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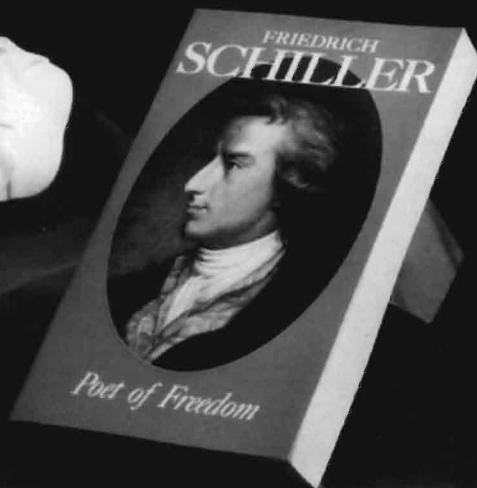
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From the Associate Editor

The best introduction to the contents of this issue—or, if you are a new reader, the best introduction to *EIR* as an institution—is contained in the opening passages of Lyndon LaRouche’s memorandum on Intelligence and Editorial Policy (pp. 16-41). How can we account for the manifest superiority of LaRouche’s economic forecasting, over the babblings of other economists and government officials?

“Behind our qualitative advantage over this publication’s putative rivals,” LaRouche writes, “there was no ‘crystal ball,’ no statistical pseudo-science, but only superior science: that of Johannes Kepler, Gottfried Leibniz, Carl Gauss, and Bernhard Riemann, most notably.”

In this important document, LaRouche reveals the “secrets” that have allowed him to achieve such success. It is a matter of being “truthful, not merely ‘factual.’” And, as LaRouche underlines, “This is not a matter of our legitimate, and functionally useful pride in *EIR*’s outstanding accomplishment; this is the crucial issue upon which the survival of the U.S.A., and of this global civilization now depend.” For unless governments act as LaRouche instructs them to do, we will truly descend into a “New Dark Age.”

At a recent conference of the Schiller Institute in Germany, a wealth of historical and cultural material was presented, to flesh out this strategic picture. In our last issue, we published LaRouche’s keynote address. This week’s *Feature* includes the second keynote, by Helga Zepp LaRouche, on the principles of Classical tragedy, which must be brought to bear today to help mankind find the moral and intellectual resources to escape a tragic fate, and instead to create a new Renaissance. We also publish the speech by a distinguished African leader, Paul Ssemogerere, president of the Democratic Party of Uganda. Following that, you will find a lengthy report on an exciting seminar of eastern European and Asian leaders, with LaRouche, which took place following the conference itself.



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EIR Policy



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Lyndon H. LaRouche, Jr. analyzes the failures of today's economists (and astrophysicists). Unlike the usual statistical projections of future events, the economic forecasts made by LaRouche have succeeded by identifying a characteristic "curvature" of economic processes, in the sense of "curvature" associated with the work of Carl Gauss and Bernhard Riemann. This curvature shows us, that continuation of currently prevailing policies must lead toward catastrophe, unless a specified change in axiomatic assumptions of policymaking were introduced during a certain estimable range of time available.

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"There is no question, that we are living today in an ongoing, unprecedented crisis of civilization," Helga Zepp LaRouche told a Schiller Institute conference in Germany. "The most horrifying aspect of what is unfolding in front of our eyes every day, is the incredible blindness of almost everybody in positions of power, in positions of government, about the approaching monstrosity — that which we can feel and see on the horizon, which is coming, and to which the governments are blinding themselves, and are not reacting."

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Showdown over South Korea: Save the day, not the banks

by Marcia Merry Baker

As 1997 came to an end, some of those New Year's noises weren't firecrackers, but warning shots fired over the heads of bankers around the world, to convince them to roll over their billions in loans to South Korea, and make way for 1998. Or else.

On Christmas Eve in Washington, U.S. Treasury Secretary Robert Rubin held a press conference at which he announced plans for an emergency package of \$10 billion for South Korea to help deal with the financial crisis of the world's eleventh-largest economy; Rubin pointedly stated that "not a nickel" would be paid to bail out *private* creditors around the world. Asked by a reporter, if banks were expected to "take a haircut" on bad loans, Rubin said, "I wouldn't spend a nickel to help private investors or private creditors."

The U.S. government emergency actions were prompted by the breakdown situation in South Korea as of mid-December, and the obvious inefficacy of the \$57 billion bailout package announced in Seoul on Dec. 3 by International Monetary Fund (IMF) Managing Director Michel Camdessus. As of Christmas week, South Korea was on the edge of default, and suffering economic dislocation.

South Korea's currency, the won, on Dec. 23 crashed to a new historic low of 1,962 to the dollar (compared with 1,715 the day before); the key composite stock market index closed 7.5% down, the largest-ever one-day fall in percentage terms; and Korean producers were having to pay, through the yield on their corporate bonds, an impossible 31% on borrowed money. Joblessness hit a 15-year high. Construction and output were plunging; and \$10-15 billion in short-term debt was due in a week.

After Rubin's Dec. 24 message, top bankers conferred in both publicized and secretive confabs. Finally, as of 1998, the short-term loan payments due from South Korean entities to the major world banking syndicates, were rolled over, at least

until the end of January or into February. There were some prominent cases of bank resistance and reluctance, notably in London, and also, Tokyo, but the immediate hour of crisis passed. No chain reaction of defaults throughout the world financial system was detonated as of the turn of the year—*this time*. Now, the issue is what lies ahead, and not only in South Korea.

Nations first; speculators last

Secretary Rubin's year-end action bought time, and pointed in the right direction for putting the interests of nations first, and speculators last. In announcing the \$10 billion package, he said that there is "an enormous stake in reestablishing financial stability in South Korea and enabling South Korea to get back on a solid economic track." He added, "And one of the things that they've got to get is security."

On the role of the banks, Rubin was emphatic: "Part of getting that time"—for South Korea to return to economic stability—"would be for the banks to extend their maturities." As to how they would extend them, Rubin said it was up to them to determine.

It should be noted that Rubin's Dec. 24 statements were all but blacked out of the U.S. media, except for EIR News Service. Not one TV camera filmed the press conference, and no full transcript exists. (Excerpts are given below, see *Documentation*). However, in Europe, on Dec. 27, at least three leading dailies quoted Rubin's "not a nickel" formulation—the *Süddeutsche Zeitung*, the *Berliner Zeitung*, and the *Neue Zürcher Zeitung*. The *Süddeutsche Zeitung*'s Washington correspondent, Peter de Thier, noted, "With his go-it-alone decision, Rubin definitely took the initiative out of the hands of the IMF," in particular, because the loan was granted "de facto without conditionalities," in contrast to IMF practices. Writing a similar piece for the *Berliner Zeitung*, Thier

reported that the \$10 billion emergency credit was the consequence of a “dramatic policy shift by U.S. Secretary Rubin,” deliberately announced while Congress was out of session for the holidays.

But neither the \$10 billion emergency mobilization, nor the one-time private bank rollovers, will themselves solve the crisis in South Korea. The situation there is part of the *systemic world financial breakdown*.

What is outstanding in South Korea itself, is that the disastrous impact of recent months of compliance with so-called IMF remedies, shows exactly what should *not* be continued as the approach to the world crisis.

Statistics released on Dec. 29 in South Korea show a breakdown process. Domestic machinery orders fell 34.6% in the year to November, after having risen by 29.8% in the previous year. In November, domestic construction orders fell 23.3%, compared to a 48.5% rise in November 1996. Gross Domestic Product dropped by 2.6% in 1997, with the prospect of at least a 2.2% drop in 1998. Unemployment is officially expected to hit 6%.

LaRouche: What next?

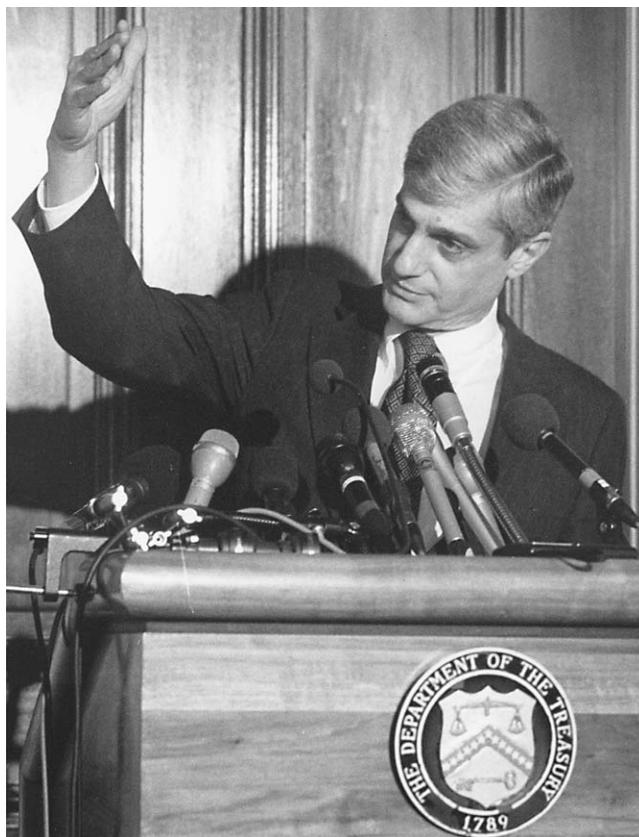
Lyndon LaRouche, interviewed on Dec. 30, by the “EIR Talks” international radio broadcast, commented on the Korean and world situation, as of the closing hours of 1997.

“So, what you have to look at: There are three issues here, actually four. Three issues up front, that are negative. First of all, which has happened as a result of what Rubin did, is that the banks around the world had a Christmas present thrown under their tree, which I don’t think they particularly appreciated. . . .

“Once we buy time, in a sense, by freezing the obligations of the banks, the Korean banks, in that way, by turning them into longer-term, or medium- to long-term maturities, that buys time, maneuvering room, and, in a sense, it separates the debts of the Korean banks from the private corporate interests of Korea. The problem is, there’s been highly disorderly speculative activity, financial activity, on the part of some of the major trading companies in Korea. They have *uncounted indebtedness*—we just don’t have it—because a lot of it lies in the futures or, a.k.a., derivatives area, and it’s very difficult to trace out. . . .

“So, the position is implicitly, that down the line, it’s going to come to a question of whether the foreign creditors—who can’t get at the Korean government, because it’s not involved, it’s not guaranteeing this; they can’t get at the Korea banks, the major banks, because their situation is secured—go in to try to get at the corporations, the private corporations, the private interests.

“Well, in that case, there are alternatives, which the Korean government, presumably with the encouragement of the United States and others, will take to reorganize the obligations, financial obligations, of the companies, that is, to put them under the protection, the bankruptcy protection of the Korean government. . . . A bankruptcy protection will be sup-



U.S. Treasury Secretary Robert Rubin: “not a nickel” to bail out the private creditors.

plied to corporations, the corporations will continue to function, as in, say, U.S. Chapter 11 bankruptcy proceedings. The managements will be there. They will not sell their children into slavery to pay off the debt. A lot of the debt will simply be frozen, and much of it, later, written off.

“But that doesn’t solve the *final* problem. The final problem is the fact that the, as I said, the crisis is largely artificial. A great structural weakness was built into the international financial economic system over a period of 30 years, especially since 1971-72, with the inauguration of the so-called floating-exchange-rate insanity as monetary policy. And that’s going to have to end.

“But the problem is, largely, that a group of British-centered [speculators]—including Soros, who is a British asset; he’s based in Anglo-Dutch interests in the West Indies, for example— . . . these British-controlled speculators . . . have been running a hedge-fund operation against Asian countries. . . .

“What would happen if we don’t pay attention to these [speculative] markets? That the price of the currency is a pegged currency? And whatever George Soros and his friends do is irrelevant! . . .

“We had such a system before in the 1950s, for example, the postwar period. We had limited convertibilities of currency. We had *pegged* currencies. We had capital-movement

controls, and it worked. . . . We're going to have to go back to that. . . .

"All right. So, the next phase, is how do we get the world economy functioning above breakeven level. The aggravating problem is that today, with the collapse of world trade, associated with the crisis which is going on today, in South-east Asia, today in East Asia, now in Korea, which will hit Brazil tomorrow, which is hitting eastern Europe, as in the case of Czechia, which is going to hit Russia, etc., that the world is operating below a breakeven point. So, we have to have an industrial expansion program, including agricultural foodstuffs, trade expansion, which means we need large-scale projects to restimulate the world economy, to bring economies back above breakeven."

Documentation

On Dec. 24, 1997, Treasury Secretary Robert Rubin and Assistant Treasury Secretary Lawrence Summers gave a briefing at the Treasury Department, on the Asian financial crisis. They discussed the purpose and arrangements for an expedited \$10 billion extension to South Korea. It was stressed that private creditors were expected to make their own arrangements on debt owed to them; the private creditors would not get any of this emergency money. An official transcript is not available. The following are excerpts from the partial transcript prepared by the Federal News Service, of Rubin's exchange with reporters at the briefing.

Rubin: [Our action so far] has been driven fundamentally with an underlying sense by the view that we have our economic and national security interests at stake here. [We are concerned about] national security ramifications. . . . It is in our economic and national security interests that financial stability be restored to Korea, to make this best serve our national interest.

Q: Mr. Secretary, are the private banks being made whole here, or are they making some share of the sacrifice?

Rubin: Dave, they're going to have to work out their own arrangements with their debtors. Creditor banks — you're talking about the creditor banks?

Q: Yeah.

Rubin: Yeah. They're going to have to work out their own arrangements with the debtors. And this is a process that really is just beginning.

Q: But when you say that this is being taken in the context of a significant voluntary extension of maturities of existing claims, you obviously have some sense of what their — are you insisting that the private banks take a haircut? Or are you — or are we just talking about extending maturities? Are large uninsured creditors being made whole or not?

Rubin: David, I think it depends on what terms they work out. I really mean that.

I think the key. Look, let's go at it differently: What are you trying to accomplish? What you're trying to accomplish is taking an economy that's grown for 30 years that really had a remarkable record, and now is running into very serious problems for reasons that we've all talked about and analyzed and so forth. And what you want to do is get some time to get back on track. I, at least, think — I think that the underlying strengths here are very substantial, and there's no reason why Korea can't grow at a — excuse me, a very healthy rate again. But they clearly have a lot to do. And one of the things they've got to get is security. Part of getting that time would be for the banks to extend their maturities. On what terms can they extend them and whether they [inaudible], if the present value is lower or not lower than the current present value, is something they're going to have to work out. That's not our business.

Q: Now, may I follow this up? . . . You have distinguished between public sovereign debt and private debt in the past. And we are in the circumstance now where there's a prospect of private sector defaults on Korean debt. There's the talk, a lot of talk about that. Are you — aren't you — isn't the United States and the IMF giving Korea money which will essentially be used to prevent private sector creditors from default?

Rubin: David, I'd say that it's a by-product of [inaudible]. I wouldn't — I'll speak myself. I wouldn't spend a nickel to help private investors or private creditors. . . . On the other hand, I think you have an enormous stake in reestablishing financial stability in South Korea and enabling South Korea to get back on a solid economic track. . . .

Now, since the prime problem here in many respects is the short-term credit of the banks, clearly as official money has gone to the Bank of Korea, is going to the Bank of Korea, an effect of that has been the private sector creditors or private sector Korean banks to receive payment for short-term credits. . . . What this envisions is a situation that takes that pressure off the South Korean banks by extending maturities to whatever period that extensions may be. The terms with which they do that . . . are something they are going to have to work out; and the role that the government plays, the government of Korea plays. Those are two issues. There are probably — Undoubtedly, there are other issues. But those are issues that the banks are going to work out, the Korean banks, and perhaps the Republic of Korea. . . .

The commercial banks are now going to have to work with themselves. This is really their undertaking. This will have to be their undertaking. They're going to be working amongst themselves over whatever period of time it takes to put in place what is described here. . . . They have now got to accomplish that by working amongst themselves. And I think [that you should] perhaps discuss with them how they are going. Well, this is the beginning of a process, not the end of a process, with them.

China is preparing for financial 'danger in times of peace'

by Mary Burdman

The leaders of China met at the very highest level at a Central Financial Work Conference in Beijing on Nov. 17-19, 1997. The purpose of the meeting was to ready China to meet "danger in times of peace," in the face of the financial crisis sweeping East and Southeast Asia. The conference was called and led by both the Central Committee of China's Communist Party, and the State Council, which is unprecedented for such a work conference on the financial situation. China's top leaders all addressed the meeting, which was attended by national, provincial, and municipal-level leaders.

China's fundamentally sound economic development since 1978, and especially in recent years, has furnished protection, so far, from the financial disasters hitting the rest of Asia. This growth has been based on infrastructure construction; gradual, relatively controlled economic and financial reform; and the continued limited convertibility of its currency—the renminbi is convertible only on current, but not capital accounts.

That protection, however, is limited. China itself has a serious internal bad debt, the result of the state banking system acting as the government's "teller," supplying direct cash, rather than repayable credit, to the state-owned enterprises. In addition, the deep economic crises in Southeast Asia, South Korea, and Japan, and the generally massive devaluation of other Asian currencies, will hit China's export markets hard. At the same time, many of China's development plans are, currently, conceived of as being dependent on foreign investment, which will clearly be limited in the current situation. China has also become one of the biggest holders of foreign capital, another vulnerability to international financial turmoil.

Most important, however, is the risk to China's real economy. As the Hong Kong newspaper *Wen Wei Po*, which reflects national policy, stated in an editorial on Nov. 18: "The biggest problem behind the financial turbulence in Southeast Asian countries and regions is closely connected to the economic structure. This sends a warning signal to China, whose irrational economic structure is becoming an increasingly outstanding problem. Therefore, while strengthening financial supervision, China should put an end to repetitive development, substantively strengthen the structural adjustment, and ensure the healthy and benign development of the national economy. This is a long-term strategy for guarding against financial risks."

President Jiang Zemin put it most succinctly. At the Dec. 15-16 informal Asian summit in Kuala Lumpur, he said, during a discussion with Singapore's Prime Minister Goh Chok Tong: "The reason behind the financial turbulence is complex. We understand the difficulties some countries are facing. The financial turbulence has taught us a lesson: Economic security should cover financial security, and, while a country is opening up, it needs to maintain its own rational economic structure and coordinated development of infrastructure and manufacturing. We have confidence in the future of the economy in Asia."

Reflecting the discussions in Beijing, and China's resolution to take measures, Jiang Zemin said in his speech to the summit on Dec. 15, that the Asian crisis had taught "a profound lesson." East Asian nations can "set a model for economic cooperation among countries and regions in the world," and "also play an important role in promoting the establishment of a just and rational new international political and economic order of peace and stability," he said. But, even while recognizing these economic achievements, "we must also look squarely into the difficulties and obstacles on the way ahead. . . . Southeast Asia's financial turmoil in recent months has taught people a profound lesson. Normal functioning of the financial system is crucial to the overall economic stability and development. To maintain a sound and stable financial order in a closely intertwined global economy, it is imperative for countries to work to improve their financial system, policy, and supervision, strengthen both regional and international financial cooperation, and jointly ward off excessive speculation by international hot money. Only by so doing can we effectively maintain the international financial order. Today there is a greater need to strengthen financial cooperation in East Asia. China has taken a positive approach toward it and is ready to take part in relevant discussions."

Straightening out the financial order

A Russian observer recently noted, during a discussion in Germany, the difference between the humility of the leadership of China, who openly state that their nation has only begun its economic reconstruction, and the foolish arrogance of other governments, particularly in the former Soviet Union and eastern Europe, who refuse to even acknowledge the massive crisis already engulfing them. The remarkable speech by Czech

President Vaclav Havel on Dec. 9, is a notable exception.

So it was at the Beijing financial meeting. This working conference, which was followed the next week by a top-level meeting called by the People's Bank of China, was addressed by President and CP head Jiang Zemin, Prime Minister Li Peng, and Executive Vice Premier Zhu Rongji. The leading members of the Party Central Committee and the State Council attended, as well as provincial governors, regional and municipal heads, vice governors in charge of financial work, heads of the relevant party and State Council departments, governors and vice governors of state banks and key branches, governors of provincial branches of the People's Bank of China, and persons in charge of insurance companies and large financial institutions.

Already on the eve of the World Bank annual conference in Hong Kong in September, Zhu Rongji announced that China would call a central financial conference in Beijing in November, because of the threat to China's overall stability.

At the conference, according to several Chinese press accounts, Jiang Zemin warned that China is facing new issues, with no foreign example to copy. Should a "financial storm" be triggered, or should an error lead to a financial crisis, all of

China's reform and development would be hit, and this would also lead to social difficulties. Furthermore, China cannot expect foreign aid should a financial crisis take place; in this situation, it is imperative to be prepared for danger in times of peace and take precautions against possible difficulties. The Chinese President said that it was "imperative" to draw lessons from the financial crises occurring in some Asian countries, review the hidden problems in China's financial arena, and take measures to resolve them.

Zhu Rongji, responsible for China's economy, said that the chief causes of the Southeast Asian financial crises lie in problems in control and supervision. China has both these problems, he said, and warned of the danger that some Chinese leaders are too incautious, and too ambitious. "Localism" and "departmentalism" are interfering with implementation of the financial policies of the central government. In the current situation, failures of discipline, and any illusions that there is the "freedom" to violate laws and regulations, constitute serious dangers, Zhu warned. He also chided government departments for failure to strictly adhere to policies, a situation which can no longer be accepted.

"Straightening out the financial order" and financial reform have been made a priority, in the wake of the Sept. 15 National Party Congress, *Peoples Daily*, China's newspaper of record, stated in an editorial on Nov. 20. "This is a major policy decision and strategic measure adopted after taking the overall situation into consideration and sizing up the times." The purpose of the conference was "to establish a sound modern financial structure and system; standardize and institutionalize all financial activities; notably improve the standards in managing, monitoring, and supervising the financial industry; effectively prevent and reduce financial risks; and guide the financial industry in the direction of healthy development so that it can better serve reform, opening up, and modernization." China will try to do this over the next three years.

A Xinhua official broadcast the same day reported that the conference had concluded that "it is imperative to . . . run banks really as banks, strengthen the financial supervision and management functions of the People's Bank, quicken the commercialization of state commercial banks," and "put all financial activities on the track of standardization and legalization." At the same time, "it is imperative to . . . create a favorable economic environment for a benign financial cycle, and in particular, speed up the reform of state-owned enterprises, and establish an investment structure in which government administration is separated from enterprise management."

China's banking system is a key issue of concern. Approximately two-thirds of the capital of China's state-owned commercial banks is citizens' savings deposits (totalling about 4 trillion yuan, or \$500 billion), and if these savings are not protected from the kind of banking disasters which have hit the rest of East Asia, China risks real social troubles. But China's banking system is burdened with bad debts, due to the banks' lending to the state-owned enterprises, which, be-

China Daily: LaRouche 'cautioned the world'

Economist Lyndon LaRouche "cautioned the world" on the international financial crisis, *China Daily*, China's official English-language daily, said on Dec. 9 in its lead Opinion Page article, titled "Asia Draws Lessons from Financial Crisis." Author Wei Jianing, director of the Financial Research Office with the Development Research Center of the State Council of China, wrote:

"The recent global financial turmoil that started to devastate Southeast Asia this July has greatly shocked the world.

"But actually many economists, like Lyndon LaRouche, already cautioned the world several years ago against the coming of a worldwide financial crisis in the 1990s."

Wei Jianing cited Paul Krugman's book, *The Myth of Asia's Miracle*, warning of the dampened enthusiasm of the Asian "tiger" economies for the so-called "East Asian Miracle." "However," Wei Jianing wrote, "some governments neglected those warnings. . . ."

"In spite of all arguments, all agree that the recent financial turmoil has drastically influenced the whole world and forced the financial world to reflect on some basic theoretical issues."

cause of their own poor efficiency, have been unable to repay.

As *Wen Wei Po* wrote on Nov. 17, "When the social and economic environment is relatively stable, such latent risks will not break out into a crisis. But when social and economic life is turbulent, such latent risks may become reality."

Non-banking financial institutions—credit cooperatives, development investment banks, trust companies—are in worse shape, badly indebted, and some are bordering on bankruptcy. The stock market bubble, though somewhat deflated, is far from eliminated. Many shares listed are of "poor quality," bringing more risks of stock market troubles.

The Beijing government has established a "Central Leading Group for Financial Work," led by Zhu Rongji, with the assistance of Vice Premier Li Lanqing, who is in charge of the financial system; CP Politburo members Wu Bangguo, responsible for state enterprise reform, and Wen Jiabao; and foreign trade minister Wu Yi.

China's vulnerability

China's leaders clearly recognize that their nation is all too vulnerable to the financial crises erupting all over the world. As *Wen Wei Po* wrote on Nov. 21, "the overseas economic crises since the 1980s have all been triggered by monetary issues, such as Japan's bubble economy, Mexico's monetary crisis, and the current monetary crisis in Southeast Asia. Hence, it is a global issue to adopt measures to guard against monetary risks. If China does not have a full set of mechanisms and methods for guarding against and mitigating the monetary risks, the effects of foreign monetary crises would exploit the advantages of the weak point to easily take their way into China and undermine China's monetary [stability] and economy as a whole."

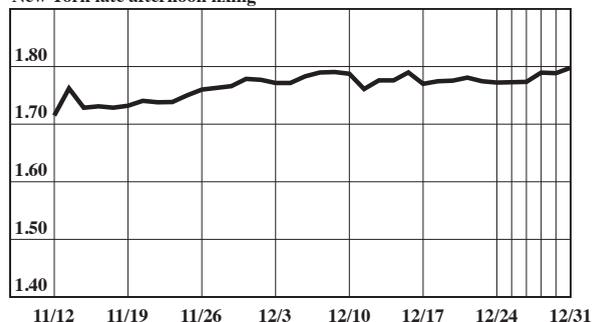
According to other press reports, a department of the State Planning Commission recently warned of the problem posed by China's "hidden foreign debt." Various methods have been used for enterprises to borrow abroad, in violation of all government policies or regulations. Such unregulated or "off-shore" borrowing could well lead to China's foreign debt getting beyond knowledge and beyond control—such as has happened in the Republic of Korea.

A total of 15 measures were formulated at the financial work conference, to be enforced over the next 10 years, at least. These include tightening central bank control over regional administration, establishing a mechanism to deal centrally with bad debt, and making incursion of any further bad debt, the direct, legal responsibility of those involved. A key measure will be to clean up international speculative "hot money," and get, and keep, it out of China. The demands of the World Trade Organization, that China speed up its plans for free convertibility of the renminbi, will *not* be met. One high-ranking CPC leader was recently cited in the Hong Kong press saying that, to join the WTO, China would rather make concessions in other aspects than open up the financial market too early.

Currency Rates

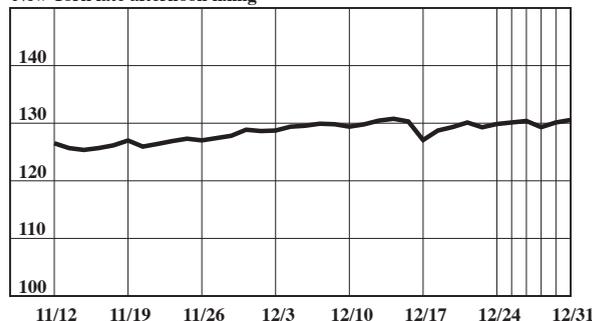
The dollar in deutschemarks

New York late afternoon fixing



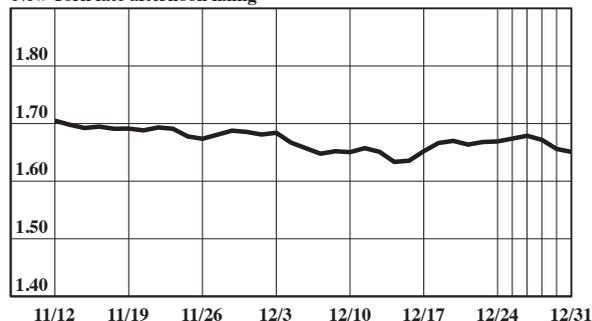
The dollar in yen

New York late afternoon fixing



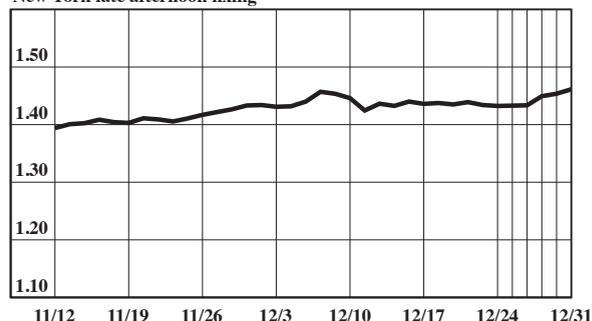
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Turkmenistan-Iran pipeline: progress toward the Eurasian Land-Bridge

by Muriel Mirak-Weissbach

On Dec. 29, Iranian President Seyyed Mohammad Khatami joined with Turkmen President Saparmurad Niyazov, in western Turkmenistan, to turn a huge valve, starting the flow of natural gas from the Central Asian republic, into Iran. This, the first such pipeline from one of the former Soviet republics of Central Asia that does not traverse Russian territory, has been hailed in the Western press as a mortal blow to Moscow's stranglehold on the vast natural resources of the region. By a similar token, since the pipeline does link up with Iran, the event has been characterized as a blow to Washington's foreign policy ambitions, narrowly defined as excluding Iran from participation in the region.

In reality, the pipeline represents a small, but strategically important step forward in the Eurasian Land-Bridge project, to integrate the economic potential of the vast continent. The ceremony opening the gas flow is in some respects comparable to the inauguration in May 1996, of the rail stretch between Mashhad in Iran, and Tajan in Turkmenistan, via Sarakhs; that line, though small in length, provided the missing link in a transcontinental rail connection, which would make it possible to travel from China's port of Lianyungang all the way to Rotterdam, via central Asia, Iran, and Turkey. In both cases, the infrastructure links thus established, have greatly enhanced the role of both Turkmenistan and Iran in the project of the century.

The pipeline is 200 kilometers (120 miles) long, and will carry natural gas from Korpedzhe in west Turkmenistan, to Kord Koy in the Kurdhue region of Iran. The cost of construction, \$195 million, was covered almost entirely by Iran, which deliberately excluded any financing from outside agencies, like the International Monetary Fund (IMF) or the World Bank. Turkmenistan will export initially 3 billion cubic meters of gas to Iran per year, and will increase the flow to 12 billion cubic meters later. The first three years of gas will constitute payment for the Iranian financing of the pipeline.

Just days earlier, on Dec. 27, the energy ministers of Iran, Turkmenistan, and Turkey held final talks on a gas cooperation deal at the Iran-Turkmenistan Joint Economic Commission in Teheran. The protocol signed, regards the plan for a 1,500-kilometer pipeline which would transport Turkmen gas via Iran and Turkey to Europe. The project, which will cost \$1.6 billion, will be able to transport 900,000 cubic meters of

gas per day.

Further, a bilateral accord with Turkmenistan was finalized, and signed by Turkish Prime Minister Mesut Yilmaz, according to which Turkey will purchase 15 billion cubic meters of Turkmen gas per year, beginning in 2000. The question still left open, according to wire reports, is the means of transport for this gas: It could reach Turkey either through a trans-Iranian pipeline, or through a pipeline to be built under the Caspian Sea. The latter option, which is being pushed by those interests eager to exclude Iran, would cost \$1 billion more than the overland route. The fact that Iran has just completed the pipeline section linking Turkmenistan to northern Iran, means that the trans-Iranian option would be more rapidly available.

Finally, the Presidents of Iran and Turkmenistan inaugurated a fiber optic network project, on Dec. 28. The 715-km network is part of the 17,000-km network that links Shanghai to Frankfurt, which is an integral part of the Eurasian communications project.

Economic reality, geopolitical maneuvering

Thus, the nested agreements concluded and projects inaugurated in the closing days of 1997, contribute significantly to progress in implementing the Eurasian Land-Bridge. That the happy events should be reflected in the Western press, in terms of geopolitical jockeying for regional strategic hegemony, comes as no surprise. The mindset of the financial and political circles behind the *Wall Street Journal*, *London Times*, and so on, is that of the British geopolitical school, which views developments on the Eurasian continent from the historical vantage-point of British imperial interests: how to thwart such cooperative efforts, and rather pit one nation against the other, and, in the process, loot the raw materials. For this reason, coverage of the pipeline's opening focussed on the fact that this new gas transport route bypasses Russia, and that it effectively ignores the sanctions regime embodied in the infamous D'Amato legislation, forbidding vast economic deals with Iran.

The only sensible reportage to appear thus far in Europe, has been in *Handelsblatt*, a German economic newspaper. *Handelsblatt* highlighted the simple fact that the pipeline represents salvation for Turkmenistan, which for the first time

since its independence in 1991, has the possibility to export its gas and oil. The only export routes it had access to previously, were through Russia, into the Caucasus and Ukraine, and the problem therein was not geopolitical, but economic: Due to the breakdown in trade and production following the collapse of the Soviet Union, and the subsequent destruction of the formerly communist economies by the IMF's shock therapy, none of these customers were able to pay for the gas from Turkmenistan. As a result, in March 1997, Turkmen President Niyazov stopped supplies to them. Over \$2 billion in debt is outstanding, half of it from Russia. Turkmenistan's production collapsed, down from 89.6 billion cubic meters in 1989, to 26 bcm in 1996, and 13.9 bcm in the first nine months of 1997, which is 48.6% less than in the comparable period of the year before.

Thus, as a Turkmen official stated recently, the pipeline is a "matter of life or death" for the country. Turkmenistan has been exploring multiple pipeline possibilities, to be able to access world markets. These include the deal made by the California-based Unocal and Saudi Delta companies, with the Taliban insurgency in Afghanistan, to run a pipeline from Turkmenistan through Afghanistan, into Pakistan, and thence, to international markets. For the same reason, the Turkmen government has been discussing with Turkey, the pipeline option along the Caspian Sea bed. In short, for Turkmenistan, the overriding consideration, is finding the means to make available its enormous wealth in gas and oil. It has from 13 to 21 trillion cubic meters of natural gas, making it the world's fourth largest producer.

The real question to be addressed, is: How will Turkmenistan, and, by implication, the other central Asian republics which became independent in 1991, utilize their immense raw materials wealth? Will they follow the sad precedent set by some Arab Gulf states, and use their raw materials export revenues, to enrich a tiny oligarchy, and limit their economic activity to exploitation of resources? Or will they utilize those revenues to finance the development of a well-rounded national economy, based on modern infrastructure, in transportation, energy, water management, education, sanitation, and so forth?

Regional cooperation

This was the question dealt with at an international seminar, in Ashkhabad, the capital of Turkmenistan, on Nov. 26-28, 1997. The conference, entitled "Central Asia: Regional Cooperation for Peace and Development," was organized by the Foundation for Research on International Environment, National Development and Security (FRIENDS), a strategic think-tank founded in 1991 by Gen. Mirza Aslam Beg, former Chief of Staff of the Pakistani Army. It was co-sponsored by the government of Turkmenistan, UNESCO in Bangkok, and the Hanns Seidel Stiftung, a think-tank associated with the Christian Social Union (CSU) in Bavaria, Germany. FRIENDS was the agency which conceived of the idea of

Asian Regional Cooperation (ARC) in 1992, which would include countries from East Asia (China), South Asia (India and Pakistan), West Asia (Afghanistan, Iran, Turkey, and Azerbaijan), and Central Asia (Tajikistan, Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan). On the basis of this conception, FRIENDS organized a seminar in Pakistan in 1992, on regional economic cooperation as the foundation of security and peace.

The central issue of the seminar, which General Beg identified in his keynote, was the challenge for the states of Central Asia, which had emerged from the collapse of the Soviet Union, as independent republics, to gain real nationhood, which means to build viable national economies, and to shape national identities, through the development of the rich cultural heritage they have preserved from the pre-communist era. General Beg presented the Eurasian continental transportation network as the proper context in which both economic and cultural progress could be achieved. Lauding the "historic achievement . . . made by the two great leaders of Moscow and Beijing, Yeltsin and Jiang, by signing a framework agreement to construct a \$12 billion, 3,000-km (1,860-mile) gas pipeline from Siberia to North China," General Beg characterized the treaty as a "giant step in determining the contours of the continental geo-economic strategy, to unshackle the world economy and progress which has remained marine-oriented as part of the Great Game of the colonial era—through Great Britain." Beg emphasized that "a counter-strategy, to integrate people through a network of land communication, under a brilliant and innovative idea of the Euro Asian Continental Bridge, was propounded by China last year." General Beg, who has campaigned internationally for the third, southern route of the Eurasian Land-Bridge, through Southeast Asia, across the subcontinent and through Iran and Turkey into Europe, as well as into Africa, stressed, "If these bridges are built, an unprecedented economic momentum would be generated," and concluded, "It is therefore necessary that the Central Asian Republics join and cooperate in such ventures."

At the same time, the geopolitical struggle which is raging, precisely around this vision, was identified by the speaker. Beg denounced the ideologues like Samuel Huntington ("front-man for the merchants of death"), and Zbigniew Brzezinski, who have propagated the thesis of a clash of civilizations, or the balance of power, in the interests of thwarting such Eurasian cooperation. In contrast, Beg insisted on the imperative of cooperation with all major powers for the Central Asian Republics: "Building cordial ties with Russia, is as important as seeking the help and cooperation of America. . . . China is a dependable neighbor with no hegemonic aspirations. It has the empathy for the anguish of the Third World nations, and with the pace of its economic development it can serve as a beacon for strength. . . . Iran, Turkey, and Pakistan . . . can only serve as facilitators of growth and development of Central Asia."

The other threat to fruitful cooperation, identified by General Beg, is the institutions of free-market economic liberalism. "Perhaps the basic impediment is the neo-colonial economic hegemony exercised through multinationals and world organizations—IMF, World Bank, and World Trade Organization," he said. "The colonial legacy which persisted over the two quarters of this century has now been passed on to these powerful organizations. They, in turn, have denied transfer of technology to these nations and also utilized their labor on cheap rates to maximize their profits." Citing the warnings issued by Malaysian Prime Minister Dr. Mahathir bin Mohamad against the abuses of liberalism, Beg denounced globalization as "a license for unbridled exploitation of the economies of the developing world," and charged that the free market "is not that free as often professed," and works to the disadvantage of the developing economies.

From the Soviet system to national economy

Building national economies in Central Asia is no mean task. The five republics in question, under the Soviet system, were treated as sectors of a Soviet-wide economy, not as national economies. Their function was to export either raw materials, or products, like cotton, from their agricultural sectors, which were strictly monocultural. Goods required for domestic consumption, as well as industrial goods, had to be imported. Thus, when the Soviet Union collapsed, and the Comecon trade arrangements broke down, it was as if the single components of an integrated economic process had been isolated, and, without connection, left to rot. The figures on the collapse of trade and production, mentioned for Turkmenistan, are typical of all.

It was in this catastrophic breakdown condition, that the IMF offered to help them jump from the frying pan into the fire, demanding across-the-board privatization, free convertibility, etc. This meant laying the groundwork for raw materials looting, and eliminating the social safety net. For good reason, several Central Asian countries have resisted these "reforms." Uzbek President Karimov has refused to introduce convertibility of his currency, a condition posed not only by the IMF, but also by the European Union, which has specified that the Partnership and Cooperation Agreements (PCA) are accorded on three conditions: "upholding democracy and respect for human rights and introducing a currency which is convertible," as Rainer Freitag-Wirringhaus of the German Oriental Institute explained at the Ashkhabad conference. Neither Uzbekistan nor Turkmenistan has acquiesced, and therefore both have been denied IMF loans. As for demands that the economy be opened up for takeovers by foreign interests, the Uzbek President issued a decree in March 1997, which stated that 25% of privatized firms could be sold to investors from abroad, which is nowhere near the percentage the IMF would like to see. Furthermore, no raw materials or basic infrastructure may be privatized. The regulations governing joint ventures with foreign firms, are also stringent.

The government must hold over 50% of any such joint venture, and foreign firms are bound to conditions regulating their profit-taking.

Similarly, in Turkmenistan: If President Niyazov has presented a plan for the privatization of 330 of 375 large state industries, he has ensured that the strategic sectors in raw materials (oil and gas) and transportation infrastructure (rail and air) remain under government control. Turkmenistan has also maintained its social safety net, by maintaining services for the population of over 4 million, free of charge. These include electricity, gas, water, salt, education, and medical facilities.

In Kyrgyzstan, where state support for pensioners, the unemployed, etc., have been eliminated, there is grave danger of unrest, as mentioned in a paper presented to the conference by Prof. Piadukhov Akinovich. "Social consequences of growing property differentiation and mass impoverishment," he said, "acquire critical significance for member countries. [The] phenomenon of humiliating poverty is new for Central Asia of the last two decades and provokes steady growth of discontent, irritability, and aggression."

Rebuilding the Silk Road

Those governments of Central Asia which have most vehemently resisted pressures to adopt IMF policies, are the ones which have the clearest sense of their own economic role in the context of the Eurasian Land-Bridge. Dr. A.N. Amandurdyev, the head of the Asia-Pacific Department of the Ministry of Foreign Affairs of Turkmenistan, for example, presented to the seminar the role of Turkmenistan in regional development. His country, he said, lies along the great Silk Way from China to the West, and therefore constitutes a bridge between East and West. Dr. Amandurdyev expanded the notion of "Central Asia" to include the ten members of the Economic Cooperation Organization (ECO), which are the cofounders, Pakistan, Iran, and Turkey, as well as Azerbaijan and Afghanistan, and the five Central Asian Republics. Dr. Amandurdyev stated, "Turkmenistan attaches much importance to the development of railway, auto, sea and air transport, telecommunications, and other means of communications aimed at speedy integration into [the] Central Asian and world economic system." He announced, "In the sector of railway transport, Turkmenistan plans to construct a 2,000-km steel railway, which amounts to what has been constructed for the last 100 years starting from the year 1880. Moreover, Turkmenistan is constructing the railway network (including electrification) using the latest achievements of world technology." Speaking in terms that have become typical of many of the governments of the region, Dr. Amandurdyev said, "Thus, Turkmenistan has made the revival of the great Silk Way an integral part of the country's external economic strategy."

The new pipeline just inaugurated in Turkmenistan, is what should make this possible.

Production, instead of speculation

The reality of the global, systemic financial crash is beginning to dawn on some people.

Even in Germany, a longtime bastion of monetarism, a re-thinking of economic policies has begun. Those among the labor unions, protesting students, banking sector and administration, and even in the media who are engaged in this debate, are beginning to voice views which to date have been “exclusive” to the La-Rouche movement.

This comes as no surprise. Many have been familiar with these programmatic views—and most have rejected them. But now, there are many others who are questioning aspects of monetarism. Whatever the International Monetary Fund (IMF) and the World Bank have been doing during the crisis of the second half of 1997, has come under heavy criticism. Especially among the Asia correspondents of the German news dailies in Tokyo, Seoul, and Bangkok, there are some who say the times have changed, that the IMF cannot impose its conditionalities any longer.

There is quite a number of journalists and bankers who consider emergency aid packages such as that for South Korea, as mere lip-service to a system that no longer works. As one banker told this author just before Christmas, all these big “consolidation” programs will not work in Japan, simply because the former “group solidarity” among the biggest banks of what once was “Japan, Inc.,” no longer exists. Some banks would go along with the IMF, other banks would not. The government would like to save one bank or company from collapse, but other banks will sabotage the bailout. This, he said, is the secret behind the

collapse of Yamaichi Bank and the Toshoku wholesale chain. What can be observed in Japan, can also be observed in Europe or in the United States. But within this present system of monetary and financial policy, there is no other option than to continue to use the bailout as long it works, he said.

Faced with the prospect of a total, instantaneous collapse, monetarist elites in all parts of the world are casting their hopes on bailout operations, and a slow, controlled disintegration of the system. Two or three more years of turbulence such as we have seen in 1997, is certain, and the worst is yet to come, the banker said.

The remarks of Kenichi Ohmae, a former director of the McKinsey office in Tokyo, in an interview in the January 1998 issue of *Manager Magazine*, a business monthly, has been referenced a lot in the media. His remarks on the Japanese situation and its effects on the rest of the world economy have been characterized as a warning of the coming crashes in the new year. Ohmae said that “it is too late” for any countermeasures, to stop the ongoing crash. The entire Japanese banking system will collapse; it is already bankrupt, and there are financial restraints on the government’s bailout options. For the next five years, Japan will suffer, and other parts of the world will suffer, too, because their economies are closely connected with Japan, he said. A new start will only be possible if Japan returns to the classic principles of its economic strength, which are the skills and productivity of its workforce.

This may still be a minority view

in Japan, as it is in Germany, but there are people thinking in this direction. Compared to the billions of dollars involved in emergency bailouts, 120 deutschemarks is a ridiculously small sum. But, it is what the state of Hesse is investing per capita for the 600 engineering students in the machine-building department of the Frankfurt Special Studies University, to keep the institute functioning. This does not cover the costs of heating, however, and in the rough winter of 1996-97, the school did not have the money to turn its heating system on. It “was like wartime conditions,” Prof. Hans-Rainer Ludwig told this author. At the last minute, a special emergency fund was discovered, so that the heating system could be turned on. This happened in Germany, one of the leading industrial nations of the world.

Generally, the education of young people as engineers is badly neglected in Germany, Ludwig said. The politicians should encourage the young generation to study an engineering profession, because that is what will have a future. It is not the case that youth are hostile to technology, in the sense that the greenies are, but their interest in technology is not promoted by the school system, or by the politicians. German youth are being alienated from technology, and this explains why there is only one engineering student for seven more who are studying law, social sciences, and culture. This is an intolerable ratio for an industrial nation.

Ludwig said that engineers have a future, especially if they add the study of other cultures, languages, and nations to their technological studies, to prepare for engineering missions abroad, in industrial, power, or infrastructure development projects. Also, in Germany, a lot of infrastructure must be rebuilt early in the next century.

Business Briefs

Trade

Iran may ask to buy Boeing commercial jets

The Iranian national airline is considering asking the Boeing Corp. to sell it a new fleet of commercial jetliners, the *Wall Street Journal* reported on Dec. 24. This is the latest in a series of signals between Iran and the United States that there is interest in reestablishing normalized political and commercial ties after nearly 20 years. Boeing, meanwhile, said on Dec. 16 that it plans to lay off 12,000 workers.

Iran had tentatively worked out a purchase of European Airbus planes, to replace their aging fleet of Boeing aircraft, but the Iranians had always said that they would prefer to buy the American planes.

U.S. media, including *Forward*, report that President Clinton is close to reaching a decision to grant a waiver to a consortium of Malaysian, Russian, and French companies planning to build a pipeline through Iran. Such a waiver would constitute another important signal from the U.S. side, of a willingness to move forward with a political dialogue with the Khatami government in Iran.

Economic Policy

Tax speculation, economist urges

Yale economist James Tobin, warning that "the worst is yet to come" for Asians in the financial "meltdown," called again for imposition of an international tax on currency transactions, in an article entitled "Why We Need Sand in the Market's Gears," in the Dec. 22 *Washington Post*. He said that he first proposed the tax in 1971, although his proposal has been given publicity in recent years as an echo of Lyndon LaRouche's call for a tax to dry out derivatives instruments and other speculation and looting.

Tobin wrote that global free markets mean that countries lose their economic sovereignty. "If the dollar becomes the effective currency of South Korea, then the country's interest rates will essentially be set in New York. The drawbacks are that the Federal

Reserve and the U.S. Congress don't have to worry about workers and businesses in Seoul . . . and that America is resented for both its dominance and its indifference."

Tobin's proposed tax would put a brake on hot-money currency speculation and "protect innocent bystanders from sudden economic crashes that destroy jobs and income." But, Tobin said, the tax would have to be imposed internationally, and "might be administered by the IMF [International Monetary Fund]." Yet, Tobin wrote sardonically, the IMF's 1997 Annual Report praised "Korea's continued impressive macroeconomic performance" and "enviable fiscal record," and lauded "Thailand's remarkable economic performance . . . and consistent record of sound macroeconomic policies." These countries are now being murdered by the IMF as "correction" for their supposed economic follies. Events "like those in Southeast Asia call into question the claims that liberalization and globalization of financial markets are the path to prosperity and progress," Tobin said.

Mining

Australian firms hit by price collapse

A Coopers and Lybrand survey shows that the Australian mining industry wrote down more than \$1.1 billion in assets, following the collapse of the price of gold and other commodities, which has led to a 64% collapse in industry profits, Brisbane's *Courier Mail* reported on Dec. 12. Gold industry profits are down 38%, the price of steaming coal, one of Australia's biggest exports, has fallen 6% for the year, while the average copper price has fallen 21%, and nickel, 14%.

As *EIR* has reported, the British-led oligarchy has been driving down the price of gold, especially, buying cheap now, to make a killing later when prices zoom upward again.

The workforce has been drastically reduced, and research, development, and safety expenditures have been drastically cut, in line with the dramatic slide in the price of gold and other mineral resources. As a reflection of the cutbacks, the industry had 33

workforce fatalities in 1997, one of the worst records in 10 years, compared to 1994-95, when 11 mineworkers were killed.

The current state of the gold industry makes it easy pickings for takeover by British Commonwealth cartel companies, such as Anglo American Corp., which control Australia's two largest gold producers: Robert Champion de Crespigny's Normandy Mining, and "Diamond" Joe Gutnick's Great Central Mines.

China

Petrochemical center planned in Fujian

Plans to build a modern petrochemical center, the largest industrial project ever in Fujian province, were announced recently, Xinhua reported in December. The project, to cost an estimated 100 billion yuan (\$12 billion), will include a polyethylene plant, an oil refinery, and several other projects.

This Xiaocuo economic zone, on the western bank of the Taiwan Strait, will also include a modernized harbor. The zone sits midway between Shanghai and Guangdong, two of the largest industrial centers in the inland areas, and has shipping routes to all major harbors in China and around the world. Completion of three new berths for oil tankers will make Xiaocuo one of four international transit ports in China.

Finance

'Meltdown' demands New Bretton Woods

Economist Judy Shelton deprecated the ability of International Monetary Fund "bureaucrats" to stop the collapse of the world financial system, and called for President Bill Clinton to step into the "leadership vacuum" which has existed "ever since the United States walked away from the Bretton Woods international monetary agreement in August 1971," in a commentary in the Dec. 22 *Washington Post*. Shelton said that only the United

States has the clout to credibly issue the call for a conference to restore aspects of the Bretton Woods system.

In an open letter to President Clinton, Lyndon LaRouche has called for a New Bretton Woods Conference, as necessary to restart world trade and production. LaRouche personally will have to have a hands-on role in that process if it is to succeed.

"In times of crisis, immediate action is necessary. A financial crisis in particular requires government officials and institutional authorities to move quickly to assure investors that a potential runaway situation is under control and that adequate measures are being taken to contain its impact. That explains why representatives from the IMF are . . . [trying] to prevent a panic mentality from taking hold and sparking the mass hysteria that leads to devastating financial melt-down," Shelton wrote. But "even the most gifted bureaucrats at the IMF are incapable of preventing the current monetary crisis from escalating should its momentum begin to reach global proportions. As fear of the future starts to encroach on the human psyche, bold political leadership takes on far greater importance than technical expertise. . . ."

"The solution is to set up an orderly international monetary system that would permit all nations to compete in the global marketplace based on a common unit of account."

Corporate

Cargill is bottom feeding on Yamaichi

Cargill, the British-controlled food cartel firm, has announced it is buying up chunks of the bankrupt Yamaichi Securities, at salvage prices, the *Minneapolis Star Tribune* reported on Dec. 23. The announcement came as Cargill's long-term earnings outlook had just been downgraded to "negative" by Standard and Poor's, which said that Cargill, the largest privately owned company in the United States, has big losses pending in its consumer lending division, in addition to "cyclical lows" in its core agricultural operations. Cargill has been losing money from

consumers and farmers going bankrupt.

World reality is coming home to other cartel companies, too. Minneapolis-based Apogee Corp. reported big losses from its Malaysian operations, because of the fall in value of the Malaysian currency, the ringgit. Also, International Multifoods has reported big losses due to Venezuelan austerity measures which are reducing food consumption there.

NorWest BanCorp economist Sung Won Sohn expects the Asian "woes" to hit Brazil. He forecasts that, if Brazil's currency, which, he says, is "overvalued by 10-15%," collapses, massive capital flight from all of Ibero-America will ensue.

Ibero-America

British finance grab of Venezuela's steel firm

The British Commonwealth's grab of Ibero-America's resources and industrial capabilities advanced another big step on Dec. 18, with the sale of Venezuela's SIDOR, the last state-run steel company left in Ibero-America, said also to be the largest integrated steel complex in the world. The "Amazonia consortium" which bought 70% of SIDOR (all that was up for sale) includes Mexico's Tamsa, Hylsamex, and Hylsa Latina companies; Argentina's Siederar and Techint Engineering; Brazil's Usiminas; and Venezuela's Sivensa and Siderurgica Angostura.

The key, however, is that \$600 million of the \$1.029 billion which the consortium will pay for SIDOR, is to be provided by Spain's Banco Santander. As *EIR* exposed in "Britain's 'Invisible' Empire Unleashes the Dogs of War" (Aug. 22, 1997 issue), Banco Santander has been a front for the British Empire since at least 1988, when it forged an "intimate strategic alliance" with the Royal Bank of Scotland, one of the U.K.'s oldest banks and today headed by Count Airlie, adviser to the Queen.

The price is piracy: SIDOR represents a critical industrial capability for Ibero-America, and 70% of the firm totals an installed capacity of 4.8 million tons of steel a year.

MYANMAR began final talks in Bangkok on Dec. 19 to join the regional trade, investment, and development group of Bangladesh, India, Sri Lanka and Thailand—Economic Cooperation (BIST-EC) set up in June. Thai officials said that bringing in Myanmar provides "a missing link—and valuable land-bridge."

THAI steel producers expect a 50% collapse in domestic sales in 1998, due to the collapse of the Thai currency, the baht. Sahaviriya Steel Industries can produce 6 million tons of steel, in the form of hot-rolled coil, cold-rolled steel, and steel bars, but the firm anticipates that domestic demand will be "around" 3 million tons.

HAMBROS, one of the City of London's last remaining independent investment banks dating back to 1839, has been sold to the French bank Société Générale, for £300 million (\$499 million). Its real estate and insurance arms are also expected to be sold.

EASTMAN KODAK announced on Dec. 18 that it will cut a total of 19,900 jobs over the next two years, 9,900 more than it had announced in November, of which 8,700 will be in the United States. A major cause of the cut is the price war launched by Fuji of Japan last summer, which cut into Kodak's sales.

MALAYSIA and Thailand have agreed to a countertrade and bilateral payment arrangement in local currencies, *Business Day* reported on Dec. 22. "This is not an act of economic nationalism," but is needed because of the shortage of foreign exchange, Malaysian Prime Minister Mahathir bin Mohamed said.

CHINA is building its biggest steel mill in Pudong, in a joint venture signed in December between Germany's Krupp Steel and the Shanghai Metallurgical Corp. The venture requires investments of about \$1.6 billion; it is one of Krupp's bigger projects abroad, and the single-largest investment of China in its steel sector.

Truthful, or merely ‘factual’?

by Lyndon H. LaRouche, Jr.

Christmas Day, December 25, 1997

First, as in all important matters for decision, we must summarize the situation: these are no ordinary times.

We are told by relevant agencies from various parts of this planet, that, during the recent two months of crisis, the intellectual influence of the present writer is fairly estimated to have increased among leading circles around the world, not less than five-fold or ten-fold, over the state of affairs at the beginning of October. Why be surprised by such reports? The internal characteristics of these October-December crisis-events serve as not only crucial, but also unignorably shocking evidence of the relatively unique validity of the writer’s analysis and long-range forecasts, over those of all his sundry, earlier opponents and critics within the ranks of the world’s economists and leading governmental circles. However, with greater influence, come new problems, new responsibilities.

That presently outstanding position among the ranks of the world’s economists, is the result of nothing but a combination of the ever-legendary “hard, sustained work,” over decades, and of scientific superiority of the methods of work employed. The former element, work, incurs invidious resentment from among the charlatans and other lazy fellows of the profession; among honest, performance-oriented peers, the success of one of their own profession often brings a sigh of relief, especially in such troubled times as these. The second source of this success, scientific superiority in methods used, poses a different sort of practical problem. In science, the validation of a revolutionary discovery by one member of the profession, inspires all reasonable members of the profession with the confidence to become, quickly, educated in those relevant scientific principles which they had variously overlooked or underrated earlier. Given the present circumstances,

of systemic, global crisis, that education must succeed, rapidly.

The time has come, in which no citizen has the right to demand any specific choice of general economic policy from his, or her nation, until that citizen has attended to, and mastered certain considerations which he or she had been content to ignore earlier. This also means, that the systemic nature of the present world financial crisis shows, that there has been a fundamental, potentially fatal error, in the way in which nearly all public officials, and, in the case of democracies, in the way in which the great majority among all citizens, have thought about the subject of economics until now.

Competence will not be achieved through limiting discussion to some bits of “information,” topped by recipes festooned with “whereases.” Successful results will not be won so cheaply. Competence requires effective re-education. Effective education, especially in matters of principle, means much repetition, much restatement, much review, until the student has been engaged in that all-sided view of the matter upon which comprehension depends. Each new facet of the matter presented must be situated with a certain, unavoidable amount of restatement of ground previously covered. Each new classroom or analogous session, must take into account those difficulties with significant portions of what that student population had failed to master adequately in the preceding sessions. How could it be otherwise? That has always been the nature of both scientific method and quality education, for as far back in history as we are able to trace the internal features of such thinking.

There are three classes of readers to which this urgent educational effort must be addressed. First, the professional economist who senses the need to bring himself, or herself, up to speed on the issues underlying the present crisis. Second, the statesman, who must now stake his life’s reputation on his,

or her choice of economics counsel. Third, to that legendary, intellectual “top one-percent” of the citizenry, which is approximately the maximum size of the organic intellectual and moral leadership of the best republics until now.¹ On these accounts, the chosen audience for which *EIR*’s educational effort must be designed, is correspondingly broadly-based, and, yet, must be addressed without bowdlerizing any essential point of principle.

That said, we proceed, accordingly, continuing our earlier pieces on the subject of economic policy, to address here yet another crucial facet of this indispensable re-education of our republic’s currently small minority of leaders and thinking citizens. First, we situate the point to be made in this present lesson.

As stated above: Since late October, cascading explosions of a global systemic financial crisis continue to grip this planet. This relentless, downward plunge, has sent the world into the terminal phase of what events will soon force the most reluctant governments to recognize as the greatest crisis of this now-concluding century. It will be made clear, all too soon for most, that neither of two preceding World Wars, nor even the stunning, Autumn 1962 threat of global thermonuclear war, match, in ultimate perilousness, the unfolding of the present, terminal phase of global financial and monetary crisis.

1. The Classical Greeks had a word for the individual citizen who avoids serious politics: *idiot*. However, the fact that the majority of those in government, together with a majority of ordinary folk have preferred to live and act like “idiots” so defined, is no excuse for turning one’s back on society. It is the “Good Samaritans” who make history: a class of egregious, caring folk which has learned never to expect, and seldom to receive gratitude from those whom they rescue. If no more than a proverbial “one percent” of the citizenry is willing to engage in serious thinking, that humanity must, and will be rescued through the leadership of that precious “one percent.”

Already, it is now becoming terrifyingly clear to those who work behind the curtains of power, if not yet the general public, that, under such conditions of *systemic* crisis as these, the ordinary rules of behavior, of governments and other leading institutions, no longer succeed. A systemic crisis, such as this one, demonstrates that the cause of the breakdown is not

limited to some particular policy, or, a few policies, whose correction might be introduced as mere adjustments, which serve to patch up and continue the functioning of the existing system as a whole. The continued existence of a planetary civilization hangs on our success in overturning, and replacing, immediately, those entire systems of decision-making and popular opinion, the which have shaped the preceding thirty-odd years of both the world’s leading governments, and the leading monetary and financial institutions.

Thus, this entire civilization looks, once again, in the mirror of history, and, this time, is suddenly terrified to recognize the mocking face of a raving lunatic leering back at it. The mistake of the person

looking into that mirror, is not a mistake in his choice of a few policies; his, or her problem is, that, as long as he remains in his habituated mental condition of the past several decades, he is incapable of choosing a decision which would not have disastrous effects upon an already catastrophic situation. That is his recurring nightmare. Usually, only a great shock jolts the citizen out of his self-destructive, stubborn complacency toward his habituated follies of this sort.

In short, whoever says to you, “Give me the information, and your proposals, and I will make up my mind for myself,” is deceiving himself, or herself, as much as he is lying to you. What has ruined this global civilization, and the United States, was never a “lack of information.” What has ruined us, is the way in which leaders in government, and also the generality



Whether in astrophysics or in physical economy, the investigator who believes the myth of “linearity in the small” will prove incompetent, every time.

of ordinary citizens, have misinterpreted the readily available supply of so-called “information.” This was starkly evident in the process leading into the 1989-1991 collapse of the Soviet system, and has been the persisting cause of the decline and presently ongoing collapse of the once great modern European civilization, world-wide, this during a period of the recent thirty-odd years. The essential thing, on which civilization’s survival now depends, imminently and absolutely, is the willingness of some persons in power, and also many more modest folk, to change the way in which they themselves think. The need for such change is relatively the greatest among the overwhelming majority among those persons, in Europe, the Americas, and Japan, most notably, who were born, and miseducated, after the outbreak of the 1939-1945 world war, the members of that so-called “Baby Boomer” generation who have come recently to occupy leading policy-shaping positions in government, in educational institutions, in the professions, and in the private sector of national economy.²

In comparable past systemic crises, great empires have collapsed, like the Babylonian empire of the Biblical Belshazzar, more or less as suddenly as the world’s financial and monetary systems are collapsing now. In such times of crisis, the established, generally accepted, implicit axioms of behavior, inside or outside of governments, no longer work. The lesson of all known or inferable history, is, that in such times, the pathway to survival is found solely within new axioms of policy-shaping, new axioms producing policies of a kind which would have been considered “unthinkable” in the preceding period of time.³

These axioms are to be found within the domain which Gottfried Leibniz identified as “*Analysis Situs*.”⁴

In such times of crisis, previously reigning, axiomatic precepts of policy-shaping, have become a menace to the

continued existence of those nations which refuse to abandon them. The point may be therefore summed up: In such moments, living history demands fundamental changes in the axioms of analysis and of policy-shaping, changes which most governments, and populations tend to reject, reject stubbornly, that with the argument of Shakespeare’s self-doomed Hamlet:⁵ that, since these are ideas to which they are unaccustomed, they reject these ideas for reason of their strangeness, even though these ideas are indispensable for the survival of their nation. Only a series of great shocks, like those now descending upon every nation, could jolt leading circles and others into a long-overdue change in way of thinking.

The point just made is crucial; it must be understood. Let us reformulate our opening argument one more time, as follows:

In ordinary times, prior to the outbreak of the crucial phase of systemic crises, the general rule for changes in policy, is that one should respond to new challenges, with choices among those proposed theorems which are consistent with previously established sets of definitions, axioms, and postulates.⁶ At crucial breaking-points in history, such as this present one, the only pathway to survival, in even the short term, is seeking a valid choice of shockingly revolutionary changes in axioms. Thus, for such crucial occasions, survival demands a higher standard of truthfulness, usually a standard which only the most shocking crisis has induced a population and its government to allow to be imposed upon it. Thus, today, the very terms, “truth” and “falsehood,” acquire a deeper, more poignant, more efficient meaning, than had been acknowledged by almost anyone in the U.S.A., for example, either during the recent fifty years, or, more notably, during that recent descent, ever deeper, into the galloping intellectual and moral decadence, the which has dominated the recent thirty-odd years.

For the sake of sanity, in face of the awesome quality of decisions to be made under these conditions of crisis, we must

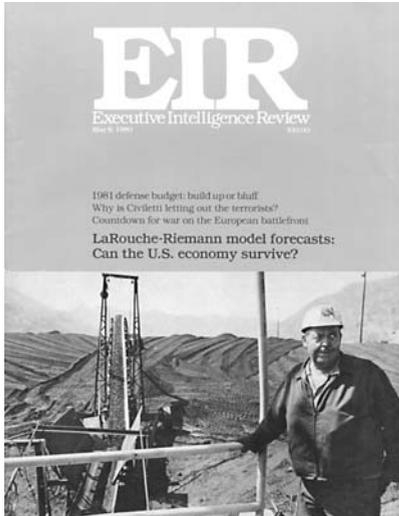
2. See the summary published accounts which this author has given of the principal, hegemonic shifts in generational cultural paradigms within world-wide European civilization since 1945. Most recent examples include the summary provided under the sub-heading of “Nuclei and geopolitics,” within his Dec. 10, 1997 “Wells of Doom,” *Executive Intelligence Review*, Dec. 19, 1997, and his Dec. 14, 1997 address to a Bad Schwalbach, Germany conference, “The Comet of Doom,” *Executive Intelligence Review*, Jan. 2, 1998.

3. As in the author’s other writings, the term “history” signifies the efficient history of ideas, in Plato’s sense of *ideas*: i.e., the discovery of a valid physical principle is exemplary of the distinction between *ideas* and impassioned mere sense-perceptions. Thus, we are required to include archeological evidence to the degree that that evidence, as physical artifacts, corresponds to the acquisition of a discovered principle of nature, or of cognitive behavior itself. Thus, for example, the physical evidence of the work of Classical sculptors Scopas and Praxiteles is crucial evidence of the superiority of Classical Greek culture over the cultures represented by the earlier Archaic sculpture of Egypt and Greece itself.

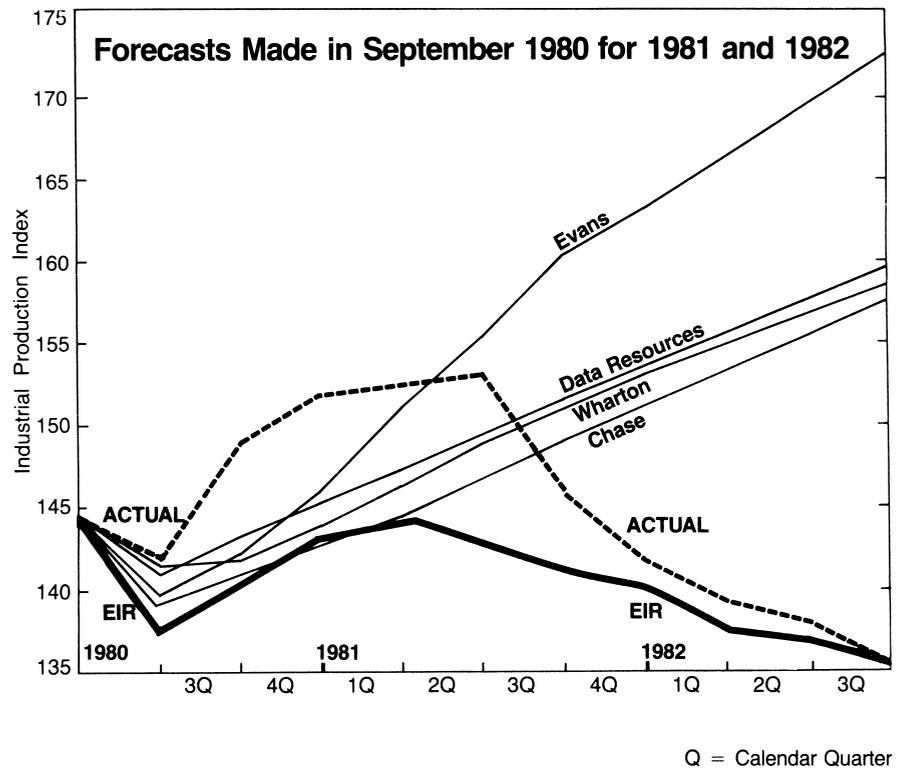
4. “Studies in a Geometry of Situation, With a Letter to Christian Huyghens (1679),” *Gottfried Wilhelm Leibniz: Philosophical Papers and Letters*, Leroy E. Loemker, ed. (Dodrecht/Boston/London: Kluwer Academic Publishers, 1989), pp. 248-258. On this significance of “*Analysis Situs*” for economic policy-making, see below.

5. Act III soliloquy: “To be, or not to be. . . .”

6. In the method of Plato, Leibniz, Riemann, and the present writer, a set of interacting definitions, axioms, and postulates, is identified as an *hypothesis*. E.g., Bernhard Riemann, *Über die Hypothesen, welche der Geometrie zu Grunde liegen*, *Bernhard Riemanns gesammelte mathematische Werke*, H. Weber, ed. (New York: Dover Publications reprint, 1953). Thus, *Euclid’s Elements*, taken in its entirety, is an hypothesis specific to the sub-type of hypotheses associated with deductive method. There are also non-deductive types of hypothesis, which lie within the mathematical domain of what are called, interchangeably, “non-linear,” “modular,” or “hypergeometric” functions. Although the usage of “modular” and “hypergeometry” is specific to the pioneering work of Carl F. Gauss and Bernhard Riemann, the method employed by Gauss is derived from the astrophysics of Johannes Kepler. Leibniz’s use of the term “*Analysis Situs*” references Kepler’s method, and anticipates the relevant discoveries of Gauss and Riemann. The present writer has adopted this latter notion of modular mathematics from Kepler, Leibniz, Gauss, and Riemann, but has extended its usage into defining the underlying formalities of such ostensibly non-mathematical topics as Classical art-forms, economics, and statecraft generally. For more on this latter subject, see below.



During its nearly twenty-four years of existence, EIR has had an unmatched record in economic forecasting, while “the competition” has missed the boat.



supply the decision-shapers, and the thinking strata of the general population, a fixed point of reference: an historic bench-mark. It is the same in all competent educational practice. That needed bench-mark is supplied by the record accumulated by this international, English-language intelligence weekly. This is the relevant, internationally visible publication, the which, over nearly a quarter-century to date, has not only foreseen and portrayed the present issues of crisis as a certainty, but which has supplied the elaborated conceptual framework on which such forecasts depend.

When the historic quality of relevance of that foresight is recognized, this periodical has accumulated unique authorities, and coordinate responsibilities, for guiding its readers into the relevant, deeper meaning of that truth which the surging crisis now demands of us all: with the disintegration of this planetary civilization, the penalty for refusing to make those changes in axioms, is imminent collapse of an entire civilization, should authorities fail to accept, and act upon that truth. This provides the needed bench-mark. This publication has the responsibility, to continue and to improve upon its established record of relative excellence, especially for the immediate benefit of those readers who are influential in governments or other important institutions of policy-shaping around today’s world, but also, urgently, for that minority of our citizenry generally which is, currently, disposed to do some serious, trenchant rethinking of their heretofore accustomed beliefs.

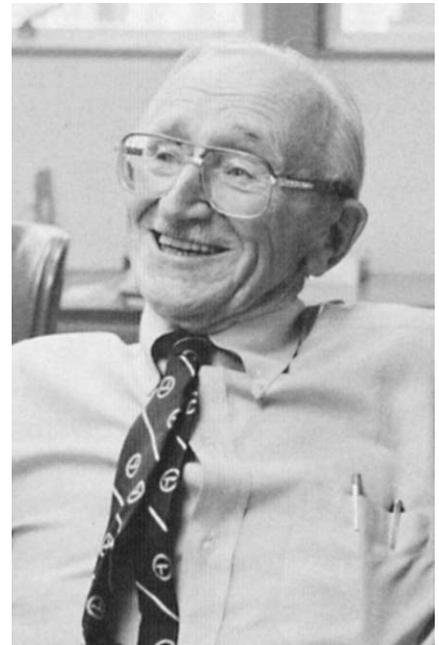
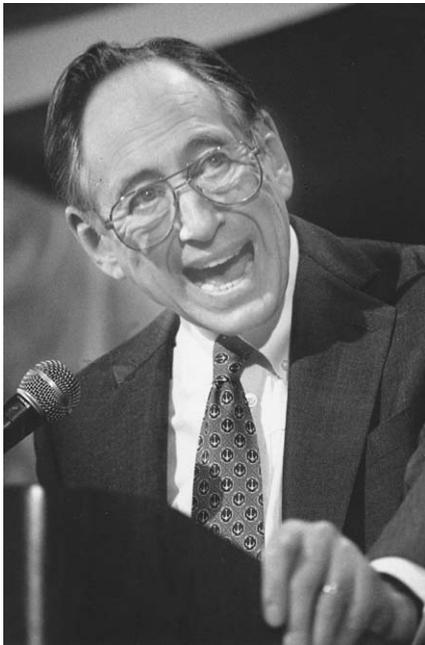
With that urgently practical point in view, summarize the economic and related forecasts conveyed by the pages of *EIR*,

during its nearly twenty-four years of existence, to date.⁷ Study the lessons to be learned from that publishing record. Add those still earlier, long-range forecasts, since 1959-1960, by the weekly’s founder, the present writer.⁸ Bring into focus, the several crucially relevant lessons of principle to be cognized from the distinctively consistent accuracy among these combined forecasts.

The first thing to be recognized, is the axiomatic difference in subject-matter between those long-range forecasts, and what passes for a “prediction” from those other quarters

7. The *Executive Intelligence Review* was founded, in fact, in March 1974, and established in weekly magazine-format that same year.

8. In his first long-range forecast, the writer formulated the following theses beginning 1959. That, on the assumption that the axiomatic assumptions of economic policy of practice underlying the Eisenhower administration were to persist, the U.S. economy would enter a period of successive international financial crises during the second half of the 1960s, leading into a breakdown of the Bretton Woods monetary system in its present form. He added, that if the response to the breakdown of the existing form of the Bretton Woods system were dictated by the same axiomatic assumptions, the result would be a downward-spiralling erosion of physical economy under the impact of tightening measures of austerity against wages-incomes, and so on. From 1959-1960 on, the present writer compared the austerity programs likely for a post-Bretton Woods System-breakdown to the philosophy of practice of such Weimar Germany figures as Hjalmar Schacht and Chancellor Brüning. The 1967 sterling crisis, the U.S. monetary crises of early 1968, the 1970 crisis of the dollar are representative of the state of affairs during “the second half of the 1960s;” the August 1971 wrong choice by the Nixon administration, and the accompanying introduction of increasingly radical austerity and monetarist measures, fully confirmed the 1959-1960 forecast as first given, and continued throughout the 1961-1971 interval.



The central problem facing the reader, is to escape from blind faith in the popular, ranting ideologies of such “economists” as (left to right) Alvin Toffler, Milton Friedman, and Friedrich von Hayek.

which have been widely, mistakenly regarded, until now, as leading authorities.

One should not misinterpret the fact, that this writer forecast, beginning April 1987, a probable mid-October 1987 stock-market “crash,” and, also, beginning February of this past year, forecast a series of August-October 1997 developments leading into the outbreak of a global systemic financial crisis. Putting those two forecasts against the background of the long-range forecasts more typical of his and *EIR*’s forecasts generally, all but a very few of the forecasts reported in that publication are of a different species than what had been the alternative, statistical “stock-market predictions” offered in other press, or public utterances of governments.⁹ Behind

9. For the sake of precision, consider the single apparent exception to *EIR*’s distinction between forecasting and “predicting.” As a by-product of a friendly difference with Lawrence Livermore Laboratories at that time, the magazine, beginning December 1978, co-sponsored a forecasting project published under the rubric of “LaRouche-Riemann Quarterly Forecasts.” Using a set of inequalities supplied by the present author, the magazine employed a combination of official U.S. government and Federal Reserve System statistics (chiefly), to supply a “value-added” quarterly projection for the U.S. economy. While it lasted, from the publication of the first such report, of December 1979, showing why newly-appointed Federal Reserve Chairman Paul Volcker’s “controlled disintegration of the economy” must lead to an immediate, rather deep recession, until the close of 1983, these quarterly forecasts were the best available in the public domain. What these reports did, as the present writer designed them to do, was to extrapolate the estimated “curvature” to date into subsequent quarters. As the present writer explained in a half-hour nationwide TV report of his 1984 campaign for the Democratic Party’s Presidential nomination, these reports were discontinued because of the wildly fraudulent fabrication of false base data by the relevant U.S. government and Federal Reserve agencies.

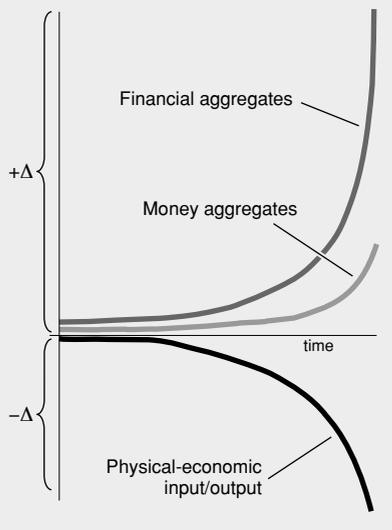
our qualitative advantage over this publication’s putative rivals, there was no “crystal ball,” no statistical pseudo-science, but only superior science: that of Johannes Kepler, Gottfried Leibniz, Carl Gauss, and Bernhard Riemann, most notably.

Unlike the usual statistical projections of future events found elsewhere, each of this publication’s long-range forecasts has identified the characteristic “curvature” of the presently ongoing economic process, that in the sense of “curvature” associated with the work of Carl Gauss and Bernhard Riemann: in the sense of Leibniz’s use of his term, “*Analysis Situs*,” a “non-constant curvature.”¹⁰ This curvature shows us, that allowing the continuation of currently prevailing policies of practice by governments, and others among the more influential institutions, must lead toward certain economic and social results; it leads toward suffering, even historic catastrophes, *unless a specified choice of change in axiomatic assumptions of policy-making were introduced during a certain estimable range of time available*.¹¹

10. Lyndon H. LaRouche, Jr., “What Economics Must Measure,” *Executive Intelligence Review*, Nov. 28, 1997. See also, the writer’s presentation to an international symposium in Bonn (Bad Godesberg), Germany on Nov. 5, 1997: “World Financial Crisis: Through the Eyes of Kepler and Gauss,” published in *EIR*, Nov. 21, 1997.

11. To quiet the protests this view of a principle of curvature prompts from among fastidious empiricists, we acknowledge that this principle is consistent with the scientific method of the putative founder of modern experimental physical science, Cardinal Nicolaus of Cusa [e.g., *De docta ignorantia* (A.D. 1441)], and such immediate followers of Cusa as Luca Pacioli and Leonardo da Vinci, and such among their immediate followers as William Gilbert, Johannes Kepler, and Gottfried Leibniz. Empiricism, derived from the medieval obscurantism of William of Ockham, was introduced as an anti-Kepler dogma, by Paolo Sarpi, using agents such as his personal lackey, Galileo

FIGURE 1
A typical collapse function



LaRouche's "triple curve" schematic shows the devolution of the U.S. economy since 1966.

The reader should not be put off by the professional's terminology we are obliged to introduce now, from this point, onward. Although the central conceptions involved are profound, they are elementary, rather than complicated in nature; they can be assimilated by any literate reader, on the condition that that reader is willing to work through these conceptions, step by step. The problem we have to overcome in this case, does not require us to venture into some terribly exotic, highly reticulated tangle of algebraic deductions; the problem is escaping from the grip of what is readily proven to be blind faith in that outright stupidity otherwise recognized as popular, ranting ideologies, such as the voodoo babbling of Alvin Toffler's "Third Wave," or, the poisoned pabulum of Milton Friedman's and the late Friedrich von Hayek's Mont Pelerin Society, or of Ayn Rand and her devotees, or of the usual run of populist ideologues' direct-mail rant on the subjects of money and economy generally.

The relevant notion of a non-constant, modularly defined, higher curvature, is illustrated, for economics, by the now-familiar pedagogical figure which this writer first presented at the close of 1995, the so-called "Triple Curve." [Figure 1].

Galilei, Rosicrucian Robert Fludd, Francis Bacon, Thomas Hobbes, and France's René Descartes. If empiricists had been honest people, they would have folded their tents, and turned to honest labor, after Carl Gauss's stunning vindication of Kepler: his use of the principle of curvature to define the correct orbit for the asteroid Ceres. Alas, neither honesty nor anything as republican as honest labor, are inclinations of the feudal classes represented by the English oligarchy and its lackeys. The point is, as the present writer campaigned for this view a decade and a half ago, the well-defined solar orbits existed prior to the existence of any among the planets: Kepler's argument for the existence of a former, disintegrated planet in the dissonant, but required planetary orbit between Mars and Jupiter. We argued, a decade and a half ago, that we must consider the investigative hypothesis, that the production of the solar system's chemistry required a kind of polarized thermonuclear

This portrayal of the functional characteristics of the post-1966 U.S. economy's devolution, borrows the notion of measurability of physical-economic processes from the higher geometries introduced, successively, by Kepler, Leibniz, Gauss, and Riemann.¹² This form of a "Triple Curve" is specific to the 1966-1997 case, of the kind of vicious economic devolution of a decaying society, in which nominal profit is being extracted, entropically, by commitment to a neo-Malthusian model of "post-industrial" utopia. This triple curve typifies the only available, rational representation of the current U.S. and world economies; any different approach is a muddle which leads into useless obscurantism, great human suffering, and, within the immediate future, into historic global catastrophe.¹³

Thus, once again: *EIR* has provided, for each forward period considered, in each year's editions, not "stock-market predictions," but, rather, an estimated general order of magnitude of the likely time available for avoiding the crisis, an escape by means of an indicated change in axioms of policy-shaping.¹⁴ There is no "prediction" of miraculously beneficial

fusion among the matter shed by a faster-rotating Sun, producing the elements distributed, as if by "fractional distillation," into preestablished orbits. For other considerations bearing upon the Kepler-Gauss-Riemann principle of curvature, see the present writer's "The Essential Role of 'Time-Reversal' in Mathematical Economics," *Executive Intelligence Review*, Oct. 11, 1996.

12. Leibniz's 1714 "Monadology." [See Loemker, op. cit., pp. 643-660, 666-674, for the series of Leibniz's writings bearing on this aspect of the matter.] Note, that, in an economy in this functional state, the upward curvature of the middle, monetary-expansion curve, depends upon the downward curvature of the lower, per-capita physical-economy curve, and that the top-most curve, the growth of financial aggregates, depends upon (is "leveraged" upon) the rate of increase of monetary aggregate. Compare this with the Gaussian model for non-linearity in the infinitesimally small supplied by Jonathan Tennenbaum's lectures on the pedagogical principle. Plot the relative apparent movement of the Sun, as observed from a fixed place on the Earth, taking into account the fact, that the apparently circular rotation of the Earth occurs within numerous larger cycles; take into account two of these many larger astrophysical cycles: the Earth's elliptical orbiting of the Sun, and the continuing shift of the Earth according to its equinoctial cycle. Plot the curve of relative motion in the very small (e.g., by superimposing the epicycloidal cycle of the Sun's apparent orbit about the Earth, and the Earth's elliptic solar cycle upon the equinoctial), resulting from the interaction of these three curvatures. In other words, the "linearity in the small" of Augustin Cauchy's "limit theorem" exists nowhere, in any process, which exists within the real universe. Linearity in the small, exists only as a useful approximation for those engineering applications in which no issue of physical principle is offended by the application into which such pragmatically convenient crudities of calculation have been introduced. Look at the successive development of modular functions by Gauss and Riemann from this vantage-point in astrophysics and physical economy.

13. In this case, the actual "free energy" of the system is negative. Thus, the thrust of an economy dominated by the influence of neo-Malthusianism, is to extract financial profit, as "leveraged" financial capital-gains from the use of austerity against the real economy, as a basis for increasing the supply of monetary aggregate.

14. Two examples of this from 1982-1983, are the present writer's provision of measures for responding effectively to the anticipated August 1982 Mexico debt crisis (*Operation Juárez*), and the global economic impact of the proposal behind President Ronald Reagan's March 23, 1983 announcement of a "Strategic Defense Initiative (SDI)," which he proposed as a joint effort

intervention by “flying saucers,” by Professor Milton Friedman, or by other, strange, exogenous creatures or events. Nothing was forecast, other than the necessary, lawful unfolding of developments within the economy: outcomes which were virtually inevitable, *unless specified kinds of necessary, timely, axiomatic changes in underlying policy-shaping, were introduced to prevent such outcomes*. That “unless” is the difference between a scientific forecast and the practice of stock-market and race-track touts.

Taking into account the fresh developments of the recent three months, those forecasts, so specified, and so to be read, have represented more than forty-five years of the most consistently effective, public economic forecasting in modern history.¹⁵ Certain conclusions must be drawn respecting the claims of those economists, of all known, self-confessed, “left to right” shadings, who have rejected, or willfully evaded, these forecasts and analyses. The consequent, urgent, practical issue now, is the fact that those economists who have either simply willfully ignored, or opposed *EIR*’s forecasting function, and, worse, influential policy-shapers who continue to react similarly today, have thus demonstrated their incompetence to judge the *functional* nature of, and appropriate responses to the presently unfolding, global, terminal, systemic financial and monetary crisis. In other words, they are not qualified to judge what the consequences might be of either their own recommendations, or those of others.

This is not a matter of our legitimate, and functionally useful pride in *EIR*’s outstanding accomplishment; this is the crucial issue upon which the survival of the U.S.A., and of

of the U.S., its allies, and the Soviet Union. During the Spring of 1982, the present writer had met with Mexico’s President López Portillo, and other relevant persons, warning of a Mexico debt-crisis (the Ibero-American “Debt Bomb”) to be expected by September 1982. He was asked to put his proposals for remedial action into a composite reference-text; that text was delivered to the governments of Mexico and the U.S.A. days prior to the August outbreak of the crisis. Had the U.S. acted in support of that proposal, then, the presently exploding, global systemic financial and monetary crisis would not have occurred. Although what became known as the March 23, 1983 “SDI” proposal, had been an August 1979 plank of this writer’s 1980 campaign for the Democratic U.S. Presidential nomination, it was introduced to the Reagan administration, both through a widely attended, two-day Washington, D.C. event, during mid-February 1982, by a published report issued during March 1982, and by way of a back-channel exploratory discussion with the Soviet government which this writer conducted on behalf of the U.S., during the interval February 1982-February 1983. During those discussions, the writer used his own design for adversarial cooperation in strategic ballistic-missile defense based upon “new physical principles,” as addressing the nuclear dangers inherent in the Wells-Russell-Szilard “détente” agreements then in force. As this writer warned, during February 1983, if the President of the U.S. offered such adversarial cooperation, and if Soviet General Secretary Yuri Andropov clung to his present opposition to such an offer, the Soviet economy must be expected to collapse within about five years (e.g., 1988). In both cases, *Operation Juárez* and the initial proposal of what became “SDI,” the economic principle was the same.

15. We can offer no claim to know what was not published, especially from certain powerful circles which had strong motives not to share their intentions with the public. We must never underestimate our powerful enemies.

this global civilization now depend. If governments and other relevant institutions continue to act on behalf of those same mind-sets which have characterized our publication’s deprecators and opponents during recent decades, those governments, those nations, this global civilization, were doomed to plunge, very soon, into a planet-wide “new dark age,” a dismal period of future history as prefigured by the famous “New Dark Age” coinciding with the general financial and monetary collapse of Europe’s mid-Fourteenth Century. Such a “new dark age” would drop world population levels, to not more than several hundred millions miserably living persons, of short life-expectancies and fantastic infant-mortality rates, during approximately the time of the first two generations of the next century.

Here, attention is focussed upon a crucial feature of the related special challenge of “truthfulness in policy-shaping” under conditions of systemic crisis. Here, we examine a crucial issue of today’s policy-shaping, a specific relationship between the principles of physical science and political economy, as these principles bear on the existential challenge just described.

Return to telling the truth, instead

The time has come to bring to an end the influence of Orwellian “political correctness” over politics; it is time to abandon the post-modernist obsession with the London Tavistock Clinic’s widespread practice of “encounter-group/support-group” voodoo, to return to reality. It is time to cease measuring performance by its imputed psychological impact upon the cultural relativist’s notion of “sensitivities,” and to judge the sanity, or madness, of perceived sensitivities themselves, by the changes in physical performance toward which they tend to lead. We have, under today’s conditions of systemic crisis, no remaining, safe margin of error, which allows us to be ruled by a perception of how some “people will feel” about a policy; we must, instead, judge “feelings” by their tendency to foster or lessen the likelihood of survival of the entirety of our population and its posterity.

In this circumstance, the leading question must be, “Which proposed policies truthfully anticipate the effects of their adoption, and which do not?” Whence do we obtain the special quality of truthfulness demanded by the present circumstances of crisis? How might we judge those types of untruthfulness, such as current policies of the International Monetary Fund (IMF), or the Heritage Foundation’s and former Prime Minister Margaret Thatcher’s Mont Pelerin Society, which were poisons still being prescribed, even during the most recent weeks, as remedies for the world economy’s present afflictions?

Put to one side the cases of that outright liar, who premises his falsehood simply upon assertions which he, or she, either believes privately to be contrary to fact, or which are spoken without his caring whether contrary facts actually exist or not. Consider, instead, a second, commonplace, type of falsehood.

Some of the most dangerous lies are premised on what are apparently nothing but actual facts. To wit: *conclusions deduced from eyewitness and kindred kinds of individually truthful statements of fact, are seldom truthful inferences, and often even outright lies.* The facts might be truthful, or not, but the inference implied by that *selection* of facts is fraudulent.

In economics, the preferable name for this latter class of lies, and apparent paradoxes, is “fallacy of composition.” Virtually all recent governmental and other popularly referenced statistical and kindred “factual” analysis of economic and related processes, base their intrinsic incompetence on the magician’s trick, of lying by “fallacy of composition.” For example: Whereas, in fact, the physical performance of the U.S. economy per capita has been declining for more than a quarter-century,¹⁶ fraudulent selections of true facts (in addition to the usual kind of statistical lying otherwise relied upon by the so-called “ecologists”) have been used to portray the U.S. economy falsely, as in a long-term growth, or experiencing other kinds of actually non-existent “improvements,” over this same period.

Contrast these two, distinct, commonplace types¹⁷ of lying, and then let us focus our attention entirely on the crucial problem for scientific method generally, and for policy-shaping under present conditions of crisis, which is posed by a certain sub-type of false statements classed under the second type.

The first, relatively more superficial type of lies, is divided among the sub-types fairly identified, respectively, as “individual” and “popular” types of simply lying. In the first such

16. E.g., two or three incomes are required to accomplish the effect of a comparable single income a quarter-century ago.

17. From this point on, our usage of the word “type” conforms to the general notion of a theory of types introduced by mathematician Georg Cantor. Cantor, whose mid-1880s work traces his principal contributions to mathematics from Plato as the original source, introduced the notion of functional types by reference to classes of number-types: counting, rational, irrational, transcendental, transfinite, a notion of functional distinctions which he introduced by use of the reworking the notion of the number-sieve from the work of the leading, Third Century B.C. representative of Plato’s Academy of Athens, Eratosthenes. During early 1952, Cantor’s work contributed the beginnings of breakthrough in the present writer’s effort to define the appropriate standard of measurement for applying his own discoveries of the immediately preceding years. However, certain problematical features of Cantor’s last major work, his *Beiträge zur Begründung der transfiniten Mengenlehre* [in Ernst Zermelo, ed., *Georg Cantors gesammelte Abhandlungen* (Hildesheim: Georg Olms Verlag, 1962)], prompted this writer to reread Riemann’s habilitation dissertation, to provide a sounder epistemological, physical basis for a general notion of a “theory of types.” In the present writer’s usage, “type” signifies a distinguishing, functional characteristic of action specific to one modular geometry among an array of Riemannian manifolds. It has the connotation of a type of “curvature,” as Riemann specifies notions of this Leibnizian type within his habilitation dissertation. As a matter of approximations, it is permissible to equate our use of “type” here, to designate functional distinctions among the *genera* of a class/order, and “sub-types” as species within such *genera*. For example, simple lies might be compared with the class of reptiles, and the editors and journalists of the popular mass-media as usually belonging to the category of poisonous snakes.

sub-type of case, the individual, or popular news medium, such as *The Washington Post*, NBC-TV News, or *The New York Times*, fabricates the falsehood, either by intent to mislead, or as the effect of evasion of reasonable standards for truthfulness.¹⁸ In the second sub-type, the prevaricator, rather than making up his lie from scratch, hides behind the putative authority of a preestablished popular lie, such as a report circulated by the leading mass news media (such as the British-controlled *New York Post*’s insistence that Princess Diana died simply as an “open and shut” case of “drunken driving”),¹⁹ or kindred other sources of such commonplace, lying gossip. For an example of the second sub-type of “popular lying,” consider the not-uncommon paralogsms: “You will discover, that all my friends will agree with me, not with you,” or, “I was always taught that . . .,” “I talked with my stock-broker yesterday, and he told me . . .,” or, the somewhat archaic sophistry, still representative of the sub-type, “Until her dying day, my sainted mother always taught me, that. . .” Belonging to the second sub-type, is the pathetic case of the populist, who speaks words to the effect: “You can’t fool me; I know what is going on. I have read a lot, and I follow the news media and TV.”

In the second type of cases, “fallacy of composition,” considered here, the type of prevaricator being considered here, appears, at least, to claim no fact which is not, by itself, a truthful fact; however, what he, or she, says by use of his selection of facts, is a falsehood; whatever the utterer’s intention, it is, in effect, as much a lie, in fact, as the falsehoods spoken by the kind of liar who is more simply and directly shown and understood to be such. The simplest example of cases of this more challenging, second type, is: *conclusions drawn, or implied by statements which place represented facts “out of context.”*²⁰ Here, our attention is focussed upon

18. For the sake of the reader not familiar with the relevant evidence, *EIR* possesses evidence of the actual malicious intent to lie about Lyndon H. LaRouche, Jr. stated and practiced by the *Washington Post*, NBC-TV News, and *The New York Times*. In that connection, the lying is almost without exception, invariably violence-prone, and extensive. By aid of degeneration of libel law in the U.S.A., especially since relevant 1984 and subsequent Federal Court decisions, there can be no presumption of truthfulness in any utterance, on any subject, by Associated Press, nor daily print, TV, and radio news and entertainment media generally. Any scholar of Classical Greek would be compelled to accept the appellation, *idiot*, for any citizen who argues, “I know it must be true, because I read it in the newspapers and heard it on TV.”

19. Jeffrey Steinberg, Scott Thompson, et al., “Princess Diana: The Cover-Up of Her Murder Crumbles,” *Executive Intelligence Review*, Sept. 26, 1997.

20. This is illustrated by the malicious legal litigator or immoral judge, who perpetrates a fraud upon the record, jury, general public, et al., by delimiting the scope of the factual evidence to the purpose of creating an impression directly contrary to reality, by means of an artifice fallacy of composition of the evidence allowed to be submitted. Conclusive proof of such fraudulent behavior is known from two cases from the record of the Fourth Federal Circuit’s Alexandria division: First, the 1984 civil case of *LaRouche v. NBC-TV et al.*, where Judge James Cacheris fixed the trial by denying the plaintiff any possible *voir dire* of the crucial evidence in the case. In the second

a narrower, and higher definition of “context,” the notion of context associated with Gottfried Leibniz’s use of the term “*Analysis Situs*,” as this has come to be employed in strict scientific method.

We intervene, to remind the reader, that the kind of mathematical difficulties he, or she may anticipate at the mention of the word “science,” are not to be feared here. It is not necessary to plunge into the swamp-muck of those formal-

This Gauss-Riemann, modular approach to Analysis Situs is not only indispensable for locating the source of profit. There could be no competence in economic policy-shaping under today’s conditions of global crisis, unless the same approach is employed for analysis of the continuing causes of, and remedies for the present crisis.

algebraic complexities which most readers will associate with today’s university-classroom instruction. Indeed, as an adolescent’s capability for mastering of Carl Gauss’s *Disquisitiones Arithmeticae* illustrates the point, much of the complexity of taught mathematics is more the product of malicious traditions in design of textbooks, and the efforts of an instructor to appear plausible while uttering a doctrine he himself does not fully comprehend, than mathematics itself.²¹ The

case in the same Circuit, a criminal trial, *U.S. v. LaRouche et al.* (1988), a prominent Federal judge, Albert V. Bryan, Jr., rigged a trial to hide from the jury the fact, that it was he, and the intentionally fraudulent actions of the prosecution, rather than intent or negligence by the accused, whose actions led to the injury at issue in the case before him. The fraud so crafted by that judge, was a ruling *in limine* which banned from the jury those relevant matters in which the prosecution had crafted the relevant fraudulent action, and in which the judge had allowed the continuation of the prosecution’s crafted fraud. On a number of post-trial occasions, that same judge engaged in repeated acts of “red-handed” simple lying, on the record, in efforts to cover over his wrong-doing in that case. Apart from the substantial amount of perjury variously suborned or otherwise relied upon by the prosecution and also some jurors in the case, these *in limine* motions sought by the prosecution and granted by Judge Bryan, defined the essentially fraudulent character of the indictment, prosecution, and trial as a whole.

21. The principal such source of difficulty, is the effort to build up a mathematics from the standpoint of René Descartes’ and the English empiricists’ reliance on Paolo Sarpi’s revival of the medieval obscurantism (i.e., “gnosticism”) of William of Ockham. These empiricists (also known as “positivists”) have made a frenzy of insisting upon algebraic methods consistent with the axiomatic presumption of the infinite divisibility of straight lines, a commonplace fanaticism otherwise known as the dogma of “linearity

difficulties the reader encounters within this present report are essentially conceptual, rather than algebraic in nature; the conceptual approach, as employed by such as Kepler, Leibniz, Gauss, and Riemann, eliminates most of those purely formal, and, in fact, gratuitous difficulties, which have been inserted into mathematics instruction by defective — Aristotelean, empiricist, Cartesian, positivist—pedagogy, and by worse theory.

The branch of scientific method which must be borrowed for serious work in the field of intelligence and related editorial work, is, as we have noted, what Gottfried Leibniz named “*Analysis Situs*.” In its more frequent usage, *Analysis Situs* signifies *the physical geometry of situation, as opposed to, and outside the realm of mere deductive method*. No competent discussion of the origins of sustainable profit in a national economy can occur without previously situating the discussion within this domain of *Analysis Situs*. As we shall show, in the following pages: If the reader fails to discover reference to notions of the type associated with Leibniz’s use of *Analysis Situs*, within any publication which pretends to define the generation of economic profit, the proof of that offending publication’s incompetence is sufficiently demonstrated by that omission itself.

Leibniz’s notion of *Analysis Situs* was prompted by the methods successfully employed by Kepler for astrophysics; after Leibniz, this Kepler-Leibniz concept is also expressed in mathematics, and mathematical physics, by what are named, interchangeably, either “modular” or “hypergeometric” functions. Do not be affrighted by the technical terminology; the easy-to-read, relevant definitions of such functions are illustrated below. Here, unless another reference is explicitly identified, we refer to the successive definitions of such modular functions supplied, either, first, by Carl Friedrich Gauss, or, as modified by his protégé, and successor Bernhard Riemann.²²

This Gauss-Riemann, modular approach to *Analysis Situs* is not only indispensable for locating the source of profit. There could be no competence in economic policy-shaping under today’s conditions of global crisis, unless the same approach is employed for analysis of the continuing causes of, and remedies for the present crisis. This needed, improved approach to economics, was initially developed entirely by the present writer, and has supplied the basis in method for each and all of his long-range forecasts presented during the recent forty-odd years. Although these original, 1948-1951

in the infinitesimally small,” as encountered in the *petitio principii* fallacy of Augustin Cauchy’s “limit theorem.”

22. Riemann was a protégé of both Gauss and of Alexander von Humboldt’s famous protégé Lejeune Dirichlet. After Gauss’s death, it was Dirichlet who filled Gauss’s position at Göttingen University, and Riemann who succeeded Dirichlet. It was under Gauss’s sponsorship that Riemann was habilitated at Göttingen, and it was Gauss’s work on biquadratic residues, general theory of curved surfaces, and hypergeometry, which defined the starting-point of Riemann’s 1854 habilitation dissertation and work on *Analysis Situs*-hypergeometry.

discoveries within the domain of Leibniz's science of physical economy, stemmed almost entirely from inspiration provided by Leibniz himself, it was subsequent, 1952 attention to Riemann's work, especially the axiomatic issues featured in his 1854 habilitation dissertation, which provided the key to expressing those discovered principles of the 1948-1951 interval in terms of a notion of measurement²³ which was not merely an arbitrary one.²⁴

23. Hence, "LaRouche-Riemann Method," as supplied in qualifying *EIR*'s 1979-1983 Quarterly Economic Forecasts. Contrary to certain thoughtless grammarians, who insisted that the term should have been "Riemann-LaRouche Method," the application of Riemann's work occurred after the preceding discoveries of the principles which required a functional standard for measurement of their application. In other words, in terms of the four-step elaboration of the principle of cognition, as this is viewed from the practical vantage-point of the principle of machine-tool design, the present writer's 1948-1951 discoveries represent steps one through three; the modification of the results of these first three steps by introduction of Riemann's work, occurred within the precincts of step four. In scientific discovery generally, the hyphenation should inform the reader of the place of the respective contributions within the ordering of the cognitive process. Most frequently, of course, a new discovery is prompted by recognition of the need to resolve an ontological paradox posed by application of some preceding discovery. The new discovery so prompted, leads to measurement corroborating the additional principle. From this vantage-point, for example, the common pedantic usage of "Cauchy-Riemann" principle is an absurdity. Riemann, an exemplary spokesman of the Leibniz-Carnot-Monge tradition of Alexander von Humboldt's Lejeune Dirichlet, as of Gauss, was, from the outset of his work, determined not to improve upon plagiarist Cauchy's conception of mathematics, but to destroy it. Anyone who can find agreement between the mentality of Cauchy's "limit theorem" and the Leibniz-Gauss-Riemann rejection of "linearization in the small," must be either a hopeless neurotic, or otherwise mentally undeveloped or impaired respecting such subject-matters.

24. E.g., it ought to be immediately obvious to any well-balanced mind, that it is absurd to presume the notion that the phenomenon of "market price" is in correspondence to economic "value." To summarize what many *EIR* readers will recognize as the often-reported account of this matter: The present writer's original scientific discoveries were prompted, initially, by the obviously fraudulent assumption underlying Norbert Wiener's "information theory" hoax, and, also, by the related "systems analysis" hoax of John von Neumann. The writer recognized the hoaxes of Wiener and von Neumann as expressing the same, anti-Leibniz, absurdity, of linearity in the very small, which is central to the three celebrated *Critiques* of Immanuel Kant, as to the hoaxes permeating the most influential work of both Laplace and the celebrated plagiarist Augustin Cauchy. Such hoaxes are to be recognized as typical of the axiomatic fallacies central to the work of Aristotle, and, more emphatically, such modern neo-Aristoteleans as the empiricists, Cartesians, and positivists. Both Wiener and von Neumann were life-long devotees of the notorious Bertrand Russell. Russell's work, including his part in authorship of the *Principia Mathematica*, is among the most influential of those hoaxes which carry the absurdity of the modern positivists to the worst extreme. The author's response to the hoaxes of Wiener and von Neumann, was to derive the anti-entropic characteristics of successful phases of modern economies from the role of cognition in the discovery and application of valid, newly discovered physical and related principles. The mediating role of the machine-tool-design principle in bringing such discoveries into play in qualitative advances in design of products and productive processes, was the central topic of the author's original discoveries of the 1948-1951 interval. The problem of correlating cognitive functions with measurable increases in the anti-entropy of physical processes, was solved, in conception, by bringing Riemann's 1854 habilitation dissertation into consideration, during 1952.

The definition of 'profit'

Two examples of this notion of "*Analysis Situs*" are crucial conceptually for the subject-matter of truthfulness in policy-shaping. The first example, already familiar to a significant number of readers, to which we turn now, is specifically economic: how "anti-entropy" in economic processes must be situated and conceived. The second, to which we turn thereafter, is a related notion, as originally developed by Kepler for astrophysics. This notion underlies the leading work of Leibniz and the present writer, as also the entirety of the leading work, in all fields of application, of Gauss and Riemann.²⁵

The first example is supplied as a mere summary restatement of the central principle into which all of the present writer's original discoveries in, and related development of, Leibniz's science of physical economy are concentrated, a statement which has been the central feature of all the present author's principal writings and lectures on this matter during more than thirty-five years to date. The second, is a fresh choice of exposition of that fundamental principle of modern experimental science, first defined by Leibniz, the which is best identified by the generic name of "universal non-constancy of physical curvature in the very small."²⁶ The latter construction relies pedagogically upon the recently expanded population of readers engaged in a program of studies of the principles of Kepler-Gauss curvature as applied to astrophysics.

So, we now summarize the notion of physical-economic

25. *EIR*, working in collaboration with persons associated with both *21st Century* magazine and Dr. Jonathan Tennenbaum of Germany's Fusions-Energie-Forum e.V., has in development currently a pedagogical project, intended to provide secondary level, and adult mathematical-physics education with a grounding in the principles of scientific method from the benchmark point of reference of Carl Gauss's *Disquisitiones Arithmeticae*. The pivot of the program is Gauss's original contributions, by means of which he reestablished Kepler's approach to astrophysics. This project in progress grounds the presentation of the Kepler-Leibniz-Gauss-Riemann material in such included prerequisites as exemplary cases of discovery of principle in Classical Greek literature, and the work of the opponents of Laplace and Cauchy, the Leibnizians associated with Lazare Carnot and Gaspard Monge in France's Ecole Polytechnique. The example supplied here reflects those concerns.

26. Modern experimental science, which originates with Cardinal Nicolaus of Cusa's A.D. 1440 *De docta ignorantia*, rests upon two principles which are central to that writing. The first principle is the general principle of measurement which separates physical science from merely formalist mathematical speculation. The second is that addressed in this writer's "On The Subject of Metaphor" [*Fidelio*, Fall 1992]: Cusa's discovery that circular action is "transcendental," his correction of Archimedes' work on the quadrature of the circle. The corollary of Cusa's proof (and this writer's reconstruction of it in that referenced location) is the proof of the universality of perfect non-linearity in the very small. As noted, the leading exposition of Cusa's several works founding modern physical science, was the development of this by the leading Fifteenth-Century students of Cusa's science writings, Luca Pacioli and Leonardo da Vinci. Kepler, Gilbert [of *De magnete* fame], Christiaan Huyghens, and Gottfried Leibniz precede Carnot, Monge, Gauss, and Riemann, among the principal exponents of this scientific method.

“anti-entropy,” a notion, not of algebraic mathematics, but, rather, existing solely within the hypergeometric domain of Leibniz’s *Analysis Situs*.²⁷ As we have shown in earlier published reports, the simplest effective approach to this subject is the Socratic method.²⁸

The idea of “profit” can not be separated from the notion of “more.” “More” work (e.g., “energy”) is gained in the form of product produced, than is represented by the effort required (e.g., “energy expended”) to effect that production. In other words, “profit” must be compared with “free energy,” and the “rate of profit” must be compared with the ratio of “free energy” to “energy of the system.”

On this point, the “value added” method of national product- and income-accounting, as developed by aid of the work of Professor Wassily Leontief et al., can not be trusted in such matters. For example: What is the meaning of the state of affairs, in which one-third of the population has increased incomes, while two-thirds either does not, or is subjected to increasing deprivation?²⁹ Can we base measurement of national income on the marginal gains in the upper stratum, while treating the below-standard incomes of the lower as representing, in effect, simply “zero value added”?

This problem was addressed, during the 1850s, by the world’s leading economist of that time, Henry C. Carey, who showed that the toleration of the system of slavery dragged

down the incomes and economic productivity of the population as a whole. Although the slave-owners, and the British and New England textile magnates, such as Karl Marx’s Frederick Engels, luxuriated in profits of slave-produced cheap cotton, the U.S. economy itself had no economic benefit from slavery: as Carey showed, directly the contrary. As in the imperial Rome of Augustus Caesar and his successors, or in the self-doomed, zero-technological growth society of Byzantium under Diocletian’s code, the labor of slaves and other neo-Malthusian forms of labor, did not increase net U.S. national wealth; it decreased it. Carey’s proof of this point, was reflected, among other considerations, in the policy of one of his economics students, Abraham Lincoln, who argued against his Democratic Party opponents, that the U.S.A. could not continue to exist as “half-slave and half-free.”

Indeed, once freed from the burden of the feudal-minded, pro-Confederacy traitors in the U.S. Congress, President Lincoln’s U.S. economy soared, beginning 1861, to become, by 1876, the world’s most powerful, and technologically most advanced nation-state economy.³⁰

To resolve the paradoxes lodged in those considerations, look at economy in global, and physical, rather than monetary terms. The increase of mankind’s power over nature, is expressed as potential relative population-density, a variable magnitude which includes the notion of necessarily correlated improvements in demographic characteristics of life-expec-

27. One could not understand how the present writer, already in 1948, was able to recognize immediately the fraudulent character of Norbert Wiener’s definition of “information theory,” and, slightly later, the kindred, axiomatic absurdity of John von Neumann’s “systems analysis,” unless one recognized how savagely incompetent was the mathematics practice of this pair of Bertrand Russell acolytes. Relevant is the nature of the conflicts, with Hilbert and Courant, which sent Wiener from Göttingen University, under a cloud of suspicion, as well as mere controversy. The barest comprehension of the implications of the work of Plato and of Books 10-13 of *Euclid’s Elements* is sufficient to alert one to the absurdity of Wiener’s locating his definition of “negative entropy” within the framework of Ludwig Boltzmann’s mechanistic-statistical H-theorem. As in the simpler case of distinguishing functionally between left-handedness and right-handedness, the issues of ordering which distinguish non-entropic from entropic processes do not lie within the domain of algebraic mathematics, but only within those higher geometries to which Leibniz assigned the title “*Analysis Situs*,” and which are recognized under the rubrics of “modular” and “hypergeometric” functions in the work of Gauss and Riemann. Both Wiener and von Neumann were aware of the existence of this elementary distinction; thus, their referenced work was, like the related hysterias of Bertrand Russell, purely and simply an ideologically motivated fraud. The development of hypergeometry by Gauss and Riemann is based directly upon Leibniz’s approach to the universality of non-constant curvature in the infinitesimally small, a key feature of his further development of the calculus, after his initial 1676 written report of his discovery.

28. For a summary of the basis in Plato for Riemann’s 1854 habilitation dissertation, see Lyndon H. LaRouche, Jr., “The Essential Role of ‘Time-Reversal’ in Mathematical Economics,” op. cit.

29. Compare the “two hump” model upon which “post-industrial,” “information society” economies converge, as presented by *EIR*’s economics staff during the proceedings of the recent Dec. 13-16 conference and seminar at Bad Schwalbach and Walluf, Germany. See article by Jonathan Tennenbaum in this issue.

30. The generation of Americans who went into military service during World War II were, predominantly, at least, patriots in the explicitly stated tradition of President Abraham Lincoln. Prior to the Anglophile degeneration of both U.S. education and the morals of the U.S. population, which took over under Presidents Truman and Eisenhower, in the more literate parts of the U.S., pre-1946 school-children memorized Lincoln’s “Gettysburg Address.” Similarly, the tradition of the soaring of U.S. economic development, from 1861 through the crisis-ridden late 1870s, was a deeply embedded tradition among all those U.S. adolescents and adults who would not fall into the Classical-Greek classification of *idiots*. World War II was fought by U.S. servicemen and women, who predominantly called up the patriotic sentiments of the Lincoln heritage within themselves. Among those who might be reasonably termed patriotic U.S. economists, even leftish ones, this political-economic tradition of the Lincoln legacy, was to be taken for granted until the mid-1960s. The strength of the Civil Rights movement under the leadership of the Rev. Martin Luther King, Jr., lay in King’s successful appeal to the Lincoln legacy residing within much of the young-adult generation of the mid-1960s. President John F. Kennedy’s popularity in his fight against Wall Street expresses this. The general economic history of the U.S. was fairly well known among patriotic portions of our literate population. Our national memory of such realities began to be washed out of our nation’s life as the “Baby Boomers” of the 1960s continued their post-1968 upward “march through the institutions.” Thus, it was possible for us, in 1978, to publish Allen Salisbury’s *The Civil War and the American System* (New York: Campaigner Publications, 1978), without being obliged to document the fact of the Lincoln legacy expressed as U.S. political and economic tradition. Nearly twenty years later, these facts, more or less well known to literate members of this writer’s own generation, had to be resurrected by the archeological expeditions of historian Anton Chaitkin. On the 1861-1876 surge of the U.S. economy to a leading position in the world, see, Anton Chaitkin, “Leibniz, Gauss Shaped America’s Science Successes,” *Executive Intelligence Review*, Feb. 9, 1996, pp. 22-57.

tancy, physical well-being, and cultural division of activities within personal and household life. The increase of this magnitude, is the principal characteristic of all known human existence, the latter taken as a general phenomenon.

In archeological and historical evidence, the improvement of potential relative population-density depends upon two leading considerations. First, technological progress as such. Second, the relative rate of participation in application of such technological progress by the population considered as a whole. This notion of technological progress, locates the distinction between mankind (human society) and beasts, in the determining role of ideas, as Plato defines “ideas,” in defining the distinctive characteristics of performance by the human species as a whole. *It is the advancement and spread of such technological progress, in idea and application, which defines the area for investigating the functional interrelationships which, in turn, define the characteristics of any definable culture, any definable society as a whole.*³¹

In other words, the real income of a society is not the sum-total of the accountable nominal incomes of the individual members of that society, nor are costs of production limited to what employers consider themselves obliged, however reluctantly, to pay to bring that production and distribution about.

The type of idiot referenced earlier, assumes that the cost of production is located within the expenditures which employers make on behalf of production and related administrative and distribution functions. That is a popular lie, and a great one. The cost of production is located in all things which must be developed and maintained, to create the preconditions for not only production and distribution, but also the further advances in the quality of that production and distribution. Above all, this includes the development of all of those family households which supply labor to the process. This includes the public expenditure for basic economic infrastructure, which is as essential to production as a whole, as preparing the farmer’s land is essential for the production of crops.

The productivity expressed, as quality and quantity of product per capita and per square kilometer, reflects the cost of production. This is essentially the expenditure, by the society as a whole, which must be made to maintain and improve that same productivity. This expenditure, and nothing less, corresponds to an economy’s “energy of the system.” It is the production of healthy, well-educated, richly cultured individual persons, and of the households which produce them, combined with the development of the basic economic infrastructure of the entirety of the land- and water-areas of the national economy, which is the object of economic activity. In other

31. Lyndon H. LaRouche, Jr., “What Economics Must Measure,” *Executive Intelligence Review*, Nov. 28, 1997. Note the treatment there, of the subject of the interrelationship between determining economic policies of practice and the ostensibly non-economic forms of the decisions behind the selection of such policies.

words: the production of the individual personality, an accomplishment which depends upon all the things which bear upon that result. It is increasing the average power of that individual over nature, and over the catastrophes and other problems which mankind suffers, and often brings upon itself, which is the standard of measure for real performance of economies.

Contrary to those voodoo economists who rely upon the witchcraft of “free trade,” such as Professor Milton Friedman of “free to chisel” notoriety, and other deranged followers of Bernard Mandeville, François Quesnay, Adam Smith, and Jeremy Bentham, a sane economy is not a collection of piratical individual entrepreneurial egos. A sane economy, notably that of Benjamin Franklin, Alexander Hamilton, Abraham Lincoln, and Henry C. Carey, is a *national economy* consistent with the intent of our 1789 Federal Constitution, and with the constitutional intent expressed by U.S. Treasury Secretary Hamilton’s celebrated reports to the U.S. Congress on the subjects of public credit, a national bank, and manufactures.

Maintaining nominal profits of politicians’ election-campaign contributors on Wall Street and elsewhere, by cheating wage-earner households, looting pension, education, and health-care systems, and neglecting decaying public infrastructure, all for the sake of nominal business profits, is not a measure of efficiency; plainly said, it is nothing but looting and stealing from the economy itself, just as much as the individual employer who embezzles from his own firm to support a mistress and/or a gambling habit. Such outright stealing is the leading feature of austerity policies among U.S. government and supranational institutions during the recent thirty-odd years, especially since the 1971-1972 introduction of that piece of globalist lunacy called a “floating exchange-rate monetary system.”

Technological progress is associated, by necessity, with an increase of the complexity of the division of labor, within, and contiguous to the productive processes of the society as a whole. This signifies increases in the inventories of goods-in-process per capita of total labor-force, and per square kilometer of relevant surface area of the planet. In other words, the “energy of the system” of society increases, per capita, and per square kilometer, in correlation with realized technological progress.

This also brings into play an apparent “frictional,” entropic element: marginal depletion of the types of man-improved, man-depleted natural resources in current use. This latter, entropic feature was always present, in all known cultures. So, since ape-like man would have a maximum potential relative population-density of no more than several millions, world-wide, under the optimal phases of cyclically-ordered, “Ice Age”-dominated ecological conditions, throughout the approximate two millions recent years, why has mankind’s potential increased, to more than 100 millions individuals by Hellenistic times, reached several hundred millions, world-wide, during Europe’s Fourteenth Century, and has zoomed, under the impact of the Fifteenth-Century emer-

gence of the European sovereign nation-state economy, to more than five billions today?

Then, how do we maintain a constant or increasing ratio of “free energy” to “energy of the system,” in an economy, since the increase of the productive powers of labor depends upon that technological progress, which, in turn, requires an increase in the amount of relative energy of the system per capita and per square kilometer?

The short version of the answer is: *We offset the “frictional” costs associated with relative depletion of resources, by rates of technological progress which effectively exceed the required absorption of those frictional costs.*

Thus, the ratio of “free energy” to “energy of the system” is maintained at constant or rising levels, despite the fact, that increase of realized technological progress incurs increased density of “energy of the system,” both per capita, and per square kilometer. This relationship defines “anti-entropy:” *The ratio of “free energy” to “energy of the system” must remain constant, or rise, although this can be achieved only by increasing the per-capita density of “energy of the system.”*³²

No mathematics, or similarly linear, formal deductive logic, could represent a process characterized by such anti-entropic orderings. No mathematics which is congruent with the use of the castrating Cauchy “fraction” for the differential calculus, could represent such orderings. No system of simultaneous linear inequalities, could represent such a process. No method of national-income accounting consistent with accepted standards of accounting practice, could competently represent a real economy. No thinking which accepts the presumption of the existence of physical linearity in the infinitesimally small, could comprehend such a process. The answer lies outside algebraic and other forms of linear thinking, within the domain of Leibniz’s *Analysis Situs*.

The possibility of organizing a recovery of the world’s economy from the catastrophic, systemic collapse now in process globally, depends upon policies consistent with the considerations we have just summarized.

We shall return to the issue of physical-economic profit, after presenting the second example.

Empiricist racism versus creativity

Whence the “not-entropy,” as we have just identified it, which characterizes truly profitable economies? To understand the ugly truths embedded within any culture, look into the causes of those conditions which the society either imposes, or tolerates as the conditions of life among what are sometimes loosely termed its “disadvantaged” social strata. When we examine the fate of these “disadvantaged,” must we not ask ourselves, “Whence the source of true profit,” true

32. For presentation of this from the standpoint of simultaneous systems of inequalities, see Lyndon H. LaRouche, Jr., *So, You Wish To Learn All About Economics?* 2nd ed., (Washington, D.C.: Executive Intelligence Review News Service, Inc., 1995).

“not-entropy,” as distinct from stealing?

We have given the answer repeatedly; it is the foundation of all of the writer’s work on economics during the recent fifty years: The only source of true profit, is that developable quality of the individual person which otherwise sets the human species absolutely apart from, and above, all the mere beasts. That distinguishing quality is known as *cognition*, a power of the mind expressed solely by the production and replication of what Plato classes as “ideas.” These ideas are of a quality typified by the validated discovery of those new physical principles, by means of which true productivity — man’s per-capita power over nature — is increased.

Since this “not-entropy” is a product of individual human creativity, we can not competently separate economic policies from the question of the inappropriateness to human beings of the kind of pedagogy presently fostered in today’s preschool, primary, and secondary educational institutions, especially the worsening of education, at an accelerating rate, during the recent thirty-odd years. We must give special attention, on this account, to critical investigation of the brutality of those policies of educational practice which are directed toward, and against, the relatively “disadvantaged” strata of the population.

On this account, one of the leading correlatives of the present systemic economic crisis, is the past thirty-odd years’ resurgence of racist educational practices in the United States, especially the increasing takeover of educational institutions by the kinds of perverted representations of the human mind which are axiomatically racist. Look briefly at this issue from the standpoint of the principles of cognition central to the work of Kepler and Gauss.

In this latter connection, one is directed to focus attention upon one of the great lies polluting popular opinion in the U.S. today. That falsehood is the assertion that progress in civil rights in the U.S. was of the making of the so-called “Golden Generation,” those who were university students of the 1964-1972 interval; that is typical of falsehoods based upon a selection of facts taken out of context. Look at this lie from the vantage-point of the changes in educational policy, affecting African-Americans and comparable strata, increasingly, under the growing political influence of that so-called “Golden Generation.” See in this, the axiomatic basis for the galloping collapse of the U.S. and most other economies of the world today.

Although there were some notable, isolable institutional changes for the better in civil rights, after 1964, the fragmentation and degeneration of the civil-rights movement after the assassination of the Rev. Martin Luther King, Jr., reflected pernicious, worsening influences which had been already increasing, and that at rapid rates, since about 1964. After Martin’s murder, the forward motion of the movement ended; some of us are still trying to revive it, without yet gaining what decency would claim as “significant success.”

Within the civil rights movement itself, this degeneration

reflected two principal influences. One was a foundation-backed insurgency of an existentialist form of racism inserted under the protective cloak of a misleading, catch-all rubric, “black nationalism.” Under this rubric, there was spread a kind of axiomatic racism whose most hate-filled expression of violence was the influence of degenerate Jean-Paul Sartre’s protégé, Frantz Fanon, the same Fanon kind of “black nationalism” deployed from Dar es Salaam University, and responsible for the recent several years’ conduct of Britain’s “black-on-black” genocide and perpetual warfare in Central Africa, conducted by Uganda’s Yoweri Museveni and his Dar es Salaam-referenced cronies in Eritrea, Ethiopia, Rwanda, Burundi, and former Zaire. The second, was the kindred disguise for racism, axiomatically intrinsic to the ideology of the so-called “New Left.”³³

In direct contrast to such wretches, Martin Luther King typified the tradition of Civil Rights since before Abraham Lincoln and Frederick Douglass: rebuilding the United States, both physically and morally, according to the principle of equality as understood by Lincoln and Douglass. The African-American civil rights movement is fairly described as being as old as African-American slavery. The Confederacy’s slaveowning aristocracy understood the crucial issue of that struggle, as expressed by their treating a slave’s literacy as proof of a capital crime by his master. Literacy in the best features of European culture was the first step to striking away the shackles of slavery — from the mind of the slave. Frederick Douglass, in nearly every imaginable way, epitomizes the true African-American tradition of civil rights struggle, the tradition which the Rev. Martin Luther King, in his time, was called to serve.

Then, emerging approximately 1964, under either Dr. Kenneth Clark’s, and, slightly later, McGeorge Bundy’s Ford Foundation, or kindred subsidies, these existentialist varieties of self-styled “black nationalists” were deployed in aggressive, violence-oriented opposition to the Rev. Martin Luther King, notably including such periods as the Selma march. Confederacy nostalgists of the Nashville Agrarian/Fugitive type, such as Robert Penn Warren and Kissinger’s William Yandell Elliott, inspired a genteel form of racism spawned by certifiably liberal establishment covens: “Don’t oppress them, but, rather, induce them to desire to stay in their proper, separate place.” Induce them to deploy under the cover of such slogans as “integration is submission,” and “separation is freedom.” It is an old game: induce the targetted class of

33. During a relevant period, near the close of the 1960s and during the early 1970s, experience showed that the fellow asking, “What about Fanon?,” often turned out to be a police-agent, an *agent-provocateur*, with or without an actual badge. Otherwise, those pushing the anarchist-fascist tradition of “liberating violence” during that period, were, if not actual police agents, protégés of certain foundation programs, which, experience tells us, is about the same thing, or worse. One could not discover who was whose agent, without first checking the foundation grants on which they depended. That is still good advice, today.

victims to shackle and corrupt themselves.

King’s leadership kept these notions somewhat in check, through astute definitions of the unity of the movement around its purposes, especially unity against the use of the kind of violence which had been proposed by both anarchists and Sorel, and used as an ideological organizing tool by Mussolini-

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ni’s fascists. The concern of the U.S. “establishment” to bring the spread of King’s now-deemed-inconvenient philosophy to an end, was the key issue of investigations into the causes for the murder of Minister Malcolm X. After King’s death, this Pandora’s box of poorly disguised racism, which his leadership had kept somewhat in check, opened wide, and virtually ruined the national effectiveness of the civil rights movement from within.

The axiomatic characteristic of such “New Left” and black existentialist influences, was a view directly opposed to the principle of equality: irrationalist *cultural relativism*. Look at the way in which this “New Leftish” form of anti-African-American racism works. Consider this, first, more narrowly, as directed against specifically African-American and Hispanic-American targets. Then, view it in full plumage, in the “New Era” context, under whose reign virtually all Americans are converging upon the same, virtually homogenized state of economic and cultural degradation.

The centerpiece of this conflict is the same issue, of development of the cognitive potentials of the individual mind, upon which we rely absolutely for “not-entropy” in economy.

In today’s most flagrant expressions of the post-1963

trends in moral depravity, we are confronted by a new disguise for the “Separate but Equal” filth of President Teddy Roosevelt’s time. Some influential, racist ideologues of educational policy, now as then, insist that African-Americans are better suited to irrationalist, emotional-associative thinking, while poorly qualified for the cognitive processes preferred by “Caucasians.” Obviously, those who advocate such distinctions are poorly suited for cognitive thinking themselves. Their stupidity is no excuse for our tolerating their racism.

Mediterranean civilization’s notion of the sacrosanct, universal equality of persons, originates with Christianity, appearing first as distinct from the different position of those Jewish particularists who denounced the Apostles John and Paul on this account. This Christian conception of natural equality of all persons, finds its scientific affirmation in the fact that it is culture, not racial origin, which determines the relative ability of the individual, of whatever “ethnic” origin, to replicate those acts of discovery of valid physical and related principles of the universe, upon which the previous existence and continuation of civilization depend. This capability is located within cognition, of which persons of all “ethnic origins” are equally capable biologically.

This equality is located essentially in the development of those natural, cognitive powers of the individual human mind, by means of which individuals either generate valid new discoveries of physical principle, or, as students must do, replicate within their own individual minds, the same emotional and intellectual experience as an original discoverer. The development of those mental processes, through which such generation and replication of what Plato termed “ideas” occurs in respect to science and Classical art-forms, is the proper definition of the term “cognition.” It is this cognition, which identifies each person as born to be a good and noble creature, “made in the image of God,” and “beloved by God.” It is this quality of cognition, which distinguishes persons from mere beasts. All learning, including opinion, which is generated by any means other than such cognitive processes, is merely “learning,” in the sense we may employ “learning” to describe the qualities we might desire among beasts, or concentration-camp administrators might desire among their slave-labor charges.

In other words, those who insisted that African-Americans naturally preferred emotional-associative learning to cognition, were, simply and plainly stated, referring to African-Americans as sub-human beasts. Authentic “world-class” African-American geniuses, such as Frederick Douglass and George Washington Carver, had their humanity thrown into the mud by these self-inflicting, “the freedom-to-stay-in-your-own-place” racists. Not nice. Worse, these establishment-class philosophical liberals were proposing that the educational policies for instruction of African-Americans, be adapted to the presumption that these young belonged to a non-human species. These were the same racists, who, at

certain universities, prescribed a doctrine based on this same racist prescription, demanding that non-Caucasians, among others, not be obliged to visit the cognitive experience of the work of “Dead White European Males (DWEMs).”

Did someone in the back row just suggest comparing this to “Keep them barefoot and pregnant”?

The mind-sets of those who author such racist varieties of “cultural relativist” social and educational dogma, are obviously correlated with the referenced Nashville Confederacy-nostalgia types. However, the truth of the matter is situated somewhat differently.

It is not accidental, that the same ideology proposed by such racists in educational policy, should be found in the “Third Wave” dogma of Alvin Toffler and Speaker of the House Newt Gingrich. The larger truth is to be read in such locations as the pages of Rupert Murdoch’s London *Times*, a publication formerly edited by an admirer of Toffler’s and Gingrich’s “Third Wave,” Lord William Rees-Mogg. Rees-Mogg foresees the “information society” of Toffler’s “Third Wave” as leading toward a glorious utopia, in which the economic output of the world, “information,” is supplied by about five percent of the world’s population, possibly living in locations such as England’s Channel Islands, while the remaining ninety-five percent of the population live as the Yahoos of Jonathan Swift’s Gulliver’s voyage to the domain of the “houyhnhnms,” allowed no education at all.³⁴

However perversely, Rees-Mogg’s remarks perform the service of exposing the true political character of the Toffler-Gingrich and related rant. The purpose of “Third Wave” thinking, like that of Prince Philip’s closely related doctrine of “ecologism,” is to restore, globally, that kind of feudalistic society of Britain under George I, whose essence Jonathan Swift captured so aptly in that story. This is the “mint julep” Confederacy of Robert Penn Warren’s and William Yandell Elliott’s Agrarians, a parody of old financier-oligarchical Venice, a society free of industry, in which the numbers and the intellectual development of the lower classes are kept agreeably low.

Exemplary of all such anti-cognition tendencies in recent and current educational policy, is the emphasis on the use of “information” as a substitute for cognitive development of the individual mind. The notion of replacing the classroom teacher, more or less, by the “wired classroom,” all in the name of “information society,” is the most general expression of this process of virtual intellectual, and also emotional “pre-decortication” of the coming generations of adults. When the mere learning (e.g., emotional-associative learning) of a “wired society” is substituted intensively for the traditional,

34. William Rees-Mogg, London *Times*, Jan. 4, 1995. See discussion of this present utopian trend in London-centered social policy, in Lyndon H. LaRouche, Jr., “The Wells of Doom,” *Executive Intelligence Review*, Dec. 21, 1997.

Classical-humanist cognitive program of education, two related kinds of crippling effects are imposed upon the victims, the children. First, there is the intellectual damage: the lack of ability to form problem-solving conceptions, for reason of lack of cognitive development. Second, emotional disturbances, including as one marker of this, apparent tendencies toward “autism.” A Classical mode of education is in large degree a cognitive education of emotional responses to ideas; without a cognitive approach, a kind of emotional disassociation from actual ideas occurs. Such latter tendencies are actually found among young persons who suffer such effects from “overdosing” on the Internet.

The intent behind the sundry anti-cognition movements, such as those of the foundation-granted African-American existentialists, the “Third Wave,” and so on, is that expressed by such spokesmen for the British oligarchy as Rees-Mogg. In brief, it is fairly described “Forward to post-modernist neo-feudalism!”

How does this function? The answer lies within the implications of cognition itself.

There is true metaphor expressed in the advocacy of Rees-Mogg, et al. It is a true ontological paradox of the type expressed by Plato’s *Parmenides*.

The actual individual person, by his, or her nature, is set apart from, and above, all mere beasts, by the distinction between cognition and emotional-associative learning and prejudices. However, in order to preserve an oligarchic form of society, in the sense the Greeks of rhetorician Isocrates’ and King Alexander the Great’s time used the terms “Persian model” and “oligarchical model” interchangeably, it is necessary to falsify man’s individual nature, at least in practice, by suppressing, even bestializing, the development of the cognitive functions of those relegated to the most numerous, “lower classes” of society. Yet, despite that suppression, the individual usually remains human in nature, a person whose crushed, but not destroyed cognitive potentials, yearn toward the very humanity he, or she, is being denied. Thus, out of the worst cultures, something good has revolted, to make necessary changes in the direction of humanity. Current trends in public and private education in the U.S., as in practiced cultural policy generally, reflect the intent to bestialize the great mass of individual persons to an effect consistent with the “Agrarian” perversions of Robert Penn Warren et al., and the financier-oligarchical sentiments of the ruling financier oligarchy of the Anglo-Dutch, British Empire of today.

Thus, at the same time that such imposed cultural depravity brutalizes the targetted population (evil), individual human nature remains rooted in the principle of cognition (good). Rees-Mogg may appear to be a variety of modern Manichean (or, Bogomil), but this is not a Manichean universe. When we consider the record of mankind’s existence on this planet, the long wave of human existence is upward, even if we must leave the relics of abandoned, bad cultures, crumbling into dust by

the side of history’s road. Often, this upward movement occurs under abominable physical and cultural conditions of social life, yet progress persists. Ultimately, the good, as typified by cognition, will prevail over the bestiality of emotional-associative forms of behavior. Yet, the parents and grandparents of both today’s children and unborn posterity, ask, with a tear in their eye, “Why should it not prevail now, in this crisis, while there is still time for these little ones?”

Yet, that said, the fact remains, that it is precisely this struggle between the good we are defending, against the evil defended by Rees-Mogg’s praise of Alvin Toffler’s babbling, which is the characteristic feature of the human social situation. This is the root of the historic conflict which defines the British monarchy as the principal, continuing adversary of the United States, from the opening struggles toward our national liberty, during the early Eighteenth Century, continuing down to the present day.

From the beginning, in the struggles of Jonathan Swift and his Tory allies, against the financier-oligarchical philosophical (i.e., empiricist) liberalism of William of Orange and George I, the essential issue of conflict between U.S. patriots and the slobbering slaveowners and other Anglophiles of our treasonously inclined oligarchical faction, has been nothing less than this paradoxical conflict between actual human nature, as expressed by the development of the individual’s cognitive powers, and the attempt to suppress that human nature in those intended for the managed populations of the “lower classes.” This was the issue of our War of Independence, the issue of the treasonous “Hartford Convention” plot of 1814-1815, our Civil War against London’s pawn, the treasonous slave-owners’ Confederacy, and the war-time conflict between the beastly Winston Churchill and President Franklin Roosevelt. This is the issue of the British monarchy’s, and Labour Party’s, presently ongoing, openly conducted strategic cultural, financial, and economic warfare against the United States, and the British-controlled press’s libellous, lying propaganda campaigns upon President William Clinton, today. This is the essential difference between republicans, in the tradition of Solon of Athens, and the opposing landed aristocracy, financier oligarchy, and the lackeys of those two morally degenerate classes, down to the present day.

The entire existence, from their beginnings, more than thirty years ago, of the organizations associated with the present writer today, has been premised on that central issue: cognition versus the bestiality of mere emotional-associative opinion, republicanism so defined, against oligarchism so defined. The issue is expressed as the right of each and every person to enjoy an education, and related cultural nurture of the individual cognitive powers, and the right of that same individual to live as a person of such qualities and potentialities. That is the fighting line, the only issue worth the blood of killing and dying in battle. That is the issue, respecting the

nature of the individual person, whose importance outshines and overwhelms all other political questions.

The “New Left,” like their degenerate cousins, the Nashville “mint-julep set,” landed on the bad side of that defining issue. (One might say, “They arose, one morning, from the wrong side of someone else’s bed.”) That disgusting result was intended by the forces associated with institutions such as Prince Philip’s World Wildlife Fund, by the orchestrated brainwashing of victims in Fanonist varieties of “black nationalism,” and the countercultural, neo-Malthusian characteristics of the “New Left” indoctrination of 1964-1972.

This same issue, is central to understanding the high rates of increase of potential relative population-density set into motion within the spread of the modern European nation-state, by the Golden Renaissance’s 1439-1440 sessions of the great ecumenical Council of Florence, relative to all previous and rival cultures. The crux of the matter, is the role of the modern nation-state, in imposing its superior will upon the feudal forces of combined landed-aristocratic and financier oligarchies, and the accompanying fostering, by the nation-state, of an increasing generalized education and opportunity for participation in scientific and technological progress.

The essential thing here, is that which makes the referenced educational policies toward African-Americans so purely evil: by denying the function which makes persons human, cognition, these educational and related social policies seek to destroy that which makes the intended victim human. In so doing, they also neutralize that quality within the population without which economies can not prosper. Without that source of wealth-creation, the scientific and technological progress which depends absolutely upon the development of such cognitive potentials, those sections of the population induced to accept the substitution of “emotional-associative” for cognitive functions, will be greatly self-reduced, both in numbers, and in capacity for resisting the cruel brutalization imposed upon them. The effect is the same demanded by the Emperor Diocletian’s Code: technological stagnation of a form which led to the depopulation, and self-induced doom of the Byzantine society, as a culture which died because it lacked the moral fitness to survive.

That said, look again at the principle of cognition, this time in a fresh way. That will provide the precondition for our conclusion here: the nature of truthfulness under conditions of systemic crisis of civilizations.

Cognition and ‘not-entropy’

As was elaborated in “The LaRouche Method: What Economics Must Measure,”³⁵ the sole source of the “anti-entropy” underlying physical-economic profitability, is the “anti-entropic” change in Gaussian curvature supplied to the physical economic process by the activation, development, and real-

ization of the kind of creative mental activity typified by new discovery of valid physical principles (and valid Classical art-form). The effect of such change follows the pathway described by Riemann, in his “The Hypotheses Which Underlie Geometry,”³⁶ a change in the characteristic of the new manifold generated, as compared with the manifold typical of the time before this change. It is the effect of this which we are measuring, when we observe that the ratio of “free energy” to “energy of the system” remains constant, or even increases, despite the integral requirement of an increase in the per-capita density of the “energy of the system.” [Figure 2] It is in terms of those four steps of cognition depicted in that figure, that the metrical characteristics of the act of discovery (Step Two) become rigorously definable.

Hence, because of this role of the spreading of scientific progress into broader aspects of production, since the “dirigist” programs of France’s Minister Jean-Baptiste Colbert and the pioneering work toward the founding of a modern machine-tool-design-driven model of economy, by Lazare Carnot and Gaspard Monge, the highest rates of economic growth have tended to occur under the fruitful impact of so-called “science-driver” programs upon the economy, such as in that form of technological spill-overs from war-time mobilizations which emphasizes revolutionary rates of technological progress, or the pre-1967, “Kennedy Round” of the U.S. space-exploration program.³⁷ The soaring of the U.S., over the interval 1861-1876, to world leadership in economy, and in technological advancement over all other economies of the world, is a crucial example of this principle.

This describes the relationship between technological progress, which originates only within the cognitive processes of individual human minds, and technology-driven increases in the per-capita, and per-square-kilometer productive powers of labor. This is a causal relationship which can not be represented, in any way, by conventional mathematical methods, such as methods of “solutions to simultaneous linear inequalities.” On this same account, all conventionally taught theories of profit in textbook, classroom, etc., are obscurantist bunk. We are in the domain of *Analysis Situs*.

Cumulatively, as measured in increase of mankind’s power in the universe, the effect of this technological progress is awesome. It is the more awesome, because, as for the physical scientist, such as the biologist, looking into the matter, the amount of effort (“energy”) involved in the cognitive processes’ reshaping the action of the human hand, is infinitesi-

36. *Über die Hypothesen, welche der Geometrie zu Grunde liegen*, op. cit.

37. There were heavy, crucially destructive cut-backs in the space program during approximately the calendar year 1967, from which the U.S. space program never fully recovered, to the present day. Beginning approximately the same period, there were successive waves of cut-backs in the U.S. machine-tool capability generally. The Moon landing was the realization of ground-work done earlier; by the end of the 1970s, the U.S. had lost numerous elements of the technology which had been essential to the manned Moon landing program.

35. *Executive Intelligence Review*, Nov. 28, 1997.

The four steps of cognition

The following description of the process of creative discovery is excerpted from Lyndon H. LaRouche, Jr., "Whose God Does Pat Robertson Serve?," EIR, Nov. 14, 1997, p. 27.

Step 1: Posing an ontological paradox (metaphor)

Given, for example, an established mathematical physics. Some newly considered array of physical evidence is shown to exist, but which should not exist if the established mathematical physics did not contain some crucial falsehood. Since, in the normative case, both the established old mathematical physics and that newly considered evidence which refutes the old physics, are equally well premised in the faculties by which we determine empirical evidence, the contradiction between the old physics and newly considered evidence represents what we term an *ontological paradox*.

In the domain of Classical art-forms, the same quality of paradox is identified as a Classical *metaphor*.

This first step of the process is representable to relevant onlookers.

Step 2: The discovery of a validatable solution

Through intense concentration, the mind of some individual who has been confronted with the ontological paradox, generates a newly discovered idea of a principle of nature, together with an ensuing preview of the means by which this newly discovered principle might be validated.

This second step of the process occurs behind those opaque screens which hide the cognitive processes of the individual from the sense-perceptions of onlookers. *The efficient action within this step of the process is not directly representable to the onlookers.*

Step 3: The argument for the principle

On the basis of completing Step 2, the individual who has discovered a validatable quality of new principle identifies that principle in terms of both the ontological paradox referenced, and the proposed tests by means of which the notion of the principle might be validated or needed corrections indicated.

This third step is representable.

Step 4: The design of the validating experiment

Step 3 leads toward the process of successive designs, as if recursively, of experiments, or equivalent forms of observation, by means of which: (a) the proposed new principle is demonstrated to be an efficient one in the universe, and (b) additional characteristics of the new principle's relations to other principles may be adduced, and, hopefully measured to the desired degree of refinement.

This Step 4 is representable.

mally small, relative to the magnitude of the forces already represented by the physical processes to which this change in the "shaping" of human action is applied. Rather than choose the term "awesome," let us say "astronomical."

During the past year, the present writer has sponsored a special pedagogical program, centered around reliving some crucial discoveries of principle by Carl Gauss, in mathematics, especially as these proved to be, from 1801 forward, of decisive importance for the development of astrophysics. The principal motive for this program is to supply a task-oriented series of highly relevant cognitive exercises, by aid of which to make the students aware, within themselves, of the existence of a distinct species of mental processes named "cognition." This program is conducted as a pilot-project, out of which it is our intention to produce a new book aimed at rehabilitating mathematics instruction, both for adolescents and adult-education programs.

The reason for the choice of this work of Gauss, to serve as the pivot of such a program of cognitive education, is that his work lies at the most heavily trafficked crossroads in the history of development of science, from Classical Greece, to the most recent times. Gauss incorporates Kepler and Leibniz, for example, and, in collaboration with Alexander von Humboldt, the contributions of that French science of Lazare Carnot and Gaspard Monge, which fled into Germany under the persecution it suffered at the hands of the Bourbon Restoration in France. Thus, although, until 1814, the scientific tradition in Benjamin Franklin's North America was chiefly a combination of the influence of Gottfried Leibniz and French science; toward the middle of the Nineteenth Century, until World War I, the principal new feature of scientific progress in the U.S. was the science imported from the Germany of Carl Gauss and Alexander von Humboldt.³⁸ Thus, the U.S. assimilated the science of Leibniz, of Monge's Ecole Polytechnique, and of Gauss's Germany, and repaid Europe—and the world—for this, by developing, during 1861-1876, the world's most advanced form of national economy, which was more or less promptly adopted, from the U.S.A. directly, by Japan, Germany, Czar Alexander II's Russia, and many others.

Let us look at the problem we have just identified from this pedagogical vantage-point: the infinitesimal magnitude of the physical effort of change associated with cognition, as compared with the manifest, cumulative effects which can be traced to no other source than this cognitive action. To illustrate the kind of principle at issue, we use a relevant, elementary example from Kepler-Gauss astrophysics. This illustration reflects the work of Dr. Jonathan Tennenbaum and Bruce M. Director, in developing the weekly sessions of the pedagogical program referenced.

The most significant natural effects upon the Earth and its

38. The role of Benjamin Franklin's great-grandson, West Point graduate Alexander Dallas Bache, in coordinating the U.S. connections to both Gauss and von Humboldt, is exemplary of this.

processes, including the original existence of this planet, are generated in the astrophysical domain. The coming and going of “ice ages,” the weather generally, and so on, have been more strongly determined by astrophysical environment, than anything local to Earth itself, and, thus far, very little by human activity.³⁹ Among these astrophysical effects, are the impact of long astrophysical cycles, within the range of periodicity of tens to hundreds of thousands of years, such as those which determine the coming and going of “ice ages.” This is prominent among the numerous reasons it is urgent that Earthlings get out into space, to discover how these astrophysical effects might be managed. To make the relevant series of connections for our subject here, economics, let us begin with a focus on a type of problem posed to his students, by Dr. Tennenbaum.

For our purposes here, we limit ourselves to examining the implications of the interaction among three of the many, interacting layers of astrophysical cycles affecting conditions of life on Earth: 1) the daily, essentially circular rotation of the Earth; 2) the elliptical orbit of the Earth around the Sun; 3) the long equinoctial cycle, as first measured about 6,000, or more years ago, by a civilization inhabiting Central Asia. We are leaving out, more obviously, other important cycles, including the lunar cycle, the periodicity of the separate and combined wobbles of the geodetic and geomagnetic poles, and the implications of the solar-sidereal years. The three interacting cycles chosen, suffice to make the relevant point. Bruce Director et al., have supplied the accompanying, requested diagrams [Figure 3].

Imagine you are located at some fixed geographic point on Earth, from which you observe part of the daily east-to-west movement of the observed Sun: an apparently circular orbit. With no more than similar means, ancient cultures, including Classical Greeks, discovered the orbit of the Earth about the Sun, long before the existence of the celebrated hoaxster, Claudius Ptolemy, and estimated, however crudely, the distance from Earth to Sun, and Earth to Moon. Kepler showed that these solar orbits of the planets are elliptical, and introduced elliptical harmonics into astrophysics. In other words, while you, as the conjectured observer, are observing the apparent motion of the Sun, the place on which you stand is being moved. Among the other movements of that place, we have the annual, elliptical orbit of the Sun, and the long equinoctial cycle. Each second—or one-millionth of a second—you might record an apparent movement of the Sun, the place from which you observe is being moved by a knowable amount. That place is being moved along the Earth’s elliptical orbit; it is also being moved in the manner corresponding to the equinoctial cycle [Figure 3]. This, by the way, a kind of introduction to the subject of “modular” or “hypergeomet-

39. For this reason most of the ecological models, including weather modeling, currently used simply do not work; they ignore, flagrantly, the well-known fact of astrophysical determinants in the Earth’s climate.

TABLE 1

Mean angular change of three astronomical cycles of rotation

Cycle	Total period (years)	Mean angular change per microsecond (seconds of arc)
Earth’s daily rotation	0.0027	1.5×10^{15}
Earth’s yearly orbit of Sun	1	4.10675×10^{18}
Equinoctial	26,000	1.57952×10^{12}

ric” functions.⁴⁰

In all cases, we are not directly observing the actual distance of the observed motion; we are observing an angular change in relative position. Hence, the crucial role of the “area” rule, and the correlation with rate of change of observed angular motion within an orbital trajectory, in Kepler’s founding of astrophysics. See Table 1, for the mean angular change in the three cycles (Earth rotation, Earth orbit of the Sun, and equinoctial) during one-millionth of a second of observation. We might add the much longer astrophysical cycle which determines the pulsation of “ice ages.” Compare the detail in Figure 3 with the data in Table 1. What might appear to be eminently ignorable small effects, are reflections of longer-term cycles which, in the longer term, determine the astrophysical “history” of life on our planet. As Riemann warned, in his habilitation dissertation, there is no good reason for tolerating the fiction of assumed linearity in the infinitesimally small—or, the astrophysically large.

Indeed, the essence of modern physical science, has become the challenge of measuring ever new types of occurrence of those kinds of infinitesimally small differences which, in the longer term, determine crucial changes of state in processes observable on the “macro” scale. The work of Gauss’s collaborator, Wilhelm Weber, in addressing the experimental proof of, and measuring the role of a “longitudinal force”—neglected by Clerk Maxwell—in Ampère-Weber electrodynamics, is representative of the kind of challenge posed.⁴¹

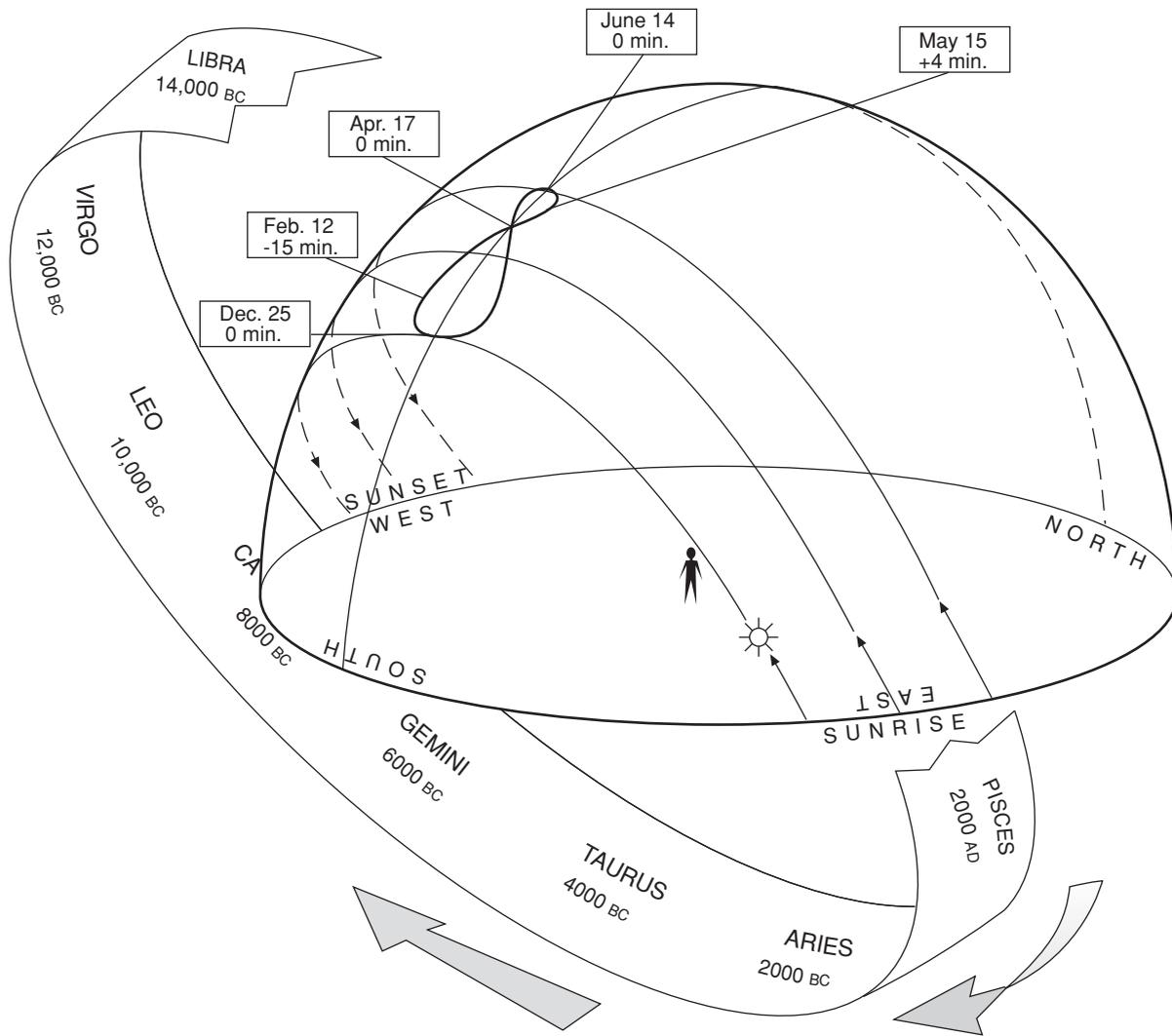
In other words, it is a commonplace of study of our universe, that very long cycles provide a confining “envelope,”

40. Since Kepler, and Leibniz, the interaction of cycles forms a new, higher branch of geometry. The combining of studies of trajectories consistent with conic sections, with the implications of Leonardo da Vinci’s discovery of the relationship between the catenary and caustic, defined the starting-point for Leibniz’s contributions to the founding of a general theory of hypergeometric functions. The generation of non-constant curvatures, extended into the infinitesimally small, has been the characteristic line of irreconcilable division between the geometers and algebraists in mathematics, from the time of Leibniz, to the present day.

41. Laurence Hecht, “The Significance of the 1845 Gauss-Weber Correspondence,” *21st Century Science & Technology*, Fall 1996.

FIGURE 3a

The apparent motion of the Sun, relative to an observer on Earth



This diagram shows the sky and horizon visible to an observer in the Earth's Northern Hemisphere. The apparent path of the Sun reflects three astrophysical cycles, each with its own curvature (actually, there are many more, but we limit ourselves here to three):

1. The daily, approximately circular rotation of the Earth on its axis. The observer sees this as the Sun rising in the east, traversing an arc in the sky, and setting in the west.

2. The annual elliptical orbit of the Earth around the Sun. This is reflected in the observed change in position from day to day, of the position of the rising and setting Sun and the arc between them. Over a year's time, an observer sees the Sun travelling low in the sky at the winter solstice (the southernmost of the three daily paths depicted here), climbing each day higher, through the vernal equinox, and reaching its highest point at the summer solstice (the northernmost of the three paths), then descending again, day by day, to the autumnal equinox, and back down again to the winter solstice. These seasonal changes reflect the fact that the Earth's axis is tilted 23.5°. The figure 8 (or "analemma"), drawn here on the meridian (noon) line, is a reflection of the ellipticity of the orbit, among other factors. It shows the displacement of the Sun from the actual meridian on a given day at noon, standard time (adjusted for one's position in the time zone). The fact that the Sun is sometimes ahead of the clock, and sometimes behind, in reaching the sky's mid-point (as much as 15 minutes either way), reflects the fact that the Earth travels faster, in its elliptical orbit, when it is closer to the Sun.

3. The equinoctial cycle, or "precession of the equinoxes," is reflected in the observed change in the constellation in which the Sun appears to rise. This is shown here by the apparent rotation of the band of zodiacal constellations. (Currently, the Sun is rising against the background of the constellation Pisces). As the Earth rotates on its axis, the orientation of the axis itself rotates, in a cycle of about 26,000 years. Thus, the North Pole Star is now Polaris, but about 13,000 years ago, it was Vega.

FIGURE 3b

Curvature of the astronomical cycles 'in the small'

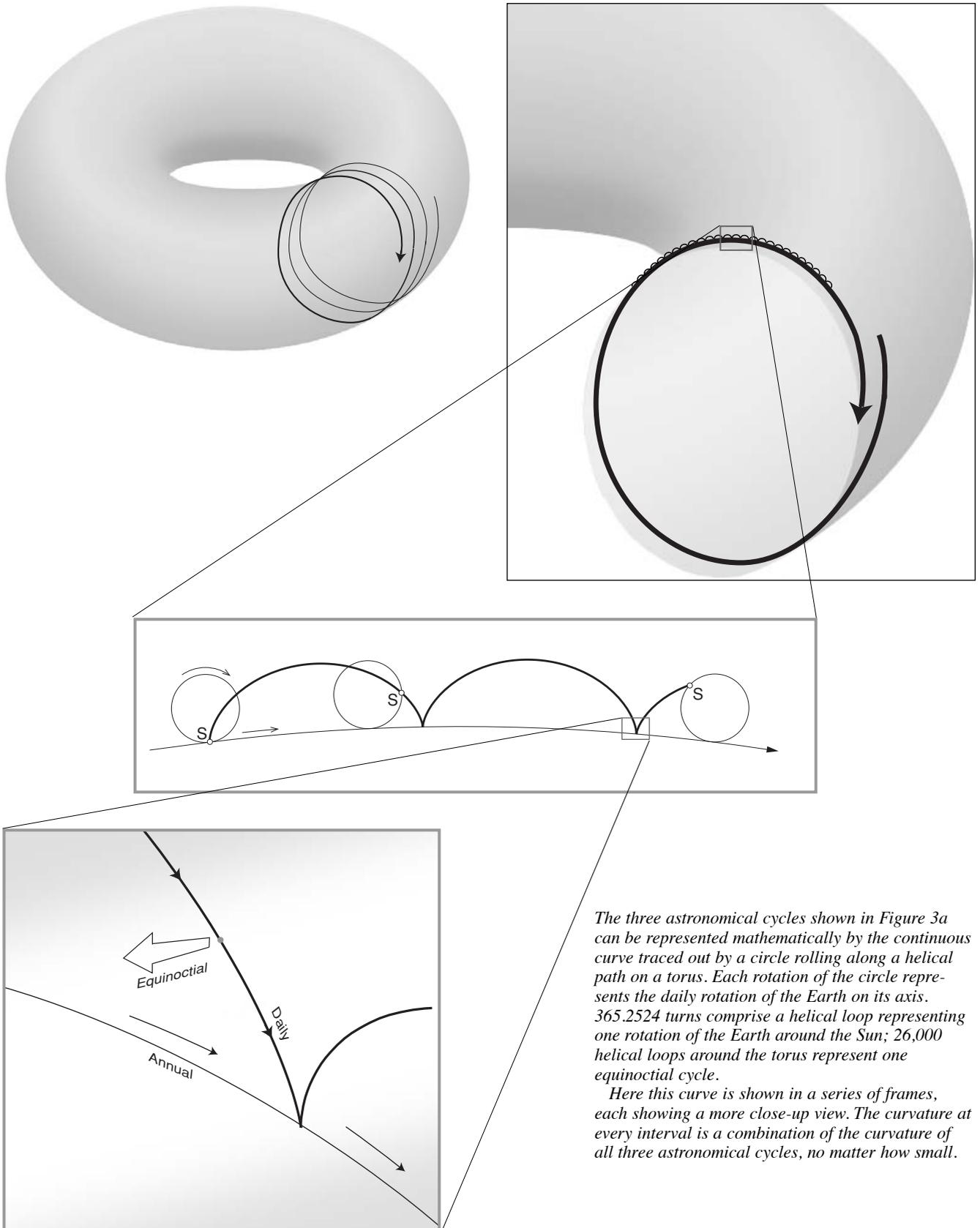


FIGURE 3c

Three-way curvature of the 'typical collapse function'

When the three curves of Figure 1 are plotted on one three-dimensional axis, a curve is generated which combines the curvature of all three. As in the case of the astronomical cycles, the combination of all three curvatures is present in every interval, no matter how small.

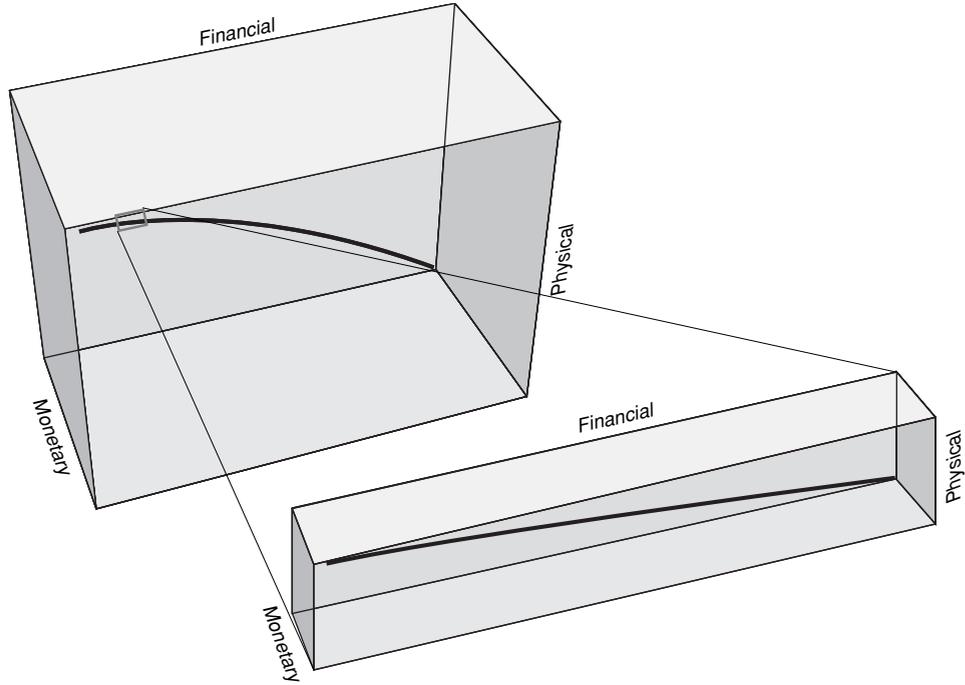
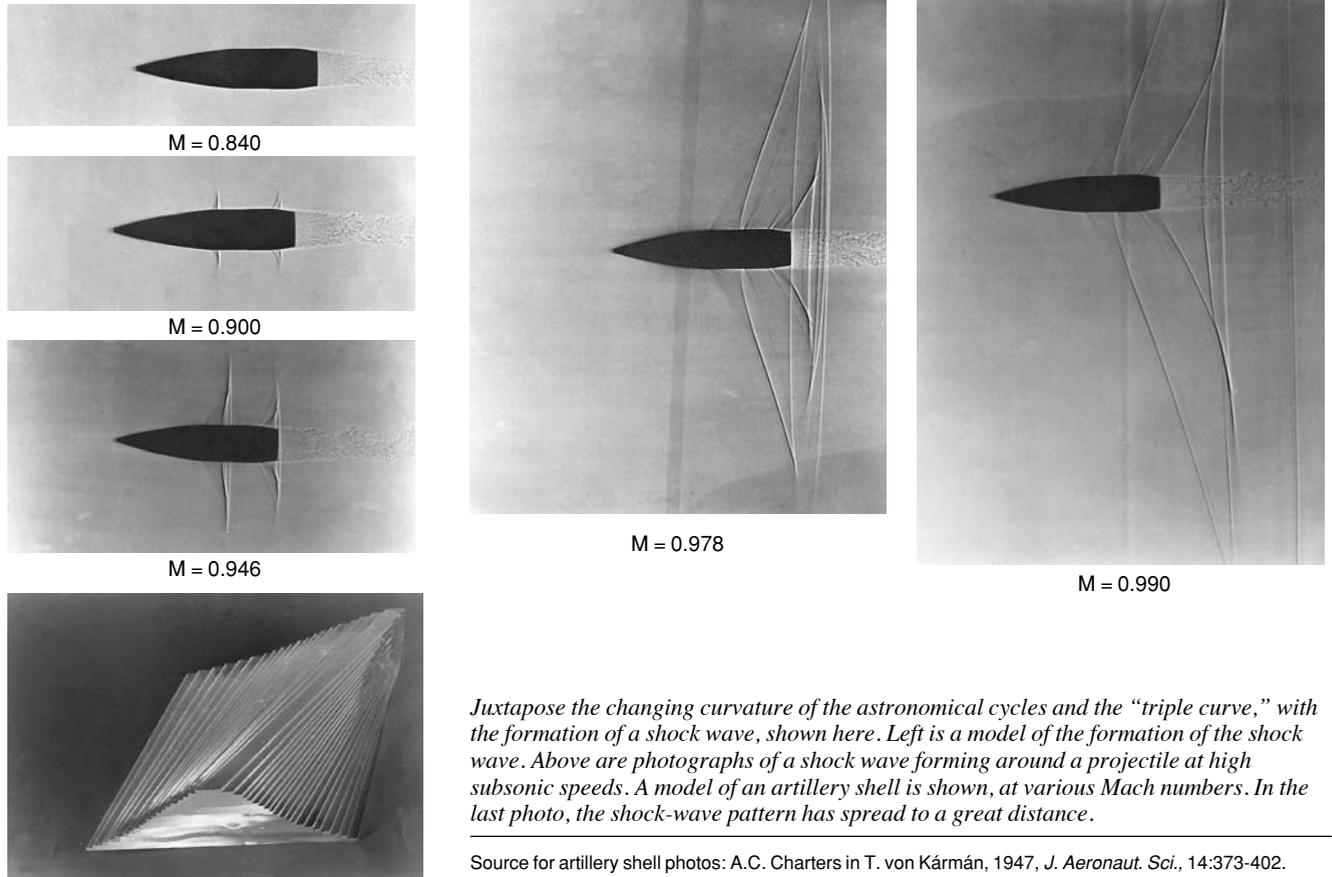


FIGURE 3d

The formation of a shock wave



Juxtapose the changing curvature of the astronomical cycles and the "triple curve," with the formation of a shock wave, shown here. Left is a model of the formation of the shock wave. Above are photographs of a shock wave forming around a projectile at high subsonic speeds. A model of an artillery shell is shown, at various Mach numbers. In the last photo, the shock-wave pattern has spread to a great distance.

Source for artillery shell photos: A.C. Charters in T. von Kármán, 1947, *J. Aeronaut. Sci.*, 14:373-402.

which determines the allowed characteristic ordering of the relatively shorter ones. However, although the momentary effect of the longer cycle upon the shorter, may appear, deceptively, to be so marginally infinitesimal as to be ignorable for all practical intents, it is the enveloping cycle which determines the ordering of the other.

As a consequence of such configurations, the process combining these cycles, will reflect the existence of a non-constant curvature in the very small interval of action, which is characteristic of the interrelations among all of the relevant cycles. Thus, by adducing this tell-tale specificity of non-constant curvature, as in the extremely small, we are enabled to identify the curvature of the larger process in its totality. This was crucial in the method selected by Gauss for his successful adducing of the orbit of Ceres. This was already the astrophysical method developed by Kepler.

This is key to understanding the blunder of Newton's astrophysics. Although Newton derived his "law of gravitation" from nothing but an algebraic manipulation of the same "Kepler's three laws" by means of which Kepler had already defined universal gravitation in his *New Astronomy*, Newton's plagiarism of Kepler in this way resulted in a "three body paradox" for Newton, where no such problem arises in Kepler's approach. The fuller comprehension of this matter waited until the successive work on development of modular functions by Leibniz, Gauss, and Riemann. Already, Leibniz showed, through his emphasis on non-constant curvatures, that the Newtonians' reliance upon blind faith in linearity in the very small, is key for understanding the bankruptcy of Newton's system as a whole.⁴² For our purposes here, it may be fairly said, that the relationships among longer and shorter cycles, as reflected by non-constant curvature in the very small, are the key to solving the conceptual and related practical problems.

Look at the development of human culture from the vantage-point of the determining, subsuming role of very long cycles. In dealing with human cognition, we are addressing something which has probably existed for less than two millions years, not the tens of millions to billions of years associated with long astrophysical cycles. Nonetheless, there is a relevant comparability. Look at this aspect of the matter from the vantage-point of nests of successive Riemann manifolds.

In human existence, it is the principle of cognition, the characteristic distinction of man from beast, which determines a long cycle in human existence as a whole. Cognition, itself anti-entropic in character, introduces an anti-entropic ordering-principle into the marginal directedness of the nature with which man is interacting. Situate this within Riemann's notion of manifolds. *It is the family of anti-entropic "curvatures" expressed within Step Two of the four-step process of cognition, which provides the long-wave characteristic of mankind's successful relationship to the universe as*

42. E.g., the "Monadology," and "The Controversy between Leibniz and Clarke," Loemker, op. cit., pp. 643-653, 675-721.

a whole.

In Riemannian higher geometry, no axioms are self-evident. Even space and time must have an experimental basis. That is, each "dimensionality" of the manifold must be a necessary principle whose efficient existence, as a principle, has been validated by crucial experiment. In that sense, presumably "self-evident" notions of "space" and "time" are replaced by functionally grounded notions of "relative space" and "relative time."⁴³ Each new such principle (e.g., "dimensionality") added to the repertoire, through experimental validation, overturns the previously established manifold of scientific practice, and produces a new, improved manifold. In the sense that scientific progress is ordered, we speak of a series of manifolds of the order . . . , n, (n+1), (n+2), The effect is related to that of adding newly discovered astrophysical cycles to our calculations. The effect is to increase man's per-capita power of action in the universe, that anti-entropically.

It is such orderable successions of manifolds, which correspond to a process of increase of relative "anti-entropy." This is the source of relative increase in physical-economic profitability of economies considered as indivisible wholes. As we noted in connection with the illustrations supplied in Figure 3, although the infinitesimal effect of an added element of non-constant curvature may appear to the careless person to be contemptibly small, it is the cumulative effect of such marginal changes which is ultimately decisive.

In economics, it is the same. In what used to be thought of as "business cycles," the fault in the economic system already existed as an axiomatic feature of the process from the start of the "boom-bust" cycle; it was as the cumulative effect of the faulty feature became relatively large, that the down-side of the cycle became apparent. Return to Table 1 above. In this case, the doom of the system was also embedded from the start, 1964-1972, in the intent to shift away from emphasis on investment in scientific and technological progress, toward a neo-Malthusian utopia of a form which was termed variously a "post-industrial society," an "information society," a "cybernation society," or a "technetronic society."

This latter, 1964-1972 "cultural paradigm-shift," is the most crucial, "long wave" feature of the present global catastrophe. It changed radically the working conceptions of man, nature, and the relationship between the two, at least among the politically, culturally hegemonic strata of the 1964-1972 university-student populations. As these students graduated, to begin their generation's long upward march through the institutions, this cultural paradigm-shift determined, more and more, the kinds of decisions which society would make in response to stimulus. Under that influence, each decision was almost invariably wrong, and, as time passed, the quality of those wrong-headed decisions became progressively worse. So, now we have the systemic crisis which was already inevitable from the beginning, unless we reversed that cul-

43. See Lyndon H. LaRouche, Jr., "The Essential Role of 'Time-Reversal' in Mathematical Economics," op. cit.

tural paradigm-shift associated with the 1964-1972 student youth-counterculture.

Thus, the policy question — “To be, or not to be” — before us, is not, “Which policy shall we choose?” The question is, “What new cultural paradigm-shift shall we choose, to reverse that 1964-1972 paradigm-shift which had done us in?” The answer is: “We must make a revolution!” The question is, then: “Which revolution?” This is the context in which the matter of higher truthfulness confronts us. Smashing shop-windows, fire-hydrants, or household furnishings, is not what we should take the word “revolution” to signify. We should think first, instead, of uprooting from within ourselves, certain popularized, virtually axiomatic assumptions which presently color, for the worse, every policy-decision made; we must purge the old manifold of those axiomatic errors. Then, we should think of the new axioms, which take us to a higher-order manifold.

A new Renaissance

Modern European civilization was proximately the product of western Christian civilization’s long struggle for a form of society cohering with the notion that all persons are made equally in the image of God, a likeness located within the developable powers of cognition whose activity is conveniently typified by valid discoveries of the physical principles underlying scientific and technological progress in the human condition. The near-realization of this goal, appeared, as an outgrowth of the 1439-1440 sessions of the Council of Florence, during Europe’s Fifteenth Century, in the first steps toward a modern nation-state and matching national economy, beginning with a France reconstituted under King Louis XI. This has proven to have been the highest state of mankind in general, heretofore existing on this planet.

However, a flaw developed. The feudal and pro-feudalist classes, chiefly the landed aristocracy and financier oligarchy then centered in Venice, naturally resisted the overthrow of their feudal system, one based in the twin evils of serfdom and “globalism,” by the new nation-state institution. Unfortunately, the treachery leading to the break-up of the crucial alliance against Venice, the League of Cambrai, postponed the unification of Italy until the Nineteenth Century, and allowed the threatened feudal classes to hold onto much of their former power. Today, although landed aristocracy mostly disappeared with the other rubbish hauled out after World War I, the other feudal power, a globalist financier oligarchy, centered in London, continues to squat like a succubus upon national economies, more or less dominating them. There is the deeper problem of modern European civilization. It is the subordination of the physical economy of the modern national economy to the usurious parasite, financier oligarchism, which has been the potentially fatal flaw in the modern state since the dissolution of the League of Cambrai.

The mid-1960s were the occasion for the eruption of a new affliction, the referenced cultural paradigm-shift, a shift largely designed by, and fostered by the financier-parasite

class, the financier oligarchy. This cultural paradigm-shift is the fatal element in the present crisis. However, the solution to the predicament this crisis creates, depends upon establishing submission of the financier-oligarchical interest to the hegemony of the republican form of modern nation-state and modern national-economy, both latter as President Abraham Lincoln would have endorsed this view.

Of this financier-oligarchical class, one is reminded of a public utterance of the late Senator Hayakawa on the subject of the Panama Canal: “It’s ours! We stole it fair and square!” So, although most of the claims of the world financier-class today, are in fact worthless, they are inclined to be passionate about defending their claims to “My money!” It comes to whether the financier-speculators will take their losses “like men,” or whether civilization itself shall survive.

This brings us to a matter of principles. Not programs, but new axiomatic principles, to replace the axiomatic assumptions which have controlled policy-shaping during the recent thirty-odd years. What we must have first, is not a great panoply of blended facts and programs. What we must have first, is a bit of the higher truthfulness which governs the transition from old to better manifolds. We require the adoption of a new array of principles, by means of which we shall compose, select, and guide the implementation of the policies and programs to get us out of the present mess.

The principles required are generally the following three.

1. **General principle:** *We must return to proven principles adducible from the successful practices of the 1946-1959 phase of global economic reconstruction under the initial terms of the Bretton Woods system, viewing this as a system which functioned as a mode of revival of the world’s economy from the combined devastating effects of the 1930s world economic depression, and the 1939-1945 global warfare.* This means abandoning all of the cultural paradigm-shift affecting economy, which has been introduced during the recent thirty-odd years.

Call this a principle of historicity: “Don’t fix what ain’t broke!” The American System of political-economy, as freshly defined by the success of the Lincoln-Carey model of 1861-1876, is the best system ever yet devised, and that by a great margin of advantage. Don’t throw away millennia of developments embodied in the historical foundations for the development of that “model.” Minimize the risk of unnecessary innovation: Use those relevant precedents in international cooperation which were successful under conditions approximating those of today.

So, in general, we must return to the best features of the pre-1966 international economy, including the form of Bretton Woods agreements generally in force during the 1950s. This must be done through substitution of newly created national banks to replace insolvent central banks, that will work. This means limited convertibility of currencies, combined with foreign-exchange controls. It means related capital-movement controls. It means currencies pegged to relatively fixed parities, and a system of finance and monetary relations

which defies markets engaged in financial speculation against currency and financial assets of protected nations. It means a sudden end to “globalization,” and a return to the American protectionist model of increase of the productive powers of labor through investments directed to fostering investment in scientific and technological progress.

2. *This requires eliminating the 1964-1972 cultural paradigm-shift*, returning to the “American System” conception of sovereign nation-state republic and national economy, as understood and practiced by Alexander Hamilton and President Abraham Lincoln, as practiced by President Franklin Roosevelt. This requires, as Presidents Franklin Roosevelt and Kennedy might wish to warn us, that we take on, and strictly regulate the Hobbesian egoism of “Wall Street” and similar factions around the world. This also requires an abandonment of “cultural relativism,” in favor of a return to the principle that truth and justice have common qualities of application for all persons, since all human beings have identical natures, regardless of differences in “ethnic” or cultural backgrounds.

3. *Apart from that which must be purged, or restored, there is the matter of that which is new, that urgent reform which must be added as a needed precondition for successful policy-shaping.* Let us term this “educational policy.”

This is the area of concern on which we have implicitly focussed attention here. The brutish misconception of the nature of the human individual, and of mankind’s relation to nature, which has hitherto prevailed, whether in feudal society, in so-called “capitalist” states, or so-called “socialist” states, has a quality which varies only from bad to worse, both in today’s economics textbooks and in related, recent notions of policy-shaping among governments. This defect is functionally related to absurd theories of profit, or, in the case of the writings of Karl Marx and his students, “theories of surplus value.” Whence does the “more” come?

As we have indicated here, the clearest evidence of what a society thinks of the nature and value of any person, is revealed by the way in which it educates the relatively “most disadvantaged” strata of the population. Does it educate in ways which foster the development of those kinds of cognitive potentials which are the source of all valid discoveries of physical principle? If the society does not do that, then it is dehumanizing those strata of the population, and is expressing doubt about its belief in the actual humanity of any part of its total population.

View the matter in the following way. Begin where each new adult generation must begin, with education and related nurture.

In a competent education, the pupils relive a carefully prepared selection of crucial original discoveries of principle from the past. This reaches as far back as history, and a bit longer. To understand anything at all about modern European branches of culture, one must emphasize Classical Greece and its historical and prehistorical situation. They relive the

act of original discovery of each of these ideas, in a certain succession, a succession which reflects the way in which a preceding array of known discoveries of principle create the preconditions for the addition of each new discovery. This education, up through secondary years, includes mathematics and physical science, history and geography, and Classical art-forms. Nothing else is essential.

What we have produced among such pupils, by such methods, is a “world-historical individual,” one who consciously embodies the reliving of crucial moments of discovery of ideas of principle, of many societies up to his, or her time. Many of these discoverers that pupil knows by name, has even relived the most intimate moments of their living thought, in reliving the relevant discoveries, and knows something of the circumstances of the society in which each discoverer worked and lived. The pupil embodies a significant essential portion of the history of ideas. The imagined faces of those discoverers haunt that pupil, faces which form an essential part of the pupil’s moral sense. The pupil thinks, “What should I become?,” and imagines the faces of the unborn, smiling or frowning upon the work that pupil will have done before he dies, as part of his vocation. Thus, the past, the present, and the future live within that pupil. He does not come into life, and depart as animals do; he is a living extension of the past, and of the future.

The pupil has an additional quality: by reliving many acts of validated original discovery, that pupil has learned to create, as valid discoveries of principle were created by the great discoverers earlier. This pupil can do what the culture so acquired equips the pupil to do, and a bit more.

We must start by creating such matriculated pupils, such young “world-historical” personalities. We must afford them the opportunity for the kinds of employment which befit the world-historical personalities education has enabled them to become.

We must end the disgusting arrangement, in which there is a dichotomy between “working for a living” and the fulfillment of the individual self as a world-historical personality in the sense just described. To this end, the object of society must be the production of personalities of such qualities, providing them the challenge of opportunities to serve the needs of humanity in a manner consistent with the work of such a world-historical personality.

This is no hype. Look at the nearest economics textbook. Examine the relevant debates in Congress and the press. Where is there any consideration of the humanity of the individual person in those places? “How to make a profit,” one says. That man is a liar: he is studying how to grab a profit, whether or not he does anything actually to earn it. Some say, it is done through “hard work;” but, what about the quality of the product? Where is the actual human in such shaping of economic policy? Where is there any recognition of the requirements of that cognitive process, on which the survival and progress of that society depend? The very fact that one

thing consistently omitted from the economics textbooks and economic-policy debates is the subject of that cognitive process on which true profit depends, is the most revealing symptom of what went wrong in our economy, not only during the recent thirty-odd years, but also earlier.

If any reader was engaged in selecting from prospective employees for placement in industrial production, during the years of World War II or later, or skilled crafts, he, or she will recall the functionally important, often great, difference in quality between two prospective employees, each from 1930s-Depression-related, relatively deprived economic household circumstances. The difference lay in the quality of culture in that household. Classical artistic culture, together with a science-oriented intellectual life in that household, meant a superior cognitive potential over the prospect whose family rearing and personal habits were of a more banal quality of "popular culture."⁴⁴

How could destitute populations have risen to the challenge of progress? We find the answer not only in what the Classical Greek tradition established as modern European Classical culture, but also in those, relatively less developed forms of artistic expression which tended toward the same result, as Haydn, Beethoven, Brahms, and Dvořák pioneered in treating the folk-song, including the American Negro Spiritual, from this standpoint. Get free of the concept-free orgies of pornography and senseless violence which dominate Hollywood's and the rock stage today; get back to Classical conceptions of drama, poetry, music, and plastic arts, which we of European culture trace chiefly to origins in Classical Greece, and the impact of the Fifteenth-Century, Florence-centered European Renaissance. It is the development of the cognitive qualities of the individual personality, not merely the education of the formal powers of the intellect, but also the civilization of the passions, which produces a high quality of individual human being.

Today, if we are to uplift the increasing ration of our own population which are driven to, or over the verge of bestiality, by recent cultural trends, and if we are to hold out for realization of the economic and other human potential of the great masses of people in the "disadvantaged" regions of this world, it is the quality of development of the cognitive, and moral qualities of the individual, which is key to transforming peo-

44. There have been relatively few cases of encounter with a truly productive scientist who was not more than casually involved in Classical musical culture, and, also, tended toward other expressions of Classical art. Anyone who has done actually creative scientific work, as described by the four-step process referenced here, has often relied upon Classical musical compositions of such as Bach, Mozart, Haydn, Beethoven, Schubert, Mendelssohn, Schumann, Brahms, et al., to bring one mind's into the order required for entering into the "Step Two" phase of the process of discovery. All persons are equally endowed, by their nature, with a developable creative potential for replicating and originating such discoveries, but those who have a Classical artistic education are, with few exceptions, far more gifted than those who have been steeped in "popular entertainments," instead.

ple from the relative depths of impoverishment, into a highly productive labor-force.

We must rid the nation of that Moloch of legendary Wall Street, which grinds up people, their health-care, and their pensions, all for the sake of a profit which Wall Street claims as its lawful prey, but never actually earned. We must end the delusion that growth is fostered by nothing so much as buying cheap and selling dear. We must insist on the quality of education, of economic determinants of family life, and productive employment opportunities, which are consistent with the kind of individual personality to whom we wish to bequeath our nation and future humanity as a whole. Only if we can mobilize the imagination of the best strata of citizens around this third, human requirement of our three-point policy, are we likely to succeed. This is no mere sentiment; it is a crucial hard fact to be faced.

We must bring to an end, the presently prevailing nightmare, of a pursuit of momentary pleasure which produces no happiness. We must steer the nation, and world, into the kind of economic development which offers each individual person, in our U.S.A., and throughout this planet, the possibility of that meaningful, and therefore happy life, of a person who knows that he or she is both a "world-historical" personality, and is happily acting so. That is something which inspired people will work hard to make come true.

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The lessons of Classical tragedy for today's crisis

by Helga Zepp LaRouche

Mrs. LaRouche is the president of the Schiller Institute in Germany, and chairman of the advisory board of the Schiller Institutes internationally. The following is the keynote speech given by her to a conference of the Schiller Institute in Bad Schwalbach, Germany, on Dec. 13, 1997. Subheads have been added.

I want to speak to you today about the present as tragedy, and I welcome you, dear honorable guests, and dear members of the Schiller Institute.

There is no question, that we are living today in an ongoing, unprecedented crisis of civilization. This period is one with the most profound changes in all of history. We are, right now, possibly, living in the last days of a self-doomed world order. And, in my personal view, the most horrifying aspect of what is unfolding in front of our eyes every day, is the incredible blindness of almost everybody in positions of power, in positions of government, about the approaching monstrosity—that which we can feel and see on the horizon, which is coming, and to which the governments are blinding themselves, and are not reacting.

Most of our statesmen in positions of power are, at best—and I say, *at best*—tragic figures of the type of Hamlet or Wallenstein. At least, these people, who have the character of a tragic nature, are struggling with the apparent antinomy of power and justice. And those better ones, at least, torment themselves about the conflict between the limitless privilege of a few, and the suffering and dying of millions of people. It seems to me that [Czech] President Havel has become such a figure, though he is not saying anything different than we have been saying for the last five, six, or seven years; but, at least he's saying it now. What Havel said, is that many people in the Czech Republic believe that power is again in the hands of those for whom their own well-being is more important than that of the general population. This recognition is not enough: It is the first step, but now action has to follow, which makes it efficient.

The problem is, however, that most politicians, most leading government offi-



Helga Zepp LaRouche speaks at the Schiller Institute's conference in Bad Schwalbach, Germany, Dec. 13. The great tragic works of Aeschylus, Schiller, and Shakespeare, she said, show us the way to deal with the crisis mankind now faces.

cials, are not even on that level. They are behaving more like the stupid captain on the *Titanic*, who believed the propaganda of his masters, that the ship he was in charge of, was unsinkable. So, because of this propaganda, this stupid captain ordered his crew to put the ship on maximum steam, in an area where it was commonly known that icebergs were floating around, and then this captain went to sleep. Lo and behold! The ship hit an iceberg; because the ship was going at such a high speed, it ripped into all the different compartments of the ship, and, naturally, it sank. And, because there were not enough lifeboats, many people—the captain, passengers, crew—died.

This was completely unnecessary, because everybody could have been saved. There was no stormy weather, or other impossible conditions. Yet here you have a case where a whole ship goes under, because they stuck to their wrong ideology.

The global financial crisis

We are not only confronted, right now, with a systemic, global financial crisis—and this financial system is disintegrating by the day; but, at the same time, we are faced with a gigantic moral and cultural crisis, which is smashing country after country. I just want you to think about what has happened in the last year: Albania; North Korea—a whole country starving; Zaire-Congo—torn apart in a horrible war of aggression. The established foundations of many societies are being shattered. The lives and livelihoods of hundreds of millions

of people are being destroyed around the globe. And this is only the beginning. With the ever-faster-following catastrophes to the global financial system, ever since late October, no politician has the right to be stupid about the dimension of the problem, and to believe that the line of the IMF, or the media for that matter, is true, namely, that the system is sound; that the crisis in Southeast Asia will not reach the United States or Europe.

The events of these days totally confirm Lyndon LaRouche's forecast in February of this year, that there would be a systemic crisis of the financial system, no later than October. The sequence of the seismic shocks grows faster and faster. You have desperate attempts every day, to bail out one country or another, with so-called IMF packages, many times now in the two-digit billion figure, combined with absolutely brutal austerity measures; and then, within weeks, or within days, the crisis breaks out again on a higher level. As long as this foolishness continues, the crisis will get worse and worse.

As of now, the policies of U.S. Federal Reserve Chairman Alan Greenspan, and the director of the IMF, Michel Camdessus, are to go for a hyperinflationary bailout of the totally bankrupt banking system. And, they are doing now what was exactly the cause of the hyperinflation in Weimar Germany between 1922 and '23. The only difference is, this time it is not only one country, but it is the whole world. And, you all remember what happened in 1922-23: In one and a half years, one pound of butter, one pound of meat, went from 5 marks, to a trillion marks. And then, the system simply stopped, out

of its own absurdity.

This time, this is happening in Southeast Asia, Latin America, eastern Europe, Russia. Plus, you have the added impact of the \$100 trillion equivalent of the derivatives bubble. This time, however, the danger is that you will reach a breakdown of the system, not over the span of one and a half years, but condensed into a few months or weeks.

IMF policy in Asia

Last week, the IMF announced the biggest bailout package in its history. South Korea was supposed to get \$57 billion; but less than a week after that, the South Korean finance minister admitted that the total short-term debt of South Korea, unfortunately, was \$100 billion, and, therefore, the package had to be doubled. The South Korean banks, alone, in June, already had a debt of \$116.8 billion, plus \$50 billion for their foreign subsidiaries. At that point, the foreign exchange reserves of South Korea were \$30 billion; it was already down to \$5 billion last week. So, South Korea, in all likelihood, cannot be saved with \$100 billion; the figure that is being

talked about behind the scenes, is \$200 billion! Just in the last four days, except Friday, the South Korean currency, the won, collapsed by 10% every day; and the only reason that it did not collapse more, is that there was a limit put by the banking system, and they stopped trading after that limit was reached. So, the won lost 40% in four days; on Thursday, it lost 10% in *four minutes!* And then they closed down trading. The won lost 88% since the end of September. That means nothing else, than that the entire foreign debt of South Korea is 88% times more expensive, and therefore, practically unpayable.

Similar situations have occurred in Indonesia, where the rupiah lost 38%; the Thai baht lost 18%; and so forth and so on.

Obviously, Japan is intensely tied to the Southeast Asian crisis. The Japanese banking system officially has a bad debt of \$1.5 trillion, and they will need, at a minimum, between \$0.5 trillion and \$1 trillion — maybe \$1.5 or \$2 trillion — to be bailed out. The IMF was supposed to announce a bailout package on Thursday, on Friday, and now, maybe next week — who knows?

Havel on the cultural roots of the political crisis

In a speech before Parliament in Prague on Dec. 9, 1997, Czech President Vaclav Havel issued a scathing indictment of what he called the “post-communist morass” which has engulfed the nations of eastern Europe under the International Monetary Fund’s free-trade policy. While much of his criticism



would be rightly taken as an attack on the ultra-monetarist Vaclav Klaus, the former prime minister whose government fell over the weekend of Nov. 29-30, Havel’s analysis has more general application — attacking the separation of politics and economics from morality, a separation which dominates the entire world scene.

“Fascinated by our macroeconomic data,” he said, “we disregarded the fact that these data, sooner or later, reveal also that which lies beyond the macroeconomic or technocratic perception of the world; . . . the moral order behind that system of rule, that is essential for making the rules work; a climate of coexistence. The declared ideal

of success and profit was turned to ridicule because we allowed a situation in which the biggest success could be achieved by the most immoral people, and the biggest profits could go to unpunishable thieves.

“Paradoxically, the cloak of liberalism without adjectives, which regarded many things as leftist aberrations, concealed the Marxist conception about a foundation and a superstructure: Morality, decency, humility in face of the order of nature, solidarity, regard for those who will come after us, respect for the law, a culture of human relations, and many other things were relegated to the realm of the superstructure, and slightly derided as merely the ‘seasoning’ of life — until we found there was nothing to season: the foundation has been undermined. It has been undermined because — the atheists among you will forgive me — it was not developed in a rigorous climate of the divine commandments.

“Intoxicated by power and success, and fascinated by the discovery, or rediscovery, that a political party can be turned into a marvellous springboard to start up the career ladder, many began — in an environment that took the law so lightly — to turn a blind eye to this and that, until they were faced with scandals which cast doubt on the principal reason for our pride — on our privatization. Human beings are social animals who feel a need to form associations and to take part, even if only from within their own small worlds, in the management of public affairs and in the pursuit of the universal good. This, too, was somehow forgotten: Under the motto ‘the citizen and the state,’ the citizen was thrown into hopeless isolation. . . .”

Russia: the bankruptcy of a superpower

A case which is maybe even more horrifying, is Russia, which is, according to the economist Sergei Glazyev, de facto in a condition of state bankruptcy. The former economics minister, [Yevgeni] Yasin, already last week said that Russia was in a state of financial disintegration, and that they are now seeking a bailout package from the IMF, like South Korea. The problem in Russia, is that the budget is completely out of control. Tax collection is practically at a standstill, because the regions don't see much reason to pay a central government which is clearly not doing anything for them. There is an absolutely desperate effort, just to make it through this month.

How much do you think it will cost to bail out a former superpower? Do you really think that you can solve the gigantic problem of Russia, with an IMF package of \$10 billion, or \$50 billion, or even \$200 billion?

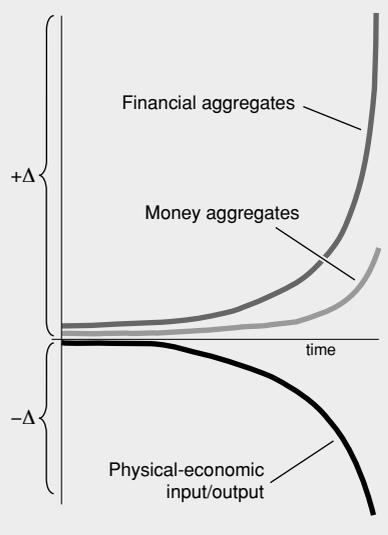
On the crisis in Russia, I want to just give you one sensuous predicate. Prof. Murray Feshbach, who is a professor of demography at Georgetown University, just travelled to Russia, and came back and gave a press conference in Washington, where he gave the following, incredible details: Not only is there a gigantic decline in population (the Russian population is shrinking by 1 million people per year, because the death rate is increasing, and the birth rate is collapsing), but the condition of the population is not less horrible. There is an incredible spread of disease, and of physical deformation, as the result of untreated diseases. Syphilis and gonorrhea, which were treatable diseases, are now spreading, and are not being treated, and the problem is, if they are not treated, they lead to heart disease, and if women have them, their children will be born with brain damage and mental retardation. If the existing AIDS cases were treated, this would require \$7.5 billion by the year 2000, and, under present conditions, this money is absolutely not there. Only 38% of Russian newborn children do *not* have serious health problems. Sixty percent of all children have serious vitamin deficiencies; 30% of the draftees in the Army have psychological disturbances; half of them are mentally retarded. By the year 2000, the drug-resistant form of tuberculosis will have taken over, according to this professor. By the year 2010, if you project current trends, the deaths will have increased 70-fold, and the deaths of children will have increased 90-fold.

This is *without the collapse*. I say this to you, so that when you hear these figures—when Mr. LaRouche talks about a collapse of civilization into chaos like the Middle Ages, or into horrible barbarism, it is not very far away.

After this press conference, a representative of *EIR* asked Professor Feshbach, "Isn't the conclusion, therefore, from what you have presented here, that shock therapy has led to a veritable genocide?" The professor said, "The simple answer to your question is, 'Yes.' " Then, he told us that he told this whole story to an adviser of President Clinton, and this adviser, he said, "just looked at me and said, 'Murray, go home.' "

So, it will take an enormous effort to stabilize that situa-

FIGURE 1
A typical collapse function



Lyndon LaRouche's "triple curve" schematic illustrates the effect of IMF shock therapy on the economies of South Korea, Mexico, and other nations.

tion. Many people in the West have expected that the Russian population, at a certain point, would revolt against this incredible rape and aggression, and it may very well be that this desperate financial situation and the collapse of the Russian banking system will push the situation over the edge. Can you imagine what the consequences would be, if Russia falls into anarchy? What would happen to world peace?

Explosive consequences

Remember Lyn's "triple curve" (Figure 1). Every time the IMF imposes its conditionalities, as it has just done in South Korea, it demands large shutdowns of the physical productive capacity. Like in the case of South Korea: Even with the package of \$57 billion—which, as I said, is not the end of the story—they demanded that 900,000 jobs be cut! Now, that means—on the lower curve, the amount of productive capacity—another downturn, further momentum of destruction of physical capacities. In less than two and a half months, 88% of the won's value collapsed, which means an equivalent increase in the foreign debt service.

Even the ILO, the International Labor Organization, in Geneva, announced that this means catastrophic social consequences for South Korea, and Asia in general. They noted the fact that Asian societies have only very rudimentary social security systems. And therefore, one has to expect that if you cut jobs, if you cut living standards, if you cut production like this, it will lead to very grave social tensions. You should remember that South Korea was a nation formed in war. It emerged in the period between 1949-52; in the Korean War, '54; and it was in a state of war-readiness until the '80s. And now, there is an all-out attempt to destroy the country. Don't

you think that the military, and other institutions of Korea, will offer a strong resistance?

There is, fortunately, very strong resistance emerging, in many countries, like, for example, in the case of Malaysia, where Dr. Mahathir has taken on the speculators. And, just now, at the conference of the Organization of Islamic Conference in Teheran, Mahathir not only attacked the international speculators, who, in just a matter of weeks, ruin countries' efforts to build themselves up, which took 40 years; but further, he linked that—and that is very important—to the fact that it is London which is harboring international terrorism.

Now this resistance which we see now, grouped around Mahathir and others; in Latin America, especially President Fujimori of Peru—this is also supported by President Jiang Zemin. As a matter of fact, China is probably one of the most important countries in this present configuration. The Chinese Communist Party Central Committee and the State Council just had a conference on the national financial situation in Beijing, at the end of November, at which they basically discussed how, in light of the financial crisis of Japan, the bubble economy in Japan, the Mexico monetary crisis, and the monetary crises in Southeast Asia—how they can guard China against monetary risks.

So, there is, without any question, strong resistance. But these are all extremely complex processes, and it is not possible to put simple labels on them. But as of now, we are heading toward hyperinflation: Whenever they pump in liquidity, you have a rapid, sudden surge in the increase of money supply, which is the middle curve. For example, in one week, between Dec. 3 and Dec. 10, according to financial columnist John Crudele in the *New York Post*, in less than a week, the Federal Reserve injected \$10 billion into the banking system: 10% more money supply in 13 weeks. So, every time they pump in money, the middle curve goes up, and consequently, the financial aggregates, which is the speculative bubble on top of that, also go into an even steeper upward slope.

This is going on around the world, and that is the policy of the governments. As the *Neue Zürcher Zeitung* wrote on Dec. 10, the monetary authorities today are much wiser than they were in the banking crisis of the 1930s: They knew how to open the financial sluices widely, when there is a risk to the banking system. We should also remember that already in the spring of 1995, the *Neue Zürcher Zeitung* had written in an article that it is Swiss central bank policy that if a so-called danger of a financial meltdown would occur, the central bank of Switzerland would just print money, regardless of the social and political consequences.

The looting of Ibero-America

Now, let's take a look at the Latin American situation, of which Brazil, right now, is the most explosive case. The nature of the crisis is exactly what sent the famous Mexico crisis into motion in 1994, and the Brazilian government is committing the same stupidity, but obviously the world is in a much worse

condition today. Brazil probably has the largest foreign debt: more than \$200 billion; Mexico also has more than \$200 billion. Brazil, at the end of 1997, has \$320 billion combined foreign and domestic public debt. What is interesting is the amazing rate of change, because in 1996, it only had \$210 billion public debt, and in 1997, \$320 billion—which means a 57% increase in one year. The monthly rate of increase of public debt in Brazil alone is plus \$10 billion.

There is right now a gigantic effort, by the international financial oligarchy, to force governments around the world to privatize their state-owned assets, to use the cash they make from the selling of these assets, to try to feed this debt monster. Brazil did that: They sold 30% of the CVRD, which is the largest iron-ore producer in the world, called Vale [Companhia Vale do Rio Doce]. They sold 30% of this for \$3.3 billion, in May of this year. That means that they sold one-third of their most important physical asset, for the amount the public debt increases in ten days! They would have to sell this Vale 37 times, to cover the debt increase of only one year!

The reason Brazil has such difficulties, is that, because of liberal policies, they had a current account deficit, through a trade deficit and other reasons, which, up to now, was kept covered with a lot of speculative capital coming in. They wanted to attract hot money through high interest rates, but, when the crisis began, they decided to make the same mistake that Mexico did, to use their foreign reserves to defend the currency, the real; they lost, in a very short period of time, \$10-15 billion, and now they have only \$50 billion in reserves left, out of which \$35 billion do not even belong to Brazil—these are monies which foreign investors have invested in the Brazilian stock market. It's so-called "motel money": money which comes in overnight, stays at a motel, and leaves the next morning, if it so pleases. They have increased the interest rate to 40%, to attract foreign investment. But what do 40% interest rates do to the physical economy? If this keeps going for only a couple of months, the physical economy of Brazil will be thoroughly destroyed.

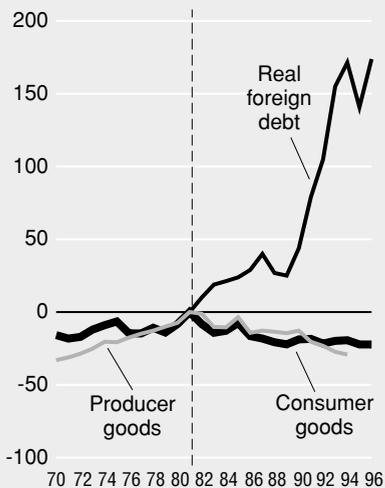
And, like Mexico did in 1994, they are now starting to issue dollar-denominated government bonds, which, in Mexico were the so-called *tesobonos*, which was exactly what blew out the Mexican banking system in 1994. These dollar-denominated bonds are equivalent to the GKO's in Russia, but the difference is that in the Russian case, at least there is a requirement for 30 days' notice, so that if speculators want to pull out, they have to announce 30 days ahead that they are going to do this, whereas in Brazil and Mexico, these monies can be pulled out at a moment's notice.

The government, therefore, is right now planning to deal with the crisis by handing over the national assets to the international financial oligarchy. They already sold \$18 billion worth of such assets. They plan to sell another \$80-85 billion in the next three years. But whenever the stock market crashes, these assets get devalued, and therefore, they have less to sell.

You have to understand that these assets are the hard core

FIGURE 2
**Typical collapse
 function (Mexico)**

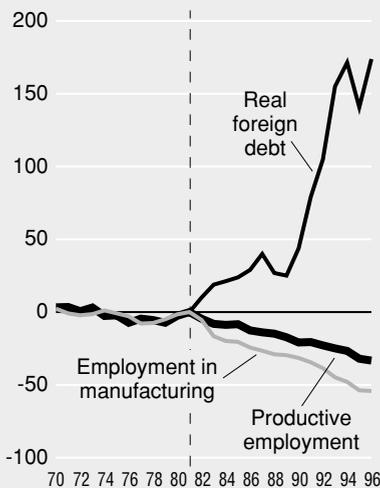
(index 1981=0)



Sources: FAO, ECLAC, UN, World Bank, INEGI, BdM, Conapo, SEMIP, SARH, SHCP, Secofi, EIR.

FIGURE 3
**Typical collapse
 function (Mexico)**

(index 1981=0)



Sources: FAO, ECLAC, UN, World Bank, INEGI, BdM, Conapo, SCT, CFE, SEMIP, SARH, SHCP, Secofi, EIR.

Now, let's take a look at Mexico, because Mexico is being peddled by the IMF as a success story. The *Wall Street Journal*, just yesterday, said, "Look at Mexico, how they dealt with the crisis." That takes some nerve. Since 1981-82, when the Mexican economy peaked, there has been a 30% collapse of the Mexican economy (Figures 2 and 3). This is the triple curve for Mexico, and you can see the collapse of the situation. Mexico today has 50% unemployment—this is a figure given by the official trade unions. Fifty percent! Since December 1994, Mexico lost 5% of its industrial capacity. Since the blowout in December 1994, the Mexican government institution called Fabaproa made a bailout of the banks of \$45 billion, which is about 11% of the GNP of 1997, to cover the nonperforming debt. So, they cleaned up the banks, and after they had cleaned them, they sold them to foreigners. On top of that, they reorganized \$28 billion in bank loans to individuals, through a

of what actually makes a national economy. Vale is to Brazil, what Gazprom is to Russia: It is the most important center-piece of the national economy.

There is right now, a major effort by the Hongshang bank, by George Soros, by NationsBank, by the British, to buy up CESP, which is the largest electric utility company of the state of São Paulo. They produce 14% of the electricity of all of Latin America. They want to basically free it of debt and then sell it for \$20 billion. *Fourteen percent of the ability to produce electricity for all of Latin America, is supposed to be sold for \$20 billion, in the face of this amount of debt?!* The Brazilian President, Cardoso, was just in London and Cambridge, and was honored there. In a speech, he was called "Plato's ideal ruler . . . the Julius Caesar of Brazil." Cardoso said in response, "Cambridge is the essence of what we have to gain." Now, if you don't have a case of a British agent here, I don't know what is one!

It is most interesting that the same week, Cardoso made such a shameful appearance in London, that the former President of Brazil, General Figueiredo, signed the open letter to President Clinton for Lyn's exoneration. That reflects how "down to the knife" this battle for the nation of Brazil has become. The situation is so volatile, that Brazil could go within a week. If the hedge funds decide to attack Brazil, as they did in the case of Malaysia, or the other Southeast Asian countries, Brazil could go, like Malaysia, South Korea. Remember that the Brazilian economy is *half* of Latin American industrial capacity.

mechanism called UDI, a kind of accounting unit.

So, if you look at the Mexican case, only 27% of the Mexican banks' loan portfolios were solvent; three-quarters of the Mexican banking system blew out. Did that help Mexico? No! In 1994, the Mexican official foreign debt was \$136 billion, and in addition, there was \$76 billion in de facto foreign debt, because that could be demanded to be sold at any moment. So, before the explosion in December 1994, you had \$212 billion in real debt; in 1995, you had a slight contraction, because of the blowout of the system, so it went down to \$188 billion. But already in 1996, the debt went up to \$214 billion, being bigger than before the explosion (Table 1). And now, in 1997, the total debt of Mexico is about \$250 billion, a lot of which is short-term.

Obviously, this means that the middle curve has become much steeper; the bottom curve has collapsed by one-third, and, of that debt increase, basically from 1995 to 1997, a lot was used for the bailout of the banking system. So, the bad debt of the banks simply is now the debt of the government, and they sold the banks off, gave it to foreign investors.

President Zedillo, at the APEC conference in Canada, urged Asian nations to act quickly. He said, "You have to bite the bullet immediately; you cannot fool around even for a few weeks. With a financial problem as big as we had, and as big as it seems to be happening now in some Asian countries, you have to show strong support for the domestic banking system." He added that you have to adjust expenses, you have to raise taxes. This will be very unpopular with the voters.

TABLE 1

Real foreign debt

(billions of \$)	1993	1994	1995	1996
1) Public foreign debt	84	89	118	112
2) Private foreign debt	35	47	41	68
—owed by banks	20	25	21	?
—owed by companies	15	22	20	?
Official foreign debt (1+2)	119	136	159	180
3) 'Internationalized' internal debt*	26	32	5	3
—foreign-held Cetes, etc.	25	4	3	3
—Tesobonos	1	28	1	0
4) Foreign holdings in the stock market	55	44*	25	31
De facto foreign debt (3+4)	81	76	29	34
Total (1+2+3+4)	200	212	188	214

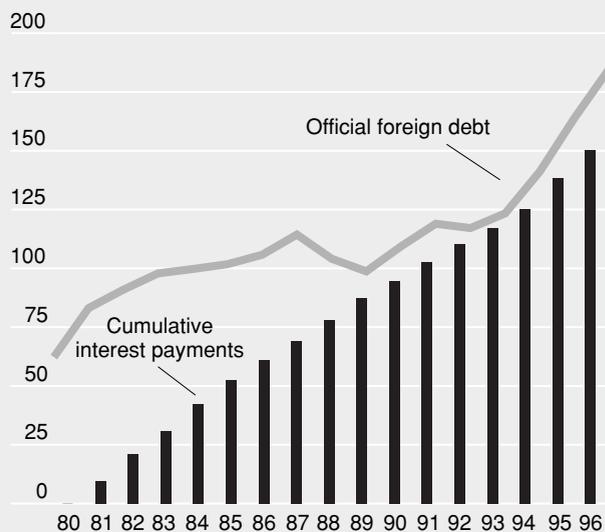
*as of Dec. 15, 1994

Sources: World Bank, ECLAC, BdM, SHCP, Secofi.

FIGURE 4

Foreign debt and interest payments

(billions of \$)



Sources: World Bank, SHCP.

Unfortunately, “the common man in the street thinks that only the bankers are being saved, but that’s not true,” Zedillo argued.

Well, it is true! What else is true? The most important thing for these people, is to save the banks, to save the foreign owners, and it doesn’t matter to them what happens to the people, what happens to the national economy. Saving the banks: that is the issue. This is the increase in foreign debt and interest payments (Figure 4). And this, keeping in mind that you have 50% unemployment, which is not in this figure, but there is an equivalent increase of the people who are living in the *maquiladoras*. So, of the few people who have jobs, nearly 40% are living in the *maquiladoras* (Figure 5), which means they have a pathetically low caloric intake, not much better than the level of the concentration camps of Nazi Germany.

So, saving the banks is genocide. But this has come to an end, and it doesn’t work anymore. As the South Korean case demonstrates, or Japan, or Russia, all these efforts to bail out the situation just mean a new round. The maelstrom is still spiralling, and there is no bottom. The only thing which can happen, is that the governments, very quickly, put this bankrupt financial system out of its misery, or, you will have a dissolution, a disintegration of the system, in the way it happened in 1922.

Roots of the crisis

How did the world come to this point of terrible crisis? If you want to find a solution, we have to find the source of the sickness.

The reasons for the present crisis are not to be found in economics; they are the result of the paradigm shift that occurred approximately 30 years ago: the introduction of a whole bunch of new axioms of thinking.

After the Cuban missile crisis, the financial oligarchy came to the conclusion that they could afford to have a post-industrial service economy, a service-sector economy, where industries are no longer necessary; because they thought that a big war with the Soviet Union would no longer be on the agenda, they started systematically to go for these kinds of changes. This was the time when the sex-drug counterculture was introduced, and a lot of ideas like globalization and so forth started to have an impact. Like “dumbing down” the youth; if you give youth access to ever-more-satanic rock music, if you dump LSD, marijuana, Ecstasy on the markets, people’s brains tend to become dysfunctional. This all led to the Baby Boomer cultural paradigm shift. I will not talk about that, because I am absolutely certain that Lyn will talk about it at length tomorrow.¹ I only want to mention that in Germany, it was the values of the 1968 generation.

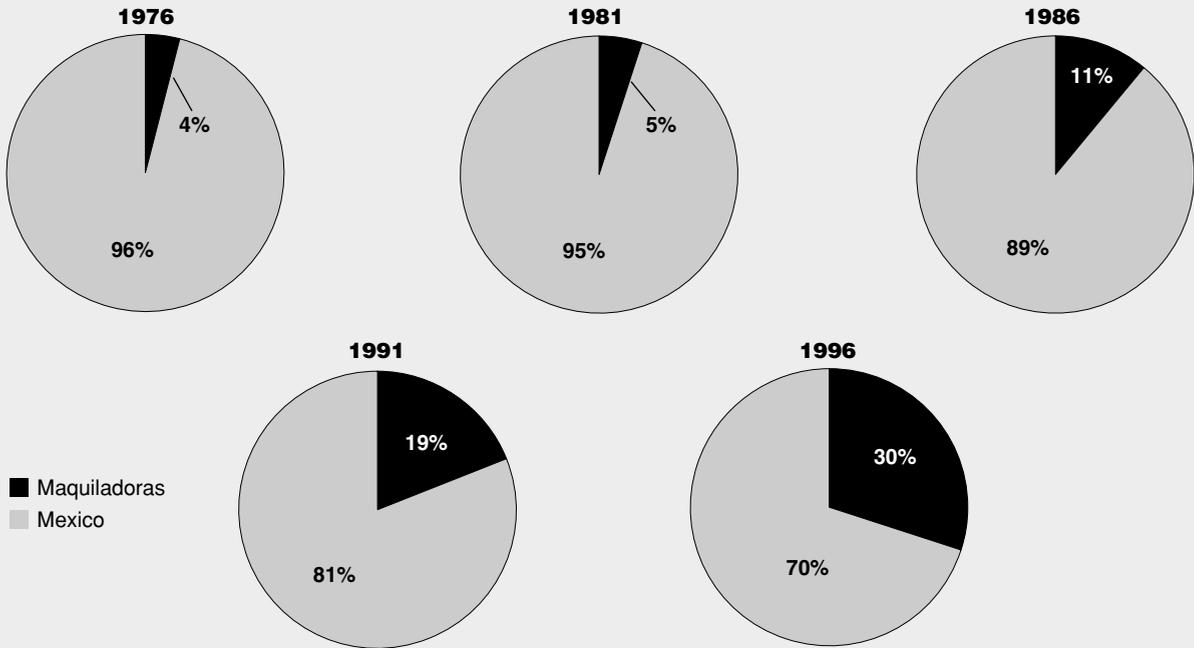
Now, the irony is, that if you look at the so-called Revolution of ’68, a lot of these students were influenced by Maoist ideas, or, more precisely, the ideas of the Cultural Revolution in China. This was characterized by a violent hatred against scientific and technological progress; it later became the ecologist movement. These people, the ’68ers, started their “march through the institutions,” and they are now in posi-

1. See Lyndon H. LaRouche, Jr., “The Comet of Doom,” *EIR*, Jan. 2, 1998.

FIGURE 5

Employment in maquiladoras

(% of total employed in manufacturing)



Sources: INEGI, EIR.

tions of power. The problem is, that while China has successfully gotten rid of all this, and they now regard the values of the Cultural Revolution as the darkest period of China’s recent history, and have abandoned it; they have successfully replaced it with the theory of Deng Xiaoping, and have gone back to the idea of scientific and technological progress—yet our people, the ’68ers, who have successfully marched through the institutions, are now the “Enkel Generation” in the Social Democratic Party, the “grandchildren’s generation.” And [Chancellor Helmut] Kohl, who always talks about the “grace of late birth,” “*die Gnade der späten Geburt*” [meaning born too late to have been able to take part in the Nazi crimes]—that makes him an early ’68er too, at least judging from his policies.

The problem is, that this ’68 generation has rejected, and is still rejecting, everything that was the basis for the reconstruction of Germany after the war. If you think back, to how Germany was able to rebuild itself from the rubblefield at the end of the Second World War: It was through scientific and technological progress; it was through state banking, like the Kreditanstalt für Wiederaufbau. It was especially the Humboldt educational system, which at least taught people some basics of what it means to be a state citizen; obviously, the Brandt reforms took that away.

The source of the sickness in the economy is not the econ-

omy: It is this change of values, which has led to a situation where politicians who have grown up in this period have tended to make wrong economic decisions, which have led to this destruction. So, it is not the ideology as such which necessarily has this economic result, but it influenced these politicians to again and again go for the wrong solutions.

Therefore, unless we have a very radical change, and abandon all the values which came with the ’68 generation and the paradigm shift of the ’60s, this world is going to be doomed.

What must be done

The kinds of policies which have to be implemented, we have elaborated many times, and therefore, I only will mention them very, very briefly.

The only solution to this situation is that President Clinton conducts an international emergency summit, to which he invites other countries, especially countries like China, India, other large countries, and those other countries that want to participate. In an emergency meeting one fine weekend, he declares the present banking system to be bankrupt; he announces the decision to establish a New Bretton Woods System, Bretton Woods II, based on more just principles, and then basically says that the global reconstruction of the world economy, with the centerpiece being the Eurasian Land-

Bridge, is the necessary focus of such a reorganization, meaning that a crash program would be implemented to unleash the productive potential of all countries in the world, to go for full productive employment, and then push through infrastructure projects, economic development, in all parts of the world, from Eurasia, to the Middle East, into Africa, into Latin America, and reconstruct the world, with the same kind of effort by which Germany was rebuilt after the war.

A very important step in that direction was made, when President Jiang Zeming visited the United States at the end of October, and agreed on a strategic partnership with President Clinton. This was very important and necessary, but unfortunately, as I and some members of the Schiller Institute were telling people in China in September, the dimension of the crisis is such, that it is simply not enough to do something positive and then do nothing after that for five weeks! What counts right now, is momentum! And that is the big problem.

If this reorganization is not done, civilization is doomed, because people lack the moral fitness to survive. If this reorganization is not done, we will plunge into a new Dark Age. If we don't give up the cultural axioms of the post-1968 period, European civilization will disappear, and chaos and barbarism will prevail.

I don't know if each of you is conscious that we are about to lose European civilization. If you don't believe it, all you have to do is go to your local theater and try to see a Classical performance, and what you will find is *Regietheater* [performing a re-edited script, instead of the original text of a play] and hardly recognizable ideas of the great poets. The irony is that it is exactly in this European culture, in general, and in the Greek and German Classical tragedies, where the lessons are to be found which we could use to save ourselves, if we just chose to do so.

Last month, there was, in the *Frankfurter Allgemeine Zeitung*, an extremely intelligent article, by a certain Dr. Barbara Zehnpfennig, about the positive example which *The Federalist Papers* of Alexander Hamilton could play, for the future of Europe. She argues that Europe can only be founded on the basis of a great vision, a great idea, and not on some cost-benefit-accounting thinking, which is obviously what is going on right now. She makes the obvious but forgotten point, that one really does not need a new idea, but only the realization of the very fundamentals of European heritage: the ideas of the Greek Classics and of Christianity, which, after all, had a dimension for all of the universal history of mankind, and only need to be realized, to solve the present crisis.

It is noteworthy, that this Mrs. Zehnpfennig is an assistant at the University of the Bundeswehr in Hamburg, and one can only hope that some people there are taking this to heart.

The lessons of the Greek tragedies

I want to take up the challenge of Mrs. Zehnpfennig, and therefore look at the Greek Classical period, especially the great Greek tragedies, to see what we can find there which

The Classical roots of European civilization

Europeans should study *The Federalist Papers*, to build a sound basis of principles for a unified Europe, wrote Barbara Zehnpfennig, a professor at the University of the German Armed Forces in Hamburg, Germany, in the *Frankfurter Allgemeine Zeitung* on Nov. 28. The article was headlined "The Experiment of a Great Republic: Can Europe Learn from the Creation of the American Union?"

There is much talk about European integration, she wrote, but it creates little excitement, because, as it is being pursued right now, it is only based on cost-benefit calculations. The founders of the American Republic, on the other hand, in order to overcome tensions and differing interests between the various states, held that America must represent universal ideals of humanity in the minds of its citizens. *The Federalist Papers* are very instructive in this regard—particularly those contributed by Alexander Hamilton.

It is particularly important to re-emphasize the two spiritual foundations of European civilization, she argued: the ideas of the Greek Classics, and Christianity, based on its Jewish foundations. By doing that, instead of concentrating on petty day-to-day cost-benefit considerations, a new design for Europe can be developed, and only in this way, can it become the basis for the sound integration of the European nations, Zehnpfennig concluded.

could be relevant to the problem before us.

The period between the Persian and the Peloponnesian wars is, without question, one of the most important periods in history. It is this period, in the fifth century B.C., which really started what we call European history. Already in the Homeric epics, which defined the Greek sense of identity since the eighth century [B.C.], and especially the case of Odysseus, in his fight against the evil god Poseidon, this represents the beginning of a new culture. But it was this period that was correctly called the Greek Miracle. While Athens was relatively unimportant in the Archaic period, which lasted from 750-500 B.C., with the exception, naturally, of Solon's efforts in the sixth century, shortly before the year 500 B.C., Athens was already the most powerful city in Greece.

In the year 500, the Attic plenary meeting supported the rebellion of the Ionian cities in west Asia against the Persians. At the beginning, this rebellion was defeated. In 494, the Persians sent an expeditionary army to punish the Athenians

for their support; however, they could defeat them in the Battle of Marathon, in 490. In 483, the Persians conducted another expedition, and this time, their aim was to destroy and conquer all of Greece.

At that point, Athens started to build a big naval fleet, which transformed the whole city. They built huge shipyards; they invited experts to come from many countries to train the entire population. And the effort against the Persian Empire led to an absolutely amazing organizational accomplishment. They learned to row: the ships at that point were rowed with three layers of oarsmen; they learned to navigate and to maneuver. And, at a certain point, they practically evacuated the whole city, to outflank the Persians. In September 480, the Greeks destroyed the Persian fleet at Salamis, and, at that point, Athens was also ready to free the Greeks in the Ionian cities, and to bring the war into the Persian Empire. They formed the Attic Sea Alliance, in 478, which then led to a rule of Athens over the entire Aegean Sea, which was the first time in world history, at least in European history, that a large section of the citizens became involved in the active formulation of policies.

For the first time, the idea appeared of the responsibility of the citizen; the idea that normal citizens should have a regular political engagement. This led to a new identity of the citizen, and the notion that public service is an honorable affair. In the conscience of the citizens of the middle and lower layers, the idea emerged that they are on the same level as the aristocracy. They gave great importance to the idea of participation in the city's assembly, public meetings, especially the *agora*, the place where not only political meetings took place, but also theater performances. The word "politics" means, in Greek, *ta politika*, which literally translated means "matters of the citizens."

Now, at the first attack of the Persians in 490, Athens had only 9,000 soldiers, the so-called *hopliten*, because these were only citizens from the middle layers, who had enough money to equip themselves. In only ten years, until 480, the city was able to deploy the entire citizenship of the city.

After the war with the Persians, Athens was involved in extraordinary activities, by continuing its sea alliance, and that included most cities and islands in the Aegean Sea, the Bosphorus, the Black Sea, the southwest and south coast of Asia, Cyprus, and Egypt. For about 70 years, 40,000 citizens—men—could maintain rule over more than 100 cities.

In this period, in the fifth century, there was an incredible focus of economic and intellectual life: craftsmanship, trade—goods from all over the world started to be traded; a tremendous increase of knowledge, music, science, cultural optimism, and a sense of performance. There was a very big improvement in the conditions of life. There were two models of how the citizen could behave: There were the *hypsipolists*, which means the highly political ones, who were most concerned with the well-being of the city, and respecting the laws. And, on the other side, the *apolists*, the unpolitical ones, who

were regarded as being against the polists, and who would bring danger to the city.

It is interesting that President Havel, in his speech in front of the Parliament, accused those who have resigned because of something or other, as he said, namely Klaus, who resigned because of corruption—that he attacks them, not so much because of concrete mistakes, but because of their apathy, their nearly hostile attitude against anything which has even a faint similarity with the society of citizens. Especially because this multifaceted society of citizens would not exist; for the Czechs, the collapse of the government would appear as the collapse of the state, or democracy, or even as the end of the world, as Havel said.

Now, I don't know if Havel was thinking about Athens, and the idea of a citizen society, when he said that. But, isn't that the problem of all of our societies today? That we don't have state citizens, that we don't have people who take care of the well-being of the common good? The only reason why corrupt governments are tolerated, why people have accepted the negative elite selection for decades, is the result that because of the paradigm shift of the last 30 years, the majority of the people have become apolitical; they would rather enjoy the "feel good" lifestyle, rather than take care of the common good of society.

Therefore, let's look at how the historic shift in Greek history, in the fifth century B.C., happened.

The idea of citizens' participation was an incredible breakthrough, because up to that point, the only rule which existed was that of the aristocratic oligarchy. What mental steps were necessary to come to this breakthrough?

The tragedies of Aeschylus

Now Aeschylus, the great tragedian who lived from 525-456 B.C., was probably the most important influence in that. He wrote 90 plays, as did Euripides—and maybe Sophocles wrote a similar number. By that number, you can already see that theater and tragedies played an extremely important role in Athens in this period. They were written for the citizens, and the tragedies dealt, in the context of the mythologies, with the issues which concerned the citizens politically. There was even, every year, a competition of the poets of tragedy, in the Dionysian cult festivities. Aeschylus won this competition 13 times; Sophocles 18 times; Euripides 4 times. And, there were hundreds of other tragedies written in this period.

You can imagine, if there were such competitions, and 90 by one such author as Aeschylus, that theater and tragedy had an enormous role in the public discussion. Of all of these poets, Aeschylus was the most beloved.

Now, these performances were not small. For example, at the southern hill of the Acropolis, where probably the theater existed in its earliest form, there was space for about 15,000 people to sit. It is not clear how they solved the problem of acoustics, because they clearly didn't have loudspeakers, so the actors must have had very well-trained voices. But it was

a very large audience, nevertheless.

The most important tragedy of this period was *Prometheus Bound*, which probably was put on stage in 456 B.C. for the first time. The place where this *Prometheus Bound* takes place, is at the end of the world, where the ocean flows around the flat Earth. Remember, people at that time thought that the Earth was flat. And Prometheus, at the end of the world, is chained to a rock, because he dared to save mankind, by bringing them fire, among other things.

The Promethean image is the typification of the Classical Greek. Prometheus was willing to suffer torment for a very long time, rather than give Zeus the secret, to avoid destroying himself. Later in the play, we find out about Io, a young girl from Argos, whose fate it is, according to mythology, to give birth to a son who will be stronger than his father; so if Zeus has an affair with her, and has a son, then this will lead to his own destruction. Only Prometheus knows her name, but he lets himself be tortured for a long period of time rather than reveal it. The Chorus in the play explains how it came about that Prometheus opposed Zeus, and what he did for human beings. At which point, the goddess Thera intervenes, deploys the 100-eyed Argos to watch and protect Io, but then Zeus has Argos killed.

Now, *Prometheus Bound* must have been a complete bombshell, because this was not the Zeus who was the most respected and highest god in the Greek pantheon; he was presented by Aeschylus as a low-spirited, evil tyrant. He was characterized as a despot, an arbitrary ruler, exactly of the kind the Greeks had experienced with their previous oligarchs. This Zeus wants to liquidate people, just because it pleases him to do so. And Prometheus is the only one, he himself being a god, who does not submit, while the other gods try to get him to compromise, which he refuses.

Aeschylus makes clear in his play, that the only way Zeus can save himself, is that he changes, and that he must learn respect for those who are subjugated under him. The idea that the highest god of Olympus must change, if he wants to save himself, was the completely revolutionary idea. It meant that he would have to accept justice, and a completely new, different knowledge, if he wants to maintain his rule.

It is also detailed extensively in this play, what exactly Prometheus did for the humans. He started by giving them hope, so that they would not fearfully be fixated only on their death. He teaches them the movement of the stars, numbers, inventions, writings, constructions, taming of wild animals, navigation, medicine against illness, mining, and so forth. Prometheus suffers for mankind, and gives man what the gods wanted to preserve only for themselves.

This play, you must imagine, was incredibly courageous, since it was written for the citizens who participated actively in political life. They knew that the story of the tragedy was to be understood in the political context of Athens.

Aeschylus was about 25 years old when the Ionian rebellion occurred, and he fought himself in Marathon, against the

Persians. It was during his lifetime, that these extraordinary changes occurred, and when *Prometheus Bound* was performed, he was 69 years old, and it was the same year that he died.

Prometheus Bound is the story of the transformation of society, where one set of axioms is replaced by another. The question of the identity of the individual is posed: What is the role of the individual with respect to God, with respect to the cosmos, with respect to nature; what is right and what is wrong? This period is the first known case in European history where man becomes conscious of ideas, of the *idea* of an idea, and for that, man had to be freed from the rule of evil gods.

The difference between the Archaic and the Classical art also underlines this in an obvious way. In the Archaic art, which also is Egyptian art, you have fixed statues, while in Classical art, you have the beautiful Greek culture, people in unbalanced motion, which always represents, with motion, ambiguity. It demands that the mind put the elements together, and it uses the senses to appeal to the mind, to basically form an idea.

Therefore, if you talk about the beginning of European civilization, the Greek tragedies, especially Aeschylus, are the first step. Without the Greek tragedies, the ideas of Socrates and Plato would not have been possible. And with that, the Greek Classical superior method, the idea of the generation of ideas, without which there would be no scientific progress, could not have occurred. The Greek Classical period, as represented in great tragedies, culture, city-building, the academy of science, and then, Christianity, which built on that great tradition, and took it beyond, by the concept of man in the image of the loving God — who would doubt that this is indeed the foundation of European culture. And, at a moment in history when that beautiful civilization is about to be destroyed, because people don't care any more about it, because, especially in the last 30 years, we have turned away from the axioms of thinking, not only of the Greek Classics, but also of Christianity — we have fallen into the trap of the evil Prince Philip, who suggested to return to the pre-Christian pagan cults of Gaia, of Isis, of Cybele. These are not only pre-Christian cults; these are also pre-Greek-Classic cults. This means to go back to the imperial rule of the gods of Olympus.

At a point when European civilization is about to be destroyed, because the modern-day whimsical gods of Olympus, the IMF, the World Bank, the hedge funds, the investment banks and the speculators, who think they are like Zeus in *Prometheus Bound*, willing to liquidate the human race, just in order to keep their system of oligarchical rule — don't you think the moment has come, that each of us should become a Prometheus? The reasons why we do have such a civilizational crisis, is because we have forgotten that the problem of oligarchism exists. And that the self-proclaimed gods of Olympus, for whom only one thing counts: save the banks and the foreign investors; make sure the debt is paid; and, even if we have to extract the debt as a pound of flesh, as

Shakespeare illustrates the case in *The Merchant of Venice*. And President Havel is quite right, that a society where state citizens hold elected governments and parliaments accountable, such a society can function. And if such a citizenship is lacking, the problem—not only in the Czech Republic—is that society collapses.

The evil oligarchs, that's one thing. But the apolitical ones, the people who do not care about the well-being of society—they are the real problem.

So, you have to blame nobody but yourself, if your civilization collapses.

What we are looking at, in trying to find the solution to this problem, is not the "facts." It is not objective analysis of statistics, which will tell us what is the nature and the cure for the financial crisis. It is much more than that; it is the crisis of our entire civilization; it is in tragedy, Classical tragedy, where we can find the answers.

What is tragedy?

Now, what is tragedy? It is a historical situation where demands are posed to the heroes of the play, which cannot be fulfilled on the accustomed level, but which have to be fulfilled, nevertheless. Not every head of state or other figure in a leading position is automatically a tragic hero, when he is confronted by such an unsolvable situation, because to be a tragic hero, it requires that a leader recognize the metaphysical and personal values which cause him, if need be, to sacrifice himself, to keep his moral independence.

Schiller recognized that two fundamental laws belong to tragic art: first, there has to be a presentation of profound suffering; and second, there has to be a portrayal of a moral independence within this suffering. Tragic art has to make sensuous the moral independence from laws of nature, in the moment of passion. Now, if these values don't exist, if this integrity, to sacrifice yourself if need be, is not there, then tragedy dies. If there is no sense of responsibility for the suffering caused by the contradiction of the conflict, there is no tragedy: There is only misery. And that is what we have in many cases today. Not tragic heroes, but victimology, the psychology of victims.

Now, in his literary bequest, Schiller writes: We are human beings, and we have a destiny. We are under the rule of lawfulness. We must therefore awaken a higher, more powerful force inside ourselves, and exercise it, so that we re-create ourselves. Tragedy does not make gods out of us, because gods can't suffer; but, it makes heroes out of us, that is, divine human beings, or, if you want, suffering gods, Titans.

There is no difference between Classical tragedy and world history, especially in such moments as the one we experience right now, when the whole order of society is collapsing. A tragic character is essentially a divided character, one in whom is incorporated the dividedness of a humanity whose values create an apparently insoluble situation.

Now, imagine such a character on stage: a man in the most



A monument to Friedrich Schiller (left) and Goethe, in Weimar, Germany.

powerful position in the world, in a world which is collapsing, because of inherent flaws of its culture. Think of a character on stage who is such a divided person. On the one side, he is part and product of this collapsing civilization; on the other hand, he has a conscience. He knows that on his acts or non-acts, depends the well-being or suffering of virtually billions of people, in the present and for generations to come. He even knows that a solution exists, which only he can realize: he, the only man in the universe who can do that. But the problem is: this man is surrounded by intrigues; he has extremely powerful opponents, who seek his destruction, and the problem is also that his idea of the new political order, the one which represents the solution, is relatively vague, and his motives are mixed. So, while he knows a plan of action, he hesitates; he waits; he wavers; he delays; he temporizes. He becomes the retarding element in history. But then, events follow in rapid succession, press upon each other, and the act of decision is taken out of his hands. And when he finally acts, it is too late.

I looked around and wondered which poet would have written a tragedy about this subject, and which plays would deal with the issues in the best way, and I did find it. It is the



Wallenstein's Camp, painting by Georg Melchior Kraus, 1806. In the first part of the trilogy, the political conflicts are suggested which will be developed later, such as the clash of values among the officers, and the profound divisions in the conscience of General Wallenstein himself.

story of the Wallenstein trilogy of Schiller, and I'm going to talk about it now at some length, because I want to motivate you to go home and read this play in great detail, and you will get a lot out of it.

The 'Wallenstein' trilogy

All of the great historic tragedies are dealing with the great antinomies of political life: the conflict between power and justice, of political deeds and conscience: "Wo um der Menschheit grosse Gegenstände, Um Herrschaft und um Freiheit wird gerungen. . ."—"Where people struggle around the great objectives of mankind, of power and of freedom. . ." says the Prologue to *Wallenstein*. It is obvious that it is the *Wallenstein* trilogy, which bears most upon the problem we confront today. It is the story of the commander-in-chief in the Thirty Years' War, Wallenstein, and it deals with a state affair of tremendous scope and complexity, which Schiller has artfully elaborated in all of its multifaceted and multi-nuanced character. Therefore, it has great similarities to the present, which also does not allow for simplistic labels.

The historical setting of the tragedy is the Thirty Years' War. The central point of the drama, the deed around which everything revolves, is Wallenstein's betrayal of the Emperor in Vienna, and his break from the court. Wallenstein's motive lies in his goal to bring an end to the long war, and, by getting hold of the crown of the King of Bohemia, positioning himself to control the situation in all of Europe, which, for him, is the

precondition to bring peace. This brings him in conflict with the Emperor in Vienna, who was forced to give Wallenstein absolute control over the army in the previous time of emergency, and who wants now to push back his army, and to weaken Wallenstein's power.

The trilogy is artfully composed in one poetic unity, starting with "Wallenstein's Camp," where, in the wild world of the soldiers, which, however, is held together by the beloved commander-in-chief, all the conflict on the level of the officers is already reflected. Then, in the second part, "The Piccolomini," the conflict between Wallenstein and his followers, on the one side, and his opponents representing the court in Vienna. And finally, "Wallenstein's Death," where the hesitating and delaying Wallenstein is finally overrun by pressing events.

"Wallenstein's Camp" is a mirror image of the situation of the Thirty Years' War, in which the political conflicts already appear in a minor form,

which later will appear as a clash of values among the officers, and finally, as profound divisions in the conscience of General Wallenstein himself. The camp seems to be, at first glance, a coherent force: a state within the state, the only force of cohesion above the religious and ethnic tensions, representing unity of the realm, by the Hapsburg Court, which represents the Spanish and Southeast European interests, and then, of course, you have the Swedes. But this coherence in the camp is treacherous, because, while the army loves the general, and is willing to follow him to death, they have sworn their oath to the Emperor.

This underlying conflict erupts when the rumor is spread in the camp that the army should give up Bohemia, and be divided. That eight regiments should join the army of the Infant, who wants to move from Milan to the Spanish Netherlands. According to Schiller, this rumor pops the whole situation in the camp. Schiller calls this the "pregnant moment," in which the germ of the entire tragedy to unfold is already there. This news causes unrest. It all of a sudden makes clear, that this army, the army of the Emperor, is at the same time the most powerful weapon in the hands of Wallenstein, who opposes the Emperor. The conflict is already visible; the conflict which is threatening to unload itself, the moment Wallenstein decides to go for a break.

And indeed, Wallenstein's part is not easy. The only way to arrive at peace and unity in the realm, is to use the army of the Emperor for a policy hostile to the interests of the Hapsburgs. For one group of soldiers, around Wachtmeister,

they can keep freedom only as a force of soldiers against the Hapsburgs. For a second group, this is lawlessness. And for the regiment of Max Piccolomini, who is the closest follower of Wallenstein, they condemn the Emperor, insofar as he carries out the Dutch and Spanish policies; they love Wallenstein as a general, but they also respect the Emperor as the representative and head of state, to whom the general is subject. They reach a resolution of the conflict, so that they can keep both their freedom and their honor.

The Pappenheimer want to stay with Wallenstein, but not through upheaval. They want Max Piccolomini to represent the just cause of Wallenstein with the Emperor, which turns out to be a wishful illusion, as the sermon of the Cappucin monk illustrates, because the conflict between the Catholic Hapsburg policy of the Emperor, and the supraconfessional policy of unity of the realm of Wallenstein, is insurmountable. The monk makes the same arguments, which in the second part of the play are held by Questenberg, the representative of the court with the Piccolomini. This Questenberg has already a secret order from the Emperor in his pocket, which takes the command away from Wallenstein and gives it to Octavio Piccolomini, the father of Max, and places a ban on Wallenstein, when Wallenstein tries to stretch out his secret negotiations with the Swedes, and hesitates to openly enter an alliance with them.

Schiller makes clear, at various locations, that Wallenstein is concerned with the well-being of the people. And even though he is also motivated by ambition, power, and glory, that does not really weaken the constructive nature of his political ideas. In a discussion with Count Terzky, he makes clear that he does not intend to let the Swedes have a part of Germany.

Now, why does Wallenstein not go ahead? Why does he hesitate? Given the circumstances, Wallenstein can accomplish his positive political idea, to bring peace to Europe, only by acting with *Entschlossenheit*, against the Emperor, against the Swedes, against his own generals, and, in a way, even against his own army. This could be only accomplished through momentum. He fails, not because he wants to betray the Emperor, but because he makes up his mind for the break too late. But because Wallenstein does not make up his mind, he swings back and forth between the conflict of authority of the Emperor, the idea of the realm, and his own ambition, and he fails. When the secret negotiator with the Swedes, Sesin, gets captured, a forced situation has developed, where he really only has the choice to either give up all his plans altogether, or to move ahead with the break openly. But, he still hesitates. The mistrust of the court in Vienna, and the plan, which so far is only an idea in his head, really force him to act, but he still wants to preserve his ability to decide.

The consequences on the army are disastrous. The regiment of Max Piccolomini is nearly won over, to fight with Wallenstein for the realm, but then they become the victim of

an intrigue, carried out by Buttler, on behalf of Vienna, and they turn away from Wallenstein. Then Buttler tells them that Terzky's regiment ripped down the eagle of the Emperor from the flag, and replaced it with Wallenstein's sign; this, they can't follow. They would fight in a fake alliance with Wallenstein for the realm, but not against the Emperor, to whom they have sworn an oath, in his capacity as the head of state—especially not when they find it out in this way.

Wallenstein's hesitation has also given plenty of room for the intrigues by Octavio, who has pulled over the General Staff to his side. So, Wallenstein loses control over the generals and the army, and even his personal appearance does not have an effect any more, on the same people who loved and feared him only a short time earlier, and who would have done everything for him.

The sequence of political motives and events already accounts for the tragic development of this state affair. But Schiller has introduced another dimension to the drama, through the figure of Max Piccolomini, who is the most faithful follower of Wallenstein, but who absolutely cannot agree with his betrayal, who is convinced to do the right thing, in following along his own conscience and heart, and who recognizes, in the end, that that too was not sufficient. Schiller calls the love between Max and Thekla, the poetically most important part, and it is clear that he sympathizes with them, and the courage and purity of their hearts, because they represent the high ideals. They are what Schiller calls "the children of the house," "the beautiful souls."

When Max's heart gets into conflict with itself, between the loyalties to the beloved general, his oath to the Emperor, and the attachment to his own physical father, the only thing which he is left with, is a heroic death. The love between Max and Thekla doesn't have a chance for a happy ending, under these circumstances. It gets crushed by the tragedy of the state affair. But it is exactly that, which makes it eternal. It is the idea of Schiller expressed in "Shakespeare's Shadows," that destiny ennobles man, when it crushes him.

What happens in the trilogy, is that an entire action of three parts is condensed into only four days, which, including the reviews and the outlooks given by the different characters, represents the entire history of Wallenstein and the Thirty Years' War. The capture of the secret negotiator, Sesin, becomes the *punctum saliens*. It marks the step from the freedom of the deed, to the constraints of events. It is the step from non-acting, to the necessity of action. But the problem is, it was not Wallenstein who made that choice. The capture of Sesin embodies the condensation of the whole historical, political scope of the situation. And everything else is just the consequence of that fateful event. But Wallenstein has been incapable of taking the law of action into his own hands, which also weakens him, obviously, in the eyes of Wrangel, the Swede, who knows that Wallenstein has no choice but to give the Swedes certain rights, if he does not want to capitulate to the Emperor.

Listen to Wallenstein's great monologue, before the meeting with Wrangel:²

“Wärs möglich? Könnt ich nicht mehr, wie ich wollte?
Nicht mehr zurück, wie mir beliebt? Ich müßte
Die Tat *vollbringen*, weil ich sie *gedacht*,
Nicht die Versuchung von mir wies — das Herz
Genährt mit diesem Traum, auf ungewisse
Erfüllung hin die Mittel mir gespart,
Die Wege bloß mir offen hab gehalten? —
Beim großen Gott des Himmels! Es war nicht
Mein Ernst, beschloßne Sache war es nie.
In dem Gedanken bloß gefiel ich mir. . . .”

Which means that Wallenstein is now confronted, that he has to act, though he is not ready for it. And he reveals the truth, that what really prevented him from acting resolutely, when there was still time:³

“Ein unsichtbarer Feind ists, den ich fürchte,
Der in der Menschen Brust mir widersteht,
Durch feige Furcht allein mir fürchterlich —
Nicht was lebendig, kraftvoll sich verkündigt,
Ist das gefährlich Furchtbare. Das ganz
Gemeine ists, das ewig Gestrige,
Was immer war und immer wiederkehrt,

2. Wallenstein:

“Were't possible? Could I no more, as I wished?
No more return, as it pleases me? I must
Perform the deed, because I *thought* of it,
Drove the temptation not from me — my heart
Did nourish with this dream, for an uncertain
Accomplishment have laid aside the means,
Have merely kept the pathways to it open?
By the great God o'th' Heavens! I was not
In earnest, 'twas ne'er a decided thing.
Myself I merely flattered with the thought;
The freedom and capacity enticed me.”
— Act I, Scene 4

3. Wallenstein:

“It is a foe invis'ble, whom I feared,
Who in the breast of men opposes me,
By cowardly fear alone to me appalling —
Not what proclaims itself alive and forceful,
Is dangerously terrible. 'Tis what's
Quite common, the eternal yesterday,
What always was and always reappears,
And tomorrow's good, because today 'twas good!
For out of what is common is man made,
And force of habit he doth call his nurse,
Woe's him, who moves his worthy ancient house
Effects, the precious heirlooms of his forebears!
The *year* exerts a consecrating force,
What's gray from age, that is to him divine.
Be in possession and thou dwelst i'th' right,
And holily the crowd will guard it for thee.”
— Act I, Scene 4

Und morgen gilt, weils heute hat gegolten!
Denn aus Gemeinem ist der Mensch gemacht,
Und die Gewohnheit nennt er seine Amme.
Weh dem, der an den würdig alten Hausrat
Ihr rührt, das teure Erbstück seiner Ahnen!
Das *Jahr* übt eine heiligende Kraft,
Was grau für Alter ist, das ist ihm göttlich.
Sei im Besitze und du wohnst im Recht,
Und heilig wirds die Menge dir bewahren.”

What Wallenstein says, is that he is afraid of the opinions of his generals and soldiers, who still believe in the old Hapsburg Empire, the old order, even if it has wrought only destruction and war. It's his imagination of what the beliefs of his companions are, namely, their belief in the axioms of the old order. It's the fear of Hamlet, of the unknown; the fear that he stands alone, and that his century is not yet mature enough for his far-reaching vision.

This is exactly the fear which leads our politicians to base all of their actions on Gallup Polls. But there is such a thing as the inexorability of the cause of history. The power of history, which Schiller calls *nemesis*, world history is the world court.

In the end, shortly before his death, when the audience already knows, because Schiller lets them participate in the irony of the content of the real situation Wallenstein is in, and his self-delusions. Because exactly now, you see all the warning signs Wallenstein was looking for all the time: They are there! Which, in part, accounted for his hesitation before, that he was looking for such signs. There is the dream of Countess Terzky, and the horrible warnings of Seni, the astrologer. At this point, Wallenstein pushes everything back, explains it as all having natural causes. His blindness to the approaching catastrophe is enormous.

“The economy is sound,” one hears today, as people talk about the crisis in Asia, or, as some people say, “it was just a glitch.” Whenever you hear that, you'd better have shivers of tragedy down your back, because *nemesis* is not far away.

Our tragedy today

But the tragedy which we experience today, is not on the stage: It is our lives, our civilization. The question is, who is the tragic character of the present. Is it President Clinton, the man in the most powerful position in the world, the one who is uniquely in the position to realize the necessary reforms, but who has powerful opponents, like Wallenstein, who is surrounded by intrigues, like him, and who, so far, has shown a very similar tendency for delay and hesitation to act? Will he break in time with the gods of Olympus, who are willing to liquidate millions of people, to save the banks?

Or maybe the tragic character of the present, the person threatening to become a tragic hero, is somebody else.

Think of a man who, in his vision represents the truth, which will be beneficial for the entirety of mankind, for many



Lyndon and Helga LaRouche visit a memorial in West Berlin to German resistance fighters against Hitler, Oct. 11, 1988.

centuries to come. Think of this man, who has the beautiful, rich mind of a genius, who has the sublime ability of passionate love for mankind. Let the gigantic effect of the realization of his ideas rise in your soul. Imagine all the children, all the adults, all the old people in all the countries around the globe, who will be happy as the result of his success. Think of this man, in whose mind past, present, and future are condensed in one moment. Should this man be prevented from applying his knowledge for the rescue of our tortured mankind?

Well, Lyn predicted, for the first time, in 1958, that this monetary system would come to an end. The reason why he could make this prognosis, was based on his breakthrough in physical economy, because he recognized that the laws of the universe are not linear, that systems analysis, information theory, do not account for economic processes. And already, at that point, he gave as the perspective, that at a certain point, the choice would be either a just, new world economic order, or fascism.

It was Lyn who, in the 1960s, was the only person who, in an efficient way, recognized the danger of the emerging counterculture, and who started to build a movement around the axioms of the old Classical culture. He designed a plan for a new, world economic order. He worked on development plans for Africa, for Latin America, for the Eurasian Land-Bridge. He had the grand vision for a just world order, more beautiful than outlined by Alexander Hamilton in *The Federalist Papers*. He put the great challenge out, that mankind indeed should be able to build a political order based on justice, not only for one country, but for the whole world.

The oligarchy recognized that already, in the '60s. They recognized, when he only was one man, that there was a new

Prometheus, who brought fire and knowledge to mankind. And, they chained him to the rocks, with intrigues, with slanders. They confused his character, by favors, and the hatred of the contending parties. The image of his character was slandered. And finally, they chained him in physical terms. But, he, too, demanded that the gods of Olympus change. He even offered them, to save their system, provided they would change, which they refused to do, in 1982. And now, the system of the gods of Olympus is coming to an end.

If we want to turn the situation around, it has to occur in the United States, or else, civilization is doomed. It cannot be turned around from anywhere else. So, it has come down to this: Anyone who is not supporting us in this effort, is not serious about saving his or her country. Anyone who does not look back at mankind's fate, from that universal perspective, who says, "I don't go there," "I don't let that get to me," is not serious. He is apolitical, and therefore, he contributes to the destruction of society.

Let me suggest to you, that it is not we, who are in danger of becoming the tragic heroes of the present: It is *you*. It is up to you, to show the *Entschlossenheit* needed, to prove that you are not part of a tragic generation. Maybe there are enough among us, who can recognize that current history is doomed, and that we have to reject the axioms of thinking of the last 30 years, which have led to this crisis. If enough people among us can see, that we are experiencing, today, a real, live, Classical tragedy, maybe we will be able to find the road to survival of our nations, by understanding the answers to the great issues of mankind, in the way they were presented to us, by the greatest tragedians of the past, especially Aeschylus, Shakespeare, and Schiller.

An African tragedy: the case of Uganda

Paul Ssemogerere, president of the Democratic Party of Uganda, delivered the following speech to the Schiller Institute conference on Dec. 13, 1997, in Bad Schwalbach, Germany.

Madame chairperson, distinguished participants, I have reformulated my thoughts as I listened this morning to the wonderful exposition by Madame Helga LaRouche. I am one of the best beneficiaries of this seminar, because I think now we have some explanation to the African tragedy. I have called these remarks, "African Tragedy," for two reasons. First, our own presence here as Africans in this seminar, and second, the theme that we have received to explain what is going on in Africa as a tragedy.

Begin with my former President of Uganda, Godfrey Binaisa, and going round the room, you have amongst you very capable, well-gifted, well-intentioned Africans who would rather be at home in their own countries helping their countries to develop. As circumstances prevail in Africa, it is well for them not to be there, but to be outside Africa, in exile. You don't need them here; they may be engineers, lawyers, academics, medical doctors; you have enough of your own. But they are here under circumstances prevailing in their own countries. And we are happy that they are here, because then we see them alive.

They are alive politically; they are alive economically, outside their own countries. That is a tragedy.

The Cold War ended, and many of the refugees you had from eastern Europe have since been repatriated. But the Africans are increasing their numbers, and your governments are forced to adopt stringent immigration laws to keep the African out of Europe. This is something you don't like to do, but you have to do it. And I think the explanation is in this seminar. We have to find the solution. And I am happy to find that there are some people—that there is the Schiller Institute, which is concerned about the matter, and which has the courage to arouse international consciousness regarding this crisis.

There is a crisis in Africa; there is a crisis in politics; there is a crisis in the economy. And I suppose I have been asked to make some remarks here, because I come from Uganda, and I shall go back to Uganda, because Uganda is singled out as a "model success story" regarding Structural Adjustment Programs. It has excellent indicators, of GNP growth rate of

5-6%; it has controlled its economy; and all the indicators the IMF and the World Bank called for, are positive in the case of Uganda, and therefore the economy is sound.

The economy of Uganda is not sound

Well, I am here to say, let those indicators be as good as they are given out, but the economy regarding the majority of the people of Uganda is not sound.

When life expectancy of people in Uganda is about the lowest in the world, you can't say the economy is sound.

When we are among the poorest of the poorest countries among the LDCs [lesser developed countries], we can't be in a sound economy.

And when the resources that are in the soil there, the ground, the minerals are being looted every day, are being stolen, we can't say the economy is sound.

And when about one-third of the country is under insurgency, and therefore farmlands are now wastelands, a war zone, you can't say the economy is sound.

And when we have an international debt of something like \$4 billion—from \$1.1 billion in 1986, piled up for 24 years. We got our independence in 1962; for 24 years after, there was an outstanding international debt of \$1.1 billion. But between 1986 and now, barely 11 years, with much debt cancellation having been given, we are in the region of \$4 billion: We can't say the economy is sound. And this money—we cannot pay it. We have met on many occasions, in different fora, at the United Nations, the OAU, the Non-Aligned Movement, bilaterally, the Commonwealth, as foreign ministers, as Presidents and so on, we have always been pleading for debt cancellation. All the African countries. Each one of the African countries cannot pay its international debt. The answer always comes out as "No." And when debt relief is granted, there are conditionalities which are given, which make even more indebted the international community. So, we cannot say the economy is sound.

This seminar does explain that even where we think the economy is good, it is also not good. As we have been told, and I think we now have enough understanding that the theoretical foundations of the Bretton Woods agreement have to be questioned. We now know that we are dealing with bankers, with businessmen, and they want profit, they want their interest. But when you are in Africa, you are given to understand that you are going to be assisted, you are getting your loan to be assisted. Now we know it is not so. Hence, the validity of this exercise, of this kind of forum.

Madame chairperson, the African tragedy can be looked at from the point of view of legitimacy in Africa, legitimacy of leadership. When Africa was colonized, as Godfrey Binaisa said this morning, in the last century, each nation had a way of determining leadership. There was a legitimate way, for the Kikuyus, for the Acholis, for the Luos, for the Buganda, to have a legitimate leader.

When the colonizers came, things were changed all of a sudden. African leaders were now appointed, except in a few cases where you had the old traditions remaining in place, with kings and so on. But otherwise, a new criterion, a civil service criterion was now widely employed in Africa, to establish who the African leaders were to be, and always subservient to their master. And with independence, one expected that the same criteria that you have in your own countries — that is to say, the former colonial powers, Britain, France, whatever — would prevail; that is, democracy. It has been attempted. But it has always been undermined, and many times by our former friends, by our former masters. In many cases, you have just an exercise for the sake of legitimizing whoever comes, but normally there is some understanding as to what kind of person is going to be accepted. In these days, almost every African leader is required to subscribe to certain conditionalities, accept these conditionalities, and if you don't make it, you get out pretty soon.

Africa's 'enlightened' leaders

Currently in the Great Lakes region, and that affects Uganda, Burundi, Zaire, Rwanda, it appears to be that the gun is also included and spreading very fast to the rest of Africa. If you count it now, the new leaders in Africa who are called "enlightened," almost every one of them carries an AK-47. And it has been accepted. Leaders will come from the most democratic countries in the West. They will embrace and speak in glorious terms about what is happening because of the Structural Adjustment Program, but also accepting who can be used to advance their geopolitical interests, and this is a tragedy for Africa.

Because the ordinary Africans are always at the losing end; they are always at the receiving end. I do not know what the majority of people from Burundi think when they see the red carpet for [Pierre] Buyoya, in Rwanda for [Paul] Kagame, or in Zaire for [Laurent] Kabila. What do they think when even the United Nations rapporteur will go and report on atrocities, on violations of human rights, on massacres, on genocide, and Kabila will have the audacity to prevent a UN official team to go there and verify that kind of reports published in April of this year? And he has the audacity to keep the United Nations waiting. Saddam Hussein cannot stop the United Nations from examining what they want to examine in Iraq. But Kabila, a former rebel who would have been tried and imprisoned if Mobutu had gotten hold of him before, he can keep the United Nations waiting for two months, and he will be protected. And the reality of the victims—we do not know what they think. And this is a tragedy in Africa.

You get an election; it is a fraudulent election. It is observed by international organizations, they report that it has been free and fair. Two or three or four years afterwards, they come around and say, "Oh no, it wasn't that free and



Ugandan dictator Yoweri Museveni. A myth has been perpetrated in the West, according to which his regime has improved the Ugandan economy; nothing could be further from the case.

fair." But they never care about the feelings of the people who are victims, who spent everything they had on those elections, who really wanted a change, and now they cannot have a change. This is a tragedy.

And this explains why in many countries now in Africa, those who give up, either flee the country, or they also look for AK-47s, and we are in a process of self-destruction.

As I have said, a third of my country is under insurgency. But yet, we are all told, that Uganda is very stable, the economy is sound, the future is bright. We had insurgency under Milton Obote II; it was not of that magnitude, to cover the entire north of Uganda, and now much of the west is covered. It is under insurgency going on every day. And the poor resources that we have are spent on acquiring the most modern weaponry; we are buying helicopter gunships to shoot down and kill our own people. We have brought in mamba from South Africa. Two weeks ago I travelled to northern Uganda. I was shown vehicles which are called Buffalo, that these are more resistant than the mamba. This is new language to me.

All this is happening in Africa. It is happening in Liberia,

in Sierra Leone, it happened in Ethiopia, it happened in Somalia, it is happening in Rwanda, it is happening in Burundi, it is happening in Zaire, it is happening in Congo-Brazzaville. Name it. So we really feel heavily indebted to the Schiller Institute for embarking on a courageous course of action, to try to bring focus to what is wrong in the international community regarding the financial system, because it is used to legitimize African leaders. We have been told, "The economy is first and foremost. Put the economy right, and political rights can come afterwards." And a lot of blood has been shed on that score. We Africans have challenged leadership and we are told, to keep waiting. "Let the economy stabilize. We have got the right person in the country on the economy."

The fighting is encouraged

Three days ago, the American secretary of state, Madeleine Albright, visited my country. I listened to her press conference when I was at the airport waiting to come this way. And yesterday, I was faxed coverage of that press conference; and she is full of praise for what is going on in the country, including *war*. You can imagine that when America called it a day, as far as war is concerned, and they decided to woo the Russians, the Soviet Union, to stop fighting, between themselves, that this was necessary for their economies, necessary for peace and development. Now poor Uganda, one of the poorest countries in the world, is encouraged to continue fighting.

I was a Presidential candidate last year. I travelled extensively in northern Uganda on the border of Sudan. Sometimes I addressed rallies as late as 12 midnight. I proposed to stop fighting. I proposed I would be ready to talk to the rebel leader [Joseph] Kony, once I was in the State House. And the rebels responded, and even Ugandan soldiers also responded. The whole time I was in the north, I did not hear a single bullet, not a single shot fired when I was there.

Now, the situation has been reversed. One of the people who came to receive me when I was there, was Bishop Ochola of Kitgum, who came with his wife at the airport. And they received me in heavy rain. His wife was killed recently, by a landmine. If my voice had been listened to, that lady would be living today. And there are many others, very precious people, very important to our country, who have perished, because the war in the north has been escalated. Because someone wants to score a victory. And we urged to stop the fighting. We urged cease-fire. We urged negotiations. We urged a program for justice, some inquiry. We urged self-determination, self-governance for the people in the north, just like in the rest of Uganda. We urged support for them, for their rehabilitation, and self-governance by them. We do not want the central government to administer everything for them. They are also mature. This is the wish of the majority of the people of the country. Even people in the north have so said. But now, instead of encouraging that peace path, the

secretary of state of the United States says, "We shall encourage war."

[Ugandan dictator Yoweri] Museveni admits the U.S. helps against Sudan. And also [against] the internal insurgency. He was asking for assistance, for more radios, publicly, for the material support, to continue fighting. And for this, he is legitimized. He is considered the right person in the country for the time being. And you have this in other capitals. You have this in Bujumbura, you have this in Kigali, you have this in Kinshasa, and elsewhere in Africa.

You don't have this in Europe. At the end of the Second World War, in western Europe, you called it a day for fighting. You said no, enough, enough. You organized yourselves into a Council of Europe, with three criteria—human rights, democracy, and rule of law. War is no longer on the agenda. But in Africa, war is on the agenda. Why do we spend so much money on preparations for war? And why are we so encouraged? These countries, Germany, Japan, after the Second World War, said, we stop investing in war. You have got your dividends. Why are we not encouraged to do that? Why, when we visit the capitals in western Europe, are we encouraged to purchase the most modern weaponry, and we are heavily indebted? We are encouraged to do that. The flow of arms to the Great Lakes region is considerable. I think the Great Lakes region has more guns per capita than any other region in Africa.

These are concerns which I think should be taken up by an audience like yours. I can see from what has been said so far, that you are a rare species—you are concerned about principles, about morality, and we thank you. That is why I addressed you along these lines, that maybe there is somebody who is listening and who can raise the issue. We need friends like you. We have many other friends, many people come home there in the name of investors, but they merely come to grab and take away. But you are men and women of concern. That is why I have addressed you in this way.

We have a tragedy in Africa. We have this culture which is invading us. The father and the mother are sleeping. The children are watching TV. The violence they acquire there and the pornography that they see there, and all the tricks for thieving, for cheating, are all there. And we have no capacity to stop it. Certainly we can't. The TV is now in fashion. You can raise your voices, as Mr. Binaisa was saying this morning. You have access to members of parliament, to the press, to the church leaders. Something new must come out of Europe. And if only this comes out of Europe, then Africa is left to the dogs.

We have had several encounters with the Western world. We had the encounter when we had slavery. I see some friends from Yoruba. I am told that the Yorubas were considered the fittest to be slaves in the West Indies, in America. They were the strongest, they were very productive. When I was in Senegal recently, and I was told that of all the tribes of western Africa, the Yorubas were considered the fittest. And when the

slave ship arrived in Boston, they would say, "How many Yorubas were on the ship?"

IMF policies have made things worse

That was the first encounter, when we lost millions of Africans to slavery. Then colonialism. And now, SAP has come, and we are told that where it is properly implemented, as in Uganda, things are all right. Things are not all right in Uganda. The indicators they are talking about might cater to about 5-10% of the population of Uganda—the big businessmen, and the privileged among the Africans who are high up in government circles. Those benefit. Those who are benefitting from privatization and who are buying off our national assets at a pittance, they are benefitting. Somebody buys a hotel, a bank, a post office, very cheap. Industry, they get it cheap. South Africa, which is mining gold in Karamoja; they are not paying any royalties there—of course, they say the economy is sound. Expatriates come and get a salary ten times greater than their African counterparts, of course they say the economy is sound. But the African civil servant who doesn't have a living wage, to this day, he can't say the economy is sound. He cannot make ends meet. He goes home, he has to find other ways to get enough food at home, of taking his children to school, of paying for medicine. This is the reality in Uganda.

I keep inviting people to go to the villages themselves and to compare the life in a village now with what it was 20 years ago. It is a shame for me to say that even under Idi Amin, people managed to fend for themselves more easily than now. I am not praising Amin, but I am just talking about the reality of the economy for the masses of the people. We have an economy that is catering for an elite-class, a small group. They are filthy rich. You see the construction in Kampala, life is quite deceptive. But, you go down to the ordinary people: ask the right questions. Go to the rural schools, the rural medical centers, go to the taxi drivers, to the fishermen, there you see the reality. You go to the university and find out who is making it there. What kind of students can now go to university: Those who have been able to pay extra money for coaching from kindergarten to high school. This is not the ordinary family. We are now catering for an elite class in Africa.

I say this because Uganda is not a good example for the rest of Africa. This cannot be the economy for the future, And if we are going to have that kind of economy, then we will have more explosions; we will have more refugees. You will find you won't be able to stop them from coming here; they will find another way of getting into your countries. And this is a tragedy, the African tragedy. We hope and pray we can all address this together, and I think the Schiller Institute is giving us the lead.

Videotapes Available from FDR-PAC

Africa: Looting Ground for 'Bush, Inc.' or Breadbasket for the World? Part 1, Jan. 11, 1997: 1 hour, \$20 [FDP 97-002]; or, 2 hours, \$35. [FDP 97-005]; (dubbed for Spanish: 1/2 hour, \$20 [FDP 97-007]).

Africa: Looting Ground for "Bush, Inc." or Breadbasket for the World? Part 2, Jan. 25, 1997: 1 hour, \$20. [FDP 97-004]

Never Again! London's Genocide Against Africans, June 18, 1997: 1 hour, \$20 [FDP-97-012]; or 90 minutes, \$30 [FDP-97-013].

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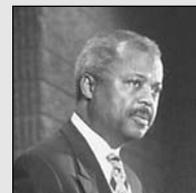
Courtesy of Adella Hardin, Elko Daily Free Press
KINGPIN: Former President George Bush, who is a board member of Barrick Gold, which led the 1996 mining companies' invasion of Zaire. Here, Bush visits Barrick's Goldstrike facility in Elko, Nevada, along with former Canadian Prime Minister Brian Mulroney.



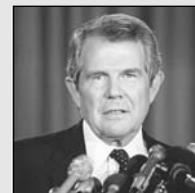
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FRONTMAN: New Jersey Congressman Donald Payne, former head of the Congressional Black Caucus



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BLOODSUCKER: Televangelist 'Diamond' Pat Robertson

Ideas, not opinions, are needed to save the world

by Jonathan Tennenbaum

On Dec. 16, 1997, at the invitation of *EIR* and the Schiller Institute, representatives from Russia, China, Ukraine, Georgia, Armenia, Hungary, Slovakia, and Poland joined Lyndon LaRouche in a wide-reaching, all-day seminar on the world economic and political crisis, with particular attention to the situation in eastern Europe and Asia.

The seminar, held near Wiesbaden, Germany, has become a yearly institution, organized in connection with the Schiller Institute's year-end European conference. The seminar was informal in character, and the presentations were not intended for direct publication. However, for the benefit of *EIR*'s readers, and in view of the extraordinary importance and profundity of the matters discussed, we offer the following summary account of the highlights of the seminar, based on excerpts and close paraphrases from the discussion. Appended to this report, is the text of a paper presented by the Chinese economist Bi Jiyao, on the history and current status of the economic reform in China, followed by a short, but strategically important report by Haik Babookhanian, on the situation in Armenia.

LaRouche's opening statement

Lyndon LaRouche led off the discussion by concentrating on the key issue underlying everything: the human mind. He opened as follows.

The problem we are facing in eastern Europe, as all over the world, is that people have opinions, but not ideas. An idea is developed in a four-step process. It involves uncovering a paradox, where the prevailing belief says that something cannot happen, but the evidence shows that it did happen. And since both the event and the belief are based on the same quality of evidence, we have an ontological paradox; that is, the evidence has contradicted itself. This forces the human being to use the power of cognition, the power by which we make scientific discoveries of principle, to synthesize a new principle, which resolves this paradox.

Now, this process of cognition cannot be seen, cannot be smelled. It can only be replicated. That is, one mind can repeat the same synthesis as another mind. You cannot write it in a book. It's an idea, a principle, which has no existence, explicitly, in the domain of sense-perception. That is why the British

are so stupid: clever, but stupid. Because they don't believe in ideas, but only in sense-perceptions.

Once you have discovered a principle, you have to prove it. You can describe the principle you have to prove, in terms of the contradiction; you say, I believe this is the problem, and if I am correct, the following evidence can be found to support my belief. The experimental method, which is the third step; so people know what you are talking about, a principle which can be tested. The fourth step is an experiment, or similar sort of investigation, to measure your principle. If your principle is valid, now you have a principle which you have proven, that nature, or something like nature, is controlled by this principle. You have evidence that this principle works, and you also know this principle has resolved the paradox of the evidence you had before. The result is an idea, not an opinion. It is an idea which has the quality of truth. It is not a personal impression, it is not an impulse or ideology. It is truth; it is the standard of human truth, of human knowledge.

People who discover principles in this manner, *know*; people who learn things in other ways, do not know, they have only learned, the way a dog has learned to do tricks for food.

The problem is that no one has had an idea. The Soviet Union had a system which was very strong. One day, it died. Why did it die? Nobody in Russia in top positions asked that question. They said, now we are going to join the Western system, which we don't know much about, but we are going to imitate it, even though we do not understand it. And they demonstrated clearly that they did not understand it at all. And they joined the system like a man who leaves a rowboat, to get onto a ship which is sinking. They joined the West when the West was dying. Rather than trying to learn the lesson, and to have an *idea* of what went wrong in the Soviet system, where the flaw was, they simply jumped out of their skins, and went for new opinions. And, the new opinions were worse than anything they had experienced under the Soviet system! Because nobody had an idea, but many people had opinions. If anyone had an idea, they were not allowed to talk. That's the problem.

The same thing in the Western system. We see it this week, at the edge of doom. The system is faced with a possible

chain reaction of defaults on obligations. If South Korea defaults on its debt, then Japanese assets which are based on South Korea are worthless. Then the yen drops, a chain reaction of defaults runs around the world, and Russia is one place which will explode under these conditions.

This was inevitable. I have been forecasting this danger since 1959, showing in perfectly rationally demonstrable fashion, that the system was doomed. What finally doomed the system was a change in culture, which was introduced between 1964 and 1972. People no longer believed in production; they became neo-Malthusians; they believed in post-industrial society; they believed that making money was everything, whether they produced anything or not. So, production per capita went down, and money went up. Now we come to a point, where the system which has dominated the world—this modern European civilization, which was the most powerful in the world—is now collapsing, like Babylon, into the dust. It is a civilization which above all has lost the moral fitness to survive; that is, the ability to respond to a challenge with decisions which tend to solve the problem.

Instead, people say, we must save our ideology at all costs. So, for example, Kohl is destroying Germany, by sticking to Maastricht, which is destroying all of Europe. That is the general problem we see, looking at the world as a whole. The United States government, at least the Executive branch, is not as stupid as it appears to be. There are people in the White House and around it, who are not stupid. That's not their problem. They are not as intelligent as they should be, but they are not stupid. The problem is, they come from a generation that went to universities between 1964 and 1972, and is today running the top positions in government, in economy and finance. They are the Malthusians; they do not believe in reality. They cannot bring themselves to accept decisions which conflict with what their generation takes as ideological values they must defend. They believe in saving the environment, but what they believe about the environment is insane—things like banning DDT, global warming, and so on, are all fraudulent. You have people in power who are incapable of responding to reality. They have no ideas. The process of developing ideas is not used.

It is extremely important, that there be people in various countries, who are willing to formulate ideas, to define the problems in a way which defines the paradoxes, which leads to a discussion which forces ideas to the fore, which can then be examined and tested against evidence, to define principles to be used.

The most important insanity today, is the belief in human nature as defined by Thomas Hobbes, that man is a creature of greed, of lust, and so on. Man is not a creature of greed; man is a creature of identity. What motivates people is a sense of their personal identity. What motivates a nation to act in concert, is a notion of national identity. That is why nations are so important. Without that sense, you cannot have unity of action of people, to address problems.

All nations have the same interest, insofar as the people are concerned. What is the essential interest? The essential interest of a nation is to provide for all its people, to improve the lives of all the people. To improve the standard of living, and to respect, above all, the dignity of the individual human person; that is, to elevate the condition of the individual person. We all have the same problem.

The natural form of society, the thing we have to achieve, is not world government. We have to achieve a concept of the mutual interest of sovereign nations; which means, that at the same time, we have to have an insight into the problems of



So, we have reached the point that the system is doomed. Under such circumstances, if leadership around ideas can be provided, then a population, which has given up all belief in the ideas which are destroying it, might accept the new ideas and may survive.

—Lyndon H. LaRouche, Jr.

the nation-states with which we are collaborating, as well as our own. By discussing the common problems, we may find a strategy, something we can defend and fight for.

We have to create, at this moment, on this planet, a new world system. The only way we will create it, is because the existing beliefs are destroying themselves. The world financial system is disintegrating, and nothing can prevent that disintegration. Either it will disintegrate of itself, or we will put it out of business by government action. Otherwise, it will either blow up, in a hyperinflationary spiral, or, it will collapse in a chain reaction of defaults.

So, we have reached the point that the system is doomed. Under such circumstances, if leadership around *ideas* can be provided, then a population, which has given up all belief in the ideas which are destroying it, might accept the new ideas and may survive.

The principle is, develop the right ideas. Don't worry about who accepts them. I am concerned about what is truth. The truth must ultimately win, and I care not who believes it

or not. If we develop truth, and if people accept the truth, then the civilization will survive. If they don't accept the truth, it will not survive. But at least we will have done our duty, by presenting the truth. Our concern is to get at the truth, or at least to get a good approximation of it. And therefore, I think the basis of looking for the ideas which define the problems, ideas which define collaboration around solutions, is what is necessary. This kind of seminar format, which deals with the differences in experience and outlook of various parts of this region of the world, is probably the most effective way to force some of that kind of discussion into the open.

How to reorganize the world economy

Following LaRouche's introductory remarks, a number of questions were raised by participants, centering on what kind of new financial system must be set up in the future, to replace the present, collapsing one. LaRouche replied as follows:

Generally, for a sudden change in system, under conditions of crisis, we always have to rely, chiefly, on precedent, in order to get agreement among large groups of people and nations. You must use precedents, or elements of them, which have been successful. The best precedent that we have for the international reorganization, was what was done at the end of World War II, in the original Bretton Woods effort, which established, under conditions of limited convertibility of currencies, under strict capital controls and foreign exchange controls, by governments, a system of fixed parities, or approximately fixed parities, among nation-states.

This system continued until about 1959, when the condition of limited convertibility began to end, as more and more countries went off limited convertibility. Its purpose was to create, in a world destroyed by war, or coming out of war conditions, the conditions of re-creating an economy, including re-creating currencies, where none existed. So, we are going to be in a situation where money has been discredited; the existing currencies are worthless. The euro will be the most worthless of all. Therefore, we have to create new currencies.

This forces us to abandon all monetary theory in the ordinary sense. We must think in terms of two things: physical economy, first, and then, what kind of monetary and credit system do we require, to facilitate the process of investment, production, and so forth. What we are dealing with, is hands and minds; and certain resources, industries that may exist or can be reconstructed. It does not require money; idiots think that this requires money. Governments can create money; the question is, how is the money used? Therefore, the idea is of a program of economic reconstruction, and the creation and management of money, to bring about that program of construction.

We are going to have to create new currencies, which they did, under the Bretton Woods system. It would probably have to be a gold-based system. Not a gold-standard system, like

the British system, but gold as a reference for maintaining parities among currencies, by resolving differences at the end of the year in balances of selling gold.

It means a system to promote long-term credit at very low borrowing costs on the international market, especially among governments. We will have to eliminate central banks; the central banks are all bankrupt, and you cannot build a new system by trying to maintain a dead one. Therefore, we will have to create national banks.

Governments will agree to set up their own national banks, to manage their own business internally. The relations among states, in terms of financial relations, will be largely regulated between governments and national banks. Governments will loan each other credits.

Let me give an example: Egypt, which is not the least developed country in the world, some years ago had an excellent program. They recognized that you could not maintain decayed cities like Alexandria and Cairo, which, relative to the infrastructure, were overpopulated. It cost more to run a welfare program in the poor parts of Cairo or Alexandria, which are the decaying parts, than to build a new city outside Cairo. So they conceived of the idea, of using irrigation and large-scale water management projects, to create new agro-industrial projects, of over a half-million or several million population. To create an industrial center surrounded by agricultural development, and to move people from the old cities to the new cities, and reduce the population of Alexandria and Cairo, and then return to rebuild Alexandria and Cairo with modern infrastructure.

The key was this: About 95% of the total resources for this project—which was stopped by the World Bank and International Monetary Fund (IMF)—came from domestic Egyptian sources. That would be the model for most cases. In the poorer cases of countries of Africa, you would require more outside resources, but most will find in their internal resources, labor and other resources, 90-95% of what is required. So, international credit, if it is properly managed, will be essentially for high-technology investments for countries which are less developed, from countries which have more advanced technologies, as was the case in Egypt.

So, these developing countries must have the ability to borrow, on a 10-20-25-year basis, for the capital investment they require for their development projects. And that should be a long-term investment. We should not be financing 20-year capital investment, on five-year loans; short-term borrowing for long-term investment is insane. If we manage it in terms of credit from one national bank to another national bank, for purposes of export-import, of long-term capital movements, it will work.

This means, the whole repertoire of what was used during the postwar period, plus national banking.

Generally, the model of economy which developing countries have always wanted—what they wanted at the end of World War II, for example—is what we used to call the Amer-

ican System. The American System, as defined by Abraham Lincoln and Henry Carey during 1861-76, developed the U.S. economy into the technologically most advanced, most powerful economy in the world. In China's case, this was the policy of Dr. Sun Yat-sen. This is what a developing country needs. We would have to have the American System. This was the system that was used in Germany, though it had financier corruption on top.

How will this be done? We are coming to a crisis; it is now in Asia. All of Asia is about to go into a chain reaction of default which will spread into areas of the former U.S.S.R. — Russia, in particular — Brazil, and so on. Within a very short period of time, if this continues, there will not be a single part of the world which is not shocked, which has not suffered a catastrophe, because of the debt crisis, which will spread from one part of the world to another. This will be immediately a crisis for western Europe; this will hit Germany very hard, because all the export markets will collapse. When European firms have made investments, in developing countries, those will be temporarily virtually worthless. The financial collapse, in terms of East Asia, will hit Europe in a matter of weeks if not sooner. We will have a world that will be on its back.

What I fought for, to the extent of my ability, was to make sure that the U.S. government, in the meeting between President Bill Clinton and President Jiang Zemin, would enter a process of partnership, because China is the largest country, in terms of development, in Asia, even though it is not a world power, it is a regional power. If the United States, and China, and other countries, agree on what measures to take, and if they have the courage to make the decisions, the world will have to accept them, under these conditions.

My concern has been to try to involve India in this, as well as Iran, as well as other countries.

My hope has been, that Europe, especially western Europe, and Germany, would recognize its vital interests in that kind of cooperation.

This means that Russia will have to play a significant part. My view on Russia's part is twofold. We must bring Central Asia under control. This is a very dangerous part of the world right now. People are playing games, especially the British, very dangerous games, in Central Asia. Therefore, we must have stability, which means we must have projects. India is very useful for this. India has very significant input in some parts of Central Asia, for various Indian reasons. Russia has very good knowledge of this area. It is of vital interest to China, to Russia, to Iran, to India, that this area be stable.

Therefore, Russia's contribution is actually, potentially in the area of the former, scientific, military-industrial complex. That complex can generate a new quantity and quality of machine-tool design, for the development of the population of Asia. Under the appropriate conditions, Russia can create entire new industries of a machine-tool character, based on the scientific cadres which it has. It can actually draw back

to Russia, people who have left Russia, who were scientific cadres. Ukraine can do the same thing, to create machine-tool-design capabilities to assist the developing countries of Asia, which have, either, almost no, or entirely inadequate machine-tool-design capability.

If we take the whole complex, if the United States continues a partnership with China, if this extends to include most of East and South Asia, if this includes Iran, Russia, and at least one state in western Europe, then we have the ability to create a new system.

We are dealing with, largely, a developing sector world, in terms of population — India will soon have more population than China, and you add other countries. This is the majority of the world's population. This means, that the long agenda which was started by Franklin Roosevelt, before he died, of economic justice for the so-called former colonial world, the desire for a just, new economic order, can be established; because, the political combination of forces which can do it, want that. It is in the interests of China, of India, to have a just, new economic order, rather than the old kind of system, the way it is developing.

On the question of Eurasia: All great recovery programs, have generally been based on infrastructure, for obvious reasons. First of all, private interests cannot manage the whole territory, or commit themselves to the whole population. The problem I have tried to explain to our Indian friends, is that you cannot have over half your population living below the poverty line, and say that you have growth, because you have growth in your cities. Either the economy as a whole grows, and the benefit to all the people grows, or you do not have valid growth. You will find out soon enough, that your illusion of growth, was an illusion. If the rich are rich, and growing richer, that does not mean that the country is richer, if the poor are becoming poorer. Therefore, you must have a policy that can take care of the whole land area, and the whole people. It must be just for all the people, just for all the land.

There is no private interest that can have that interest, or that has that authority. Therefore, only a national government can do this. Now, national government is not very good at running productive industry. National governments cannot be good entrepreneurs, or private businesses. But private interests are no good at infrastructure; it has to be government regulation, or even government economy.

If government has to cause a recovery, the recovery must come from what government does well, which is infrastructure. Infrastructure is like preparing the ground for the seeds; the seeds are the entrepreneurs, and the ground must be prepared for the seeds. In order to construct infrastructure, the government must use entrepreneurs, who then work as contractors for the government, to assist and participate in building the infrastructure. Thus, by building the infrastructure, the government nourishes the private sector, which can add to the development of this kind of system.

Eurasia must develop its interior. China must develop its

interior. It has only developed, so far, a small part, on the east coast. Now, it must develop the whole. Eurasia must have transport, in the form of development corridors. All the countries of Eurasia, must collaborate to develop these corridors. For Central Asia, water management is critical. For the requirements of power, use nuclear, especially the high-temperature reactor. Forget about oil. To develop these technologies, and the transport system, Russia can help, using its scientific cadres, which can add to the development of these kind of systems, for example.

Therefore, we see that this is a worldwide system: the Bering Strait connection to the Americas. In Africa: We have the obvious development corridors in Africa, north-south, east-west. Asia is going to require vast food supplies, and Africa is the great area of the world, which has the greatest potential for rapidly increasing the food supplies of Eurasia. So, Eurasia has a great interest in investing in the development of Africa for the purposes of developing food-supply production.

So, you have, essentially, the basis for global production, around a change of the economic geography of the world, which is in the common interests, which involves many nations, which must participate and cooperate. This would be adequate to cause the greatest rate of growth this planet has ever known.

Economics and the nature of man

Reflecting on conceptual difficulties that often arise in connection with the idea of credit generation by national banks, Jonathan Tennenbaum posed the following question. One of the issues in the Chinese reform, and also in Russia and other countries, is the problem of how to create the conception, at least in a substantial part of the population, of what a productive economy really is, of where wealth comes from. In the Chinese case, a sizable part of the total investment in the economy has been foreign investment, and the Chinese government would not like to face a situation in which a substantially lower amount of foreign investment would come in. There is a widespread attitude, that foreign investment (which functions, in a sense, as a form of credit) is productive and effective, whereas domestically generated credit tends to be ineffective. China has policy banks, and has internal credit-generation mechanisms for investment, but the accumulation of debt in the state industry sector is a problem. But much more, it is a problem of mentality. One is dealing with a vast population which has lived for a long time in great poverty, and now all of a sudden, some people are making in one year what they could before make in a lifetime. So, it is easy for the population to think of consumerism, or the great office-building construction, as growth, whereas, it is really a cost to the economy. Because of this conceptual problem, there is the fear, that generation of credit in a national bank would not be productive, that it would tend to build up an inflationary bubble.

LaRouche replied:

The problem we have had, is that in every economics textbook ever written, there is a fundamental form of scientific incompetence, which comes to the fore. If you ask one question, and people take that question seriously, which they should, then their answer shows that all generally taught eco-



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—Dr. Jonathan Tennenbaum

nomics is incompetent. What is the difference in the design of an economy for monkeys, and for people? The assumption is made, that capital accumulation comes by withholding part of the product of labor as profit, which is not true. It happens, but that is bad if it happens. The source of wealth is not labor as such in the sense of physical labor; the source of wealth is from the *mind*. Through changes in technology, and the application of scientific discoveries in changes of technology, in order to change the productive process—the idea of a true not-entropic process. It is idiocy to believe that a simple, crude mathematical representation of an economy, explains economy. A monkey could never develop an economy.

Look at the ironies of the Soviet military-scientific sector as opposed to its civilian sector. Look at the Soviet military product, on a world standard. What was its performance quality, relative to the performance quality of the Soviet civilian industry? It stunk. It was a lack of understanding of this problem, which is already in Marx. Marx did not understand this at all. He said, I am ignoring the technological composition of capital. What is the technological composition of capital? It's the *mind*; it is the principle of the American system, the Lincoln system.

The development of the mind of the population, the im-

provement of the mind of the population, the improvement of culture is the source of wealth! How does mankind come from the level of a species like an ape, which has no more population potential than 3-5 million on this planet? How does mankind get to hundreds of millions of population, at an improved standard of living, way above the monkey level, to modern civilization? How did we do this? Because the development of ideas by the cognitive processes of the human mind, translated into improvements in production, is the source of increase of wealth. Profit is nothing more than the increase of the actual wealth-creating potential per capita of the society. In the Soviet military industry, the product had to perform, in the civilian industry it did not.

The problem is a misconception of how an economy works. It is the development of the individual personality, and the emphasis on scientific and technological progress, which is the source of increase of wealth. And you have to educate your population better. You have to get teachers who work in terms of ideas. The key employee, who makes an industry work, is the one who develops ideas, one who says, we made a mistake here, we can do it better this way. When you treat people like slaves, like oxen or cattle, they don't produce so well. You must elevate them.

The conception here is the conception of man. How do you define man? Is man a wretch, is he a cow, is he an ox, or is a human being a beautiful thing, capable of these wonderful things called ideas?

China is too defensive in its approach sometimes. What is powerful about China, the advantage of China, is that China is undergoing, in large degree, real growth, because the state is committed to the improvement and development of the whole people.

The destruction of education in eastern Europe

In her remarks to the seminar, Nina Gromyko, of the Methodological University in Moscow, stressed the issue of culture and education. She pointed to the deliberate process of destruction of the culture and morality of the Russian population, through commercial advertisement and the promotion of "post-modernist" values. There is a technology of mass manipulation. For example, in Pushkin Square in the center of Moscow, you see a great advertisement board, with Coca Cola, Samsung, McDonalds, and a little figure of Pushkin standing in front. So, Pushkin has been made part of the consumer culture. There is a use of meaningless symbols, which destroy consciousness. Words are separated from their meanings.

The media are promoting a climate of mass cynicism, in which everything is mocked, and in which people take joy in disasters which are actually going to hit their own lives, as if it were only a game. Especially disastrous is the situation in the educational system. I have spoken with the Schiller Institute concerning the destruction of the Classical system of education, and they told me exactly the same thing is hap-

pening in Germany. Today, we have a lot of textbooks financed by the Soros Foundation, which is a reflection of the post-modern ideology.

There is a Presidential decree on the reform of education, and now various concepts of reform are being put forward. But, the share of education in the whole budget is only 1.8%. That means for us, in the near future, the total death of the educational system. What do the authors of these concepts suggest? They have no idea, no objectives for education. All they are oriented to, is how to adapt education to the current economic situation. So, for example, school buildings are proposed to be leased to wealthy companies. Of course, many schools in Russia are in such disastrous physical condition, that no businessman would want to use them.

LaRouche said we must orient to ideas. I recognize this. But, what is the idea of the development of education as the basis of national economy?

LaRouche responded:

I ran into the post-modernist business in the late 1940s in the United States. The worst form came from Hungary, with the promotion of so-called non-objective art. I studied this thing closely; it is very dangerous. Soros comes from this culture. This came from the Vienna-Budapest base that produced Freud, and also produced the Frankfurt School. Jacques Derrida is the same thing.

This is a denial of ideas. The objective is to achieve an emotional state. Don't discuss ideas, but discuss emotional states! Time disappears; there is no progress, no history. The characteristic of post-modernist education is the elimination of history.

The mind can work in two ways. One way is cognitive, according to truthfulness and ideas. The other is, you react with a certain emotion to a certain word or object. You live in a timeless world. You become bored with a certain object, so somebody comes up with a new object. Because, the characteristic of post-modernism is boredom. So, you go from one momentary pleasurable state to another pleasurable state.

The characteristic of the Baby Boomer is to say—the key phrase—"Don't go there." If it is agreed that certain subjects bring up unpleasant psychological states, then don't bring the subject up. The purpose is to make the population stupid. Turn people back from modern civilization, back into cattle.

The difficulty of this is, that the essence of knowing is experienced in the mind as "*unheimlich*," as the state of *agapē*, the state of discovering truth, or relieving an injustice. In a good educational system, the child goes through ideas in a progressive way. For example, in geometry. The child finds out something that is truthful, but finds it is not truthful enough; you have to find something else. Each time the child discovers a principle, the mind goes through this experience. The child that has that kind of education, begins to recognize this state of mind in others as well as in themselves. You have a sense of progress.

But people who have no *agapē*, have no happiness. If you

have an education and culture with no *agapē*, you have people with no happiness. Therefore, they are constantly trying to relieve the tension of not having happiness, by momentary pleasure. So, you buy an object for a momentary pleasure.

This is a deliberately engineered process of destruction of the population. We have to recognize that this is the face of the enemy. Because, if you take a population, and you destroy their capacity for happiness, for love, and all these things, you get a bunch of maniacs.

Helga Zepp LaRouche added a remark, on the role of great culture in educating the emotions:

Schiller concluded, after the French Revolution and especially after the Jacobin terror, that improvement in politics can only occur through the ennoblement of the individual. His entire work, including the tragedies, and the whole idea of the theater as a moral institution, was designed to bring in front of the population, those issues which force the man and woman to confront himself or herself with the great issues of mankind, issues of survival, power, freedom of entire nations. Confront the audience with these great issues, by portraying key characters in the drama, so the audience identifies with these heroes, and becomes attached to thinking about such larger issues.

Berthold Brecht is an evil influence trying to destroy exactly that. This was a very bad influence in East Germany, for example. Brecht wanted to prevent the audience from identifying with the hero of a drama, and growing. So, Brecht introduced the alienation effect, breaking the tension and creating a detached attitude.

So, we are dealing with conscious cultural warfare. How do you make a population into a bigger people, versus how do you make them more stupid, how do you dumb them down. That is the issue.

What would you have done, Mr. LaRouche?

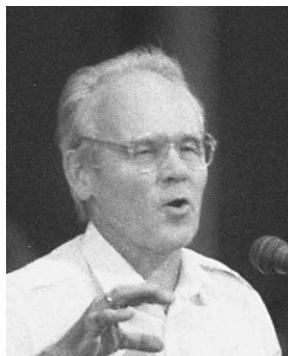
Dr. Jozef Miklosko, from Slovakia, posed a provocative question, reflecting on his own experience as vice-premier in the first post-communist government of former Czechoslovakia, during the crucial period of transition. He noted:

We have some paradoxes in our history: We had a big chance, but no alternative. Nobody was prepared for the change, it was a big shock. I was in government. We had only two years time to prepare 187 big laws. The time was going by quickly, and we had not much time to think. There was a big orientation to the West, and the slogan, we are going to Europe, we don't want any more of the old system. Should the old communists go to jail? We said, we should forgive them. But, many became millionaires. Liberalism took the place of communism. People said, you can have freedom, freedom, freedom, but then chaos and disorder came. My question to Mr. LaRouche: You were in jail, at the time, but if you had been President of Czechoslovakia, or maybe Russia, in this time, what would have been your priorities?

LaRouche answered:

You had several characteristics in the Comecon bloc: The lack of connection between a machine-tool sector and the economy in general. The lack of an educational system oriented to do that for the whole population. The other characteristic, obvious to anyone in government, is the lack of infrastructure, no infrastructural development.

The first thing is to say, we have to create a banking and credit system, and immediately institute programs to address the infrastructural problem. Infrastructure development is the



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—Dr. Jozef Miklosko

thing which will stimulate every part of the economy.

Therefore, you want a credit system which is actually not liberal, but highly structured. You say, what are the national needs? You give credit to people, if they will set up this kind of operation which will solve this specific kind of problem. And, if they perform, they will get more credit. If they don't, too bad, we get somebody else. You create an entrepreneurial group of people who address problems, and we are going to use the priorities of infrastructure development, sanitation systems, power systems, education, these kinds of things that government can do, to stimulate the whole economy quickly, to get real growth.

You do not need neon signs, you don't have to dress like some idiot on the streets of Paris. You don't encourage importing foreign goods, you foster producing them. Unlike the crazy thing which happened to Ukraine, for example, when I was there: Ukraine was increasing its import of food from the Netherlands, while shutting down the production of food in the Ukraine. This was insane!

You want to have a tight protectionist system, which prevents flooding the consumer market with imported goods. If

you need things, you buy them on the internal market. You need very strict regulation of what you allow to be imported. You don't go on an orgy.

It is the same way we ran the American System in the beginning: a highly protectionist economy with an emphasis on infrastructure, promoting scientific and technological progress, providing credit to entrepreneurs who are going to solve problems, living by goods we produced ourselves, creating industries to produce our own goods rather than importing them, making trade agreements with other countries, to balance trade and to share your growth programs. You needed not a Comecon, but something to replace the Comecon, which would be a system of mutually beneficial trading agreements, but a highly protectionist system.

Forget this liberalism. Remember, free trade was like drugs. Free trade was something the British in the eighteenth and nineteenth century exported to idiots called victims. They never used it for themselves, they demanded that the victims use it, like the dumping of opium on China. They demanded that China accept free trade and opium, but they wouldn't permit free trade in Britain. Go for infrastructure, restrict what you import, conserve resources, supply abundant long-term credit to any entrepreneur who does a good job, and make trading agreements with your neighbors, which will be beneficial to them and to you. But don't waste your money on cheap entertainment, and don't pay any money for rock concerts.

The Chinese economic reform as a problem-solving process

Chinese economist Bi Jiyao presented an overview of the development and present stage of economic reform in China. Dr. Bi's step-by-step account of the reform, starting with the restructuring of Chinese agriculture, and progressing to other sectors of the economy through a continuing process of problem-solving and reevaluation, made a strong impression on the participants. It stood in striking contrast to the post-1990 "shock therapy," which has wrecked the economies of Russia and eastern Europe. Particularly striking was the summary of the goals set in the Ninth Five-Year Plan and the Long-Range objectives for the year 2010, which Bi summarized as follows:

To complete the second phase of the strategic plan for modernization, and to quadruple the GNP per capita compared to 1980, under the condition that the population in China will have increased in the year 2000 by 300 million over 1980; to raise the people's living standards to that of a fairly comfortable life with poverty practically eradicated; and to speed up the construction of a modern enterprise system and preliminarily establish a socialist market system. By 2010, the GNP will be double that of the year 2000, people will enjoy an even more comfortable life, and a relatively complete socialist market system will come into being. (The text of Bi Jiyao's presentation is reproduced below.)

Overcoming an artificial dualism

In the discussion following Mr. Bi's presentation, one of the participants raised the question, whether it is sufficient just to talk about economics in material terms. Is there not more? Does simply having material goods make people happy? In a beautiful response, LaRouche challenged the participants to overcome the artificial dualism of so-called "material" and "spiritual" development, by grasping the scientific conception, of what economy really is, in terms of development of the population. Only from this standpoint, can you define "human rights."

LaRouche said:

There is a cultural problem here, and the fact that those few people who express relative competence in economics today, are competent not because they have a competent theory—they don't have a competent theory—but because they have clinical competence. They develop insights, but they don't really understand how things work. Remember, the human mind, which is the key to economy, is the most sophisticated phenomenon in the universe. No generally accepted mathematics can deal with processes, whose characteristic curvature is based on these cognitive processes.

What must you measure in an economy? You must not measure fixed, countable things only. You can't count objects and say, we have produced so and so many objects, therefore this year is better than last year. That's not true. It is a qualitative question which comes down to the most sophisticated notion of curvature in the small.

We have to get into a notion of anti-entropy, which is why I have defined it the way I have. This has to come, first of all, from the level of the professionals, who have to scrap the way economics is taught today, and adopt a system which is accurate. Once that's done, now you could begin to explain to the people what this is.

People function on the basis of a sense of identity, a sense of ideas. And in terms of economics, people are barbarians, we're not civilized. Because, what you have to do, is to develop the *person*, the individual. Which means, a certain kind of education. In Germany, we scrapped it, the Brandt reform destroyed it. Now there is no good education system in Germany any more, and you don't have people who are competent to govern.

People themselves have to understand development. If the people don't know any better, they develop what is called a "cargo culture." In World War II, the United States would go to islands in the Pacific, they would send boatloads of goods—every kind of objects: food, machinery, and so on. The people developed a theory of economy, which was that ships come and bring this cargo. Religions developed in these islands, called "cargo cults." The religion was, what to do to make the ships come, to deliver the cargo which made the people prosperous again? We live in a time, as Nina Gromyko described in the case of Russia, when people actually are

living in a mental state, like barbarians, who have a cargo culture. "Do I have a TV set? Do I have an automobile?" If they have an automobile, even if they had no road, they feel rich. What are you going to have in China? One billion automobiles? Where are you going to drive the automobiles?

Whereas, the happy person will ask, "Am I developing? Is my son more productive than I am, does he have a better education, can he do things I can't do? What do I require for that? For my children I have to have a room, where they can concentrate without interruption; I have to have access to Classical music for them, I have to have books for them. I have to have friends who are not baboons. Does the community have good libraries? Do the schools have scientific experimental centers? Do the teachers have the ability to get somebody with a machine shop in the town, with the capability to build experiments to demonstrate physical principles to children?" If you are going to be a scientist, you have to be involved in Classical music. Because without Classical music, you cannot do creativity on a basic level. Because you have to get your mind in a certain state.

So, you begin to think about all the things that increase the potential productive power of labor. What does that mean? It means, first of all, to develop the mind, to provide the child with everything necessary to develop the mind. To be part of a creative culture when they are very young. Mozart was

composing music when he was a child. Why should not every child have access to the kind of education which permits the child to make certain kinds of progress from very early on? To develop the character of the mind, to develop the knowledge of the mind, from the earliest time, to give the child the sense that they are part of history.

Begin to think about those kinds of things. This is the quality of life. The leaders have to understand *why* we emphasize this. Why are we trying to revolutionize the teaching of mathematics? Why are we afraid of computer technology? Because it is going to promote linearization in the small, digitalization of the mind, virtual human beings, turning our children into virtual human beings, instead of real ones. You have to have, among the leadership, the leading strata of society, a new conception of man, based on a more accurate conception, of what we mean by development, by growth. And you have to bring that knowledge, through education, to the ordinary people, so they know they are not cargo-cult people. They know what they must be looking for, to see if they are succeeding. Once they understand it, they will demand it. But now, they don't know what they should look for. We the elite, the intellectuals, we have to make this concept clear, and then practice it and teach it to people. We have to bring a correct conception of man, of the individual, to people. Once the people understand this, then society will be secure.

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Russia on the brink

Prof. Gregory Gregorevich Pirogov, a well-known economist and orientalist from Russia, gave an overview of the disastrous situation of the Russian economy, as a result of the policies promoted by the IMF. Professor Pirogov said:

What is current situation? Russia is already suffering the impact of the financial crisis. The latest projections of GNP were revised downward to a negative value. The rate of shrinkage of employment was 1% per month, but for December, 3%. Investment is at very low level, now about 15-20% of the level before collapse began, and now falling further. There is a permanent deficit in the state budget. Tax collection has fallen to a critical level. In the first nine of the current year there was a 100 trillion ruble shortfall in tax collection, compared with 160 trillion rubles of state revenues for the same period. Now, our foreign currency reserves have been reduced by \$5-6 billion. Capacity utilization in Russia is low, and falling.

We had a seminar on current problems of Russia, and directors of enterprises gave reports on the current state of industry. Our industry is out of money, out of working capital, out of raw materials supply, out of production equipment. Everything is depleted. We are on the brink of serious collapse of production capability.

The most acute danger is the flight of foreign capital, which puts a drain on our currency resources. The most acute case is the flight of foreign capital from the GKO (Russian state bonds), with far-reaching consequences. Another danger is, that to fill up the treasury, the government is rapidly selling off the last of our key industries. The price for those industries is going down. It is very profitable for the foreign buyer, but it ruins our budget and industry.

Another point is the growth of debt servicing. Bear in mind, that our debt service cost is equal to 26% of our budget outlays. That should be compared with the expenditure in education and science which make up about 3% of the budget. We do not know if the budget can support a further growth of debt servicing.

Another point is illegal capital flight, now about \$20-30 billion per year, but there are reasons to fear it will be growing in the context of the world financial crisis. To counter those threats, the government has to raise interest rates; but to raise the rate of the GKO, brings further falls in production, because even today, it is practically impossible to raise credit for the productive sector. With further increases, financing real production will be completely ruled out.

Some factors of the situation can have an ironically positive effect, in the short term. We have a comparatively small volume of foreign investment, for example. In the year 1996, there were about \$6 billion, 2% of world volume. So, even the flight of foreign capital is not so dangerous to the production sector, because foreign investment plays only a small role there. Another factor is the insufficient money supply in the economy. The volume of M2 is about 13% of GNP; normally,

in a developed country, it should be 60-80%. The United States, with 120%, is an exception, because there are many dollars outside the United States. So, there is much room to issue money without inducing hyperinflation in a short time. The securities market has a comparatively small role; its collapse has comparatively little impact on the real sector. So, some disadvantages of our economy are turned to advantages, but maybe not of a permanent character.

Now, some basic background. In my opinion, reforms were necessary to bring flexibility to our economy, to help conversion of the military complex, and to transfer military technology to civilian uses. But, what really happened was quite the reverse. This was not an error, but a conscious policy. Why?

From the beginning there was set a goal to form a small group of rich people, at the cost of the majority of the population. The middle class is very small; a very tiny group of rich people control the vast majority of wealth, and the rest of the population is impoverished. This is the so-called "two-hump" distribution of wealth. In a developed country, normally the distribution should be near to a normal, Gaussian distribution. A large middle class is the basis of mass production. But you do not have this in a two-hump distribution, where the rich are oriented not to mass production, but to buying luxuries from abroad, and the poor masses now are oriented to mere subsistence, "natural economy."

So, there is no effective demand, no base for mass-production of domestic goods, no incentives for investment at home. When we were in Zyuganov's Presidential campaign, we met with experts from leading investment firms of the world. They said, that if Yeltsin is elected, a flow of foreign investment will go to Russia. But, to have foreign investment to Russia, you must have a large internal market. If the market is small, you have no incentive for foreign investment. In fact, nothing occurred. The elite layer has to have wealth to buy luxury goods and to build their estates; they cannot get that from mass production, so they are looting the wealth of the nation. Where there is no domestic market, it is very difficult to go into exports. Japan could develop exports after World War II, because it had a large domestic market.

I give the example of a tractor factory in Vladimir, which produced good tractors, and once had a great demand from abroad. But the capacity was very large—about 7,000 tractors per month. Now, due to the ruining of Russia's agriculture, the domestic market shrunk and became very small. So, they could produce only for abroad. But that meant that they could not produce a large enough lot to have a competitive price. They had to raise the price because of under-utilization of capacity. As a result, they had to withdraw also from the foreign markets. Now, I think the production is practically stopped, at least from time to time.

This shows what is going on. We mainly export raw materials and fuel, and thereby we nurture secessionism in the country, because each region wants to sell its raw materials

and get the income for themselves. So, this is a threat to national unity, in contrast to a real growth policy, which would support national integrity by building a big domestic market.

Now, on the policies of the IMF. The main direction of the IMF policies was deflation policy, which led to the shortage of working capital in the industry. They also sponsored the export of raw materials and fuel. They demanded, that the export duties for fuels be abolished, which was a severe blow to our budget. They also required export and import certification by independent certifiers, which is a strong instrument to control capital flight, also be abolished. We tried to introduce a quota for alcohol imports, but they demanded the quotas be dropped. Now, they are pressing for the disintegration of the so-called natural monopolies; first the monopoly for fuels and the integrated energy system.

The integrated energy system has great importance for Russia. Because of the great extent of our territory, we can have night in the West and day in the East, so we can transfer electricity with this system. If we disintegrate this system, we will get a very chaotic situation in the energy market. The IMF wants the energy to be privatized, and wants to put foreign control on our energy system, as it did with our communications system.

Another pressure point is the privatization of land. Briefly, today, Russian agriculture does not need a completely free land market, as we have no shortage of land in our agriculture. The shortage is a shortage of capital and equipment. Also, we have a grave discrepancy between industrial and agricultural prices. Under such conditions, only a crazy entrepreneur would invest in agriculture. If he should buy land, it would be used only for speculation, not for agricultural purposes.

There is a common feature in IMF policies toward our country and toward Asian countries. They are demanding a larger share of foreign capital in the economies of those countries, in order to buy up the key industries and the best enterprises, the same as in our country. As the share prices fall, they can easily buy potentially competitive enterprises, as was done for the Norilsk nickel complex. As a result of this privatization, the Norilsk mills are almost completely isolated from our market; they are working for the foreign market and receiving equipment from the foreign market. They do not pay taxes to the treasury.

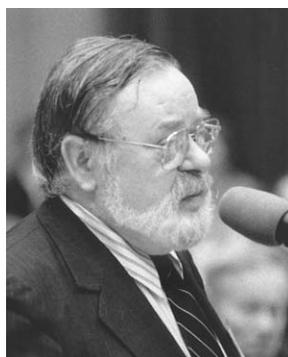
A new form of slavery in Russia

Prof. Taras Muranivsky, president of the Schiller Institute in Moscow, added some remarks on the present economic crisis in Russia. He said:

There are many things destroying the situation in our country, to make us into a Third World country, in culture. The crucial importance of education was correctly underlined by LaRouche and others. Our government, however, feels that in education we must adapt to the economic policy which

we have. But the economy is being destroyed, and we are doing the same in education.

When there is long-term investment, this money cannot flee, because it is put into the productive forces. Because of this, investments in China don't take flight, because most investments are in the productive sector. But most investment into Russia is short-term, in GKO state bonds and so-called European Bonds. And, as in Mexico in December 1994, the money begins to take flight because it has not been used. What



President Yeltsin ordered young reformers in the government, to pay the pensioners. So, they took money

from another part of the budget to pay the pensioners. They work as a fire brigade. When ordered to pay the military, they stopped paying the pensions. Some people work for a whole year without salary, a new form of slavery.

—Prof. Taras Muranivsky

does the government do? Very strangely, they try to prove that nothing is happening, that the situation is very good. In reality, from the money that was supposed to be put into industry, agriculture, and infrastructure, the central bank of Russia used it all to save the stock market and the GKO and Eurobonds. Nothing was put into industry, in spite of government lies, that it is going to develop industry.

Now we have the project of a high-speed train from Petersburg to Moscow, but the mass media are trying to destroy the project, claiming it will damage the environment. In fact, the lack of infrastructure is affecting all of Russia. We continue to lose many products; because of lack of roads, everything is spoiled.

The military-industrial complex (MIC) is problem number one. On this depends many problems in machine-building, in foreign trade, because in our MIC the quality of scientific and engineering achievement is on the highest world level. But, in reality, the conversion was directed to destroying ev-

everything, to destroying science and technological potential, instead of transferring it. I think the main reasons are connected with the wrong, monetarist policy of the people around Yeltsin, Chernomyrdin, and others — not only Chubais. They said the task is to stop inflation and fill the gaps in the budget, then everything will be okay. They claimed that the recession in production was not important. Now, we have no big inflation, but we cannot invest anything into the productive sphere. The monetarist mentality will continue the vicious circle which we have.

Russia and Ukraine operate on the Presidential system, with the President giving out orders. So, President Yeltsin ordered young reformers in the government, to pay the pensioners. So, they took money from another part of the budget to pay the pensioners. They work as a fire brigade. When ordered to pay the military, they stopped paying the pensions. But, the military is big. They promised to pay for December, but did not. Now, Yeltsin ordered them to pay everybody! I am sure they will not pay. They are ready to sell the best enterprises for the cheapest price. They are ready to sell father and mother, and I don't know what. So, people work, but don't get a wage. Some people work for a whole year without salary, a new form of slavery.

Collapse continues in Ukraine

Anatoly Viktorovich Voznytsa, from Kiev, summarized the situation in his country, which is in many respects similar to that in Russia, but substantially worse. In summary, he reported as follows:

I think that the majority of people here are acquainted with the situation in Ukraine. Some of the problems are the same for Russia and Ukraine, and were mentioned by Professors Muranivsky and Pirogov. The financial system, and particularly the condition of state finances, is in a permanent crisis, and hovering on the edge of the abyss. The collapse in production and the growth of unemployment continues without abating. Unfortunately, there are no precise numbers, and you cannot rely on government figures. But, it is certain that the present production level is not more than 40% of 1990. The only thing preventing total disaster, is the fact that virtually the entire adult population is involved in growing food, often with nothing but their bare hands. So, the population is not physically dying.

Voznytsa spoke of the increasing economic discrepancies between eastern and western Ukraine. The western part, closer to Europe, is relatively better off than the eastern part, which was the most heavily industrialized before, but where virtually nothing has been invested into industry for 20 years. This situation is heating up the danger of an east-west split of the country.

The coming national elections, to be held in late March, will not solve anything, and the change of the electoral system has increased the chaos factor.

Strategic disaster in the making in the Caucasus

Haik Babookhanian, from Armenia, presented a grave picture of the situation in Armenia, emphasizing especially the potential, major strategic crisis which is building up now, over the possible stationing of NATO troops near the borders with Russia and Iran, as part of a projected "peace-keeping" mission in Nagorno-Karabakh. LaRouche commented, that Mr. Babookhanian had touched upon a matter of the utmost strategic importance, together with the situation in the Central Asian republics. Madmen are about to blow the world up in flames, he said, and we have to stop it. (Mr. Babookhanian's paper is reproduced below.)

The situation in Georgia

Vladimir Kilisonia presented some remarks about the situation in Georgia:

I want to say, many thanks to the Schiller Institute. Very often in Tbilisi, I am asked why the Schiller Institute always talks about the British Empire. But, I also know the history of Georgia, when Georgia was under British rule. Now, British Petroleum is very active in Georgia.

In terms of the situation in Georgia, I want to point out that Moscow has electricity; also, Kiev has electricity. No problem. But in Georgia, in the villages, there has been no electricity for three years. Now, in the capital of our country, we have electricity in the morning for two hours, in evening for two hours. Official unemployment is 8%, but in reality it is more than 92%! To maintain its standard of living, a family would need \$400 per month, but now we earn only \$15. The productive economy is destroyed, we have no industries left. Before *perestroika* we had more than 1,200 enterprises, now we have nothing, only a black market, and speeches. The World Bank gives credit with various programs for transport, medicine, agriculture, but where is this money? Only paper.

After the latest financial crisis, many of my friends called and said, LaRouche talked about this, and it is true, so Lyndon LaRouche's authority is big.

LaRouche responded, on the issue of the British Empire:

All around the world there are romantics, with Cold War-period myths. They don't know, that the conflict with the British is a conflict of principle. We must free this planet, once and for all, from the bloodsucker principle of looting finance. We have a principle of evil, which happens to have an incarnation which is called the Anglo-Dutch oligarchy. We have some people in our country, you have some in Russia, much of Europe is owned by this. It happens to be, that the City of London, the British monarchy and its Privy Council, is the center of evil in the world today. If we broke that evil on this planet, then all the problems we are discussing today, would not exist. And sometimes you must recognize the principle of St. Augustine, of justified war. This British force has to be destroyed. It is better to destroy it by other means, than

to go to war. The United States is a corrupt country, but not an evil country. I could not exist inside the British Empire. I would have been dead long ago.

We must be as angels

At the end of the seminar, there was a discussion about the deeper reasons why the situation in China is so different from that of the former Soviet Union. Some participants gave expression to a sense of pessimism, which tends to envelop people in the devastated countries of eastern Europe. Lyndon LaRouche responded, closing a most fruitful day of discussions, with the following comments:

The question is answered by a methodological approach. In science, what is usually wrong is not what is *present*, but what is *missing*. All scientific discovery is based on discovering something which was missing.

This is true in the case of nations. In the development of China, you cannot ignore the fact that there was a section of the Communist Party in China, which was sometimes in prison and sometimes in other places, which maintained a continuity. In the period following the death of Mao Zedong, this group, led by Deng Xiaoping, managed to put into place a leadership in China, which, at the time of Deng's death, was in place. Jiang Zemin, typifies this, but not he alone; there is a whole group of people in the leadership, who are what was needed by China, so that it could do what it could do.

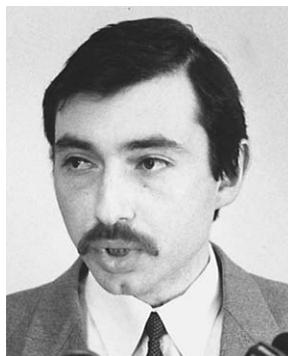
Man is intrinsically good; all babies are born good, all people's babies are born good. They all have this potential for good. Each one is like an angel. When a baby comes, it's an angel on a mission. Now, it does not come with any instructions; it comes with a capability. The baby will discover what mission it has. The baby will grow and develop the capabilities to carry out the mission. Then the baby will die, as an older person. But the baby will, like an angel, have come to society and done some good. And, society needed that angel to come to society at that time to do that good. And anybody who is any good, wishes to be such an angel. You come with no special powers, no ticket telling you what your instructions are, but you have to recognize your instructions from your situation, and do some good; so that when you die, you have been an angel, who came and did some good for humanity.

All people are like that; so, why don't all people act like that, at all times? Because society depends upon people who act like angels to other people, as leaders, people who inspire, who provide ideas that are needed at that time.

Then, what is an evil society? An evil society is one which does not allow angels to be angels. It works to suppress those who try to change things, it wants to turn people into animals, or into Hermann Hesse's Steppenwolf types.

The problem in Russia was, essentially, not communism or anything else like that. In the 1970s, I knew that the Soviet Union was doomed. I knew it because the leadership of the Communist Party had praised Brezhnev for not being a volun-

tarist. Because, all leadership is of a voluntarist nature. Since man is not perfect, the kinds of societies that are given to us by our predecessors, are always imperfect. And, if they continue with that imperfection, they will turn into their opposite, they will become oppressive. We depend upon people to come forward, who are voluntarists, who are leaders, who inspire a people, who lead them, as the present leadership of China has inspired its people with the confidence to do something. And they have spent about 20 years now in this process. And now, you have a whole leadership which is recognized by its people, by the institutions, as a new leader-



The real question is not oil, but the destabilization of the region, and not only of the Transcaucasus countries, but also Russia and Iran. For the first time in history, it is proposed to bring NATO troops into the territory of the former Soviet Union.

—Haik Babookhanian

ship which they trust. This new leadership is making a change. It is the change that has saved China.

In Russia, they succeeded in preventing such a leadership from emerging. The KGB was all too successful, the "*Chekisty*" and similar systems. What was the evil in Russia—as I know evil, and I saw the evil in the Soviet system—is named mediocrity, the power of mediocrity to suppress genius. You had geniuses, but what did the geniuses do? They ran into science, they went into the Academy of Science, whatever they could do, just to escape from the *Chekisty* and the mediocrities, to find something useful to do, to find a niche where they can do something, to make their lives meaningful. These were Russian patriots, and this was the only place where they could go, to do some good.

I'll take my own case, in the United States. The United States, the spring of 1945, had become again a good country. People had been called to a mission, under a leader, Franklin Roosevelt. And they were full of optimism. Most American soldiers returning, as I was, from overseas duty, had seen the British Empire, knew it was evil, and knew it had to be destroyed. I was in India, Burma: I saw evil. I knew the world

was not safe, when you allow the British System to exist on this planet. It had to be destroyed. Roosevelt—I didn't know it then—Roosevelt had that intention. Roosevelt planned to ally with China, and the Soviet Union, *against Britain*, at the end of the war, to destroy the imperial system. This the majority of the American soldiers returning from overseas duty, that I knew, tended in that direction, because I was organizing around that then. And, they agreed with me. I got back, and they changed.

Now, how many people of my generation, were willing to stand up, to what happened in the United States in 1946 and on under Truman? Almost none. As I said, the same thing happened with the German population, with the “*Gleichschaltung*.” You don't think. You're careful of what you say, you're careful of what you think. But you have a few of us, who stand up and refuse to capitulate. And those of us who *refuse to capitulate to mediocrity*, against all odds, are essential, as the true patriots of our nations. If we are eliminated, the nation will go to Hell. And it would go to Hell, because it allowed itself to be ruled by the principle of mediocrity.

Don't look in Russia, at communism, for what was evil. Because, remember, the Russian people are the Russian people. They're born every day, or used to be, anyway. Every baby is an angel, a potential angel. When you don't let the angels come forth to renew society, if you have a system to prevent them from becoming angels, you repress them, and none escapes. Then you have no leaders, and if you have no true leaders, who are fighters, who will not give up, who are morally strong, then you will not have the ideas, you will not have the programs, the things that are necessary to renew the nation, to correct its errors.

And that's what happened. There were people in Russia who could have done something, but the leadership could never come forth, to do what had to be done. And when they praised Brezhnev for being a mediocrity, and that was considered the moral standard of leadership of the Soviet Union, you say, this nation is doomed, by itself. Doomed, not by any flaw in communism—yes, there were flaws, many of them, in the Soviet system, many flaws—but that was not the problem. The problem was, the system was so efficient in enforcing mediocrity. And that's what I had hoped to break through, back in 1982-83, by giving a new dimension to the scientific, military-industrial complex for renewing the economy. So that you would break something free, to allow the intelligence of the potential angels to take over.

So, don't look for what was wrong in what happened, as such. Look for what was wrong in what was missing, as in science. Always look for the missing principle. When an error occurs, what was missing? Because human beings are intrinsically noble, they are the greatest thing in the universe. If you let them become what they should become, you will always have progress. And the only time a nation destroys itself, a civilization destroys itself, is when it becomes *efficient* in enforcing mediocrity.

China's plan for economic growth

by Bi Jiayao, Ph.D.

This paper was presented at an economic seminar organized by the Schiller Institute in Wiesbaden, Germany, on Dec. 16, 1997. It was entitled “The History and Current Status of Economic Reform in China.” It has been slightly edited, and subheads have been added.

China began its economic reform and opening policies in the late 1970s. After nearly 20 years of economic reform and opening up, China has made great achievements in both economic development and the establishment of a socialist market economic system. From 1979 to 1996, the Chinese economy grew 9.87% annually on average. Total trade volume increased from \$29.3 billion to \$289.9 billion. The cumulative utilization of foreign capital totalled \$283.9 billion, including \$174.9 billion in foreign direct investment. The people's living standard has also increased by a large margin. Having successfully realized a soft-landing in 1996, China's economy is expected to increase by 9% for 1997, with the inflation rate being reduced further, to 5%.

Since the 1950s, China for many years adopted a highly centralized planned economic system. At that time, this system made a great contribution to the key construction projects, rational allocation of resources, optimizing regional economies, and building a preliminary basis for industrialization by concentrating the country's financial, material, and human resources, promoting economic and social development in China.

However, the defects of this centralized, planned economic system became more and more obvious, with the continuous expansion of the scale of economic development, and the increasing complexity of the economic structure. The policy of one-sided increases in the level of public ownership did not conform to the reality of China's economic development. The government intervened too much in the business affairs of state-owned enterprises, with the enterprises lacking essential independence in their operation and management. Overly rigid economic planning curtailed the role of the market mechanism, resulting in serious distortions in the economy. In addition, blind egalitarianism in income distribution reduced the economic efficiency by restraining individual incentives. These and other drawbacks seriously obstructed the economic development in China. Thus, planned and step-by-step economic restructuring became unavoidable.

Reform begins in the countryside

In 1978, the Third Plenary Session of the 11th Central Committee of the Communist Party of China (CPC), made a decision to restructure China's economic system. The reform began in the countryside. From the end of 1978, the Chinese government began to adjust its agricultural policies and restructure the rural economic system, formulating a series of new policies to promote agricultural development. The most important measures have been the implementation of the contractual responsibility system, with remuneration linked to output, based on the household, and the establishment of a socialized service system.

Under this system, the collectively owned land is contracted to farmers for operation. After delivering necessary yields to the state and the collective, farmers are allowed to retain the residual income. At the same time, centralized and assigned purchases of farm produce and sideline products were gradually abolished, and price controls over most farm produce and sideline products have been also relaxed. In addition, the rural industrial structure was readjusted, and township and village enterprises (TVEs) were encouraged to develop rapidly, diversifying rural economic activities. With the implementation of these rural reform measures, the enthusiasm of more than 800 million farmers for engaging in all kinds of productive activities has been greatly mobilized. The

agricultural output increased 2.46-fold from 1978 to 1996. The TVEs have maintained a high growth rate in output. By the end of 1996, there were more than 23.36 million TVEs in China, and more than 135.08 million persons have been employed by these enterprises, largely reducing the employment pressure of the surplus labor in the countryside. Now the business scope of the TVEs has expanded into industry, agriculture, transportation, construction, mining, and services sectors. This has diversified the rural economic structure.

The focus on urban reform

The smooth progress of rural reform has created favorable conditions and generated experiences for restructuring the entire economic system. In October 1984, the Third Plenary Session of the CPC 12th Central Committee promulgated *The Decision on Restructuring the Economic System*, signalling that the economic reform in China was entering a stage with urban reform as the focus. The urban economic reform has taken the following main forms:

First, adjusting the structure of ownership: Presupposing public ownership as the predominant form, China is promoting the development of a variety of systems of ownership within the economy, with collectively owned enterprises, individual and private enterprises, and foreign-funded enterprises encouraged to develop. In 1995, the share of the state-owned enterprises in the total industrial output value declined to 30.9% from 77.6% in 1978, while the share of collectively owned enterprises increased to 42.8% from 22.4% in 1978. The individual, private, and foreign-funded enterprises together accounted for 26.3% of the total in 1995.

Second, expanding the decision-making power of state-owned enterprises and strengthening their vitality. Under the precondition of abiding by the relevant state laws and regulations, the decision-making power of state-owned enterprises was expanded with regard to production plans; purchasing and marketing of products; pricing; the use of funds retained within the enterprises; disposition of property, labor, and personnel; distribution of wages and bonuses; and economic coordination. At the same time, a contract operating responsibility system was put into practice in state-owned enterprises, horizontal link-ups between enterprises were actively promoted, and enterprise groups were organized. In addition, a pilot share-holding system was introduced.

Third, implementing price reform and fostering the market system. With the advancement of price reform, the market has come to play the guiding role in price formation. By now, the prices of around 95% of industrial products are determined in the markets by the interaction of demand and supply. The prices and charges for infrastructure products and services have also been gradually adjusted to reflect their costs, with the state subsidies sharply reduced.

Fourth, restructuring planning, public finance, and the banking system, and gradually improving macroeconomic control. The scope of directly planned management has been

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narrowed, and, at the same time, the role of market regulation has been strengthened. Administrative measures regulating the economy have been replaced by economic and legal ones. The fiscal reform changed the highly centralized and unified system of fiscal revenue and expenditure, into a colorfully named “divide up the stoves and eat” system, thus giving greater incentives for local governments to increase fiscal revenues. In the banking sector, the central bank function of the People’s Bank of China has been strengthened; several specialized banks were established to directly handle their banking business, and a number of non-banking financial institutions have been set up. At the same time, securities markets, including bond markets, stock exchanges, and foreign exchange markets, were set up and gradually developed.

Fifth, restructuring the foreign trade system in line with international practices, and on the basis of China’s own conditions. Export subsidies and import regulation duties have been abolished, quotas and licensing for import have been substantially reduced, and mandatory import and export plans eliminated. Tariffs have been gradually reduced, and the Chinese markets have become more open to foreign products.

Sixth, reforming the income distribution system and implementing various distribution forms with “earning according to one’s work” as the mainstay. In government departments and institutions, the wage structure assigns one’s wage according to the position he fills. In enterprises, the total payroll is tied to the enterprise’s economic performance, with workers’ wages linked to individual contributions. Other lawful incomes are also recognized and protected. At the same time, the reform of the social security system, with unemployment relief and insurance and pensions as the focus, has also been proceeding step by step.

A ‘socialist market economic system’

On the basis of these economic reforms, the 14th National Congress of the CPC, in October 1992, put forward the establishment of a socialist market economic system as the goal of China’s economic reform. This is an historic change in China’s economic development. The socialist market economy to be established in China, is closely combined with the socialist system. The market should play a basic role in the allocation of resources under the macroeconomic control of the state. In November 1993, the Third Plenary Session of the 14th CPC Central Committee issued a *Decision on Certain Issues Concerning the Establishment of a Socialist Market Economic System*, which became a general plan and action program for China’s economic reform.

The main content of the Decision includes: adhering to the principle of jointly developing various economic components with the public ownership remaining as the mainstay; further transforming the operational mechanism of the state-owned enterprises; establishing a modern enterprise system with proper rights and responsibilities clearly defined; separating government administration from enterprise business activi-

ties; running enterprises scientifically to meet the requirements of the market economy; establishing a unified and open national market, and the connection of domestic and overseas markets, so as to encourage the optimization of resources allocation; transforming government function in administering economic activities, to establish a sound macro-control system, with indirect measures as the main policy instruments, so as to guarantee the healthy development of the economy; establishing an income distribution system, with distribution according to work as the mainstay, giving precedence to efficiency and taking account of fairness; encouraging some areas and people to become rich before others, while striving to achieve common prosperity; and finally, establishing a multi-tier social security system to provide both urban and rural residents with certain social protection in line with Chinese national conditions, so as to encourage economic development and social stability.

From 1994, China’s economic reform has advanced from a stage, with reform proceeding from item to item, in turn, to a new and comprehensive stage stressing breakthroughs at key points. In that year, a decisive step was taken in the economic reform. According to the requirements of establishing a socialist market economic system, a series of important reform measures have been taken in respect to public finance and taxation, banking and the financial system, the foreign exchange regime, the foreign trade system, the investment system, the price system, and the circulation and marketing system. And, some progress has already been achieved.

A new public financial framework has been basically set up, with the system of revenue-sharing between central and local government as its core, and taxation on turnover, with value-added tax as the main part, has begun to operate normally. The income tax for domestic enterprises and individuals has been unified, and, in particular, the high income tax rate for state-owned enterprises significantly reduced. Taxation was also simplified, and the tax burden shared more evenly.

In the banking sector, the ability of the central bank to exercise macro-control over the money and credit supply was strengthened, and three policy-oriented banks were established. With the policy-oriented banks, the specialized banks were required to transform into state-owned commercial banks. At the same time, the foreign exchange regime was largely restructured. The official exchange rate for the renminbi (RMB, China’s currency) was unified with the “swap” rate, and the newly established foreign exchange market began to determine the exchange rate mainly by market mechanism. The exchange rate of RMB remained stable during this restructuring. In addition, progress was made in restructuring the state-owned enterprises. The establishment of a modern enterprise system among large and medium-sized enterprises and enterprise groups, and the reform of enterprises in cities, went into trial operation in an all-round way. This provided ways to solve certain problems which emerged in the reform of the enterprises.

Developing the productive forces

China is currently in the primary stage of socialism, and will remain in this stage for a long time to come. This scientific thesis was reaffirmed in the 15th National Congress of the CPC [in September 1997]. The fundamental task of socialism is to develop the productive forces. During the primary stage, it is all the more necessary to give first priority to concentration on development of productive forces. According to the strategic objectives set by the 13th National Congress of the CPC held in 1987, China's modernization drive would proceed in three steps: first, doubling the 1980 GNP to solve the problem of the shortages of food and clothing; second, quadrupling the 1980 GNP by the end of the century; and third, basically completing the country's modernization, raising GNP per capita to that of intermediate-level developed countries and achieving a fairly well-off life for the people.

At this time, the first step has been essentially achieved, and the second step was also achieved in 1995, ahead of schedule. Therefore, a new objective was put forward in 1996, in the *Outline of the Ninth Five-Year Plan for National Economic and Social Development and the Long-Range Objective to the Year 2010*. The major objectives for the Ninth Five-Year Plan are as follows: complete the second phase of the strategic plan for the modernization drive in an all-round way, and quadruple the 1980 GNP per capita, assuming that the population in the year 2000 will have increased by 300 million more people than in 1980; raise the people's living standard to that of a fairly comfortable life, with poverty practically eradicated; and speed up the construction of a modern enterprise system, and preliminarily establish a socialist market economic system. By 2010, the GNP will be double that of 2000, people will enjoy an even more comfortable life, and a relatively complete socialist market economic system will come into being.

Achieving basic modernization

The period from the present to the first decade of the next century will be crucial for China to realize its strategic objective of the second step, before marching toward that of the third step. The 15th National Congress of the CPC proposed that the fundamental shift of the economic system, and of the mode of economic growth, must be promoted so as to fulfill the Ninth Five-Year Plan and attain the Long-Range Objectives Through the Year 2010, laying a solid foundation for achieving basic modernization by the middle of the next century. Thus, by keeping to the orientation of building a socialist market economy, new breakthroughs must be made in some major aspects of economic reform.

First, readjust and improve the ownership structure. It is China's basic economic system for the primary state of socialism to retain a dominant position for public ownership, and to develop diverse forms of ownership simultaneously. However, the full meaning of the public sector of the economy should be seen. The public sector includes not only the state-owned elements in the sector of mixed ownership, but the

dominant position of public ownership should manifest itself mainly as follows: Public assets should be dominant in the total assets of the whole economy, and the state-owned sector should play a leading role in economic development. Public ownership can and should take diversified forms, including a share-holding system, joint stock partnerships, and joint ventures, as long as the scope of control of public capital can be expanded and the dominant role of public ownership enhanced.

Second, accelerate the reform of state-owned enterprises. The orientation of the reform of state-owned enterprises is the establishment of a modern enterprise system. The large and medium-sized state-owned enterprises will be converted into standard corporations according to the requirements of "clearly established ownership, well-defined rights and responsibilities, the separation of enterprise from administration, and scientific management," so that they will become corporate entities and competitors in the market. The reform of state-owned enterprises will be combined with their reorganization, renovation, and better management. A strategic reorganization of state-owned enterprises will be effected by good management of large enterprises, while adopting a flexible policy toward small ones. Highly competitive large enterprise groups with trans-regional, inter-trade, cross-ownership, and trans-national operations will be established, mainly through re-allocation of capital and the market mechanism. The small state-owned enterprises will be invigorated by relaxing state control, reorganization, association, mergers, leasing, contract operation, joint stock partnership, or selling them off. At the same time, supportive reforms will be pressed ahead, including building an effective mechanism for the management, supervision, and operation of state assets, to preserve or increase their value, and stepping up the establishment of a social security system.

Third, improve the structure and mode of distribution. A variety of income distribution forms will co-exist, while the system of distribution according to work, is to be kept as a primary form. By combining remuneration according to work and remuneration according to production factors, and by giving priority to efficiency with due consideration to equity, a distribution system conducive to optimizing the allocation of resources, promoting economic development, and maintaining social stability, will be established.

Fourth, give full play to the role of the market mechanism and improve the macroeconomic control system. In order to make the market play a basic role in the allocation of resources, a unified and open market system with orderly competition will be built, by developing all kinds of markets, with emphasis on markets for capital, labor, technology, and other factors. At the same time, the macroeconomic control system should be strengthened in order to maintain sustained and stable economic growth, while curbing inflation and promoting optimization of the major economic structures.

Five, continue to expand opening up. Opening to the outside world is China's long-term basic state policy. Facing

the trend of globalization, the pattern of opening up will be improved in all directions, at all levels, and in a wide range, so as to develop an open economy, enhance China's international competitiveness, optimize economic structure, and enhance its comprehensive national strength. For this purpose, China will continue to deepen the reform of the foreign trade system, actively participate in regional economic cooperation and the global multilateral trade system, and rationally and effectively make use of foreign capital. China will open its market even wider to the outside world.

With the implementation of the above reform measures, China will, preliminarily, establish a socialist market economy by the middle of the next century.

Armenia's economy, and the danger of war

by Haik Babookhanian

Haik Babookhanian is the editor of Hanzapetakan, the newspaper of the Republican Party of Armenia, and a member of the Presidium of the Union of Constitutional Rights of Armenia. The following is edited from his remarks to an economic seminar organized by the Schiller Institute in Wiesbaden, Germany, on Dec. 16, 1997.

Just after getting independence, Armenia's development was hampered, from the one hand by Azerbaijan's aggression against Nagorno-Karabakh, and the associated blockade of the roads organized by Azerbaijan and Turkey; on the other hand, by the activities of the International Monetary Fund, which, parallel to lending credits, used the hard situation which Armenia faced to dictate conditions which, in total, destroyed about 60-70% of Armenia's industry, reduced to about one-fifth the agricultural land under cultivation, created mass unemployment, which resulted in the emigration of one-third of the population, and, finally, drastically reduced the birth rate and the average life expectancy.

As a result, Armenia ran into external debts of almost \$690 billion, which exceeds the annual budget of Armenia by more than two times. And now, in order to pay the debts, Armenia is obliged to obtain new credits. The external debt as compared to the gross domestic product has reached the disastrous ratio of 50%. But when, in 1994, after the armistice, the political situation in the Transcaucasus was stabilizing and there was a possibility to restore the losses by working in peace, probably some circles didn't like these prospects. And, during the last months, Nagorno-Karabakh and Armenia have been put under heavy pressure, when the Organization for Security and Cooperation in Europe demanded that Kara-

bakh, which had already been independent from Soviet Azerbaijan for ten years, and which had never been a part of independent Azerbaijan, be yielded to Azerbaijan.

It is clear that in this case, again, wars will occur, with thousands of deaths, invalids, and refugees, and thus Armenia and Azerbaijan will be thrown back in their economic development again by several decades. This evident pressure is portrayed as necessary to protect the oil companies' interests (the major part of which are English and American). And, Armenia is simply told that if it goes along with this perspective, it will get the only possible way out of the economic crisis: that is to say, the pipeline will pass via Armenia, and thus, with the revenues generated from the oil transit, Armenia will have the possibility to meet the external debts.

The real issue is stability

But the real question is not oil, but the destabilization of the region, and not only of the Transcaucasus countries, but probably, which is very important, also Russia and Iran. For the first time in history, it is proposed to bring NATO troops into the territory of the former Soviet Union (into Nagorno-Karabakh), and to have them take up positions near the northern border of Iran and the southern border of Russia. Here it is worth mentioning that Iran and Russia are arguing about the Azerbaijani possession of Caspian oil—the oil reserves are in that part of the Caspian Sea which is considered for general use, according to the agreement between Iran and the U.S.S.R.

Thus, the question of oil possession can become a serious means of destabilization. By beginning a war, or in the case that enslaving conditions are dictated by the OSCE and the UN, the export of oil will become more unreal, because all the routes to the West will pass through territories where Armenians live—and history shows that the Armenian nation has borne many avengers, as, for example, after the genocide of Armenians in 1915, their true revenge continues till today.

The creation of a new center of tension in the region is explained by the oil interests, which becomes more absurd when we speak about small reserves of Caspian oil, and particularly in such part of the world, where there exist the Russian reserves in the north, and boundless Persian and Arabian reserves in the south.

Is there any alternative to so-called "oil development"? Yes, it is the economic integration of the countries of the region, restoration of the Silk Road, and building of the Eurasian economic bridge. Armenia is at the crossroads of the axes of north-south (Moscow, Yerevan, Teheran, and the Arab world) and east-west (Europe, Africa, and China and Asia), round which can be created effective, large-scale economic development, which will be on the basis, not of the enslaving credits of the IMF, but on the basis of healthy, physical economics. I must inform you, that our organization, together with the Schiller Institute, intends to organize an international conference on the above-mentioned theme, in April 1998, in Yerevan.

Mobilization against British terror intensifies

by Joseph Brewda

Pressure is continuing to build against Britain, following the Dec. 22 Gulf Coordination Council summit in Kuwait, which brought together the leaders of Saudi Arabia and the Persian Gulf emirates, who condemned the British for harboring terrorist gangs. That gathering followed that of the Organization of the Islamic Conference (OIC), which held an unprecedentedly high-level summit in Teheran, Iran on Dec. 9-11, where leaders from 56 Islamic nations issued a statement condemning British safehousing of terrorists.

This new phase in the Islamic nations' anti-British campaign began after the massacre of 62 people in Luxor, Egypt, on Nov. 17, 1997, by the Islamic Group, an Egyptian terrorist organization headquartered in London. Since that time, Egyptian President Hosni Mubarak has been leading an international effort to expose and condemn the British role, through statements by himself and his cabinet, and the Egyptian government press. The campaign itself dates back to the early 1990s, when Saudi Arabia, Egypt, and Turkey began to publicly criticize Britain for providing safe haven to "Islamic" and "ethnic separatist" gangs.

As *EIR* has documented, "Islamic" terrorism has nothing to do with Islam, and has always been run out of London. Virtually every terrorist group operating in the Muslim world today, is run by the hardened veterans of the Reagan-Bush/Thatcher Afghan mujahideen, who were assembled to wage war against Soviet forces, and who continue to operate on behalf of British geopolitical aims, under Islamic cover. Britain's targets are not only "moderate" countries like Egypt, Algeria, and Turkey, which have been plagued with increasing terrorist violence; its targets are also the so-called "rogue" states of Iraq, Iran, and Sudan, which the British have falsely accused of protecting the very terrorist groups that Britain, itself, harbors.

LaRouche applauds Islamic initiative

In a radio interview with the "EIR Talks" on Dec. 23, *EIR* Contributing Editor Lyndon applauded the role President Mubarak has played in identifying Britain as the world headquarters of terrorism. He emphasized that Mubarak is acting as a spokesman for a group of Islamic states, representing 1 billion people, who are angry enough to tell the truth about Britain.

LaRouche put it this way: "What you're seeing, is that a group of Islamic people, leaders of government and related institutions, who would normally be considered as Islamic moderates, . . . are joined in the same policy, which Mubarak is expressing. So, Mubarak is not speaking as a lone voice: He is speaking for a whole part of the world population, totalling up, in influence, to about 1 billion people; so, it's not to be overlooked."

LaRouche situated this development in the context of increasing resistance to the International Monetary Fund looting, and the disintegration of the world financial system. "This is a general revolt, against the IMF and the British policy. You see this reflected in patriotic sentiments, coming out of East Asia and Southeast Asia, and the resistance to the IMF, which is getting tougher by the day, saying, 'This is a bunch of bloodsuckers that should go away, and not bother us any more.' And it's this conflict, which brings all these forces together, saying, 'We've got to get some clout,' working together. These are forces which, to a large degree, have important relations with China, either directly or indirectly. These forces are coalescing, and they're using the theme of Islam, and, essentially, politically moderate Islam—that is, they're not leftist utopians. But they're using Islam as a fulcrum, to bring themselves together, to be a united force, on issues.

"And when they feel strong, they tell the truth. And when they feel strong, and tell the truth, they say: The British are

behind international terrorism, including the Luxor incident. And the British Crown is directly, wittingly responsible for these terrorist acts. And they say, they must be brought to heel.”

A crescendo of condemnations

Underscoring LaRouche’s point, is the sequence of condemnations of British terrorist safehousing by summits representing the leaders of the Islamic world.

- On Dec. 11, the Organization of the Islamic Conference, meeting in Teheran, in its final declaration, included a section denouncing Britain for granting political asylum to terrorists. The section was motivated by Malaysian Prime Minister Mahathir bin Mohamad, acting in coordination with both the Egyptian government, and the Iranian government hosting the event. (At the summit, Mahathir also denounced financier George Soros, who has acted as a front man for the British-steered speculative looting of Southeast and East Asia.) The section reads:

“The summit condemns terrorism in all forms and methods and, at the same time, declares that the killing of innocent people is forbidden in Islam, and that everyone should be free to determine their own fate. Based on OIC criteria, the participants stress, once again, that the campaign against international terrorism should continue, and stress that all serious and necessary measures should be taken to reach an agreement in this respect. Moreover, the attention of the international community is drawn to the fact that granting of asylum to terrorists should be stopped.”

- On Dec. 19, Egyptian Foreign Minister Amr Musa took the campaign to the Organization on Security and Cooperation in Europe, meeting in Copenhagen, where European and Mediterranean cooperation in security matters was discussed. Musa made very clear that the use of such forums to build up Islam the “enemy image,” would not be tolerated, and that Europe, and Britain in particular, had to clean up their act.

“I seize this opportunity to call from this podium,” he said, “for the serious reconsideration of the practice of granting asylum and providing a safe haven to individuals and fugitives implicated in violent activities in their home countries. These terrorists have exploited the banner of human rights, as well as their host countries, to plan and finance deadly terrorist operations around the world.

“During the OIC Conference, there was a wide perception by member countries, that the acts of some terrorist groups have cast aspersions on the image of Islam in the West, and that the Muslim countries have an important responsibility in remedying this situation. However, the Islamic world can not bear the responsibility of correcting this misperception alone. The onus should be equally shared by the West, whose countries, or some of them, are playing host to the leaders of several fanatic or terrorist organizations and groups.”

Four days earlier, Amr Musa had called in British Ambassador David Blatherwick, to hand him a protest note condemning British protection of the Luxor murderers, amidst

indications in the Egyptian press that Britain would be taken to the World Court.

- Similarly, the Gulf Cooperation Council summit in Kuwait, denounced Britain for providing terrorist safe haven, in a Dec. 22 statement, which reads:

“The council expressed regret at the fact that some countries harbor extremist, terrorist elements under the slogan of protection of human rights, and it urges these countries to distinguish between these rights, and the destructive acts of terrorism committed by these elements, which threaten the security and safety of countries, and constitute a serious danger to the citizens and residents of the latter. The council urged the countries concerned, to prevent these elements, and the extremist and terrorist groups, from using their territories and laws to secure provisions and weapons, and from engaging in any other activities that would endanger the security and safety of countries.”

In an interview with Saudi MBC TV on Dec. 22, the summit host, Kuwaiti ruler Sheikh Sabah al Ahmad al Jabir al Sabah, stated that Britain, and British-allied circles in the United States, were the target of the GCC resolution. “Some people took refuge in European countries, and the United States, as well as the United Kingdom,” he said. “Those people exploit their presence abroad to create mayhem in their own countries. We mentioned those countries and contacted their embassies. We hope that they will respond to what we demand.”

This is not the first time that the Gulf sheikhdoms, which have previously served as cash-cows for British-run operations such as the Afghan War, have condemned Britain. The member states of the GCC, which have an estimated \$1 trillion of investment in the non-Arab world, have increasingly been targeted for savage looting by international banking interests, threatening the very existence of their states. Terrorism has been one means the British have used, to force the emirates’ compliance.

The imperial overlord

On Sept. 23, the Bahraini newspaper *Al Ayyam*, in an editorial citing government sources, denounced Britain for “receiving and caring for terrorist elements, facilitating their movements on British territory, and granting them private passports in order to create bloody tragedies in several Arab areas.” The reason for this terrorism, the paper said, is that Britain is trying to reemerge as the imperial overlord of the region. The paper added that the Gulf states would unite to stop this.

On Nov. 25, United Arab Emirates President Sheik Abu Zayed al Nahayan condemned British harboring of the Luxor terrorists, in a Cairo press conference. “The British are human beings and all human beings want to preserve their own interests,” he said. But “we Arabs nations should in one voice tell the states that harbor terrorists, to stop cooperating with them. The terrorists are acting against our nations’ interests, and they don’t believe in Allah or the Koran. They believe only in the money they get, and achieving the goals of those who financed and directed them to kill and shed blood.”

Indo-Russian ties get a boost

A "strategic partnership" is emerging, which is especially important for stability in Central Asia.

Notwithstanding the political uncertainty that has gripped India, Moscow and New Delhi have embarked on a much broader strategic dialogue. The upcoming visit of Russian President Boris Yeltsin to India in January, the visit to India by First Deputy Prime Minister Anatoli Chubais on Dec. 17-19, and the Indo-Russian joint working group meeting in New Delhi which concluded in late December, are indicative of the process.

President Yeltsin, who had visited India in 1993 and met with Indian prime ministers in Moscow in 1994 and 1997, is, according to Indian observers, acutely alive to the need to develop a "strategic partnership" between India and Russia.

According to Academician Kutsenkov, Director of the Indian Studies Center in the Russian Academy of Sciences, the most important goals for Russia-India cooperation lie in establishing peace and stability in Central Asia. This would entail stopping the war in Afghanistan, normalizing the situation on the Tajik-Afghan border, settling the India-Pakistan conflict in Jammu and Kashmir along the principles laid down in the Moscow declaration on the protection of interests of multi-ethnic states, assisting the democratic and secular forces in the region, and fighting terrorism, separatism, and drug trafficking.

Kutsenkov said in a newspaper article last August that India's cooperation with the states of the Transcaucasus, Central Asia, and Kazakhstan is also in Russia's interests, because new kinds of transportation systems are in

the making. Kutsenkov did not explain what the new kinds of transportation systems would mean, but said that there are good grounds to expect faster growth in Russia-India trade.

During Chubais's visit, most of these issues were emphasized during discussions. Chubais made it clear that Moscow would like to set up a tariff-free trade area, or a preferential-trade area, with India. Reportedly, an expert group is looking at the concept of the free-trade area.

At the same time, the two parties quickly reached certain decisions involving other areas of cooperation. Russia and India came to terms on the financial and technological package for the two 1,000-megawatt Koodankulam nuclear reactors to be supplied by Russia. This would be the largest-ever project to be built through Indo-Russian cooperation, and would cost "several billion dollars," according to Chubais.

A protocol also has been signed which envisages wide-ranging cooperation in financial services aimed at facilitating two-way trade and investment flows. Moscow will allow two Indian banks to be set up in Russia, and in return, Indian banks will honor guarantees of 10 major Russian banks.

The two sides have also set up a joint maritime commission, which will hold its first meeting in Russia to arrange for a joint liner service linking ports in the two countries.

Also very much on the agenda of strategic partnership between the two nations is closer security relations. Indians have reportedly shown interest

in buying air defense systems from Russia. According to an unnamed Indian Defense Ministry official, the air defense systems, which India would like to build at home under Russian license, incorporates anti-aircraft, anti-short-range, and anti-ballistic missiles. The system has been identified as S-300, which could replace India's existing string of SAM-3 air defense missiles. The Russians claim that the S-300, which depends on satellite communication, not only attacks incoming missiles but also destroys its warhead, preventing it from dropping on cities or important installations.

The Russian-Indian working group that met on Dec. 19-21 in New Delhi prepared the proposed upcoming dialogue between President Yeltsin and Indian leaders on military, technical, and defense cooperation. The Indians are reportedly looking to obtain the know-how from Moscow to build Russian military hardware in India. The Indian aircraft industry is negotiating for license production of Sukhoi-30 multipurpose fighters.

The strengthening of Moscow-New Delhi ties became necessary in light of major developments in the area. To begin with, the cooperation between Moscow and Delhi was ruptured following the demise of the Soviet Union. The formerly high-profile relations between the two dwindled to a minimum. Trade plummeted to about one-fourth of what it was before.

At the same time, the necessity to stabilize Central Asia, to bring Iran into the mainstream of world political economy, and to stop the war in Afghanistan in order to develop the energy network and the Eurasian Land Bridge, has been noticed by both Delhi and Moscow. Both Washington's and Beijing's broad agreement with Moscow and Delhi on these issues has provided the necessary impetus in rebuilding their bilateral ties.

SAS trains mercenaries to smash unions

Crown assets, such as the Mont Pelerin Society, Rio Tinto, P&O Ports, and the government, target the Maritime Union.

In the first week of December, the Australian Council of Trade Unions (ACTU) and the Maritime Union of Australia (MUA) broke the news that a former SAS commando was training Australian Defense Force (ADF) officers in Dubai, United Arab Emirates, as a mercenary "strike-breaking" force for use on the Australian waterfront. According to the MUA, the ADF officers were being trained in stevedoring in preparation for a series of strikes which the government intended to provoke in April 1998.

Documents obtained by *EIR* indicate that the government has been deeply involved, as the union has charged, in creating a pretext to break the union, in particular in its discussions over the last year with P&O Ports, a subsidiary of the infamous drug-running firm of the 19th century, the Peninsular and Orient Steam Navigation Co., known as P&O. Also involved in the discussions was Rio Tinto, the world's largest mining company, in which the Queen herself has massively invested.

The waterfront is 100% unionized, and the MUA, with its 20,000-strong membership, is seen by the Liberal-National coalition government of Prime Minister John Howard (which boasts three founding members of the Mont Pelerin front, the rabidly anti-union H.R. Nicholls Society), as the major stumbling block to achieving its goal of annihilating the union movement, once and for all.

The "strike-breaking" operation was set up by Maj. Michael Wells (ret.), a former commando and mili-

tary adviser to the government during the Vietnam War, a weapons expert, and, a fully paid-up member of the Liberal Party of Australia. His partner, Peter Kilfoyle, is a former SAS commando who specializes in high-risk security transportation (especially bullion shipments), and in weapons training. The SAS is run worldwide from its headquarters in Hereford, England, including the SAS's "colonial divisions," of which Australia's is one of the most important.

Wells and Kilfoyle registered two companies: the Melbourne-based Fynwest Pty. Ltd., to handle recruitment, and International Port Services Training Group Pty. Ltd., to negotiate with Dubai. A third, shadowy company was registered in Hong Kong, the Container Terminal Management Services Pty. Ltd. (CTMS). At least \$1.7 million in funds for advertising and recruitment flowed through CTMS. The positions for the mercenaries were advertised in the official *Australian Defense Journal*.

EIR obtained the incorporation documents of CTMS, and found that the directors' names and statutory details required for registering a company, had been left blank.

During parliamentary question time shortly after the scandal broke, Prime Minister Howard denied all knowledge of the scheme, even as Defense Minister Ian McLachlan (a founding member of the H.R. Nicholls Society), whose ministry had to approve the leaves-of-absence for the trainees, boldly declared, "I'm all for it." Minister for Workplace Relations

Peter Reith, a speaker at H.R. Nicholls Society events, unconvincingly denied prior knowledge of the plan, but added, "It's about time we had some reform."

EIR also obtained an internal memorandum to Peter Reith, dated March 10, 1997, from the assistant secretary of his Industry Strategy Team, who briefed him on a forthcoming discussion with the two major stevedore companies in Australia, P&O Ports and Patrick. The clear intent of the memo was for the government to push the companies to confront the union. It also noted, with anticipation, that "P&O may also propose that the government seek to *legislatively de-register the MUA in advance of any other action on the waterfront*" (emphasis added).

The memo virtually proposed that a dispute be provoked on the waterfront, to break the MUA: "What would be needed for the MUA's influence on the waterfront to be significantly weakened would be for a range of affected service users and providers to take decisive action to protect or advance their interests." Such decisive action would mean that "stevedores would need to activate well-prepared strategies to dismiss their workforce, and replace them with another, quickly, in a way that limited the prospect of, for example, the [Industrial Relations] Commission ordering reinstatement of the current workforce."

Under threat of international union boycotts, the UAE cancelled the mercenaries' training contract in Dubai. Though this particular plot to smash the MUA has failed, in its wake the government has announced that it intends to use the 1996 *Workplace Relations Act*, drafted by a three-man team, including a top executive of Rio Tinto, a Rio Tinto-associated lawyer, and a member of the H.R. Nicholls Society, to provoke further confrontations on the waterfront in the near future.

International Intelligence

British dyspeptic over China help to Cambodia

Dow Jones' *Far Eastern Economic Review* of Dec. 11 warns Cambodia it is "playing with fire" by getting closer to Beijing. It is clear that China has undermined the combined effort of the British and their U.S. agents in the International Republican Institute (IRI) to revive the murderous Khmer Rouge. The *Review* complains that when Second Prime Minister Hun Sen foiled the attempted coup by First Prime Minister Ranariddh earlier this year, "China was among the first foreign governments to endorse the change." The *Review* dubs China's support for Phnom Penh's crushing of the Khmer Rouge, "abetting factionalism within Cambodia, stunting the growth of a strong and durable political system, . . . prolonging the corruption and instability that deter foreign investors."

Meanwhile, reported the Dec. 5 *South China Morning Post*, IRI front-man, Cambodia "dissident" Sam Rainsy returned to Phnom Penh in late November, from self-imposed exile, showing off his Khmer Rouge colors: "I urge all people to stop sending their sons to war to kill other Cambodians. Forget the Khmer Rouge — there are no hard-liners, just one Cambodian people." In keeping with the Khmer Rouge's rabid anti-Vietnamese racism, Rainsy said, "We must band together to prevent the *luan* [a derogatory term for Vietnamese] thieves from stealing our land and our timber." The *Post* quotes "foreign diplomats" calling this treasonous madness "brave and provocative."

Russia's Yeltsin blasts 'macroeconomic slogans'

In his Dec. 19 radio address to the nation, Russian President Boris Yeltsin, reviewing 1997, said that "it has become clear for most people, that there have been few achievements" in the economy, and he promised to "correct mistakes and draw the necessary conclusions." In place of Communist Party slogans, he complained, Russia has had a slew of "macroeconomic ones," such as

"Privatization at any cost!" and "Let us squeeze the dollar into a currency corridor!"

Yeltsin's remarks were a clear warning to First Deputy Premier Anatoli Chubais. Yeltsin, who took part on Dec. 19 in round-table talks on land reform, with multi-institutional participation, including from the Communist Party (CPRF) leadership of the Duma (parliament), also said, "I have asked Russians to turn this year into a year of reconciliation and accord. And I am doing it myself, even when I have to force myself and seek agreement, with the once 'irreconcilable opposition.'"

On Dec. 18, Yeltsin's financial adviser, Aleksandr Livshits, told reporters that information "known to a very limited circle" of officials, had been leaked to Western financial institutions. Livshits, as well as Premier Chernomyrdin, have come out with promises to get to the bottom of those leaks. On Dec. 18, *Nezavisimaya Gazeta* published an imperious letter from International Monetary Fund Managing Director Michel Camdessus to Chernomyrdin, but the scandal is not around the leak of the letter to the press, but rather, the leaking of sensitive data to the IMF! On Dec. 20, *Nezavisimaya* accused Chubais of handing such information over to the IMF.

Canadian Club of Isles daily pushes legal dope

The Toronto *Globe and Mail*, flagship newspaper in Canada for the British oligarchy's Club of the Isles, came out aggressively pushing for legalization of marijuana in Canada in its Dec. 12 editorial. The editorial was occasioned by a ruling by an Ontario provincial court that an Ontario man, Terry Parker, could legally cultivate a field of marijuana, ostensibly because he used the drug as "medication" to treat his severe epilepsy.

The *Globe and Mail* argued that, with medical marijuana now accepted by the courts, marijuana should be legalized for everyone. "A quarter of a century since the Le Dain royal commission recommended the decriminalization of marijuana in Canada, the Criminal Code remains obstinately in the throes of 'Reefer Madness' — insistent that

possession and use of marijuana is a serious and dangerous problem for society."

The editorial documents that the majority of the legal establishment in Canada favors legalized marijuana: "The Canadian Bar Association has been advocating the decriminalization of marijuana since 1976; the Canadian Police Association urged Parliament in 1993 to remove cannabis possession from the Criminal Code, lowering it to a mere ticketing offense, similar to a speeding violation. . . . And back in 1980, a justice minister by the name of Jean Chrétien [now Canada's prime minister] said his government intended to bring about changes to lessen the severity of penalties for marijuana possession. Seventeen years ago, Mr. Chrétien may well have been forced to explain why he would take such a step — today, he should be asked why not."

The owner of the *Globe and Mail* is a member of the oligarchy's 1001 Club and a protégé of 1001 Club member Maurice Strong, a leading mouthpiece for one-worldist, UN enforcement of environmentalist dictates.

British TV features EIR analysis of Diana death

On Dec. 13-15, Westminster TV, the largest cable network in Britain, aired a 30-minute documentary on its "Live-TV" show, featuring *EIR*'s Jeffrey Steinberg and Allen Douglas, reviewing their investigation into the vehicular murder of Princess Diana, Dodi Fayed, and driver Henri Paul. The half-hour broadcast was an unrelenting denunciation of the French government's "official" version of the fatal crash on Aug. 30-31. The official French story is that the Mercedes driver Henri Paul was drunk.

Steinberg, Douglas, and several others interviewed, including two former British Intelligence officials and Stuart Qualtrough, a writer for the weekly publication *The People*, all tore into Paris's mishandling of the case, detailing the contradictory facts, already elaborated in *EIR*.

Much of the broadcast was devoted to Steinberg and Douglas, who emphasized the "war and a half" that had been going on be-

UNICEF has suspended funds to six districts in Northern Uganda, because administrators failed to account for millions of shillings advanced in 1996. This is but a hint of the massive amount of funding that goes into Uganda and which is then siphoned off by government officials.

BRITAIN'S STRATEGIC Air Services and its amphibious counterpart, the Special Boat Service (SBS), have effectively merged much of their work, in a far-reaching reorganization of Britain's special forces, according to the *Sunday Telegraph* of Dec. 28. The two units regularly oversee terrorist operations globally, typified by the training and deployment of the Afghan mujahideen in the 1980s.

PAPUA NEW GUINEA continues to be threatened by the spread of drought, which now menaces the lives of up to 1 million people, according to Peter Barter, a senior coordinator for CARE Australia. Barter said that there was a greater than 80% chance that the drought would continue beyond May. Most deaths are caused by "drought-related illnesses, such as diarrhea, respiratory problems, and an increase in malaria."

WEI JIANXING, a member of the Chinese CP'S Political Bureau Standing Committee, began a nine-day visit to India on Dec. 12, at the invitation of Indian Vice President Krishna Kant. Wei was the highest-level Chinese official to visit India in 1997. Wei was to meet with President Kocheril Raman Narayanan, Vice President Kant, Prime Minister Inder Kumar Gujral, and leaders of the major political parties.

FRANCE is taking heat from International War Crimes Tribunal general prosecutor Louise Arbor, for allowing Serbian war criminals in Bosnia to walk freely around in those areas under French control. Foreign Minister Hubert Vedrine held a long and testy meeting with Arbor in mid-December, and also came under fire at the recent NATO meeting in Brussels.

tween Princess Diana and the House of Windsor, over the future of the British monarchy. "This was high politics—not low soap opera," Steinberg stressed. He and Douglas highlighted the viciousness of the French government's cover-up efforts, including its efforts to silence and intimidate key witnesses, such as British attorney Gary Hunter, who saw two cars speeding away from the tunnel moments after the crash.

In stark contrast to the Westminster TV documentary, most French and British media continue to spread disinformation about the vehicular homicide of Diana and Dodi.

Iran upgrades relations with Russia and Italy

Russian Deputy Foreign Minister Viktor Posvalyuk and his Iranian counterpart, Gholam Ali Khosroo, held talks which the latter described as "strategic" on Dec. 19. In the context of Iran's expanding ties with its neighbors, Khosroo said, Russia holds the top priority, and enjoys a "special status." The areas of cooperation stressed by both, were the Caspian Sea, the Caucasus, and Central Asia. Khosroo said that Iran was ready to help Russia expand ties with members of the Organization of the Islamic Conference, which had just completed a highly successful annual meeting in Teheran. The Iranian-Russian effort to end the civil war in Tajikistan, was cited as exemplary of effective joint action.

At the same time, Russian Deputy Prime Minister and Interior Minister Anatoly Kulikov made a three-day visit to Iran, to discuss cooperation in security affairs. The Iranian Interior Minister Abdollah Nouri announced that the two governments had inked a memorandum in security and law cooperation, signed by Kulikov and himself. The agreement is to cooperate in fighting crime, drug smuggling, smuggling of cultural objects, and transportation security.

Italy, too, has been upgrading relations with Iran. Italian Prime Minister Romano Prodi, in a meeting with Iranian Ambassador Majid Hedayat-Zadeh, on Dec. 20, said the OIC summit had presented a positive image of Iran, and that under Iran's three-year

chairmanship, relations with Europe were bound to improve. Prodi also underscored the importance of President Mohammad Khatami's call for a dialogue among civilizations. Foreign Minister Lamberto Dini also met with Hedayat-Zadeh to discuss enhancing economic and political relations. At the same time, an Italian delegation led by Foreign Ministry Secretary General Umberto Vattani, was visiting Teheran.

Shin Bet informant tied to Rabin's assassin

For the first time, the Israeli government has officially confirmed that Avishai Raviv, a close associate of the Yigal Amir, the man who assassinated Yitzhak Rabin, was a long-time informant of the Israeli internal security service, Shin Bet. Karmi Gillon, the former Shin Bet director, who resigned in the wake of the Nov. 4, 1995 assassination, confirmed that Raviv had worked "for many years" as a Shin Bet mole among the right-wing Jewish fanatic underground.

The confirmation by Gillon, which came during an interview on Dec. 26, with Israel's Channel One TV, came two days after Attorney General Elyakim Rubinstein announced that he was considering bringing charges against Raviv for failing to alert government agencies about the plot on Rabin's life, including from Yigal Amir, with whom he was closely associated. Gillon's comments came in the context of his harsh criticism of those in Israel who wish to pin the entire blame for the Rabin murder on just Amir, and who wish to ignore "the continuous campaign of incitement and rebellion" waged against Rabin by many opponents of his peace policy.

He defended Shin Bet's use of Raviv as an informant, noting, "You and I cannot be agents among the extreme right—we simply wouldn't be accepted there. That's why you have to recruit people from among them. . . . And if they don't act like those around them, the agents will not glean any intelligence information."

Israel commemorated the second anniversary of Rabin's death during the week of Chanukah, which began the evening of Dec. 23.

National News

Pope praises American constitutional republic

Pope John Paul II, in the course of accepting the diplomatic credentials of Lindy Boggs, the new U.S. ambassador to the Holy See, expanded on the importance of “American democratic experiment.” Thanking Ambassador Boggs for the greetings she delivered from President Clinton, the Pope said: “The Founding Fathers of the United States asserted their claim to freedom and independence on the basis of certain ‘self-evident’ truths about the human person: truths which could be discerned in human nature, built into it by ‘nature’s God.’ . . .

“Millions of people around the world look to the United States as a model, in their search for freedom, dignity, and prosperity. But the continuing success of American democracy depends on the degree to which each new generation, native-born and immigrant, makes its own the moral truths on which the Founding Fathers staked the future of your Republic. Their commitment to build a free society with liberty and justice for all must be constantly renewed if the United States is to fulfill the destiny to which the Founders pledged their ‘lives . . . fortunes . . . and sacred honor.’ . . .”

Court dismisses some counts against Espy

A Federal judge threw out 4 of the 39 felony counts in December, that had been brought against former Agriculture Secretary Mike Espy by independent counsel Donald Smaltz last August. Judge Ricardo Urbina also held open the possibility that he may dismiss other counts, pending an appellate court ruling in a related case.

Espy’s lawyers argued that Smaltz stretched the law to obtain the indictment of Espy, all counts of which revolved around about \$35,000 of allegedly illegal gratuities. At the time Espy was indicted, his attorney stressed: “In an effort to justify three years and countless millions spent on this investigation, the special prosecutor has stretched

criminal statutes beyond recognition and taken trivial, personal, and entirely benign activities, and attempted to distort them into criminal acts.”

The real target of Smaltz’s probe is, of course, President Clinton, not Espy. Soon after his 1994 appointment, and over Justice Department protests, Smaltz expanded his investigation to encompass the relationship between Tyson Foods, Inc. of Arkansas and Bill Clinton. Smaltz, testifying on Dec. 10 before the House Government Oversight and Reform Committee, said the Tyson aspect of his investigation is still ongoing.

One angry Democrat read into the record some choice media comments about Smaltz’s investigatory techniques, including by the *Legal Times*: “Smaltz has seized the opportunity to muckrake widely through Arkansas while improperly blabbing to the press about his interest in unsubstantiated allegations”; and by the *Chicago Tribune*, that “Smaltz has spent more time investigating Espy than Espy spent as agriculture secretary.”

Scaife blasted for Brown murder rumors

White House spokesman Mike McCurry bristled over the rumor- and conspiracy-mongering that Commerce Secretary Ron Brown had been shot in the head, before his plane crashed in Croatia in April 1996. Asked on Dec. 16 by a reporter whether the administration gives “any credence to the allegations that Ron Brown might have been shot?” McCurry retorted sharply: “Absolutely none. And credence is only given to those reports by entities associated with Richard Mellon Scaife. And we are right back into another one of these, chasing a story that’s been ginned up by people who, no doubt, for whatever reason, hate the President of the United States.” McCurry added that the Pentagon “has very thoroughly and in very gruesome detail—and no doubt it was painful to the Brown family—addressed this issue. And it’s time to knock this stuff off.”

Undeterred by reality, the Moon-owned *Washington Times* gave front-page coverage to ill-advised calls by Rep. Maxine Wa-

ters (D-Calif.) and Dick Gregory for an investigation into the line that Brown had been shot to death. The story was first promoted by Christopher Ruddy, a hireling of “Get Clinton” moneybags Richard Mellon Scaife, at Scaife’s *Pittsburgh Tribune-Review*, and has been universally acclaimed by the Clinton-bashing circuit, who incorporate the alleged murder of Brown, and the alleged cover-up, into the long list of murders they attribute to Bill Clinton. Among those championing the story are Scaife publicist Joseph Farah of the Western Journalism Center, Lord William Rees-Mogg’s partner James Dale Davidson in their *Strategic Investment* newsletter, and talk show airbags, such as Rush Limbaugh and G. Gordon Liddy.

Buried deep in the *Times* article, the medical examiner at the Armed Forces Institute of Pathology is quoted that full X-rays of Brown’s body had ruled out the possibility of a gunshot wound.

CIA, DOJ sidestep Bush role in crack plague

The reports by the CIA and the Department of Justice (DOJ) into allegations that the CIA was responsible for introducing crack cocaine into Los Angeles in the 1980s have been completed, but release of the two reports has been delayed at the request of the Justice Department, both the *Los Angeles Times* and the *San Jose Mercury News* reported on Dec. 18. The allegations, first aired in the San Jose daily in 1996, blamed the CIA for introducing the cheap, highly addictive form of cocaine into Los Angeles’ ghettos in order to fund the Nicaraguan Contras.

From the scanty leaks concerning the reports, it appears that their focus was almost as narrow as the original *San Jose Mercury News* articles: that is, centering on the CIA, rather than on the private intelligence networks run by Vice President George Bush, and that they restricted scrutiny only to Los Angeles. *EIR* has repeatedly warned that any investigation which limited itself to the “CIA” would quickly run into a dead end, because the Contra drug operation was run out of the White House/National Security Council by Bush,

using “privatized” networks.

According to the *Los Angeles Times*, one key player, Robert Owen, described as “a conservative activist” involved in the Contra operation in the mid-1980s, was never questioned. As *EIR*’s *Special Report* on “Drug Super-Kingpin George Bush” shows, Owen functioned as Oliver North’s “eyes and ears” at the Costa Rica ranch of John Hull, a transshipment point for illegal drugs, whose airstrip was built by covert U.S. Army units. Oliver North’s notebooks contained a number of references to Owen and drug trafficking. Owen was involved in meetings with Bush’s top drug trafficker, Felix Rodriguez, and had frequent contact with other Contra drug-traffickers.

Clinton: NATO needs to stay in Bosnia

President Bill Clinton announced on Dec. 18 that the United States is committed to maintaining a NATO military force in Bosnia past June, when the mission of the Stabilization Forces (SFOR) is concluded. The new mission, he said, was subject to six criteria: “First, the mission must be achievable and tied to concrete benchmarks, not a deadline. We should have clear objectives that when met, will create a self-sustaining secure environment and allow us to remove our troops. . . . Second, the force must be able to protect itself. . . . I hope the follow-on force will be smaller, but I will insist it be sufficient in number and in equipment to achieve its mission and to protect itself in safety.” Third, the United States must retain command. Fourth, the European allies must assume their share of responsibility. “While Bosnia is a challenge to American interests and values, the longer-term and fundamental challenge is to make Bosnia a genuine part of Europe. . . . Fifth, the cost must be manageable. And sixth and finally, the plan must have substantial support from Congress and the American people.”

The President made a 30-hour trip to Bosnia, just before Christmas, to visit U.S. troops. And, speaking to the Bosnian people at the National Theater in Sarajevo on Dec. 22, he said: “I was thrilled that the Sarajevo Symphony played before I was introduced to

speak. Its violinist and cellist, percussionist and flutist, played together before the war, stayed together during the war, answered the mortars and shells with the sounds of music. Seven of the members were killed—Muslims, Croats, and Serbs. Well, they’re still here, and they’re still Muslims, Croats, and Serbs. And to tell you the truth, I know the tuba players from the violinists, but I can’t tell the Muslims from the Croats from the Serbs. The harmony of their disparate voices—the harmony of their disparate voices—is what I hear. It reminds me of Bosnia’s best past, and it should be the clarion call to your future.”

U.S. officials urge anti-terror solidarity

On Dec. 15, Gordon Gray, the director for regional affairs of the State Department’s Office of Counterterrorism, told a WorldNet television audience in Lima, Peru and Buenos Aires, Argentina that a key element in the U.S. government’s counter-terrorism strategy is to “disregard political motivations . . . and treat terrorism as what it is: a common crime. We encourage other countries to do the same.”

Gray cited ten treaties now in force, and an eleventh treaty that is being developed at the United Nations, that will focus on actions against terrorist bombings. “Most of these treaties contain ‘extradite or prosecute’ provisions,” Dana Biehl of the Justice Department’s Office of Terrorism told the audience. The U.S. 1996 anti-terrorism law, he said, specifically made it a felony for anyone in the United States or under its jurisdiction to provide material support for foreign terrorist organizations. Federal prosecutor Richard Shine added that the 1996 law also bars members of terrorist organizations from entering the United States, and allows the government to block any of their assets in the United States.

All three speakers emphasized the importance of global cooperation. “We very much need worldwide solidarity,” Biehl told the audience, emphasizing that the ability to deny terrorists a hiding place, and the ability to assure severe punishment when caught, would be a powerful disincentive.

PRESIDENT BILL CLINTON ridiculed the professional Clinton-bashers, in comments on Dec. 13 to visiting Arkansas Democrats, referring to them as being “almost pathologically obsessed with personal destruction. . . . You all always say, ‘Gosh, I don’t know how you put up with it.’ How do you put up with mosquitoes in summertime in Arkansas? You just swat them and go on, it’s a part of living.”

PAT ROBERTSON’S Christian Coalition is laying off almost one-fifth of its employees, and its magazine, *Christian American*, is going to shut down. The Coalition is also severing its outreach to blacks, the Samaritan Project, which will now be “independent.” Rev. Earl Jackson, who runs the project out of Boston, says it will be easier to be credible, without the direct connection to the Christian Coalition.

NINA SHEA, of Leo Cherne’s Freedom House, is credited as the founder of the neo-conservative movement against “religious persecution,” in the *New York Times Sunday Magazine* of Dec. 21, which targets important potential U.S. allies, especially Sudan and China, for destabilization. However, the *Times* points out, the movement is driving a wedge between the GOP’s “social conservatives,” and the “business conservatives.”

THE INDICTMENT of former Housing Secretary Henry Cisneros was compared to “swatting a fly with a sledgehammer,” by political columnist Jack Germond on CNN’s “Inside Washington,” on Dec. 13. NPR legal reporter Nina Totenberg said that the \$4 million, two-and-a-half-year investigation ended with the “kinds of charges they throw in when they’re throwing the kitchen sink at somebody.”

THE IRISH PRESS, reporting on Irish Prime Minister Bertie Ahern’s mid-December meetings with President Clinton, surmised that he may make a trip to Ireland next year.

A rail emergency—in the United States

One sometimes wonders what it will take to make the current generation of Baby Boomers, and other citizens, understand the reality of the physical economic collapse which has occurred simultaneously with, and in inverse proportion to, the rise in the financial “prosperity” of the U.S. and world economy. Lyndon LaRouche once used to joke about how many Americans believed that you didn’t have to ensure farmers parity prices, because milk came from the grocery store! There is a similar mentality in virtually every area of the economy.

If we wait until there is a total breakdown in power, water, and other infrastructure, it may well be too late to prevent mass death on a scale unseen since the Black Plague.

There should be a warning signal in the current rail emergency in the western part of the United States. For decades, it was a legendary signal of economic underdevelopment, that a nation would be unable to get its food to market. In many Third World countries, and communist nations like Russia, upwards of 25% of the grain would lie and rot on the ground, because there were not sufficient rail cars, or rail lines, or fuel, or harvesters, to ship the food to where it was desperately needed.

Lo and behold, *today*, in the American Midwest, we are approaching the same situation. Thanks to the deregulation and consolidation of vital rail transport, the transport of food from our nation’s granary is heavily dependent upon *one* railroad. And that railroad, Union Pacific, has so downsized and asset-stripped its operation, that it cannot handle the job.

As of late November, there were over 100 million bushels of corn and sorghum lying on the ground outdoors—about 70 million in Nebraska, 30 million in Kansas, and some in Iowa and in Minnesota. Grain is piled up in mountains in these areas, waiting for rail cars which are stuck in other parts of the stripped-down rail network, and unable to be protected from the elements for lack of storage facilities.

In early December, the Surface Transportation

Board, a Federal agency, extended emergency orders on Union Pacific, which require that the railway report weekly on its progress in overcoming the bottlenecks and congestion now tying up freight movement. Jan. 1, 1998 was set as the date Union Pacific was supposed to be running smoothly, but this did not happen. Instead, rail service deteriorated.

While the result of this emergency is visible in the piles of grain on the ground, it is also reflected in the pile-ups at ports, from Houston, to New Orleans, to Los Angeles. Delays in coal shipments have affected power plant operation in numerous Midwest states, and the rate of accidents and injuries on the rail lines is way above that of other railroads. This is directly related to not only the state of maintenance, but to the fact that reduced crews are being worked 12-hour shifts, and sometimes for up to 14 days in a row.

There are very clear conclusions to be drawn from this situation: Lack of investment in maintaining and building infrastructure ultimately catches up with you. And the great, recent “success” story of the U.S. economy is built precisely upon the fact that there has been disinvestment in physical infrastructure, like rail, water, and power, since the early 1970s! We have built up a deficit in the trillions of dollars, a deficit which will, sooner or later, hit us with water main breaks, bridge collapses, power shutoffs, and lack of transportation of vital goods.

This is a problem which must be addressed *internationally*, of course, if we are to prevent disaster on a world scale. But the foretaste of disaster with the rail emergency should be used to educate our fellow citizens now. We have to get government back into its rightful business of providing vital infrastructure, for the health and welfare of our citizens. That’s going to mean cheap public credit for massive public, or public-private, construction projects, replacing and upgrading our deteriorating transport, energy, and water facilities—along with the Great Projects, such as Land-Bridge development corridors.

Let’s get the trains moving again.

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