japan to Southeast Asia, are indicators of this phenomenon, warned the wife of the prestigious economist Lyndon H. LaRouche.

"Unless the governments of the G-7 and other countries totally change their present policy course, we will see in the next few weeks the next phase of the collapse of the financial system," said Zepp-LaRouche.

The new crisis will hit the United States, Canada, Australia, New Zealand, and the countries of western Europe.

For the European economies, the euro represents the worst danger at the present time, since by definition it lacks the mechanisms for defending the member nations from a possible financial collapse, she said.

The question is to influence President William Clinton, to promote an alliance with China and Russia, along with Malaysia and India, and to create a New Bretton Woods, a new, just economic order.

"The countries that are not willing to break with neo-liberalism, to proceed to a new Bretton Woods, and are not ready to take protectionist measures, will find themselves submerged in this dark period during 1999," she warned.

The measures promoted by the LaRouches include recognition that there is no way to save the current system, but to radically reorganize it. To throw globalization and market economies into the garbage, and wipe out with the stroke of a pen the trillions of dollars that exist as derivatives obligations.

### **Carlos Velasco, "Gloomy Outlook If the Neo-Liberal Economic Model Isn't Changed: Schiller Institute," *El Uni-***

### **versal, Dec. 1, 1998.**

The future of Mexico will be grim if the neo-liberal model currently applied is not changed, since it has only left unemployment and misery in the country, said Helga Zepp-LaRouche, president of the International Schiller Institute [sic] and specialist in economic affairs, who gave a presentation on the international financial crisis.

With more than 50 articles and essays written on international strategic matters, in particular on China and on the Eurasian Land-Bridge, she gave a speech in which she discussed her experiences during her visit to China, and also discussed the international financial crisis, as well as the case of Mexico.

In response to a question from *El Universal*, she commented that the current neo-liberal model applied in Mexico demonstrates the disastrous nature of the policies of the last 16 years, since there is 50% real unemployment, which holds out little hope to Mexican youth.

The specialist pointed out that if the government resorts to budget cutbacks, as a means of attacking the international financial crisis, it is wrong, since this destroys jobs and industry, and the result will be less income via taxes.

She offered her country, Germany, as an example, where during one period, budget cuts were resorted to, but the health system was destroyed and rehabilitation programs cut.

### **Sofía Miselem, "The Russian Crisis, Proof of the Failure of the IMF's Strategy: The International Financial System Could Collapse in a Matter of Weeks, Warns Helga Zepp-LaRouche," *Excelsior*, Dec. 1, 1998.**

After literally sending globalization and the free-market into the trash bin, and rejecting any socialist policy, president of the International Schiller Institute [sic], Helga Zepp-LaRouche warned that if economic policy is not changed completely, there could, in a matter of weeks, be a clamorous collapse of the international financial system, which would lead humanity into "a dark age."

However, the international analyst confirmed that there was just as good a chance of going into a "renaissance for humanity," as into a "dark age," provided that timely protectionist measures are taken, such as nationalization of the banks and establishment of fixed exchange rates, which were the key to the economic recovery of the United States, Western Europe and Japan after World War II.

After offering an analysis of the stock exchange collapses in Southeast Asia and also in Russia, Zepp-LaRouche warned that if this process of economic deterioration continues, there is the risk that the entire monetary system would "disintegrate" in a chain reaction that would explode the international financial system.

One of the major problems, said Zepp-LaRouche, is that the members of the Group of Seven most industrialized countries (U.S., Canada, Japan, Italy, France, Great Britain, and

Italy) are reluctant to accept that reality and, therefore, to take up the solution.

She emphasized that it is therefore necessary to form a bloc of sovereign states not aligned to the current economic system, that would seek to defend the lives of its people, its economies, and its nations.

The expert in economic matters said that, at this moment, there are currently two realities that exist in the world: governments which try to defend their economies and their sovereignty through protectionist measures, and a series of illusory policies promoted by the G-7.

The proof of the failure of those G-7 economic policies, added the president of the International Schiller Institute [sic], is the stock market collapse that occurred a few months ago in Russia, despite the fact that this country has followed the IMF's economic prescriptions to the letter for the past seven years.

And it has been demonstrated that the nations of the G-7 are not immune to these (financial) jolts, given that U.S. exports have already collapsed, and it has an enormous trade balance deficit, while Japan is facing a similar situation.

In the case of Europe, explained Helga Zepp-LaRouche, the launching of the European common currency, the euro, on Jan. 1, 1999, also represents a serious danger, given that it does not possess the necessary mechanisms for preventing a generalized financial collapse. . . .

It therefore becomes imperative to proceed to a radical reorganization of the current financial system and to throw globalization and indiscriminate free trade "into the garbage."

It would also be useful for the underdeveloped and industrialized nations to declare a moratorium on their foreign debts, which are unpayable even for such consolidated economies as the United States and Germany.

At the same time, said Zepp-LaRouche, we need to establish capital controls, and to control the speculators, imposing fixed trade and exchange rates, while nationalizing the banks so that it becomes the states themselves which assume responsibility for issuing credit, that should be allocated in the first priority to the agricultural and social development of nations.

These policies, she said, were a key aspect in the spectacular economic recovery of the United States, of the western European countries, and of Germany following the devastation caused by World War II.

Helga Zepp-LaRouche's other activities during her visit to this city, include the keynote speech she will give later today before the Academy of Economy, at the Mexican Society of Geography and Statistics (SMGE), which will also be addressed by José López Portillo.

**Marco Antonio García Granados, "The Principles of the Mexican Revolution have been lost, says JLP," *Excelsior*,**

**Dec. 2, 1998.**

To avoid a world economic depression, the United States should become the sponsor of developing and underdeveloped nations, inasmuch as the past ten years have seen the fall of solid structures like the former Soviet Union and, in the future, that of Japan, which is "hanging by a threat," warned Helga Zepp-LaRouche, founder of the European Liberal Party [sic].

In addition, former President José López Portillo y Pacheco indicated that Mexico has lost the elementary principles of the Mexican Revolution, under the strong pressure that international financial agencies have exerted on our country, of which he stated:

"We had no choice but to insert ourselves, without remedy, in them."

In the excellent presentation entitled, "The Concept of National Economy and Reform of the World's Monetary and Financial System," given by Zepp-LaRouche in the offices of the Mexican Society of Geography and Statistics, she stressed that, in the future, because of the economic crisis in many nations, "corridors of development" should be created without exception, which could become the salvation of the countries which lack the appearance of balanced subsistence.

She insisted that for Latin America, such corridors could mean in practice the door to economic salvation that so many dream of achieving, because from that moment a development "boom" could begin, in which the countries classified as financially underdeveloped, could participate.

The wife of Lyndon LaRouche, founder of the controversial Liberal Party [sic], argued that actions, that the Latin American nations could undertake "would bury" the oligarchy once and for all, to integrate a just economic order.

She went into depth on the subject, noting that it was about three decades ago that the liberal economic reforms were begun, which caused the patrimonial bankruptcy of the underdeveloped nations, but that there is still time to reverse the negative effects which symbolize inequality, and the cause of greater economic problems for those who have the least.

She said that, for her, there could be no better form of development than one based on a new economic policy that includes every nation, and in which the international financial organizations understand that if they insist on maintaining pressure on the most impoverished states, they will cause greater chaos. . . .

**José Luis Ruíz, "There Will Be 'a Lot of Noise' If I Talk About the Economy: JLP," *El Universal*, Dec. 2, 1998.**

*This article includes a picture of Helga LaRouche at the podium, being listened to by former President López Portillo, with this caption:*

*"Joel Romero and former President José López Portillo listen attentively to the keynote presentation by economist*

and humanist Helga Zepp-LaRouche, who addressed the international financial crisis.”

For former Mexican President José López Portillo, it would be a mistake to talk about the current economic measures imposed by the federal government, since it would cause “a lot of noise” to refer to such matters.

Interviewed at the end of the keynote presentation given by economist and humanist Helga Zepp-LaRouche, who addressed the international financial crisis, José López Portillo responded to questions:

... The former President admitted that in recent years, the country’s economic policies have been subordinate to the prescriptions dictated by the international financial institutions, “which have even made us forget our revolutionary principles.”

“I had my period of responsibility, and can now realize, in a rather dramatic way, what has occurred to national economies in an international financial order regulated by Bretton Woods, which operates with agencies such as the International Monetary Fund and World Bank.”

He commented that with independence, Mexico should organize itself as a modern nation-state to safeguard its interests from the critical whirlpool of international financial systems.

He insisted that in Mexico, the basic values of the Revolution have been forgotten . . . that of social justice, a principle which has not been taken into account with independence by the international agencies.

**Francisco J. Martínez, “A Mistake to Fall into the Hands of Neo-Liberalism: JLP,” *El Sol de México*, Dec. 2, 1998.**

The governments that emerged from the Mexican Revolution based the organization of their economy on meeting the demands for social justice, and not on responding to international demands, such as those currently posed in the context of globalization, insisted former President José López Portillo, adding that a country like Mexico, with great inequalities, should not leave itself in the hands of liberalism or neo-liberalism, as it is now doing.

He accused the international economic institutions such as the International Monetary Fund and the World Bank of assaulting the emerging countries, by demanding, through their policies the depression of consumption instead of encouraging the development of production.

“Mexico forgot its Revolution and the economy we wanted to create, given that all the prescriptions of the international economic agencies seek to depress demand and not encourage production,” López Portillo said.

Interviewed at the end of the speech of . . . Helga Zepp-LaRouche, at the Mexican Society of Geography and Statistics, the former head of state . . . praised the efforts of Zepp-LaRouche, saying that people like her not only foresee the economic imbalances represented by globalization, but also provide solutions based on protectionism.

## Russia: A stream of sordid scandals

by Roman Bessonov

*Russian journalist Roman Bessonov analyzes the circumstances surrounding the murder of Russian liberal Galina Starovoitova.*

The effective insolvency of Russia, declared on Aug. 17 by then-Prime Minister Sergei Kiriyenko, appeared to be the last and decisive argument against the shallow and incompetent opinion that the Asian crisis was merely an Asian crisis. It was also a decisive argument that Lyndon LaRouche was right in his prognosis — as usual.

Inside Russia, the reality of financial collapse signalled that the era of official political liberalism, underpinned by financial speculation, is over. The gang of privatizer-swindlers and “human rights” demagogues, calling themselves radical liberals, is finished.

The appointment of Yevgeni Primakov as Prime Minister marked the beginning of a period of emergency transition, under extremely difficult social and economic conditions. Millions of Russians understood, mostly by intuition, that it was a shift from the collapsed and discredited liberal system toward something different. This “something” may be either total disaster, with the country’s collapse, or reconstruction based on new economic principles.

### ‘Why did you not join?’

Upon taking office, the new Prime Minister emphasized that his government would be neither a formal party coalition, nor a narrow one-party team, but rather a government of professionals. They might be drawn from various parties, but not just for the sake of “pluralism.” The members of the government were to be competent in crucial issues of economics, finance, science, and social problems, while a range of views would allow urgent tasks to be approached in a competent and creative way.

Among others, Grigori Yavlinsky, a liberal economist who heads the Yabloko party and parliamentary faction, and Aleksandr Shokhin, Vice Premier in the Viktor Chernomyrdin government and head of the “Our Home is Russia” group in the State Duma (Parliament), were invited to join the government. But Yavlinsky refused, saying that he would agree only to work with a team of his own people led by himself, while Shokhin accepted the Vice Premier’s post but then suddenly stepped down, on the pretext of reluctance to cooperate

with First Vice Premier Yuri Maslyukov, as the latter belonged to the Communist Party. Considering that Maslyukov is astronomically far from being a typecast cabinet Marxist, but is rather a highly qualified specialist in the defense industry and trade, it is clear that Shokhin's decision was motivated by other reasons, which he did not make public. The argument that Maslyukov previously headed Gosplan (the U.S.S.R. State Planning Committee) is irrelevant here, if only because the executive committee of the very party that Shokhin represents in the State Duma, was originally headed by former Gosplan Deputy Chairman Leonard Vid.

Still, in early October, Duma member Galina Starovoitova, head of the feeble remnant of the once-mighty Democratic Russia Movement, publicly blamed Primakov for not including Democrats in his government. The Prime Minister reminded her, politely, that prominent democratic politicians had been invited to join the government, but preferred not to take responsibility for the current situation, while some other democrats, like those who give promises to international institutions, and then break them, it was inappropriate to invite. Surely, the diplomatic Primakov meant former First Deputy Premier and Finance Minister Anatoli Chubais's team, which was responsible for issuing the infamous Russian state treasury bills, or GKO's.

Did the liberal politicians understand that their shock therapy and speculation policies were finished? Certainly they did. But to stay in positions of power was more important. This can be confirmed by the convulsive attempts of Chubais's team to secure power positions on a regional level, precisely in St. Petersburg, where many of them come from. The electoral bloc for the St. Petersburg municipal elections, called *Severnaya Stolitsa* ("Northern Capital") and headed by Starovoitova, was designed for this purpose. Still, at the deadline for registration of election blocs, Northern Capital had not yet been registered. Instead, Starovoitova decided to run for Governor of Leningrad Province, which surrounds St. Petersburg.

The question was the same: "Why did you not join?" But now it was to be addressed by Chubais to Starovoitova.

### **The fear of coughing**

There were two obvious reasons for the nervous mood of the discredited *privatiseur* crew. First, Primakov's government was going to question the results of certain privatization deals, in which Chubais's team had played a visible part. In addition, the General Prosecutor's office was investigating several politicians, widely known as Democrats, and their financial backers. This list included Sergei Lisovsky, the person who was caught carrying \$500,000 in a Xerox paper box on the eve of the 1996 Presidential elections; his close collaborator Alfred Kokh, former head of the State Privatization Committee, now hiding in the United States; and former St. Petersburg Mayor Anatoli Sobchak, who secretly escaped from St. Petersburg via Helsinki to Paris

one year ago. All three of these persons were closely linked with Chubais.

The chance for a renewed political career for Chubais and his team could be preserved only in the event of some unexpected opportunity, which would produce the same effect of psychological paralysis as shock therapy. One more looming factor, like the gun hanging on the wall that will surely go off before the end of the play, was the state of health of President Boris Yeltsin, on whom the political existence of Chubais and his team has depended.

In this last respect, things were going from bad to worse. Previously, false reports about Yeltsin's bad health had been used by his people for political purposes, which created grounds for skepticism. But after the President's inadequate behavior in Sweden, and his collapse during his trip to Central Asia, any report about Yeltsin's "flu" was interpreted as something more serious. In October, the secret finally became an obvious truth.

The desperate state of the President's health seriously changed the political scene. For two months, Yeltsin's staff, including Presidential Administration head Valentin Yumashev, almost never appeared in public. Layoffs in this body, one after another, indicated that the Administration was no longer able to play its customary role of a "parallel government." This also meant that financier Boris Berezovsky could not utilize the Administration as a channel for his influence on policymaking. Meanwhile, Primakov made clear that he is not much interested in Berezovsky's assistance.

### **Two stories from one dusty box**

A sudden opportunity for both Chubais and Berezovsky was provided by Communist Party Russian Federation (CPRF) member Gen. Albert Makashov, who, in his usual crude manner, accused nine Russian financial oligarchs (of whom seven were not oligarchs any longer) of having connections with international Zionism, which, in his opinion, is the main evil force behind privatization and the destruction of the economy, as well as the Armed Forces. There was absolutely nothing new in Makashov's ravings against "yids," as he earned his reputation as an anti-Semite back in 1991, when he was running for the Russian Presidency — two years before the foundation of the present Communist Party.

Still, the televising of Makashov's speeches around the anniversary of the 1917 October Revolution created an additional possibility for a political maneuver by the liberals. NTV, openly pushing Yavlinsky for the Presidency of Russia in 2000, and ORT, controlled by Berezovsky's interests, delivered a concerted blow against the *entire* Communist Party as allegedly condoning Makashov's desire to persecute, if not eliminate, the Jewish population of Russia.

These charges, echoed by global mass media, sound especially ridiculous if applied to Duma Speaker Gennadi Seleznyov, a CPRF member whose assistant, Mikhail Osherov, an ethnic Jew, barely survived an attempt on his life in St.

Petersburg on Oct. 16, and is still under treatment in the Military Surgical Academy.

At the peak of the massive campaign against “anti-Semitism,” both Chubais and Berezovsky insisted that the CPRF be dissolved, for being a “Nazi party.” It is not difficult to calculate that if this joint desire were fulfilled, the political arena would become much freer for Chubais’s crew, in case there were extraordinary parliamentary elections.

The “Makashov operation” had another strategic effect. A month earlier, CPRF leader Gennadi Zyuganov and Moscow Mayor Yuri Luzhkov had announced the possibility of a political alliance in the Presidential elections, in the year 2000 or before. It was absolutely clear that a “President Luzhkov,” the Moscow Mayor having repeatedly denounced Chubais’s methods of privatization and having made every effort to avoid such measures on the municipal level, would not likely assist Chubais in a further political career. The Luzhkov option would also deprive Berezovsky of opportunities.

Under heavy pressure, both Luzhkov and Zyuganov publicly backed away from their planned cooperation, but this did not mean that such a possibility was altogether excluded. Berezovsky proceeded to try to demonstrate (to the future President, or to the current Premier) that his role in Commonwealth of Independent States integration, as CIS Executive Secretary, is of tremendous importance. One November issue of the Berezovsky-controlled daily *Nezavisimaya Gazeta* was decorated with his portrait, in dimensions worthy of the late Leonid I. Brezhnev.

The ostensible subject of the Makashov case, anti-Semitism, was exploitable by Berezovsky for his personal needs. Next, he brought up another rather stale story as the subject of an international media scandal. According to *Komsomolskaya Pravda*, it was back on May 22 of this year, that the thrilling story came out about a group of Federal Security (FSB) officers allegedly receiving orders to eliminate Berezovsky physically. Only on Nov. 14, however, did Berezovsky publish his open letter to FSB Director Vladimir Putin, followed by the Nov. 17 ORT TV appearance of several repentant officers, who told how they were assigned to kill “this Jew Berezovsky who robbed half of the country” and how decisively they said “no.”

It remained unclear, why the brutal FSB that issued such orders did not just eliminate (or at least isolate) its men, when they “heroically” refused the task. Another puzzle: How did it happen that the criminal task could be given precisely to an officer known in the FSB as “Berezovsky’s man”? And, finally, if the FSB were to blame, why did Berezovsky’s letter to Putin target primarily the General Prosecutor’s Service, and especially Mikhail Katyshev, head of its Investigation Department, the person who launched the famous corruption case against former St. Petersburg Mayor Anatoli Sobchak?

### **Russia-reshapers reshape truth**

But the Russian mass media, some of which were already expressing doubts about the Berezovsky assault story, were

suddenly distracted by one more scandal. St. Petersburg, the cradle of democratic revolution, has started eating its children. The series of political murders, which has shattered Russia’s second biggest city since September, was completed with the assassination of gubernatorial candidate Galina Starovoitova on Nov. 20.

For a sense of the political texture of this murder, one can look at the Nov. 24 issue of the London *Guardian*. “The Murder That Could Reshape Russia,” is its interpretation of the event. Under that headline, author James Meek reminisces about his acquaintance with Starovoitova in 1991 in London, and again in 1993, this time in Venice.

In our Russian tradition, it is considered indecent to speak badly about a person who has just died, especially if he was murdered. Nonetheless, I cannot help but identify the way in which Russia could have been reshaped, in case Starovoitova were in charge: the way Armenia and Azerbaijan were reshaped, in the process of Levon Ter-Petrosyan’s and Heidar Aliyev’s ascent to power; or, as Chechnya was reshaped in 1991, when a bloody putsch succeeded in establishing the illegal and brutal dictatorship of Starovoitova’s friend Jokhar Dudayev. The only excuse for speaking about these unpleasant past events just now, is that thousands of people, including innocent babies, perished in the Caucasus disasters—most likely for the benefit of the Baku-based Caucasus operations of British Petroleum. Or, was it to help Boris Berezovsky and Lord Alistair McAlpine organize what they call the “Caucasus Common Market”?

It may be very difficult to find Starovoitova’s murderer. It might have been any desperate refugee from the Caucasus, who lost his shelter, family, and means of existence—everything except hate. But the overriding question, *Cui bono?*, leads in another direction.

Starovoitova’s death was not just exploited politically, but heavily and hysterically so. Yavlinsky was clever enough *not* to arrive at the funeral with other liberals from Moscow; TV cameras were waiting, in order to depict him in the middle of the whole *privatiseur* mob, who were clutching at the coffin as a drowning man grasps a straw. Apparently, Yavlinsky did not want to disappear politically at this moment. But ex-Prime Minister Chernomyrdin did arrive, along with ex-Vice Premier Boris Nemtsov and ex-Prime Minister Kiriyenko. The loudest and most furious speech was delivered by Chubais. Already on the day after the murder, he was raving at a Moscow Cinema House memorial meeting, that “all democratic forces” must quickly unite in a “right center” (no longer “radical liberal”) bloc.

The same Chubais sat beside Chernomyrdin and Shokhin at a Moscow press conference on Nov. 25, where Chernomyrdin (who just weeks earlier had “joined,” and then left, Luzhkov in an alliance) declared that the newly concocted alliance, now doomed to acquire the name of the “Funeral Alliance,” would insist upon changes in the Constitution, and extraordinary and simultaneous elections to the Presidency and the State Duma.

The Communist Party had been violently attacked by the mass media for the same “heretical” proposal. But people standing at a fresh grave are not supposed to be attacked.

If only there were no other fresh tombs—but there are, not in the Caucasus, but in St. Petersburg. Dmitri Filippov, a sponsor of Seleznyov’s election campaign, received his own three bullets in the head in October. Who cared? The last victim of political terror before Starovoitova was Seleznyov’s assistant Mikhail Osherov. Who among the immense lot of journalists worldwide, who associated Makashov’s speech with the assault on Starovoitova, ever mentioned this case, in which the victim was Jewish? Or, is a Jew who is the aide to a CPRF member, automatically exempt from anti-Semitism?

### Scandal calendar

The three scandals, which so mysteriously followed each other, exactly matching the desires and intentions of Berezovsky and Chubais, took place within three weeks. This period of three weeks preceded the visit of the Chinese President Jiang Zemin to Moscow.

The three scandals, shooting off like a MIRVed stink bomb, targetted not the Communist Party, not the State Duma, and not the security services. The way in which they developed, how and by whom they were highlighted within Russia, and by which foreign press most viciously interpreted, leaves

no doubt that the real target was the leadership of the government, which was about to be discussing the future of the country—and the whole world—with the leader of China.

The results of the Moscow-Beijing talks may be more or less encouraging, but it is clear that if Primakov’s enemies succeeded in replacing him with Al Gore’s crony Chernomyrdin, the strategic alliance for a new world economic system, proposed by China, would not be formed.

Throughout the IMF-dictated reforms in Russia, the ruling comprador *privatiseurs* would wail that their political opponents enjoyed the status of an opposition, with plenty of opportunities to criticize and expose. Now they are ousted themselves, by the crisis that threatens to destroy the country. Every convulsive move they make reveals that they don’t care about the recovery of the country and its economy. They would prefer to undermine the government and create chaos. Look at their masters and advisers abroad: Does it not seem they want the same?

The Russian liberals have got a funeral problem. They would like to be remembered through the ages. Still, even if they climb on top of each other, the size of these figures in the people’s memory will not exceed the size of domestic insects stealing food from the kitchen. In the long run, it will profit them nothing, even if they all immediately kill each other on behalf of unknown “anti-Semitic” soldiers. *Pesenka speta*, as we say in Russian. The song is sung.

# Britain manipulates Kurdish insurgency against Turkey, plays the Ocalan card

by Joseph Brewda

Beginning on Nov. 13, the government of British Prime Minister Tony Blair, with the support of elements in the Italian and German governments, took dramatic action to protect the London-headquartered Kurdish Workers Party (PKK), which has been waging a terrorist insurgency in Turkey since 1984. The occasion was the arrest of the PKK’s founder and leader, Abdullah Ocalan, who was picked up in Rome’s international airport upon his arrival from Moscow. Within hours of his detention, the Italian government of Prime Minister Massimo D’Alema announced that it would not extradite Ocalan to Turkey, which has an outstanding warrant for his arrest, because, since Turkey has the death penalty, the Italian Constitution forbade it. On Nov. 20, the Italian government released him from prison, placing him under house-arrest, and stated that it might grant him political asylum.

Because of the threat to its sovereignty posed by the PKK,

Turkey almost invaded Syria in October for providing safe-haven to Ocalan and his group. After Syria agreed to Turkish demands on Oct. 20, and began closing down PKK camps, Ocalan fled Damascus for Moscow, and after being refused asylum there, to Italy.

In addition to refusing Ocalan’s extradition, and threatening to offer him asylum, Italy, together with Germany, Greece, the European Union, and several other European countries, denounced the Turkish government for “repression,” and called upon western Europe as a whole to intervene into Turkey’s domestic affairs to solve its “Kurdish problem.” Typical are the statements of Italian Prime Minister D’Alema, who told the Italian daily *Corriere della Sera* on Nov. 23: “It is not only PKK terrorism which is tearing apart the Turkish state, but also the systematic violation of human rights by the Turkish security forces.” He added, “Europe fights terrorism,

but also brutal repression, torture, the assassination of opponents, illegal imprisonment, and all other forms used to stifle freedom.”

Turkey’s harsh response was predictable. “No country that shelters or protects him or allows his activities or sets him free can call itself a place of justice,” Turkish Prime Minister Mesut Yilmaz said. Yilmaz added that if Italy were to provide Ocalan asylum, it would become “an accomplice to all the murders committed by the PKK.”

As a result of the manipulated diplomatic conflict, Turkey’s often-troubled relations with Italy and its other NATO allies have plunged to a new low.

But, the issue here is not Turkey’s efforts to contain Kurdish insurgency, which have been woefully ineffective, but rather, continuing British and French efforts to use PKK and Kurdish insurgency to attempt to bust up Turkey and Iraq, and foment wars throughout the Middle East along the lines of British intelligence official Bernard Lewis’s notorious “Arc of Crisis” plan. As a consequence of such imperialist games, the impoverished Kurds have been the first to suffer.

### The PKK’s terrorist profile

Turkey’s demand for Ocalan’s extradition from Italy would have been viewed as routine—if terrorist groups such as the PKK were not the playthings of governments and diplomacy. Since 1984, the PKK’s terrorist insurgency in south-eastern Turkey has killed 30,000 people, mostly Kurds. Among its victims have been rival Kurdish leaders, school teachers, and civil servants charged with being “supporters of the state.”

Ocalan formed the group in 1974 as an offshoot of the Marxist-Leninist Federation of Revolutionary Youth, which espouses violent revolution in the Turkish countryside to “liberate Kurdistan.” Reflecting its dedication to senseless violence, the PKK was a founding member of the London-based Revolutionary Communist Party’s Revolutionary Youth Movement. Other founding members include Shining Path of Peru, which has killed more than 25,000 people since the early 1970s, and the Liberation Tigers of Tamil Eelam of Sri Lanka, which has killed 130,000 people since 1973.

As a result of the PKK’s wanton carnage, even the New York-based Human Rights Watch, which has openly sup-



ported the PKK and other terrorist groups throughout the world under the cover of alleged human rights concerns, has been forced to admit that the PKK has been responsible for at least 768 executions during 1992-95.

Moreover, western Europe itself has been a major victim of the PKK. According to official reports by the U.S. State Department and by several European police agencies, the PKK finances itself through the narcotics trade, and could be responsible for shipping as much as half of the heroin consumed in western Europe. PKK gangs, meanwhile, prey on the large ethnic Kurdish Turkish emigrant population in Germany in particular, targetting them for extortion in the form of “revolutionary taxation.” At the same time, the PKK has formed “revolutionary alliances” with some of the remains of western European terrorist sects, such as Germany’s AIZ, the “Anti-Imperialist Cells,” which it has trained in guerilla tactics in Lebanon.

### British guidance

As the diplomatic crisis deepened, Italian Foreign Minister Lamberto Dini and German Foreign Minister Joscha Fischer announced that the two states were working on a new “European initiative” to solve the “Kurdish problem,” which they described as being based “on the renunciation of violence, the recognition of the rights of the Kurdish people, and the right of Turkey to security.” Dini has previously called for revising Turkey’s borders and creating a Kurdish state, while Fischer’s Green Party has pushed Kurdish and other terrorist insurgencies for years.

But just who was behind this initiative became clear on

Nov. 26, when Britain's Lord Rea arrived in Italy to offer his good services in "mediating" the European-Turkish crisis that Britain itself has steered. Lord Rea told the Italian press that he was acting on behalf of British Foreign Secretary Robin Cook. He also told them that Ocalan was not a terrorist but "the leader of a popular movement."

Danielle Mitterrand, the widow of the late French President and the PKK's main advocate in Europe, has also become involved. On Oct. 12, even before Ocalan fled Damascus, Mitterrand addressed a pro-PKK gathering in Leuven, Belgium, saying that the "time and conditions" for creating a "Kurdish state" were at hand. According to Mitterrand, the Clinton administration's decision in September to expand operations to topple Saddam Hussein and to find a "federal solution" to Iraq, was a "harbinger of a Kurdish state." She said, "We have to prod the Europeans on this issue."

This is not the first time that the British oligarchy, the British Foreign Office, and their lackeys have supported the creation of a Kurdish state. In February 1998, during the middle of earlier British and Israeli efforts to sucker Clinton into bombing Iraq, Cook told the London *Daily Telegraph* that Britain would "frankly welcome" the "break-up of Iraq" leading to the creation of a Kurdish state. In the ensuing uproar in Turkey, Deputy Prime Minister Bulent Ecevit charged that "Britain has been the leading country causing chaos in the Middle East since World War I."

Also at that time, Britain's Lord Avebury, the PKK's main strategist, held hearings in the House of Lords at which Deputy Speaker Baroness Caroline Cox and former Foreign Secretary Lord David Owen called for carving a "Kurdish protectorate" out of Iraq and Turkey.

This is an old story. Britain and France first promoted Kurdish separatism back in the 1890s, as part of their effort to use ethnic and religious movements to break up the Ottoman Turkish empire. Since World War I, Britain and France have run Kurdish separatism, and related movements, as part of their efforts to break up modern Turkey, as well as Iran and Iraq.

Reflecting this century-long imperialist policy, Britain has made London the PKK's international political and propaganda headquarters, despite Turkish protests. It has also allowed the PKK to establish its own satellite television station there, MED-TV, through which Ocalan has regularly beamed marching orders to PKK cadre back in Turkey.

### How it was set up

As the smoke cleared around the circumstances of Ocalan's arrest, details emerged indicating that it had been stage-managed by the Italian Refounded Communist Party (RCP) and its behind-the-scenes patrons, apparently without the knowledge of the Italian Prime Minister, in an effort to get Ocalan asylum. The main operative in this caper, Ramon Mantovani, the professional radical who directs the party's foreign policy within the Italian Parliament, has worked

closely with Kurdish and other terrorist sects since the 1960s.

According to a Sept. 17 broadcast of the PKK station MED-TV, Mantovani arrived in Damascus in September to set up the precondition for the operation. His purpose, the PKK reports, was to "develop strategic cooperation" between the Italian RCP and PKK, leading to the creation of a new "revolutionary Socialist International" dedicated to "fighting the globalization of capitalism." Ocalan agreed with Mantovani's proposal, and suggested that "Rome could be designated as the capital of the new international."

Following the terrorist gathering, Mantovani and 14 other Italian parliamentary deputies sponsored a meeting of the PKK's Kurdish Parliament-in-Exile in the chambers of the Italian Senate on Sept. 29, despite the harsh protests of Turkey and the United States.

The two groups remained in contact after Ocalan was forced to flee Damascus for Moscow. And on Nov. 11, Mantovani flew to Moscow to arrange for Ocalan to travel to Italy in order to get asylum. "We were just helping the Kurds find a way to start peace talks," Mantovani told Associated Press on Nov. 25. "Our action will force Italy and Europe to finally—and I hope definitively—face the Kurdish issue."

This is not the first time that British Lords, Madame Mitterrand, and the RCP have teamed up to support terrorist insurgencies. In 1997, for example, Mantovani organized a RCP delegation to Chiapas, Mexico, where his party boss, Fausto Bertinotti, met "Subcommander Marcos," the Mitterrand-patronized leader of the narco-terrorist Zapatista insurgency. Also that year, Mitterrand and Lord Rae called on the (narco-controlled) Colombian government of President Samper Pizano, to stand up to the military, and stop the military's "genocidal" war against the narco-terrorist Colombian Revolutionary Armed Forces, the FARC.

## Indonesia battles chaos, subversion

by Michael O. Billington

Indonesia, the world's fourth most populous nation, with more than 200 million citizens, succeeded in holding a special session of the People's Consultative Assembly (MPR) on Nov. 10-13, which passed legislation establishing a schedule for parliamentary and Presidential elections next year, and rules providing for the creation of a multi-party system. While these measures confirmed that President B.J. Habibie is carrying through the democratic transformation of Indonesia, away from the tightly structured political system under the 32-year rule of President Suharto, the country has

nonetheless been subjected to violent demonstrations and bloody riots, once again threatening a breakdown of order.

Student demonstrations during the assembly session turned violent, with four pro-government civilians beaten to death by the mobs, who also charged the military line protecting the assembly. Spokesmen for both the government and the opposition have charged that provocateurs among the students were responsible for initiating the violence. The military had planned a 10-stage process for phased retreat and containment of the demonstrators without the use of firearms, but the plan broke down, and rubber bullets were fired from close range into the demonstrations. In the end, 13 people died, including 8 students, and 400 were injured. The government has placed 144 troops and 12 officers under detention for 21 days over these killings. However, the military also announced that live ammunition of a sophisticated and deadly variety, not used by the Indonesian military, killed at least one of the students. Further investigation is ongoing.

Rioting also broke out in a predominantly Chinese area of Jakarta on the evening of Nov. 13, raising the specter of a repeat of the chaos in May, which left an estimated 1,200 dead. However, unlike in May, concerted efforts were taken by the military, most notably the Marines, to prevent violence.

The following week, however, on Nov. 22, rioting erupted again in Jakarta, in a part of Chinatown heavily destroyed, and not yet rebuilt, from the May riots. Thirteen people were killed in the Ketapang clashes between Javanese Muslims and Christian immigrants from Ambon in the Maluku islands, of whom seven died as a result of a fire that gutted a several-story building. An estimated 11 churches were trashed. Here again, both government and opposition leaders have claimed to have evidence of manipulation for political purposes by provocateurs.

Are there subversive forces, foreign or domestic, using the students to destabilize the Habibie government, and/or deploying agents within the military to provoke chaos?

### **Differences among the opposition**

In the days preceding the MPR assembly, two declarations were issued by opposition forces, one by a coalition of the leading figures who had supported the demonstrations last spring, which brought down the Suharto government, and a second by a newly created organization called the National Front. The first, called the Ciganjur Declaration, was formulated by: Amien Rais, Muslim leader, and recognized spokesman for the students last spring; Abdurrahman Wahid, head of the largest Muslim organization, Nadlatul Ulama; Megawati Sukarnoputri, daughter of President Sukarno; and the Sultan of Yogyakarta. This coalition, while opposing certain of President Habibie's policies, came out strongly in support of the democratic process being worked out in the People's Consultative Assembly.

Despite differences over the timing of the planned elections, the Ciganjur Declaration endorsed the policies that were ultimately adopted by the assembly for orderly elections, a phasing out over time of the role of the military in the Parliament, a further investigation of former President Suharto's wealth, and the freedom to create political parties.

When the student demonstrators called upon this group to come forward to support their demands for overthrowing the Habibie government before the elections, these four leaders refused. Rais even warned the students: "Restrain yourselves, be capable of restraint. Let us think in a clear way. Only a few hours are left for this assembly; do not ruin it."

On the other hand, the National Front declaration of Nov. 12, signed by 17 prominent retired military leaders, demanded that Habibie step down and that a "Provisional Assembly" take over. The National Front was formed by a group of retired generals and civil servants, led by Lt. Gen. Kemal Idris. They have repeatedly demanded President Habibie's resignation, and have maintained contact with the most radical elements among the student demonstrators.

Following the deadly confrontation on Nov. 13, President Habibie went on national television: "Now it can be seen that there are movements and actions by several groups in this society which clearly attempt to oppose the law and the Constitution by mobilizing masses to enforce their wishes . . . and can be categorized as subversive." Several of the retired generals, who had signed the National Front declaration, including General Idris, were brought in for questioning. Ten signers of the Nov. 12 declaration were placed under arrest.

Opposition leader Amien Rais, although he held President Habibie responsible for the shootings by the military, distanced himself absolutely from the National Front, accusing them of having "openly defied the legitimate government," and of resorting to "unconstitutional methods."

### **Will Indonesia take on the IMF?**

Underlying this unfolding political crisis is the continuing economic dissolution of Indonesia under International Monetary Fund dictates. President Habibie wisely refused to allow the crisis to prevent his trip to Malaysia to attend the Nov. 17-18 meeting of heads of state of the Asia Pacific Economic Cooperation forum. He met privately with other heads of state, including China's President Jiang Zemin and Russian Prime Minister Yevgeni Primakov, who are building a revolutionary alliance of nations, independent of IMF dictates and beyond the destructive reach of speculators (see p. 4).

The case of Indonesia, like that of Russia, has proven that the IMF brings nothing but poverty and chaos. The process now under way among China, Russia, Malaysia, India, and others to create the conditions for a new world financial system, based on the principles of nation-building, provides the necessary framework for Indonesia to counter the subversion and begin reconstruction.

# International Intelligence

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## ***Indian Congress Party sweeps state elections***

The Congress Party swept the state assembly elections in Delhi and Rajasthan, and got an absolute majority in Madhya Pradesh on Nov. 25. In the tiny northeast state of Mizoram, the Congress lost badly to a local united front. In the city-state of Delhi, the national capital, Congress won 51 seats out of 70, and has taken control of the state. The ruling Bharatiya Janata Party (BJP), with 15 seats, will be the leading opposition.

In 1993, Congress got only 14 seats and the BJP 49 seats. Also, in the 1996 and 1998 Parliamentary elections, the BJP had won hands down, but the overall mismanagement, breakdown of law and order, increased pollution, huge shortages of water and power, growth of poverty, and recent rise in vegetable prices, had indicated the BJP would do much worse. Prices of vegetables had shot up—the cost of onions, a staple of the Indian diet, up 700%, potatoes up 300%, and tomatoes up 500%—and stayed up for two months. However, this big reversal to the Congress had not been expected.

In Rajasthan, where the BJP won 95 seats in 1993, it was routed this election, getting only 33 seats. Congress almost doubled its seats, to 150, in a record victory. In Madhya Pradesh, geographically the biggest state in India, Congress had won 174 of 320 seats in 1993, but in the two Parliamentary elections since, BJP had done much better than the Congress. It had been assumed that the BJP would win Madhya Pradesh again, but instead, Congress won 173 seats, 12 more than needed for an absolute majority, and the BJP just 120.

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## ***Swiss voters turn down drug legalization***

Swiss voters heavily rejected a ballot initiative to legalize narcotics on Nov. 29. An exit poll by state broadcaster DRS found that Swiss voters were against the plan by three to one, and the proposal was not passed in a single canton. The plan would have made Switzerland the only country in the world where anyone 18 or older could buy narcot-

ics, from marijuana to heroin, at state-run outlets or pharmacies after consultation with a physician. While organizers of the initiative did not necessarily expect it to pass, they had wanted to get more than 35% of the votes, in order to proclaim a mandate for liberalizing drug laws, beginning with cannabis.

Earlier experimentation in some Swiss cities with needle exchanges and free heroin left it with an estimated 30,000 addicts out of a population of 7 million.

Next door, the socialist-green government of Germany is legalizing stupefying drugs, under cover of transferring the office of Federal Drug Administrator from the Interior Ministry to the Health Ministry, i.e., treating drug use as a domestic “social,” rather than an international criminal, problem.

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## ***Kabila meets with Pope to end Great Lakes wars***

On Nov. 25 in Rome, Congo President Laurent Kabila met with Pope John Paul II, as well as leaders of Rome’s Sant’Egidio lay community, which specializes in bringing together warring factions. Kabila released statements after both meetings. *Corriere della Sera* also reports a statement by the Pope, without identifying whether it was issued before or after the visit.

John Paul II called for a peaceful solution in the Congo, “safeguarding the principles of territorial integrity and of national sovereignty, in the respect of the rights of every person and social group.” *Corriere* notes that a similar statement had been released recently by Congo’s Catholic bishops. “The Pope and I had a very good understanding,” Kabila stated. “In the Vatican, they are very familiar with the situation in the Great Lakes region, and they agree with us that territorial integrity and sovereignty must be respected.” After the meeting with the Sant’Egidio leaders, Kabila promised that “new elections will express the new Congo.”

Meanwhile, the British Empire companies, such as Anglo American Corp., which had hoped to grab mining concessions, are upset that Kabila is signing deals with his

new military allies, according to the Nov. 25 *Wall Street Journal*. Kabila “is signing away substantial interests in some of his mineral-rich country’s juiciest assets to businessmen from Zimbabwe, Angola, and Namibia,” wails the *Journal*. These three countries, which are militarily supporting Kabila against the invaders, Uganda’s Museveni and Rwanda’s Kagame, “have secured or are negotiating deals for copper and cobalt mining regions, diamond concessions, and Congo’s oil sector.”

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## ***Cambodia works out new form of government***

Cambodian Prime Minister Hun Sen and Prince Norodom Ranariddh have finally agreed on the new form of government for the country, nearly four months after 90% of the eligible voters went to the polls. Opposition figure (and puppet of the U.S.-based International Republican Institute) Sam Rainsy has been effectively left out. Hun Sen will be the one and only Prime Minister. Ranariddh will become president of the National Assembly, but will no longer serve as acting head of state during King Norodom Sihanouk’s frequent trips to Beijing. This function will be assumed by the head of a new Senate, led by current Speaker of Parliament Chea Sim, from Hun Sen’s Cambodian People’s Party (CPP).

Parliament convened on Nov. 25. Two CPP members will become the vice presidents of Parliament, while two members of Ranariddh’s Funcinpec party will be vice presidents in the Senate. The CPP and Funcinpec will each chair four parliamentary committees; Rainsy’s party will head one.

A crucial role in the settlement was played by Japanese State Secretary of the Ministry of Foreign Affairs Nobukata Machimura, who spent four days in Phnom Penh in late October. He offered Japanese assistance in negotiating an agreement. Machimura also attended a conference on land mines held in November in Phnom Penh, which Japan financed. Some 250 representatives attended from Afghanistan, Laos, and Bosnia, among other nations. Japan has also agreed to a 16,000-ton food grant to avert the mounting food crisis in Cambodia.

## Mexicans demand Classical music for all children

by Hugo López Ochoa

Nearly 3,500 Mexican citizens participated in one seminar and four concerts in Mexico City and in the state of Baja California, organized in mid-October by the Schiller Institute and the well-known Schola Cantorum choir, under the theme “Classical Music and Educational Excellence,” thereby giving birth to a national movement to restore Classical musical education in Mexico’s primary and secondary schools.

The project was originally proposed by Lyndon and Helga LaRouche, founders of the Schiller Institute, with the intent of encouraging a cultural renaissance based on Classical music. The idea took off following the historic concert of the St. Thomas Boys Choir of Leipzig, Germany, held on Feb. 7, 1998 in Washington, D.C. That concert, which drew 8,000 people, represented an uninterrupted history of 800 years; among its directors were J.S. Bach and Felix Mendelssohn. On the same weekend as the concert, the Schiller Institute also sponsored a seminar entitled “Excellence in Education through Music.”

In evidence at the Mexico City seminar on Oct. 10 was the same revolutionary spirit emerging worldwide in the face of the disintegrating international financial system. The 220 guests, including teachers and students of the most important musical institutions in the country, parents, and members of the Schiller Institute, concluded the concert with an enthusiastic rendition of the emotional “Va Pensiero,” from Giuseppe Verdi’s opera *Nabucco*, as a kind of proclamation against the International Monetary Fund’s dictated budget cuts—one of the main obstacles to restoring Classical musical education in the schools.

The great thirst for a cultural renaissance, reflected in the response of both the audience and the guest speakers, provides an opportunity to challenge the grip which Mexico’s culturally and sexually perverted “music mafia” has maintained

over Mexico’s cultural life for years. The Schiller Institute argues that great Classical music should uplift the population—“above the belt”—instead of plunging them into the pit of “sexual alternatives.”

The speeches that follow, by this author and by Marivilia Carrasco, reflect the views of the Schiller Institute, which has led the campaign internationally for a return to Verdi’s lower tuning of A=432 Hz, as argued in its textbook *A Manual on the Rudiments of Tuning and Registration*, Book I, which has appeared in English, German, and Italian editions. As Marivilia Carrasco explains in her presentation, citing the work of the Schiller Institute’s Jonathan Tennenbaum, the tuning is not a question of arbitrary “taste,” but of science. We also include the remarks of other guest speakers who have joined the institute in the effort to launch a cultural renaissance, but who do not necessarily agree with the institute on specifics of musical pedagogy.

### Youth in harmony

On Oct. 11, seven hundred people attended a “Youth in Harmony” concert, presented by children and adolescents, singers and instrumentalists, all from Mexico’s leading music schools. The sensitivity, discipline, and concentration of the children served as counterpoint to the strong desire to transform education through Classical art shared at the previous day’s seminar. Youth from the National School of Music opened the concert with polyphonic works from Salazar, Pergolesi, and Vivaldi; the children of the Yuriko Kuronuma Violin Academy had a profound impact on the audience, especially one five-year-old who played “The Happy Farmer” by Schumann. A seven-year-old played a “Bourée” in G Major by Handel, and other Classical pieces were performed by 9- and 10-year-olds. The performances concluded with varia-



*Maestro Alfredo Mendoza conducts a concert of Los Niños Cantores de Schola Cantorum, for the Mexico City seminar on Classical Music and Excellence in Education, on Oct. 11.*

tions on a delightful theme by Mozart, which the precocious violinists played together in two parts.

The festival continued with 12-year-old clarinetist María del Carmen Flores, who played “Piece in G Minor” by Gabriel Pierni, followed by 12-year-old pianist Diana Sánchez Castro, pupil of the National School of Music’s Paolo Mello, who demonstrated great sensitivity in her performance of Mozart’s Sonata in F Major; and David E. Mirón Corral, a 15-year-old violinist who played the first movement of J.S. Bach’s Violin Concerto in A Minor, under the direction of Rosendo Monterrey.

The concert concluded with the Schola Cantorum children’s choir, led by Maestro Alfredo Mendoza. The polyphonic beauty of their voices was lent to the “Domine Deus” of J.S. Bach’s *Mass in G*, “Der Vogelfänger” (“The Bird-Catcher”) from Mozart’s opera *The Magic Flute*, Schubert’s “Widerspruch” (“Contradiction”), and “Canción” (“Song”) from Arturo Valenzuela’s “Alma de Niño” (“Soul of a Child”), among others.

At the concert’s conclusion, with the audience still on its feet in ovation, Maestro Mendoza proposed that the New Year be celebrated by holding “a monumental concert in favor of a New, Just International Economic Order,” an idea which was greeted with resounding applause. Verdi’s “Va Pensiero” was sung again, with Maestro Mendoza explaining that it became “the anthem of freedom of the Italian people against the Austrian occupation, and became a song forever associated with the establishment of sovereign republics.”

### **‘Only the best for the children!’**

The preceding seminar addressed the challenge of creating a new renaissance, and of organizing a nationwide battle to assure that all of Mexico’s children, “including from the most humble of homes,” can have access to Classical education, and especially a musical education.

The slogan “Only the best for the children!” proved an explosive one, now that the Mexican government has decided to eliminate music entirely from secondary school curricula. Music teachers are aware that this threatens not only their own livelihoods, but the very existence of civilization. Forty music inspectors from the National Institute of the Arts, the supervisors of Mexico City’s 1,200 primary and secondary school music teachers, responded to the Schiller Institute’s seminar announcement by distributing literature among their networks.

“Humanity is the victim of a moral and cultural decadence which expresses itself in the tragic inability of governments to resolve the worst economic and financial crisis in history. We face a crisis of values and of civilization comparable only to the economic and cultural collapse of fourteenth century Europe, the century of the Black Plague,” the invitation to the seminar declares. “Nations suffer the imposition of brutal forms of colonial looting. . . . In the name of democracy and of tolerance, the universal principles of truth, justice, and beauty are being degraded. . . . Our challenge is to create a new cultural renaissance.”

In the seminar’s keynote address, Hugo López Ochoa de-

clared that Classical art is coherent with the aesthetic principles of Socrates and Plato, where love of humanity and a readiness to sacrifice, govern the artist's inclination for Truth and Beauty. He challenged the seminar's participants to choose between the courage of Aeschylus' Prometheus, and the cowardice of Shakespeare's Hamlet, in this decisive moment for civilization.

In the seminar's main presentation, the president of the Schiller Institute's Mexican chapter, Marivilia Carrasco, developed the theme of "Science and Music," in which she demonstrated why music cannot be denied the same curricular importance as geometry, physics, and mathematics in basic education. She presented a devastating argument against the ideologues of the '68 Generation, the promoters of the counterculture of ecologism, indigenism, and drug legalization.

Alfredo Mendoza addressed the issue of "Musical Education in Mexico," and urged participants to mobilize in defense of Classical musical education. "We must rebel, not complain, and fight for the survival of knowledge and sensibility. A good music teacher is a natural leader *par excellence*," he stressed.

Patricia Morales, director of the children's chorus of the National School of Music, emphasized that musical training for children is not a "trivial activity," but rather is the vehicle "to discover humanity's musical opus" in the process. In his speech, titled "The Polyphonic Chorus," Maestro Emilio Hernández, choral director of the Conservatory of Mexico State, emphasized the importance of polyphonic choral work in the intellectual and moral training of youth.

Maestro Arturo Valenzuela, a professor at the National Music School and a chamber music composer, presented his view of the general principles of Classical musical composition. He said that "music possesses an intrinsic value, and produces a superior sentiment known as aesthetic emotion, similar to the concept of human dignity."

The participants signed a resolution, motivating the importance of music education (see box).

### **For a New International Economic Order**

On Oct. 20, 21, and 22, the Classical Ensemble string quartet of Guadalajara, Jalisco, held a successful tour of the state of Baja California, organized by the Schiller Institute and co-sponsored by the Cultural Institute of Baja California and by the Mexican Social Security Institute (IMSS). Media from across the state reported on the concerts as part of a movement to restore Classical music in basic education.

At the Mexicali State Theater, 1,200 people gathered to hear works by Vivaldi, Haydn, Mozart, and Beethoven. Blanca García, director of the Schiller Institute for Baja California, dedicated the concert to the international efforts to build a New, Just Economic Order, under the leadership of Lyndon and Helga LaRouche. At the port of Ensenada, 600 supporters of the Schiller Institute filled the City Theater to overflowing, with 200 more forced to stand outside the hall. Here, a group of tourists from Philadelphia applauded when

they heard LaRouche's name during the performance. In the border city of Tijuana, 600 people crowded into the IMSS Theater and were captivated by the precision of the performers who, as even the media had to admit, achieved a "better sound" with the Classical Verdi tuning.

The quartet's members—Leonard Nubert, first violinist of the Symphonic Orchestra of the University of Guadalajara; and Sava Latsanich, Iouri Kassian, and Ramón Becerra, first violinist, violist, and lead 'cellist respectively of the Jalisco Philharmonic Orchestra—have previously performed other concerts organized by the Schiller Institute. But on this occasion, with the theaters filled to capacity, they exclaimed: "We have never had this experience, this is truly historic for us. Are you aware of what you have in your hands? Not even the government has the ability to do this!" They committed themselves to participating in the proposed monumental year-end concert.

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Hugo López Ochoa

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## **Toward a Renaissance: What is Classical art?**

*This speech was given on Oct. 10 at the seminar in Mexico City. Hugo López Ochoa is a representative of the Schiller Institute.*

We are holding this seminar at a truly dramatic moment: We are witnesses to the ongoing crumbling of the international financial and monetary system. The leaders of this planet's major nations, with the exception of China and Malaysia, have revealed themselves as disoriented and cowardly.

We face the great challenge that this collapse of the financial and monetary system could drag nations down with it, and destroy the forms of civilization that humanity has built over the past 500 years.

Any of you, listening to the news of this week, must realize that tragedy on a global scale could occur at any time. Think for a moment how little time it took for the Soviet Union to disintegrate. I think that you would agree that it occurred so quickly, that there wasn't even time to explain the causes, while just a few days before, such a thing happening would have appeared inconceivable. This is precisely what is about to happen with the economic and social order that we call "globalism" or neo-liberalism.

Humanity is faced with two options today: a New Dark Age, signalled by the return of shameful forms of slavery, war, plagues, and starvation, with population catastrophes

like those of fourteenth-century Europe; but also the possibility for a sublime opportunity: that of eliminating from the face of the Earth, once and for all, all forms of usury, speculation, slavery, and every oligarchic form of government. These are the only two choices.

We called this seminar to launch a national cultural movement to promote the new cultural and moral paradigms that will define a world of progress and development, whose purpose will be to awaken and give direction to the creative capabilities of the entire population.

Therefore, we begin from the commitment that Classical education should be government policy, extended to every home, including the most humble. This initiative is nothing more than the reviving of the spirit of our Constitution, which in Article III establishes that democracy is not merely a system of government, but a way of life based on the constant economic, social, and cultural improvement of the population. The great periods of the flourishing of nations have depended historically on the dissemination and institutionalization of the Classical principle in art and in science. The growth of populations and their improvement have gone hand in hand with this principle.

It is, therefore, appropriate to begin this seminar by defining what we mean by Classical.

In referring to music, some confused individuals confer different meanings on the term "classical" which are, generally, absurd. For example, the tendency to suppose that "classical" is "the best of an era," such that, accepting this postulate, one can assume that there exists "classical" rock, "classical" bolero, and even "classical" rap. Ask someone from the generation of '68 activists for the name of a classical artist, and they will surely mention John Lennon.

Others maintain that "classical" refers to a sharply determined period of history; this definition is stubbornly repeated by many of our music institutions. Those who accept this interpretation see history as if it were a department store: Here we have the pre-Renaissance, then the Renaissance, and then the Baroque, while over here we have the Classical, followed by the Romantic, and then Modernism, Atonalism, and most recently, Deconstructionism, according to which any kitchen utensil can serve as a musical instrument.

The fact is that the word "classical," in its strictest sense, refers to all artistic and scientific forms, including the art of governing, which are congruent with the method of thought

## A call for action

*Participants in the seminar "Classical Music and Excellence in Education," held in Mexico City on Oct. 10 by the Schiller Institute and the Schola Cantorum of Mexico, issued the following declaration:*

### WHEREAS:

1. the musical legacy of the universal classics represents a cultural patrimony that should be preserved, enriched, and shared;
2. Classical compositions possess a coherence based on physical principles and perceptions which are generally valid in the fields of art and science;
3. listening, practicing, and studying Classical composition encourages the development of reason and sensitivity in the individual, and consequently increases his or her potential to contribute to human progress;

### WE DECLARE:

- I. Musical education should be the object of systematic and ongoing research;
- II. Musical education should be mandatory, taught as an individual subject, in kindergarten, primary, and secondary schools;
- III. Musical education should be oriented toward the

development of skills necessary for listening, performing, and understanding great Classical works;

IV. Musical education and the spread of music should be strengthened, and premised, among other things, on the following guidelines:

- a) proper training of musical pedagogues;
- b) creating well-paid positions for the research and dissemination of music in an environment conducive to musical education;
- c) Production of high-quality teaching materials for musical education (recordings, instruments, scores, texts, games, etc.);
- d) making Classical music available through the school system, the community, and the communications media;
- e) control of sound contamination in homes, workplaces, public transportation, public gardens, playgrounds, and national parks; and
- f) participation of associations of music teachers in decisions related to musical education.

V. The chief obstacle to allocating funds for restoring Classical music education to the basic curriculum is the budget cuts imposed by the International Monetary Fund. We therefore propose [the creation of] a New, Just International Economic Order, for which we shall fight.

VI. Discussion on the issues discussed here should be encouraged in every region of the country, reproducing events such as the "Seminar on Classical Music and Excellence in Education," and the "Youth in Harmony" concert.

of Socrates and Plato. For Plato, the subject of all knowledge is the human mind. Through the exercise of Socratic dialogue, one reflects deeply on one's own form of reasoning.

Tackling various apparently different forms, be they a sonata, a drama, or a scientific paradox, the mind itself is the material upon which the artist or the scientist works, in the constant search for truth. A true work of art overturns the axioms of thought, the belief structure, of its audience. Every member of the audience is like the slave in the famous Allegory of the Cave, in Plato's dialogue *The Republic*.

The slave, manacled, only sees the shadows that are projected on the wall of the cave where he is held captive, and he believes that these shadows are reality, since he has never seen the light outside. When he leaves the cave and discovers light, at first it hurts his eyes, but when he grows accustomed to it, his pleasure is such that his natural impulse is to return to the cave to reveal his discovery to the other slaves. However, these slaves, convinced that the shadows are the only reality, stubbornly deny this revelation and show themselves capable of beating and even killing the bearer of truth, until they overcome their fear of the unknown, to learn the truth.

The task of the artist is not only to transmit the truth by means of his art, but to be efficient by transmitting that truth beautifully, understanding that beauty is congruent with the harmonic laws of the universe.

But what is the most profound impulse that moves the true artist to proclaim truth and beauty? What are those intimate resources which inspire him to transform his audience, ennobling it, such that the audience experiences a moral and emotional elevation after assimilating his art?

Is it fame? Ambition? Power?

No. None of these. It cannot be any of these, because truth defies established opinion, and is nearly always in conflict with fame. Nor is it unusual to find the greatest artists living in misery, or persecuted when they attempt to demonstrate that all men can know the truth.

And the fundamental truth throughout the past 2,500 years, is that man is different from and superior to the beasts; more precisely, that he is created in the image and likeness of God. His human impulses are not guided by the mere satisfaction of his primary needs; the individual is not guided by the hedonistic satisfaction of his immediate appetites, as is argued by such free market ideologues as Jeremy Bentham and Adam Smith.

No. Man has the sacred purpose, through his reason, to contribute efficiently to the process of creation.

Man can look above his own desires and protect that which his reason dictates, even to the point of personal sacrifice for the sake of a higher moral law. Classical art is intimately linked to this perspective, as the true artist is inspired by a profound love for his fellow man, whom he sees as his equal, to the point that he is capable of risking the wrath of the Olympians, who see the human race as a miserable herd of cattle ruled through servitude.

## Truth, above all

This is the great theme of Classical tragedy. The theme of man's freedom. And, beyond that, the turning point, or *punctum saliens*, when the fate of a nation, or of civilization itself, depends on the decided action of those who are prepared to fight for truth with all its consequences.

This is what the Greeks called *agapē*, the love for humanity which St. Paul called charity.

This is the message of Aeschylus when he has Prometheus say:

"You see me a captive . . . because of my excessive kindness to men."

For Prometheus, it is preferable to face the consequences of a fight for freedom, than to suffer the humiliation of slavery.

"It was by a self-conceit like this you brought and settled yourself among these sufferings," warns Hermes, Zeus's messenger. And Prometheus responds with great fortitude, "For your menial position, I would not exchange my own ill fortune. You may be sure of that."

It is precisely this agapic emotion that Beethoven evokes in his only opera *Fidelio*, when Florestan, in the solitude of his cell, exclaims:

"God, what darkness! Oh, terrible silence! Desolation surrounds me. . . . But the will of God is just! I will not complain, because it is you who determines the greatness of my suffering.

"In the springtime of my life, fortune abandoned me. I dared to tell the plain truth, and chains were my reward. [But] sweet consolation in my heart: I did my duty."

The Promethean hero, even in his sacrifice, is a victorious figure, because his truth prevails beyond his own physical death, making him immortal.

It is the certainty that evil will not prevail which enables him to foresee the self-destruction of his enemies. And Aeschylus presents this to us:

Prometheus: "I know of his [Zeus's] harshness, I know that Zeus measures what is just by his interest. And yet soft-minded he will be in time, broken down, as I say. He will settle his obstinate anger. As eager as I in time, he will come claiming peace and alliance. . . . And therefore now, let him sit confident, and in his airy noise put faith, and brandish in his hands the fire-breathed bolt. In no way will all this avail him to escape falling into shame. . . . Zeus, stumbling on this misadventure, will find out how far apart are supreme power and slavery."

What happens when the individual whom Providence has placed in a position to define the course of history, turns coward, and doubts?

Shakespeare presents us with this dilemma in the future of Hamlet:

"To be or not to be: that is the question:  
Whether 'tis nobler in the mind to suffer  
The slings and arrows of outrageous fortune,

Or to take arms against a sea of troubles,  
 And by opposing end them. . . .  
 But that the dread of something after death,  
 The undiscover'd country from whose bourn  
 No traveler returns, puzzles the will,  
 And makes us rather bear those ills we have  
 Than fly to others that we know not of?  
 Thus conscience does make cowards of us all,  
 And thus the native hue of resolution  
 Is sicklied o'er with the pale cast of thought,  
 And enterprises of great pitch and moment  
 With this regard their currents turn awry  
 And lose the name of action. . . ."

Tragically, Hamlet succumbs to fear of the unknown, incapable of taking up the heroic destiny which history has reserved for him.

The Classical dramatist achieves in the critical moment of his work that the spectator sees himself reflected in the potential hero, and intuits the fatal dénouement to which his moral failing is leading him. Instantly, the spectator asks himself: "What would I have done in his place?"

This is the true dialogue of Classical art. This is the question that emerges when we see the majority of today's rulers turned into hesitating Hamlets.

### The current challenge

Now let us turn to what we are doing, and what we have to do.

Helga Zepp-LaRouche and her husband Lyndon H. LaRouche, Jr. founded the Schiller Institute in 1984, conceiving it as an international philosophical association dedicated to promoting a new cultural Renaissance that can offer an answer to today's challenge.

Last February, Maestro Alfredo Mendoza of the Schola Cantorum and some of us attended a Schiller Institute seminar in Washington, D.C., under the title "Excellence in Education Through Classical Music." The seminar was a preamble to the historic concert of the St. Thomas Boys Choir of Leipzig, Germany. This choral group was founded nearly 800 years ago, and among its most illustrious directors were Johann Sebastian Bach and Felix Mendelssohn. A large part of Bach's cantatas and religious compositions were written specifically for performance by this choir.

On Feb. 7 in Washington, D.C., nearly 8,000 people came to hear this chorus of 90 little angels, who sang a capella, that is, without instrumental accompaniment, a Classical repertoire by Bach and other greats, in the majestic National Basilica of the Immaculate Conception. Men and women, old and young, black and white, joined to celebrate this unprecedented artistic event. The performance was free, which offered many low-income families the opportunity to enjoy a Classical concert to which they would otherwise not have had access.

Thanks to individuals central to the cultural life of Europe and the United States, such important singers as Plácido Domingo and Piero Cappuccilli, have joined the efforts of the Schiller Institute and of other organizations, such as the Committee for Educational Excellence Through Classical Music, in declaring it both necessary and possible to redirect the disastrous turn that contemporary culture has taken.

Through such actions on behalf of Classical culture, to *reinstate Classical music* as an obligatory part of primary and secondary education, as well as sponsoring concerts and conferences like this one, we hope to give to the country, its leaders, its parents, teachers, and students, the necessary optimism to win this battle.

It falls to us to decide whether we accept the tragic destiny of Hamlet, or the sublime victory of Prometheus.

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Marivilia Carrasco

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## Classical music and educational excellence

*This is the address of Marivilia Carrasco, president of the Schiller Institute in Mexico.*

Justice, truthfulness, and those creative powers by means of which we may discover valid, revolutionary principles of our universe, form a seamless whole, in which Classical culture, morality, and physical science, are united by a common passion for universal justice and truth.

—Lyndon H. LaRouche, "The Substance of Morality," June 26, 1998

In the propaganda campaign commemorating the 30th anniversary of the events of Oct. 2, 1968,<sup>1</sup> one television program

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1. As the international media and countercultural left have portrayed it for 30 years, Oct. 2, 1968 is the date on which the Mexican Army "massacred" innocent student protesters at the Plaza de las Tres Culturas, in Tlatelolco Park, Mexico City. Although investigation has revealed the presence of a third, unidentified armed force at the plaza that day, which acted as a provocateur to ensure a high number of casualties, the "massacre" explanation has prevailed. The true significance of that date is that it marked the beginning of a paradigm shift to the rock-drug-sex counterculture, whose spokesmen have dominated Mexico's cultural world, including Classical music, since then. More recently, the anniversary of the Oct. 2 events has also served as a pretext for attacking the Mexican Army. Those attacks intensified after the Jan. 1, 1994 emergence of the narco-terrorist Zapatista National Liberation Army, whose supporters and sponsors include many veterans of the "generation of '68."

constantly bombarded us with the question, “Where were you on the evening of Oct. 2, 1968?” Next, several public figures were paraded before us — Environment Secretary Julia Carabías and Public Education Secretary Miguel Limón Rojas — all quite proud of the student movement’s influence on them. Maybe that’s why music teachers today are being driven out of the schools.

I was in the Chihuahua building. I was going to be one of the speakers, representing the *preparatorias* [a three-year post-high school study in Mexico]. I was 16, and I hid in an apartment.

I can now say that 30 years ago, the students of the Baby Boomer generation were the victims of the most successful cultural operation in modern history, orchestrated by the oligarchy to subvert the sovereign nation-state. The cultural ideas and precepts of the so-called generation of 1968 — not just in Mexico, but internationally — are based on existentialism, irrationalism, Romanticism, cultural relativism, and sensualism. Since the 1960s, these have been, and continue to be widely advocated as theory, in Western universities, through the so-called Frankfurt School. University students were trained to develop an ideology opposed to the supposed “authoritarian personality” and “bourgeois morality,” but whose real purpose was to destroy universal Classical culture associated with Western civilization.

One of the leaders of that movement in Mexico recently lamented, “Our generation, with flowers in our hair and pot in our lungs . . . proved a thousand times that education was a mechanism of the state’s oppression, representing a class. We preached the gospel of French and Italian philosophy. Yet today we are upset over the educational disaster! We told everyone that work was exploitation and we made every authority figure an enemy to be defeated” (Luis González de Alba, published Aug. 24, 1998).

Recent television propaganda on 1968 tells us that the cultural “heroes,” the real paradigm presented, were the drug-addicted rockers — Jimi Hendrix, Janis Joplin, Jim Morrison, John Lennon — who aren’t here now to “celebrate” this anniversary, because they died a few years later of an overdose or violence related to the “rock-drug-sex” counterculture which emerged from that political-cultural offensive. Today we see many Mexican intellectuals of that era — Carlos Monsivais, Elena Poniatowska, Homero Aridjis, José Agustín, Betsy Pecanins, among others — signing ads calling for drug legalization and abortion. Today’s crisis is, above all, the result of the enormous fraud of the cultural change which occurred over the last 30 years.

### **Classical ideas vs. ‘authoritarianism’**

Let’s first look at why we should fight today to restore Classical music education to the primary and secondary school curriculum — a subject as important as Spanish, mathematics, and geometry. And then let’s go back and analyze the conceptions of the Frankfurt School and the Baby Boomer generation, in opposition to real music.

In the task of educating the sensibility of both the individual and society, we know that no artistic expression touches the human soul and that creative part of the mind so directly, as does Classical music. That is why we are holding this seminar, which we intend as an introduction to the study and understanding of motivic or thematic composition of Classical music, from Johann Sebastian Bach to Johannes Brahms, with the notable roles of Wolfgang Amadeus Mozart and Ludwig van Beethoven. We study these universal works from the most fruitful point of view to examine the entirety of this Classical tradition, from ancient Greece through the nineteenth century. This is the standpoint of the public which Schiller loved, the spectators who left the theater transformed — they were better people than when they had entered just a few hours earlier.

What is common to motivic or thematic Classical composition and other equally Classical art forms, is that they force the performer and the spectator to “abandon deceitful sense-certainty, and also the intellectual and moral degradation expressed by the symbolic, or, related, ‘mannerist’ views of art, in favor of truth” (“The Substance of Morality,” *EIR*, June 26, 1998).

St. Augustine also identified the power of music to elevate and develop the spirit, and warned that it could also be easily perverted to produce the opposite effect. Cardinal Joseph Ratzinger discusses the same dilemma, arguing that liturgical music, for example, “cannot be rhythmic ecstasy, insinuation or sensual stupor, subjective emotional rapture, or superficial praise. It is rather subordinate to a message, to a complete spiritual manifestation which is rational in the highest sense of that term.”

The idea that music “is rational in the highest sense of the word” is fundamental to the understanding that, as LaRouche indicated in “The Substance of Morality,” the “medium of Classical motivic thorough-composition . . . is the sensuous domain within which musical ideas are expressed as musical ideas.”

The expression of great musical ideas is impossible without the well-tempered system. This is congruent with the fact that the well-tempered scale is the acoustical expression of harmonic relations pre-existing in the physical universe, and not an arbitrary or disposable creation.

The Schiller Institute has published several works which address this issue. They particularly refer to the scientific laws governing the musical tuning system, showing that it is not determined by standard pitch or arbitrary usage, but rather by the physics of the human singing voice.

To understand this, we need to get rid of the reductionist idea of mathematics to which we are all accustomed. In the linear universe of this erroneous mathematics, the point (or the musical note) is a self-evident fact defined by the smallest mark that can be made with a sharpened pencil; the line (or the scale) is a succession of points (or musical notes), and the surface (or the system of diatonic scales) is a succession of lines (or scales). But the real universe and the universe of

music aren't built this way. They are higher-order geometries which define those of the lower order. In geometry, circular action is what produces a circle. Circular action on a circle produces a straight line [as a circular piece of paper can be folded to form a straight edge], and a third circular action produces the point. Thus the student learns that facts are not self-evident, but that they are defined by higher-order laws, by the context in which they occur.

Now I want to show you some illustrations developed by the Schiller Institute's Jonathan Tennenbaum, a mathematician and musician, who indicates the harmonic relationships of the physical world and the diatonic scale. Although the Greeks studied these relationships, it wasn't until Johannes Kepler and his disciple Carl Gauss unleashed a scientific revolution, in terms of the study of conic sections and complex numbers, that it became possible to better understand these relationships. Don't be frightened by these necessary scientific references.

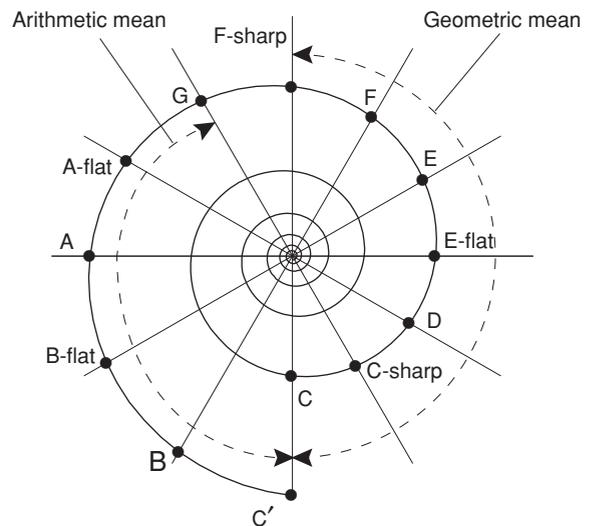
The Greeks discovered that only five regular solids can be constructed in three-dimensional space: the tetrahedron, the cube, the octahedron, the dodecahedron, and the icosahedron. The construction of these solids is derived from the dodecahedron, which has 12 faces in the shape of a pentagon.

There is no mechanical relationship between this solid and the twelve major diatonic scales interlinked by their fifths. But it is significant that, in the physical universe, the dodecahedron is the only regular solid that can be built based on the pentagon. In the same way, the well-tempered system can only be made up of twelve major diatonic scales and twelve minor scales, based on the scientific discoveries of Kepler and Gauss.

Tennenbaum came up with a construction that we'll call the "conophone," through which we can imagine the creation of the twelve tones of the diatonic scale, the self-similar spiral, and the twelve semitones (Figure 1), the conic sections, and the harmonic relationships of the ellipse (Figure 2).

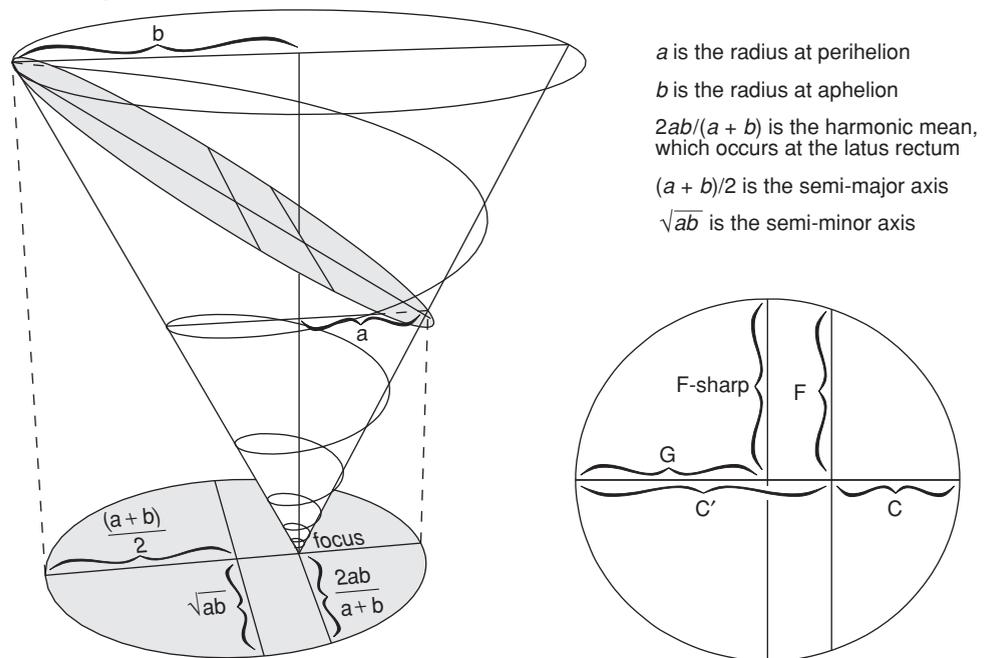
At this point, we can assert that the values of the musical notes are not self-evident by arithmetic or scalar determination. Rather, they are derived by proportions which determine the necessary frequency of each note and the relationships among the notes. There are still many things remaining to be

FIGURE 1  
Projection of a conic spiral upon the plane



*If the complete 360° turn is divided into 12 equal angles, each one will correspond to a half-tone interval.*

FIGURE 2  
Projection of the ellipse formed by the circular cuts of the octave onto a plane



investigated, and even to be discovered, in this area. What we've examined so far, however, helps us to understand that the teaching of Classical music and of the well-tempered system is fundamental, not only to ennoble the spirit and improve

the character of the student. At the same time, it constitutes in itself a broad body of knowledge and research on the common origin of Classical art and science.

## The plague of Romanticism

In all eras of decadence, the fault lies with the artists.

—Friedrich Schiller

Not only in our recent experience, but throughout universal human history, it is the case that a society's level of artistic and cultural expression also reveals the level of a population's morality; this, in turn, determines that society's ability to survive. The enemies of human progress also understand that.

The Frankfurt School was founded as the Institute of Social Research in 1924, as an instrument of psychological warfare to undermine Western values. Its motto was always: "Who will save us from Western civilization?" Using sociology, its goal was to separate the West from Judeo-Christian culture. Its fundamental aim, on the one hand, was to discredit those who promoted cultural optimism, and on the other, to lionize those who represented cultural pessimism. It explicitly discussed the need for a cultural pessimism which would encourage depression, hate, rage, envy, etc.—emotional states to make the individual feel impotent, and subject to the arbitrary forces of nature.

One of the most prominent of the Frankfurt School's

voices, Georg Lukacs, labelled these efforts the "Dostoevsky Project," emphasizing that "the West doesn't believe that God has abandoned the world, and people react to adversity with hope, rather than with uncontrollable rage."

"That is why it is necessary," he argued, "to replace Western man's sense of dominating nature with the idea that he has no personal fate, but rather a common destiny in a world abandoned by God." An entire cultural industry was mounted to destroy the concept that the moral personality of the individual molds society as a whole. Lukacs maintained that the moral personality, which comes from the idea that man is "the living image of God," is the obstacle to social revolution.

For the Frankfurt School, the idea of the "authoritarian personality" was a tool, a weapon to eliminate its political adversaries. It was a sociometric construction, not to measure someone's actions, but rather their predilections, as a measure of a supposed attitude, like a "thought crime." No one must, or can, know reason. Only relative opinions can exist, while scientific truth is considered impossible. The mere possibility of seeking truth is considered to be part of the "authoritarian personality," and is offensive to the "politically correct." Hannah Arendt, one of the Frankfurt School's most prominent spokesmen, and lover of the existentialist Nazi philosopher Martin Heidegger, developed this conception.

Under this influence, the Baby Boomers chose pleasure over the search for happiness, which is associated with the search for truth, laying the basis for the so-called "Generations X" and "Y," without purpose, without principles, without goals. This is also known as the "New Age," which promoted the satanic philosophy of Friedrich Nietzsche and his British followers, Aleister Crowley, H.G. Wells, Aldous Huxley, et al. It was Nietzsche who announced that the twentieth century would see the end of the "Age of Pisces," associated with Socrates and Jesus Christ, and predicted that the "New Age" would be the "Age of Aquarius," the "Age of Dionysius." In his essay "The Anti-Christ," he proclaimed: "We believe in Olympus and not in the Crucified," and described man as the "most disfigured and wretched of animals."

This is the philosophy of those who today demand drug legalization, to sink society in a swamp of hedonism. . . . It is based on the idea of the dual man, in whom Immanuel Kant believed. The philosophy of the "categorical imperative" lays the basis for irrational existentialism, when it asserts that "reason is not capable of metaphysical knowledge." It thus denies the possibility of rational knowledge of the creative process, thereby leaving the way open for existentialism, which extols the tragic vision of man. . . .

We have the alternative in our hands.

The composition, performance, and teaching of Classical music are the indispensable means to develop intellectual aptitude and moral passion in society, necessary to seriously dedicate ourselves to getting out of the crisis, and to create the bases of a new cultural renaissance. Far from any sensual motivation, this is the development of a passion for beauty, truth, and wisdom.

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## The importance of music in education

*Mr. Mendoza is the founder and director of the Schola Cantorum of Mexico, an institution dedicated to teaching choral singing to children. He was also the founding director of the Children's Choir of the National School of Music at the National Autonomous University of Mexico, where he also currently directs the academy of singing. He is the regional coordinator in Mexico for the International Society for Children's Choral and Performing Arts. This speech was delivered on Oct. 10 at the seminar in Mexico City.*

Following Marivilia Carrasco's presentation, which briefly touched on the fact that a musical science does exist, we can now more clearly locate the sense, the transcendence of musical education, a task in which the majority of us gathered here are involved. It is important to know that this development of human reflection on musical construction (out of which intervals, the octave, the fifth, the fourth, etc., emerge) practically began with the history of culture, from China and India in the East; later, with the Greeks, it enters the European world, and then, with the help of the Arabs, who inherited part of the Greek tradition, it penetrates Spain in the Middle Ages, laying the basis for the musical development of the West. Musical thought has occupied a large part of creative activity, not as a banal matter, but always as the object of special care, and much more so when it is related to education.

In referencing the genre which different scales represented in Greek music, Plato discusses which is the most appropriate for education, for its symmetry and because it encourages nobility of character, while others were considered to be more inclined to sensuality and passing pleasures, and were inappropriate for mental and moral growth.

It is important to see what part of musical science we inherited from Greece. Greece gives us our tonal system virtually already structured. This is what Europe was to elaborate over the centuries, expanding its internal construction, giving it more complexity.

The Greeks also bequeathed to us their theory of the division of the vibrating string, and the geometric proportions represented by the musical intervals, such as the geometric mean, the arithmetic mean, and so forth. One entire string gives us the fundamental; half the cord, or one over two, gives us double frequency (2:1), which is the octave. This we can prove on any guitar. We can use a cardboard strip the length of the guitar's fingerboard and then divide it in half, in thirds,

and in fourths to produce certain basic intervals. Two-thirds of the string will yield a frequency which is in a relationship of 3:2, which is the fifth; three-fourths of the string is going to give us a frequency of 4:3, which is the fourth.

Greek musical theory emerges from this framework, and recognizes the following consonances: the octave, called *diapason*; the perfect fifth, or *diapente*; the perfect fourth, or *diatessaron*; *the octave plus a fifth, which is called diapason diapente*, and the double octave, *didiapason*. These divide the octave into an harmonic or arithmetic proportion, and the golden section, which we discussed earlier. For example, we see that the relationship of frequencies implied in the ascending *mi-la* interval, is the same as that represented by *si-mi*, and is a golden proportion.

In Plato's *Timaeus* dialogue, a scale is mentioned which is effectively our current major scale: the tetracord *do-re-mi-fa*, followed by *sol-la-si-do*. Both are equal and, unlike the others mentioned earlier, better located in the minor scale, they give us a structure which already sounds to us like our own current major scale.

The scientists most concerned with these studies in Greece were Pythagoras, Plato, and Aristoxinos, among many others.

The Arabs are also important in this. Around the tenth century A.D., Al Farabi writes *The Great Book of Music*, in which he details a philosophy of music and establishes the basis for the diatonic system, including equal tempering. A little before him, another theorist named Al Hindi had introduced Greek theory and alphabetical notation. Avicenna (or Ibn Sina) theorized on the simultaneous pulsation of the octave, the fifth, and the fourth.

It is during this period that we already have contact with Spain. The court of Alfonso the Wise brought together educated men from Hebrew, Arab, and European civilizations. Through them, Greek theory is preserved, and enters Europe by a fresh route. The earlier tradition, transmitted through the Romans, was greatly diluted and did not embrace this whole body of thought; thus, it was the Arabs who in essence rescued music for the West.

Therefore, the fact that a science of music exists should be sufficient motivation for those of us dedicated to this, but especially for those who teach, to understand that there is nothing trivial about what we do, and that it cannot, must not, be suppressed with the stroke of a pen, as the current government budgets would have it.

### Antecedents of musical education in Mexico

In the sixteenth century, Spanish and Flemish missionaries used Indian openness to music to evangelize and to incorporate Western culture. Unlike what is happening today in our universities, at that time music was one of the four subjects of the Quadrivium, which were an extremely important part of professional education, of the higher education existing at that time.

What we musically inherited from the evangelization pro-

cess was the Spanish renaissance polyphony of, for example, Tomás Luis de Victoria. Music which had just recently been composed reached us, and even the works of some minor composers known in Europe at that time, were used in religious services. This immediately generated local composition. There were Indians who already understood European compositional method during the early years of the Conquest. One of the monks who taught at the San José de los Naturales College, was never able to communicate with the Indians in Náhuatl, but somehow was able to teach them solfege, to sing and to play instruments, and thus we saw the first Indian composers of polyphonic music. Everyone has heard, for example, of the piece “Sancta Mariae-Dios I tlazonantzine,” a composition produced by an Indian who took the name Don Hernando Franco.

The choirmaster was chosen through competition. He had to be a great musician, since he had to play several instruments, conduct, compose in Gregorian and contrapuntal style, improvise on a given theme, compose a piece in a very short period of time, and so forth. Under his command was a musical group complete with instrumentalists and singers, and a part of their responsibilities, which touches on our subject here, was to train children to sing in choruses and to educate the best among them to be musicians. One of these was Manuel de Sumaya, the pride of Mexico, whose work you can hear today in the marvellous Chanticleer recordings, with some of the outstanding works of the colonial culture. These give us some idea of what was being done in the country’s different cathedrals, primarily those of Mexico (state), Puebla, and Oaxaca, and to a lesser degree Guadalajara, Durango, and other cities.

Later came the debacle of the nineteenth century. Something akin to what is happening now: foreign debt, civil wars, hunger, the fall of one government and takeover by another, foreign invasions—something which could happen to us today.

The most important fact in the twentieth century, despite some efforts to the contrary, is that even today, there is no official program approved for musical education. Everything that exists is temporary. After so many years of the reign of the Mexican Revolution, this tells us to what degree our authorities have lacked real interest in developing this area.

I would like to conclude by noting that those of us who know something about music, cannot allow Beethoven to be less well known than Juan Gabriel. It is an aberration, but this is what is going on. We see that everyone knows Superman, or worse, but not Cervantes, or Sor Juana Inés de la Cruz, or our Mexican authors of the eighteenth and nineteenth centuries. Everyone can describe in detail what they see on television, in pornographic magazines, and so forth, and this is the inheritance we are leaving our children and youth.

I insist that we cannot tolerate this. We must rebel, we must do something, and not just complain. We must fight with the force of knowledge and sensitivity, and take advantage of the moral authority which the music teacher has traditionally

had in the community, although nowadays, he is denied his leadership role. The good music teacher is a natural leader, who must use his position to rescue our educational system. Thank you very much.

## Time to take a stand for musical education

*The following are excerpts of other speeches delivered at the “Classical Music and Excellence in Education” seminar on Oct. 10-12.*

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### Patricia Morales

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*Patricia Morales, whose degree is in Musical Education, is the director of the Children’s Choir of the National School of Music of the National Autonomous University of Mexico (UNAM).*

Now, more than ever, it is urgent to take a personal stand with respect to musical education. And that is, of course, to think of it as the opportunity to awaken and develop the integral faculties of the human being, penetrating his sensory, emotional, and mental spheres.

We are intimately motivated in this task by the conviction and enthusiasm of knowing that it is in our hands to help the student in perfecting his auditory and psychomotor capabilities, as well as in developing his memory, his critical judgment, and capacity of expression, without forgetting that under our guidance, he may discover and enter into contact with the musical and artistic works of humanity. Our responsibility is not minor, nor is it trivial.

One of the educator’s tasks would be to provide the student many opportunities to practice abilities, emotions, attitudes, and concepts. . . . Our efforts as teachers would involve orienting and leading with respect to the discovery of new and authentic artistic-musical realities, valid for different societies at different historic moments.

The composer and pedagogue Zoltan Kodály showed us the way to comprehensive musical development through the exercise of the inner ear and auditory imagination, achieved through song, and especially group singing. He indicated that this training should precede any instrumental training, since, “if, at the beginning of reading music, a child is capable of singing a small piece in two voices with another child, he will have acquired 100 times more musical sense than if he had been practicing the piano from morning to night.”

Of course, each method in and of itself has its unique characteristics. But in each, the focus is basically on auditory

development, and especially on internal hearing, as well as on a gradual and natural introduction to the field of musical notation, while never forgetting the importance of body movement and of song, through which to obtain direct contact with the elements of music.

I would like to conclude by citing Zoltan Kodály: “We are firmly convinced that humanity will live much more happily when it has learned to live more worthily with music. Anyone who has worked toward this end, by one means or another, will not have lived in vain.”

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## Emilio Hernández

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*Maestro Emilio Hernández is director of Choral Education of the Conservatory of Mexico State.*

The creation of choral polyphony was the most important innovation of the early Renaissance, and laid the basis for all later musical advances. With the appearance of the chorus itself, the composer of the early twentieth century had to solve two new problems: to blend the voices instead of differentiating them, and to deal with dissonance differently than the Gothic composer.

Little by little, all the medieval traditions were being shattered. It was now possible to assign song to any voice, and even shift from one to another, without being forced to assign it to the tenor. . . . Later, the composer diversified song into short phrases, which were used as thematic motifs throughout the texture of the piece. Within the whole range of possibilities, the composer could choose from homophony, to using one of the great achievements of Renaissance music: imitative counterpoint, which consists of a composition in parts in which the musical material is distributed equally among all the voices. Finally, it is worth noting that the composers began to submit to the laws of spoken language in translating text to the musical staff, and this extended even to the emotional content of the words.

The appearance of choral polyphony achieved an enormous advance in the development of musical thought, and gave rise to the appearance of that great vocal instrument that we know as “the chorus.”

Apart from the strictly musical advantages, choral work in the schools would also yield other important advantages:

- A noble and economic instrument: The chorus offers the cheapest option for making music, for obvious reasons.
- Group work, discipline: Good choral work improves individuals by diminishing the ego, making the One a part of the Many.
- Development of sensitivity: Music has an intrinsic ability to guide the most profound emotions of man, thus enabling children in general to experience sentiments of tenderness, of affection, of joy, of strength, of hope.

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## Arturo Valenzuela Remolina

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*Professor Arturo Valenzuela Remolina is both pianist and composer.*

In using the expression “Classical music,” we are not referring to a specific period in the history of this art. We use the term Classical in the sense of a consecrated model, and we shall speak of the importance of including such models in both primary and secondary musical education.

Music, as a phenomenon of human communication, today has a universal nature and fulfills not one, but several, functions, both individual and social.

The question is whether music has an intrinsic value, or a direct value.

It is not difficult to answer this question if we remind ourselves of what it was that attracted the majority of us here tonight to music. I would dare to suggest that, in general, we did not get involved in music to enrich ourselves, or to acquire power and dominate our fellow man. I think that the answer is that our involvement is due to the fascination that music by itself exerts, upon our persons. . . . Its value is not instrumental, but intrinsic. It is similar to the concept of human dignity.

Thus, our proposal is to consider music in this sense as an object for study in the primary and secondary levels of education: as a valuable and gratifying activity in itself, which contributes to the aesthetic development of man. If in the process other additional advantages are gained, such as, for example, that children who study music improve in other areas such as mathematics, so much the better. But these added benefits cannot be the motive to include music in any plan of basic education.

I would like to reflect on the term alienation, which stems from the Latin *alienus*, which means distant or remote, as related to composition and to music. To be alienated or to lose control is to forget true personal needs, and that forgetfulness is due to the abrogation of various human potentialities. For example, when as adults we hear monotonous music, in which the rhythm is aggressive and predominant, we psychologically regress to a primitive state of psychomotor coordination. . . . We could ask ourselves why such rhythmically insistent music could cause a loss of self-control. The answer is simple: because it annuls higher capacities of motor coordination and, with that, also cancels out various higher functions of thought and emotion.

In sum, music, depending on the kind of stimulus it represents, could inspire mental development or block it. Bad music invalidates our greatest strengths, and with that makes us forget who and what we really are. That is the most profound sense of alienation. Although we don’t have proof, it has occurred to almost all of us at one time or another, that the lack of musical options given the Mexican people, has been taken advantage of, in order to alienate and control the population.

## The tables are turning on the 'Get Clinton' fanatics

by Jeffrey Steinberg

Hard-line conservative revolutionaries, and their allies in the U.S. Justice Department permanent bureaucracy and in the Tory-Likud establishment in London and Tel Aviv, are seeing the prospects of impeachment of President William Jefferson Clinton nearly evaporate before their eyes. As the Dec. 3 *New York Times* reported, even the most die-hard veterans of the assault on the Clinton Presidency, including activists Arianna Huffington, William Kristol, and "Christian Rightist" Ralph Reed, are now openly admitting that the President is likely to serve out the final two years of his second term.

Kristol, the editor of the Rupert Murdoch-bankrolled *Weekly Standard*, put it succinctly: "I'm like one of these Japanese soldiers after World War II. It's 1949 and I'm on some island not knowing the war is over." William Bennett, the "values guru" of the New Right, told the *Times*, "I don't get it. What about all these conferences I've been invited to? I mean, values, schmalues. I don't get it."

### Espy vindicated, Smaltz slammed

The most dramatic event demonstrating that the "Get Clinton" mob is out of synch with the American people came on Dec. 2, when the jury in the independent counsel prosecution of former Clinton administration Secretary of Agriculture Mike Espy found him innocent on all 30 counts. The prosecution of Espy, which was an integral part of the effort to destroy President Clinton, lasted four years and cost taxpayers \$17-20 million. The jury spent less than 10 hours deliberating. The trial judge had earlier thrown out eight other counts against Espy, after independent counsel Donald C. Smaltz failed to present any evidence at trial relating to those counts.

Many legal analysts predict that the Espy verdict will spell the end of the Ethics in Government Act, which establishes the independent counsels, and expires June 1, 1999. The act has come under intense criticism from the American Bar As-

sociation, and from the majority of congressmen who backed the "Citizens Protection Act of 1998." Known as the McDade-Murtha bill, parts of it—that established that Federal prosecutors may not violate state laws, and that created a Presidentially appointed oversight board to investigate cases of prosecutorial abuse and misconduct—were incorporated into the 1999 appropriations bill.

Espy was blunt in a press conference at the Federal Courthouse in Washington, D.C. following the acquittal. "It cost a lot; it's been tough, but I knew from day one that I would stand here before you completely exonerated," he said. Espy described Smaltz as "not unlike any other school-yard bully. You have to stand up to him. You have to let him know you're not going to back down, and sooner or later it's going to be okay." Smaltz, he added, was "someone with all the money, all the power, very little supervision, no timetable, and able to unleash powerful hordes of prosecutors on you and your family."

Espy said that he hoped to be "the first witness" at hearings next year on the renewal of the Ethics in Government Act. His attorney, Ted Wells, said, "Hopefully, the United States Congress will look at this victory and decide to change the independent counsel statute and put both Donald Smaltz and Kenneth Starr out of business."

Irv Nathan, a former Justice Department prosecutor who directed the recent American Bar Association study that called for the elimination of the independent counsel statute, told the *New York Times*, "The decision is probably another nail in the coffin for the independent counsel statute. . . . It will be perceived as another example of excessive exuberance by an independent counsel, and of poor judgment."

Indeed. Smaltz, who was aided by career DOJ fraud unit expert Ted Greenberg, tried to portray Espy as a politician-for-hire who took lavish gifts from firms that, as Secretary of

Agriculture, he was supposed to regulate. But the fact is, Espy, during his brief tenure as Secretary, took on the big agrobusinesses, and imposed a moratorium on farm foreclosures, reflecting his understanding that the food cartels were robbing the American family farmer blind.

Tom Green, who represented Tyson Foods chairman Don Tyson, another target of the Smaltz probe whom prosecutors hoped would provide a “back door” to the Clintongate probe of Starr, underscored the out-of-control nature of the Smaltz operation: “Smaltz knew at an early stage of his investigation that he was woefully short of evidence that Espy compromised his position at the Department of Agriculture or did anything merely for getting some football tickets. A wise prosecutor would say, ‘I better think twice about prosecuting this case.’ Smaltz had an evangelistic approach to public life. He thought it had to be totally, irrevocably antiseptic.”

### **Impeachment effort on the rocks**

The assault on President Clinton was also battered. Within 48 hours, House Judiciary Committee Chairman Henry Hyde (R-Ill.) undertook one of the more embarrassing political retreats in the history of Capitol Hill. On Dec. 1, Hyde presided over hearings in which a parade of witnesses discussed the issue of perjury, one of the pending impeachment counts. A number of convicted felons proved to be about the only witnesses singing Hyde’s tune, as former Attorney General Elliot Richardson and prominent defense attorney Alan Dershowitz rejected the notion that the President’s testimony before the Starr grand jury had come close to an impeachable offense. Dershowitz got into a shouting match with Hyde, denouncing committee Republicans for “demeaning” the Constitution by their frivolous pursuits against the President.

Yet, at the end of the hearings, Hyde suddenly announced that he was expanding the Judiciary Committee’s impeachment probe to include possible campaign finance violations by the President. Democrats on the panel staged a noisy revolt against the flagrant partisanship of Hyde’s actions; and even House Republicans not members of the Judiciary Committee chastized Hyde for trying to drag the impeachment fiasco into the 106th Congress, which begins business in January 1999.

The next day, after meeting with the President, House Minority Leader Richard Gephardt (D-Mo.) called on Speaker Newt Gingrich (R-Ga.) and his successor, Bob Livingston (R-La.), to rein Hyde in.

On Dec. 2, Judge Norma Holloway Johnson, who has presided over the Washington end of the Starr grand jury probe, authorized two Judiciary Committee staffers to review the Justice Department’s internal investigative file on the 1996 Clinton-Gore campaign, particularly a memo written by Charles LaBella, who, until recently, headed the probe. Hyde was playing a high-stakes game, hoping that a “smoking gun” might surface in the DOJ documents, to bring his dying impeachment probe back to life. No such luck.

On Dec. 2, the White House, after denouncing the Hyde

move to expand the impeachment probe as proof that the Judiciary Committee Republicans are “out of control,” wrote to Hyde that the President’s attorneys would take up his offer to present a defense of the President. That day-long hearing was scheduled for Dec. 8.

Hyde’s flight-forward was met with stiff resistance from both the Establishment media and from moderate Republicans. The next day, the *Washington Post* and *New York Times* both denounced the campaign finance expansion as unwarranted and dubiously partisan.

In a conference call with several House Republicans on Dec. 2, Majority Whip Tom DeLay (R-Tex.), an impeachment hawk, was overwhelmed by the degree of opposition to pursuing impeachment by moderate Republicans who, in the words of Rep. Bill Paxon (R-N.Y.), have “little appetite to pursue this past the first of the year.” DeLay learned, during the call, that a core group of 12 Republican legislators had already decided they would vote against impeachment on the House floor.

The next day, Hyde abruptly called off the campaign finance probe, and announced that the impeachment issue would center exclusively on the Monica Lewinsky affair.

Simultaneous with Hyde’s announcement, a group of moderate House Republicans led by Peter King (R-N.Y.), leaked word that they were drafting a censure resolution, to be possibly introduced to the full House, were the Judiciary Committee to vote out an impeachment bill. According to Reuters, the censure would denounce the President’s actions in the Lewinsky affair, impose a financial penalty, and require a statement by the President admitting his wrongdoing. Reportedly, 15-20 other House Republicans are working with King on the initiative, which already has the backing of a majority of House Democrats.

### **DOJ behaving like a cornered rat**

On Dec. 3, the *Washington Post* reported that Federal prosecutors are also feeling the heat from the 105th Congress’s overwhelming backing of the McDade-Murtha bill. Dennis W. Boyd, the chief lobbyist for the National Association of Assistant United States Attorneys (NAAUSA), admitted that Federal prosecutors were floored by the bipartisan support for the Citizens Protection Act, support that was galvanized by a nationwide organizing drive by the LaRouche political movement, which also has led the fight against Starr and the “Get Clinton” mafia.

“There was lots of talk from both sides of the aisle about out-of-control prosecutors,” Boyd complained. The Justice Department, he revealed, is planning to launch a campaign to repeal the elements of the McDade-Murtha bill that were included in the 1999 appropriations bill that President Clinton signed in October. He told the *Post* that NAAUSA would be holding a national board meeting in Washington later this month, to plot out a repeal strategy, along with representatives of the DOJ.

# CBS targets disabled for euthanasia with Kevorkian broadcast

by Linda Everett

On Nov. 22, the CBS News program “60 Minutes” aired Jack Kevorkian’s euthanasia-murder of a disabled Michigan man on prime-time television. In doing so, CBS exposed itself as a brazen protagonist for a social-Darwinist movement which is intent on exterminating the sick, elderly, and disabled in the country under the euphemism of “compassionate” “physician-assisted suicide.”

The broadcast, like the movement, has nothing to do with compassion, patient autonomy, or so-called death with dignity, as proponents claim. The population, so bombarded with pervasive cultural pessimism in post-industrial America, that it blinds them to the help immediately at hand for seriously ill and disabled individuals, may accept these explanations. But, the root cause lies in the collapsed U.S. economy: Shorn of the productive industrial base needed to provide people with a decent standard of living and the country with an adequate tax base to support adequate health care, Malthusian policymakers have gained increasing influence. They, like the International Monetary Fund-dictated brutal austerity against impoverished nations today, endorse as necessary the radical contraction of our economy and the alleged need to accustom the population to it through health care rationing and “who lives, who dies?” ethics masquerading as the new “right” to die with dignity.

The state of Oregon epitomized the Malthusians’ policies, with its Medicaid rationing plan which denies life-saving treatment and certain critical pain medications to indigent sick and disabled patients, but which covers “physician-assisted suicide” as palliative care!

Enter Jack “Dr. Death” Kevorkian, who lived for nine years according to his belief that, as he puts it, the “voluntary self-elimination of individual and mortally diseased or crippled lives taken collectively can only *enhance* the preservation of public health and welfare” (emphasis in original). Euthanasia proponents—from Dr. Marcia Angell of the *New England Journal of Medicine* to pro-dope speculator George Soros—claim patients have the “right” to “choose” death. Their social Darwinian ethic is indistinguishable from Hitler’s: “If the power to fight for one’s own health is no longer present, *the right to live in this world of struggle ends.*” CBS and “60 Minutes” legitimized that ethic for 22 million Americans who watched this made-for-TV murder, making euthanasia the solution for those whose lives our society, like Hit-

ler, decides are “not worthy of life,” not worthy of our protection or nation’s resources.

## Murder by any name

The “60 Minutes” broadcast shows Kevorkian first questioning his victim, Thomas Youk, 52, who has Lou Gehrig’s disease, or ALS (amyotrophic lateral sclerosis). Youk is then murdered on camera. Kevorkian administers a series of injections into his victim’s arm, which is strapped down. Kevorkian pronounces that Youk is a “straight line,” that is, dead. The murder was carried out and filmed on Sept. 22 at Youk’s home in Waterford Township, Michigan. Kevorkian did not then claim Youk as his “patient.” But Oakland County, Michigan’s Chief Medical Coroner Dr. L.J. Dragovic, who has performed most of the autopsies on Kevorkian’s victims, told *EIR* that, while the lethal drugs used in Youk’s homicide had the same signature as previous Kevorkian homicides, this time the needle marks on Youk’s arm were disguised with a flesh-colored marker.

The homicide occurred quietly weeks after Michigan’s new law against assisted-suicide went into effect, and during the final weeks of the unsuccessful gubernatorial bid by Kevorkian’s former attorney and accomplice, Geoffrey Fieger. Fieger, who championed Kevorkian’s killing of disabled people as “compassion,” refused to meet with any disability organization or advocates throughout his campaign. Once the election was over, Kevorkian delivered the tape to CBS, telling Mike Wallace of “60 Minutes” that the snuff film was necessary to call attention to the need for “active euthanasia,” and to force prosecutors to charge him with committing euthanasia to set a legal precedent, which they did. He was charged with first degree murder, violating Michigan’s ban on assisted suicides and delivery of controlled substances.

CBS claims they were just letting Kevorkian “tell his story”—which is ludicrous. The sociopathic killer carried out poison gas or lethal injection deaths of 130 people (by his own admission), as part of his campaign to make “physician-assisted suicide” legal. Some victims were manipulated to trigger their own “suicide”; others, paralyzed and physically incapable of killing themselves, were killed by Kevorkian or an accomplice. After Youk’s “active euthanasia,” Kevorkian said, “From now on, I’m going to do them all that way—it is faster, cleaner, and easier.”

Kevorkian is unbalanced, dangerously so. But, what is CBS's excuse?

Dr. Herbert Hendin, medical director of the American Foundation for Suicide Prevention, told *EIR* that the CBS broadcast was horribly biased: It never attempted to show alternatives to murder. It led individuals with ALS to believe that there are no options for them other than suffering or being killed. It never says what, if any, therapies Youk had undergone, or if his family had help or support in caring for him.

CBS has done irreparable damage to families as well: Euthanasia is presented as a socially condoned way to alleviate the burden of caring for a spouse, i.e., it's morally acceptable to set up your spouse for murder.

The ALS Association (ALSA) voiced its concern in a letter to CBS and "60 Minutes" prior to the airing, explaining that ALSA focusses on the need for hope in treating people with ALS. Wallace defended the airing, saying he wants to be "euthanized" if he becomes terminally ill. "60 Minutes" has given major promotion to every leading euthanasia killer internationally, including Derek Humphry of the Hemlock Society, Humphry's protégé Marty James, and Holland's Dr. Pieter Admiraal.

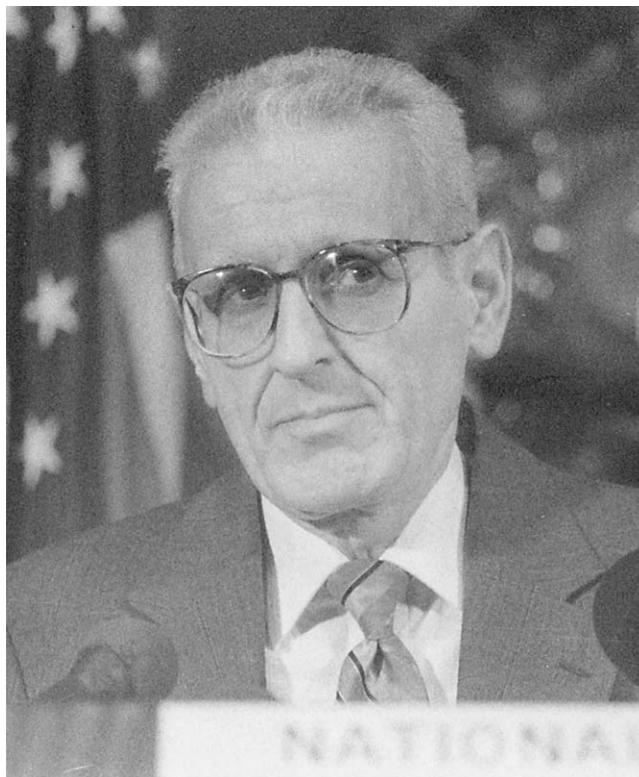
Among those opposed to the broadcast, Archbishop Cardinal James Hickey of Washington, D.C. inaugurated a letter-writing campaign to protest the program. Cardinal Anthony Bevilacqua of Philadelphia issued a personal appeal to stop the broadcast: "Life is valuable, no matter what its condition, no matter its qualities. We cannot judge a person solely by their illness or disability. . . . The victim . . . basically signed his life away on someone else's words of hopelessness."

Nevertheless, CBS aired the snuff film on the 53rd anniversary of the start of the 1945 war-crimes tribunals in Nuremberg, where the U.S. military tried, and executed, Nazi doctors for the crime of euthanasia. The murder garnered CBS's highest rating of the season.

## What is ALS?

ALS is a fatal neurological disorder, characterized by progressive degeneration of motor neurons in the spinal cord and brain, making it impossible to send impulses to muscles affecting arms, legs, speech, swallowing, and breathing. The euthanasia lobby has long targetted ALS patients as the next "hard case" for legalized "physician-assisted suicide," lying outright that every patient with ALS inevitably faces a torturous death agony, terror, and pain because they "know" they will "choke to death on their own saliva." Since, they say, paralyzed ALS patients are incapable of swallowing lethal pills, someone—like Kevorkian—must administer the lethal injection.

The lies about ALS are all the more hideous, given how much can be done to ameliorate the symptoms which ALS patients experience. Dr. John Wald, director of one of 14



*Serial murderer Dr. Jack Kevorkian, at the National Press Club in 1992. Now, CBS has joined his effort to euthanize the nation's sick, elderly, and disabled.*

ALSA centers nationally that provide state-of-the-art multi-disciplinary care for ALS patients, and a neurologist at the University of Michigan Health System, told *EIR* that ALS is an unusual disease that takes an experienced specialist to accurately diagnose it and to integrate the numerous specialties to treat patients appropriately—all of which is difficult, if not impossible, under many health maintenance organizations (HMOs) and managed-care plans.

One-third of the 30,000 people with ALS are enrolled in managed-care plans, fee-for-service plans, or Medicare. As HMOs abandon Medicare patients, increase medication co-pays, and cut services, ALS patients can't get supplementary plans or must pay prohibitive premiums. CBS's actions are all the more reprehensible because, while these patients are trying desperately to stay alive, they and their families must fight insurers daily to do so. An insurer may cover the costs of a patient's wheelchair or motorized scooter, but then, deny coverage of a ramp into their house, forcing them to depend on someone to carry them from room to room. Lack of financial resources and being a "burden" to relatives are major factors in suicide "requests." But, as one Swedish study found, when help is given to families of sick elderly patients who were cared for at home and who had attempted suicide, the patients wanted to live—and the families wanted them to live.

ALSA set up a network of patient service coordinators in 35 chapters nationally to help patients with coverage problems (1-800-782-4747). It also provides some assistive equipment, such as wheelchairs, through its "loan closets." ALS patients, who can live five years or more after diagnosis, are forced to wait for two years in order to qualify for Social Security Disability. Passing HMO reforms, such as the Clinton administration's Patients' Bill of Rights Act, is critical; no less so is the "ALS Research, Treatment and Assistance Act," now before Congress, which waives Social Security's waiting period.

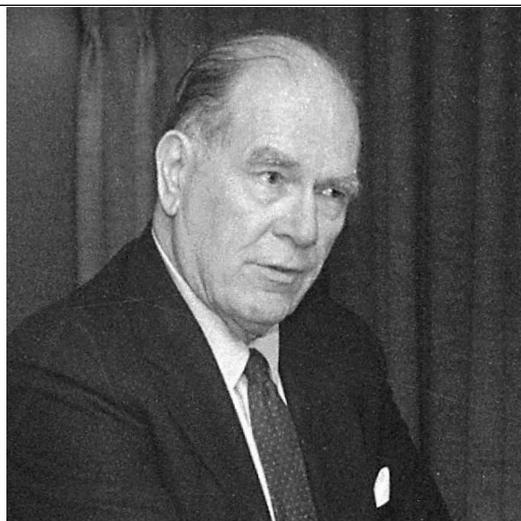
A Food and Drug Administration-approved therapy, Rilutek, slows the progress of the disease (Myotrophin and other types of therapies are also being tested). Dr. Wald explained that doctors can successfully treat most ALS symptoms, such as rapid mood shifts, depression, and respiratory failure, while speech pathology techniques improve speaking and swallowing. Pain from muscle cramping, and spasticity, are also preventable.

Whereas Kevorkian ranted that he had to kill Youk because of Youk's terror about "choking to death," ALSA finds that both family experience and the data from the ALS Care national project, "does not support that information." In fact, very few patients die this way, because a simple hand-held suction device, or a machine like that used in a dentist's office,

or medication, alleviate excess saliva and relax throat muscles.

Emaciation is also preventable among ALS patients, who often don't get enough nutrition because they eat must slowly, have poor appetites, or stop eating or drinking because of the lack of assistance to use the bathroom. But, the use of a tiny, unobtrusive stomach feeding tube actually *slows* the progress of the disease and combats muscle wasting caused by malnourishment—and still lets patients orally enjoy what food they wish. As breathing declines, external ventilators are used to provide positive pressure to expand the lungs. Ventilators and tracheotomies give further support, as do augmentative communication devices and computers for those unable to communicate. New medical research and technologies, along with adaptive or assistive devices, can vastly improve these and other patients' ability to live with disease and disability—or even defeat it—when a cure is currently lacking (see "Kevorkian's Victims Needed Medical Science, Not Suicide," *EIR*, July 7, 1995).

But, until the nation's economic capability is back on track, as per Lyndon LaRouche's New Bretton Woods proposal, we lack the critical means to support initiatives comparable to the Apollo mission to the Moon, and the transfer of its dramatic scientific technologies to medical breakthroughs that benefitted the nation thousands of times over.



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*Interviews with Lyndon LaRouche and associates on "EIR Talks"*

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# National News

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## Fat (Sir) Henry says, 'Bring Saddam down'

Sir Henry Kissinger attacked President Clinton for not bombing Iraq after Saddam Hussein agreed to comply with the UN Special Commission (UNSCOM) inspection regime, in a Sunday *Washington Post* commentary on Nov. 29. Under the headline "Bring Saddam Down," Kissinger railed that "the issue is not UNSCOM, but the continued rule of Saddam." Kissinger argued that "a reluctance to use force progressively erodes our credibility," and demanded that the United States take the next available excuse to unilaterally launch a massive bombing campaign against Saddam, the Revolutionary Guard, and any site that the U.S. suspects may be housing weapons of mass destruction.

While endorsing former Defense Assistant Secretary Richard Perle's call for an Iraqi "Contra" program (similar to the one Perle had helped George Bush run in Central America), Kissinger insisted that such an effort must be backed up by U.S. military units, that could be sent in if some Iraqi "freedom fighters" get into trouble.

Only a week earlier, Katharine Graham's *Washington Post* had quoted Lady Margaret Thatcher screeching that U.S. refusal to bomb Iraq represented "American impotence." Kissinger, Thatcher, and Perle all share high-level posts with Britain's Hollinger Corp. media empire, which has been working to draw President Clinton into bombing Iraq, in order to sabotage a New Bretton Woods financial system.

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## Banks offer loans for season football tickets

Season tickets for professional football games have become so expensive that, according to the Nov. 13 *Wall Street Journal*, banks are offering loans, and some fans are taking out second mortgages to feed their habit. The First American National Bank of Nashville and the Tennessee Oilers sent out mass mailings of pre-approved \$5,000 "checks," which become loans when endorsed; the bank and the team are now working to sell another wave of season tickets for

a new stadium. The Buffalo Bills held an "open house" at their stadium, where Marine Midland Bank had a booth to offer financing for prospective ticket-buyers. In Miami, American Express is allowing Dolphins fans to charge season tickets on their cards, through a special arrangement with the team.

The *Journal* cites the case of a 29-year-old Congressional staffer who has borrowed more than \$7,000 to finance his Baltimore Ravens season tickets, spending more than \$2,000 in interest alone.

Many teams also now charge one-time "license" fees for the right to buy season tickets every year (many teams have waiting lists, and the demand is heavy for the best seats), with some teams charging as much as \$5,000 a seat on top of ticket price.

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## McDougal acquitted in new defeat for Starr

"Everything that's happened to me in recent years has been about Bill Clinton," said Susan McDougal, after a Santa Monica, California jury acquitted her on Nov. 23, of nine counts of grand theft, forgery, and failure to file state income tax returns, following a 10-week trial involving her personal and business relations with the wife of conductor Zubin Mehta.

Although a state case, the acquittal is seen as another defeat for Kenneth Starr, who had had McDougal and her late husband convicted on charges relating to the White-water land deal. McDougal has always maintained that her conviction was aimed at forcing her to lie about President and Mrs. Clinton, before Starr's grand jury, which she refused to do. Starr slapped her in prison for 18 months for civil contempt, and is still holding criminal contempt charges over her head. "They wanted me to say things against Bill and Hillary Clinton. People say to me: 'Are you scared of Ken Starr? He better be scared of me because I'm on my way back.'"

The California jurors described McDougal as a sympathetic and mostly credible defendant, who, in their view, was victimized by overreaching Los Angeles prosecutors. One juror told the press, "I'm really flabbergasted. I don't know how this got through the system." Asked whether she thought Starr's office was involved in pushing the state prosecution, she replied, "In retrospect, you do have to ask yourself that question."

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## Atlantic Monthly exposes prison industry mania

The December issue of *Atlantic Monthly* features "The Prison-Industrial Complex," by Eric Schlosser, who shows that America imprisons more people—1.8 million—than any other nation, including China "with nearly five times our population." Schlosser notes that such "new products" as the B.O.S.S. ("body-orifice security scanner") and "new jobs," such as the "bed-brokers" who match inmates in overcrowded state prisons with empty beds elsewhere, are springing up in this new "industry."

Privatized prison corporate officers are making record incomes, he says, citing Wackenhut Corrections' CEO, who made \$500,000 last year, nearly four times the salary of the head of the Federal Bureau of Prisons.

Schlosser incisively concludes: "The spirit of every age is manifest in its public works, in the great construction projects that leave an enduring mark on the landscape." At the turn of the century, there was the Panama Canal; in the New Deal, huge dams and bridges; in the 1950s, the national highway system. And in our age, huge prisons draped with razor wire.

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## Televangelists preach Y2K bug and 'end-times'

In what might be characterized as the second coming of Elmer Gantry, televangelist Jerry Falwell is proclaiming that the Year 2000 computer conundrum—known as the Y2K bug—is a "catastrophe" that could "start a worldwide religious revival leading to Christ's return to Earth," and that he would not be surprised if Christ appeared in 2000, according to the front page of the Nov. 24 *Richmond Times-Dispatch*. Falwell is now marketing a \$28 videotape, "A Christian's Guide to the Millennium Bug," which he said has sold more than 1,900 copies since August.

The overweight Lynchburg evangelist tells his faithful that he intends to stock up on food, sugar, gasoline, and ammunition to protect his family in case the millennial catastrophe comes to pass.

## *A branching-point*

The exciting developments reported in this issue, with respect to the Eurasian Land-Bridge, pose a strategic choice of the utmost importance for President Clinton.

While merger mania and “irrational exuberance” reign in the capitals and financial centers of most Western countries, Chinese President Jiang Zemin is undertaking tremendous initiatives, with the leaders of Russia and Japan, to promote infrastructural and industrial development, to build the Land-Bridge, and thereby to place the economies of those nations on a solid footing, as the bankrupt world financial and monetary system plunges toward collapse. Former Mexican President José López Portillo has joined with Helga Zepp-LaRouche, at a conference in Mexico City, to support such initiatives, and specifically the approach elaborated by Lyndon H. LaRouche, Jr. “It is now necessary for the world to listen to the wise words of Lyndon LaRouche,” President López Portillo told the audience.

President Clinton must choose the path blazed by LaRouche, and reject the monetarist, free-trade insanity of Wall Street and London. He must do so quickly, as time is running out.

In a press conference on Nov. 30, Clinton expressed some thoughts in the right direction. He invoked the work of Alexander Hamilton, the founder of the American System of Political Economy—in opposition to the British free-trade system of Adam Smith. Hamilton’s exposition of the concept of total surplus value in an economy, the role of technological progress, the need to foster the skills of the workforce, and the role of government in allocating credit for vital projects in the national interest, was the seed-crystal of a system that was elaborated by Mathew and Henry Carey, Friedrich List, Abraham Lincoln, and Franklin D. Roosevelt, reaching its high-point today in the work of LaRouche.

“Our nation was founded,” Clinton said, “at the dawn of a period, not so very unlike this one, a period of enormous economic upheaval, when the world was beginning to move from an agrarian to an industrial economy. Alexander Hamilton, our first Secretary of the Treasury, understood these changes well. In his remarkable *Report on Manufactures* and other of his writ-

ings, Hamilton identified new ways to harness the changes then going on so that our nation could advance.

“Listen to this. He proposed what many thought were radical ideas at the time: a central bank, a common currency, a national system of roads and canals, a crack-down on fraud so that American products would be known all over the world for quality. He created the blueprint that made possible America’s industrial age and, many of us believe, the preservation of the American union.”

But the only example Clinton gave of how Hamilton’s concepts might be implemented today, was the so-called information highway—the Internet! Yet, for a worldwide economic recovery program to succeed, we are going to need *real* highways, as well as railways and waterways. We need farmers to produce food, at a parity price, to feed a hungry world. We need heavy industry and nuclear power. We need revitalized urban centers, centers of culture and education. We need government investment in the science and technology of the future, including the space program. We need to curb the hedge funds and other speculators, who are wrecking nations.

Now is the time for the President to implement such a program. For this, the connection to China is crucial. In *EIR* of Oct. 10, 1997, LaRouche wrote a memorandum on the upcoming summit meeting between Clinton and Jiang Zemin, titled “The U.S.A.-China Partnership.” “Whether President William Clinton succeeds, or not,” LaRouche wrote, “in establishing a strong U.S.A. partnership with China during the coming ‘summit,’ may be decisive in predetermining whether or not the United States survives the presently onrushing collapse of the present international financial and monetary systems.”

One year later, that warning is even more to the point. Clinton must act now, to kick out the “China bashers.” Further, he must bring in LaRouche as his economic adviser. As we go to press, 58,000 people from around the world have signed a petition calling on the President to do just that. Keep up the pressure, and organize others to, as President López Portillo said, “listen to the wise words of Lyndon LaRouche.”

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