

EIR

Executive Intelligence Review

December 27, 2002 Vol. 29 No. 50 www.larouche.com \$10.00

LaRouche Intervenes in Budapest on New Bretton Woods
Lautenbach Policy: When Hitler Could Have Been Stopped
Gore, Lott, Kissinger—Southern Strategy Sinks in U.S.

The Land-Bridge Policy Wins Again in Asia



Founder and Contributing Editor:

Lyndon H. LaRouche, Jr.

Editorial Board: *Lyndon H. LaRouche, Jr.,
Muriel Mirak-Weissbach, Antony Papert, Gerald
Rose, Dennis Small, Edward Spannaus, Nancy
Spannaus, Jeffrey Steinberg, William Wertz*
Editor: *Paul Gallagher*

Associate Editors: *Ronald Kokinda, Susan Welsh*
Managing Editor: *John Sigerson*
Science Editor: *Marjorie Mazel Hecht*
Special Projects: *Mark Burdman*
Book Editor: *Katherine Notley*
Photo Editor: *Stuart Lewis*
Circulation Manager: *Stanley Ezrol*

INTELLIGENCE DIRECTORS:

Counterintelligence: *Jeffrey Steinberg,
Michele Steinberg*

Economics: *Marcia Merry Baker,
Lothar Komp*

History: *Anton Chaitkin*

Ibero-America: *Dennis Small*

Law: *Edward Spannaus*

Russia and Eastern Europe:

Rachel Douglas

United States: *Debra Freeman, Suzanne Rose*

INTERNATIONAL BUREAUS:

Bogotá: *Javier Almaro*

Berlin: *Rainer Apel*

Buenos Aires: *Gerardo Terán*

Caracas: *David Ramonet*

Copenhagen: *Poul Rasmussen*

Houston: *Harley Schlanger*

Lima: *Sara Madueño*

Melbourne: *Robert Barwick*

Mexico City: *Marivilia Carrasco, Rubén Cota
Meza*

Milan: *Leonardo Servadio*

New Delhi: *Ramtanu Maitra*

Paris: *Christine Bierre*

Rio de Janeiro: *Silvia Palacios*

Stockholm: *Michael Ericson*

United Nations, N.Y.C.: *Leni Rubinstein*

Washington, D.C.: *William Jones*

Wiesbaden: *Göran Haglund*

*EIR (ISSN 0273-6314) is published weekly (50 issues)
except for the second week of July and the last week of
December, by EIR News Service Inc., 317 Pennsylvania
Ave., S.E., 3rd Floor, Washington, DC 20003. (202)
543-8002. For subscriptions: (703) 777-9451, or toll-
free, 888-EIR-3258.*

*World Wide Web site: <http://www.larouche.com>
e-mail: eirms@larouche.com*

*European Headquarters: Executive Intelligence Review
Nachrichtenagentur GmbH, Postfach 2308,
D-65013 Wiesbaden, Bahnstrasse 9-A, D-65205,
Wiesbaden, Federal Republic of Germany
Tel: 49-611-73650. Homepage: <http://www.eirma.com>
E-mail: eirma@eirma.com Executive Directors: Anno
Hellenbroich, Michael Liebig*

*In Denmark: EIR, Post Box 2613, 2100 Copenhagen ØE,
Tel. 35-43 60 40*

*In Mexico: EIR, Serapio Rendón No. 70 Int. 28, Col. San
Rafael, Del. Cuauhtémoc. México, DF 06470. Tels: 55-66-
0963, 55-46-2597, 55-46-0931, 55-46-0933 y 55-46-2400.*

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

*Copyright © 2002 EIR News Service. All rights reserved.
Reproduction in whole or in part without permission strictly
prohibited. Periodicals postage paid at Washington D.C.,
and at an additional mailing offices.*

*Domestic subscriptions: 3 months—\$125, 6 months—\$225,
1 year—\$396, Single issue—\$10*

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

From the Associate Editor

What will the new year bring? That's not a question for tea-leaf reading, but rather for resolute and thoughtful action. Those who get their "news" from CNN or the *Washington Post* might despair at the global panorama of economic collapse and the threat of war; but as this week's issue shows, there is growing potential for a strategic shift away from those catastrophic scenarios.

Lyndon H. LaRouche, Jr., in a Dec. 18 speech at an *EIR* seminar in Berlin, put it in a startling way: "On the 28th of January of this coming year, about five days after President George W. Bush, Jr. will have delivered his State of the Union address, I shall issue mine, which will be broadcast on a webcast at 1 o'clock Washington, D.C. time, which will be 7 o'clock in the evening Berlin time. Until those two addresses have been made, it will be extremely difficult to estimate what U.S. policy is going to be, and consequently, very difficult to estimate what the world situation will be."

LaRouche's initiatives are at center stage, in the steps we report toward realization of development corridors along the Eurasian Land-Bridge. The victory of Roh Moo-hyun in the South Korean Presidential elections, shores up that flank in the battle for a "New Silk Road." In Italy, the government has turned the tables on the insane Maastricht free-trade principles that formed the European Union, calling for a revival of "Colbertism" (state intervention, rather than privatization), and infrastructure corridor development in nations seeking entry to the EU. China is moving ahead with the world's largest water diversion project, known as "Move South Water North," to deal with the pressing problems of water shortage in the North, and flooding in the South. A far cry from what the Wall Street and London advocates of coastal "free trade zones" have demanded! In Hungary, a battle is raging over the government's subservience to International Monetary Fund dictates, and leading economists invited LaRouche to present his alternative policy. And, in the United States, the "Southern Strategy" has taken a big hit, with the sagging fortunes of Trent Lott, Henry Kissinger, and Al Gore. The LaRouche forces are moving into the breach.

This is our last issue of 2002. The first of 2003 will be dated Jan. 10.

Susan Welsh

EIR Contents

Cover This Week

The “unification train” rides the rail line being cleared and built through Korea’s Demilitarized Zone in September. Inter-Korea highway may open Christmas Day.



56 ‘New Silk Road’ Party Wins Korean Presidency

The election of Roh Moo-hyun as President of South Korea was a victory for the New Silk Road and Eurasian Land-Bridge. Like outgoing President Kim Dae-jung, he has criticized demands for sanctions and other confrontations with North Korea, coming from the minority “Utopian” faction in Washington, while making it clear that he also rejects mindless anti-Americanism.

57 Challenges Ahead for Korean Foreign Policy By Dr. Kim Sang-woo.

58 Korea and World Peace By Lyndon H. LaRouche, Jr.

17 Build Eurasian Railroads To Fuel Economic Progress An interview with Dr. Hal Cooper.

21 Korean Rail Expert: ‘For the Era of the Iron Silk Road’

Economics

4 Italy Offers EU an Initiative for Infrastructure Development

Economics Minister Tremonti calls for a “neo-Colbertist” economic approach, while the Italian government proposes the construction of infrastructure corridors across the countries that want to join the European Union.

6 LaRouches Speak To Berlin Seminar

7 German Economy’s Chance That Won’t Come Again

8 Argentina Crisis Now Hits IMF, World Bank

9 Airlines All Descending Into the Maelstrom?

10 Great Water Project To Change Face of China

22 Malaysia Demands Japan Regain Economic Lead

National Economy

24 **Germany and the Lautenbach Plan: Can We Learn From History?**

How a dramatic change in economic policy during Weimar Germany could have stopped Hitler's rise to power. Helga Zepp-LaRouche addresses a cadre school of the LaRouche Youth Movement in Copenhagen.

32 **The Startling American Revolution of Henry Clay and Mathew Carey**

Anton Chaitkin tells how leading figures of the American System of political-economy acted outside the confines of the existing, paralyzed, political party system, with a program to save the nation.

Feature

40 **Hungary in Crisis: LaRouche Offers New Bretton Woods**

42 **How To Reconstruct a Bankrupt World**

Lyndon H. LaRouche, Jr. speaks to a conference of the Schiller Institute in Budapest.

46 **The Science of Physical Economy Today**

Mr. LaRouche's speech to a workshop on "The World Economy in Crisis: Need for a New Bretton Woods," at a conference at the Ministry of Finance, organized by the Committee on Finance of the Hungarian Academy of Sciences, in cooperation with the Schiller Institute and the Hungarian Economic Association.

International

50 **Israel Elections: Sharon May Sink in Likud Money Scandals**

Israeli police have opened an official investigation into the internal Likud elections for the party's list of candidates for the next Knesset (parliament). Four party officials were arrested, amid reports of cash payoffs, vote manipulation by organized crime elements, and kickbacks.

53 **Documents Show Israeli Hand in Phony Al-Qaeda, Hezbollah, and Hamas**

59 **Hindu Hard-Liners Win Big in India's Gujarat**

61 **Putin Welcomes India Into Central Asia**

63 **Australia: Frantic Crown Launches New Attacks on LaRouche**

Photo and graphics credits:

Cover, Embassy of Korea/KIOS. Page 6, EIRNS/Christopher Lewis. Pages 11, 12, 18, 48, EIRNS. Pages 13, 14, 15, EIRNS/M. Burdman. Page 16, Gansu Province Foreign Affairs Office. Page 17, Courtesy of Hal Cooper. Page 25, EIRNS/Dean Andromidas. Page 26, Bundesarchiv. Page 31, EIRNS/Michelle Rasmussen. Page 41, 42, 44, 47, EIRNS/Christopher Lewis. Page 45, EIRNS/Gil Rivière-Wekstein. Page 56, Roh Moo-hyun's website. Page 68, Courtesy of National Black Caucus of State Legislators.

National

66 **'Southern Strategy' Sinking, With Gore and Lott's Careers**

As Senate Majority Leader Trent Lott resigns, it is not just the Republican Party which is set for a change, but the entire economic and political apparatus which has taken over, and nearly destroyed, the United States over the past 30-35 years.

68 **Black State Legislators Hear LaRouche Spokesmen**

A report from the annual conference of the National Black Caucus of State Legislators.

69 **LaRouche To Make State of the Union Webcast**

70 **Studies Show Violent Videos Damage Brain**

Interviews

17 **Hal Cooper**

Dr. Cooper, a transportation expert from Seattle, recently presented a paper to an international railroad conference at the Siberian State Transportation University in Novosibirsk.

71 **John P. Murray**

Professor of Developmental Psychology at Kansas State University.

Departments

72 **Editorial**

Taking On the "Inevitable."

‘NEO-COLBERTISM’ OR DECADENCE

Italy Offers EU an Initiative For Infrastructure Development

by Claudio Celani

On the eve of the Dec. 12-13 Copenhagen summit of the European Union, the fight inside the EU, on whether to change the strict free-trade policies embodied in the Maastricht Treaty, took on a new dimension, involving the issue of the enlargement of the EU. Whereas one faction, strongly represented inside the European Commission in Brussels, insists on building a large free-market zone including ten new member states, another faction, represented by some EU member governments and other forces, wants to drop these neo-liberal policies, and adopt what Italian Economics Minister Giulio Tremonti characterized as a “neo-Colbertist” approach, in which the state plays a crucial guiding role in economic policy.

As a first step in this direction, the Italian government published a proposal aimed at shifting the emphasis from the enlargement issue, to that of building infrastructure corridors across those very countries which are candidates to join the EU. The Italian proposal echoes the recommendations issued by Lyndon LaRouche during his visits to Italy in the last two years, most recently in Milan on Nov. 23-25 (see *EIR*, Dec. 6).

The Italian government has proposed that the EU enlargement be subordinated to “the realization of strategic infrastructure, both material and nonmaterial.” In particular, Italy is interested in the accelerated realization of three “trans-European corridors” (see **Figure 1**): No. 5 (Trieste-Ljubljana-Budapest-Lviv-Kiev), No. 8 (Bari-Durazzo-Skopje-Sofia-Burgas-Varna), connecting the Black Sea with the Adriatic, and No. 10 (Salzburg-Ljubljana-Zagreb-Belgrade-Nis-Salonika). These three corridors are part of the Trans-European Network (TEN) of rail corridors identified at the EU’s Crete conference in 1994, whose realization has been hindered by lack of financial resources, due to the Malthusian-style Maas-

tricht policies.

Parallel to the proposal to accelerate the realization of the trans-European corridors, the Italian government proposes that EU member states proceed with the same urgency to upgrade their national infrastructure systems. In order to do so, it is necessary to introduce “quotas of re-nationalization of regional development policies,” says a technical paper prepared by the Economics Ministry, to synopsise the Italian requests at the Copenhagen summit. After identifying the three TEN corridors that are of special strategic interest for Italy, the paper says: “Corridors 8 and 10, although interesting for our country, presuppose the existence of national networks ready to connect with them, to bring benefits to the Italian transport system. For Italy, therefore, the absolutely determining and central role is played by Corridor 5, because it represents the key axis of national communication networks, internal and international ones.” The paper then calls for an “EU-Italy” pact, to make sure that those national infrastructure projects play a European strategic role, to “open the way for ‘national’ authorization procedures” and “differentiated fiscal policies.”

Italian Economics Minister Tremonti took the unusual step of publishing an op-ed, signed together with the chairman of the Association of Italian Industrialists (Confindustria), Antonio D’Amato, to accompany the publication of the “technical paper” in the business daily *Il Sole 24 Ore* on Dec. 11. Tremonti and D’Amato announced the Italian initiative in the EU, stressing that the strategy of infrastructure corridors requested by Italy, especially the development of Corridors 5 and 8, will allow Italy “to exploit, to the advantage of the whole continent, its position in the middle of the Mediterranean, as a crossroads of traffic with Far East Asia.”

Shift to a 'New Deal'

The Italian initiative intersects a wider European movement to get rid of the Maastricht Treaty's monetarist straitjackets, since Europe faces a deepening international crisis which requires public investment policies. Part of this process is the discussion on the revision of the EU's "Stability Pact," with proposals coming from Italian, French, and also German quarters, to decouple investment spending from budget accounting. What is required, however, is a fundamental reversal of economic policy, abandoning free-market neo-liberalism outright. Many think that, but few say it in public. Again, the Italians are the most outspoken, partly because Italy displays a greater urgency for physical investment than its EU partners, partly because of the influence of LaRouche's ideas on Italian political elites. This is shown, for instance, in statements by Minister Tremonti in the Turin daily *La Stampa* on Nov. 16, and repeated on national television on Nov. 21, in which he called for a shift to "neo-Colbertist" policies, a European New Deal, and the adoption of protectionist measures against free-market globalization.

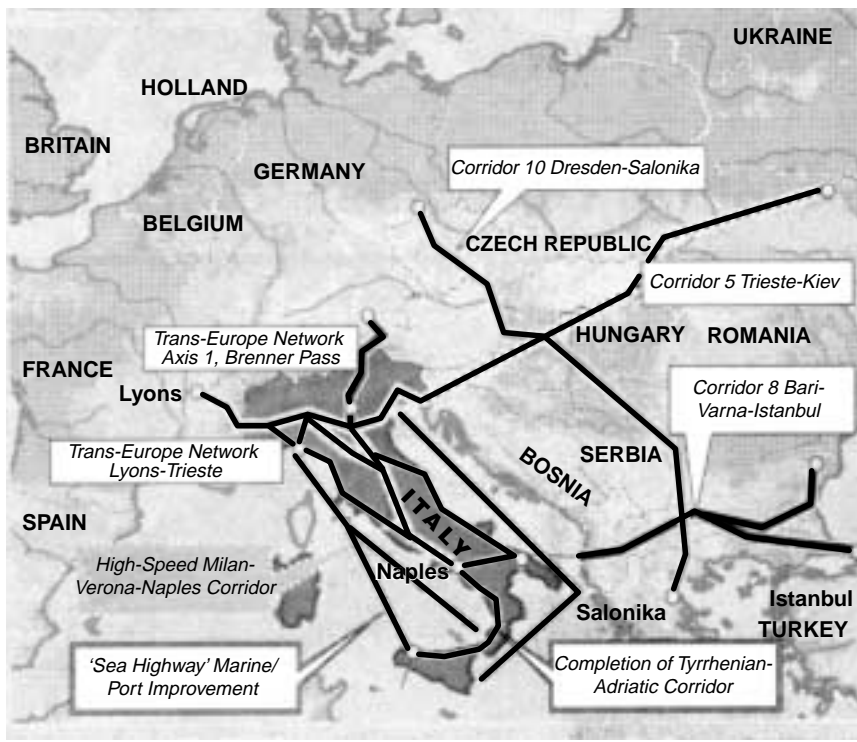
According to Tremonti, 9/11 has brought to the surface latent crises. "In a few years, two continents have disappeared," he said. "No news comes from Africa any longer. South America alternates between autarchic temptations and global alliances, combining modern finances with archaic politics. Roads, trade routes disappear. On American maps, routes are marked with the warning: Bandits. Forbidden areas come back, we begin again, as in the Middle Ages, to write: *hic sunt leones*." ("Here there are lions.")

Tremonti criticized the "utopia of privatizations," which often has resulted in property changes, each time marked by the increase of debt. Yet those firms which were kept under state ownership are today in good health. Against the "decline" of the country, Tremonti said: "We could even take the direction of a new New Deal. Using the state."

The market, for Tremonti, is not an "idol": "If, in the East, they produce at a cost of 10, a valve which here costs 100, it is not possible to compete, tax reductions cannot help. We must intervene. Once, one would have reacted with the introduction of tariffs; now, we must impose conditions of reciprocity. . . . Those countries which make products but do not impose social obligations upon their producers, are putting Europe aside. This is an asymmetry which we must correct—not to deny, but to establish market conditions. It will be a

FIGURE 1

Italy's 'National Projects in Europe's Interest'



Source: Government of Italy; published in *Il Sole 24 Ore*.

The Italian government proposed that "enlargement" of the EU by 10 more countries, be subordinated to real expansion: "the realization of strategic infrastructures," particularly new corridors of high-speed transport.

fundamental issue."

La Stampa reported that the idea of "market corrections through the state" was born in the context of growing contacts between the Italian Economics Ministry and other "economic chanceries" of Europe. Tremonti then mentioned a project being studied internationally, "Plan B," which would move the New Deal from a phase of study and elaboration, to a phase of interventions and reforms—but he refused to say more. "We have the cultural means to correct the market asymmetries, to project, if necessary, a new New Deal. . . . We want a dialectic of products and duties, neo-Colbertism, New Deal, correction of market asymmetries."

A New Bretton Woods

However, none of the policies advocated by Tremonti can be successful, unless a general reorganization of the world financial and monetary system takes place. The standard on this issue has been established by the resolution issued by the Italian Chamber of Deputies on Sept. 25, calling for a "new financial architecture," otherwise known as a New Bretton Woods. Some factions in Europe, blind to the systemic nature of the world economic crisis, are

LaRouches Speak To Berlin Seminar

Continuing rapid-fire interventions throughout Europe, for a move by Eurasian nations to avert war with cooperative action to stop the depression collapse, Lyndon and Helga LaRouche addressed an overflow crowd at a Berlin *EIR* seminar on Dec. 18. Diplomats from Arab, Asian, African, and East European embassies; ten representatives of Arab, German, and Asian media; university and other activists from Germany, France, and Scandinavia; and economists and businessmen heard LaRouche speak at the Westin Grand Hotel on Berlin's famous avenue Unter den Linden. The Berlin seminar followed immediately the major Budapest presentations by LaRouche, reported in this issue's *Feature*.

Lyndon LaRouche noted that he will give his own State of the Union message by webcast on Jan. 28, 2003 just days after U.S. President George Bush will have given his; LaRouche will comment on what Bush will have said,



and what he will have omitted. You cannot say what U.S. policy is going to be, he told the Berlin audience, until after these two speeches have been given.

He compared the current economic and strategic crisis to the crisis of 1928-33; this topic, in depth, was the subject of Helga Zepp-LaRouche's remarks to the seminar.

hysterically blocking the issue. A case in point is the position expressed by the European Commission, through its representative Pedro Solbes, in answering an official interrogatory filed by Member of the European Parliament member Cristiana Muscardini, of Italy. On the basis of the resolution adopted by the Italian Chamber of Deputies, Mrs. Muscardini had asked whether the European Commission would adopt the same resolution and take initiatives to organize a New Bretton Woods conference. The answer reads: "The Commission does not intend to convoke an international conference to remedy the consequences of the speculative bubble." In a malicious twist, Solbes added that the Commission also "does not intend to adopt initiatives aimed at directly stabilizing investors' wealth," slanderously implying that this was the concept behind Muscardini's request. Also, referring to the data on the global speculative bubble cited by Muscardini, taken from the Italian Deputies' resolution, Solbes wrote, "The Commission cannot directly confirm the data mentioned in the written interrogatory."

That hostile and arrogant answer demonstrates the opposition of the European Commission to acting on behalf of the common good of the nations represented. And this comes from an institution which looks forward to becoming the "government" of Europe!

Cardinal Tettamanzi Speaks Out

The behavior of the EU Commission exemplifies the situation when a society, in its leading institutions, prefers to hang

on to its ideology, even if this ensures that the society, and those institutions themselves, will go under. This attitude was blasted by a prominent leader of the Catholic Church, Milan Archbishop Cardinal Dionigi Tettamanzi, who is among the most outspoken critics of globalization inside the Church. Cardinal Tettamanzi gave his "State of the City" address on Dec. 6, the feast of St. Ambrose, following a tradition inaugurated by Pope Paul VI, when he was Archbishop of Milan. Tettamanzi compared the current situation with the times of St. Ambrose, the former Roman governor who became Bishop of Milan in 374 B.C. There are "worrying analogies" with Ambrose's times, Tettamanzi said: an "empire apparently looking strong and splendid, but without soul," where "a few still believed in great ideals"; political life was decoupled from the "common good"; the institution of the family "prey to disintegration"; schools "disrupted by intolerable disorders"; the entertainment world "more and more ferocious and immoral"; and "restless and threatening populations" at the borders of the empire. Facing all this, "one needed commitment and cohesion," but, lacking that, the empire collapsed.

"Our epoch, like the times of St. Ambrose, not infrequently presents worrying signs of a social, cultural, moral and religious crisis. . . . The current phenomenon of globalization, often ruled exclusively or predominantly by market criteria . . . ends up aggravating social imbalances, economic differences, and the different forms of marginalization." Tettamanzi called on the political class to "nurture a great sensibility for the common good."

German Economy's Chance That Won't Come Again

by Rainer Apel

Like the German economy in general, the national government in Berlin looks like a fortress being so heavily pounded from all sides, that it seems only a question of time until it falls. Three or four protest rallies in the capital every day, the threat of a national strike by public sector workers (with 2.7 million members, the biggest labor union), increasing attacks from the labor movement on the government's budget-cutting policies—these are handwriting on the wall. And mass unemployment is steadily rising: from 4 million in October to 4.3 million now, and headed to 4.5 million by late January. If the government cannot turn around the economic and political situation, it will likely not survive past February, and the final catalyst may be the loss of the state of Lower Saxony to the opposition in the Feb. 2 state elections there.

But none of this is inevitable. Social Democratic Chancellor Gerhard Schröder's government can turn the situation around, if it responds positively to the recent overtures from countries such as Poland, Russia, and China, to embark on a grand cooperation agreement on the development of transport infrastructures between Western Europe and East Asia—the chance the LaRouche movement has told all Germany about.

A Crucial Ride on a Maglev Train

Russian Deputy Railway Minister Vladimir Yakunin asked, in a late-November speech in Hamburg, for German assistance in realizing the great project of the Trans-Siberian/Trans-Korean railway link—to make that a main artery for transporting commodities between Europe and Asia. The Chinese development perspective encompasses the crucial state visit of Chancellor Schröder to Beijing and Shanghai at the end of the year, crowned by an inaugural ceremony for the first fully commercial magnetic levitation railroad in the world, between the city of Shanghai and its airport at Pudong.

On Dec. 31, the German Chancellor, Chinese Prime Minister Zhu Rongji, and several hundred other leaders from China and Germany will ride on the maglev train—a joint project of German and Chinese engineers—from Shanghai to Pudong. It is possible that in the context of that historic maglev ride, China and Germany will announce a statement of intent to construct more such maglev routes in China, meaning a lot more employment for engineers and highly skilled German railway workers. This is just the kind of announcement to convey technological optimism and economic hope to a Germany that otherwise sees no way out of a deepening economic depression.

Indicative of what can be done, was also an event in Berlin, organized by the German Industrial Association (BDI) and the embassy of Poland, on Dec. 11. Marek Pol, transport minister and vice premier of Poland, stressed the enormous importance of accelerating, and vastly increasing funding for the modernization of Poland's transport infrastructure. Raising the railway, highway, seaport, and inland shipping infrastructure to modern standards, is important for the Polish economy, as it prepares to enter the European Union as a full member in May 2004, Pol said. Further, Poland had its last upgrade of national infrastructure in the 1960s and 1970s, and is in urgent need of reconstruction. But it is also important, Pol stressed, for the rest of Europe, because Poland and Germany are the essential transit countries for everything that goes on between Europe and Asia. The chance to link and develop all the economies along this route is offered now by the project of upgrading the Trans-Siberian Railroad, and establishing the Trans-Korean Railroad.

More must be done, the Polish minister insisted; more money must be invested than ever before, and more must come from sources outside the restricted national budgets of the respective states—although the Polish government is taking a great step by allocating 3 billion euros from its budget for the next three years, for such infrastructure projects. Pol, who is also Poland's housing minister, urged that along with the infrastructure development, a policy of home-building be implemented.

When *EIR* presented him with the idea of long-term infrastructure loans based on the German Kreditanstalt für Wiederaufbau (KfW) national bank model, Pol discussed connecting the wide Russian railway gauge with the more narrow European one in Slawkow, in southern Poland. A week earlier, he had held talks in Moscow with the Russian Railway Minister Gennady Fadeyev, during which there was a Polish proposal to host an international conference of transport ministers, on infrastructure development, in two months, which won Russian support.

The Polish official acknowledged, that to develop Europe's transport infrastructure, much more funding was required, and that Poland is discussing state-guaranteed loans. Several hours after Pol's remarkable Berlin speech, Schröder declared that an expansion of the EU toward the East only made sense, if Poland played an important role in that process. To make that happen, the Chancellor said, Germany must create financial resources, which currently do not exist in the narrow framework of existing austerity budgets: that is, long-term infrastructure loans, at low interest and with long grace periods for repayment.

What Germany already has, is the KfW, a state-owned bank for reconstruction projects and investments into the *Mittelstand* (small and medium-size, high-end industries) under just such conditions. Its expansion, by having the government take an increased role as guarantor of such productive credit, can meet these job- and wealth-creating requests from the East—a chance that will not come again.

Argentina Crisis Now Hits IMF, World Bank

by Cynthia R. Rush

After almost a year of torturous negotiations with the International Monetary Fund, during which it has largely complied with Fund austerity demands, the Argentine government of President Eduardo Duhalde has finally put its foot down. Between Nov. 14 and Dec. 15, it has defaulted on two debt payments to the World Bank—\$805 million and \$980 million—and warned that it will make no more payments to multilateral institutions, until the IMF signs a “reasonable agreement” to roll over the \$16 billion that comes due between now and the end of 2003. “Just as the Monetary Fund has no timetable for signing an agreement, Argentina has no dates or timetable set for its debt payments,” Finance Minister Roberto Lavagna said Dec. 12. It cannot afford to dip into its \$10 billion in reserves to make payments, without risking further financial instability.

Lavagna rejected alarmist warnings that the World Bank’s cutoff of \$2 billion in loans, resulting from the government’s decision not to pay \$980 million on Dec. 15, would seriously damage social, health and public works programs. The \$2 billion was to have been disbursed over a five-year period, he said, and the Finance Ministry is already working on alternative means to keep funding these programs.

There is enormous anger in the government over the IMF’s humiliating treatment of Argentina, its assertions that the country’s financial meltdown is “its own fault,” and demands that it impose more murderous austerity, to prove its creditworthiness. After IMF Managing Director Horst Köhler said Dec. 12 “to blame the IMF for what happened, and is happening, in Argentina, is totally unacceptable,” Chief of Cabinet Alfredo Atanasof shot back, “We’re not saying the blame for what’s wrong should be pinned on the Fund; what we are saying is the bureaucracy of the Fund has promoted the policies that put us in this situation. No one can ignore that.”

Foreign Minister Carlos Ruckauf put it more bluntly. Speaking on the “Arco Iris” cable TV program on Dec. 12, he called the IMF “a tumor” which “wants to make an example of Argentina” for having declared a debt moratorium in December 2001, while it continues “kicking around” other Ibero-American nations. “The IMF should be dissolved,” he demanded. “A new, much smaller and more efficient entity should be created—one that is anti-cyclical; that is, where there is a recession, it shouldn’t deepen it.”

He took direct aim at IMF Deputy Managing Director

Anne Krueger, who has been totally intransigent on Argentina. “Doesn’t Krueger say that countries have to bankrupted? Then, I have the same right to say that the IMF should be dissolved!”

Go with LaRouche’s New Bretton Woods

Ruckauf’s proposal is a fine idea, but will mean little if it remains at the level of rhetoric. As 2004 U.S. Democratic Presidential pre-candidate Lyndon LaRouche has repeatedly stated, Argentina *cannot* pay its \$220 billion debt, nor should it. Rather than delude itself that it “needs” the IMF, LaRouche advises, Argentina should recognize that the IMF and its sister organizations are thoroughly bankrupt—they could be brought down by Argentine and Brazilian defaults—and join the international movement for a New Bretton Woods.

While Duhalde and Lavagna have said they will, nonetheless, continue negotiating, there are signs that some people, in government and out, are studying options other than the IMF trap.

The “Malaysia model” is one such option. At the invitation of the Argentine Business Association, a team of leading Malaysian economists travelled to Argentina in early December, to explain how that country, under the leadership of Prime Minister Mahathir bin Mohamad, defied the IMF and applied protectionist measures to defend itself from the speculative attacks of 1997-98, led by drug legalizer George Soros. The team was expected to meet with Finance Minister Lavagna and other economists and business leaders.

Peronist leader Juan Labaké reported in an August, 2002 article, that Malaysia’s ambassador to Argentina, Mr. Mariappan Santhanaban, told him that what allowed Malaysia to be successful in 1997-98, was not just a series of technical measures—rather, “the decision to fight, even if it were ‘against the whole world.’” Were Argentines to rediscover their ability to think independently, they could also replicate Malaysia’s success, said the Ambassador.

Argentina’s relationship with Italy, whose Chamber of Deputies passed the historic resolution on Sept. 25 calling for adoption of LaRouche’s New Bretton Woods, and harshly criticized the IMF “solution” for Argentina, is also a source of hope. There have been frequent contacts at the government level, and on Dec. 11, a delegation of Italian parliamentarians visited the country, to “study” the situation, and offer its support. The delegation’s leader, Gustavo Selva, publicly charged that the IMF “has responsibility in this crisis, and should be reformed, not only because of how it handled the Argentine case, but other crises as well.”

The delegation also met with Lavagna, and with Foreign Minister Ruckauf, who told them that the government’s strategy is to strengthen ties between the Common Market of the South (Mercosur), and the European Union, and that this has a greater priority than an “automatic alignment” with the United States, as has been the case over the past decade.

Airlines All Descending Into the Maelstrom?

by Anita Gallagher

I no longer hesitated what to do. I resolved to lash myself securely to the water cask upon which I now held, to cut it loose from the counter, and to throw myself with it into the water. I attracted my brother's attention by signs, pointed to the floating barrels that came near us, and did everything in my power to make him understand what I was about to do . . . but . . . he shook his head despairingly, and refused to move from his station by the ring-bolt. . . . With a bitter struggle, I resigned him to his fate, fastened myself to the cask . . . and precipitated myself with it into the sea, without another moment's hesitation.

The result was precisely what I had hoped it might be. As it is myself who now tell you this tale—you see that I did escape.

The great American methodological thinker Edgar Allan Poe might have written his famous short story as fictional advice for America's airline industry, which is making its own "Descent Into the Maelstrom" to certain destruction, so long as it holds fast to the "ring-bolt" of deregulation and shareholder value. Instead, like the sole survivor of Poe's shipwreck, the airlines must let go of prevailing financial dogmas, and demand the completely changed Federal approach which Presidential candidate Lyndon LaRouche's has called for: *re-regulation* and the creation of a "Super-TVA" infrastructure-building Federal agency serving the nation's general welfare.

The pace of disasters for the airlines is, like the the ship's descent into Poe's whirlpool, in a sickening acceleration.

Bankrupt United Airlines announced that it will seek to nullify all its existing labor contracts by filing an 1113 motion in U.S. Bankruptcy Court on Dec. 26, and ask the court to set new wages, work rules, and benefits. The filing puts intense pressure on the unions to agree to \$2.4 billion a year in give-backs—twice the amount United demanded only two weeks ago, before it declared bankruptcy on Dec. 9—to maintain a union contract.

The filing timetable will settle the issue by Feb. 15, when United must show its debtors-in-possession (DIP)—J.P. Morgan Chase, Citibank, CIT Group, and Bank One—how it will reduce its \$22 million-a-day losses, in order to receive the next \$700 million in interim financing from the DIP lenders. Should it fail, the debtors-in-possession could pull their fi-

nancing and liquidate United—which, with flights to 1,700 national and international destination, has the best fleet and route network in the industry. The other carriers would then pick its bones, grabbing "profitable" routes. Carriers are already maneuvering around the upcoming sale of United's assets indicated by CEO Glenn Tilton.

With bankruptcy, United won a 60-day payment holiday on its aircraft lease payments, and United will now decide which leases to dump, and which to renegotiate. United has sent 2,500 letters to aircraft lessors and financiers, seeking both to make them into shorter-term operating leases, and cut rental payments by at least half. More than 10% of the nation's commercial aircraft are now parked in Southwestern deserts, rotting. The lessors have a choice of getting less, or getting nothing—which will lead to bankruptcy and unemployment in the aerospace industry, which axed 83,000 workers last year!

The Halt Buys the Lame

Retirement Systems of Alabama (RSA), the debtor-in-possession of seventh-largest U.S. Airways, recently threatened to liquidate that carrier, if its unions did not agree to an additional \$200 million in annual cuts. RSA itself is already unsound, having paid out more in pensions than it received last year, because of its \$2.77 billion asset loss. Among its biggest losses were \$500 million in bonds it held in U.S. Airways, United, Delta, and American. RSA's financial chief, David Bronner, has now positioned it to recoup its losses as U.S. Air's debtor-in-possession, dictating austerity to pay the bondholders. No one but LaRouche is defending the integrity of the air transport system of the Eastern United States.

Third-largest Delta Airlines will lay off 4,000 employees next Spring, besides 4,000 early retirements. These layoffs will degrade the Delta hubs in Atlanta, Salt Lake City, and Cincinnati, in particular. In the past week, the National Mediation Board reversed its preliminary finding, that Delta had illegally interfered in a union representation election for its 30,000 flight attendants. This was the largest private sector union election in the nation in more than 30 years.

The only way up from this whirlpool of destruction, is two pieces of legislation proposed by LaRouche. First, a "Super-TVA," which, LaRouche says, must be enacted on the Federal and state level, to save our air and rail transportation systems, our water-management, energy-generating, and other systems. And, the Federal government must repeal all of those changes in law, which were made over the past 35 years, which took us from a fixed-exchange-rate international monetary system, to a floating-exchange-rate system; away from a protectionist policy, toward a free trade policy, and into massive deregulation. The Federal government must re-regulate, and supply *protection* to the investment in these infrastructure programs.

Or, as Poe would put it, let go of the rapidly sinking ship, and escape by scientific principles which insure survival.

Great Water Project Will Change the Face of China

by Mary Burdman

China will soon begin constructing its massive “Move South Water North” project, Vice Minister of Water Resources Zhang Jiyao announced at a Beijing press conference Nov. 25. In what will soon be, by far, the world’s largest water diversion project, the nation will create three new, man-made “rivers.” As the project is completed over the next 50 years, they will bring some 45 billion cubic meters of water a year to northern China. This is equal to the flow of China’s famous Huanghe, or Yellow River.

This enormous undertaking is essential for the future of the Chinese economy and nation. The plan, which is to take water from the vast Changjiang River system (known outside China as the Yangtze) to the arid northern region, is being carried out as “a mega-project that is strategically aimed at realizing the optimal allocation of water resources” in China, Zhang Jiyao announced.

The cost of constructing the two eastern-most of the artificial rivers will be over \$20 billion; total costs will be greater than those of the Three Gorges Project, the world’s largest flood-control and hydroelectric project, now being built on the Changjiang.

Sine Qua Non, Not Only for China

Transferring water on this scale is a highly complicated process. The proposal has been under consideration for at least 50 years, from the early period after the 1949 revolution. It has been debated intensely and widely in China ever since.

Water will flow in the three new “rivers,” through canals, lakes, reservoirs, and pipelines, from the Changjiang, the longest river in Asia, and third in the world after the Amazon and the Nile. The eventually much-improved water resources in the North will directly benefit 300 million Chinese, and indirectly, the entire nation. Without solving its water crisis, China cannot continue to develop as a modern nation. As a November 2000 report by the Ministry of Water Resources stated, the “hidden disasters of the Chinese nationality” are the flooding and water logging of the South, and drought of the North.

The overall concept of the plan will use the “four transverse rivers and three longitudinal routes” as the calligraphic strokes of a vast, nationwide “character” to create a national water system. The four transverse strokes are the Changjiang,

and the three northern rivers it will feed: the Huanghe, Huaihe, and Haihe. (*He* is Chinese for river.)

Water has long been a strategic issue in China’s development. In real economic terms, the lack of sufficient water is a *more critical* problem, than the size of its great population of 1.3 billion. Already, lack of water in the northern and western regions of the country is beginning to choke economic growth, and the situation will become more acute very rapidly.

This is not just a problem for China. In the vast Eurasian hinterland, the nations of Central Asia, water is a more precious resource than oil. There, also, the shortage, and especially the very uneven distribution of water, is a real growth-limiting problem. Tensions exist among the Central Asian nations, with Russia, and increasingly, with China, over use of regional water resources. These are problems which much be solved to ensure development of the Eurasian landmass. Without water, there is no life.

Vernadsky’s Biosphere

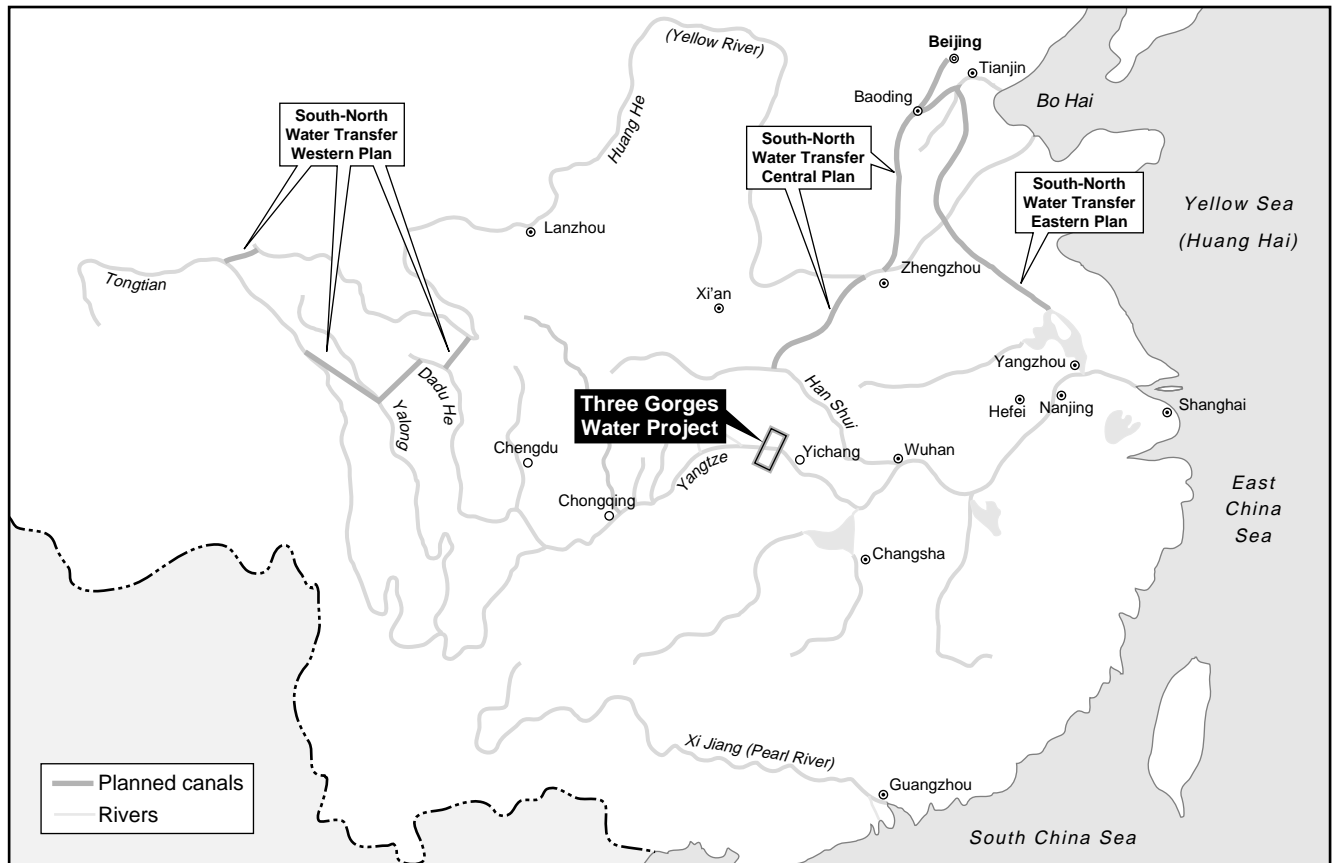
The answer to the problem, is not simply a matter of sending water from one place to another. Such measures can generate more and new difficulties, as demonstrated by the drying up of the Aral Sea in Central Asia, due to over-extraction of water for irrigation. Mankind must transform whole regions of the Earth, a big undertaking. This can only be done, by using concepts grounded in the thinking of the great Russian scientist V.I. Vernadsky, to deliberately *create* a new, potentially much more productive living space.

Terrestrial waters and soils, Vernadsky wrote, are highly complex “bio-inert” bodies, in which living bodies play a fundamental role. Using and improving soil and water is therefore a complicated undertaking. Genuinely to improve the conditions of life in northern China, for example, requires that “natural conditions,” including soil quality, water purity, forest and general vegetation, and eventually climate, be developed simultaneously with the human activity of productive cultivation and industry.

Such a process requires generations, a perspective for vast geographical areas, and study of the Earth’s conditions over many millennia. National governments, working in their own *and* their neighbors’ interests, must take leadership

FIGURE 1

China's Great Water Management Projects



of this process.

To some degree, this is being done in China.

Redrawing the Map

The grand economic policy of the Chinese government, outlined in the Tenth Five-Year Plan of March 2001, is to “Re-Draw China’s Economic Division Map.” Four projects will become nation-crossing “strokes”: the south-to-north water diversion plan; the west-to-east gas pipeline project; the west-to-east power transmission grid; and completion of the railway from Qinghai to Tibet, the “horizontal” crossing the already finished “vertical stroke” made by the Beijing-Kowloon railway.

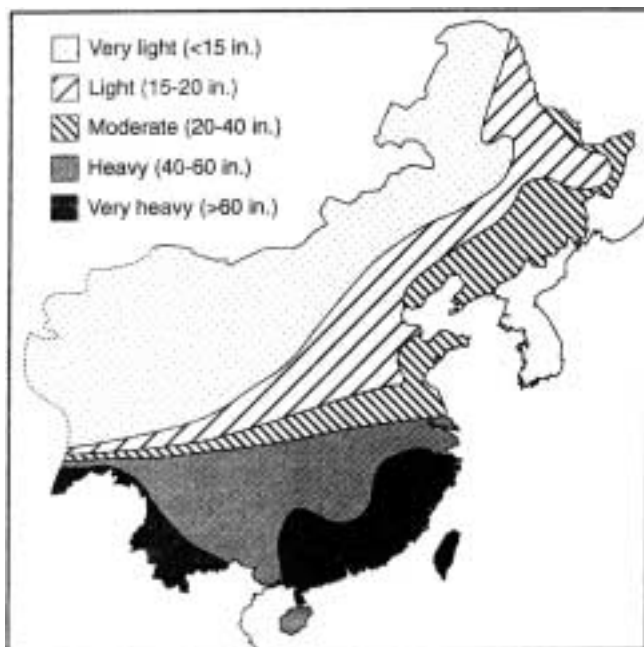
South-to-north water diversion will mean “overall strategic restructuring” of water resources, the Five-Year Plan stated. Although China has built many long-distance water-diversion projects over the past half century, it has done nothing on this scale. The “water-rich South” and “water-deficient North” problem, remains unsolved. Northern China has struggled with desertification for millennia. The Huanghe was the cradle of Chinese civilization; evidence of civilization

dating back 8,000-10,000 years has recently been discovered in Gansu province, on the upper Huanghe. The “Gansu-Hexi Corridor” along the river, has long been densely populated—Xi’an, an ancient capital and eastern terminus of the Silk Road, was a city of 1 million people during the European “Middle Ages,” when Paris, then by far the largest city in Europe, had a mere 100,000 people.

A recent study by the Chinese Academy of Sciences, in cooperation with Australian and U.S. scientists, indicates some of the long-term pattern of climate in northern China. Over recent centuries, the deserts have moved three degrees latitude—about 300 kilometers—to the south, back to where they had extended during the last maximum glacial period, 21,000-13,000 years ago. Currently, China’s climate is influenced by the Summer monsoon, which brings the rainy season. The monsoon was weakest during the last Ice Age, and deserts expanded. However, during the following, Holocene period, 10,000-5,000 years ago, a much stronger monsoon pushed the deserts north, and turned northern China into well-watered grassland and forest. This was when the Huanghe became the “cradle of Chinese civilization.” Archeologists

FIGURE 2

Annual Precipitation in Eastern China



Rainfall in China's populous eastern regions is heavily concentrated in the South, with wide northern areas threatened by chronic drought and desertification; but the majority of arable agricultural land is actually in the drier regions, one of several reasons the nationwide water-transfer "great projects" are critical.

are now finding more and more evidence of dense settlements, in areas which are now desert.

Today, while the monsoon remains strong, the deserts are advancing south again. Over the past 3,000 years, intense cultivation, and—even more—periods of frequent warfare, such as during the middle and late Tang Dynasty in the Eighth and Ninth Centuries, laid large areas to waste. However, this process can be reversed, as the Chinese Academy study noted, since the monsoon climate, which produces 200-to-400 mm of rainfall a year, makes it possible to "treat" the expanding desertification, and restore vegetation.

Now, the once-torrential Huanghe, no longer even flows to the sea for many weeks each year. This is a cultural, as well as economic, tragedy for China. For many centuries, the Huanghe was the inspiration for Chinese poets and painters; now, in its lower reaches, it is little more than a stream.

Water Shortage Choking Growth

The shortage of water in northern China is beginning to choke Chinese economic development. With the nation's rapid economic growth since the 1980s, the water crisis has become ever more acute. In mid-2001, the Ministry of Water

Resources in Beijing reported that China's water shortage would hit the "danger" level by 2030, when the population will reach 1.6 billion people. Hard hit are the great northern cities; water for industry is far too limited, and agriculture in China's northern grain belt is also threatened. By 2030, China will need another 65 billion cubic meters of water for agriculture, if it is to ensure national grain security. Farmers who cannot afford to drill very deep wells, are being forced to abandon irrigation and return to less-productive and less-reliable rain-fed agriculture.

While China is the fifth-richest nation in water resources in the world—after Brazil, Russia, Canada, and the United States—with a total of 2,810 trillion cubic meters of water; that is just 2,200 cubic meters per person, only 25% of the world average. By 2030, per-capita water resources will only be 1,700 cubic meters, a "shortage" level.

The second problem is the very uneven distribution of water. China is deeply divided geographically. The big rivers run from west to east, rising in the central plateau of Tibet, the 4,500-meter-high "roof of the world." They flow east and south in watersheds divided by high and rugged mountains. Over 80% of China's water flows either into the Changjiang basin, which cuts the country through the center, or further south. The Changjiang has an annual flow of 956 billion cubic meters; even during dry years, the flow to the sea is 600 billion cubic meters.

Almost 55% of the population live here, most in the Changjiang Valley, but this region has just over 35% of China's arable land.

In the northern plain, is 60% of China's farmland and almost 45% of the population—but this region has only 15% of China's water. The worst affected areas, are the Huanghe, Huaihe, and Haihe basins. Here is concentrated 39% of the farmland; 35% of the population—and just 7.7% of the China's water! Per-capita water is only 500 cubic meters, a dangerously low level.

Finally, China is a developing nation. Much of its industrial technology is inefficient. As a result, water consumption per industrial product is 5-10 times higher than that of industrialized countries, and China only recycles 20-30% of its industrial water. Irrigation is also inefficient. Just 25-30% of irrigation water is used effectively; at the same time, some 2.5 million tons of grain are lost each year due to water shortages.

In November 2000, the Ministry of Water Resources published a paper on the "Basic Readiness of Preparation Work for South-to-North Water Transfer Project." Diverted water is to go first to cities and industry; then to agriculture and other uses. Water use in agriculture will be improved by increasing efficiency of irrigation; regional water which had been diverted to cities and industry, must be returned to the countryside. In all, a mere 5-6% of the flow of the "mighty Yangtze"—the Changjiang—will need to be sent to the North.

Recent Drought Across Asia

A series of bad droughts began in 1997, when the Huanghe did not flow to the sea for a record 267 days, causing serious problems for industry and agriculture in Shandong province. In 1999, large areas of Eurasia, extending from the Korean Peninsula to Afghanistan, and including northern and western China, were struck by the worst drought in 50 years. Millions of people and more millions of livestock, in the countryside and in cities and towns, did not have enough water even for drinking. The effects on sanitary and health conditions, are obvious. Better rainfall has improved conditions in some areas by this year, but drought persists elsewhere.

Yet, typical of the extreme contrasts in China's conditions, 1998 was the year of the catastrophic "century floods" in the Changjiang and some far-northern rivers, which also caused extreme damage.

Already, 400 of the 600 largest Chinese cities have serious water shortages, which cause economic losses amounting to more than 120 billion yuan (\$14.5 billion) annually. Water exploitation in the Huang-Huai-Hai region, is much higher than 40%, the world-wide recognized "rational" limit.

In 2001, as drought continued for the third year, it was announced that the preparation work of the South-to-North Water Transfer Project has met technical requirements, and construction could begin in 2002. Since Spring 2002, the continuing severe drought has left 8 million farmers and over 6 million livestock desperately short of drinking water. Drought conditions are so bad in Shandong Province, that in December, it was announced that 9 million farmers will not have enough grain this Winter. Public granaries will be opened for all those too poor to buy government grain.

The cities of northern China—including the capital Beijing and its port city, Tianjin—are heavily over-extracting groundwater, about 8 billion cubic meters in recent years. This makes further problems. Much of the groundwater is seriously polluted. Also, groundwater tables are falling fast: In Beijing, water tables go down by 1.5-2 meters a year. Around Tianjin, so much water has been pumped out of the ground, that large patches of ground have sunk by over 2 meters, and underground "funnels" are appearing in many other areas along the northeast coast, due to water extraction.

Another phenomenon is the sudden and severe increase



Severe erosion on the famous "loess plateau" in Gansu province. Gulleys like that on the right, are now being planted with fast-growing shrubs, and culverts are being built to end the washing away of the soil.

in bad dust storms which have struck Beijing, the Korean Peninsula, and farther east. The dust storms originate in central Asia's and northwestern China's deserts. They had been very frequent in the 1950s and 1960s, but lessened since—until 1999.

History and Priorities of the Water Scheme

In 1958, the Huanghe and Changjiang Commissions began to study the possibility of sending water north, and the idea has been studied for the following 40 years. The "foundation" was laid already in 1972, with construction of the Danjiangkou Reservoir on the Hanjiang, the longest tributary of the Changjiang.

The three routes now decided upon for transfer of water to the North—the East Route, Middle Route, and West Route—were selected from among 50 alternatives. By 2001, it was decided, with adoption of the "Tenth Five-Year Plan for National Economic and Social Development," to focus on construction of water projects, transportation, energy, and other infrastructure. In September 2000, a preparatory national forum was held in Beijing. Municipalities which would receive the water, were told to begin planning water distribution systems, and, finally, the Ministry of Water Resources completed the general plan.

The strategic perspective of this project, as the Ministry reported, is that the "bearing capacity of water resources will be strengthened, allocation efficiency of resources will be enhanced, and the strategic restructuring of the economy will



Intensive cultivation in Gansu province, on the upper Huang He (Yellow River), in the northern region to which water will be transferred by the great project. Trees are extremely rare here.

be accelerated. It is of great importance to enlarge domestic demand, to create new job opportunities, and to sustain high-speed development of the national economy. . . . Through the improvement of water resources conditions, the potential productive force will be mobilized for economic growth. In addition to greatly improving the quality of drinking water, and national health, the constraint of urbanization in the northern area due to water shortage will be alleviated; the process of local urbanization will be accelerated. The eco-environment and the natural landscape will be improved, satisfying the increased requirement of the people for higher living standards.”

A key part of the project is the “three priorities”: to save water before diverting it; treat pollution before diverting water; and protect the environment before injecting more water.

These measures are essential. Much of China’s water supply, sewage, and irrigation systems are wasteful. Pollution is an extreme problem, destroying large amounts of usable water, and endangering national health. If serious water wastage is not ended, the scale of the project would become too big to handle. China cannot divert water, at great cost, to waste it. However, good advances have been made in the main receiving areas for the Middle and Eastern routes. It would also be a disaster to divert badly polluted water. Pollution is an especially serious problem for water users along the Eastern Route, which will use the ancient Beijing-Hangzhou Grand Canal. Water taken from the Changjiang must be of good quality.

China pollutes about 60 billion tons of water a year, and over 80% of it drains directly into rivers and lakes. Construc-

tion of the “Move South Water North” project will be used as an opportunity to improve water quality along the Eastern Route to a “Class III” standard, which is drinking-water quality. Over 100 new sewage plants will be built in the cities. Eventually, the target is to reach zero discharge of polluted water into the main canals, and make the Eastern Route a “clear water passageway.”

Three Transfer Routes

“Move South Water North” will be built in three routes, in the east, middle, and western regions. All three, will be built in three phases. The routes will become new economic growth areas, especially in the western regions.

The “Eastern Route,” which will be the first completed, will take water from the lower section

of the Yangtze, northward along the Beijing-Hangzhou Grand Canal, through rivers and lakes, to southern Shandong. Water will also be pumped through a tunnel across the Huanghe—which, for the last 800 kilometers of its route, runs between dykes some 4-6 meters *above* ground level—in the vicinity of Dongping Lake in Shandong Province, to eastern Hebei Province and Tianjin.

Some 50 pumping stations will be needed to move the water northwards, since much of the route is at an altitude higher than the Changjiang. The water will pass through 13 different levels; at Dongping, it will be 40 meters over the Changjiang surface. Water should be arriving in Shandong already by 2005; full construction for this and the middle route will take 15 years. This artificial river will be 1,150 km long; it will eventually carry about 15 billion cubic meters of water a year.

The “Middle Route,” 1,246 km long, will take water from the Danjiangkou Reservoir on the upper Hanjiang River, a tributary of the Changjiang, to Beijing and Tianjin, as well as cities along the Beijing-Guangzhou Railway in Hebei and Henan provinces. This route is the only one which will involve resettlement of people, but will also mean real economic improvements in areas it passes through. The first step will be to dig new channels from the Danjiangkou reservoir, and then increase the height of the dam, first built in 1966, to send the water north. Eventually, the flow will be about 13 billion cubic meters a year.

The “Western Route” is by far the most difficult to build; it is likely to be the most challenging water diversion project in the world. Water will be taken from the Dadu, Yalong, and

Tongtian rivers, along a 3,600 km canal, to the upper Huanghe in the Ningxia Hui and Inner Mongolia regions, and Shaanxi Province.

New technologies make the project feasible; it could not have been done when it was first considered in the 1950s. Construction of the Western Route will cost over 300 billion yuan (about \$36 billion), but eventually, it will take about 17 billion cubic meters of water a year to the dry Northwest. A long section will have to be built in the extreme geological and weather conditions of the Qinghai-Tibet plateau, which lies 3,000-4,500 meters above sea level.

When “Move South Water North” is finished, it will allow overall and diverse water management for all of China. The supplies from the Eastern and Middle routes will lessen the strain on the lower Huanghe, until the Western Route is completed. Once that is done, the increased flow along the upper Huanghe would make it possible to compensate for any temporarily lessened flow from the Middle Route, if there were a shortage of water in its source, the Hanjiang. In years when there is enough rainwater, water from the diversion project can be used to “recharge” depleted aquifers and rebuild groundwater and lakes.

China’s ‘New Deal’

This water project will be built as part of China’s “New Deal” policy. Since early 1998, Beijing has carried out a huge national investment program—its funding led by government bonds—to ensure construction of badly needed infrastructure and the growth of the domestic economy. This has been China’s “insurance policy” against the turmoil in the international economy, as demonstrated by the 1997-99 Asian economic crisis, and the subsequent crash of the U.S.-led “new economy”-“high tech” bubble.

Cornerstones of this national investment, are: the “Develop the West” campaign for the interior, launched in 1999; and essential water-management projects, including the construction of the Three Gorges Dam and reinforcing the dykes along the Changjiang in the wake of the devastating floods of Summer 1998. Heavy flooding occurred again in Summer 2002—but this time, the dykes held, and a second catastrophe was prevented.

Now, funds can be re-directed to water diversion. The central government will finance the main waterways, at about



The famous “Half Moon Lake” in Xinjiang. This lake, a natural phenomenon, lies amidst sand dunes. Its water level had fallen, but there is a project to restore it, as well as other lakes in Xinjiang.

60% of total costs, via a limited liability company responsible for construction, operation, and maintenance. Local governments which receive the water, will pay for the connecting canals. Up to 30% of national investment will be loans from domestic banks; but no foreign funding will be used, since interest rates on such loans are too high.

State-supported water prices will certainly rise in northern China, especially in the cities, at least in the short term. Eventually, prices may be brought down again; meanwhile, inexpensive loans and other measures will be available to cushion the effect on users.

In August 2001, Beijing’s State Development Planning Commission carried out a national study which concluded that the water shortage was a “severe restraint” to the potential for sustaining national economic growth. Over 100 cities across China suffered water shortages in 2000, affecting both living standards and industry.

The same study found that rapidly advancing desertification is causing China economic losses of 54 billion yuan (\$6.5 billion) a year. Already, 1.7 million square km of land—18% of Chinese territory—have turned into desert, and the damage is spreading by 3,500 square km a year. The problem is worst in the western interior. In a country already very short of arable land, the expansions of deserts have sharply reduced usable land and made already-impoverished farmers and herdsmen even poorer.

Desertification is very difficult to reverse. Not only is vegetation lost, but also the soil’s structure and ability to

retain moisture are destroyed. Programs to curb desertification had treated almost 9 million square km by end-2000, but land is being destroyed faster than it can be saved.

China also has one of the world's worst soil-erosion problems. Up to 5 billion tons of fertile soil are lost each year, and some 70,000 hectares of cultivated land damaged. Erosion control has been a top priority since 1991, and concern grew much greater in the wake of the terrible 1998 floods, which showed how much damage had been done by loss of vegetation along the Changjiang. Strict bans were imposed on logging; at the same time, the effort was sped up to plant 20 million hectares of "green shelter belts" of trees throughout the northern regions and along the entire course of the Changjiang.

In north China, less than 7% of the land is forested, although the goal is to increase that to over 20% by 2010. For China as a whole, forest land is only 16.5%, and the goal is to increase that to 20% by 2010 and 25% by 2050. China already has one of the largest man-made forests in the world, covering in total 47 million hectares.

Another project is an effort to end the cultivation of marginal land, and returning it to forest and grassland, eventually moving farmers and herdsmen off this land. This, however, is a big social issue. Some 80 million households in rural China cultivate sloping or otherwise marginal land; in some areas, this is an ancient practice. A project has been launched to give farmers eight years' compensation for re-forestation. However, a critical problem will be to maintain living standards when the compensation ends, and to ensure that the peasants do not return to cultivating the marginal land.

Creating Water in Eurasia

While exploitation of natural forests has been reduced, and large areas of sloping land successfully restored to forest or grassland, both state forestry workers and many peasants have been hit hard economically by these programs. Government subsidies have made food prices cheaper, undermining the incomes of peasants still working the land. "Fine tuning" of the whole project is urgently needed, allowing controlled logging, forest development, and livings for many millions of people.

A smaller, but important achievement in water management, has been restoring water flow in the 1,321 km Tarim River in Xinjiang. This river, which gave life to ancient cities along the Silk Road, was being over-used for irrigation; as a result, one-third of its length had dried up. A program was launched at the end of the 1990s, to save the river, and a several-hundred-kilometer-long "green belt" of poplar trees which had been planted to curb the expansion and possible merging of the Taklamakan and Kum Tagh deserts. This program, conducted on an emergency basis, has now restored Taitema Lake, which had vanished in 1972. However, Xinjiang needs much more water. Larger



The Upper Huang He, the once-mighty Yellow River.

measures, including exploitation of the large underground water reserves of the area, estimated at twice the volume of the Huanghe, must be undertaken for more permanent solutions.

Ultimately, "Move South Water North" should be just an initiating phase of transforming China's water resources. China requires water cooperation with the nations of Central Asia, Russia, and the Indian Subcontinent, to meet the needs of Eurasia. And new water resources must be created.

Some in China have this idea in mind. In Summer 2001, Qinghua University, China's leading institution of science and technology, announced that it would supply nuclear technology to launch a seawater-desalination project in Shandong. When finished, this project will produce 160,000 tons of urgently needed fresh water a day. Nuclear energy will be used both to reduce the costs of desalination and increase production capacity, Qinghua officials announced. Such technologies and projects are the wave of the future for Eurasia's 4 billion people.



Build Eurasian Railroads To Fuel Economic Progress

Dr. Hal Cooper, of Cooper Consulting Company, is a transportation expert from Seattle, Washington. He was interviewed on Dec. 12 by Marcia Merry Baker.

EIR: You were in Russia Nov. 22 to Dec. 4, in Novosibirsk, for an important railroad conference at the Siberian State Transportation University. Tell us how it is, that there is such a specialty university—I think we have no such transportation college here in the United States. What was the purpose of the conference, who attended, and so forth?

Cooper: The Siberian State Transport University is one of the ten universities in Russia, which is devoted to the education of specialists for railways. It has an enrollment of about 9,000 students, a staff and faculty of about 800, and it's one of the main transportation universities in Russia; it specializes in railroads.

They were holding a conference in conjunction with their 70th anniversary celebrations, while I was there, during the period from Nov. 24 until Nov. 28, in Novosibirsk. There were approximately 400 people attending the conference. I was the only one from the United States. . . .

EIR: It seems that the theme of the Novosibirsk conference is very much the topic of continental and intercontinental rail integration. I understand that you and a Korean rail expert were the speakers on a panel on this.

Cooper: Yes. As part of the ceremonies for the conference, there were a number of people there from both North Korea and South Korea. And the fact that the Russian railway and the Novosibirsk university have been very instrumental in helping both North and South Korea work to reunify their rail systems, and to upgrade their rail systems, has been very much a part of this whole program.

There was a woman named Madame [Dr.] Choi Yeon-hye, who gave a paper on the North and South Korean railways, and the efforts to reunify them [see article, below]. And at the same time, I gave a paper on transportation corridors, and that served as one of the sessions for the conference.

EIR: Her paper is called, "For the Era of an Iron Silk Road." Could you summarize the key points?

Cooper: She reviewed the present status of operation of both the South Korean and North Korean railways. The South Korean railway is a relatively well-developed railway, with relatively high traffic, and it's in relatively good physical condition.

She also discussed the fact that they are now in the process of building a high-speed line between Seoul and Pusan, through South Korea. It is not completed yet, but it is under construction.

Then she went through, in extensive detail, what is the situation in the North Korean railway, in terms of its present traffic, its present physical condition, the commodities it hauls, and the efforts to link the North Korean railways, not only to South Korea, but to connect South Korea to China and Russia, by way of North Korea; because North Korea is essential for all the interconnections to take place.

The fact that these discussions are occurring, is an effort to really connect all these countries together and to link them much closer economically, which will be beneficial to all of the countries, in particular to North Korea. . . .

Much of the North Korean Railway is in a condition of near collapse. On some of the lines, there is no ballast. Most of it is single track. There are not that many sidings. However, there is relatively light traffic at the moment. So for the railway to be expanded, in terms of its ability to haul more cargo and passengers, it's going to have to be significantly upgraded, and then expanded.

She is establishing its present baseline, so that what needs to be improved can be defined, and then those efforts can be brought into being.

EIR: So in a way, this is part of the background for what we have seen since. This very week, since you've been back from the conference, the Russians have a big delegation in South Korea, and they have some experts up in North Korea, checking out all the lines.

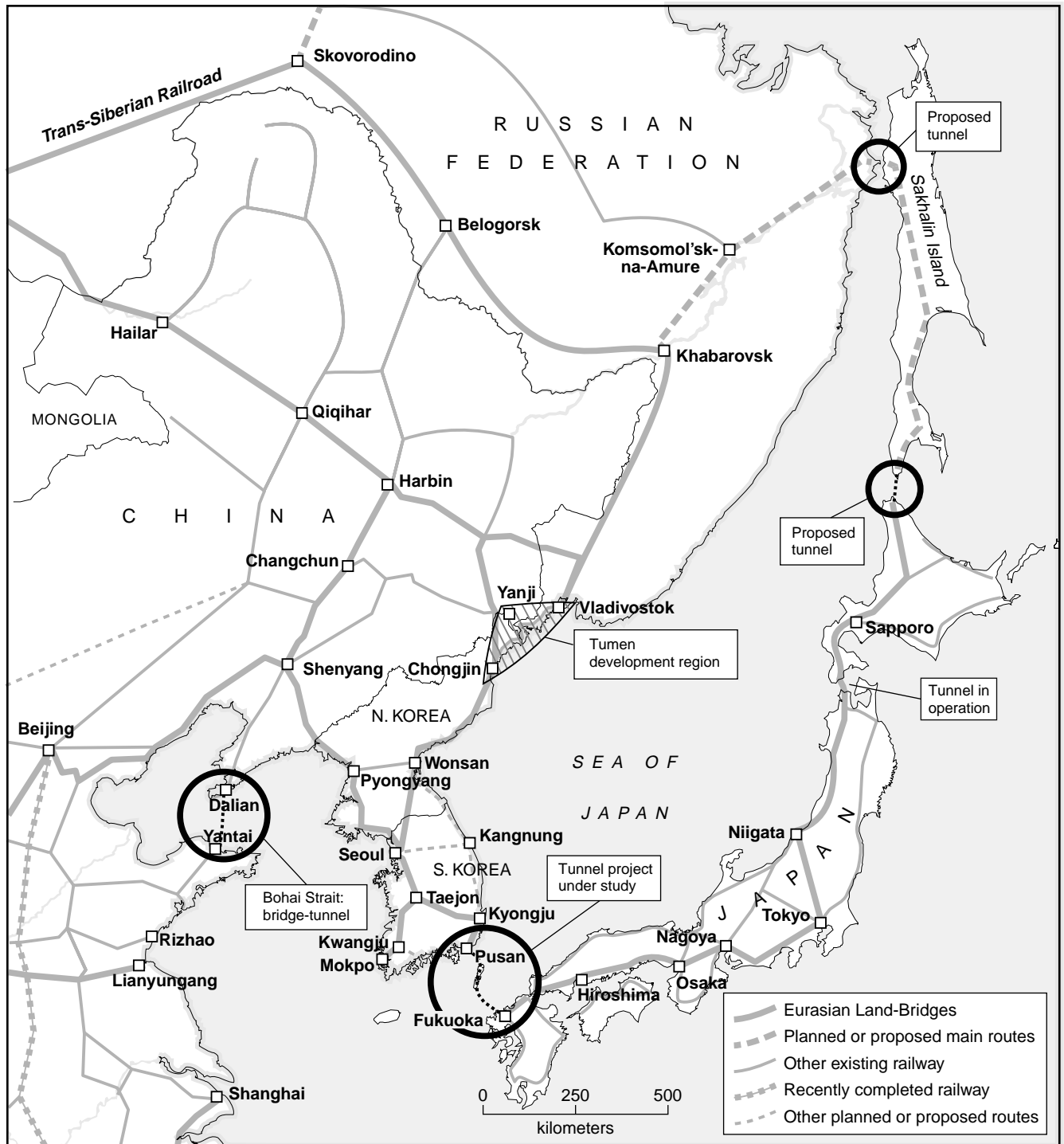
Cooper: Exactly.

EIR: So you see all this as a follow-on, to the conference of experts in which you took part?

Cooper: This is all a part of the same effort, to get these railways connected with each other, so commerce can move,

FIGURE 1

Far East Infrastructure Projects



and certainly so that the economic conditions in North Korea can be improved.

EIR: What about the routes, in your opinion and that of Dr.

Choi? Even though on the map, it appears to be the “long way ’round” to get to Europe, for example, from South Korea, by going northeast up into Russia, and then hooking west—isn’t that actually a limited way to look at it? It’s still very favorable

to link both through China—more geographically direct, and also through Russia, you say? Is that right?

Cooper: That is correct. Of course, there is one problem, and that is, that if you are going through the Russian system, you have a gauge change that you have to deal with. That's one of the issues that has to be addressed from a technical standpoint. They are working on how they can best deal with the question of changing railway gauges.

EIR: On the same panel, you talked about what we could we call the "North American integrated rail approach," which we have not had in past decades.

Cooper: I was really reviewing the present status of the development of railroad transportation corridors in North America, in my presentation, yes.

EIR: The long-hoped-for one that you have fought for, is the Alaska-Canada-U.S.A. line, connecting to the Bering Strait.

Cooper: The Bering Strait Tunnel project. I was asked to focus my presentation, not on what I had written my paper about—except in review—but on, how does all this relate to the Bering Strait and what can be done? Because at that university, they have already established a taskforce of people to study the Bering Strait Tunnel, and the ability to generate traffic for economic development in the corridors leading to the Bering Strait Tunnel from the existing railway lines now.

EIR: What is involved technically in such a tunnel? It's fascinating. Would it be a tunnel under the Earth; or a kind of sealed box on the seabed?

Cooper: You have very long connecting routes to build from both existing railroads, and that's as much of a cost factor as a technical factor.

EIR: You mean to get up to the Strait?

Cooper: Yes, to get there. There have been suggestions of both a bridge and a tunnel. A bridge is probably less expensive, but it exposes you to the problems of the weather.

The tunnel is more expensive, but you are going to have much less problem, obviously, with weather concerns. There are people who believe in both. My personal opinion is that we should have a tunnel there. We can build bridges farther south, where we don't have as severe weather problems, and we wouldn't have as much safety or operational problems from the Bering Sea region. This is where most of the storms originate that come to North America.

Evidently, this is relatively solid material, so that digging a tunnel is not an extremely difficult task at that point, on a relative basis. It would probably be very much comparable to the tunnel we already have at the English Channel between France and England.

EIR: So, in other words, people at the Siberian State Transport University were not daunted by any technical issues of the engineering involved.

Cooper: We really didn't discuss that issue. Our concern was, if you are going to build it, why are you going to build it? What is the justification? And what is the traffic potential? That's the issue that we discussed.

EIR: What did the Russian contingents say?

Cooper: They felt that there are really two commodities that are going to make that tunnel be very viable. First of all, is the transport of oil from Russia to the United States. And second, is the transport of intermodal containers from the central part of Asia, to the central part of North America.

EIR: From your point of view—the only American there—what assessment did you convey to the Russians about the prospects for getting this North American corridor that would go up to the Bering Strait connection?

Cooper: It was, and is, my opinion, that the governments of the United States and Russia need to work together. I think that the issue of the transport of oil seems to be the strategic interest that ties all of this together, because we had a very extensive discussion among the participants of the session, about—if we are going to transport oil from Russia to the United States, where are we going to transport it from? Where will it go to? Where will the oil be refined? And then, where does that fit into the market in the United States? And then, what are all the problems involved with the transport routes and infrastructure?

Our conclusion was, because so much of Russia's oil is in northerly locations, where it's a long ways from an ocean, we would be better off, shipping it by rail through the Bering Strait, than trying to use pipelines and seaports, and run into all these problems with other countries, when in fact, that isn't even necessary.

EIR: So you are talking about good, old-fashioned tanker-cars?

Cooper: Exactly.

EIR: In other words, this really takes it outside the box of the limited discussion of whether to have an Alaskan northern slope gas pipeline?

Cooper: Actually, building a natural gas pipeline might serve as an impetus to get the American part of this project moving, which is my belief, because some of the states in the upper Midwest would like to buy natural gas from Alaska, so as to assure a stable supply at a stable price.

EIR: This brings us to the gist of what your prepared paper was talking about; that is, integrated transport corridors, that have utilities combined. Did you report on that?

Cooper: Oh, yes. And the Russian people feel that in these areas which are remote, which right now have no development, you have, you know, nothing that you need to un-build, if you are developing a transportation corridor. So that concept works very well.

In fact, as you are probably aware, I did a feasibility study several years ago for one of these rail lines in northeastern Russia, which would actually involve a 500-mile-long transportation corridor, integrating this concept.

EIR: So in the paper that you submitted, you summarized how you would see the upgrading of the rail system of North America in that light?

Cooper: Exactly.

EIR: Which key corridors did you highlight?

Cooper: Well, the corridor that's of focus, is from the Bering Strait down into northern British Columbia, into the U.S.-Canada border in North Dakota, and to a lesser extent, in the state of Washington, because that's the primary place of interest of getting cargo from the United States to the Bering Strait, by way of Alaska.

EIR: And to finish out the continental picture, the corridor that you speak of, running through the Dakotas, would continue southward down into Mexico?

Cooper: That is correct.

EIR: Otherwise, you see that in already highly settled regions, such as the Eastern United States, or urban areas on the West Coast, you see particular kinds of corridors there too? But with more specialized functions?

Cooper: They would probably be somewhat more limited, but there needs to be a corridor along the West Coast, generally parallel to Interstate 5, which, you know, I've already proposed, and made several presentations to the LaRouche organization about, in Los Angeles. And the Central Corridor—which I presented to the LaRouche organization in South Dakota. And then, also a corridor going over to Chicago and Minneapolis from the Dakotas, because of the fact that ties into the eastern, southern United States.

EIR: So, in other words, as this year ends, you are involved in almost as much, or more, international discussion—with the Russians and the Koreans—than has happened on Capitol Hill, because of the opposition here to do anything about Amtrak and so forth.

Can you say something about what ought to be done about our national passenger rail and the immediate emergency situation that we have?

Cooper: It's very obvious to me that the reason that we have so many financial problems with our airlines, is that we've tried to force a bi-modal passenger transportation system in this country, for intermodal service, which is airplanes and automobiles—basically to try to exclude railroads.

EIR: You mean, in the longer view—over the last 50 years?

Cooper: Over the last 50 years, exactly. This has been the basis of the transportation policy of the United States. And

this policy also integrates burning the maximum amount of oil that has to be imported, as we can possibly do. This is the basis of the policy, and this is what has to be, basically, thrown out the window. Because we're proving right now that when you try to use airplanes for markets for which they are really not suitable, it doesn't work!

EIR: You mean short-hop and so forth.

Cooper: Yes, exactly.

EIR: So you're saying, that since we have the overall crisis, it can be an opportunity to put things back on—

Cooper: Put things back onto where they should have been in the first place. We should never have gotten in this mess. We have a lot of airlines that probably never should be there. Not that I'm against Boeing, right here in Seattle! But, we use too many airplanes for our inter-city transportation in this country. I'm afraid Russia's beginning to go down that same path.

But anyway, I feel that we have to get the national system re-built, with a minimum of two trains in each direction in each of those lines, and we need to start expanding the lines. We have to recognize that we have an energy problem. And that isn't going to be solved by running more planes, and driving more cars.

EIR: You're saying, what we have now in the way of the major Amtrak and Via Canada and Mexican passenger lines, should have two trains on each of them.

Cooper: They *should have*, and most of them do not. That's what I'm trying to point out. To make this economically viable, you need at least two a day in each direction, and we don't have that.

EIR: So you will have a lot to do in the new year, to help change the thinking.

Cooper: Well, I hope so. As you said, I probably had more discussions about integration of rail systems between North America and Asia, than has occurred on Capitol Hill, and I believe it—that's the case!

EIR: Maybe you can bring pressure to bear from the outside.

Cooper: The difficulty that we have, is that most of the government people look at all this as fantasy-land. I mean, they are not looking at the strategic interest of the country.

And you know, the Russians were very concerned about, how do we get oil from Russia to the United States, and where does it need to get to? And their conclusion is, you are not going to bring most of this by ship or by plane.

EIR: So it is always back to, what is the right infrastructure?

Cooper: Right. . . .

EIR: Well, thank you for representing the traditional interests of the United States.

Cooper: Obviously, today, there is a concern over there about this war, and why are we spending so much effort on that, when we really don't need to.

Korean Rail Expert

'For the Era of The Iron Silk Road'

Dr. Choi Yeon-hye, professor in the Department of Transportation Management at the Korea National Railroad College in South Korea, spoke at the Nov. 25-29 conference at the Siberian State Transport University in Novosibirsk, on a panel with Dr. Hal Cooper. Dr. Choi contributed a paper, "For the Era of the Iron Silk Road: A Report on Inter-Korean Railway Link Projects and Perspectives for the TKR-TSR" (Trans-Korean Railway and Trans-Siberian Railway).

In the 30-page document, Dr. Choi starts with a chronology of the Korean National Railway, from 1899 to the present, and then reviews the status of the current North and South Korean rail systems. Finally she gives the latest update on the "Inter-Korean Railway Link Projects," and her perspective on "Alternatives for Continental Railway Link"—through both China and Russia.

Her paper provides charts and tables of the "Planned Inter-Korean Infrastructure Re-Link Projects," ranging from a mere 8 km of the Jangdan-Bongdong connection on the west coast Kyongui Line (opened in 1906, to connect Seoul with Pyongyang and Shinuiju), to a re-link of 127 km on the Kangnung-Demilitarized Zone segment of the east coast Donghae-Bukbu Line. She writes that with the reconnections, "the two Koreas are expecting positive impacts, first of all, in the economic field. Transportation costs between the two Koreas will

be reduced to about one-quarter of the current cost of sending goods by ships, namely to \$150-200 per TEU [20-foot equivalent unit] from the current \$700." And there will be time savings, too.

Choi wrote: "These merits will contribute to increasing inter-Korean economic cooperation. According to estimations from the Korean Ministry of Construction and Transportation, the volume of inter-Korean trade can be increased up to tenfold of this year."

In giving her view of the "Comparative Advantages for the Trans-Siberian Railway," Choi stressed that, in respect to future progress in North Korea, "Russia can plan an important role, because it is one of a few countries which still remain in a diplomatic relationship with North Korea. Furthermore, the two countries have been cultivating a close friendship traditionally. Hence, Russia is situated in a position to inspire North Korea for re-linking railway networks and also for keeping up smooth operations later on."

Dr. Choi drew out other comparative advantages of the Trans-Siberian link—not as opposed to the link-up with China, but rather, for certain inherent merits. She provided a chart (**Table 1**) comparing three land-routes from Korea to Germany, and the marine transport trip, in terms of length of time, distance, and estimated fare. She then summarized:

"First, in the case of the TSR, the number of transit countries is much less than the TCR [Trans-China Railroad]-TMGR [Trans-Mongolia Railroad]-TSR corridor. It is generally acknowledged that the customs formalities at the cross-border are always accompanied by some risks in terms of time.

"Second, TSR still offers available capacity, whereas the TCR suffers in some areas from partly serious bottleneck phenomena.

"Third, the transportation means more than transit. The connection to TSR indicates access to Siberia, which is known as the treasure house of various resources. Therefore, taking a chance to participate in the economic development process of this area represents another merit of TSR."

TABLE 1

From Korea to Germany: Comparison of Three 'Iron Silk Road' Routes, and Marine Transport

| Route | Length (km) | Time (Days) | Fares (\$) |
|---|-------------|-------------|-------------|
| 1. Trans-Korea/Trans-Siberia Rail Seoul-Tumen River-Bostochini-Brest-Berlin | 11,569 | 24-26 | 1,869-2,019 |
| 2. Trans-Korea/ Trans-China/Trans-Mongolia/Trans-Siberia Seoul-Shinuiju-Dandong-Beijing-Ulanbaator-Brest-Berlin | 10,625 | 25-27 | 1,919-2,069 |
| 3. Pusan, Trans-Korea/Trans-Siberia Pusan-Bostochini-Brest Berlin | 12,080 | 26-28 | 2,024-2,174 |
| 4. Marine Transportation* | 21,749 | 33 | 2,101-2,501 |

* Different marine routes from Pusan to Europe (Rotterdam). By sea, through the Suez Canal (27,000 km); through the Panama Canal (23,000 km); via Cape Town, South Africa, (27,000); or land-bridge across North America (20,000 km).

Source: Dr. Choi Yeon-hye, "For the Era of the Iron Silk Road: A Report on Inter-Korean Railway Link Projects and Perspectives for THR-TSR," November, 2002.

Malaysia Demands Japan Regain Economic Lead

Malaysian Prime Minister Dr. Mahathir bin Mohamad spoke in Tokyo on Dec. 12, at the “Seminar on the 20th Anniversary of the Look East Policy,” which refers to Malaysia’s policy of learning from the Japanese model of economic development. Dr. Mahathir painted a gruesome portrait of the global economic crisis brought on by the “globalization” of speculative, free trade economics since the deregulation of currency speculation in 1971. He criticized Japan for turning against its own historic commitment to a policy of government fostering of economic development, in favor of “westernizing,” contributing greatly to the current crisis. He called on Japan to return to the dirigistic methods which worked in the past, and to again provide leadership to the developing nations of the world.

What Malaysia’s leader did not address, in his words to Tokyo, is that Japan’s 19th century Meiji adoption of these dirigistic methods was inspired by a faction in the United States dedicated to the American System of Political Economy of Alexander Hamilton, Matthew Carey, Frederick List, and Erasmus Peshine Smith, as opposed to the British free trade model. In the reconstruction after World War II, the American occupation under General Douglas MacArthur supported Franklin Delano’s Roosevelt’s model of this American System. Drawing out this connection, beyond Dr. Mahathir’s analysis, is of particular importance at this point in history, as the collapsing U.S. economy is itself faced with choosing between the failed free-trade policies of the past 30 years, or a renewal of American System ideas, now promoted by Presidential candidate Lyndon LaRouche.

Dr. Mahathir’s speech is excerpted, and subheads have been added.

I would like to thank the organisers for inviting me to speak at this 20th Anniversary of the Look East Policy. I have chosen to speak on “Look East Policy— The Challenges for Japan in a Globalised World.” The people of East Asia had been Looking East long before Malaysia adopted the Look East Policy. When Japan started modernising during the Meiji Restoration, East Asians who were then faced with aggressive European and American free traders, to open their countries for trade, looked at Japan’s handling of this problem. . . .

Japan was able to ward off European and American hegemony by adopting the administrative systems and the com-

mercialisation of the economy. Large numbers of Japanese were sent to Europe in order to acquire industrial technology. Very quickly Japan became as much an industrial and commercial power as the Europeans. Any idea that the Europeans had of colonising or dominating Japan was shattered when in 1905 a modern Japanese Navy defeated the Russians decisively. From then on Japan was looked up to by East Asians.

...

Malaysia identified what we believed to be the factors which contributed towards Japan’s success. They are the patriotism, discipline, good work ethics, competent management system and above all the close cooperation between the Government and the private sector. And so we tried to adopt these practices and instill these cultures in our people. And everyone now acknowledges that Malaysia has made better progress than most other developing countries. The fastest pace of Malaysia’s progress and development took place in the last two decades coinciding with Malaysia’s Look East policy. . . .

Free Trade Is Like Gunboats

Free trade had always been the war cry of the Europeans. In the 19th Century they used threats and force of arms to open up the countries of East Asia for trade. They objected strongly when they were not allowed to use opium to pay for the goods of Asian countries. . . . All these were done in the name of free trade. How it could be called free trade when force of arms were used, and partner countries were occupied and colonised, is difficult to understand. But today we are again assailed by the same demand for free trade.

Some countries are subjected to sanctions; i.e., they were not allowed to trade freely unless they accept the terms and conditions proposed for them. If they have to accept, then can it be said that their trade is free? Trade under terms imposed by the traders surely cannot be free trade.

Tremendous pressure is brought to bear on these countries to conform. Institutions including the media controlled by the rich and the powerful examine and investigate every aspect of a country’s administration, including its politics, in order to enforce conformity. These institutions publish their findings which often affect adversely the economy and politics of the countries concerned. In this way the countries are forced to conform, or more correctly, to obey. Yet no matter how they try to conform they are invariably found wanting. They can do nothing right.

The gunboats have disappeared but the economic and political pressures exerted are no less threatening, no less effective. An army of occupation cannot colonise more effectively than the economic and political arm-twisting used by the Western countries.

Witness the operation of the free market in currencies. Upon allowing the currencies to be floated, the so-called free traders traded not in goods but in currencies. The currency of

a country is treated as a commodity which is not only bought and sold but is speculated in. From speculation the traders graduated to manipulation, selling huge quantities of currencies in order to force down the value and then buying at the depressed prices in order to deliver to their buyers. Short selling has been taken to the ultimate level. . . .

But what is of concern to the small countries is that the free trade in currencies could destroy their economies overnight. Suddenly countries which were doing well, which were regarded as tiger economies; suddenly they became insolvent. The “international” institutions then moved in to advise and to offer to lend money to pay off foreign debts. . . . The money borrowed is not disbursed unless certain “reforms” are carried out. But even if the money is given it is to be used to pay debts to foreign banks. In effect the country is just changing the creditors, becoming borrowers of the international institutions instead of the foreign banks. The burden of debts remains, sometimes permanently.

In the meantime every aspect of the administration of the country is put under the control of the international institutions, which in effect means being controlled by the rich countries which control the institutions. It means colonisation and nothing less. As before when gunships were used to open up countries for trade, now the international institutions are used to open up the countries for the so-called “free trade”. . . .

Japan’s Role

Japan has been having a bad time for more than a decade now. The people who are looking East are not getting any guidance from Japan. It seems that Japan is somehow unable to pull itself out of the economic quagmire that it is in. . . .

As a foreigner from a small country, it is not for me to tell Japan what it should do in order to again become a model for us. But with apologies, I would like to put in my penny worth of comments.

No one can dispute that Japan achieved a miracle when it rebuilt itself after the war. How did it do it? It did it by not being advised by other people. It did it in its own way. The only advice it accepted was to produce high quality goods, goods of world standards, so as to be accepted by the world markets. The rest was entirely Japanese. . . .

So it was not unusual for the banks to lend more money than they had for the expansion of Japanese companies. In any case the stock market was bullish and the value of the Japanese companies was high. The banks felt secure because the collaterals they held were adequate, and they were lending to companies which were worth more and more all the time because their shares were appreciating to astronomical heights. The companies were certainly better propositions than the hedge funds whose value is not known, and as we have seen can suddenly be worth nothing. The Japanese companies could have gone on expanding. But Japan decided to Westernise its business practices.

Japan has been censured for the close cooperation be-

tween the government and the corporations. Japan Incorporated was regarded as some kind of cronyism involving the government and the private sector. Malaysia sees nothing wrong in the close collaboration between government and the private sector. The government should help the private sector to succeed because a large chunk of the profits made by the private sector belongs to the government. In helping the private sector the government is actually helping itself. . . .

We understand the desire of the Japanese to Westernise [their] system. But when systems are suddenly changed, even if it is for the better, there will be severe disruptions. It is far better to stick to the system which worked. And the Japanese system had worked very well for the Japanese. It enabled Japan to recover rapidly from the destruction wrought by the war and it made Japan the second most powerful economy in the world. It may not be the Western way but it cannot be all wrong if it can achieve so much. If you must change, then change slowly to avoid too much disruption.

‘World Has Truly Lost Its Way’

Asians are looking East at Japan. Yes we can learn from your mistake, but we would rather learn from your success. The Japanese people as a whole must wake up and appreciate that the disaster that you face now is of your own making. Just as your post-war recovery was through your own way, you can recover now by your own way. . . .

And the challenge for Japan is to take on the leadership role. Japan has the size, the wealth and world class technologies. Military might is still important but today’s war is more economic than military. Japan has shown how it could resurrect itself after the most devastating war ever. It was a feat that reflects the character of the Japanese people. Prosperity has no doubt sapped some of this character, but not completely. . . .

We live in an age of fear, we are afraid of terrorists and being frightened, we react blindly. We try to fight terrorists as if we are fighting a conventional war. We erect barriers around us, we invent new security measures, we break our own codes of behavior, we do not respect borders, we assassinate and kidnap, we detain our enemies without trial and put them to death. We are getting more and more angry and in our anger we have become irrational. We are back in the stone age when might is right. . . .

The world has truly lost its way. The anger of the terrorist is there and will remain there. But we can control our anger, we can be rational. Only rationality can win us the battle against the terrorists.

Japan is not the target. It need not be filled with anger. It can help bring the world back to its senses. It can help revive the world’s economy. It can do many things if it decides not to follow but to lead. This then is the challenge for Japan in a globalised world, to lead and not to be led.

Germany and the Lautenbach Plan: Can We Learn from History?

by Helga Zepp-LaRouche

This presentation was given to a Copenhagen “cadre school” for young organizers from Denmark, Sweden, and Norway, on Dec. 1. Mrs. LaRouche spoke by phone. Subheads have been added.

What I want to discuss with you today, is the question of what it takes to be a leadership of Europe today. Because it's very clear, that if we just leave it to the “powers that be,” to the governments in place, then we all are in bad shape, because either these governments created the mess in which we are, or they didn't prevent it.

So, what I want to do today, is to focus on the situation in Germany, because this is where a very important debate is taking place right now; and then, in the end, I want to discuss with you, what you can do in Scandinavia, to impact the situation in Germany, and that way have an influence on the development in Europe in general.

A Popular Song, and German Popular Opinion

You all know that on Sept. 22, the Schröder government, which is in a “Red-Green” coalition—consisting of the Social Democrats and Greens—got voted in. And, only two months later (end of November-beginning of December), this government is already in a complete disaster; and, you know, it is a question, how long it will remain.

Just before the election, sometime around July-August, Schröder realized that he was losing in the polls, that there was no way that he could win the elections. So he made a drastic shift, and he adopted essentially two programmatic points of the BüSo—which is the German equivalent of the EAP [LaRouche's Swedish co-thinkers, European Labor Party]: namely, an absolute firm opposition against the war in Iraq; and then, secondly, he took a programmatic point of our economic recovery program—namely, to use the national

bank in Germany, the Kreditanstalt für Wiederaufbau, to have a state intervention program for jobs creation. This was a watered-down version of what we were saying, but it was clearly copied from us.

Then the Red-Green coalition came in, and coalition negotiations took place. And Eichel, who is the Finance Minister, succeeded, with massive support by the Greenies, to implement an absolutely brutal austerity program, trying to cover the budget deficit of something like 15 billion euros, with massive cuts in the social programs, health care, unemployment money, and so forth. And the whole population got totally enraged.

And, then something very funny happened, and you actually may have heard of it: You probably know this pop band “The Ketchups”—well, obviously, I will not sing it to you, but it's a song that was very popular on the charts for the last month. Somebody had the bright idea, to take this very popular song, which everybody knows, and write a new text to it. Basically saying, “Ha ha, I'm your Chancellor. You voted me in. Now, I'm stealing out of your pockets everything I can get. And you voted me in, and now you can't fire me. That's the thorny aspect about democracy. And I keep stealing your money, and I know you have put away some cash somewhere, and I'll find it.”

And it goes on and on like that.

So, the whole country is singing this song, which shot up in three days, from newcomer to #1 on the charts. And, Schröder is the absolute laughingstock of the whole country.

Then, another campaign became very popular, namely, that people said, “This guy is stealing our last shirt”; in German, there is an idiom, if you steal somebody's “last shirt,” you really take everything away. So, people have started to send in shirts—you know, blouses, tee-shirts, whatnot. And hundreds of thousands of shirts have been sent already to



Helga Zepp-LaRouche: The world crisis requires “decisive intervention by outstanding individuals, who regard themselves as world-historical individuals. Who say, ‘I take upon myself, the fate of mankind. I’m not just sitting here like a cow, eating grass, enjoying myself. But, I’m the one, who is taking responsibility for what will happen to this historical period, in which I’m born.’ ”

Chancellor Schröder.

Now, what this really reminds you of, is the sense of the cabarets of the '20s and '30s. For those of you who have looked into that part of history, the political cabaret was very popular; as well, as the Depression and the unemployment became worse, the political cabaret became more funny, more witty, but naturally never had any solution. So, you have, actually, a repetition of that.

The Controversy of Schröder as Brüning

All of a sudden, a very important debate started to erupt in Germany, where one of the former leading Social Democratic politicians, Oskar Lafontaine, who had been kicked out of the party some years ago, accused Schröder of repeating the policies of Heinrich Brüning. Now, Brüning was one of the last Chancellors, who in history is being accused of having prepared the way for Hitler. This is not a light thing to say in Germany, so naturally the freakout was gigantic. And then, another historian called Arnulf Baring—a very vicious, right-wing liberal historian from the Free University in Berlin, who had had an earlier career at Harvard at the time when Kissinger was there—and is influential, and clearly has a total Anglo-American profile—he also started to use this comparison to Brüning; and actually said that the people should go out in the streets and topple this government; that they should change the Constitution, because the problem with this Constitution of Germany right now, is, it does not have the possibility of emergency laws, as in the '30s used by Brüning, and therefore this Constitution should be changed.

Now, this is severe: Because this is not only an attack on the Constitution, in terms of the economic dimension; but—

apart from Article 48, which is the emergency provision which existed in the '30s—Article 26 of the present Constitution prohibits German participation in any war of aggression. This is obviously extremely important, because Germany by *its Constitution*, cannot participate in the U.S. war against Iraq; because that, by all international law standards, *is* a war of aggression. So, what I’m trying to describe to you, is that there is a complete assault on the German Constitution, with the effort to eliminate exactly that, which fortunately occurred after the Second World War, to prohibit that Germany, ever again, would participate in any war of aggression.

This is very hot, because, if you look at the history in the last Depression, in the period between the Black Friday in '29 and mass unemployment, until '33, this period really moved extremely quickly. If people now are talking about Brüning, what is in the air is that something much worse could come. Now, there is no Hitler visible—Schröder, for sure, not; nobody in the CDU [Christian Democratic Union]. But, we are in a period, in which total chaos and “Argentinization” is actually threatening. What I mean by “Argentinization” is that the whole economic system could disintegrate in exactly the same way, as you can see it in Argentina, right now. And that would mean chaos.

So, the track in Berlin, the so-called “insider gossip,” is that this government will only last until the Spring.

Hitler Could Have Been Prevented

It is very interesting, and very important for you to understand, that, for the first time ever, somebody outside of our organization has come up with the argument, that if certain economic policies would have been adopted in the



Adolf Hitler with Reichsbank President Hjalmar Schacht, in 1934. Had the economic policies of Dr. Wilhelm Lautenbach been adopted in the early 1930s, the collapse could have been reversed, and Hitler would never have come to power. Instead, Schacht and his Anglo-American backers, including Bank of England head Montagu Norman and J.P. Morgan, brought Hitler to power through massive support to the Nazi Party.

'30s, Hitler could have been prevented. Now that's very interesting, because the leading economics professor of Germany, the Kiel Economics Professor Giersch, who was one of the so-called "Five Wise Men," had an article last Sunday [Nov. 24], in which he said: If the economic proposals of a whole group of economists in the '30s, who proposed to have a state intervention, had been adopted, then Hitler could have been prevented.

Now, I just wrote a leaflet, which we will have for mass circulation in Germany, where I say: This is fantastic that this argument now is there, because we are in exactly a similar situation; and let's have a national debate, on how we can get out of this crisis. But, the fact that somebody who is relatively known, like this Professor Giersch, picked up this argument—

this is a bombshell; it's a complete revolution. And I would really suggest, that maybe you can have that leaflet out in Danish, in Swedish, and then have, elsewhere in Europe, discussions: "Could Hitler have been prevented? And, are we in the similar situation today? And what are the economic proposals, which would make such a change possible?"

Let me go briefly into the historical background of this debate, because this relatively unknown, but I think it is extremely important to look at this today.

In 1930, there was a circle of so-called "reformers" in Germany—professors, bankers, industrialists, bureaucrats, who, from different points of view, and with different ideological touches, all argued against the free-trade dogma, and said, "We have to deal with the economic depression with other economic options." One of them was Dr. Wilhelm Lautenbach, a high-level economist from the Reich Economics Ministry, who belonged temporarily to the Brandt Commission for the study of the unemployment question; and who was an adviser, first of the Brüning government, and later of von Schleicher.

Another one, was the Lübeck industrialist Heinrich Dräger, who belonged to a study group on money and credit. And, both of them, especially Lautenbach, produced various writings, memos, speeches, and so forth; he wrote one book, which was called, *Interest Rates, Credit, and Production*. The main argument he made there, is that, in a depression, despite reduced production, sales are down, and then, as a result of that—reduced sales—production gets further reduced, so forth and so on, and this is a spiral toward lower and lower levels, without a bottom.

And that's exactly what we have today, because consumer confidence collapses, people are afraid of the future, they don't buy any more; and if you then impose austerity, you go down, and down, and down. As Lautenbach said: Therefore, you have to have the conscious intervention, necessary to overcome the depression, and that could only occur through the courage to implement the visionary task for the future. And then, he mentioned the example of the reconstruction of Tokyo after the earthquake in 1923. This was a very severe earthquake, which had completely turned Tokyo into a rubble field, and basically, then, nobody asked where to take the money from: They just issued *unlimited credit*, reconstructed Tokyo, and that led to an increase of the productivity and living standard of all of Japan, because it had such an incredible revitalizing effect on the economy.

1930 Proposals for Directed Credit

So, what Lautenbach said was: Therefore, what you have to do is, you have to build large infrastructure projects, and the financing has to occur on the basis of [government] bills based on discount—discountable bills. And the banks should give credit lines to the firms which participate in the project. And the way that functions is, that only the wages are actually paid in cash. The rest of the cost occurs in the form of checks,

or bills, so that the actual amount of newly issued credit is relatively small.

Now, the entrepreneur who participates in these projects, can invest in new investments, and repair things, for which he didn't have the money to repair before because of the depression. And then, these bills, issued initially based on discount, after 12-15 months, should be transformed into medium- or long-term Treasury bonds, which will be covered through the growing national income. The credit is only given if a project is necessary and productive. So therefore, real wealth is created, and therefore creates no inflation, because you only give out as much credit as you produce in terms of real wealth; and that way, you actually increase the capital value of society.

Now, Brüning knew about this proposal, but he did not adopt it. Other people had similar proposals, as we already mentioned: Lübeck industrialist Heinrich Dräger, who, in 1931, had written several memos; Franz von Papen and Kurt von Schleicher, who did, indeed [as Chancellors], pick up these proposals. There was another person: Dr. Günther Gercke; . . . Dr. Wagemann, and so forth.

Heinrich Dräger wrote a book in 1932, called *Job Creation Through Productive Credit Creation*. And in this book, he dealt with the exaggerated fear of inflation, which, as you remember, in 1923, when the Reichsbank basically printed as much money as was required to pay the reparations—much, much more than the German economy could compensate in terms of real production. And that then led to the famous hyperinflation, in which, in November 1923, you had to pay for one pound of bread with a trillion reichsmarks, and then it became absurd and people just stopped using this money altogether. In the end phase, they would literally have wheelbarrows of money, with which they would run to the baker to buy a piece of bread. And then the whole became absurd, and stopped.

So therefore, because of this experience, the fear of inflation in Germany was really very, very great. Now, in this book, Dräger dealt with the exaggerated fear of inflation, and said, "If you generate credit *only* for productive investments, then it will not lead to inflation. Credit should only be used for new, long-term productive values, and lead to an increase of real goods and capital value."

Now, Dräger had a very interesting proposal. He said, "These kinds of credits should have zero-percent interest rate, because these large, long-term projects, have only a very slow amortization, and therefore, one should have no interest on these, at all."

Now, he actually had a very concrete proposal—he proposed, for 1932, to issue 2 billion reichsmarks for such infrastructure projects—for public projects—and then, when the success would be obvious, and the public acceptance would increase, he said, "Then in 1933, we can use 5 billion reichsmarks. And, then in the period between 1933-39, let's have 30 billion reichsmarks." And then he calculated, that through



The hyperinflated currency of Weimar Germany in the 1920s became so worthless, that it was used as cooking fuel. Lautenbach's memorandum showed the way out: state creation of credit for productive jobs in infrastructure building.

the initial 2 billion reichsmarks, there would be jobs for 500,000 people created; and then through the secondary wave of investment—for example, if you build a large infrastructure project, like a maglev train or some other things, you're not only employing the people who are immediately involved, but those people can then go to the baker and buy more bread; they can go to the dentist and have better teeth; so you have a secondary wave of mobilizing the economy. So, he calculated, that for this initial 500,000 jobs, you would have the secondary wave of investments for 2 million jobs. And, he suggested, very concretely, large infrastructure projects: fast trains, power plants, modernization of large cities, and so forth.

And he said: Either we do that—issue credit for these productive investments—or, if the economy continues to go down, soon we will have to issue credit to finance unemployment payments, because the unemployment will become so

big, that we will have to issue credit to pay it.

That's exactly the situation that we have today.

The Lautenbach Memorandum

On the Sept. 16 and 17, 1931, there was a secret conference of the List Society in Germany, with the already-mentioned Dr. Wilhelm Lautenbach, Dr. Hans Luther—who was the President of the Reichsbank at the time—and 30 leading industrialists and bankers. So, this is very interesting, because he [Lautenbach] wrote a memorandum. And this memorandum is, today, the absolute key, if you want to get out of this Depression, and have an alternative. Because, you know, when we talk about New Bretton Woods system, and Eurasian Land-Bridge, this Lautenbach proposal actually is exactly the theoretical basis, of what Franklin D. Roosevelt did in the 1930s and '40s, to bring the U.S. economy out of the Depression.

And that is the famous document, that, if that would have been implemented, the economic conditions could have been eliminated, which enabled Hitler and the Nazis to take power two years later. And, I would strongly suggest that you look into this, because this is one of the most decisive arguments, why the state has to intervene, and why productive credit, issued by the state, for clearly defined projects, is *not* inflationary. And, as to the question of, who should finance all of this? It's clearly answered there.

Lautenbach's memorandum was titled "The Possibilities of Boosting Economic Activity, by Means of Investment and Expansion of Credit." And, in it, he wrote, "The natural course for overcoming economic and financial emergency" is "not to limit economic activity, but to increase it." Lautenbach then said that there are two possible emergency situations: where one is a war economy, and the question of how to convert from a war economy to peacetime production; or, for example, where you have economic and financial emergencies on a national and *international* level. And it is very clear, that under those conditions, "we should and want to produce more." *But*, under the condition of a depression *and* an international financial crisis (which was then the case, and it's exactly the case today), "the market, the sole regulator of the capitalist economy, does not provide any obvious positive directives."

Now, that's exactly the problem we have today: that, under conditions of a depression, the normal market mechanisms don't function any more. If you look at Alan Greenspan, who already in [2001] lowered the interest rates 11 times, and it had absolutely no effect. Normally, if you lower interest rates—you know, when you want to stimulate the economy, you put in more liquidity, more buying power, and so forth—but, the opposite happened, because people become unemployed, they no longer have any trust, and the economy continues to collapse. Now, we have almost zero-interest-rate policies in the United States, and still, it has no effect.

Lautenbach then said: The economic emergency of the

second category, a depression and a collapse of the financial system, was characterized by the "paradoxical condition," that "despite curtailed production, demand is less than supply and first leads to the tendency to decrease production further." Under conditions of depression, there are normally two economic policy reactions: The first was the policy of deflation. The budget deficit was reduced by cutting state expenditures, prices and wages are lowered. At the same time, [bank] credit is restricted. If credits are not curtailed, low interest rates would lead to an outflow of foreign capital, which endangers the exchange rate, and produces still greater scarcity of available capital for the domestic economy. And so forth, and so on.

So, then he basically said: Therefore, the only thing which can be done under those circumstances, is that the state has to intervene, and invest in those areas in which you would invest if the economy were functioning well. And that must be things which are for the common good, which take care of those areas of the economy, in which no private entrepreneur would ever invest, because it's not profitable—such as large infrastructure projects, which have a long time before they turn a profit, and therefore any idea of "shareholder values" and get-rich-quick, you can forget.

Lautenbach said, the state must intervene in those areas which are in the interest of the common good, and they must be of such a value, that you would invest in them if the economy were functioning well. Because they're profitable and they create real capital value, and, because they do that, they are not inflationary.

Now the biggest problem in a depression is, you have to get rid of unemployment, because unemployment is the biggest cost sector in the economy—you know, you have to finance the unemployed and their families, and they produce nothing, and therefore, it's just the biggest problem. So, if you want to get out of a depression, the biggest job is to get rid of unemployment, and have productive job creation, instead; and invest in those areas, which are a boost for the general economy.

If you do that, Lautenbach argues, you can actually see, that through the initial investment and the secondary wave of job creation, you create more tax revenue than you have given out as credit in the beginning. And that has to do with the fact, that it is the human cognitive power of the person, which creates wealth. It is the cognitive ability to, again and again, have adequate hypotheses about the lawfulness of the physical universe. And if such increase in knowledge occurs, this is called "scientific progress"; and if you then transform that scientific progress into a technology, and you apply it in the production process, it increases the productivity and it creates more wealth. And that is actually the basis for the existence of society.

Because of this beautiful capacity of human labor, you can actually create more than you initially had, and that's the whole secret of why we have come as far as we have come in

human development. And, in economic terms, this means, that if you give such productive-oriented credits, the income you get later on, in terms of tax revenue, is always bigger than that which you have initially issued.

Why It Was Not Done

Now, that is actually an incredible perspective, and it was a very real discussion. But, naturally, he was prevented in this period. Well, you know—a clear, international opposition. Eventually, Dr. Wagemann—who was actually not as good as Lautenbach, who had made such a plan in 1931, and who was relatively a liberal—there was an emergency in light of the unemployment, so he made a proposal, by the end of 1931, which was relatively moderate, to increase the liquidity of the banks by 3 billion reichsmarks for such investments: This caused complete hysteria. One of the representatives of Chase National Bank, Benjamin Anderson, at that point said, this plan would be considered by the United States as a signal for a new, paper-money inflation, like the one in '23, because it would lead to an unrestrained money emission, and a total loss of confidence in the Reichsbank.

What happened with these proposals? There was a clear alternative to Hitler on the table. Brüning did not pick up the Wagemann proposal, and then, in May '31, the Depression really became virulent: You had the collapse of the Wiener Kreditanstalt, the collapse of the Danat Bank in July '31. And even Brüning, at that point, was so shocked, that he considered organizing 1 billion reichsmarks for public big projects. But, the problem was, that since he didn't go with the Lautenbach/Wagemann/Dräger proposals, he only thought to get the money through foreign credits. And since the reparation agreements forbade any direct credit creation through the Reichsbank, nothing really happened; because the foreign countries were not willing to give such credits. And so therefore, a lot of time was lost; the unemployment became bigger; and the only real effort was made by von Schleicher, but this occurred very late—in December 1932—when you already had 6 million unemployed.

Now, remember that, on Nov. 6, 1932, the Nazis in the election had a relative defeat: They got 2 million less votes, as compared to July '32. In November '32, von Papen made the proposal to dissolve the Reichstag, form himself the government based on the Reichswehr [the military]—which was a real provocative proposal, given the fact that you had all this right-left violence, Nazis, Bolsheviks, street fights, and so forth; and von Schleicher, who was Defense Minister at the time, told Reichs President Paul von Hindenburg, that this was a very bad idea. But, von Hindenburg insisted to appoint von Papen, as Chancellor; but, except for two of his ministers, they all voted for von Schleicher instead.

So, who was this guy von Schleicher? He became, on Dec. 2, 1932, the last Chancellor of the Weimar Republic. He was, actually, a very interesting figure. He came from a Christian-humanist background. He, already in 1918, together with the

Supreme Commander General Groener, negotiated an agreement between the Social Democratic Reichs President Ebert and the Reichswehr, which saved the extremely young republic from civil war, then; because, at that point, you had already anarchists and radical elements. And he played a key role in creating a very broad alliance, from workers to the Reichswehr, to save the republic—the idea that he had pursued in 1918. And he tried to build a united political front which was supposed to be a coalition of the moderate right wing, the trade unions, the Social Democrats—all relevant social forces. And he wanted to push through, with this united front, a state credit kind of program, to restart the economy.

When he became Chancellor, in December 1932, he already had the agreement for such a collaboration in the united front from many forces. For example: the general trade union association, with their chairman Leipart; the Catholic trade union movement; the Christian and free trade unions; the Reichsbanner; the Stahlhelm; the Jüngenbewegung; the German rural community association, under its president Gerecke (Gerecke was one of these economists, who had formulated the jobs-creation program, who was inspired by the proposals of the Dräger Circle for productive credit creation).

And so, on Dec. 15, 1932, the von Schleicher government declared this economic program. And he said, "This is neither capitalism, nor socialism." And he even considered nationalizing the coal and iron industries.

But, the problem at that point, was that the left-SPD [Social Democratic] faction leader, Rudolf Breitscheid, refused collaboration with von Schleicher, and said, "We do not talk to reactionary generals."

End of December: Von Schleicher, again, made a proposal for appropriation with the Social Democrats, and even proposed at one point, prohibition of the NSDAP [National Socialist German Workers Party, or Nazi Party]. But, Breitscheid rejected it again. It became so absurd, that by Jan. 11, 1933, the SPD leadership forbade the trade union chairman Leipart any dialogue with von Schleicher, at a point when he was just trying to meet and work out these things.

Now, this is all the more incredible, because on Jan. 4, 1933, there was this infamous meeting between von Papen and Hitler, in the house of the banker, Schröder, where the deal was made to put Hitler into power. And, this then occurred two weeks later. So, this was a *highly* dramatic situation.

Now, if von Schleicher had six months' time, and he wanted to invest half a million reichsmarks in these projects, then this, indeed, would have eliminated the conditions for the Nazis to take power. And, as we know, it was through Anglo-American intervention, with Schacht and money-stealing, to get money to the Nazis by Montagu Norman from the Bank of England and J.P. Morgan from New York, and Harriman and so forth; so Hitler was really imposed.

But, the conditions would have existed to prevent this from happening.

Then and Now

Now, I find this part of history is *extremely* important to quickly absorb and study now, because, as the depression is worsening, we are again in a period that such things happen. There were lots of people who saw themselves exactly in the same form; *but*, the economic policies and so forth, were similar. And the question is: Have we learned anything from history? Today, again, we have a depression, and we have an international financial crisis. And, if you leave these trends by themselves, if you just insist on debt payment, on a parity program, on monetary policies, then, indeed, you will have, on a global scale, a combination of 1929 stock market collapse, 1932-33 mass unemployment, 1923 hyperinflation; and eventually, on a global scale, chaos and “Argentinization,” a collapse of the entire structure of the state.

Now, on the other side, the alternative is on the table, *more powerfully than even in the '30s*: In the '30s, just imagine, if in Germany, they would have done the same thing as Franklin D. Roosevelt did in America. Not only would there have been no Depression, but there would have been no Second World War! Today, we have, in the form of the proposals which Lyndon LaRouche, my sweet husband, has proposed for many years, we have a much more powerful alternative.

For example, the Italian Parliament has already, with a majority, voted for a New Bretton Woods system, a new financial system. We have signatures from other parliamentari-

ans in many other countries—Russia, Australia, Poland, Hungary, and many more—and, we’re in the process of collecting more of those. We have it in the form of the Eurasian Land-Bridge, which no longer is just an economic proposal, which has worked for a long time. Because, for a long time, we were the only ones to propose a Eurasian economic integration. But now recently, in a big summit of the ASEAN plus Four countries in Phnom Penh, ASEAN plus China, Russia, Korea, and Japan, they clearly said, that they want to go for economic integration, not only for the economic benefits of everybody, but as a clear war-avoidance policy.

So, these proposals are now on the table. And, the question is, can we mobilize the European populations to implement these proposals, before it is too late?

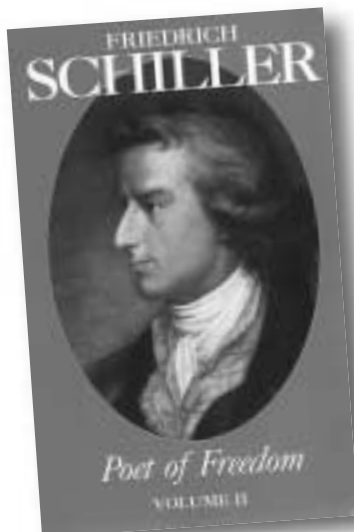
Development and Peace

Now, let me add one other consideration. It is very clear, that the crisis we’re experiencing today, is not just an economic and financial crisis; but it is, fundamentally, an epochal change, a tectonic change, where the outcome is absolutely open: Either the outcome of this historic epoch, is a dark age; or it can be, at the same time, a completely new age of reason, of economic cooperation, of optimism, and cultural renaissance.

It is very clear to me, since a long time—since a couple of decades—that Nicolaus of Cusa, who was one of the

“*There is a limit to the tyrant’s power.*”

—Friedrich Schiller,
Wilhelm Tell.



Selected writings of Friedrich Schiller, in English translation.

Volume I: *Don Carlos*, Essays, Poetry, and Epigrams. \$9.95

Volume II: *Wilhelm Tell*, Essays, and Poetry. \$15.00

Volume III: *The Virgin of Orleans*, Essays, Poetry, and Ballads. \$15.00

Order from:

Ben Franklin Booksellers

P.O. Box 1707

Leesburg, VA 20177

1-800-453-4108 (toll-free) or 1-703-777-3661

Shipping and handling: \$4 for the first book, \$.50 for each additional book.

greatest thinkers of European history, for sure: He was the founder of the modern nation-state; he's the founder of modern science; he was a Cardinal in the 15th Century; and, he developed profound ideas. For example: He has this conception, that the laws of the macrocosm, and the laws of the microcosm, are exactly the same. Which means that the laws of creative reason, the microcosm, and the laws of the physical universe, the macrocosm, are identical. And that is the only reason, why *the mind can know, with absolute certainty, things in the physical universe*. I mean, that is one of the most beautiful things: that the human mind can produce an idea. And if you try to weigh an idea, if you measure it, if you try to smell it, you can't do any of these things to an idea, because it's immaterial! It doesn't weigh anything, it has no length, it doesn't smell. But it exists! And, if this idea is a *universal* idea, if it concerns a universally valid principle, then it can change the physical universe. Now, that's one of the most beautiful things to think about: That something which is completely immaterial, *an idea*, indeed, can have an effect in the physical universe. Nicolaus had this beautiful idea, that concordance in the microcosm—peace in the physical order at large—can *only* exist, if all microcosms develop in the absolute maximum way.

Well, this is something that is applicable, also, to the political order. You can have peace in the political world, *only* if all microcosms, all sovereign nation-states, develop in the maximum way. I mean, you cannot have imperialism, where one large country dominates the others, at the expense of their development. According to Nicolaus, then peace is impossible. But, only if each country, each sovereign nation-state, each microcosm, develops its most beautiful potentials, and regards this as its self-interest with the other microcosm, which also develops itself in the best possible way: Only on that basis, you can have peace.

Now, that basically means—and then an idea, which many other thinkers had, later on, also, including such people as Vernadsky, or the Indian philosopher Sri Aurobindo Ghosh: that only if you implement the cosmic order in the political world, then you can have peace and progress.

I'm absolutely convinced, that we have reached, for the first time in human history, a moment where we are all sitting in the one boat. You cannot have two continents collapsed in misery and death—like Africa and Latin America are doing right now—and somehow think, that we in Europe are sitting behind a big "*limes* wall," and can enjoy ourselves, and survive. In former times, you had cultures going under, like the Roman Empire collapsed; the Byzantine Empire; the Incas; the Aztecs; and many other empires collapsed; and in other parts of the world, people didn't even know about it, because it took a lot of time to travel, and it didn't bother people, because it was so far away. And, other areas of the world had beautiful renaissance periods, like the Gupta period in India in the Fifth and Sixth Centuries B.C., and the Sung Dynasty in China, and so forth—and Europe was in a dark age.



The founding meeting of the Nordic chapter of the International LaRouche Movement on Nov. 30-Dec. 1 in Copenhagen, which Lyndon and Helga LaRouche addressed.

Global History Is Made by Individuals

Now, for the very first time, because of the globalization (what I mean by real globalization, is nuclear weapons, AIDS and other pandemics, communications, and so forth), we are all so much connected, that either we come out of this together, and create a human order, a political order which is worthy of human dignity—a just, new world economic order, which allows the survival of *all people*; or, we all will not make it. So, I'm actually optimistic, that, when challenged with a great evil, man has the absolute capacity to respond with an even greater Good.

Now, this, however, is not some mechanistic historical materialism, or dialectical materialism; but, history is made by individuals. And therefore, we put so much emphasis on Friedrich Schiller, and why the Schiller Institute is actually named after him; because it requires the absolute decisive intervention by outstanding individuals, who regard themselves as world-historical individuals. Who say, "I take upon myself, the fate of mankind. I'm not just sitting here like a cow, eating grass, enjoying myself. But, I'm the one, who is taking responsibility for what will happen to this historical period, in which I'm born."

And this requires that you feel compassion. That you have to take all of mankind into your heart. You have to say, "I love the people in Africa, in Latin America, in Asia, as much as I love my little niece or nephew, or people in my immediate environment." And only if you have that absolute human capacity, to say, "I will make the difference. I will not allow this beautiful world to go down the drain, as it is in danger now. But, I will be one of the persons who change history, at a moment, where *any* option is still open."

So, what I want to tell you, is: Think about it, and be such a world-historical individual. And, then, everything is possible.

The Startling American Revolution Of Henry Clay and Mathew Carey

by Anton Chaitkin

Deadly crisis gripped the country—the economy a disaster from cheap imports—terrorist attacks within and outside America’s borders.

But the political party of the common people, misled and drifting, proposed no remedy, no government action. Their wealthy opponents, the party hostile to popular rights, treasonously adhered to a foreign country (which had occupied and enslaved its neighbor).

A leader, educated in humanism and Greek Classics, arose to set things right. He led the nation to defend itself, against its real enemies. He and his collaborators created a new generation of leaders, restoring the activist path to rapid economic progress which had been foolishly abandoned.

Henry Clay (1777-1852) acted entirely outside the *mental confines* of the existing, paralyzed, political party system. Though a member of the popular Jeffersonian party, Clay guided a revolution in public opinion resulting in a completely unforeseen new broad consensus that saved the nation.

Clay stepped forward in the gathering storm of the first decade of the 1800s. His example was repeated a generation later by his follower, Abraham Lincoln, whose strength and genius saved the Union and revolutionized the world economy. And Franklin D. Roosevelt’s commanding personal guidance, echoing Lincoln in the next century, revived a republic largely given up for dead. It is this legacy represented by Presidential pre-candidate Lyndon LaRouche.

Today there is no public memory of the successful, sweeping change in American strategy, made by Clay and his allies. Telling that story may help stimulate the national imagination, and promote action for survival.

Heading for Disaster

Henry Clay came on the national scene in November, 1806, when the Kentucky legislature appointed him—at age 29—to replace a retiring U.S. Senator for the last few months of a term in Washington. He went to serve a country suffering internal weakness and foreign aggression. Still a nation of less than 7 million people clustered on the Atlantic coast, the U.S.A. produced almost no iron or steel, had no heat-powered machines and virtually no factories. Slaves produced cotton and tobacco, exported to England in exchange for the mass of goods the United States did not manufacture for itself.

British imperial power strangled American development,

ruling through the Northeastern importing merchants and the Southern plantation owners, both still tied by the political bands connecting them to the former colonial overlord. Clay bluntly described the source of the slaveowners’ political power: “All parts of the Union, not planting, [are] tributary to the planting parts. . . . [There is] a sort of tacit compact between the cotton grower and the British manufacturer, . . . on the part of the cotton grower, that the whole of the United States . . . shall remain open and unrestricted in the consumption of British manufactures; and on the part of the British manufacturer, that he will continue to purchase the cotton of the South.”

The anti-national factions in North and South, though nominally opposed within Boston’s “Federalist” and Jefferson’s “Democratic-Republican” parties, had combined to take down the Founding Fathers’ protectionist economics. (The second act passed by the Founding session of the U.S. Congress had been a protective tariff, designed to “promote manufactures.”) American industrialization had halted under a deluge of British imports.

The British navy, meanwhile, under cover of their war with Napoleon, stopped American ships everywhere, and forcibly removed sailors, both British deserters and Americans. These were then “impressed” into the British navy. As James Fenimore Cooper stated, “The number of impressed Americans on board British ships of war, was seldom less than the entire number of seamen in the American navy, between the years 1802 and 1812. At the [American] declaration of war in 1812, the number that [the British] turned over to the prison ships for refusing to fight against their own country, is said to have exceeded two thousand.”¹

British armed forces and intelligence agents, stationed in the British colony of Canada, in the Spanish territory of Florida, and all around the U.S. frontier, armed the Indians and cynically directed them in terrorist attacks against American communities. The British Crown had never ceased its original colonial policy of instigating racial warfare between American Indians and settlers.

Within the national government, both delusions and sabo-

1. James Fenimore Cooper, *History of the Navy of the United States of America*, second edition (Philadelphia: Lea and Blanchard, 1840), Vol. II, p. 46, footnote.



A political revolution, which completely broke through a dead-end of two thoroughly corrupted major political parties—like that currently afflicting the United States—was made at the time of the War of 1812, by two American leaders who both bore the direct legacy of Benjamin Franklin. Philadelphia publisher and Irish revolutionary Mathew Carey (left) and original Whig Henry Clay (right) made America's first real industrial boom possible.

tage prevented the strengthening of the economy or the military. President Thomas Jefferson, advised by his treacherous Swiss aristocratic Treasury Secretary, Albert Gallatin, economized by reducing the army and navy to complete ineffectiveness. And the administration's so-called free-trade policy was, in effect, a prohibition against U.S. manufacturing, given the British trade war and military attacks. Congressional attempts at positive action were stymied by the Federalists, typically Massachusetts and other Northeastern states' rich merchants, often from Tory families—those on the losing, British side of the Revolution.

There had been different "Federalists" in the late 1780s, fighting for the adoption of a strong national Constitution, led by Benjamin Franklin, George Washington and Alexander Hamilton. President Washington's Treasury Secretary, Hamilton, had been such an original "Federalist" when he proposed tariffs to protect manufactures, created the Bank of the United States to undercut usurers, and urged government-sponsored transport infrastructure.

But when Jefferson attacked these policies, the old Boston Tories used the Jeffersonians' attacks, as a pretext to push the country back into a de facto colonial relation to Britain. Pretending to support Hamilton, the Cabots, Lowells and other "Boston Brahmins" brazenly colluded with the British to bring about a new "Federalist" party, dedicated to *splitting the nation* against the Jeffersonians. Alexander Hamilton lost his life opposing the Federalists' plots. Hamilton exposed Aaron Burr's treason, when Burr and the Boston Tories planned to pull the Northeastern states out of the Union in 1804; Burr killed Hamilton in a duel.

The Elevation of the Oppressed

These Federalists (and an allied splinter faction of anti-Jefferson Southern ultras called "Quids") dominated the Con-

gress when the young Henry Clay entered it, determined to force a change. Clay had had a truly unique preparation for political combat.

At age four, in his native Virginia during the Revolution, Clay and his mother watched arrogant British soldiers thrust swords through his father's fresh grave, seeking hidden family valuables.

In his young manhood in Virginia, Clay worked for four years as personal secretary, law student and ancient-literature copyist for Judge George Wythe, the Greek scholar who wrote the rules for the U.S. Constitutional Convention. Benjamin Franklin's leading Southern collaborator, Wythe studied Plato and taught his students the humanism of Aeschylus, and they helped him with his electrical experiments.

It was as Wythe's virtual stepson that Clay emigrated to Kentucky, Virginia's frontier land. Now a practicing lawyer, he maintained the contacts he had made with George Wythe's students and friends—who now were the leadership of the republican movement in Kentucky, as well as in Virginia and Pennsylvania. Virginian James Monroe, one of Wythe's students, became young attorney Clay's client. (President Jefferson and Chief Justice John Marshall had also been Wythe's students.)

Abraham Lincoln accurately eulogized Henry Clay's "strong sympathy with the oppressed every where, and ardent wish for their elevation. With him, this was a primary and all controlling passion. . . . He loved his country partly because it was his own country, but mostly because it was a free country."²

The new Senator Clay moved and passed a resolution, in February 1807, directing the Treasury Secretary to prepare a

2. July 6, 1852, Lincoln *Collected Works* (New Brunswick, N.J.: Rutgers University Press, 1953), Vol. II, p. 126.

construction plan for a national network of canals and highways, a backbone for industrial and military strength. Though Gallatin did nothing with the report he was instructed to publish, the question had been ably put before the public; its implementation was left for Clay and his allies, when they had the power.

American troop movements in southern territory whose possession was disputed with Spain, brought the warning that Britain would be displeased. Clay asked the Senate, “is the time never to arrive, when we may manage our own affairs, without the fear of insulting his Britannic majesty? Is the rod of British power to be for ever suspended over our heads? . . . We are . . . warned of the indignation of England. . . . The whole navy of the haughty mistress of the seas is made to thunder in our ears. . . . We are . . . menaced with the chastisement which English pride will not fail to inflict. Whether we assert our rights by sea, or attempt their maintenance by land, this phantom incessantly pursues us. Already has it had too much influence on the councils of the nation.”

But the British attacks increased, the new U.S. President, James Madison, responded feebly, and the Congress remained under the Federalist spell.

Henry Clay was now the leader of the Jeffersonian party in Kentucky. In 1810, after being appointed again to fill out an expiring Senate term, Clay decided to declare his candidacy for the U.S. House of Representatives for the 12th Congress, which would convene in 1811. He planned to carry out his revolution in the House, where all seats were open for election every two years (Senate terms last six years).

Clay focused on the need for U.S. industrial development, as the program of a popular movement that could both elect him and accomplish his nationalist aims. A “Memorial of the Mechanics and Manufacturers of Lexington, Kentucky, to Congress,” published on Christmas Day, 1810 in the *Kentucky Gazette*, was undoubtedly written for the petitioning workers and businessmen by their newly elected Congressman. Clay’s constituents pleaded: “The manufacturer works up our raw materials, and consumes our provisions. What he earns, is kept at home, and is almost immediately circulated again by various channels through society. The merchant is by no means so useful a character—part of his gains are sent abroad, and paid away to foreigners. The mechanic and manufacturer, likewise contribute to make the country really independent by furnishing those supplies, which we should otherwise be dependent for, on foreign nations. . . .

Should our disputes with foreign nations end in war . . . would not a congressional act for the permanent support of the mechanics and manufacturers of the country much encourage those citizens who are disposed to devote their capital to those pursuits, and as much assist our government in the vigorous prosecution of war?”

While negotiations with the British dragged on interminably, the nationalists’ political force was being assembled for decisive action. Clay’s friend and law client, James Monroe,

was appointed Secretary of State in April 1811.

Just as the 12th Congress convened, British-supplied Indians launched a major attack on U.S. troops in the Indiana Territory. Gen. William Henry Harrison had earlier reported to the Secretary of War that a British officer, Captain Elliott, had told Chief Tecumseh’s braves, “My tomahawk is now up—be you ready—but do not strike until I give the signal.”³

The Defeat of the Tories

This Congress, however, was not one to be intimidated. Fifty-nine newly elected Congressmen took their seats. Only 82 had been re-elected from the 11th Congress, which had habitually knuckled under to the haughty Federalists and Quids. The political amateurs, Clay’s “War Hawks” from all parts of the Union, had not come to Washington to take orders from bluebloods.

The 12th Congress convened Nov. 4, 1811. Henry Clay, who had never been in the House of Representatives, was immediately elected Speaker of the House. He appointed his War Hawk allies to the important committee positions. On Nov. 29, 1811, Clay’s new chairman of the Committee on Foreign Relations, New York’s Peter B. Porter, recommended “that the United States be immediately put into an armor and attitude demanded by the crisis, and corresponding with the national spirit and expectations.” Porter’s resolutions to increase U.S. military forces, to repair and refit navy vessels, and to allow merchant vessels to arm themselves, were adopted Dec. 19.

In debates on this and related bills, the opposition was led by John Randolph of Roanoke, the sadistic terror of the House. Randolph, the owner of a mass of slaves, was accustomed to swagger into the Capitol in his long boots, brandishing a whip, trailed by his hunting dogs. He met his match in Henry Clay, who immediately ordered Randolph’s dogs removed and otherwise reined him in. Later when they fought a duel, Clay put a bullet through Randolph’s coat and quieted him down considerably.

Boston Congressman Josiah Quincy, one of the Massachusetts Essex Junto that schemed for New England to leave the American Union, called Clay’s patriots “toad eaters”—commoners who had usurped the places of their betters in the government. Henry Clay, moving ruthlessly to political victory, said he was not disturbed “by the howlings of the whole British pack let loose from the Essex kennel.”

The new British ambassador to Washington, John Augustus Foster, wrote hopefully to Britain’s Foreign Office that since the Madison Administration would not allow itself to “be pushed into a War with us . . . there never was a more favourable moment for Great Britain to impose almost what

3. Harrison to William Eustis, July 18, 1810, quoted in Robert V. Remini, *Henry Clay: Statesman for the Union* (New York: W.W. Norton and Co., 1991), p. 363.

terms she pleases.”⁴

Three days after the British ambassador wrote of the “favourable moment,” Speaker Clay left the chair to speak on a bill to increase the U.S. army by 25,000 troops. Clay dismissed the idea that England was fighting the battles of mankind, and that America must do nothing to weaken her unanimous efforts against the French Emperor Napoleon who is aiming at universal empire (a familiar dilemma for Americans today, twisted into irrational conflict with Iraq and other oligarch-selected “rogue nations”).

Clay asked, shall we “bear the actual cuffs of her arrogance, that we may escape a chimerical French subjugation? We are invited, conjured to drink the potion of British poison prepared by perturbed imaginations. We are called upon to submit to debasement, dishonor, and disgrace—to bow the neck to royal insolence, as a course of preparation for manly resistance to [French] invasion!”⁵

President Madison was made to understand that he would not be supported for a second Presidential term if he did not come out for war with Britain. Madison began issuing pro-war messages, and the Democratic caucus renominated him. There was no official Federalist candidate.

With the overturn of the Federalist sabotage, a new era was emerging in American politics.

British Ambassador Foster lamented the loss of “the old Democratic Party”—i.e. Gallatin’s, which stood for economy, states’ rights, and peace with England—and was, in a colonial fashion, England’s best market and source of raw materials.⁶ Previously, Gallatin’s budget had had the effect of “damping the military ardour.”⁷

Alarmed by an American political movement combining politicized city workers and internationally alert frontier farmers, the British ambassador denounced the large anti-British meetings in Philadelphia, Baltimore and other seaports, which the Briton claimed were mobs “principally composed of Irishmen of the lowest order, Negros, and Boys.”⁸

Retired former President Jefferson agreed with “this second weaning from British principles, British attachments, British manners and manufactures.” He looked forward to the outcome of a war—“a spirit of nationalism and of consequent prosperity, which could never have resulted from a

continued subordination to the interests and influence of England.”⁹

On June 12, 1812, Congress approved Madison’s proposed declaration of America’s second war of independence—the “War of 1812.” The ill-prepared republic survived intrernal treachery and held its own militarily against the world’s greatest power. Americans defeated British naval forces on the Great Lakes, cut off their Canadian-route terrorism, stopped an invasion of New York, and smashed the British army in New Orleans.

Enter Mathew Carey

Late in 1814, while the outcome was still in doubt, Clay’s Philadelphia ally, publisher Mathew Carey, issued his own book *The Olive Branch*, subtitled “Faults on Both Sides, Federal and Democratic. A Serious Appeal on the Necessity of Mutual Forgiveness and Harmony to Save Our Common Country from Ruin.”

The book’s historical importance rivaled Tom Paine’s Revolutionary War tract *Common Sense*. Every political American read one of the 100,000 copies of *The Olive Branch*, which came out in ten editions. Carey blasted the Jeffersonians’ free-trade policy blunder, and irrefutably exposed the Federalists’ treasonous combination with the British enemy. Patriots of both parties, including former Presidents Thomas Jefferson and John Adams, praised the book and its author.

Some months later, after the war, it was clear that an entirely new political order had begun. The old political parties were both finished. Clay and Carey had rallied unified, countrywide support for a re-born nationalism, which would in ten years push through an astonishing program of technology development and westward-vectored transport. The resulting industrial revolution, delayed over the previous free-trade decades, would now give America muscle enough to survive a Civil War.

The policies comprising what Clay dubbed “the American System” would become later identified with Clay’s and Carey’s Whig Party. But party affiliation was never the crux of the new nationalism. Many patriots, who later adhered to the Jackson-Van Buren Democratic Party, allied themselves behind the scenes with the best Whigs against the combined Northeastern-Southern-British oligarchy.

Mathew Carey, an Irish revolutionary immigrant to America, was sponsored by America’s leading statesmen for assignments in both the Irish and U.S. sectors of the common struggle against the British Empire.

Born in 1760, the son of a Roman Catholic baker in Dublin, Mathew Carey stepped boldly forward as pamphleteer and editor for Catholic rights and a Protestant-Catholic alliance. Carey’s campaign to define Irish nationalism, with state-sponsorship for industrialization, was coordinated with

4. Foster to Wellesley, Dec. 28, 1811, Foreign Office 5:77, quoted in Bernard Mayo, *Henry Clay: Spokesman of the New West* (Boston: Houghton Mifflin Company, 1937), p. 429.

5. *Annals of Congress, House of Representatives, 12th Congress, First Session*, p. 600.

6. Foster to Wellesley Jan. 16, 1812, Foreign Office 5:84; quoted in Mayo, *op cit.*, p. 469.

7. Foster to Wellesley, Jan. 31, 1812, Foreign Office 5:84, quoted in Mayo, *op cit.*, p. 451.

8. Foster to Castlereagh, the new British Foreign Secretary, May 26, 1812, quoted in Mayo, *op cit.*, p. 476.

9. Jefferson to the anti-Gallatin Irish-American, William Duane, April 20, 1812; quoted in Mayo, *op cit.*, p. 475.

Benjamin Franklin in France. (See box). Carey twice fled Ireland, pursued by British police, finally landing in America for permanent refuge.

Mathew Carey arrived penniless in Philadelphia on Nov. 1, 1784. General Washington and General Lafayette both immediately offered Carey their full support to start an American newspaper. Lafayette travelled from Washington's Virginia home to Philadelphia to meet with Carey. Lafayette gave Carey \$400 cash towards a publishing enterprise, and opened up communication between Carey and Robert Morris, financier of the Revolution and head of the Bank of North America.

Lafayette's gift allowed Carey to begin the *Pennsylvania Herald* in January 1785, succeeded the next year by the *Columbian Magazine*. The national magazine *American Museum*, started by Carey in January, 1787, carried in its first issue Benjamin Franklin's article "Consolations for America." As Washington, Franklin and Hamilton nurtured the political forces for creating a more permanent Union under a Federal Constitution, they continued promoting Mathew Carey's publishing—one may still today see copies of Carey's *American Museum* prominently displayed in the preserved library of Washington's home, Mount Vernon.

The Constitutional Convention began in the Revolutionary capital city, Philadelphia, in May 1787. On May 11, a paper setting forth America's founding nationalist economic policy was read at Benjamin Franklin's home, at a meeting of Franklin's "Society for Political Enquiries." Carey's *American Museum* then published this paper, by Tench Coxe, in June, for the edification of the form-of-government controversy going on at the Convention and throughout the country.

Coxe's "Enquiry into the Principles on which a Commercial System for the United States should be Founded" noted the cheap-goods dumping and boycotts which the British were then using to prevent the birth of American industry. Coxe called for a national government with the power to enact protective tariffs against foreign nations and prevent trade conflict between the states of the Union.

Carey Bridges the Hamilton-Jefferson Gap

Tench Coxe continued to write for Carey in America's first nationally successful magazine, while Alexander Hamilton coordinated efforts to gain popular ratification in all the states for the new Federal Constitution. From 1787 to 1789, Mathew Carey and his publishing enterprise worked in Hamilton's covert service, through Hamilton's personal intelligence-lieutenant Nathaniel Hazard and his brother, Continental Postmaster General Ebenezer Hazard, until the new Federal government had been safely established.

Hamilton was appointed the founding Treasury Secretary. Tench Coxe, appointed Hamilton's Assistant Secretary, did the detail work for Hamilton's famous *Report on Manufactures*, proclaiming the country's right and necessity to deliberately change itself from a backward, de facto colonial plantation into an actually independent, manufacturing nation.

While working for Hamilton, Coxe put Carey in touch

with Secretary of State Thomas Jefferson. Carey and other patriots, who fully supported Hamilton's nationalist economic policy, began to counter-organize against the pro-British subversion of foreign policy by the Northeastern states' Federalists.

In February 1791, Jefferson, through his friend and clerk Henry Remsen, sent Carey a series of documents for publication. Jefferson's man Remsen thereafter became Carey's New York agent and banker. John Beckley, Jefferson's chief hatchetman as Clerk of the House of Representatives, wrote to the U.S. consul in London asking him to help Carey get credit and advances.

By the middle 1790s, Mathew Carey had developed, in effect, a new Democratic-Republican party in Pennsylvania with spreading influence elsewhere. It was Jeffersonian—anti-British and anti-aristocratic; and Hamiltonian, that is, defending the national government measures that could defeat British power and preserve America's independence and Union, in the face of attacks against Hamilton and the central

The Irish-American Revolution

America's Revolutionary leaders knew themselves to be in a global fight against their imperial opponents. And the American nationalists who succeeded those Founders were politically educated in the issues of that global struggle—as the example of the Franklin-Carey collaboration makes clear.

Mathew Carey was apprenticed in 1775 to Thomas McDonnell, printer and bookseller, and the publisher of the *Hibernian Journal*, a most radical newspaper opposing the British subjugation of Ireland. Through four years, as the American Revolution's progress was applauded in McDonnell's press, young Carey learned printing and took on an adult role in the Irish struggle.

Benjamin Franklin was in France beginning in 1776 to procure European support, money, arms and troops for American independence. In November 1778, Franklin's "Open Letter to the Irish People" was published in McDonnell's *Hibernian Journal*. Franklin said Ireland could replace its trade with England—whose laws forcibly repressed Irish manufactures—by a trade alliance with Revolutionary America.

Irish patriots were by then arming and drilling in the "Volunteers" movement—under the pretext that they would defend the country from the threat of invasion by France, America's ally! The Irish nationalists emulated America's non-importation associations, boycotting British goods and pledging to wear only Irish-made clothes.

government by the deluded Jefferson and assorted mobs of his followers. The tragedy of the anarchized French Revolution underlay the mess in American politics; the world's republican cause did not soon recover from the loss of the American-French power combination.

Carey's closest colleague in managing this restraint and education of the Jeffersonians, was the attorney Alexander J. Dallas (1759-1817), founder of the Democratic Society of Pennsylvania, one of a complex of Carey/Dallas-guided institutions overlapping the American Philosophical Society. (Dallas was a grandfather of scientist Alexander Dallas Bache, and Bache was also the great grandson of Benjamin Franklin.)

During the 1790s, while Philadelphia was the national capital, before the construction of Washington, D.C., printer and bookseller Mathew Carey acquired a network of agents in Ireland, Scotland, England, Germany, France, India, the West Indies and across America. Carey became the American agent and literature supplier for Göttingen University, the

high seat of German natural science. He printed and published America's first Roman Catholic version of the Bible. And he prodded and encouraged American authors to create a literary culture independent of Great Britain, eventually becoming the publisher of James Fenimore Cooper, Washington Irving and Edgar Allan Poe.

Thus when Henry Clay began leading the United States towards national strength and self-defense, Mathew Carey was well-placed to join in the direction of events, and to be heard as an impartial counselor.

Taking the Presidency

While the temper of the country had moved towards resolute nationalism, the Madison Administration was still pitifully drifting. On Aug. 24, 1814, invading British troops burned down the practically undefended White House, the Capitol, and other government buildings.

This was the political turning point. A few days later, Secretary of State Monroe was appointed Secretary of War

The Volunteers had 100,000 men under arms by the end of 1779. But these were almost all Protestants. British rule forbade Irish Catholics (Ireland's majority) to own land or weapons, to hold public office, or to speak out against their condition. The Catholic Church submitted meekly, while the Protestants' suspicion of their Catholic countrymen undermined the nationalist effort.

Mathew Carey's First Pamphlet

Acting to bridge the gap, young Mathew Carey now wrote, without revealing his authorship, "The Urgent Necessity of an Immediate Repeal of the Whole Penal Code against the Roman Catholics." On Nov. 11, 1779, a bold advertisement appeared in various Dublin papers, headlined "An Appeal to the Roman Catholics of Ireland," showing the title page of the anonymous pamphlet which was due to be published the next day. Leaflets were distributed throughout Dublin and were stuck on the doors of churches and cafés. A reward was put out for the identification and arrest of the dangerous rebel author. Carey went into hiding, and then fled by ship to France.

He was brought to Benjamin Franklin, and Carey went to work printing American Revolutionary literature in Franklin's headquarters at Passy. There, General Lafayette interviewed Carey regarding Irish readiness to receive an American-French invasion of the British Isles.

Returning to Ireland in late 1780, Carey began editing the *Freeman's Journal* in 1781. This pro-American paper was the main outlet for the Volunteers. In October 1781, the British army surrendered to the Americans and French at Yorktown, Virginia. The American victory inspired a

national meeting of the Volunteers at Dungannon, which issued resolutions for an independent Irish parliament and for the repeal of the penal laws against Roman Catholics. Within two months the armed Volunteers movement was in total control of the Irish situation.

The British government resigned March 20, 1782. A new government under Lord Shelburne negotiated peace with the Americans and granted an independent parliament to Ireland.

Mathew Carey now created and published a new newspaper representing the nationalist movement, called *Volunteers Journal or Irish Herald*. In line with Franklin's views, Carey's paper set forth the program of national sponsorship for the development of manufacturing, through which to "complete the emancipation of our country from domestic and external slavery."

In this period the British were dumping cheap manufactures on the markets of British-occupied Ireland, and in newly independent but unindustrialized America. As impoverished Irish linen workers began to starve, Carey called for protective tariffs on British imports, and full Irish national and industrial independence. Carey was arrested for sedition and high treason; widespread protests backed down the British occupiers. But he was soon forced to flee the country again, and the ship *America* took him to Franklin's Philadelphia.

British police-state measures never let up. Finally on the first day of 1801, the Act of Union created the United Kingdom of Great Britain and Ireland, cancelling Irish nationality altogether. Over succeeding decades Britain closed Ireland's factories and reduced the people to beggary and starvation.—*Anton Chaitkin*

as well, and virtual commander-in-chief. On Oct. 6, six weeks after the British burned Washington, Mathew Carey's political partner Alexander J. Dallas was appointed U.S. Treasury Secretary. Dallas immediately submitted to the Clay-organized Congress, a proposal for a second Bank of the United States, to be headquartered in Philadelphia. This proposal was adopted over the negative votes of New England Federalists and John Randolph, with Pennsylvania, the South, and the Midwest making the new majority. Dallas also proposed higher tariffs, and two years later the Congress passed a mildly protective tariff bill.

The first edition of Mathew Carey's *The Olive Branch* was published in November 1814. Carey's sensational bestseller charged that the "democratic party" had worked from the time of the Constitutional Convention to weaken the Federal government (in favor of "states' rights"), to the point where the Federal government might be too weak to survive; and that they had opposed the creation of even a small navy, "partly from a sordid and contemptible spirit of economy [and] . . . a base spirit of courting popularity by husbanding the public money, even on occasions when liberality is true economy."

Carey chastised the Jeffersonians for having let the charter of the Bank of the United States lapse in 1811, after they themselves had voted in 1804 to authorize the Bank's branches in the territories of the United States (an act signed by Jefferson).

Carey then turned his guns on the New England Federalists, being careful to differentiate Alexander Hamilton, a courageous Founding Father, from those partisan associates who had survived him.

Carey described how Boston leaders had used blackmail and intimidation to sabotage the sale of U.S. government bonds. Without the Bank of the United States to defend against them, the Boston bankers sought to drain the country of gold by putting unbearable demands on banks in the other sections of the country. As the United States fought a desperate war, climaxed by the British burning of Washington, the Boston traitors had openly sold British government bonds in the United States, sending the gold received to Canada for payment of British soldiers preparing fresh invasions of the United States.

Carey's exposé was passed from hand to hand amongst a population roused for a war of national salvation. Read as an objective warning by a trusted statesman, it solidified support for the new American policy, and finished off the Federalist Party politically.

James Monroe was swept into the Presidency in the 1816 election. In his Inaugural Address, Monroe congratulated the country for having been able to "pass with glory through the late war." But the Virginian Monroe gently reminded the people that they had previously become a bestial anti-government mob, manipulated by populist demagogues. Such degradation would lead to the loss of the republic.

President Monroe's warning still stings—especially today: "Had the people of the United States been educated in different principles, had they been less intelligent, less independent, or less virtuous, can it be believed that we should have maintained the same steady and consistent career or been blessed with the same success? . . . It is only when the people become ignorant and corrupt, when they degenerate into a populace, that they are incapable of exercising the sovereignty. Usurpation is then an easy attainment, and an usurper soon found. The people themselves become the willing instruments of their own debasement and ruin. Let us, then, look to the great cause, and endeavor to preserve it in full force. Let us by all wise and constitutional measures promote intelligence among the people as the best means of preserving our liberties."¹⁰

The Nationalists in Power

To promote the people's intelligence was an urgent requirement for durable national survival. A small, industrially ignorant country would continue to be at the mercy of its enemies abroad, who took the planters' crops and supplied manufactures. The nationalists, coming into power, took unprecedented action to educate a new leadership, and to alter and sharply improve the characteristics of the population itself. Hamilton's proposal from a quarter-century before (answering Adam Smith's moronic *Wealth of Nations*), was now the rule of thumb: "To cherish and stimulate the activity of the human mind, by multiplying the objects of enterprise, is not among the least considerable of the expedients, by which the wealth of a nation may be promoted."¹¹

The first step was to create military and engineering competence. President Monroe appointed South Carolina's preeminent nationalist spokesman, John C. Calhoun, formerly Speaker Clay's War Hawk lieutenant, as U.S. Secretary of War. On Calhoun's watch, West Point was transformed into the nation-building headquarters, with materials and staff imported from France's world-leading *École Polytechnique*.

Calhoun is famous as pro-secession, the bitter enemy of national unity! But this was not so, until years later a dirty British political swindle called the "free-trade movement" made its way through Wall Street and the slaveowners' ranks, convincing Calhoun and others to save their careers by deserting to the enemy.

Abraham Lincoln enjoyed quoting the original, nationalist Calhoun, who said in 1816, "When our manufactures are grown to a certain perfection, as they soon will be, under the fostering care of Government, the farmer will find a ready market for his surplus produce, and, what is of equal conse-

10. Monroe, First Inaugural Address, March 4, 1817, *The Inaugural Addresses of the Presidents* (New York: Gramercy Books, 1997), p. 53.

11. Hamilton, *Report on Manufactures*, 1791, reprinted in *The Political Economy of the American Revolution* (Washington, D.C.: Executive Intelligence Review News Service, 1996), p. 406.

quence, a certain and cheap supply of all he wants; his prosperity will diffuse itself to every class of the community.”¹²

Following the War of 1812, in Pennsylvania, a nationalist political power center arose, whose initiatives would in many ways determine the course of world history for a century ahead.

Beginning in 1819, Mathew Carey wrote and widely distributed pamphlets urging protective tariffs, demolishing Adam Smith’s argument that America must submit to the rule of free trade and remain a poor, rural dependent of Great Britain. Over the succeeding years, Carey wrote and published over a hundred pamphlets, essays, circulars and memorials to Congress.

Henry Clay’s forces now drove an industrialization program through in Washington. The General Survey Act was passed in 1824, authorizing the President to employ West Point-trained Army engineers for “surveys, plans and estimates . . . of the routes of such roads and canals as he may deem of national importance, in a commercial or military point of view.”¹³

In his last year in office, President Monroe signed into law both the Survey Act and the 1824 tariff, increasing protective duties on such crucial goods as iron products. There was now all the legal authority and public approval necessary for the next President, who would take office in 1825, to guide a spectacular national industrial takeoff.

Under John Quincy Adams (President 1825-29), with Henry Clay as Secretary of State, America’s industrialization began with a leap. The astonishing accomplishments of the brief John Quincy Adams regime, answer the the mindlessly repeated dogma, that Adams was out of the bounds of existing public opinion. Critics point with scorn at his Inaugural Address, which called for building astronomical observatories, “lighthouses of the skies.” In real history, *only* those proceeding from such a visionary perspective have moved the nation forward.

Starting from scratch, government organized, financed and engineered America’s railroads. No significant U.S. rail lines were purely private investments. President Adams assigned Army Engineers to plan railroad lines, working for private companies subsidized by state and local governments. A vast network of canals, joint state and Federal projects, opened up the agro-industrial potential of the Midwest.

Pennsylvania’s scheme to create an enormous coal mining industry, and the canals for its transport, was immediately successful. Under strong government tariff protection, iron forging, machine building and related industries shot into ex-

istence, aided by the newly launched railroads, canals and coal mines. Anthracite coal production for the market rose from zero in 1819, to 8,000 tons per year in 1823, to 1 million tons in 1837. Pig iron production rose from about 20,000 tons in 1820, to 61,000 tons in 1823, to 130,000 tons in 1828, to 200,000 tons in 1832.

This industrial revolution, celebrated as America’s great material success story, was significantly slowed by subsequent free-trade regimes. But the nationalists had given an economic war-winning power to the Union. The nationalist industrialization program was later renewed on a far grander scale by Lincoln, collaborating with Mathew Carey’s son, economist Henry C. Carey, and was spread to much of the world.

President John Quincy Adams laid down the law of progress, speaking July 4, 1828 at groundbreaking ceremonies for the Chesapeake and Ohio Canal, a Federal project linking the Atlantic with the Ohio River. Adams said: “At the creation of man, . . . the Lord of the universe, their Maker, blessed them, and said unto them, be fruitful, and multiply, and replenish the earth, and subdue it. To subdue the earth was, therefore, one of the first duties assigned to man at his creation. . . . To subdue the earth is pre-eminently the purpose of this undertaking. . . . [May He] make it one of His chosen instruments for the preservation, prosperity, and perpetuity of our Union.”

In another ceremony elsewhere that same day, ground was being broken for the nation’s first railroad, the Baltimore and Ohio, whose Army designers Adams had assigned to their task. The President exulted, “It is one of the happiest characteristics in the principle of internal improvement, that the success of one great enterprise, instead of counteracting, gives assistance to the execution of another. May they increase and multiply, till, in the sublime language of inspiration, every valley shall be exalted and every mountain and hill shall be made low; the crooked straight, the rough places plain.”¹⁴

America’s success deeply frightened the British Empire and its foreign collaborators, and moved them to hostile countermeasures. The enemy—the colonial oligarchy, straddling the Atlantic—sought to prevent America’s westward development, stop industrialization, perpetuate the colonial plantation economy, and whip the geographical sections against each other, disrupting the Union. In the political arena, this persistent treachery appeared before the public through what came to be called the Democratic Party, beginning with the Presidency of Andrew Jackson, a personal project of the traitor Aaron Burr.

The nationalist project was only restored in the next generation, when Abraham Lincoln won his lifelong fight to give genius back to America’s people.

12. Calhoun, April 6, 1816, advocating a protective tariff, quoted by Abraham Lincoln in his Campaign Circular from Whig Committee, Address to the People of Illinois, March 4, 1843, in Lincoln, *Collected Works*, *op cit.*, Vol. I, p. 310.

13. *Annals of Congress, House of Representatives, 18th Congress, First Session*, p. 1,042.

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

Hungary in Crisis: LaRouche Offers New Bretton Woods

by Elisabeth Hellenbroich

Economist and U.S. Presidential pre-candidate Lyndon LaRouche's Dec. 11-13 visit to Hungary was organized around two strategic events: A conference at the Finance Ministry, "The World Economy in Crisis: Need for a New Bretton Woods," was held on Dec. 12, organized by the Hungarian Economics Association, the Schiller Institute, and the Hungarian Academy of Sciences' Committee on Finance, whose chairman is the well-known economist Prof. Béla Csikós-Nagy. And a Schiller Institute meeting at the St. Laszlo Institute later that evening drew 120 active participants, and media representatives. (See presentations below).

The conference at the Finance Ministry was chaired by Prof. Tamás Bácskai, former chief economist of the Hungarian Central Bank, and addressed by LaRouche; Dr. Nino Galloni from the Italian Ministry of Labor; Prof. Hajna Lorinc-Istvánffy from the Budapest University of Economic Sciences and Public Administration; Prof. Katalin Botos from the Péter Pázmány Catholic University; Dr. Tibor Erhart from the Ministry of Finance; Lothar Komp from *EIR*; and Dr. János Plentner F.C.S.I., former ambassador of Hungary to Canada.

In his keynote, LaRouche underlined that we are in the "terminal phase of a physical economic collapse of the presently bankrupt post-1971 floating-exchange-rate monetary-financial system." Without a return to something resembling that pre-1971 Bretton Woods model, the candidate stressed, the world will be quickly doomed to plunging into a prolonged New Dark Age. In order to reverse the effects of 30 years of degeneration of the economies of Europe and the Americas, long-term, capital-intensive investments have to be made, chiefly in basic economic infrastructure, LaRouche said. This could be done under a monetary system of fixed

exchange rates, requiring a balance-of-payments reserve-system of pricing monetary reserve gold at about \$1,000 per troy ounce or higher.

LaRouche pointed to the prospects for a great expansion of trade and cooperative relations between Europe, and the emerging great Eurasian development effort to come from Russia, China, and India; but also shocked his audience—Hungary's leading economists—by telling them he was optimistic about near-term "remarkable improvements in thinking" in Washington, on the subject of the onrushing collapse of the post-Bretton Woods floating-exchange-rate system, and the breakdown of the U.S. physical economy.

LaRouche's speech sparked a lively discussion, ranging from the characteristics of a gold-reserve system and sovereign national money creation; to the global problem of illegitimate debt and the destabilizing effect of speculative capital movements; to the future role of the International Monetary Fund (IMF) in a new monetary system.

To the Schiller Institute meeting, LaRouche—introduced by Hungarian Schiller Institute leader Dr. Tibor Kováts—gave a very moving speech in which he held up the historical example of Jeanne d'Arc, contrasting her with Shakespeare's Hamlet the Dane, to challenge the audience with the question of what kind of "moral leadership quality" is needed today, to overcome the presently unfolding tragedy. "A national leader, who's not committed to immortality, is not capable of *moral-ity*, in response to the challenges of this time," LaRouche said.

Hungary at a Crossroad

LaRouche's visit to Hungary took place at a moment when Hungary, along with Poland and eight other countries from Central and Eastern Europe which are to join the European



Lyndon H. LaRouche, Jr. addresses a meeting in Budapest co-sponsored by the Schiller Institute on Dec. 12, on "How To Reconstruct a Bankrupt World." He also spoke earlier in the day before a conference at the Ministry of Finance, on "The World Economy in Crisis: Need for a New Bretton Woods."

Union in May 2004—stands at a strategic crossroad. On April 12, 2003 a national referendum will be held in Hungary on entry into the EU, followed by similar referenda in the other countries awaiting membership. Hungary joins the EU at a time when the global economic and financial crisis is having a dramatic impact on the average citizen's life.

In April, the center-right government (of the Fidesz and Hungarian Democratic Forum parties) under Prime Minister Viktor Orbán, was replaced, and Péter Medgyessy became Prime Minister. The new government is a coalition between the ex-communist Socialist Party (MSZP) and the super-liberal Alliance of Free Democrats (SzDSz). The elections provoked a deep polarization in the country, which some political observers compared to a "cold civil war." It sparked nationwide debate concerning Hungary's past under communism, and its future in Europe. Under the leadership of former Prime Minister Orbán, who had been pushing the Szechenyi Plan—a plan for infrastructure build-up and more protection for national corporations—civic circles began to form all over the country.

A closer look at some of their debates reflects what is at the core of this raging debate. The issue is the question of sovereignty: How to make sure that the government does not sell out Hungary's vital national interest to foreign corporations and banks. Many forces see a future for their country only if it is politically unified around a sound political and economic policy. They argue that Hungary must define the mission it can carry out in Europe, and in a world whose only option for survival is, as LaRouche outlined, a New

Bretton Woods monetary system and a Eurasian development perspective.

The impact of the global financial and economic crisis is being felt quite dramatically in Hungary. While the gap between rich and poor is growing (6-8% are extremely rich, 30% live in desperate poverty), the government is under pressure from the IMF, the World Bank, and the EU to go for more free-trade economic reforms. They demand that the government reduce its budget deficit—which stands at 6% of GDP—and make further cuts in public services, in particular health care, as well as carry out more privatizations. Three of the nation's publicly owned banks—Postabank, Konzumbank, and the Land Credit and Mortgage Bank—are to be privatized. Half of Hungary's corporations are in foreign hands.

A million and a half jobs have been lost since 1990, and unemployment

is officially at 5.7%. Most of these foreign companies have been enjoying tax holidays, or are allowed to pay a very low corporate tax. The dramatic social consequence of "globalization" is illustrated by the recent case of IBM. In October, from one day to the next, IBM closed the gates of its brand new factory, which five years ago began production in the city of Székesfehérvár, 70 kilometers southwest of Budapest, and which was seen as a symbol for Hungary's economic success.

IBM is one of 49 big foreign companies which, in the 1990s, began to establish their production sites in Hungary, being attracted by the offer of low wages—which since then have increased by 20% on average. Having enjoyed five years of tax privileges, and without leaving any productive infrastructure—being interested only in assembling parts with a very cheap labor force—the company cited the cold-blooded logic of globalization. Arguing that it will lose its "international competitiveness" because of Hungary's rising (!) wages, and pointing to its own declining exports, IBM decided to shift its production to a cheaper production site in Asia. Thus more than 3,700 Hungarians were thrown into unemployment—not counting the many smaller firms which depended on the IBM production site.

The EU Commission has announced that it will not allow Hungary to continue its tax privilege policy after entry into the EU. This will make the bad situation worse; Hungarians now realize that many more foreign corporations, under the EU tax guideline, will be leaving Hungary in search for ever cheaper labor and production sites.

How To Reconstruct A Bankrupt World

Mr. LaRouche delivered the following address to a public event sponsored by Schiller Institute on Dec. 12 in Budapest. Subheads have been added. The audience of 120 people remained for three hours of discussion.

My dear friends: I am so glad to be here again, and to see you.

The subject on which I shall speak tonight, is an extremely important one, for you, and for the world. It would be more customary, in these matters, for public spokesmen to describe the situation to you; and I shall not do that. I explain my procedure, before giving my presentation.

The British actor Sir Lawrence Olivier was, in my opinion, one of the worst professional actors in modern history. At some time near the end of his miserable life, he was asked by a British reporter, what caused people to wish to become actors. And he said to the reporter, “Look at me! Look at me!” He, like many politicians, wishes to be admired in his body and person, like some object on stage.

Now, whereas in contrast, if some of you have studied ancient Greek drama of the Classical method, and seen some of the great Classical drama in good performances in your lifetime, the great Greek tragedy was performed in an amphitheater by actors wearing masks—very large masks. You could not see the face of the actor; the actor came on stage, and he would play different parts at different times—behind the same mask! And the audience followed the drama very clearly, and often with great passion. Because they did not *see* the actor on stage; they saw the drama on the stage of *their imagination*.

When people communicate Classical poetry, Classical drama, to you, you don’t see *them* until after they’ve finished. Your only image of what they’ve done, inside yourself, you *know* the image. A bad actor, a bad politician, like Sir Lawrence Olivier, gives you an opinion; he does not give you the experience of generating knowledge in your own mind. It’s like the poor musician, who is well-trained, but he can only perform the notes; he can not perform the music.

Now, in politics, it’s the same—real, serious politics. *You* are the subject of the drama. The suffering of the world, is *your* suffering. The tragedy of the world is *your* tragedy. It is not a fantasy painted on a wall; it is *your* experience. Now, if it is a good piece of knowledge, your experience of knowledge isn’t merely what you are experiencing at this moment; you’re experiencing the future as well.



Lyndon LaRouche in Budapest: “A leader for a time of crisis must not only have a sense of personal immortality, they must have appropriate knowledge. And the first level of knowledge they must express, is the knowledge to communicate to people generally, what leadership means. That is, to show people how they can judge who is, or is not, qualified as a leader for a time of great crisis.”

For example: If you’re a grandparent, or a parent, how would you judge the interest of your country? You say, “What will the future bring to our children and grandchildren?” If you’re wise, you know we all die. If you die, what is the meaning of your life? Are you a dog, a cat, a fish? Or, are you something else? Are you the *outcome* of your life—what you make happen in the future? The future of your nation, the future of civilization: *That is you*.

Now, the problem in politics, is, very few politicians have a sense of *that* kind of personal immortality.

Let me be very frank with you about this business. Let me speak of a predecessor of mine, a former President, Bill Clinton, of the United States. Bill Clinton was one of the most intelligent Presidents we’ve had in the 20th Century. But he was also a failure—not merely because of that girl; that was minor. He was a failure, because often, when he came to a point of a decision, and he knew that this decision was important for humanity, he sacrificed humanity for the sake of either his vanity, or his short-term personal advantage.

Most leading politicians in the world are as bad, or far worse, than Bill Clinton. They have no sense of immortality. For example, like a resistance fighter, or a leader in war: What is his or her interest?

Jeanne d'Arc: the Quality of Real Leadership

Let's take a case, the famous case of Jeanne d'Arc of France. Jeanne d'Arc was well-educated, actually, morally, and she had an inspiration. With great determination, she went to the stupid King of France. What she said, in effect, to this King, is: "Stupid, foolish King: God sent me to tell you to be a real King, not a fool." Her conviction was so strong, that the King consented to give her authority to lead his troops. He thought that would get rid of her. (This is the actual record of the case; this is not a story, this is the truth.)

But she won the war! It was hard to get rid of her. All of the other commanders had failed; *she* won the war. Then the King betrayed her, and let her be captured by the evil British, the Normans. They sought to destroy her. She could either cringe and discredit herself, or be killed. She refused. After vacillating once, she refused. She was burned alive. She was burned twice: They put her inside the fire, they set the fire, and then opened the flames to see if she was cooked yet. And when they saw that she was already dead, they put the wood back, and completed the burning.

Her courage, and the injustice she suffered, roused not only France to throw the British out, but also aroused the councils of the Vatican to restore a Papacy which had been destroyed. For which she is revered today by all who know, as immortal.

Did she waste her life? She died young. Or, did she *spend* her life *wisely*?

Now, this is a message to all of us, as to how to order our life. Our mortal life has a beginning, and an inevitable end. What, then, is our immortal *interest* in being a person? All of the leaders of society, especially in times of crisis, are leaders because they measure up to some approximation of that standard. And in good education, especially good *moral* education, we educate our children, and others, to understand that principle of immortality. And as in the case of the New Testament Parable of the Talents, one says to the children, "Do not waste your talent. Do not waste your life. Spend it wisely for an immortal purpose."

In our civilization, all persons who radiate that sense of immortality to others, have a touch of immortality. However, that quality, by itself, is not sufficient in a leader of a nation in a time of crisis. A leader for a time of crisis must not only have a sense of personal immortality, they must have appropriate *knowledge*. And the first level of knowledge they must express, is the knowledge to communicate to people generally, what leadership means. That is, to show people how *they* can judge who is, or is not, qualified as a leader for a time of great crisis.

Now we are in a time of great crisis of all humanity. This

is, in fact, a period of a great Classical tragedy—a tragedy in the sense of Classical Greek tragedy, or of Shakespeare's tragedy of Hamlet, or the great tragedies of Friedrich Schiller. And that's what I shall deal with here tonight.

A Systemic Crisis

What we face is not merely a financial crisis. This is not a cyclical crisis; it is a systemic crisis, which will decide whether or not European civilization plunges into a prolonged dark age, or survives. Beginning approximately 1964, in particular, and thereafter, European civilization, radiating from Britain and the United States, turned *rotten*. I see by your ages, that many of you here can remember the relevant facts. Prior to 1964-71, the standard of civilization was *production*—the production of the means and conditions for the perpetuation and improvement of human life. We prided ourselves on the idea that the individual should be respected for the useful contribution they made to the needs of humanity—each in their own way. The individual, so seeing himself or herself, had self-respect.

Then, about that time, the United States and Britain led in a process of moral degeneration of all European and world civilization. It occurred in the context of the U.S. launching an Indo-China war, from which the soul of the United States never returned. It was expressed by the Wilson Administration in the United Kingdom, which engaged in an orgy of destruction of the physical production of industry and agriculture in that country. On both sides of the Atlantic, there was spread the so-called "rock-drug-sex youth counterculture," which engaged in the direct moral destruction of, especially, university-age students of that period. Evil people like Zbigniew Brzezinski preached "post-industrial society," "end of agricultural-industrial society." They preached the pagan kind of nature-worship called "ecology."

A worthless Soviet system destroying itself is a part of this. You had a gentleman whose name is known to you, Lord Kaldor (who's part of that collection of the Martians, from here, who come from the tradition of the Bela Kun dictatorship). He became a British Lord, and his daughter became a witch! And they spread this doctrine, by way of Laxenberg, Austria, into the Soviet system. And among circles of a person known to you, but now deceased—Andropov, Yuri Andropov—the Soviet Union led in destroying itself inside. And he was a creature of the Comintern faction, of, also, some Hungarians! John von Neumann was a product of this; his systems analysis, otherwise the system of destruction. Leo Szilard was one of the most evil fanatics for nuclear war that ever slithered across the planet.

In the 1970s, Kissinger and others proposed genocide against Africa, on the assumption that there were too many Africans, and they would use up the African natural resources which the United States and Britain might need in the future.

Now, that should refresh your memory, as to what we're



LaRouche's remarks on the history and position of Hungary in Europe, provoked controversy in Budapest.

dealing with. So, systematically, we have destroyed the civilization based on production, as it had been built up prior to 1974. The United States destroyed itself from inside, *intentionally*. We destroyed ourselves with free trade. We destroyed ourselves with deregulation of essential infrastructure. We created windmills to replace nuclear plants—and we wonder where Don Quixote is today! We systematically destroyed *people* in our own nations, by economic and related means.

The Principle of Classical Tragedy

There are many examples of this kind of problem in the history of tragedy—of *real* tragedy. Real tragedy always occurs, when a people consents, by consensus, in *destroying themselves*. It is not leaders who cause tragedies; it is the people themselves which cause the tragedy.

Look back for just a moment to the Classical tragedy, as a matter of principle. Look at the case of Shakespeare's *Hamlet*. Now, think of the connection between two soliloquys from that play: one, Hamlet's Second Act soliloquy, or what appears as "What a peasant rogue am I"; and the second of those soliloquys, the famous Third Act "To be, or not to be." In short, what does Hamlet say in that Third Act soliloquy, "To be, or not to be"? . . . What is he really saying? He says, "Well, I can fight"—he *is* a killer. He kills on the *whim!* He is not the effete person that Sir Lawrence Olivier tried to portray him to be. He's a *killer!*

But then, he trembles. What did he tremble in front of? The fear of death? No: *the fear of immortality*. And what does he do? He said, "I have no choice but to follow the road of folly, driven to folly by my fear of immortality."

And then we come to the last scene of the play. The corpse of Hamlet is being carried offstage, with the other corpses. Hamlet's successor says, "Get on with the war!" And Hamlet's friend, to one side, says, sadly, "Let us *pause*, while this experience is fresh in our mind, that *we don't repeat*

this folly."

Then contrast this figure of Hamlet with that of Jeanne d'Arc: What's the difference? In Hamlet, you had a person, who's put into a position of leadership, who out of *fear of the idea of immortality*, allows the corruption of his society to proceed unhindered. Jeanne d'Arc intervenes in history, amid a tragic unfolding of slaughter, between France and England, and elsewhere, to inspire France, and also to assist in inspiring the Papacy, to solve this problem of civilization.

So, for this tragic situation, this immediately inevitable collapse of the system in its present form, I have to ask you, and others around the world, to start demanding leaders, who are not part of a tragedy, your tragedy. In this world situation, we have—like the Roman Empire, it's the American Empire, the Anglo-American Empire: That's the world today. People all over Europe tremble, "What did the American Embassy say?" "Should I divorce my wife? What does the American Embassy say?" What tyrants! But, you are subjects. You're in a Balkan state, amid a Europe, which is a Europe of cowardice! We have Americans who are cowards. We have a Britain, which is ruled by the husband of Cherie Blair.

The world is acting like a Ship of Fools, on the way to destruction, and some fools are telling other fools to accept the system. What is the system, from the standpoint of European history? Toward the end of Rome's Second Punic War, Rome's character shifted: It shifted from a nation of productive peasants, largely—farmers—to becoming, not a producer society, *but a consumer society*, without benefit of credit cards! Rome lived, by looting the world it subjugated: It murdered and looted most of the people of most of that Roman Empire world, into a state of destruction. And then, Rome itself was destroyed.

And then, we had another abomination, called the Byzantine Empire, until *it* destroyed itself, in a similar fashion. Then we had the Venetian Empire, which ran feudalism, which dominated Europe until past the Treaty of Westphalia of 1648.

And now, the world is dominated by a bastard child of Venice: *Anglo-Dutch liberalism*, a system, in which countries are controlled, not by their governments, but by central banking systems, which represent financier oligarchies of the Venetian tradition.

In Classical Greek and Christian civilization, the standard of morality in government, is the so-called "general welfare" or "common good," called in Greek *agapē*. Therefore, as we'd established with the monarchy of Louis XI in France, of Henry VII in England, and in other cases, as in the U.S. Preamble of the Constitution, no government is legitimate, unless it is efficiently committed to promote the general welfare, of all of the people, living and their descendants.

The leading opposite tendency today, the *anti-agapē* tendency, is the tendency of Thomas Hobbes and John Locke. In John Locke, who is the leading exponent of the doctrine of Anglo-Dutch liberalism, the doctrine is *property*. The argument is, that the financier has the right to a certain



Jeanne d'Arc's sublime character, her sacrifice for the good of the nation, stand in stark contrast to the tragedy of Hamlet, who failed to take leadership, out of fear of the idea of immortality.

yield on his capital, no matter how many people he has to kill, to get it.

What Is Wealth?

Now, to come to my crucial, concluding point, on this issue: How does man produce wealth? And, what is wealth? Without cheating, by looking into the Bible or something, what is human nature? Imagine you're a bunch of illiterate savages on some island someplace, with no knowledge of history: What is the difference between man and a beast? Beasts can learn, *but, only a human being can discover, and transmit knowledge of, a universal physical principle of the universe.* If man were a beast, man would be like a higher ape, like a Lord Bertrand Russell, or Henry Kissinger, or Zbigniew Brzezinski. Because, man, on this planet, were he a higher ape, would never have exceeded a population of several million people, under any known condition on this planet. Just to prove that Henry Kissinger, and all ecologists are liars: The fact is, the latest report is, there are on this planet, presently, *6.2 billion people!*

How did it happen? Not by breeding. It took more. Man is capable of discovering, and mastering, universal physical principles, by which man increases his power in, and over the universe. By great art, and by great science, we imbue in children and students, an understanding of this ability to discover universal physical principles. People so educated, in Classical culture, in Classical science, look into the face of another person, and love that person, because they recognize *in that person*, this quality of creativity, which distinguishes man from the beast.

And there, we understand our immortality. When we generate, and transmit, discoveries of principle, to our children, to those who come later, we live forever in the history of mankind. Our mortal existence is no longer a matter of a beginning and an end: Our mortal existence is a place in eternity, from which we radiate the experience of generations before us, and radiate our existence into the future. We become the immortal children of the Creator of the universe.

Now, we have different languages, and different strains of cultural history. So, how shall we organize our affairs, among humanity? We should realize that we must communicate with one another, and our culture and our language are means by which we *share ideas*: by which we educate our children; by which we reach back in history, to love those creators of great art from the past. This is the quality, which Plato calls, in the mouth of Socrates, *agapē*. This is the same concept of *agapē* in I Corinthians 13.

So therefore, we should be a fraternity of nations, of sovereign nations—*united by a common purpose for humanity.* Nations are *not* intrinsically in conflict; war is not a natural condition of mankind. War is justified, only when it comes to *defend* the possibility of a community of principle, among mankind.

All right, so now, what does this add up to? We've come to a point, where the present international financial system is collapsing, the monetary system is collapsing. Nothing can save the financial and monetary system, *in its present form.* No power on this planet would be capable of saving this monetary and financial system—and, no power in the universe would wish to do so. The question is, we have to save the economy, as a *physical economy*, for the people and for the nations.

People today are infected with silly ideas—you know them. They say, “You can't change popular opinion”; that's what they said in Rome, before it died. We *must* change popular opinion. But, you don't do it just negatively: As the case of Schiller's portrayal of Jeanne d'Arc illustrates the point, you must inspire people with love, *to desire to free themselves from the degradation of popular opinion*, and to demand leaders, who are committed to the principle of immortality. A national leader, who's not committed to immortality, is not capable of *morality*, in response to the challenges of this time.

I ask you, to see these things on the stage of your own imagination—and now, I shall return to my seat.

The Science of Physical Economy Today

The following is Mr. LaRouche's speech to a workshop on "The World Economy in Crisis: Need for a New Bretton Woods," at a conference on Dec. 12 organized by the Committee on Finance of the Hungarian Academy of Sciences (HAS) in cooperation with the international Schiller Institute and the Hungarian Economic Association. The conference took place in the Protocol Room of the Ministry of Finance. The initiator and organizer of the meeting was Prof. Béla Csikós-Nagy, member of the HAS, chairman of the Committee on Finance, who was unable to attend. The moderator was Prof. Tamás Bácskai, DSc. Among others who spoke, was Dr. Nino Galloni of the Italian Ministry of Labor.

As seen from the U.S.A. today, we are in the terminal phase of a physical-economic collapse of the presently bankrupt, post-1971 floating-exchange-rate monetary-financial system. Inside the world's leading power of the moment, the U.S.A., the Federal Reserve System is conducting desperately inflationary measures modeled in fact on the celebrated German hyperinflationary program of June-November 1923. Typical of the situation: 46 of the 50 U.S. Federal states are currently either bankrupt, or nearly so; the last significant remains of a ruined U.S. rail system could vanish, unless the President and Congress make sudden and radical changes in U.S. policy; the U.S. air-traffic system is at the brink of a general catastrophe; the leading U.S. banks are essentially bankrupt, and giant real-estate-mortgage bubbles are now ripe for bursting in both poor Cherie Blair's United Kingdom and the U.S.A.

I must warn you that, at the present moment, neither the U.S. government, the Federal Reserve System, nor the incumbent leadership of either the Republican or Democratic parties, have any competent commitments to deal with tectonic monetary and financial developments of the coming several months. I can not promise that those institutions will come to their senses, but I have strong reasons to believe that remarkable improvements in thinking might occur, even rather suddenly, just as we have, recently, averted a threatened new Middle East war, if only temporarily. There are growing numbers of leading U.S. circles inside and outside government who recognize the nature of the situation. For the moment, the problem remains, that the topmost strata of the relevant authoritative institutions, even among most of those who agree with my proposed reforms, are so far unwilling to take the available steps which could, in fact, bring the rising crisis under effective control.

Three conclusions are to be examined in defining what is in fact a presently global, historic disaster.

First, as long as the U.S.A. and other leading nations continued new, utopian trends in military, cultural, economic, and monetary policies launched during the 1964-1982 interval, the world was headed toward something which is not merely a new cyclical crisis, but a final breakdown, a breakdown built into the axiomatic assumptions underlying the world's presently hegemonic, 1971-2002, floating-exchange-rate form of monetary-financial system.

Since the Fifteenth-Century recovery of European civilization from the preceding Fourteenth-Century collapse into a New Dark Age, globally extended European civilization had repeatedly plunged itself into long periods of religious warfare and other disasters, but, until crisis developments of the 1961-1971 interval, that civilization had always emerged from threatened disasters as a society defined by goals of production. The adoption of these goals led repeatedly into developments in an overall upward direction. The net effect of changes which have taken over long-ranging trends, since the 1964-1982 interval, has been a new kind of system which must have led toward a general collapse of European civilization over a period of between one and two generations. A generation and a half later, that culturally-driven collapse is occurring as a generalized physical-economic collapse of the world's presently hegemonic monetary-financial system.

Second, although the existing monetary-financial system is hopelessly bankrupt, the world economy could be rescued, and a long wave of real growth could be begun quickly, but only under a return to a production-oriented, fixed-exchange-rate monetary system modeled upon the U.S.-sponsored European economic reconstruction of 1946-1958. In other words, without a return to something resembling that Bretton Woods model of fixed-exchange-rate, protectionist monetary-financial system, the world as we know it will be quickly doomed to a plunge into a prolonged new dark age throughout, at least, most of Europe, Africa, and the Americas.

Third, any successful effort to reverse the effects of the recent thirty-odd years degeneration of the economies of Europe, the Americas, and elsewhere, will rely upon long-term capital-intensive investments, chiefly in basic economic infrastructure. These will be investments, largely financed at between 1-2% simple interest, much of which will be over spans of from one to two generations: 25-50 years. Most of the initial capital required for this can come from nowhere except the use of long-term credit created by sovereign nation-states acting as leading trading partners.

This could be done only under a monetary system of fixed exchange-rates, probably requiring a new balance-of-payments reserve-system pricing monetary-reserve gold at about \$1,000 per troy ounce, or higher.

In some respects, the history of modern European civilization's earlier recoveries from crises, points to the leading measures needed to launch a general economic recovery now. Some steps in that direction are now being crafted in regions



Lyndon LaRouche (center) addresses the meeting at the Finance Ministry in Budapest on Dec. 12, organized by the Committee on Finance of the Hungarian Academy of Sciences, the Schiller Institute, and the Hungarian Economic Association. Inset: Dr. Nino Galloni of the Italian Ministry of Labor, who spoke on "Europe's Contribution to the New Bretton Woods."

of Asia. In my estimation, the presently proposed reforms of the world system are movements in an excellent direction, but nonetheless still lack certain crucial elements of success. What must be added is a new understanding of the indispensable symbiotic relationship which Colbert, Leibniz, Benjamin Franklin, Alexander Hamilton, Friedrich List, and Henry C. Carey saw, between the role of the nation-state in large-scale development of both scientific progress and basic economic infrastructure, on the one side, and, complementing that, a technology-driven quality of private entrepreneurship in what is sometimes called the *Mittelstand*, in agriculture, manufacturing, and related spheres.

During the coming two generations, probably half of the total allotment for national economies in their entireties, will be dedicated to developing and maintaining such forms of large-scale basic economic infrastructure as power generation and distribution, large-scale water management, land reclamation, mass transportation, urban infrastructure, and forms of universal health-care and educational facilities and programs. These infrastructure programs will be the principal immediate stimulus for urgently needed recovery and expansion in productive forms of employment, and will be the principal foundation for large-scale growth in employment in agricultural, manufacturing, and comparable entrepreneurships.

Typical of the great opportunities for global economic renewal and expansion, is the prospect of greatly expanded trading relations between Western and Central Europe, on the one side, and the presently ongoing emergence of a great Eurasian development effort being built up in Asia through the initiative of a strategic triangle of cooperation centered

now among Russia, China, and India.

I emphasize that the possibility of a genuine, sustainable economic recovery from the presently ruined state of the economy, requires long-term, large-scale investments, largely by public credit, over a period of one to two generations. We must learn the lesson of President Franklin Roosevelt's U.S. recovery and build-up during the 1933-1945 interval; we must do something similar, but, this time, on a larger and longer-term, global scale.

Can Economics Be a Science?

How, then, can we be certain that our choices of long-term investment will not be mistakes? The answer to that is: We must put the study and application of a science of physical economy in the foremost position in the economics departments of our universities and in the shaping of policies of and among governments. We must abandon the mistake of designing economies to meet the utopian requirements of radically monetarist schemes, and revive the intent of those, such as the authors of the U.S. Federal Constitution's Preamble,

to design monetary and financial systems which steer production and investment into directions which promote the general welfare in and among nations.

Now, as on various earlier occasions, to illustrate what that means in practice, I have asked my audiences to focus upon certain practical implications of my proposals to develop a network of mass-transport-focussed economic development corridors across Eurasia, from France to Pusan, across Siberia and through China, India and Southeast Asia, into Japan, and beyond. These are corridors of between 50 to 100 kilometers width, which shall contain within them power, water, centers of urban development, and agriculture, mining, and manufacturing. Look at two fascinating internal features of such a Eurasian Land-Bridge development. Look at the vast mineral and related resources locked up in arid regions or tundra, which are presently not efficiently accessible. Foreseeable developments within the framework of that Land-Bridge will make these efficiently accessible. This development will have the lawful, included net effect of moving goods from Pusan to Rotterdam far cheaper and quicker by high-speed friction-rail or magnetic levitation transport than by ocean-going ships.

Obviously, in committing ourselves to such large-scale development programs over one to two generations, we must know in advance what long-term, global effects we are producing. For this purpose, let us look at what I have just said about the regions of Central and North Asia from the standpoint of Vladimir Vernadsky's concept of a Noosphere.

Although Vernadsky's work had no part in the original development of my discoveries in the science of physical

FIGURE 1

Eurasia: Main Routes and Selected Secondary Routes of the Eurasian Land-Bridge



LaRouche's program calls for the initiation of development corridors along the Eurasian Land-Bridge, which shall contain within them power, water, centers of urban development, and agricultural, mining, and manufacturing.

economy, there is nothing in his argument with which I disagree, as far as he goes. To derive a needed economic science appropriate to Vernadsky's work, we must apply the principles of a Riemannian physical geometry to economy as large-scale social-economic systems, but must also locate the function of the mind of the needed type of individual private entrepreneur more precisely. The following summary of my view of the present great relevance of Vernadsky's work for the development of a Eurasian Land-Bridge, permits me to state the case for physical economy within the constraints of this present occasion.

Now, to make those points respecting long-term forecasting, in this concluding portion of my report, I shall now focus on summarizing briefly, in succession, five, functionally interrelated, crucial topics of a science of physical economy. First, I show how I situate the lessons of Vernadsky's notion of Biosphere and Noosphere within a science of physical economy. Second, the role of the private entrepreneurship of the *Mittelstand* type within modern physical economy. Third, the relationship between the nation-state's role in basic economic infrastructure and the increase of the productive powers of labor, and capital investment, in the private sector.

Fourth, I refer to Vernadsky's concept of the Noosphere to identify, as Leibniz did, the urgency of basing the role of human nature in the economy on rejecting the bestial mis-definitions of human nature associated with Hobbes and Locke. Finally, I emphasize the key to all competent long-range economic forecasting, in which we must at last abandon those medieval methods of Claudius Ptolemy's failed astronomy, in favor of applying instead the modern scientific methods of forecasting introduced by Johannes Kepler and his followers.

Vernadsky's conceptions of Biosphere and Noosphere should be made obligatory studies in all training of economists for the relevant missions before mankind today. Not only did he lay the basis for approaching more rigorously problems such as the long-range economic development of the vast tundra and arid regions of the Asian continent. His development of those conceptions conveys to the student of economics an efficient sense of the proper meaning of the term "physical principle" in the successful aspects of the development of all modern experimental notions of physical science. This view of the definition of physical principle from the standpoint of the work of Vernadsky provides the serious

forecaster a means of escape from the disastrously failed, *post hoc ergo propter hoc* statistical follies of such celebrated figures as Professor Milton Friedman.

Vernadsky divides the experimental evidence of universal physical principles among three categorical types. First, those effects which the experimental standpoint of physical chemistry defines as reflections of abiotic principles. Second, those effects which physical chemistry defines as products of anti-entropic universal principles which are produced only by living processes: the Biosphere. Third, those anti-entropic effects which are produced only by what Vernadsky terms the “noëtic” powers of the individual human mind: the “Noösphere.” For Vernadsky, geobiochemistry shows him that life is cumulatively more powerful an influence for cumulative changes in the physical universe than abiotic processes, and that the “noëtic” powers of the human mind are cumulatively more powerful than those of biology as such. This is the view to be applied to forecasting long-term effects of adopted policies of economic development within the tundra and arid regions of Asia, for example.

Clearly, Vernadsky’s work must be featured in any training in the science of physical economy today.

To understand the role of the *Mittelstand* entrepreneur, we must define what Vernadsky chooses to name “noësis,” the “noëtic” principle. Here is the point at which the devotees of so-called historical materialism have usually begun screaming the epithet “voluntarist” at me. Vernadsky uses the Greek terms “noësis” and “noëtic” as appropriate choices of synonyms for Plato’s use of “hypothesis.”

To introduce the notion of “hypothesis” to students on the university level today, I have found it best to focus upon the Classical Greek geometry’s precedents for Carl Gauss’s 1799 report of his original discovery of the fundamental theorem of algebra, in which he correctly provides a physical definition for the complex domain, in refuting the mistaken views of d’Alembert, Euler, and Lagrange. Those associated with me in introducing this matter to students, emphasize the connection to Plato’s argument in his *Meno* and *Thaetetus* dialogues and the Archytas solution for the doubling of the cube by construction. I combine this with the case of Kepler’s discovery of universal gravitation, Leibniz’s catenary-based definition of a principle of universal least action, and Riemann’s deriving a generalized, anti-Euclidean physical geometry, as the physical-science-based definitions of “noësis,” “hypothesis,” and “cognition” used by me.

These examples of creativity are the basis for a functional definition of “creativity” employed in a science of physical economy. This, in turn, situates my definition of the “voluntarist” role of the typical entrepreneur in increasing the per-capita physical value of the productive powers of labor in society. That entrepreneur’s characteristic role is an offshoot of the same function performed in the partnership between the original discoverer of an hypothesized universal physical principle and the team of designers of crucial-experimental processes by which those hypothesized principles are given

the quality of test which Riemann defines as a unique experiment. In my writing I have emphasized the way in which technologies are derived from the implications of unique qualities of experiment, as the typification of the machine-tool sector of the *Mittelstand*.

So, the educational development of cadres of persons qualified in the scientific/engineering domain of unique experimentation, is the crucial driver for the increase of the productive powers of labor-in-general, in design of products and of productive processes. This is true for agriculture as for manufacturing, and for engineering in the domain of public basic economic infrastructure. This connection, as reflected in such roles within the *Mittelstand*, is the exemplification of the way in which “noësis” transforms the world and its physical economy, from lower to higher states of the Noösphere.

However, much of the net increase of the productive powers of labor within private enterprises, for example, is generated from outside particular private entrepreneurship, as in improved transportation systems, for example. Take the case of the development of the infrastructure of the Eurasian Land-Bridge as an example of this. The action of movement of goods by ship does not increase the intrinsic value of the goods shipped. However, when land routes as such become economically interactive with transport, the net cost of transport from Rotterdam to Pusan may even be negative: the increase in wealth generated as a by-product of interaction between transport and production along the route, will be among the principal sources of gain from the operation of the Land-Bridge as a land-route of high-speed transport.

The discovery and realized application of a new physical principle, is the typical action which sets the human species categorically apart from and superior to all other living species. It is cooperation rooted in this specifically human quality, which separates human beings from such creatures of *The Island of Dr. Moreau* as the sub-human creatures of Hobbes’ and Locke’s philosophy. This point is well illustrated by considering the effects of Kepler’s original discovery of gravitation, as detailed in his *The New Astronomy*, with the intrinsically failed Aristotelean, *post hoc ergo propter hoc* systems of Claudius Ptolemy, Copernicus, and Tycho Brahe.

The fact that Kepler’s measured orbit was neither circular, and of constantly non-uniform rates of motion, showed that the Solar System is not ruled by kinematic ricochets, but by principles which predetermine the lawfully defined future position of the body. That is the lesson which must be used to rehabilitate today’s economic statisticians, and to bring the matter of forecasting the effects of willfully variable human behavior under the domain of science. I attest, that competent long-range forecasting, in which I have excelled during the recent several decades, follows the model of Kepler’s treatment of long-term orbits, not the failed, *post hoc, ergo propter hoc* of all too many, much too celebrated recent statistical forecasters.

Thank you.

Israel Elections: Sharon May Sink in Likud Money Scandals

by Dean Andromidas

Speaking of “adding hope to the United States’ Middle East agenda” in Washington on Dec. 12, Secretary of State Colin Powell announced a new \$29 million program aimed at promoting “democracy” and open economic policies throughout the region. The program did not aim at Israel, however, he said, because it is the “Middle East’s only democracy” and therefore not in need of political reforms.

Israel’s current general election campaign, therefore, should serve as an example of democracy in action; a campaign where war and peace should be at the center of political debate. On one side is Prime Minister Ariel Sharon, whose policies have led to two years of the worst bloodshed in the region’s bloody recent history, and whose backing from the war party in Washington threatens to allow Israel to ignite the Clash of Civilizations between the Muslim world and the West. On the other side is the Labor Party’s Amram Mitzna, like Sharon a retired general, who hopes to revive the peace policies of slain Prime Minister Yitzhak Rabin. Paralleling Mitzna’s efforts are those of the rest of the peace camp led by the dovish Meretz party and the Israeli Arab parties. Since Sharon won the Likud party primary, the international media has been pushing the line that he, enjoying the unprecedented backing of President George W. Bush, will easily win a landslide victory as the “strong leader” Israelis are said to want.

But generally missing from this coverage, is the fact that a major election scandal threatens to expose the “Middle East’s only democracy” as a banana republic. Israeli police have opened an official investigation into the internal Likud elections for the party’s list of candidates for the next Knesset (parliament). Police have already arrested four party officials amid reports of cash payoffs, vote manipulation by organized crime elements, and kickbacks. The dirty trail leads directly to George Bush’s “good friend,” Ariel Sharon. It dramatically confirms the *EIR* exposé of Dec. 13, “Exposed: Dirty Money

Schemes, To Steal an Election for Sharon.”

How ‘Mideast’s Only Democracy’ Works

On Dec. 8, the 3,000-member Likud Central Committee held its convention to elect candidates for the Jan. 28 general Knesset election. The event was described in the Israeli daily *Ha’aretz* as “a spectacle that looked like a cross between a Turkish bazaar, a Nigerian riot, and a Hamas funeral in Gaza.” The committee deliberated on who will become Israel’s future lawmakers amid reports of cash payoffs, fist fights, and ballot fraud.

Under the Likud party’s “democratic” system the Central Committee elects candidates to preference slots from 1 to 120. While Sharon and former Prime Minister Benjamin Netanyahu (currently Sharon’s Foreign Minister) were named automatically to the first and second slot, the competition for the rest was feverish, because those who did not reach the top 30 slots were unlikely to enter the Knesset. This democratic process was not open to the press, but *Ha’aretz* correspondent Ari Shavit managed to infiltrate the event, and reported: “Anyone who has managed to sneak into the completely closed area of Booth 26 understands exactly why the media was not allowed to enter: the Likud has no interest in having the public see how the large intestine of its internal democracy functions. It has no interest in having the public see the defense minister and finance minister of the State of Israel sweating and frightened as they kowtow to the odd collection of Central Committee members. Or to see . . . Pnina Rosenblum [the “cosmetic queen of Israel”], deeply cleaved, sitting for hours on a high chair at the entrance and bending over to every delegate who enters before planting two wet kisses on his cheeks. Or Deputy Minister [Naomi] Blumenthal standing barefoot on a stainless steel slate that rests on a cardboard carton, distributing seductive smiles in all directions.”

After the convention, the press trumpeted a great victory for the extreme right wing of the party, the camp of Netanyahu, Sharon's big rival. But a closer look at the list revealed that among the top 30 candidates were a nightclub cocktail waitress—whose father is a suspected crime boss—a tire repairman, and figures hitherto unknown to Likud politics. *Ha'aretz*, referring to the striptease artist Cicciolina elected to the Italian Parliament in the 1980s, wrote: "The 16th Knesset will include some Likud representatives whose candidacy is as legitimate as the Italian Stripper. . . . These people represent a phenomenon that stands to undermine the status of Israeli politics and public ethics. . . . The Likud Central Committee must provide a convincing answer [as] to why it chose as its emissaries for national leadership, a tire-repairer, a student whose family has been under intelligence surveillance by the police, a former secretary of the prime minister's office, a minister's driver, a local council deal-maker who failed to pass the civil service exams, and several ambitious young people whose sole public experience is having spent two years in the proximity of a minister." And the list included Moshe Feiglin, often called a "Jewish fascist" and "Jewish Nazi," who is Israel's Meir Kahane of the 21st Century.

Within hours of the closing of the Likud convention, candidates who found themselves at the bottom of the list revealed demands for thousands of dollars by "vote contractors" in the Central Committee, in return for votes. One candidate, Haim Cohen, told *Ha'aretz* he was asked to pay \$70,000, and another candidate was asked to pay the equivalent of \$200,000. One candidate's secretary told Israel's Channel 2, that her boss told her to plaster a bumper sticker with his name across her chest, and begin to offer sex to Central Committee members in return for their votes. But far more ominous, were revelations that several of the committee members, controlling hundreds of votes, were among Israel's top crime families.

First Arrests Made

Within days of these exposés, the Israeli police opened an official investigation, and by Dec. 17, made their first arrests: four Central Committee members, including Gil Haddad and Haim Naim, top party apparatchiks from the city of Lod. Both were accused of asking for cash—up to \$300 per vote—and both are cronies of Sharon. According to *Ha'aretz*, Haddad "is considered a key figure in the Central Committee, who often brags he has an open line to Prime Minister Ariel Sharon. His lawyer, Ari Kedri, mentioned that connection during yesterday's court hearing as evidence of his client's good character." Other arrests are expected.

One candidate, Ruhama Avraham, secretary to Benjamin Netanyahu as prime minister, reportedly paid the fee, and although a political novice, won the 18th slot, which all but guarantees her a seat in the next Knesset and a fat cabinet portfolio should Likud win the next government.

In former years, supporters at Likud conventions would welcome Ariel Sharon with shouts of "Arik, King of Israel!"

But at the next convention, shouts of "Arik King of Sleaze!" will be more more appropriate. The "deal-makers" in the Central Committee represent the top organized crime families in the country. For Israel's Al Capones, the real payoff comes after the elections.

Writing in *Ha'aretz* on Dec. 17, commentator Amir Oren called Likud, "No longer a party that has criminals, but criminals who have a party. When three high-ranking officials of the Public Security Ministry—the minister, his deputy, and his assistant—were all subject to the mercies of the Central Committee in the struggle over their places on the list, very few organs of power remained outside of the control of crime."

The revelations are biting deep into the fabulous polls that showed Likud winning over 40 Knesset seats. Sharon's advisers have stopped talking about doubling Likud's number of seats, as more and more of its candidates who found themselves victimized at the hands of the Central Committee, make their way to the offices of the National Fraud Squad. *Ha'aretz* wryly commented, "Only President Bush and his war on Iraq can save the day, and so far, he's keeping quiet."

Sharon has responded, as before, by lying his head off that he knew nothing, and has called on Justice Minister Meir Sheerit (who won the number 16 slot on the Knesset list) to form a committee of party elders to investigate and propose changes to the primary process. But he cannot escape his own responsibility. Sharon chose to have the election of the Knesset list carried out in the Central Committee, rather than in primaries, involving the whole party membership. He replaced the old Central Committee, which was identified with Foreign Minister and former Prime Minister Benjamin Netanyahu, with a committee 60% of whose members were newly chosen since Sharon's primary victory.

The 'Big Deal'

According to investigations by *Ha'aretz* and other sources, the candidates who made it to the top of the Knesset list did so because of a "big deal" involving several Central Committee members who were among the top crime families in Israel, and who controlled hundreds of votes among the 3,000 Central Committee members. Some of these candidates are currently among the most important ministers in Sharon's government, and would also be in his next government if Likud should win the elections. Sharon's son Omri was part of the "big deal." But the *capo di tutti capi* of the Likud, and of its "big deals," is Ariel Sharon himself.

The king-makers are led by the infamous Moussa Alperon, the Al Capone of Israel. He has been in and out of jail and reportedly sits at the head of a criminal empire that includes narcotics trafficking, illegal gambling, "gray market" financing, money laundering, and trafficking in women for prostitution. Israel has been cited by the United Nations and the U.S. State Department as one of the worst offenders in this slave trade. Nonetheless, the Likud by-laws did not bar him from becoming a Central Committee member with the

power to choose Israel's future lawmakers.

Working with Alperon was David Appel, a shoddy contractor close to Netanyahu. In 1997 Appel was accused of involvement in the infamous "Bar-On Affair," which almost landed an indictment against then-Prime Minister Netanyahu. That affair involved a conspiracy to appoint Likud member Roni Bar-On—now number 31 on the Knesset list—Attorney General, on the promise that he would drop a kickback investigation of one of Netanyahu's cabinet ministers. The other person involved in this affair was Tzachi Hanegbi, who was Justice Minister at the time. All escaped indictment only because current Attorney general Elyakim Rubinstein, who had won the appointment instead of Bar-On, refused to level any indictments. On Dec. 8, Hanegbi won the highly prized number three position on the Likud election list. He is currently Environmental Minister, and only recently escaped indictment again, this time for appointing 80 people to his ministry, who had absolutely no qualifications for their jobs.

Another member of this powerful circle is the Gavrieli family, whose patriarch is Reuven Gavrieli. This worthy organizes taking planeloads of Israeli gamblers to Turkey, where he runs a string of casinos. Two of his brothers spent time in prison for drug dealing, and another, Shoni, runs the Arian Club in Jaffa. Shoni's daughter might now be able to go from being a cocktail waitress in her father's nightclub to launching a career in politics after winning the 29th spot, way ahead of some very senior Likud members including Jerusalem Mayor Ehud Olmert.

Then there is the Oz family, whose patriarch is Shlomi Oz. The family recently took over the Ramat Gan branch of the Likud, one of the party's most important and richest. Not so long ago, at end of the 1980s, Shlomi Oz was member of the Alperon gang, for which he managed Alperon's "debt collection" company. Together with the Alperons, he was involved in a plot to counterfeit \$2 million, and he served almost three years in prison. After his release, his fortunes changed; no longer was he breaking the legs of truant debtors, but was able to earn a fortune in the real estate business. He also became the representative of a security company of more than 1,000 employees, Tzevet Bitahon Ltd., which provides security to local authorities and public companies. They also guard Likud's national headquarters in Tel Aviv, and Sharon's Office of the Prime Minister. The company's deputy director, Erez Halfon, who worked for the company at Likud headquarters, is now in charge of staging political rallies for Sharon.

The Next Criminal Generation

Among Oz's freinds is Omri Sharon, the Prime Minister's son. Out of this deal, Omri, who only entered politics in the last two years as his father's errand boy, got the 27th slot. Omri earned a spot in the big deal because he helped bring these "families" into the Likud. For months he criss-crossed

Israel, meeting with leading families of various *hamulas* or clans among the Oriental Jewish communities, to sign them up to the Likud. A single *hamula* could represent a bloc of hundreds of votes. Many of these clans had criminal elements, who in many cases were their most influential and wealthy. The Gavrielis and the Alperons represent leading families of *hamulas* and became new members of the Central Committee. According to *Ha'aretz*, one such clan that Omri personally organized was the Jarusha *hamula*, a family with a well-known criminal wing.

After Shlomi Oz took over the Likud branch, Ramat Gan Mayor Zvi Bar called senior Likud member Moshe Arens, to tell him, "I want you to know, the Mafia has taken over the Likud branch in Ramat Gan." Arens did not reply, but it is interesting to note that Sharon has named Arens to his investigative commission. It is an open question whether Arens, who in the 1970s rescued Netanyahu from a career as a furniture salesman and launched his career in the Likud, will act on the Ramat Gan Mayor's tip.

While this sleaze was being spread out in the headlines of Israel's leading newspapers, Sharon went on Israel's much watched "Popolitika" TV show, and with the straight face he is known to adopt when he is lying, said, "When the reports began appearing in the press I understood there was an attempt to exploit our democratic system. My son, Omri, had nothing to do with criminal elements who managed to get into the Central Committee."

Sharon's real mob connections, which *EIR* has exposed for years, are to the descendants of the old networks of Meyer Lansky. Compared to Lansky, the Alperons and Gavrielis are street-corner punks. It was Lansky associate Meshulam Riklis, among other things a leading casino operator in Las Vegas, who was one of Sharon's key U.S. financial backers. Riklis' protégé, New York businessman Arie Genger, is Sharon's current back-channel to the Bush White House.

Looking for a \$14 Billion Boost from Bush

One wonders whether Palestinian Authority President Yasser Arafat will now ironically turn the tables, and state that he will not negotiate until Israel's leadership is "reformed" of its cronyism and criminal elements. New polls reveal that 15% of Likud supporters are no longer so sure that they will vote for the party; that 19% of Likud voters would support talks with the Palestinians unconditionally, as Labor Party Chairman Mitzna proposes; and that Labor could pick up more than the 26 seats it holds now.

Sharon is desperately trying to create the impression that the \$14 billion bailout he requested from the Bush Administration is already in the bank. He is also trying to neutralize Mitzna by claiming the Labor Party would reenter a unity government with Sharon after the election, something Mitzna has always denied. Sharon may sink in the sleaze he helped create; the question is, will the Bush Administration continue to throw him more lifelines?

Documents Show Israeli Hand in Phony Al-Qaeda, Hezbollah, and Hamas

This document was provided to EIR following three press conferences given by Col. Rashid Abu Shbak, head of the Palestinian Preventive Security agency in the Gaza Strip, on Dec. 6, 8, and 10. As reported in last week (EIR, Dec. 20, "Mossad Exposed in Phony 'Palestinian Al-Qaeda' Capet,") Colonel Shbak released extensive documents to the press and to the ambassadors and consuls of foreign governments, that detail the efforts of the Israeli intelligence services to create al-Qaeda cells to claim credit for staged terrorist incidents, and thereby to justify Israeli revenge. At a Dec. 10 press conference in Gaza, the Palestinian Preventive Security agency presented "Ibrahim," the man whom the Mossad had tried to use as the recruiter to its fake al-Qaeda cell.

The document below was prepared in English, and is a summary of evidence the Palestinian security services possess. Colonel Shbak had stated at the press conferences that the telephone numbers and bank account numbers used in recruiting the claimed "Palestinian al-Qaeda" cell had been traced to Israeli intelligence.

Despite the lack of significant international press coverage of this explosive evidence, aside from this news service, it is in the hands of governments, including that of the United States. In publishing this document, we repeat our question of last week: "Do these governments have the moral fiber to investigate?"

"A Secret Document That Reveals The Involvement Of Israel Intelligence Service In Forming Cells That Work For Each Of: Al Qaeda, Hezbollah, Islamic Jihad And Hamas In The Gaza Strip."

Introduction: Following the statements of the Israeli Prime Minister, Ariel Sharon, on Dec. 5th 2002, in which he claimed that members of Al-Qaeda are present in the Gaza Strip and Lebanon, the head of the Palestinian Preventive Security made the decision to reveal the Israeli involvement in forming these cells, after keeping this subject as a secret for a couple of months. . . .

In this document, we will present some cases in which the Israeli intelligence service supervised the recruitment of cells inside Gaza in an effort to "afghanize" the Palestinian territories as a pretext to launch a large-scale war against the Palestinian people after stigmatizing them with terrorism.

Case One: Al-Qaeda Organization

By the beginning of the year 2002, a person called

"Yousef" made a phone call to the Palestinian citizen "B.B" from the phone number 0096277670253. In this call, Yousef asked "B.B" to keep going to pray in the mosque, and to rent a house and purchase a fax machine and to call the number: 055971295. Yousef had made money transfers to the mentioned person as well as sending him "Orange" mobile phone card "vouchers" and informed him that he intends to work with him after they both join the Al-Qaeda organization led by the Sheikh Osama Bin Laden, which aims towards:

- Supporting the Intifada and guaranteeing its acceleration;
- Providing money and weapons to the fighters-mujahideen;
- Training the fighters-mujahideen to prepare explosives of different kinds;
- Recruiting different nets to work for Al-Qaeda to guarantee the shape of the battle as being Islamic and universal.

"Yousef" then asked the Palestinian citizen to supply him with names of active and religious members to recruit them for Al-Qaeda. "Yousef" also asked the Palestinian citizen to inform him of a way they can use to bring weapons to the Gaza Strip from Israel. He told him that these weapons are kept with people who work with Al-Qaeda from the Palestinians inside the 1948 lands, i.e., Israeli Arabs. The mentioned person kept contacting "B.B" following the same mentioned goals.

Case Two: Hezbollah

In March 2002, an anonymous person called "Abu Al-Hassan," claiming that he is a Hezbollah member from South Lebanon, made a phone call to a Palestinian citizen "M.SH," from a phone with an international number in Germany, and told him that he intends to support one of the Palestinian groups that belongs to Fatah movement. The caller asked "M.SH" to send a fax telling him the needs of the organization. "Abu Al-Hassan" then informed the Palestinian citizen about the person called "Abu Al-Abed," who carries a mobile phone number 050704768. The person called "Abu Al-Abed" had informed the Palestinian citizen of drop points to hand in the weapons and ammunition and explosives in points that were close to Israeli locations in the south and middle of the Gaza Strip. At that point "M.SH" decided to stop all communication with these suspected parties.

Case Three: Al Qaeda Organization

In mid-February 2002, a phone call was made from the number 009618340379, and Jihad Al-Amareen who was later assassinated by Israel, was asked to open a communication line with that person who claimed he was speaking on behalf of the Al-Qaeda organization.

In one of these cases, the Israeli Al-Qaeda agents had provided a number of items of weaponry that was handed in Gaza to Jihad Al-Amareen. It was agreed that Jihad Al-Amareen will recruit cells that will work for Al-Qaeda and to nominate people to be sent abroad to be trained on kidnapping and murdering on a large scale. After Jihad Al-Amareen was assassinated, the same person called one of the people who were close to Al-Amareen and asked him to identify the deputy of Al-Amareen to work and cooperate with.

Case Four: The Islamic Jihad

On July 12, 2001, an anonymous person made a phone call from mobile phone number: 055318484, and asked the Palestinian citizen "M.KH" to go to Al-Huda mosque in Khan Younis city, where he would find a letter behind a toilet cabin in the mosque toilets. "M.KH" went to the agreed point where he found a letter offering him to join one of the Palestinian organizations, and [offering] to train him on how to use mortars and explosives.

The Israeli intelligence service agent "Abu Jamal" called the Palestinian citizen again and informed him about a place in Khan Younis where he will obtain an amount of money to buy a mobile phone, and, in addition 50 meters long electrical wire, and small batteries to prepare for work. "Abu Jamal" then called the Palestinian citizen for the third time and asked him to go to the toilets of the Rafah service club to purchase some material connected to explosives.

On July 21, 2001, "Abu Jamal" asked "M.KH" to go to the road next to the European hospital where he was guided through the mobile phone to a place where he found the following: a Kalashnikov rifle, a hand grenade, ammunition, and a letter saying: "This is a gift from your brother in the service to protect you." He then sent him some money that "M.KH" put behind one of the windows of the building that contains the Fatah movement office, in front of the Khan Younis garage, next to the Al-Quds girls school.

"Abu Jamal" then sent the sum of 1400 Jordanian Dinars to the Palestinian citizen to buy a gun. In one of the cases, "Abu Jamal" sent the Palestinian citizen a large explosive, who ["M.KH"] in turn, informed one of his friends of his own fears and doubts about that explosive. Another friend had it exploded in an empty place.

Case Five:

This case is about a person who works for the Israeli intelligence services who claimed he was called "Abu Suhaib," and who had contacted a Palestinian citizen called

"A.M." ["Abu Suhaib"] had provided him with money starting with drop points, and then through money transfers to a bank account at one of the Palestinian banks. . . . The sum of the money received was approximately \$7500. "Abu Suhaib" then asked "A.M." to provide him with information about the activities of one of the Palestinian organizations, and to also report about all the events, in addition to recruiting members to work the military apparatus.

In this case, Abu Suhaib called "A.M." and told him that the Preventive Security Service is now aware of their relation and communications, and asked him to tell the Preventive Security if they arrest him that it was a contact from Saudi Arabia and also to hide the fax machine he was using in their communications.

Case Six:

The Israeli intelligence service had recruited the collaborator "M.N." and asked him to join Hezbollah and the Popular Front for the Liberation of Palestine (PFLP)-General Command in Lebanon. There "M.N.," guided by the Israeli intelligence service would meet a person called "Abu Samah" in Syria, where "Abu Samah" took him to meet "Jihad Jibril."

When he returned to Gaza, the Palestinian citizen was ordered by the Israeli Shabak officers to establish contacts with activists of Al-Aqsa Martyrs Brigades, and informed some of them that he works for Hezbollah. He then asked some of them to join him in Hezbollah to carry out large-scale bombing and suicide bombings.

Case Seven:

A contact had taken place between a person who claimed to carry the name of "Abu Omar," and the Palestinian citizen "R.M." from a phone that carries the number 009613868075. Omar had told him that he worked for Hamas in the past and that now he works for Al-Qaeda organization under the leadership of Sheikh Osama Bin Laden. He also told him that he wishes to support the Intifada and help accelerating its ongoing. He then sent him the sum of \$1000 to buy a computer and a fax machine. After a while, the Israeli Mossad agent "Abu Omar" called "R.M" from the phone number: 0096277970198, and asked him to nominate and recruit a number of Palestinians who wish to be martyrs. Some of the contact between the two was made through the Internet. Some other amounts of money were sent aiming towards collecting information and recruiting members for outside parties (definitely Israeli ones,) aiming towards destroying the stability in the Gaza Strip and creating general chaos.

Case Eight: Al-Qaeda Organization

A phone call was made between "Abu Omar" who claimed he was calling from Lebanon, and two Palestinian citizens: "A.S." and "H.S." "Abu Omar" asked both Pales-

tinian citizens to travel to Turkey to be trained to use advanced weaponry, and to say that they were going on a business trip.

“Abu Omar” sent them money in different payments to cover their correspondences and expenses. The wire transfer would come from East Jerusalem from the name of Khaled Jabir—200 Jordanian Dinars. Then another bank transfer was made of the sum of 340 Jordanian Dinars from a person called Imad Younis from the city of Im El-Fahim. The first contact was made in mid-September and in the next contact, Abu Omar informed our citizens that he “works with the Sheikh Osama Bin Laden, and that they are planning to carry out large operations against the enemy. . . .” and he “Abu Omar” added “after we have destroyed the oil tanker “COLE” our enemies will tend to surround the organization but definitely we shall beat them.” The contact took place through the Internet, on the following email address, which belongs to “Abu Omar”: HYPERLINK “mailto:Omar3500@unicurn.de”

“Abu Omar” tried through our citizens, to enter weapons to the Gaza Strip, and to identify names of field activists.

Appendix: The Text Of The Letters Sent By Israeli Shabbak Using The Name Of Al-Qaeda Organization

Dear Brother:

After carrying out investigations about you, and after receiving the reports from the brothers in your region, telling us of your honest Islamic approach, and your willing[ness] to join the fighters-Mujahideen. Following all that, the Brothers had nominated you, and recommended your high enthusiasm for Islam, and your appreciation of Jihad and martyrdom. Therefore, we come to ask you to join the fighters-Mujahideen—and we will support you with money and weaponry. After receiving the attached letter, you must call us on the following number (. . .) and ask for brother (Abu Mujahid) and to identify yourself as “Abu Anas.”

The contact must take place between 15:00 hrs and 17:00 hrs.

If for any reason—technical or other—you must call at the same time the next day. After reading the letter and understanding its contents, you must burn it, and keep all this as a secret and never tell anyone, even the people close to you, about its contents. “To help carry out your needs keep them unrevealed.”

Your brother, the slave of god
Osama Bin Laden
Al-Qaeda organization

Summary

After showing these simple cases, we at the [Palestinian] Preventive Security indicate first of all that what is released in this document is true, accurate intelligence information, that we have informed some international parties of its details

to be witnesses of the Israeli government behavior in the occupied Palestinian territories.

But today [Dec. 6], and after the claims made by Ariel Sharon, the Israeli Prime Minister, that there are members of Al-Qaeda organization in the Gaza Strip, we indicate to the world that this organization, if it does exist and does have members in Gaza, then it is the making of Sharon and his intelligence services.

Hereby, we reveal this information to put you in the picture of the situation in order to make a stand on accepting political and ethical responsibilities, and to ruin the Israeli attempts to “afghanize” the Palestinian case.

We here indicate that the incitement campaign led by Sharon against the world’s largest prison (the Gaza Strip), which suffers from severe poverty, sickness, and unemployment, may aim towards paving the way to new massacres in the Strip which might be committed as part of the Israeli elections campaign. This might be carried out through invasions and re-occupying the Gaza Strip after obtaining the international consensus to this large scale operation planned to be done in the Gaza Strip. This consensus might be obtained through convincing the international “world” that cells working for Al-Qaeda organization do exist in the Strip that must be uprooted.

Electronic Intelligence Weekly

EIW

An online almanac from the publishers of **EIR**

Electronic Intelligence Weekly

gives subscribers online the same economic analysis that has made *EIR* one of the most valued publications for policymakers, and established LaRouche as the most authoritative economic forecaster in the world.



EIR Contributing Editor,
Lyndon H. LaRouche, Jr.

Issued every Monday, *EIW* includes:

- Lyndon LaRouche’s economic and strategic analyses;
- Charting of the world economic crisis;
- Critical developments ignored by “mainstream” media.

\$360 per year Two-month trial, **\$60**

For more information:

Call **1-888-347-3258** (toll-free)

VISIT ONLINE:

www.larouchepub.com/eiw

'New Silk Road' Party Wins Korean Presidency

by Kathy Wolfe

Millennium Democratic Party (MDP) candidate Roh Moo-hyun was elected President of South Korea Dec. 19, in a narrow but decisive 49 to 46% vote, against opposition Grand National Party (GNP) chief Lee Hoi-chang, a victory for the New Silk Road and Eurasian Land-Bridge. Roh won by calling for dialogue with North Korea, and opposing calls from Lee for economic sanctions over Pyongyang's nuclear program. "I am the only candidate who can resolve the nuclear issue through dialogue. The survival of 70 million Koreans is at stake," Roh said on Dec. 15.

Roh also, as President Kim Dae-jung has done, criticized demands for sanctions and other confrontations with the North, from the minority "Utopian" faction in Washington, while making it clear that mindless anti-Americanism will not do. "I don't have any anti-American sentiment, but I won't kowtow, either," he told a rally Dec. 17.

The election shows that South Koreans, traditionally pro-American, have nonetheless rejected recent interference in Korean affairs by kooks such as Defense Policy Board (DPB) chairman Richard Perle, and by Defense Secretary Donald Rumsfeld. This included the seizure of a North Korean ship on Dec. 11, an attempt to split Roh's campaign in half, and a public warning by Perle to South Korea, on Election Day, to prepare for war.

EIR Founding Editor Lyndon LaRouche, candidate for U.S. President in 2004, in a Dec. 15 statement distributed in Korea, exposed the "destabilization of the South Korean election campaign." He said that "attempts by . . . 'Chickenhawks' such as Richard Perle to trigger a war-like crisis in the Korea Peninsula, must be stepped on, hard," by cool heads in Washington (see box).

North-South Highway Opens Christmas Day

Meanwhile on Dec. 18, Seoul Unification Ministry officials just back from talks in North Korea, told the press that the west coast Kyongui Line (Seoul-Pyongyang-Shinuiju) of the Trans-Korean Railway will be complete by the end of December, or the end of January at latest if technical problems arise. The four-lane highway along the Kyongui Line across the DMZ, he added, will open Christmas Day. Heavy equipment, construction materials, and South Korean officials will travel the road overland for the first time since 1950 into North Korea, for a ground-breaking ceremony of the new

joint North-South Kaesung Industrial Complex, scheduled for Dec. 28-30.

This development of the New Silk Road in Korea, which is pivotal to the entire Tokyo/Pusan-to-Paris Eurasian Land-Bridge, could have been endangered if the opposition had been elected and cut off economic relations with the North. Pyongyang's failure to respond to President Kim's Sunshine Policy, until a sudden agreement to open the DMZ in September, put opposition leader Lee Hoi-chang far ahead in the polls most of this year.

But in the last weeks, the South Korean public grew so outraged over attacks on Korea's national sovereignty, that such attacks from Washington only "blew back" into the Utopians' faces. Over 300,000 people joined candlelight vigils across the South on Dec. 14, protesting the recent U.S. court acquittal of soldiers who killed two Korean girls in an armored vehicle accident. The U.S. President's Jan. 29, 2002 "axis of evil" speech was seen as an insult to the entire Korean nation. "The issue is not anti-Americanism," a vigil leader told CBS News. "We all have great respect for America! The issue is respect for the Korean people and the sovereignty of Korea. We're not the 51st state."

A Dec. 16 *Korea Times* column by Dr. Kim Sang-woo, chief spokesman for President-elect Roh's campaign, warned, as did LaRouche, against Utopian threats to North Korea, which are not the policy of President Bush, and which "will certainly not serve the national interest of South Korea." Dr. Kim, a former diplomat, called instead for the economic development of Asia based on the Trans-Korean Railway and the New Silk Road. Excerpts from his column, "Challenges Ahead for Korean Foreign Policy," accompanies this article. "Use of military power" to halt North Korea's nuclear weap-



South Korean President Elect Roh Moo-hyun is committed to the same policy of linking the two Koreas through infrastructure, and linking the Peninsula to the Eurasian Land-Bridges, as President Kim Dae-jung has been. His election was also a demand for full Korean sovereignty.

ons program, such as “a U.S. preemptive strike, . . . will certainly not serve the interest of South Korea” Ambassador Kim warned, and would “create a serious impingement upon the sovereignty of the nation.” Instead of war, South Korea needs “reinforced emphasis on regional cooperation in East Asia,” led by the New Silk Road. “[T]he future of East Asia belongs together. . . . The ongoing construction of the Trans-Korean Railways and their connection to the Trans-Siberian Railways will hopefully have a trigger-effect for further connections to the Chinese mainland and Trans-Asian Railways encompassing ASEAN countries.”

Utopian Interference

The Korean Presidential election was close, because the South Korean population is deeply split. Voters over 50, who remember the Korean War and are grateful to the United States, are frightened by media hype about the war threat. Younger voters, who are more ignorant of this history, disbelieve the threat and want to get on to building a united Korea. South Korea fundamentally is a very pro-American place for good reasons, as the two countries share mutual respect for the absolute sovereignty of a republic under natural law.

The increasingly heavy-handed interference into the election, however, became too much for Koreans to take. First,

there was the U.S. declaration of an oil embargo against the North on Nov. 14; then the seizure of a North Korean merchant ship on Dec. 11. These provoked North Korea to announce on Dec. 14 plans to reopen its plutonium reactor, just as President Kim had warned on Nov. 18 (see *EIR*, Dec. 6).

“Nobody wants the United States to intervene in our politics,” one Seoul professor told the *Korea Times*. “Since the United States intercepted a North Korean cargo ship carrying Scud missiles, many politicians and local media suspect that the incident is part of an American maneuver to influence the Presidential poll.”

There were even last-minute stunts on Election Day. Roh’s key campaign partner Chung Mong-joon, popular head of the soccer association and heir to the Hyundai Group, suddenly pulled out of Roh’s campaign and denounced him, seven hours before polls opened. Chung claimed that Roh had told a rally, that he would support Pyongyang in a conflict with the United States. As Election Day began, opposition spokesmen announced: “Now, we will win the election!” The *Washington Post* forecast that the Chung split would hand Lee Hoi-chang a victory. Yet Roh, who was “baffled” by Chung’s move, had merely said: “South Korea should be able to mediate a possible quarrel between North Korea and the United States” if it got out of hand, the transcript shows. Chung locked himself in his home and refused to see Roh,

Korea and World Peace

This statement was issued on Dec. 15 by Lyndon H. LaRouche, Jr.’s Presidential pre-candidate political committee, LaRouche in 2004.)

I am thankful for the U.S. Government’s official apology to Spain, over the attempt by some U.S. rogues to involve Spain in an attempted destabilization of the ongoing Korea election campaigning. The restoration of rail transport within Korea which will allow us to connect Pusan to western Europe, is an essential part of the effort to rescue the United States’ partner, Europe, from the effects of a currently accelerating general economic collapse around most of the planet. The currently continuing attempts of U.S. official “Chicken-hawks,” such as Richard Perle and his accomplices, to trigger a war-like crisis in the Korea Peninsula, must be stepped on, hard.

A group of Eurasian nations, including the Strategic Triangle of Russia, China, and India, is emerging as the pivot of an increasing density of far-reaching, long-term economic development projects within Asia. This includes

Korea, Japan, and Southeast Asia. The foundation of this ongoing economic strategy includes large-scale infrastructure projects which will serve as a critical margin of long-term stimulants to the entire region. Among the effects will be a long-term growth of large margins of exports of relevant technology from Europe, and similar opportunities for U.S. trans-Pacific trade.

Those benefits depend in significant degree upon strategically crucial cooperation among Japan, Korea, and China. Japan urgently needs the opportunity to return to the industrial-goods-export orientation of the period prior to Zbigniew Brzezinski’s U.S. wrecking of Japan’s oil-for-technology relations with Mexico, for example. Japan’s prospect for participation in cooperation among Russia, China, and Korea, is therefore a critical factor in Japan’s early future. A revival of the pre-1997 industrial capabilities of Korea, and the development of the rail connection from Pusan to Europe, is therefore a critical frontier of the defense of the U.S. economy itself.

Therefore, any meddling madmen who are seeking to disrupt the Korea rail connection, or target North Korea for U.S. Chicken-hawks’ attempts to use it as a nuclear alternative for warfare on Iraq, must be considered a threat, not only to our friends in Eurasia; but, also, a menace to the imperilled economic security of the U.S.A. itself.

leading to speculation that Chung may have been coerced into the whole provocation by a third party.

Richard Perle himself gave an incendiary interview, which appeared in the morning of Dec. 19 in the hard-line *Chosun Ilbo*, saying that “the option of using military tactics should not be ruled out” with North Korea. Perle said, that those who thought “resolution through diplomatic means” meant something other than 100% resolution were wrong, and that “the danger to be brought upon us by North Korea’s nuclear development is so great that it will result in a quarantine of unprecedented comprehensiveness.” He specified that South Korea needs to adopt certain “counter-battery artillery techniques,” as war could be imminent, and threatened that more North Korean ships may soon be stopped at sea. But the voters weren’t buying.

New IMF Economic Threat

The new government faces the need to demand sovereignty for Korea’s economy, too. On top of the nuclear crisis, President-elect Roh now faces a blow-up of the economy. Just as Wall Street is touting the International Monetary Fund “economic miracle” in Korea, it is falling apart. The IMF’s “success” was based on the inflow of hot foreign money, which has tripled the value of the Korean stock market since 1998. But now, the hot money is leaving just as quickly, exposing the miracle as consumer fraud.

Roh, a labor lawyer, is said to have a leftist leaning for further IMF “reforms.” President Kim’s weak point has been his ideological bias against the *chaebol* industrial combines; he allowed the IMF to shut down whole chunks of South Korea’s industrial base. In November, the government sold the advanced \$5 billion Hanbo Steel complex for scrap, at a dime on the dollar. Roh is said to share that bias. If so, this is the time to get rid of it. As Ambassador Kim Sang-woo points out, you can’t eat cyber-space or fiber optic cable. Asia, and both Koreas in particular, require a “full-set” heavy industrial infrastructure and a full range of industrial output to grow and develop.

The LG Economic Research Institute said Dec. 19 that South Korea’s economy will face a crisis in the second quarter of 2003, as exports to the collapsing U.S. economy dry up. They forecast “the aggravation of insolvent household economies, due to an increase in the burden to repay interest and loans.” Based on the hot-money stock bubble, the Korean government and banks issued a large consumer debt. On advice from the IMF, Korean banks and companies began handing out credit cards almost on every corner, even house to house. Total household debt has been rising at a 34% annual rate, to almost \$400 billion. As stocks drop, the consumer bubble is popping. The Bank of Korea (central bank) issued a report Oct. 8, entitled “Household Debt Feared to Spur Mass Bankruptcies,” which states: “Households are increasingly exposed to credit risks by taking out more loans from financial institutions, causing worries over a possible massive number of household bankruptcies.”

Challenges Ahead for Korean Foreign Policy

by Dr. Kim Sang-woo

The article excerpted here first appeared in the Korea Times on Dec. 16. Dr. Kim is Professor of International Relations at Kyung Hee University; former Ambassador for International and Strategic Affairs, the Republic of Korea; and was spokesman for the Foreign Media Office for President-elect Roh Moo-hyun of the Millennium Democratic Party.

The challenges we face in the field of foreign policy can be described in the three categories of peace, prosperity and maturity. Obviously, the most pressing need is peace, as we keep being baffled by the recurring theme of North Korea’s nuclear development and the possibility of U.S. preemptive strikes. Unification is no doubt our ultimate goal; yet peaceful coexistence on the Korean peninsula must be secured first so the pace and cost of unification may stay within a manageable range.

Theoretically, there are three options available to resolve the issue of North Korea’s nuclear program. The first is the use of military power. In 1994, the crisis passed before its escalation into war. The U.S. government then made the estimation that in case of a U.S. preemptive strike and subsequent retaliation by North Korea, South Korean casualties, both military and civilian, would amount to 1.5 million and U.S. troops 50,000 at least. With the entirety of South Korea and a substantial part of Japan being in striking range of North Korean missiles, this is one option that should definitely be avoided.

The second option is economic sanctions. This again may well provoke North Korea to go down the path of military conflict by choosing to defy the sanctions and deviate from the so-called Agreed Framework. The end result will be same as the first. However, if well controlled, economic sanctions can indeed suffocate the North Korean regime, and eventually induce its collapse, without affairs being escalated to war. Yet in this case, chaos will mount with millions of refugees pouring down to the South and an astronomical amount of money will be needed just to begin to address the situation. The South will never be in a position to handle its impact alone. Not only will outside assistance become essential, but Koreans also may even have to relinquish our right to manage the fate of the northern half of the peninsula to other powers and international organizations.

That is why we believe the remaining option of engaging with the North with the aim of inducing the regime to make changes in the right direction is the only sensible way. To do this job properly, it is of extreme importance to furnish

Pyongyang with the straightforward message: we simply want you to change, not perish; therefore steps toward reform and openness will be duly rewarded with further assistance, but irresponsible actions will be met with penalties. This is a very delicate task requiring strategic astuteness. In sending out such signals to Pyongyang successfully, it is crucial that all the relevant powers cooperate, especially Seoul and Washington.

Despite President Bush's repeated claim that the United States will not attack North Korea and intends to resolve the situation in a peaceful manner, I am afraid I must point out that Washington increasingly appears to be pushing for a regime change in North Korea by attempting to accelerate the collapse of the Kim Jong-il regime. This may serve the U.S. interest as a quick and efficient solution to remove the source of clear and present danger but as stated earlier, it will certainly not serve the national interest of South Korea.

Not only will the untimely collapse of Kim's regime in the North bring havoc to the South Korean economy, but it may also create a serious impingement upon the sovereignty of the nation. With these exigencies in mind the U.S. administration must come to coordinate with Korea's new President-elect as soon as possible. Otherwise, North Korea will keep pursuing political brinkmanship with its nuclear program without knowing the way out and neither Seoul's engagement policy nor Washington's hard-line sanctions will fully achieve their objective. As for the opposition party in Seoul and its supporters, who tend to reverberate the hard-line U.S. rhetoric, I beseech them to come to their senses and think hard about what the national interest of Korea is.

The second category of the foreign policy objective for Korea, in my view, is about prosperity through reinforced emphasis on regional cooperation within East Asia. I believe the future of East Asia belongs together. We must go beyond the conventional notion of regional economic cooperation centered on a free trade area and common currency. With the advent of new technologies, we now have the means to connect each country within the region to high-powered networks. Namely, common infrastructure of the Internet and transportation can indeed substantiate the true meaning of regional unity.

With Korea's leading edge in broadband technology, we can help the whole region of East Asia get connected to cyberspace, ranging from Kamchatka to Mumbai, from Irkutsk down to Bandung and from Pyongyang to Lhasa. This must coincide with the building of transportation infrastructure in physical space. The ongoing construction of the Trans-Korean Railways and their connection to the Trans-Siberian Railways will hopefully have a trigger-effect for further connections to the Chinese mainland and Trans-Asian Railways encompassing ASEAN countries. This combined network in cyber and physical space will not only bring about immense business opportunities and the thriving of physical industries even in remote corners but also tremendously enhance the level of technology for the region. . . .

Hindu Hard-Liners Win Big in India's Gujarat

by Ramtanu Maitra

The lopsided victory of the ruling Bharatiya Janata Party (BJP) in the Dec. 12 state assembly elections in Gujarat, has given mixed signals to the near-future political scene in India. The elections, held under the shadow of widespread anti-Muslim riots, which left at least 1,000 dead last spring, polarized the state population. What was considered as a seesaw battle between the ruling state party BJP and its main opposition, the Congress Party, turned out to be a virtual walkover for the ruling party. The BJP won 127 of the 182 seats. Congress, under the national leadership of Mrs. Sonia Gandhi and the state-level leadership of Shankarlal Vaghela, could manage to win only 50 seats—three less than it had won in 1998. Although the overall winner in the fray was the hard-liner Hindu chauvinist BJP leader Narendra Modi—who is now the state's Chief Minister—it is evident that the Hindus in Gujarat have voted with their feet in favor of BJP's communal electoral forum.

While the national BJP leaders, particularly Prime Minister Atal Behari Vajpayee, were less than enthusiastic for Modi's communal platform, it is likely that the BJP as a national party is now handcuffed, and has little choice but to use this victory as a morale booster for the upcoming elections in other states; and later, in 2004, the national elections. Already, the BJP leaders are falling over each other to congratulate Modi for helping to rejuvenate the party after it had suffered a series of state-level defeats during the past two years.

What Caused the Surprise?

The results have shaken up India's non-communal politicians and analysts—all of whom like to be identified as promoters of secularism. Some analysts are shouting from the rooftops that the worst has happened and the Hindu fundamentalists will now steamroll to power in the coming elections. But the ground realities are by no means so well defined.

To begin with, the Hindu-Muslim tension in Gujarat is a historical fact. From the 12th Century onwards, Muslim raiders from Central Asia came and looted the rich Hindu temples of Gujarat. In addition, as a coastal state on the Arabian Sea, Gujarat has been deeply affected by Arab smugglers—all of whom were Muslims and deeply clannish. There are coastal towns which remain partially under control of this Arab Mafia who have enriched themselves by smuggling in gold, narcotics, and electronics from across the sea. In other words, a large number of Gujarati Hindus, often wrongly, associate the Muslims with pillaging and violence.

Moreover, the state borders Pakistan and had long been

an area of irregular warfare conducted by the Pakistani Inter-Services Intelligence (ISI) functioning within India. Dozens of riots have taken place since India achieved independence in 1947. All, barring the one in 2002, took place under Congress Party rule. And the Congress Party did not bring to the fore the real issues which might have drawn the attention of the people.

The Untold Issues

The real issues were the economy and much-desired political stability. The Congress Party failed to convince the emotionally charged electorate on both counts. Modi spoke extensively against terrorism and the perfidious role of Pakistan, but never addressed the economic issues—which would have lost him the election. But Congress, also, did not tell the electorate that Gujarat's industrial growth has fallen since the 1990s, from 11% in 1996-97 and 8% in 1998-99, to 5% in 2000-01. In both cities and villages, unemployment has been rising. Four successive years of drought have made agricultural work hard to find. Ahmedabad's textile mills have collapsed more than the last decade, leaving over 100,000 workers in the city jobless. The number of educated unemployed registered with the government increased by 30% in three years, reaching 1.206 million in October. Capital-intensive investment in sectors such as chemicals, petrochemicals, and refining have not increased employment opportunities. Although the BJP government promised the High Court that it would fill 28,000 job vacancies for Scheduled Castes and Scheduled Tribes, it has not yet done so.

In addition, water scarcity is ravaging Saurashtra and north Gujarat. All over Gujarat, per-capita availability of water has declined, from 1,391 cubic meters in 1991 to 1,137 cubic meters in 2000, according to economist Indira Hirway. Although four years of drought was most responsible for the water scarcity, the BJP government did precious little to alleviate the situation.

Nor did Congress remind voters that the BJP government had promised 14 continuous hours a day of power supply for agriculture, but most of rural Gujarat gets only four to six hours a day. Farmers need at least eight hours of uninterrupted supply, in order for their bore wells to function properly and to irrigate the fields sufficiently. Electricity supply is so erratic that many pump sets are destroyed by voltage fluctuations.

Moreover, the Gujarat government's debt has been increasing. In the last five years of BJP rule, the fiscal situation of the state government worsened, and it had to borrow on overdraft 21 times. It has no money to pay for development work carried out by the village councils. Bills worth almost 10 billions rupees (roughly \$250 millions) have not been paid to contractors. Government staff and workers have not been paid their salary for several months. Instead of addressing these issues, the Congress Party leaders chose to make routine visits to the temples to show that they were as good Hindus as the BJP leaders.

What Now?

Unfortunately, as it happens often in India, the election was further distorted by the Muslims themselves. Just before the elections, the Imam of Ahmedabad, Jama Masjid, on the holy Muslim day of Eid-ul-Fitre which celebrates the end of Ramadan, issued an edict urging Muslims to vote for the Congress Party. Since the Hindu temples, nor institutions representing other faiths, do not tell their congregants whom to vote for, the edicts issued by the mullahs from the mosques sound like a *fatwa* to defeat a particular party. Since the Muslims are Indians, there is no reason why voters have to follow an edict and cannot vote according to their conscience.

In a recent article, a noted Muslim scholar, Rafiq Zakaria, pointed out that the Muslims of India should do some introspection and ask whether they have genuinely tried to contribute to the strengthening of Hindu-Muslim relations since Partition. "The answer will be: 'No,'" Zakaria said. "Indian Muslims must open their eyes to the ground reality that an increasing number of Hindus have begun to hate them. . . . They have to do their best to bring about a change in the hostile attitude of the communal Hindus towards them. This is as much in their interest as that of the nation. Muslim . . . leaders waste their energies in playing games, whipping up emotions, and bringing more trouble to the ordinary Muslims. . . . Their self-serving leaders, with utter disregard to the aftermath of Partition, remained oblivious to their miserable decline and continued to behave with incredible arrogance, exhibiting a sense of false bravado by their loud utterances; they take out protest marches at the slightest pretext, hold demonstrations, shout slogans, demand justice and fair play but all this never gives any relief to the community. . . . They quote the Constitution and demand the implementation of this provision or that, guaranteed to the minorities, but none of it gives Muslims the required protection; even democracy is ranged heavily against them because under it, numbers count," Zakaria pointed out.

If India's Muslim leadership were to follow Zakaria's advice, it would prevent the BJP from carrying out Narendra Modi's Gujarat-style campaign nationwide. India is a vast nation with states having different languages and varied concerns. In many ways, it resembles the European Union. Religion or caste can help win elections in a handful of states, but those issues could be a graveyard in most other states. If the political leaders can finally get this message, they would realize that by carrying out a fanatic religious campaign in favor of the Hindus, the BJP has become a one-dimensional, "Hindutva" party. Such a campaign can be defeated easily by projecting before the populace the right issues. In reality, BJP has lost a lot more than it gained by winning in Gujarat. But, it remains for political leaders of other parties, who oppose the religious politics and seek social harmony, to direct a campaign which has the economic substance of the common good for India.

Putin Welcomes India Into Central Asia

by Ramtanu Maitra

Russian President Vladimir Putin's Dec. 3-5 visit to India is remarkable from a number of aspects. This is his second visit to India in two years, and he arrived in New Delhi from Beijing, following a highly successful visit to China. Beside the usual defense and military matters on which the Russians and Indians are in sync, this time around Putin was discussing matters highly strategic and which may have a long-term impact in the region. The discussions not only centered on the fact that the United States has appeared once again in the region with an aggressive posture, but it also took into account the vulnerability of the American power—economic and military—and the rise of China and India as future powers to reckon with.

President Putin had begun this three-nation—China, India, and Kyrgyzstan—trip on Dec. 1 on a strong note. He told the Indian news daily *The Hindu* in an interview, that he is afraid that Pakistan's weapons of mass destruction could fall into the hands of "bandits and terrorists." "We take note of the statements made by the Pakistani President Pervez Musharraf that the military potential of his country is safely protected, strictly under control. But, to be frank, our concerns, our anxiety, still persist," said Putin, who made it clear that he shares India's concerns.

In addition, just days before Putin set foot in China, Russia deployed military aircraft to Kant, Kyrgyzstan, with the aim of establishing an air base in the Central Asian nation. Military officials from both countries say the base is designed to enable Russian jets to provide close air support for ground units of Collective Security Treaty member-states against potential security threats. Regional analysts have characterized the development as a strategic setback for the United States. A source at the Russian Defense Ministry said the unit is designed to counter "the emergence of a real security threat on the Commonwealth of Independent States' southern border," the RIA-Novosti news agency reported.

In China, according to the *Christian Science Monitor*, Putin backed the idea of a triangular alliance among Russia, China, and India, while at the same time stating clearly that good relations with Washington, and the war on terrorism, is the centerpiece of Russian ambitions—a sentiment shared by both India and China. None of these nations is anxious to convey to the United States that it is willing even to consider a Moscow-Delhi-Beijing triangle to confront Washington. In 1998, the proposal for a strategic tie among Russia, India, and China was mooted by then-Russian Prime Minister Yevgeni

Primakov, ostensibly to contain the spread of U.S. influence through NATO's eastward thrust and Washington's growing involvement in Central Asia for oil. Putin was clear in his interview with *The Hindu* that there is a future for developing the Russia-China-India triangle. "We are convinced of the need for positive development of relations between Russia and India, Russia and China, and China and India. I think that all parties within this triangle are interested in this development."

Following a serious break in relations between India and China in 1998 when New Delhi tested its nuclear explosives, China has begun engaging India more definitively through high-level bilateral visits. The process has given birth to a Joint Working Group on terrorism, which had its first meeting in April, and movement on the vexatious border negotiations, stalled for nearly a decade. Beijing is also reportedly not opposed to India's entry into the Shanghai Cooperation Organization (SCO). It was reported that Putin, during his discussions in Beijing, had indicated that the Indian involvement in the SCO would be welcomed by Russia.

Key Issues

India is the only country that has a ten-year agreement with Russia for cooperation in the military sphere. "And of course every visit of such rank—every summit of our leaders—is expected to be some kind of a breakthrough for Russian arms trade and for the Russian arms industry in particular," said a Russian defense analyst. This time there was less ceremony, but India will lease from Russia an Akula-class nuclear submarine, which can carry nuclear-capable Klub-class cruise missiles with a 300-kilometer range. It has also been reported that the deal to refurbish and sell a Russian aircraft carrier, the *Admiral Gorshkov*, to the Indian Navy has been finalized after three years of negotiations. Moscow sees India as a strategic partner and has already sold some of its most sophisticated weaponry to its South Asian ally. Some weapons have even been designed especially for the Indian Army, like the Su-30 planes, which are being upgraded to meet Indian requirements.

The Indians and Russians also showed much interest in cooperation in oil and natural gas exploration—India is short of both. Russia had earlier brought India in on the development of Russia's Sakhalin oil fields, and while in Delhi, Putin indicated that he would like India to participate in the exploration of Caspian basin oil and gas fields. A week later, the Indian Oil Corp. and Russia's Sroytransgraz announced a joint bid for a \$120 million oil pipeline project that will carry 150,000 barrels per day of crude oil through the 300 kilometer stretch between Iraq's border and Jordan's Zarqa refinery.

President Putin and Indian Prime Minister Atal Behari Vajpayee discussed two other key issues now under the spotlight: the potential invasion of Iraq by the United States and the war against terrorism. In the New Delhi Declaration that followed Putin's meeting with Vajpayee, India and Russia

endorsed the war against terrorism and strongly condemned those who support terrorism and finance, train, harbor, and support terrorists. What Putin conveyed to both China and India, is that the militant secessionist movements, such as those in Chechnya, Xinjiang, and Kashmir, have to be opposed with equal fervor. While Washington's war against terrorism is focussed against those who are undermining American interests, the United States is less concerned about the secessionist militant movements which often work hand in glove with international terrorists such as al-Qaeda. This clear distinction made by Putin has pleased both Beijing and New Delhi and confirms their belief that Washington is using "double standards" in its war on terrorism.

Concern Over Central Asia

Putin and Vajpayee virtually endorsed the resolution of the U.S.-Iraq conflict through the United Nations. It is apparent that both are agreeable to a U.S. invasion of Iraq if Washington follows the course charted by the UN Security Council. On Central Asia, however, both Moscow and New Delhi, with tacit approval of Beijing, are showing deeper concerns. Convinced that the Afghan situation has spun out of U.S. control, Russia has moved into Kyrgyzstan to set up its military air base. It has also begun to coordinate its policies in the region with India. India has set up an air base at Farkhor in Tajikistan, bordering Afghanistan. More important, its recent diplomatic thrust into Central Asia, triggered by the security realignments following the Taliban's ouster, is in keeping with its view of future energy requirements and strategic positioning, and has involved bilateral visits, trade, and military agreements with some of the republics. Though India is unable to overtly influence the "New Game" singlehandedly, its size, military and nuclear capability, and closeness to Russia and good relations with China, make it a not insignificant part of the jigsaw puzzle.

Kazakstan's push for India's membership in the SCO has also drawn attention in Delhi. The Russian and Indian initiatives in Central Asia have caught the attention of the Bush Administration. Just hours after President Putin left for Kyrgyzstan, Prime Minister Vajpayee's principal adviser and foreign policy confidant, Brajesh Mishra, was on his way to Washington, via London. It is evident that Washington is keen to know what transpired between India and Russia, and concerned about some harsh words issued by Pakistan on the Russia-India detente.

Washington has expressed concerns, the most serious of which involves the Indian initiatives in Afghanistan. According to reports, India is heaping largesse on Afghanistan, including giving three Boeing aircraft to Ariana, Afghanistan's national airline, which had been reduced to just one air-worthy craft during the Taliban regime; 50 buses to revive Kabul's public transport system; \$100 million in financial assistance; \$4 million to revive Kabul's Indira Gandhi Hospital, a legacy of the 1960s which, again, has some Indian doctors at

work; \$3 million on upgrading and establishing information technology centers at Kabul's Habibia School; millions of tons of wheat, medicines, and blankets—the list is long. A significant number of Afghans are already training to be doctors at the All India Institute of Medical Sciences in New Delhi, while another 250 are training in various other institutions throughout India, including the foreign services and police institutes.

All this gives New Delhi leverage in Kabul. But what also raised the hackles of Pakistan's government is New Delhi's moves to open consulates in Jalalabad and Kandahar—two Afghan cities in close proximity to the undemarcated and disputed Durand Line that separates Afghanistan and Pakistan. Islamabad fears that India, with the support of Russia, will promote the old movement to combine the Pashtoons in Afghanistan and Pakistan, reviving "Greater Pashtoonistan" dreams in order to encircle Pakistan. What worries President Musharraf as well, is the fact that India has invited Iran's President Mohammed Seyyed Khatami to be the Chief Guest on India's Republic Day on Jan. 26—Pakistan fears its encirclement by India would then be complete.

On the other hand, there seems to be a tacit agreement emerging between Moscow and New Delhi. Both believe that as and when the United States moves out of Afghanistan, Washington will hand Kabul over to Islamabad, and Islamabad, which still harbors many Taliban and al-Qaeda members, will move to undermine Russian and Indian interests. It is also the reason why Russia and India are preparing to strengthen the non-Pashtoon, anti-Pakistan, and pro-Iran Northern Alliance leaders in Afghanistan militarily. What Moscow and New Delhi do not want, is Islamic militants re-settling in a Pakistan-controlled Afghanistan. New Delhi believes that the Washington-Islamabad entente will continue no matter what, because the Americans want to build pipelines from Central Asia to Pakistan via Afghanistan—this is the shortest route to the Asian markets. The 1,271 km proposed pipeline from Turkmenistan to Pakistan will terminate at Multan, where it will merge with an existing pipeline system leading to the seaport of Karachi. The execution of this pipeline plan, which was floated during the early days of the Taliban, would mean a permanent U.S. presence in an area which is vital for Russia, India, and China for security reasons.

This is why Brajesh Mishra suddenly departed for face-to-face discussions in Washington. Ostensibly, Washington has urged India to "slow down" its political and reconstruction work in Afghanistan, because this was impeding Musharraf from cracking down on hard-liners in Pakistan. Reports suggest that Musharraf reportedly threatened to "step up" activities in Afghanistan if India opened up consulates in Jalalabad and Kandahar, as India's External Affairs Minister Yashwant Sinha promised during his visit to Afghanistan in August. This apparently prompted American fears of fresh terror attacks on its forces or on the floundering Hamid Karzai regime, whose writ is yet to extend beyond Kabul.

Frantic Crown Launches New Attacks on LaRouche

by Allen Douglas

Acting for the Queen's Privy Council, the B'nai B'rith Anti-Defamation Commission Inc. of Australia (ADC) has made a submission to the Australian Parliament, demanding that the Citizens Electoral Council (CEC), LaRouche's co-thinkers in Australia, be "de-registered" as a federal political party. The ADC's move was made on Oct. 1—just before the CEC garnered the highest votes in its history, in recent parliamentary elections.

Nominally a Jewish civil rights group, the ADC is in fact a front group for Queen Elizabeth's Privy Council, three of whose Australian members dominate its board. Their outrageous, Hitler-style demand to ban a political party was followed a few weeks later, by an early-November tirade against LaRouche by one James Dale Davidson, a business associate of the longtime editor of the *London Times*, oligarch and fanatical royalist Lord William Rees-Mogg. In his publication *Vantage Point*, Davidson ranted at length that LaRouche had enormous influence over Brazil's President-elect Luiz Inácio "Lula" da Silva, and reported speculation that LaRouche might even become Brazil's new finance minister.

The recent, Crown-related attacks on LaRouche in Australia and Brazil echo those of two years ago in the same two countries. In January 2001, the ADC demanded in a press release that the CEC be silenced via the ADC-sponsored "racial vilification legislation" which provided for AUS\$30,000 in fines and six months in jail. Simultaneously, Prince Philip's World Wide Fund for Nature (WWF) in Brazil attempted to shut down LaRouche's associates there through a spurious court case (which the WWF has since lost), that produced a police raid upon a LaRouche-affiliated office. LaRouche's visibility and influence has grown dramatically in both countries over the last two years, particularly in Brazil, where he has been made an honorary citizen of São Paulo, the world's third largest city, and where his friend Dr. Enéas Carneiro was just elected to Congress with the largest vote in history.

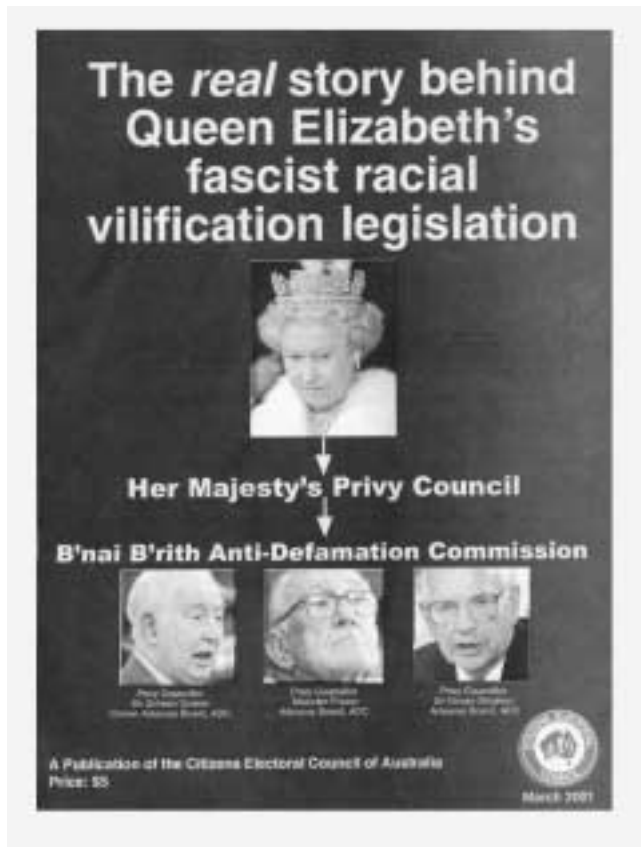
But neither the recent attacks, nor those of two years ago, were caused by local events. Rather, they reflect the hysteria of the British Crown-centered financial oligarchy about LaRouche's burgeoning international strategic influence, as the world plunges into the worst depression in centuries.

Long ago, the Crown and its retainers singled out the American statesman as the most dangerous threat to their global power, just as George III and his flunkies were terrified of Benjamin Franklin, George Washington, and their associates. LaRouche today uniquely embodies the idea of the general welfare upon which the United States was established as a sovereign republic. This "historical exception" has repeatedly threatened to usher in a new political order worldwide, to replace the empires which have dominated mankind. Indeed, the ADC's submission complained that, "In a sense, the whole LaRouche scenario [for replacing globalization with a New Bretton Woods] is a replay of the American War of Independence. It is up to an America enthused with his ideology and practices to defeat the machinations of the British-led Oligarchy."

Lord Beaverbrook's Kindergarten

In discussions with associates, LaRouche has identified the Anglo-American faction behind the latest wave of attacks, as that associated with "Lord Beaverbrook's Kindergarten." It includes such press barons as Rupert Murdoch, owner of the *New York Post*, Lord William Rees-Mogg's *London Times*, and the majority of Australia's press; and Canadian Privy Councillor Conrad Black, owner of the *Daily Telegraph* and *Jerusalem Post*, among many others. This hard core of the Crown's assets in the Anglo-American intelligence and security agencies, is the dead center of the Utopian "war party" driving for a war against Iraq. Lord Beaverbrook was Minister of Information for His Majesty's British government during World War I, as well as the owner of Britain's largest private media empire. After the war, he played a key role in reorganizing the British Secret Intelligence Service (SIS), so as to integrate Britain's media within it. This gives SIS, which has reported solely to the British Crown since its establishment in the 16th Century, a far more sophisticated propaganda apparatus than Hitler's Propaganda Minister Joseph Goebbels ever enjoyed. One of Beaverbrook's key collaborators in this project, which included the establishment of the British Broadcasting Corporation (BBC), was H.G. Wells, co-founder with Lord Bertrand Russell of that Utopian faction to which Murdoch, Black, et al., belong. Murdoch, like other press lords and intelligence figures, was trained by Beaverbrook personally in London in the 1950s and sent back to Australia, from where he has built one of the world's largest media conglomerates.

Canadian media tycoon Conrad Black, whose press has repeatedly attacked LaRouche, represents the same British SIS pedigree. Black got his start in his father's company, Argus Corp, which was founded during World War II as War Supplies, Ltd., a front for the British Ministry of Munitions and Supplies, based in Canada. As the Crown's agent in procuring military equipment from the United States, George Montagu Black made a fortune. In 1985, his son Conrad took over, changed the company name to Hollinger, and shifted its



Lyndon LaRouche defeated a round of international attacks by British Crown agents, sharpest in Brazil and Australia, at the time of President Bush's inauguration. This pamphlet was key in LaRouche's Australia counterattack. It focusses on the Privy Councillors of the Queen, who have now launched a new attempt to ban LaRouche, because of his influence in the deepening depression.

portfolio into media, rapidly purchasing more than 80 daily and 300 weekly newspapers in the United States. Today, the board of his Hollinger Inc. reads like "Command Central" for the Utopians' planned Iraq war. It features Pentagon Defense Policy Board head Richard Perle, Zbigniew Brzezinski, Henry Kissinger, Margaret Thatcher, William Buckley, and numerous high-ranking British oligarchs, among others. Black-controlled newspapers ran nasty attacks against LaRouche's associates in Australia in the mid-1990s, when Black reportedly telephoned LaRouche supporters personally to harass them.

Also in Beaverbrook's Kindergarten was former British MI6 station chief in New York, Arthur Ross, who deployed his son to infiltrate LaRouche's movement in the 1970s.

The Australian Battleground

Both the ADC's board, as well as its Oct. 1 submission against LaRouche's friends in the CEC, bespeak their royal sponsors. That board is almost entirely former Governors

General—the Queen's personal representative in Australia, and vested with her omnipotent juridical powers—and former prime ministers. The three most senior of the lot hold the rank of Privy Councillor: ADC Advisory Board Chairman the Rt. Hon. Sir Zelman Cowen, former Governor General, and Knight Grand Cross of the Order of St. Michael and St. George (one of the highest of the Crown's "chivalric" orders); the Rt. Hon. Sir Ninian Stephen, former Governor General, Knight Grand Cross of the Order of St. Michael and St. George; and the Rt. Hon. Malcolm Fraser, longtime Liberal Party prime minister.

The Privy Council is the ruling body of the British Commonwealth/Empire. Its smelly tradition dates to feudal times, when only the Crown's most intimate advisers were allowed to approach their sovereign on the commode (the xprivyx).

In his cover letter to its parliamentary submission, ADC Chairman Dr. Paul Gardner, a former Australian "liaison" at the U.S. Anti-Defamation League's headquarters in New York, argued that the CEC should be banned because "its objective is to undermine the very political system that gives it succor," as the "unabashed mouthpiece of Lyndon LaRouche in Australia." The rest of the submission clarifies the real content of the "political system" which the ADC is defending: "Given that post-industrialism is at full throttle, and into the foreseeable future unlikely to diminish, the potential growth for groups such as the CEC is most evident, with a prospect that could spell danger for the nation's democratic system."

The submission complained that the CEC "has already contested past State and Federal elections, and is preparing for the next crop." However, being oh-so-democratic, the ADC noted that, "Given the understandable growing unease over globalization and its associated notions such as free trade, deregulation and privatization, there seems to be, on the linguistic plane, justification for Left and extreme Right critiques."

But not, apparently, for LaRouche.

Among his other outrageous crimes, the ADC complains, LaRouche attacks the Mont Pelerin Society, the economic warfare unit of the British Crown established in London in the 1950s with financing from the Queen's personal money manager, City of London financier Harley Drayton. Drayton also used the royal purse to build up the notorious Lonrho Corporation, which looted and pillaged Africa for decades under his protégé Tiny Rowland—a prominent example of Queen Elizabeth and Prince Philip's much-vaunted love for "indigenous peoples." The Mont Pelerin Society, the mother of the entire privatization/deregulation/anti-big government movement worldwide after World War II, has to be protected from the CEC/LaRouche, the ADC whines, because. "In Australia its [Mont Pelerin's] membership reads as the Who's Who of Australian capitalism. Included are all the major banks, insurance companies and financial institutions, as well as British transnational corporations such as Rio Tinto, mega

media moguls, the Australian Farmers' Federation, and influential conservative think-tanks such as the H.R. Nicholls Society, the Tasman Institute, and the Centre for Independent Studies."

The "influential conservative think-tanks" are out-and-out Mont Pelerin subsidiaries, whose associates frequently become Australian government ministers, or even prime minister, as in the case of the present Prime Minister, John Howard. Reflecting its royal patrons, the ADC is particularly hysterical about LaRouche's plans for "re-industrialization of the economy" through a New Bretton Woods international monetary system, in which "each nation would implement simultaneously the LaRouche economic plan of domination [sic], centralization and protectionism."

Rees-Mogg alter ego Davidson wrung his hands on precisely the same economic policy issues—the alleged impact of "LaRouche's anti-market, anti-trade and anti-investor tirades" on Brazil's President-elect Lula, "leader of the world's fourth-largest democracy."

No Local Affair

Throughout most of the 1990s, the attacks on LaRouche in Australia came from the two dominant figures in Australia's Zionist Lobby, the Melbourne brothers and businessmen Isi and Mark Leibler. Isi Leibler's career as a Zionist leader was sponsored by Canadian booze baron and multi-billionaire Edgar Bronfman, a key figure in the same British-American-Canadian (BAC) Crown-centered faction as Black and Murdoch. After Isi Leibler moved to Israel in the late 1990s, the CEC's repeated hammering of Mark Leibler for such dubious ventures as his "tax minimization" schemes for Australia's richest families, discredited him. The Privy Council front, the ADC, then took the point to publicly attack LaRouche.

However, the ADC in turn was badly stung, after LaRouche responded to the early 2001 Brazil/Australia outbursts with his article, "Look What Happened in Brazil" (*EIR*, Feb. 9, 2001). The CEC printed and circulated 50,000 copies of a pamphlet entitled, *The Real Story Behind Queen Elizabeth's Fascist Racial Vilification Legislation*. It featured LaRouche's article, a lengthy, well-documented chronicle of his clash with the Crown. As an appendix, the pamphlet also included the whole sordid history of the Leibler-controlled Jabotinskyite wing of the Australian Zionist lobby.

After that, nothing of anti-LaRouche significance had been heard from either the Leiblers or the ADC, until the latter's Oct. 1 call for the CEC to be banned, whose seeming out-of-the-blue appearance bespoke precisely the global strategic origin of that attack.

To appreciate the terror driving the latest anti-LaRouche fulminations by royal toadies, compare the strategic situation today, to that of two years ago. George W. Bush had just been inaugurated as the 43rd President on Jan. 20, 2001; an occasion which, as LaRouche evaluated at the time, "defined

the global setting" in which the simultaneous attacks were launched against him in Brazil and Australia within days of that inauguration.

Back then, the Crown had good reason to be optimistic: The new President's father had been knighted by Queen Elizabeth, for, among other services, his role in launching the first war against Iraq, "Desert Storm"; Sir George's son became President because the Al Gore/George W. Bush Presidential race had been successfully rigged by the financier establishment to keep LaRouche out; and a new Middle East war was already being brewed by the Crown and its assets, even then.

Today LaRouche, far from being shunted to the political sidelines, has emerged as a crucial factor in that uniquely American institution, the Presidency—including leading military figures, past Presidents, senior figures inside and outside the Executive branch, and other influentials—which has played the decisive role in frustrating the attempt by the Crown's Anglo-American Utopians to launch a new war in Iraq and unleash a Clash of Civilizations. In that mission, LaRouche has found himself side by side with friends, advisers, and former associates of "Bush 41"—a lawful irony of history, given the nature of the United States and its unique institutions.

Royal Family Under Attack

For another glimpse at how the worm has turned, look at the Dec. 14 issue of *New Idea*, Australia's second largest women's magazine, released shortly after the ADC's Parliamentary submission. One would normally expect such a magazine to be a bastion of pro-royal conservatism, but *New Idea* let loose with a scorcher of a cover story, entitled "Sordid Secrets of the Royal Family." After listing a series of royal scandals—including homosexual debauchery, drug usage, income tax evasion, Nazi links, protection of Soviet spies, etc.—the magazine zeroed in on the most damaging of all, the Crown's likely role in the assassination of the beloved Princess Diana, the "People's Princess," and her friend Dodi Fayed. This opened with a brief review of a new book on the subject which "confirms what other royal insiders have said for five years—that Princess Diana was killed because of a plot by pro-royal fanatics." *New Idea* then featured the evaluation of a longtime LaRouche associate, "respected investigator Jeffrey Steinberg, senior editor of the influential *Executive Intelligence Review*." Steinberg was quoted at length on the royal family's planning "to deal with the 'Diana and Dodi problem.'"

**To reach us on the Web:
www.larouchepub.com**

'Southern Strategy' Sinking, With Gore and Lott's Careers

by Nancy Spannaus and Jeff Steinberg

The fall of "Ole Miss" cheerleader Sen. Trent Lott (R-Miss.), from his perch of power on Capitol Hill as Senate Majority Leader, is just the most dramatic indication that both parties' shift to the political "Southern Strategy" which took off in the late 1960s, is about to come to a screeching halt. Lott's outright racist style perfectly represents the policy Nixon consolidated, of building a permanent Republican majority based on an appeal to Southern racism, so-called Christian fundamentalism, radical states' rights, and libertarianism. But it is not just the Republican Party which is set for a change, but the entire economic and political apparatus which has taken over, and nearly destroyed, the United States over the past 30-35 years.

Taking as a point of reference the analysis of the Southern Strategy which *EIR* published in January 2001, we see that many arms of that political apparatus are nearly destroyed.

Enron, Kissinger, Gore, Lott . . .

First, we have the political party apparatuses, which moved toward Confederate policies at the time of Nixon's 1968 Republican victory, and again, with the election of "Democrat" Jimmy Carter. Increasingly, both parties have been controlled by the Confederate ideology of an abandonment of the general welfare principle of the Constitution, and an appeal to populism of the most degraded sort. Now, the leading representatives of this approach in both parties are headed toward oblivion: from the Democratic Leadership Council (DLC), to Al Gore, to Lott himself.

Second, we have the financial apparatus associated with the take-down of the nation as an industrial power, and industry's replacement by the rentier-financier empire of speculation and real estate, all based on deregulation and cheap labor. Associated with this was the buildup of the New York-Texas

corporate axis. A major symbol of this, Enron, which we exposed in our 2001 story, is now kaputt.

Third, we have the "permanent" government apparatus associated with the Southern Strategy, specifically the protégés of Nashville Agrarian and Harvard Government Department ruler William Yandell Elliott: Henry Kissinger and Zbigniew Brzezinski. As we have seen, Kissinger's baggage was just too much for the current Bush Administration to bear.

What will replace the Southern Strategy? That's the question which pivots on the success of Lyndon LaRouche, the leading representative of the American Intellectual Tradition, in general, and the Roosevelt Democrat tradition in particular, in successfully leading both the institution of the Presidency, and the political process, out of the current maelstrom of economic and strategic crisis. It took geniuses like Abraham Lincoln and Franklin Delano Roosevelt to resolve the other major nation-threatening crises in our nation's history. Right now, it will take the leadership of LaRouche.

Neo-Cons Head for the Exits

Trent Lott has been the personification of the Southern Strategy since he first came to the Congress as an ally of self-confessed "Jacobin" Newt Gingrich, in the late 1970s. Lott's "Southernist" roots go far beyond his remarks at the Strom Thurmond centennial fête. In 1984, Lott gave an interview to the *Southern Partisan* magazine, in which he praised Confederate President Jefferson Davis as a man who personified the "fundamental principles" of the Republican Party. "A lot of fundamental principles that Jefferson Davis believed in are very important today to people all across the country, and they apply to the Republican Party. It is the more conservative party. . . . The platform we had in Dallas, the 1984 Republican

platform, all the ideas we supported there—from tax policy to foreign policy, from individual rights to neighborhood security—are things that Jefferson Davis and his people believed in,” asserted Lott.

As of this writing, the leaders of the Republican Party around the President, seem to have finally cut Lott loose. Following an icy statement of condemnation of Lott’s statements, and the sentiment behind them, from Secretary of State Colin Powell, the President’s brother, Florida Gov. Jeb Bush, came out to say—obliquely, but unmistakably—that Lott was causing an intolerable problem for the Republican Party.

Among the first to desert Lott was the neo-conservative, ex-Trotskyite wing of the GOP. Within hours of the disclosure of Lott’s remarks on Thurmond, a neo-conservative gang-up began, with such syndicated propagandists as Charles Krauthammer (*Washington Post*), William Kristol (*Weekly Standard*), George F. Will (Hollinger Corp.), and William Safire (*New York Times*) all trashing Lott and demanding his resignation from the Senate Majority post. Until the axe began to swing, Lott had been one of the top allies of the neo-conservatives, going so far, during the Clinton Presidency, as to hire arch neo-con Richard Perle as his chief “foreign policy adviser.”

Even as he is now being shown the door, Lott has remained a true ally to the “X Committee” crowd of Sharonists who are conniving inside the U.S. national security establishment. On Dec. 16, the *Washington Post* reported that Lott had rebuffed ex-Senator Warren Rudman as a GOP member of the newly established Blue Ribbon Panel to investigate the intelligence failures leading to the 9/11 attacks. Instead, Lott appointed former Reagan Administration Secretary of the Navy John Lehman, who was then among the leading suspects as a cohort of Jonathan Jay Pollard, convicted of spying for Israel. Lehman is a top official of the Jewish Institute for National Security Affairs, a crucial Israeli penetration front into the Pentagon and retired military circles. He is a former business partner of Perle.

And on the Democratic Side

The Southern Strategy would not have won hegemony, of course, if the Democratic Party had not also capitulated to the Confederate ideology. One leading representative of that thinking on the Democratic side, Al Gore, also bit the dust in mid-December.

Gore was a quintessential representative of the Democratic Leadership Council, the anti-FDR faction of the party, which was founded by organized crime-linked Michael Steinhardt back in 1985. Gore’s anti-technology rants were accompanied by his anti-human policies of deregulation, NAFTA, and technological apartheid toward developing nations. On top of that pedigree, Gore was personally responsible for ripping up the 1965 Voting Rights Act, by insisting that the Democratic Party nullify the votes and convention delegates of Lyndon LaRouche, his rival in the 2000 Demo-

cratic Presidential primaries.

Gore’s Dec. 15 announcement that he would not run in the 2004 elections surprised few, despite the headlines. His lack of popularity with the party leadership was only surpassed by similar lack of sentiment in the population. Those rooting for his candidacy appear to have been primarily based in the top circles of the Republican Party, who saw it as a death knell for the Democratic Party.

Many might expect that Gore’s withdrawal would be primarily a gift to his former running-mate, Joe Lieberman, who has been slaving for the job of Democratic nominee. Indeed, Lieberman immediately announced that he was travelling to meet “the troops” in the Middle East, and would make an announcement in early January. But Lieberman is already “damaged goods,” as a result of the intensive campaign run by LaRouche over the summer months, in which the Connecticut Senator’s intimate ties to organized crime, including Michael Steinhardt and the Cuban right-wing networks in Florida, were widely exposed.

Thus, in LaRouche’s view, the more dangerous option that could be expected is an attempt to revive the “Bull Moose” option, of the team Sen. John McCain (R-Ariz.) and Lieberman, as a pro-war threat against President Bush. The LaRouche campaign will escalate its exposure of this duo, and their organized-crime links, accordingly.

Preparing a Radical Shift

None of these changes is surprising when one considers that the post-Bretton Woods monetary policy of floating exchange rates, unbridled speculation and usury, and the looting of the resource wealth of the developing and underdeveloped world, with its post-industrial correlatives, has brought the world to the point of economic and social breakdown. The “Southern Strategy” has been politically discredited—and many of its erstwhile victims are not prepared to knuckle under any more.

At present, however, none of the leading institutions which the Southern Strategy has dominated, have any clear alternative in view. They are dropping their liabilities, but have not come up with a positive approach to rebuilding political or other institutions.

As LaRouche has emphasized, the collapse of these institutions puts the nation at a crucial turning point, similar to that which Germany faced in the early 1930s. Either a leadership comes forward which will mobilize the population around a mission to rebuild the economy, or the nation faces the potential of dissolving into a chaos that will lead toward the emergence of fascism.

Over recent months, it has been demonstrated, by the effectiveness of LaRouche and his movement in “jamming up” an Iraq war, that the institution of the Presidency around President Bush, can respond to proper leadership. The collapse of the Southern Strategy clearly opens up more opportunities, and hope, for such an immediate change.

Black State Legislators Hear LaRouche Spokesmen

by Rochelle Ascher

Debra Freeman, national spokesman for the LaRouche in 2004 Presidential Campaign, was the lead speaker at the “International Day” AIDS forum, sponsored as part of the 26th annual conference of the National Black Caucus of State Legislators (NBCSL), on Dec. 9-13 in Indianapolis.

International Day is a pre-conference event to the week-long annual NBCSL conference. This year’s theme was “Bridging the Gap to Quality Care,” with the emphasis on the AIDS pandemic. Freeman spoke before a large audience, of state legislators, diplomats and elected officials from several countries, and labor leaders. Sharing the podium with her were former Rep. Ron Dellums (D-Calif.), now chair of Constituency for Africa, and speakers from Jesse Jackson’s Rainbow/PUSH AIDS Bureau, The Africa Fund, Africa Action, and USAID. Ironically—or maybe not—the major financiers of the AIDS forum were the pharmaceutical companies, guaranteeing that not a word of fundamental truth about the pandemic would be uttered by anyone but the LaRouche campaign.

Freeman shocked the audience with her presentation. She documented the role of Lyndon LaRouche on the AIDS crisis, going back to a study he commissioned in 1974, forecasting coming epidemics of both new and old diseases, as a result of the economic policies being pursued by the International Monetary Fund and World Bank in Africa. She told the truth about AIDS as a disease born of poverty, and bluntly detailed the genocidal intent behind those, such as the authors of Henry Kissinger’s National Security Study Memorandum 200 of

1974, whose witting intent is population reduction. Having stated that the AIDS crisis was caused by a policy which would result in genocide, Freeman presented LaRouche’s program for global economic reform based on his call for a New Bretton Woods financial bankruptcy reorganization. She stressed that without overturning axioms, we will not be successful in fighting AIDS or other new diseases that arise during an economic breakdown.

This presentation set the stage for the rest of the conference. Freeman was joined by three other campaign organizers, who spent the week meeting with many of the approximately 225 legislators gathered. In virtually every state, these legislators are facing budget catastrophes, as well as the complete collapse of leadership and solutions by either of the two political parties; so, many were open to serious discussions. Legislators told stories of hundreds of thousands being thrown off Medicaid, and budget deficits in the billions, and admitted that the only solutions being put forward—budget cuts and tax increases—amount to murder.

Conference attendance was smaller than usual, reflecting the demoralization of many black legislators, as a result of the economic crisis combined with the collapse of the Democratic Party witnessed by the Nov. 5 elections. Many states, such as California and Michigan, were in emergency budget sessions, and did not send representatives. Others, like North Carolina, are in such dire straits that they had no travel money for legislators to attend. But one result of this, was that some legislators have finally realized that their only alternative is LaRouche. In dozens of discussions, legislators invited candidate LaRouche or his spokesmen into their states, for town hall meetings, or hearings in their legislatures on the LaRouche proposal for a “Super-TVA” Federal infrastructure-building initiative.

Freeman was able to address another key workshop, the Agricultural Policy Committee Session, chaired by Rep. Thomas Jackson (D-Alabama), where she was able to show the 12-minute videotape which LaRouche had prepared for a Dec. 7 emergency town hall meeting in Los Angeles, and



LaRouche in 2004 national spokesman Dr. Debra Freeman addresses the National Black Caucus of State Legislators’ conference on the AIDS pandemic and the global economic crisis, in Indianapolis on Dec. 9.

to further detail LaRouche's Super-TVA proposal. Freeman highlighted the agricultural crisis as paradigmatic for the entire economic disaster, and discussed the overall debt crisis. She discussed Franklin Delano Roosevelt's policy as the model for LaRouche's Super-TVA, with the added necessity of repealing all the deregulation/privatization legislation adopted over the past 30 years. She challenged the audience to hold public hearings, meetings with LaRouche and his representatives, to mobilize the nation around a return to the principle of the General Welfare.

LaRouche Resolution Passes

Representative Jackson, who chairs Agriculture both for the NBCSL and for the State of Alabama, gave an impromptu speech on his relationship with LaRouche, identifying him as a "true prophet," as every economic forecast he has made has come true. Jackson described the harassment he has received for putting forward LaRouche's ideas, but said that he was sick and tired of the naysayers, and promised that he would promote LaRouche's ideas, because the Democratic Party has no leadership, no policies, no agenda. Either LaRouche's concepts are adopted—particularly the overarching New Bretton Woods proposal—Jackson said, or there will be disaster. He concluded, "I am committed to make my tenure as chair of this committee a servant to the least, not a servant to Wall Street. I am grateful to Mr. LaRouche for keeping me informed and acting as the conscience of the world."

LaRouche representatives made major interventions in

two other policy sessions. The Labor and Management session—whose key speakers were the head of an organization representing African-American unionists, and an investment banker specializing in pension funds—was interrupted by a LaRouche organizer, who pointed out that all promises of "the market coming back" were just lies. Interestingly, immediately after the workshop ended, all three of the major speakers surrounded the LaRouche organizer for a one-hour discussion on real economics, and LaRouche's detailed proposals.

A similar intervention occurred at the Faith-Based Round Table. Many legislators are horrified at the inroads that have been made into their organization by the White House Faith-Based Initiative, as well by as the funding corruption of their colleagues by Rev. Sun Myung Moon. One legislator vowed to distribute thousands of the LaRouche in 2004 leaflet on Moon throughout his state.

On the last day of the session, resolutions that had been submitted by the chairs of the various committees were introduced to the final plenary. Representative Jackson, as Chair of the Agriculture Committee, had introduced a resolution calling for a New Bretton Woods solution, prominently featuring LaRouche, modelled on the resolution passed by the Italian Chamber of Deputies on Sept. 25. This resolution was posted on the NBCSL site for the month before the conference, and had been endorsed by a dozen state legislators. While enemies of LaRouche tried to block it on procedural grounds, supporters stood their ground, and NBCSL passed it on the second voice vote.

LaRouche To Make State Of the Union Webcast

The following announcement, "Now, Two Years Later," by Lyndon H. LaRouche, Jr., was issued by his Presidential campaign committee on Dec. 10.

A little more than two years ago, I broadcast a forecast of the likely situation during a year under the George W. Bush then awaiting inauguration as the next President. Subsequent events have fully borne out that economic forecast in a timely fashion, like every published economic forecast I had delivered to the written record during the preceding thirty-odd years. So, now, on January 28, 2003, at 13:00 hours Eastern Standard Time, I shall deliver another history-making forecast on the state of the Union and of the world, by webcast, from our nation's capital.

A few days earlier, President George W. Bush should have presented his annual State of the Union address. Then, in my report of January 28, I shall tell the world where President Bush was right in his official report, and

where he must urgently change his opinion.

Now, the world is gripped by the onrush of what will prove to be the greatest monetary-financial crisis in more than a hundred years. Wishful fools are hovering anxiously at Dracula's grave-site, waiting for the relevant Dracula—the present world monetary-financial system—to recover. That succubus system will never recover; but, the economy of the U.S.A., the Americas, and elsewhere could recover, as it did under President Franklin Roosevelt's leadership, if the President and Congress are willing to take the early steps needed to set that recovery into motion.

What exactly will happen during 2003? Only witches and the financial-market touts who have so richly duped and robbed so many among you predict, but prophets and honest economic forecasters deliver warnings of danger, like the warning delivered to the doomed Biblical Belshazzar. I predict nothing; I warn you of the danger you incur if you do not accept the advice of the most successful economic forecaster of the past thirty-odd years.

My job is to lead you, and also the current President, out of the present mess, if you and he are willing to face reality. On January 28, I shall sum up the situation, and answer your questions about this matter.

Studies Show Violent Videos Damage Brain

by Don Phau

Recently released medical studies indicate that violent video games damage the brain, possibly permanently. Video games may be more dangerous to your health than cigarettes or alcohol. This national scandal has been covered up for the benefit of the \$10 billion-a-year video-game industry, of which violent games rated “M,” for Mature, are the fastest-growing segment. Approximately 20 million Americans, many under 18, play these “M” games. The studies, many years in the making, show that repeated playing of violent video games “desensitizes” the activities of the brain involved in reasoning and planning, while activating those functions that respond to violence. The studies include scientific data indicating that these games may actually cause destructive behavior.

These research studies also underline the assessments of Lyndon and Helga LaRouche in this news service, and of specialist Lt. Col. David Grossman, that point-and-shoot video games can and do function as training devices teaching young players how to accurately shoot and kill human targets. For more than three years, *EIR* has featured the warnings by Lyndon LaRouche, Helga Zepp-LaRouche, and Colonel Grossman, that violent “entertainment,” such as video games, was a key factor in shootings and killings at schools around the world, such as those at Columbine High School in Colorado, where 27 students and teachers were massacred by two crazed youths addicted to violent video games and movies.

Decreased Brain Activity

The lead study was directed by Dr. Vincent Mathews of the University of Indiana, and presented at the 88th Scientific Sessions and Annual Meeting of the Radiological Society of North America in Chicago in December of this year. Dr. Mathews’ team conducted brain scans, called functional MRI (Magnetic Resonance Imaging), of 38 teenagers, ages 13-17. The teens were divided into two groups. One group of 19 had been diagnosed as having behavior problems (Disruptive Mental Disorders), and the other 19 were “normal.” Both groups were given two video games to play. One game was a non-violent car-racing game, and the other was a violent James Bond-type shoot-’em-up. Both groups played the games while having their brains scanned by MRI. According to Dr. Mathews, the MRI scans measured brain activity by increased blood flow in the scanned areas.

The results showed that both groups had decreased brain activity when regularly playing the violent video game. Brain changes were most apparent in those teens who were “heavy

users”—“those who played several hours a day,” said Dr. Mathews. Though he did not issue any blanket condemnation of violent video games, Mathews did say, “I think this information gives credence to what has become a growing concern about what is perceived as increased violence among adolescents.”

Carol Rumack, a doctor of radiology and pediatrics at the University of Colorado, said that the Indiana study suggests that repeated exposure to violent video games is “desensitizing the brain. . . . The result is that the child can no longer understand the real effects of violence.” These conclusions were also confirmed in a discussion with John P. Murray, professor of developmental psychology at Kansas State University. Professor Murray has conducted his own studies of violence using MRI (see interview).

There have been other less elaborate studies which back up Dr. Mathews’ work. A story in the October 2002 issue of *Computer Game* magazine reported that in Japan, Akio Mori, a professor of neurology at Nihon University, said that children are at risk of developing “Video-Game Brain,” a permanent suppression of certain brain functions. He examined 240 people between the ages of 6 and 29. Mori studied brain wave activity over a six-month period. The subjects showed a decline in beta wave activity “associated with emotional functions, planning and self-control. . . . Those who spent 2-7 hours a day playing showed little activity at all.”

Training Killers

Another experimental test, done at the urging of Colonel Grossman, confirmed that video games serve as training devices which teach children how to kill. In the Summer of 2000 in Indiana, a study was conducted by a parents’ group called the Center for Successful Parenting (CSP), together with a national police group called “Dogs Against Drugs.” The results appeared in a report entitled “Video-Game Violent Skills Study,” by Tom Stoughton. This experiment involved: “forty boys ages 12 to 18, none of whom had ever fired a firearm of any kind. The participants were split into two groups of 20. The control group consisted of the youths who had limited experience with ‘first person shooter’ video games. The experimental group was made up of boys who claimed, in contrast, to being avid players of these games. The boys in the latter category were required to demonstrate their proficiency by actually playing a ‘first person shooter’ video game while being observed by local law enforcement police officers from Madison County, Indiana, who are firearm instructors.”

The report continues: “After two hours of rigorous safety instruction, each group fired two, ten-shot courses of fire with a .9mm automatic pistol at a human silhouette target located at a distance of 15 yards. The first ten shots were not scored, and were intended merely to familiarize the boys with the feel of the weapon. The second ten shots were recorded and compared. The results were astounding. The control group; i.e., those boys with limited exposure to ‘first person shooter’ video games, hit the paper target on an average of 85% of

their shots, and hit 'vital' areas of the silhouette 75% of the time. Their shot 'groups' were large and dispersed across the entire face of the target. The experimental group, however, struck the target with 99% accuracy and placed 97% of their shots in the vital areas. Their shot 'groups' were as tight as those of highly qualified marksmen."

Grossman, author of two books on the effects of violent entertainment and video games on children, said that the CSP study demonstrates that strong shooting skills do indeed transfer from video games to actual firearms. He also noted, of the Indiana University study: "Basically, this research demonstrates, with brain scan research of large numbers of kids, that violent media causes violent behavior. This is vital information for law enforcement . . . and a major nail in the coffin for the media violence industry."

Interview: John P. Murray

'These Studies Are On Track'

Professor Murray teaches developmental psychology and directs the School of Family Studies and Human Services at Kansas State University. Findings of his research on the effects of violent media on children, are in the October 2001 Psychiatric Times (www.psychiatrictimes.com). Professor Murray was interviewed on Dec. 11 by Don Phau for EIR. The interview has been excerpted.

EIR: What did the research of Dr. Mathews show?

Murray: I haven't seen the full version of the study, but we've been doing research as well on the effects of TV violence and activation of young children between 8 and 12 years old. . . . He was using clips of video-game violence; we were using clips from Sylvester Stallone's "Rocky IV." Where they come together, is we see areas of [brain] activation that are peculiar, that are significantly active when viewing violence and not active when viewing other things. . . .

So, while I can't speak for Dr. Mathews precisely, in our studies we found that an area of the brain called the *amygdala* is involved. It's an area of the brain about the size of a thumbnail at the base of the brain. That's the organ that senses threat in the environment. It fires up, in the most common way, if someone was to drop a snake in front of you. . . . That gasp is the amygdala. It senses the threat and instantaneously responds. It changes all kinds of things in the body, it changes respiration, heart rate, and a whole bunch of biochemical changes get triggered. We expected that when kids were watching violence, as opposed to non-violence, we would see more activation of the amygdala. That's exactly what we got.

EIR: This is your study. You did MRI studies also?

Murray: Yes, this is my study. What our findings also told us, was that the kids were aroused by the violence; they may be trying to imitate it and they stored it away in an area of the brain that is reserved for significant memories, for easy recall. That in itself tells you a story about why the effects of media violence had been demonstrated in overt behavior in kids over the past 30 or 40 years of research.

Now what Mathews did which is interesting, is that he took it a step further; he came at it from a different angle and asked a question . . . how would kids differ if we looked at kids who were either the victims of violence—that is, kids who were abused—or the perpetrators of violence? That is, kids who were aggressive and acting out. What Mathews has shown, is what we were predicting you might see: that you have less frontal lobe involvement, less pre-frontal cortex involvement in these disturbed youngsters. . . .

EIR: Does the study show that the violent video games are more effective in invoking this response?

Murray: That is my reading of what he found. He found these effects. He studied violent and non-violent video games and found these effects in only the violent video games.

EIR: Are video games invoking psychological trauma?

Murray: Well, they're invoking the arousal, not necessarily the trauma. They are certainly invoking the arousal and anxiety and the other concomitants of behaving violently, which will be increased heart rate; they're on the attack. The reason people have zeroed in on these video games, particularly the newer versions, the first-person shooter video games, is that they put the player in the context of being the aggressor, of performing the violence, as opposed to someone just watching violence. The concern has been that all the effects that have been demonstrated about TV violence or movie violence over the past 30-40 years are even compounded and exacerbated, made more dangerous, or more worrisome, by the video games where the viewer is a participant in the construction of the violence. . . .

Up until now, a lot has been speculation, and it still is kind of open to discussion. What isn't open for discussion is that we have easily 40 years of research on the issue of TV violence. It's been studied from every angle, but not neurologically; and there's clear evidence that kids who watch a lot of violence are more likely to be violent, and more likely to hold values favorable to using aggression to solve conflicts. That's been floating around at least since 1972 when the Surgeon-General released a report on this, and each year adds more information on this. But this whole new track of looking at brain functioning is very, very new. There will be ups and downs in our understanding and legitimate criticisms of the studies. But knowing what we know about how behavior changes when they watch violence, and getting a glimpse at how the brain operates, we have a pretty good estimate that these studies are on track.

Taking On the 'Inevitable'

An American invasion of Iraq which seemed “unstoppable” and more or less immediate, in late Summer of this year, was stopped as Lyndon LaRouche said—in his international webcast of Sept. 11, 2002—it could be stopped. His campaign’s months of mobilization, distributing 7 million leaflets and hundreds of thousands of reports exposing the Utopians behind the war drive, played the crucial role in voluntaristically taking on the “inevitable.” International forces opposed to the unconstitutional and illegal doctrine of “preventive pre-emptive war” were the other critical component of action.

Now again, from many quarters, and particularly throughout the U.S. and major international media, the cry is going up that war on Iraq is inevitable, and more or less immediately. These war cries, including the plaintive, fatalistic ones, have to be taken directly on for two reasons: because such a war would be disastrous for the Middle East and for all nations involved; and, because it will not happen if we can break the current desperate paralysis of economic policy, in the face of worsening depression.

On Dec. 17, Presidential pre-candidate LaRouche attacked the Iraq war fatalism. “Included in this morning’s dispatches from Wiesbaden,” LaRouche said, “is [Israeli military historian] Martin van Crefeld’s expressed fear that the attack on Iraq might, nevertheless occur.

“For political analysts, or bookmakers or bookkeepers steeped in the tradition of crap-shoots and Belmont Park ‘boat races,’ van Crefeld is obviously correct. However, in real world of thinkers, rather than gamblers, the relevant questions are two. First: Will those U.S. institutional forces which have blocked the war thus far, suddenly collapse at this stage? Second, instead of the psycho-sexually impotent: ‘Were those forces to collapse now, what are the statistical chances of war?’ rather: ‘Were President Bush, for example, to launch such a war, what would be the countervailing consequences of his launching such a wild-eyed act of folly?’

“The second question must be answered against the background of the first. The question is of the same class of implications as: If the German generals were to permit President Hindenburg to appoint Hitler Chancellor, would Hindenburg’s Germany, and its generals, benefit in the end?

“For people who actually think, such are the lines along which the lurking threat of a general outbreak of an Iraq war is considered by competent strategic thinkers now. The outbreak of such a war, would mean that the U.S.A. were on the road to its own self-destruction, that the relevant institutional forces of the U.S.A., like the German generals who failed to force Hindenburg not to appoint Hitler, had lost the required margin of moral fitness to survive. A July 1944 would be awaiting the military cadres who failed to stop the Hitler appointment already in January 1933.

“That is the forecast which all competent thinkers would be making, including van Crefeld if he thought through the warning attributed to him in today’s dispatches.

“The problem is, that all too many, including some among my associates, tend to think like fatalistic bookkeepers or social-democratic and kindred devotees of ‘historical materialism,’ rather than those true, adult human beings called ‘voluntarists.’ ”

In the aftermath of the Nov. 5 American elections, the Bush Administration necessarily turned to the question of the plunging economy, the urgency punctuated by the rapid-fire firings and resignations of “leaders” of the Executive and both parties. These dominoes are falling because the last 30 years’ economic policy axioms are now shattered, hopelessly wrong and of no effect. A thorough “Rooseveltian” shift must occur—by so far, the Administration does not allow it. That could change overnight in the crisis. All men and women of good will should throw all their efforts into that development, rather than fatalistically “predicting” war which will be averted if we achieve it.

SEE LAROCHE ON CABLE TV

INTERNATIONAL

• ACCESSPHOENIX.COM
Click on *Live Webcast*
Fridays—12 Noon
(Pacific Time only)
• BROOKLYN.ORG/BCAT
Click on *PLAY*
Tue: 3:30 pm, 11:30 pm
(Eastern Time only)

ALABAMA

• BIRMINGHAM—Ch. 4
Fridays—11 pm
• UNIONTOWN—Ch. 2
Mon-Fri every 4 hrs.
Sundays—Afternoons

ALASKA

• ANCHORAGE—Ch. 44
Thursdays—10:30 pm
• JUNEAU—Ch. 12
Thursdays—7 pm

ARIZONA

• PHOENIX
Cox Ch. 98
Fridays—12 Noon
• PHOENIX VALLEY
Quest Ch. 24
Fridays—12 Noon
• TUCSON—Ch. 74
Tuesdays—3 pm

ARKANSAS

• CABOT—Ch. 15
Daily—8 pm
• LITTLE ROCK
Comcast Ch. 18
Tue—1 am, or
Sat—1 am, or 6 am

CALIFORNIA

• BEVERLY HILLS
Adelphia Ch. 37
Thursdays—4:30 pm
• BREA—Ch. 17
Mon-Fri: 9 am-4 pm

BUENA PARK

Adelphia Ch. 55
Tuesdays—6:30 pm

CLAYTON/CONCORD

AT&T-Comcast Ch. 25
2nd Fri.—9 pm
Astound Ch. 31
Tuesdays—7:30 pm

CONTRA COSTA

AT&T Ch. 26
2nd Fri.—9 pm

COSTA MESA Ch. 61

Wednesdays—10 pm

CULVER CITY

MediaOne Ch. 43
Wednesdays—7 pm

E. LOS ANGELES

Adelphia Ch. 6
Mondays—2:30 pm

FULLERTON

Adelphia Ch. 65
Tuesdays—6:30 pm

HOLLYWOOD

AT&T—Ch. 3
Wednesdays—6:30 pm

LANCASTER/PALM

Adelphia Ch. 16
Sundays—9 pm

LAVERNE—Ch. 3

2nd Mondays—8 pm

LONG BEACH

Charter Ch. 65
Thursdays—1:30 pm

MARINA DEL REY

Adelphia Ch. 3
Thursdays—4:30 pm
MediaOne Ch. 43
Wednesdays—7 pm

MID-WILSHIRE

MediaOne Ch. 43
Wednesdays—7 pm

MODESTO—Ch. 2

Thursdays—3 pm

OXNARD

Adelphia Ch. 19
Americast Ch. 8
Tuesdays—7 pm

PLACENTIA

Adelphia Ch. 65
Tuesdays—6:30 pm

SAN DIEGO Ch. 19

Wednesdays—6 pm

SANTA ANA

Adelphia Ch. 53
Tuesdays—6:30 pm

STA. CLAR VLY.

T/W & AT&T Ch. 20
Fridays—1:30 pm

SANTA MONICA

Adelphia Ch. 77
Thursdays—4:30 pm

TUJUNGA—Ch. 19

Fridays—5 pm

VENICE—Ch. 43

Wednesdays—7 pm

VENTURA—Ch. 6

Adelphia/Avenue
Mon & Fri—10 am

WALNUT CREEK

Quest Ch. 24
2nd Fridays—9 pm
Astound Ch. 31
Tuesdays—7:30 pm

W. HOLLYWOOD

Adelphia Ch. 3
Thursdays—4:30 pm

W. SAN FDO. VLY.

Time Warner Ch. 34
Wed.—5:30 pm

COLORADO

• COLORADO SPGS.
Adelphia Ch. 4
Tuesdays—8 pm

DENVER—Ch. 57

Saturdays—1 pm

CONNECTICUT

• GROTON—Ch. 12
Mondays—10 pm

MANCHESTER Ch. 15

Mondays—10 pm

MIDDLETOWN—Ch. 3

Thursdays—5 pm

NEW HAVEN—Ch. 29

Sundays—5 pm
Wednesdays—7 pm

NEWTOWN/NEW MIL.

Cablevision Ch. 21
Mondays—9:30 pm
Thursdays—11:30 am

DIST. OF COLUMBIA

• WASHINGTON
Comcast Ch. 5
Starpower Ch. 10
Alt. Sundays—6 pm
12/29, 1/12, 1/26,
2/9, 2/23, 3/9

FLORIDA

• ESCAMBIA COUNTY
Cox Ch. 4
2nd Tue. 6:30 pm

IDAHO

• MOSCOW—Ch. 11
Mondays—7 pm

ILLINOIS

• CHICAGO*
AT&T/RCN/WOW Ch. 21

QUAD CITIES

MediaCom Ch. 19
Thursdays—11 pm

PEORIA COUNTY

Insight Ch. 22
Sundays—7:30 pm

SPRINGFIELD Ch. 4

Mon-Fri: 5-9 pm
Sat-Sun: 1-5 pm

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

INDIANA

• BLOOMINGTON
Insight Ch. 3
Tuesdays—8 pm

DELAWARE COUNTY

Comcast Ch. 42
Mondays—11 pm

GARY

AT&T Ch. 21
Monday - Thursday
8 am - 12 Noon

IOWA

• QUAD CITIES
MediaCom Ch. 19
Thursdays—11 pm

KENTUCKY

• BOONE/KENTON
Insight Ch. 21
Mon: 4 pm; Sat: 5 pm

• JEFFERSON Ch. 98
Fridays—2 pm

LOUISIANA

• ORLEANS PARISH
Cox Ch. 78
Tuesdays & Saturdays
4 am & 4 pm

MARYLAND

• ANNE ARUNDEL
Annapolis Ch. 20
Millenium Ch. 99
Sat & Sun: 12:30 am

• MONTGOMERY Ch. 19
Fridays—7 pm

• P.G. COUNTY Ch. 76
Mondays—10:30 pm

MASSACHUSETTS

• BRAintree
AT&T Ch. 31
BELD Ch. 16
Tuesdays—8 pm

• CAMBRIDGE
MediaOne Ch. 10
Mondays—4 pm

• WORCESTER—Ch. 13
Tue.—8:30 pm

MICHIGAN

• CALHOON
ATT Ch. 11
Mondays—4 pm

• CANTON TWP.
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm

• DEARBORN
Comcast Ch. 16
Zajak Presents
Mondays: 6-8 pm

• DEARBORN HTS.
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm

• GRAND RAPIDS
AT&T Ch. 25
Fridays—1:30 pm

• KALAMAZOO
Thu-11 pm (Ch. 20)
Sat-10 pm (Ch. 22)

• KENT COUNTY
Charter Ch. 7
Tue: 12 Noon,
7:30 pm, 11 pm

• LAKE ORION
Comcast Ch. 65
Mondays & Tuesdays
2 pm & 9 pm

• LIVONIA
T/W Ch. 12
Thursdays—5 pm
(Occ. 4:30 pm)

• MT. PLEASANT
Charter Ch. 3
Tuesdays—5:30 pm
Wednesdays—7 am

• MISSISSIPPI

• MARSHALL COUNTY
Galaxy Ch. 2
Mondays—7 pm

MISSOURI

• ST. LOUIS
AT&T Ch. 22
Wednesdays—5 pm
Thursdays—12 Noon

• PLYMOUTH
Comcast Ch. 18
Zajak Presents
Mondays: 6-8 pm

• SHELBY TWP.
Comcast Ch. 20
WOW Ch. 10
Mon/Wed: 6:30 pm

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

MINNESOTA

• ANOKA
AT&T Ch. 15
Mon.—4 pm & 11 pm

• BURNSVILLE/EGAN
ATT Ch. 14, 57, 96
Tuesdays—5:30 pm
Saturdays—9 pm

• CAMBRIDGE
U.S. Cable Ch. 10
Wednesdays—2 pm

• COLD SPRING
U.S. Cable Ch. 10
Wednesdays—5 pm

• COLUMBIA HTS.
MediaOne Ch. 15
Wednesdays—8 pm

• DULUTH
Charter Ch. 20
Mondays—9 pm

• MONTGOMERY Ch. 19
Fridays—1 pm

• FRIDLEY
Time Warner Ch. 5
Thursdays—5:30 pm
Saturdays—8:30 pm

• MINNEAPOLIS
PARAGON Ch. 67
Saturdays—7 pm

• NEW ULM—Ch. 14
Fridays—5 pm

• PROCTOR/
HERMANTOWN—Ch. 12
Tue. b/w 5 pm-1 am

• ST. CLOUD AREA
Charter Ch. 10
Astound Ch. 12
Thursdays—8 pm

• ST. CROIX VLY.
Valley Access Ch. 14
Thursdays—4 & 10 pm
Fridays—8 am

• ST. LOUIS PARK
Paragon Ch. 15
Wed., Thu., Fri.
12 am, 8 am, 4 pm

• ST. PAUL (city)
SPNN Ch. 15
Saturdays—10 pm

• ST. PAUL (N Burbs)
AT&T Ch. 14
Thu—6 pm & Midnite
Fri—6 am & Noon

• ST. PAUL (NE burbs)*
Suburban Ch. 15

• ST. PAUL (S&W burbs)
AT&T-Comcast Ch. 15
Tue & Fri—8 pm
Wednesdays—10:30 pm

• SOUTH WASHINGTON
ATT Ch. 14—1:30 pm
Mon, Tue, Wed, Thu

• MISSISSIPPI

• MARSHALL COUNTY
Galaxy Ch. 2
Mondays—7 pm

• MISSOURI

• ST. LOUIS
AT&T Ch. 22
Wednesdays—5 pm
Thursdays—12 Noon

NEBRASKA

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

NEVADA

• CARSON—Ch. 10
Wednesdays—7 pm
Saturdays—3 pm

• RENO/SPARKS
Charter Ch. 16
Fridays—9 pm

NEW JERSEY

• HADDON TWP.
Comcast Ch. 19
Sundays 11 am

• MERCER COUNTY
Comcast*
TRENTON Ch. 81
WINDSORS Ch. 27

• MONTVALE/MAHWAH
Time Warner Ch. 27
Wednesdays—4 pm

• NORTHERN NJ
Comcast Ch. 57*
PISCATAWAY
Cablevision Ch. 71
Wed.—1:30 pm

• PLAINSBORO
Comcast Ch. 3*
THURSDAYS—10 pm

NEW MEXICO

• ALBUQUERQUE
Comcast Ch. 27
Mondays—3 pm

• ANTHONY/SUNLAND
T/W Ch. 15
Wednesdays 5:05 pm

• GRANT COUNTY
Comcast Ch. 17
Fri. & Sat.
7 pm or 8 pm

• LOS ALAMOS
Comcast Ch. 8
Mondays—10 pm

• SANTA FE
Comcast—Ch. 6
Saturdays—6:30 pm

• TAOS—Ch. 2
Thursdays—7 pm

NEW YORK

• AMSTERDAM
Time Warner Ch. 16
Wednesdays—6 pm

• BROOKLYN
T/W Ch. 34
Cablevision Ch. 67
Tuesdays
3:30 pm, 11:30 pm

BUFFALO

Adelphia Ch. 18
Wed.—12:30 pm

• CHEMUNG/STEBEN
Time Warner—Ch. 1
Mon., Fri.—4:30 pm

• ERIE COUNTY
Adelphia Intl. Ch. 20
Thursdays—10:35 pm

ILION—Ch. 10

Mon. & Wed.—11 am
Saturdays—11:30 pm

• IRONDEQUOT Ch. 15
Mondays—7:30 pm
Thursdays—7 pm

• JEFFERSON/LEWIS
Time Warner—Ch. 2
Unscheduled pop-ins

• JOHNSTOWN—Ch. 16
Tuesdays—5 pm

• MANHATTAN—MNN
T/W Ch. 34; RCN Ch. 109
Alt. Sundays—9 am

• NIAGARA COUNTY
Adelphia Ch. 20
Thursdays—10:35 pm

• ONEIDA—Ch. 10
Thu—8 or 9 pm

• PENFIELD—Ch. 15
Penfield Comm. TV*

• QUEENSBURY Ch. 71
Thursdays—7 pm

• RIVERHEAD Ch. 70
Thurs.—12 Midnight

• ROCHESTER—Ch. 15
Sundays—3 pm
Mondays—10 pm

• ROCKLAND—Ch. 71
Mondays—6 pm

• SCHENECTADY Ch. 16
Mondays—3 pm
Wednesdays—8 am

• STATEN ISL.
Time Warner Cable
Thu.—11 pm (Ch. 35)
Sat.—8 am (Ch. 34)

• TOMPKINS COUNTY
Time Warner
Sun.—9 pm (Ch. 78)
Thu.—5 pm (Ch. 13)
Sat.—9 pm (Ch. 78)

• TRI-LAKES
Adelphia Ch. 2
Sun: 7 am, 1 pm, 8 pm

• WEBSTER—Ch. 12
Wednesdays—9 pm

• NORTH CAROLINA

• HICKORY—Ch. 3
Thursdays—10 pm

OHIO

• CUYAHOGA COUNTY
Ch. 21: Wed.—3:30 pm

• FRANKLIN COUNTY
Ch. 21: Sun.—6 pm

• LORAIN COUNTY
Adelphia Ch. 30
Daily: 10 am, or
12 Noon; or 2 pm; or
12 Midnight

• OBERLIN—Ch. 9
Thursdays—9 pm

• REYNOLDSBURG
Ch. 6: Sun.—6 pm

OREGON

• LINN/BENTON
AT&T Ch. 99
Tuesdays—1 pm

PORTLAND

AT&T
Tue—6 pm (Ch. 22)
Thu—3 pm (Ch. 23)

• SALEM—Ch. 23
Thursdays—12 Noon

• THURSDAYS—8 pm
Saturdays 10 am

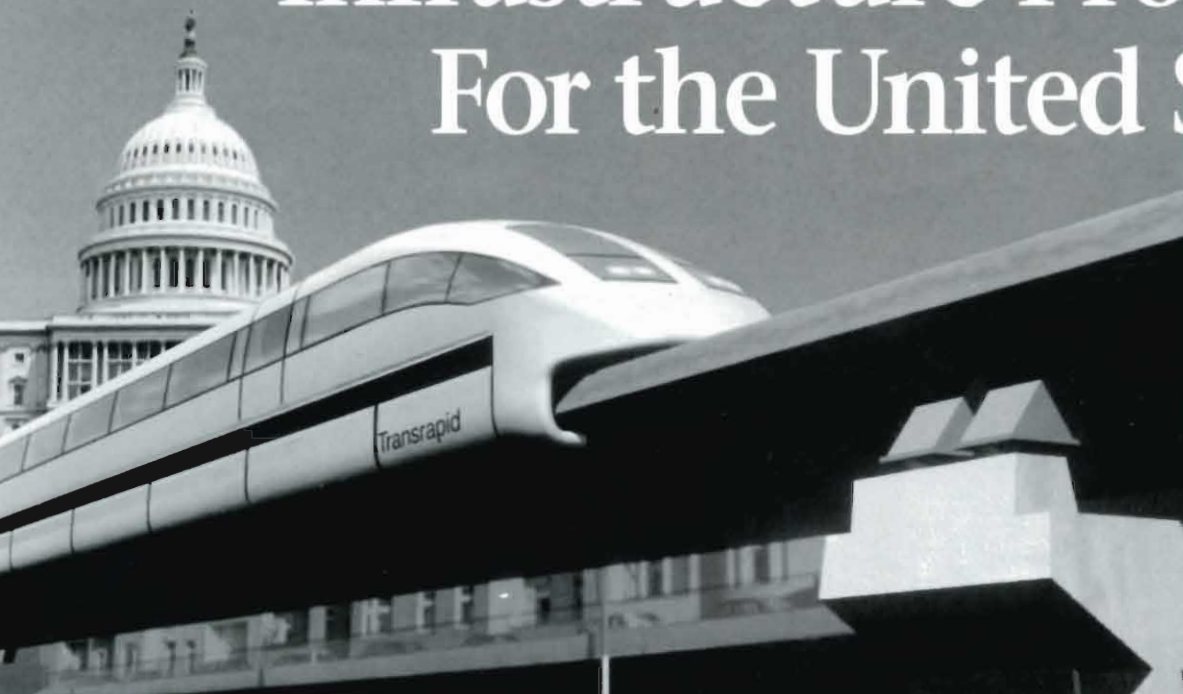
• SILVERTON
Charter Ch. 10
Mon, Tue, Thu, Fri
Betw. 5 pm - 9 am

• WASHINGTON ATT
Ch. 9: Tualatin Valley
Ch. 23: Regional Area
Ch. 33: Unincorp. Towns
Wednesdays—8 pm
Sundays—9 pm

• RHODE ISLAND

• E. PROV.—Ch. 18
Tuesdays—6:30 pm

LaRouche's Emergency Infrastructure Program For the United States



The crisis of rail, air, and other vital sectors of infrastructure has come about as the result of over 30 years of disinvestment and deregulation. Join Lyndon LaRouche's mobilization for a policy shift to implement modern versions of Franklin D. Roosevelt's anti-Depression infrastructure programs.

Create millions of new, high-skilled jobs, new orders for inputs and goods, and the basis for restoring and expanding the world economy.

80 pages **\$75**
Order #EIRSP 2002-2

Order from
EIR News Service, Inc.
P.O. Box 17390
Washington, D.C. 20041-0390

Toll-free: **888-EIR-3258**
(1-888-347-3258)

Or order online at **www.larouchepub.com**

Visa, MasterCard accepted **Shipping:** \$3.50 first item; \$.50 each additional item.

TABLE OF CONTENTS

Science and Infrastructure
by Lyndon LaRouche
Sector Studies
Rebuilding U.S. Rail System
Is Top Priority
States' High-Speed Rail
Plans Ignore Amtrak
Save Bankrupt Airlines, But
Re-Regulate Them
The Waterways Are Aging
and Neglected
Rebuild America's Energy
Infrastructure
A Meltdown-Proof Reactor:
GT-MHR
Rebuild, Expand U.S. Water
Supply System
Hill-Burton Approach Can
Restore Public Health

Resume Land Reclamation
and Maintenance
DDT Ban is a Weapon of
Mass Destruction
FDR's Reconstruction
Finance Corp. Model
The Brzezinski Gang vs.
Infrastructure—The
Biggest National Security
Threat of All
Campaign for Nation-
Building
President Must Act 'In an
FDR Fashion'
Italy Parliament
Breakthrough for
LaRouche's New Bretton
Woods Drive
The Emergency Rail-
Building Program in the
2002 Mid-Term Elections